



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



# Discussion Paper

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## Intellectual Property Laws Amendment Bill – Patents Act 2013, Trade Marks Act 2002, Designs Act 1953

May 2019

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# How to have your say

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## Submissions process

The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the issues raised in this document by 5pm on **Friday 2 August 2019**.

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

Please include your name and (if applicable) the name of your organisation in your submission.

Please also 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 document to [ip.policy@mbie.govt.nz](mailto:ip.policy@mbie.govt.nz)
- By mailing your submission to:

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

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

## Use of information

The information provided in submissions will be used to inform MBIE's policy development process, and will inform advice to Ministers on amendments to New Zealand's intellectual property legislation. We may contact submitters directly if we require clarification of any matters in submissions.

## Release of information

MBIE intends to upload PDF copies of submissions received to MBIE's website at [www.mbie.govt.nz](http://www.mbie.govt.nz). MBIE will consider you to have consented to uploading by making a submission, unless you clearly specify otherwise in your submission.

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- indicate this on the front of the submission, with any confidential information clearly marked within the text
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# Contents

<b>How to have your say</b> .....	<b>3</b>
Submissions process .....	3
Use of information .....	3
Release of information .....	3
Contents .....	5
<b>Introduction</b> .....	<b>7</b>
Purpose of this discussion paper and context .....	7
What does this discussion paper do? .....	7
Process and timeline .....	9
<b>1 Patents Act 2013</b> .....	<b>10</b>
Introduction: the patent examination process .....	10
1.1 Divisional Patent Applications .....	13
1.2 Requests for Examination .....	27
1.3 Poisonous priorities and poisonous divisionals .....	29
1.4 Multiple priority dates for claims .....	39
1.5 Extensions of time when hearing is requested .....	45
1.6 The utility requirement .....	49
1.7 Swiss-type Claims .....	50
1.8 Exhaustion of patent rights .....	54
1.9 Attorney-General’s right to intervene in patent proceedings .....	59
1.10 Availability of documents relating to 1953 Act applications .....	63
1.11 Abstracts .....	64
<b>2 Trade Marks Act 2002</b> .....	<b>67</b>
Introduction: the trade mark registration process .....	67
Examination .....	68
2.1 Series of Trade Marks .....	68
2.2 Prior continuous use to overcome a conflicting registration .....	73
2.3 Require that specifications be clear .....	74
2.4 Mandate applicants use IPONZ’s pick list of goods and services for Search and Preliminary Advice applications .....	76
2.5 Clarify scope of acceptable memoranda .....	77
2.6 False claims of ownership as a ground for invalidity proceedings .....	80
2.7 Confirm that section 17(1)(b) covers activity which is contrary to law other than the Trade Marks Act .....	81
2.8 Remove requirement that only an “aggrieved person” can apply to revoke or invalidate a registration .....	82
2.9 Partial refusals for national trade mark applications .....	83

2.10 Undefended non-use revocation proceedings.....	85
<b>3 Designs Act 1953 .....</b>	<b>87</b>
3.1 Substitution of Applicant .....	87
3.2 Requirement to use IPONZ Case Management Facility .....	88
3.3 Section 38: Costs and Security for Costs .....	89
3.4 Hearings before the Commissioner of Designs .....	90
3.5 Authorisation of Agent.....	90
3.6 Proceedings before the Commissioner of Designs .....	91
<b>4 Use of Artificial Intelligence by IPONZ .....</b>	<b>93</b>

# Introduction

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## Purpose of this discussion paper and context

1. The paper deals with issues that may be included in a proposed Intellectual Property Laws Amendment Bill (**the IP Amendment Bill**).
2. The IP Amendment Bill is an omnibus bill that is intended to make amendments to the *Patents Act 2013*, the *Trade Marks Act 2002*, the *Designs Act 1953* (**the IP Laws**), and the associated regulations.
3. The purpose of the IP Amendment Bill is to make technical amendments to the IP Laws to ensure that they remain workable. The Bill is not intended to be a full policy review of the IP Laws, or to review the criteria for granting patents, or registering trade marks or designs.
4. The issues that are included in this discussion paper include issues that have been raised by:
  - the Ministry of Business, Innovation and Employment (**MBIE**)
  - Patent Attorneys
  - Local businesses

## What does this discussion paper do?

5. This discussion paper looks at a number of issues in relation to the IP Laws or associated regulations. Each of the issues is discussed, and results of MBIE's analysis of the issues is presented.
6. For some issues, the paper suggests an amendment to the relevant legislation. In these cases, options for amendment are discussed, and where MBIE has a preferred option, this is indicated.
7. For other issues, MBIE has concluded that the relevant legislation as it stands does not require amendment. In these cases, MBIE has indicated the reasons for this conclusion.
8. In some cases, MBIE is unsure whether or not there is a problem. For these issues, the consultation document invites submitters to provide additional information to assist MBIE in determining whether there is a problem that might justify an amendment to the relevant IP Law.
9. Regardless of whether or not MBIE considers that an amendment to the relevant legislation is necessary, submitters are invited to comment on all of the issues raised in the paper. The discussion of the issues includes questions asking submitters whether or not they agree with MBIE's conclusions on each issue.

## Who is this discussion paper aimed at?

10. The issues discussed in the consultation document are technical issues relating to the IP Laws and their administration. Given the specialised nature of the issues, and that they will be relevant mainly to a small number of people who are knowledgeable on intellectual property matters, the consultation document is targeted at these people. That is, we have assumed that readers have at least a reasonable knowledge of the IP Laws and how they work.

## What issues are being discussed?

11. The discussion document is split up into four sections. There is one each for patents issues, trade marks issues, and designs issues. The fourth section looks at the possible use by IPONZ of Artificial Intelligence to make complex discretionary decisions. The issues we are seeking submissions on are set out below. Submitters can make submissions on any or all of the issues, according to their interests, as listed below:

### Patents Act 2013

- divisional patent applications
  - transitional provisions for divisional patent applications divided from applications made under the *Patents Act 1953*
  - the filing of divisional patent applications divided out of patent applications which are themselves divisional patent applications (often referred to as “daisy-chaining” of divisional patent applications)
- requests for examination under section 64 of the *Patents Act 2013*
- “poisonous” priority and “poisonous” divisionals
- multiple priority dates for the claims in a complete specification
- extensions of time for putting an application in order for acceptance when hearings are requested in relation to a patent examiner’s objection
- exhaustion of patent rights
- the Attorney-General’s right to intervene in patent proceedings
- the requirement for an invention to be useful
- Swiss-type claims
- availability of documents relating to patent applications made under the *Patents Act 1953*
- abstracts

### Trade Marks Act 2002

- series of trade marks
- prior continuous use of a trade mark as a ground for overcoming an objection to registration based on a prior registered mark
- require trade mark specifications to be clear
- mandate use of the IPONZ pick list for Search and Preliminary Advice



- The scope of acceptable memorandums that can be entered on the Register of Trade Marks
- false claims to ownership of a trade mark as a ground for invalidating a trade mark registration
- clarify that the reference to “New Zealand law” in section 17(1)(b) of the Trade Marks Act refers to laws other than the Trade Marks Act
- remove requirement for an applicant for revocation or invalidity to be an “aggrieved person”
- partial refusals of national trade mark applications
- undefended proceedings for revocation of a trade mark registration for non-use

### Designs Act 1953

- substitution of applicant
- requirement to use IPONZ case management system
- costs and security for costs
- hearings before the Commissioner of Designs
- authorisations of agent

### Designs Regulations 1954

- proceedings before the Commissioner of Designs

## Process and timeline

12. Submissions on this discussion document close at 5pm on 2 August 2019. Once submissions have closed, MBIE will analyse them and make recommendations to the government as to what, if any, changes should be made to the IP Laws and associated regulations.
13. When the government has made a decision, the recommendations, and the submissions, will be published on MBIE’s website. MBIE will then draft instructions for the Parliamentary Counsel Office, which will draft the Amendment Bill.
14. MBIE will then seek approval from Cabinet to introduce the Bill to Parliament. After introduction, the Amendment Bill will be scheduled for a first reading, after which it will be referred to a Select Committee. The Select Committee will then seek public submissions on the Bill.
15. It is not possible, at this stage to give an accurate indication of when the Bill might be passed, or when the amendments in the Bill will enter into force. MBIE will endeavour to keep stakeholders informed of developments, as they occur. Information on the progress of the process will also be posted on the MBIE website at <https://www.mbie.govt.nz/business-and-employment/business/intellectual-property/>.

# 1 Patents Act 2013

## Introduction: the patent examination process

16. This section of the consultation document looks at issues concerning the *Patents Act 2013* (**the 2013 Act**) the *Patents Act 1953* (**the 1953 Act**) and the *Patents Regulations 2014* (**the 2014 Regulations**) . To assist in understanding the issues, below is a brief description of the procedure for examination and grant of patents under the 2013 Act and the 2014 Regulations

### What is a patent application?

17. If an inventor wants to patent their invention in New Zealand they must file a patent application with the Intellectual Property Office of New Zealand (**IPONZ**).
18. There are two ways in which an inventor can do this:
- File an application directly with IPONZ, or
  - File an “international application” under the Patents Cooperation Treaty (**PCT**)<sup>1</sup>.
19. The patent application must include a “complete specification”. A complete specification has two main parts:
- A **disclosure** of the invention; and
  - A set of **claims** defining the invention

### The disclosure

20. The disclosure is a description of the invention. It must be clear and detailed enough so that a person skilled in the technical field of the invention can reproduce the invention without undue experimentation.

### The claims

21. The complete specification must end with one or more claims. They are a set of statements that set out what the inventor wants patent protection for. The number of claims can vary from one to several hundred.
22. For a patent to be granted, the invention described in the claims must be new, non-obvious (i.e. involve an inventive step), and useful. The invention described in the claims must not include anything that was not described in the disclosure.

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<sup>1</sup> An explanation of the procedure under the PCT can be found at:  
<http://www.wipo.int/pct/en/faqs/faqs.html>

## Patents and priority

23. A patent application may claim priority from an earlier filed application. The earlier application is known as a “priority application”, and may be filed:
  - In the same country as the later application,<sup>2</sup> or
  - In another country that is a Party to the *Paris Convention for the Protection of Industrial Property* (**the Paris Convention**).
24. In order for an application to claim priority from an earlier application, it must generally be filed within 12 months of the date of filing of that earlier application<sup>3</sup>. In this case, the date of the earlier application’s filing is known as the “priority date” of the later application. If the later application does not claim priority from an earlier application, it has a priority date that is the same as its filing date.
25. The later application can only claim priority from an earlier application if its claims are for the same invention as that in the earlier application. If this criterion is met then any publication or use of the invention described in the earlier application between its filing date and that of the later application will not prevent the grant of a patent on the claims. In the absence of priority, any such publication or use would mean that the claims would not be considered new or inventive and a valid patent could not be granted.

### Why provide for priority?

26. By filing a priority application, applicants can stake a claim to the invention described in the priority application. This enables the applicant to make details of the invention public without jeopardising their ability to obtain a patent at later date. Applicants may wish to do this to test the commercial viability of their invention, or to seek investment capital.
27. If applicants subsequently decide that it is worthwhile obtaining a patent, they have the option to file further applications, either in their home country or in other countries, claiming priority from the priority application P.

## Examination of patent applications

28. Under the 2013 Act a patent application will only be examined if the applicant requests examination. Once examination is requested, the application is referred to a patent examiner who determines whether or not it meets the requirements for grant of a patent.
29. If the examiner finds that an application as originally filed does not meet the criteria for acceptance, a report is sent to the applicant setting out the objections. The applicant can then propose amendments and/or attempt to convince the examiner to withdraw the objections.

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<sup>2</sup> For example, a complete specification filed under the New Zealand Patents Act 2013 can claim priority from a New Zealand provisional patent specification.

<sup>3</sup> In New Zealand, a complete specification can claim priority from a New Zealand provisional specification filed up to 15 months earlier.

30. Once the examiner is satisfied that the patent application meets the requirements for grant, the application is accepted. A notice of acceptance is advertised by IPONZ. Third parties then have three months to oppose the grant of a patent on the application if they believe that the application does not meet the requirements for grant.
31. If no one opposes the grant of the patent, or if any opposition is unsuccessful, a patent will be granted. Once 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.

## 1.1 Divisional Patent Applications

32. This section of the consultation document looks at issues relating to divisional patent applications. These are:
- transitional provisions of the 2013 Act relating to divisional patent applications.
  - “daisy-chaining” of divisional patent applications under the 2013 Act (including the filing of “whole of contents” divisional patents applications).

### What are divisional patent applications?

33. If a patent application has been made, but the application has not been accepted, or has become void or abandoned, the applicant can file one or more further application(s) seeking patent protection for any invention described in the original application. The original application is referred to as the parent application. Each subsequent application is known as a divisional patent application.
34. When the divisional application is filed, the applicant must request that it be given the same filing and priority dates as the parent. This request will be granted if the the divisional application does not contain any information not already in the parent application.
35. The term of any patent granted on a divisional application is the same as for the original parent patent application (if the divisional application is given the same filing date as its parent). This is twenty years from the date that the original parent patent application was filed.
36. Under both the 2013 Act and the 1953 Act, it is possible for a divisional application to be derived from an earlier patent application that is itself a divisional patent application. This process is sometimes known as “daisy chaining”.

### Why are divisional patent applications provided for?

37. It often happens that patent applications describe more than one invention. Under section 39(2) of the 2013 Act, and section 10(4) of the 1953 Act, however, a patent can only be granted for one invention. The divisional patent application system allows applicants to obtain patent protection for any additional inventions described in the parent application.
38. At times, an applicant may describe more than one invention in a single patent application. In such cases, the applicant may want to delay making a decision on which of the inventions described in the application it will seek for a patent 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.
39. Sometimes an applicant may believe that its patent application only describes a single invention, but the patent examiner may find 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).

## International obligations

40. Article 4G of the Paris Convention requires member states to allow applicants to make divisional patent applications.

### 1.1.1 Transitional provisions of the Patents Act 2013 relating to divisional patent applications

41. This issue was the subject of a 2016 consultation.<sup>4</sup> MBIE has analysed the submissions to that consultation and we wish to test a possible approach with affected parties before making final recommendations to government.

## The current situation

42. A detailed description of the problem and proposed options for dealing with it can be found in the 2016 consultation document. Set out below is a brief summary of:
- the problem with the transitional provisions that was set out in the consultation document
  - the options proposed for dealing with the problem
  - the submissions received.
43. The 2013 Act contains transitional provisions setting how applications filed before 13 September 2014, the date that the 2013 Act entered into force, are to be dealt with.
44. Section 258 of the 2013 Act sets out the transitional provisions that apply to divisional patent applications. Where a divisional patent application is:
- filed on or after 14 September 2014; and
  - the parent patent application was filed before 14 September 2014,
- the divisional patent application is treated as a divisional patent application made under the 1953 Act, rather than the 2013 Act. These are referred to in this document as **1953 Act divisionals**.
45. Further divisional applications divided from 1953 Act divisionals are also treated as 1953 Act divisionals. As it stands the 2013 Act allows 1953 Act divisional patent applications to be filed for up to 20 years after the entry into force of the 2013 Act, that is, until 2034.

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<sup>4</sup> See <https://www.mbie.govt.nz/have-your-say/proposed-amendments-to-the-transitional-provisions-of-the-patents-act-2013-relating-to-divisional-patent-applications/>

46. As of mid February 2019, there were approximately 774 pending 1953 Act divisional applications. The table below shows how these divisional applications were distributed. A “1<sup>st</sup>” generation divisional is one divided from an application that is not itself a divisional application. A “2<sup>nd</sup>” generation divisional is one that is divided from a “1<sup>st</sup>” generation divisional, and so on.

Generation	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>
Number of Applications	103	271	172	99	63	31	21	6	5	2	1

## The problem

47. The requirements for acceptance of a 1953 Act patent application are much less strict than the requirements under the 2013 Act. In particular, the 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.
48. The continued filing of 1953 Act divisional patent applications also imposes an administrative burden on IPONZ. This requirement would mean examiners may need to be trained to examine applications under both the 2013 and 1953 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.

## Possible solutions to the problem

49. There were three possible options identified for addressing the above problem:
- i. No change to the transitional provisions of the 2013 Act (the status quo); or
  - 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; or
  - 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.

The Ministry’s preferred option is option (iii).

## Summary of submissions

50. Eight parties made submissions to the 2016 consultation, which can be found [here](#). Six of the submissions came from patent attorneys or lawyers. The other two came from two local companies with significant manufacturing operations in New Zealand, Fisher and Paykel Healthcare (FPH), and Douglas Pharmaceuticals. FPH owns many New Zealand patents.

Douglas Pharmaceuticals is a generic pharmaceutical manufacturer which owns few New Zealand patents.

51. The submissions from patent attorney firms and lawyers were opposed to any change in the transitional provisions relating to divisional patent applications. Some argued that the change would retrospectively take rights away from those who had applied for patents under the 1953 Act. Submitters also questioned whether the current transitional provisions were actually causing a problem.
52. The submission from the New Zealand Institute of Patent Attorneys took a neutral stance, stating that its members represented clients on both sides of the issue.
53. Some of the submitters who opposed option (iii) considered that, if this option was adopted, it would be unfair to apply all of the provisions of the 2013 Act to applications made under the 1953 Act. For example they argued that it would be unreasonable to apply the support requirements in the 2013 Act to 1953 Act applications drafted to comply with the less strict 1953 Act “fair basis” requirement.
54. The submission from FPH supported either of option (ii) or (iii). FPH argued that the low threshold of patentability in the 1953 Act led to the grant of overly broad and often invalid patents, which unfairly favoured foreign patentees<sup>5</sup>.
55. Douglas Pharmaceuticals supported option (iii). They submitted that the low threshold of patentability in the 1953 Act could mean that patents could be granted in New Zealand that were broader than patents granted for the same invention in other countries. The effect of this is that New Zealand based manufacturers could not make and export products covered by these broad patents, while their overseas competitors were free to make the same products and sell them in other countries.
56. Both FPH and Douglas Pharmaceuticals acknowledged that they could challenge the grant of overly broad 1953 Act patents. However the costs, delay and uncertainty involved in such challenges leaves them at a competitive disadvantage compared to their foreign competitors. Both submitters also expressed concern that the current transitional provisions in the 2013 Act presented a potential threat to their local manufacturing operations.

## Comment

57. All of the submissions opposing change came from patent attorneys or lawyers who represent patent applicants or patent owners. Their stance may reflect the fact that most businesses who apply for, or who own New Zealand patents consider that they would not gain much benefit from changes to the transitional provisions of the 2013 Act.
58. Any benefit would lie in the reduced likelihood that patent owners would have to bear the cost of third party challenges to patents granted on their 1953 Act divisional patent applications. Patent owners might not see this as a benefit, as the costs involved mean that few of these patents are ever challenged.

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<sup>5</sup> About 90% of New Zealand patents are granted to applicants from outside New Zealand.



59. While there might not be much benefit to most patent applicants or patent owners in the proposed change, there does not appear to be any disadvantage either, particularly if the transitional provisions are amended as described below.
60. The changes could, however, provide some potential benefit to local businesses by reducing or avoiding the costs involved in challenging patents granted on 1953 Act divisional applications that may cover products or services that they are already producing. All businesses could potentially benefit, whether or not they also apply for or own New Zealand patents.
61. On balance then, MBIE considers that changes to the transitional provisions of the 2013 Act relating to divisional patent applications are justified. There will be some, perhaps small, benefits to patent owners and applicants. Businesses who do not own patents, but produce goods or services that can be covered by patents, will also gain some benefit. There appears to be little, if any, disadvantage to either patent applicants or owners or other businesses.

### MBIE's proposed solution

62. MBIE's proposed solution to the problem is to amend the transitional provisions of the 2013 Act to provide that:
- Where a 1953 Act divisional patent application is filed<sup>6</sup> 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.
63. These will be applied using the “balance of probabilities” approach taken in the 2013 Act.
64. The novelty, inventive step and support requirements in the 2013 Act are:
- **Absolute novelty:** the claimed invention must not have been disclosed to the public, anywhere in the world, by any means, before the priority date of the claimed invention<sup>7</sup>.
  - **Inventive step:** the claimed invention must involve an inventive step, that is, it must not be obvious to an appropriately skilled person, having regard to what was known or used, anywhere in the world before the priority date of the claimed invention<sup>8</sup>.
  - **Support:** That the claims of the complete specification be supported by the matter disclosed in the complete specification.

If the imposition of these requirements is to be effective, they must also be applied using the “balance of probabilities” approach taken in the 2013 Act, rather than the “benefit of the doubt” approach taken in the 1953 Act. It may be difficult to enforce the 2013 Act requirements if applicants must be given the benefit of the doubt.

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<sup>6</sup> The filing date referred to is the actual date that the divisional application is received by IPONZ, not the date that the parent application was filed (or deemed to have been filed, if the parent application is itself a divisional application).

<sup>7</sup> See sections 6 and 8 of the 2013 Act

<sup>8</sup> See sections 7 and 8 of the 2013 Act

65. The requirements listed above are the only 2013 Act requirements that would apply to 1953 Act divisionals. Examination would not have to be requested, and the time limits set under the 1953 Act would still apply.
66. Taking this modified approach should go some way towards meeting the concerns expressed by submitters that it might be inappropriate to apply all of the provisions of the 2013 Act to 1953 Act divisionals. It also means that the 2013 Act is applied to 1953 Act divisionals only to the minimum extent necessary to deal with the problem identified by MBIE. In addition, as described below, it does not significantly reduce the patent rights of applicants who make 1953 Act divisional patent applications.
67. This approach will mean that the claims accepted for grant in 1953 Act divisional applications filed after the specified date will likely be narrower in scope than under the 1953 Act. It would no longer be possible for patents to be granted on 1953 Act divisionals with claims that are obvious. This will reduce or avoid the need for other persons to incur the costs of challenging the grant of patents on 1953 Act divisionals.
68. At the same time, any disadvantage to patent applicants will be minimised. Patent applicants would still be able to make divisional patent applications if they so wish. Although the claims accepted for grant on these applications would likely be narrower in scope than if examined according to the criteria in the 1953 Act, this should not unduly disadvantage patent applicants.
69. This is because the patent rights that could actually be enforced by owners of patents granted on 1953 Act divisionals under the amended transitional provisions would not be much different from those that could be enforced under the current transitional provisions. However, the expense of a challenge by third parties to narrow the scope of such patents would be avoided, as the scope would have been narrowed during examination of the 1953 Act divisional.
70. The requirement that 1953 Act divisional applications must meet the 2013 Act support requirements should not significantly disadvantage applicants. 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.

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#### **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.**

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## 1.1.2 “Daisy-Chaining” of Divisional Patent Applications

71. In the section “*What are divisional patent applications*”, **daisy-chaining** was defined as the practice of dividing a divisional patent application from an earlier application that is itself a divisional patent application. Both the 2013 Act and the now repealed 1953 Act are silent on whether or not daisy-chaining is permissible.

### The current situation

72. Under the 2013 Act patent applications are only examined if the applicant specifically requests it. Examination must be requested within five years of the date of filing of the application.
73. In the case of divisional applications, the current wording of section 64(1) of the 2013 Act and Regulation 71(a) of the 2014 Regulations requires requests for examination of divisional applications to be filed within five years of the date of filing of the original parent application. This means that divisional patent applications cannot be daisy-chained indefinitely.
74. As discussed below, daisy-chaining may not be desirable. Even if there were no problems associated with it, there may be value in dealing with the issue in the Act, so as to remove any uncertainty regarding the practice.

### Why do applicants daisy-chain divisional patent applications?

75. There are a number of reasons why applicants might want to “daisy-chain” divisional patent applications. Some of these reasons are discussed briefly below.

#### *The original parent application discloses two or more inventions*

76. Some applicants will file an application describing two or more inventions if, at the time of filing, they have not decided which of the inventions they will eventually want patent protection for. The divisional application will claim an invention different from that claimed in the parent application, and the parent application will be prosecuted to acceptance.
77. In these cases, applicants may use daisy-chained divisionals to delay making a decision on which inventions they will patent, perhaps while they determine the commercial viability of the inventions.

#### *Patent Examiner’s objections*

78. As mentioned earlier, the patent examiner may sometimes find an application actually describes more than one invention. In such cases, the applicant may wish to file divisional applications, including daisy-chained applications to ensure that they can obtain protection for all of the inventions that might be identified by the examiner.

#### *Use of **whole-of-contents** divisional applications to gain extensions of time for putting an application in order for acceptance*

79. Under the 2013 Act, applicants have a maximum time period of 12 months from the date of the first examination report to overcome all objections raised by IPONZ and place the

application in order for acceptance. There is no provision that allows applicants to request an extension of this time period.

80. The policy intent behind this requirement is to limit the time that a patent application remains pending after the first examination report is issued. This gives the public reasonable certainty as to when the fate (patented or not patented) of the invention(s) disclosed in the application will be finally determined.
81. Some applicants get around this time limit by filing what are known as **whole-of-contents** divisional applications. A whole-of-contents divisional is essentially identical to the parent application. When divisional patent applications are examined, the applicant is given 12 months from the date of the first examination report on the divisional application to get the application in order for acceptance.
82. Since the whole-of-contents divisional is essentially identical to the parent, filing such a divisional application effectively gives the applicant a de facto extension of the time allowed for putting the parent application in order for acceptance. This is contrary to the policy intent in setting a time limit in the first place. The ability to file whole of contents divisionals, including daisy-chained divisionals effectively nullifies the effect of the time limit set in section 71(1) of the 2013 Act.
83. MBIE is aware that a major reason why applicants file whole-of-contents divisional applications is to gain a de facto extension of time for prosecuting the patent application. For example, one local patent attorney's website<sup>9</sup> gives this as a reason for filing whole-of-contents divisionals. The Law Society submission on the divisional application consultation document mentioned earlier also gives this as a reason.

#### *Strategic reasons*

- 83.1. Applicants may file divisional applications, including daisy-chained divisionals, in the hope of gaining a commercial advantage over potential competitors. For example, there may be situations where a competitor attempts to "design-around" the claims accepted in the original parent application by marketing a product that is very similar to, but not exactly the same as, the product covered by those claims.
- 83.2. If a patent application is kept pending by filing daisy-chained divisional applications, the claims of the divisional application(s) could be amended so that they cover the competitor's product<sup>10</sup>. The divisional can then be prosecuted to acceptance by the applicant. This may make it easier to make a case that the competitor's product infringes the claims of the divisional application, even though they might not infringe the claims of the original parent.

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<sup>9</sup> See the article "*Divisional patent applications: what are they and why should you use them*". <http://www.jamesandwells.com/wp-content/uploads/divisional-patent-applications-what-are-they-and-why-should-you-use-them.pdf> (accessed 13 May 2019).

<sup>10</sup> A patent application is "pending" if it has not been accepted for grant, or is not void or abandoned.

## What is the problem with the current situation?

84. 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.
85. The applicant may prosecute any or all of the daisy-chained divisional applications through to acceptance. Alternatively the applicant may allow them to go void or abandoned, for example by not responding to an IPONZ examination report.
86. Keeping a patent application pending for long periods of time creates uncertainty for the public as to what (if any) patent rights might eventually be granted on an application. For example, a business may be looking to introduce a new product and wants to find out whether it would infringe someone else's patent.
87. If the business sees a pending patent application that might, if granted, cover its new product, it might be prudent for the business to wait and see whether or not the application is accepted before making a decision on whether or not to introduce the new product. But if the application is kept pending through the daisy-chaining of divisionals, they may have to wait for an indefinite period of time to find out if they will have the freedom to market the product.
88. This may mean that the business ultimately decides not to introduce their new product, because they cannot afford to wait and see what patent rights in that product might eventually be granted. In short, it introduces considerable uncertainty for local market participants which risks disincentivising local innovation.
89. The effect of this is to give the patent applicant an effective monopoly in an invention even though a patent for that product has not been granted, and may never be granted. In fact this could occur even if the product is not new, or inventive, and would never be granted a patent anyway. This also has the potential to inhibit innovation and reduce competition.

## Are there any benefits from daisy-chaining of divisional patent applications?

90. At present, MBIE has not identified any significant benefits to the New Zealand economy from permitting daisy-chaining of divisional patent applications. We invite persons making submissions on this consultation document to identify any benefits that they see in the practice, together with any evidence in support than they may have.

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### 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.**

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## Possible options to deal with the problem

91. MBIE has identified three potential options to deal with the problems posed by the daisy-chaining of divisional patent applications:
- i. No change to the provisions of the 2013 Act relating to divisional patent applications (the status quo); or
  - ii. Amend the 2013 Act to provide that divisional patent applications cannot be divided out of an application that is itself a divisional application (i.e. prohibit “daisy-chaining”); or
  - iii. Amend the 2013 Act to provide that the fate of all divisional patent applications divided from a particular original parent application must be determined by a specified date.

The Ministry’s preferred option is Option iii.

## Assessment of the Options

92. In deciding which option best addresses the issue of daisy-chaining, we have identified the following three factors:
- i. Place reasonable limits on the time that a patent application remains pending after the first examination report is issued.
  - ii. Provide certainty for the public about when the fate of the invention(s) disclosed in a patent application as originally filed will be finally determined once a first examination report has been issued.
  - iii. Give applicants an opportunity to obtain patent rights for any or all of the inventions disclosed in their patent applications if that is what they wish.

Factor (iii) above is effectively what is required by our obligations under Article 4G of the Paris Convention.

## Option (i): No change

93. Under this option, there would be no change to the provisions of the 2013 Act relating to divisional patent applications.
94. This option does not satisfy options (i) or (ii) as it allows patent applications to be kept pending for long periods of time, potentially up to twenty years from the date of filing of the original parent application. This continues the uncertainties and problems set out in earlier in this document. For this reason option 1 is not preferred.

Option (ii): Provide that a divisional patent application cannot be divided out of a divisional application

95. Under this option, it would not be possible to file a divisional patent application where the parent application is itself a divisional patent application. It would still be possible to divide divisional patent applications out of the original parent application provided that the original parent had not been accepted, gone void or deemed abandoned. The effect of this option is illustrated in Example 1.1.1 below.

**Example 1.1.1:**

- **An applicant files an original parent application A. A first examination report is issued on 1 June 2017. Application A must be in order for acceptance on 1 June 2018.**
- **Between 1 June 2017 and 1 June 2018, the applicant can file as many divisional applications divided from application A that the applicant wants.**
  - **On or before 1 June 2018, application A is accepted, or goes void, or is deemed abandoned, depending on how the applicant deals with application A.**
  - **After 1 June 2018, all the divisional applications divided from application A filed before 1 June 2018 remain pending. It will not be possible, however, to divide any further divisional applications from application A or from the applications divided from application A.**

96. This option does not satisfy factors (i) or (iii). The fate of the divisional applications will not be known until some time after the fate of the original parent application has been determined. This time will generally not be known until the first examination report(s) on the divisional applications(s) has been issued. There is nothing in the 2013 Act that requires the first examination report on a divisional application to be issued within a set period of time after the fate of the original parent has been determined.

97. It also does not satisfy factor (iii). If one or more of the divisional applications is objected to as relating to more than one invention, it might not be possible for the applicant to file further divisional applications to obtain patent protection for them. For this reason option ii is not preferred.

Option (iii): Require the fate of divisional patent applications to be determined by a specified date (preferred option)

98. Under this option, the fate of all divisional applications derived from a particular original parent would be determined within a prescribed time period. The time period could be calculated from the date that the first examination report was issued on the original parent application.

99. 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 Kingdom<sup>11</sup>.
100. 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<sup>12</sup>. This approach is illustrated in example 1.1.2.

#### **Example 1.1.2:**

- **An applicant files an original parent application A. A first examination report is issued on 1 June 2017. Application A must be in order for acceptance on 1 June 2018.**
- **Between 1 June 2017 and 1 June 2018, the applicant can file as many divisional applications divided from application A that the applicant wants.**
- **All of the divisional applications must be in order for acceptance by 1 June 2018.**
  - **After 1 June 2018, all the divisional applications, and the original parent application A will have been accepted, gone void, or deemed to be abandoned. It will not be possible to divide any further divisional applications from application A or from any of the divisional applications divided from application A.**

101. This approach satisfies factor (i), as once the first examination report on the original parent has been issued, the time that the application remains pending is kept to reasonable limits. It also satisfies factor (ii) as the date by which the fate of the original parent application and any applications divided from it is known. It further satisfies factor (iii), as applicants could still file divisional applications in response to examiners' objections, or on their own initiative. For these reasons, this option is preferred by MBIE.
102. If this approach is taken, it will be necessary to require that divisional patent applications be accompanied by a request for examination. This will ensure that a first examination report on the divisional application is issued well before the date on which the divisional application must be in order for acceptance. There will also be a need to set time limits for filing divisional applications. The approach taken in the United Kingdom is to require divisional

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<sup>11</sup> See Rule 30(3)(b) of the UK Patents Rules 2007.

<sup>12</sup> The original parent application of a daisy-chained divisional patent application is the earliest filed application in the chain of applications that is not itself a divisional application.



applications to be filed at least three months prior to the date on which the parent application must be in order for acceptance<sup>13</sup>.

103. In Example 1.1.2 above, all divisional applications must be in order for acceptance on the same date as the original parent. However, MBIE is open to considering other dates. These other dates should ensure that the date on which all divisional applications must be in order for acceptance is within a reasonable period of the issue of the first examination report on the original parent application.

#### **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.**

#### **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?**

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<sup>13</sup> See Rule 19(2)(b) of the UK Patents Rules 2007.



## 1.2 Requests for Examination

### The current situation

104. When a patent application is filed under the 2013 Act, it will only be examined by IPONZ if the patent applicant files a request for examination. Under section 64 of the 2013 Act, the applicant must file the request within the time limit set out in Regulation 71 of the 2014 Regulations.
105. The time limits prescribed in Regulation 71 are:
- Five years from the date of filing of an application or a complete specification related to that application.
  - For a divisional patent application, five years from the date that the complete specification is filed or treated as having been filed, whichever is the earlier
  - For any other application, five years from the date of filing of the complete specification.

### What is the problem with Section 64 and Regulation 71?

106. The main problem with section 64 and Regulation 71 is they are silent on what happens if a request for examination is not filed within the time limits set out in Regulation 71. This means that if a request for examination is not filed within the five year time limit, the application is in limbo. It is still alive, as it is not void, abandoned or accepted, but cannot be examined, so no patent can be granted on it.
107. What was intended was that failure to file a request for examination within the time limit would result in the application concerned being deemed to be abandoned. However, this intention was not reflected in the 2013 Act when enacted.
108. The reason for providing a time limit is to provide certainty to third parties by limiting the time that a patent application could remain pending. Third parties would know that if a request for examination had not been filed within the five year time limit set in Regulation 71, then no patent could be granted on any of the subject matter described in the application.

### Possible solution to the problem

109. To deal with this issue and ensure that the Act reflects the original policy intent, it is proposed to amend the 2013 Act to provide that:
- a request for examination must be filed within the prescribed time limit; and
  - failure to file a request for examination within the prescribed time limit will result in the application being deemed to be abandoned.

110. It is intended that applications that are deemed abandoned for failure to file a request for examination within the prescribed time limit will be restorable under section 125 of the 2013 Act. There is no intention to change the current five year time limit for filing requests for examination for applications which are not divisional applications.

### Request for examination for divisional applications

111. As discussed in Section 1.1.2 of this document, it is proposed to introduce a requirement that all divisional patent applications must be in order for acceptance on the same date as the original parent application. If this approach is taken, divisional applications will have to be examined promptly after being filed.
112. To achieve this, it will be necessary to provide that a request for examination must accompany a divisional patent application. This will ensure that a first examination report on the divisional application can be issued well before the date on which the application must be in order for acceptance.
113. Even if the proposals referred to above were not adopted, there would still be value in requiring a request for examination to be filed with a divisional patent application. This will assist in ensuring that the fate of divisional applications are determined within a reasonable time period after the fate of the parent application is determined.

### Transitional provisions

114. If section 64 and Regulation 71 are amended as proposed above, there will be a need to clarify the status of any applications where:
- more than five years have passed since the date of filing of the complete specification;
  - a request for examination has not been filed; and
  - the date of filing of the complete specification is on or after the date of entry into force of the Patents Act 2013, but before the date of entry into force of the amendments to section 64 and regulation 71.
115. To deal with these applications, it is proposed that the 2013 Act be amended to deem such applications to have been abandoned.

#### Question P5:

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

## 1.3 Poisonous priorities and poisonous divisionals

### The current situation

116. The term **poisonous priority** has been coined to describe the situation where the disclosure contained in a patent application P destroys the novelty of a claim or claims in a later application A that claims priority from application P. This can prevent a patent being granted on the claim(s) (although other claims in application A may be granted a patent). In this situation, application P is said to “poison” application A.
117. A **poisonous divisional** is where the disclosure in a divisional application D destroys the novelty of a claim or claims in the parent application A (or vice versa) where the parent application claims priority from an earlier application P. This prevents a patent being granted on the claim(s) (although other claims in the divisional or parent might be patentable).

### Why might poisonous priority be considered a problem?

118. Poisonous priority has arisen as an issue in other jurisdictions, in particular in relation to patents granted under the European Patent Convention. Applicants in these other jurisdictions consider that it is unfair that a priority application P could be “prior art” against an application A claiming priority from P where A describes a modified form of the invention described in P. They argue that they should be able to get a patent for all of the subject matter described in A. This has led to calls for the issue to be addressed in other jurisdictions which use the whole-of-contents approach.
119. The relevant provisions in the European Patent Convention are very similar to the corresponding legislative provisions in the 2013 Act. This has led to suggestions from some stakeholders that New Zealand should take steps to deal with this issue.
120. This raises a number of questions:
- are the provisions a problem?
  - Could these issues arise in New Zealand?
  - If so, is the problem of sufficient magnitude to justify amendments to the 2013 Act to mitigate the problem?
  - If legislative amendments are desirable, what form should these amendments take?

### Whole of contents approach

121. The issues of poisonous priority and poisonous divisionals have arisen from the **whole of contents** approach to dealing with conflicts between two pending patent applications. The whole of contents approach is contained in section 8(2) of the 2013 Act and in the patents legislation of many other countries.

122. This approach is used to deal with conflicts between two pending patent applications that both describe the same invention, where the earlier filed application has not been published on the date that the later application was filed. Where such a conflict exists, the whole of contents approach is used to determine which of the applications will be granted a patent. It is intended to ensure that two patents cannot be granted for the same invention.
123. The whole of contents approach is best illustrated by the following example:

#### **Example 1.3.1:**

- **A patent application A describing an invention X is filed on 1 June 2017 claiming priority from a priority application P1 filed on 1 June 2016.**
  - **A second application B, describing and claiming invention X is filed on 1 July 2017. Application B claims priority from a priority application P2 filed on 1 July 2016.**
  - **On the date that application B is filed, application A has not been published.**
  - **Application A has an earlier priority date than application B.**
  - **Under the whole of contents approach set out in section 8(2) of the 2013 Act, claims to invention X in application B are not new in light of the description (“the whole contents”) of invention X in application A.**
  - **A valid patent cannot be granted on application B, but could be granted on application A.**

## What is Poisonous Priority?

124. How does poisonous priority arise from the operation of the priority system and the whole of contents approach? The issue generally only arises in the circumstances described below:
- An applicant files an application P on date D1 describing invention X.
  - Subsequently, the same applicant files, on date D2 an application A claiming priority from application P. P is subsequently published.
  - Application A describes the same invention X as that described in P, and also describes a modified form X1 of invention X.
  - Application P forms part of the “prior art base”<sup>14</sup> for the purposes of the whole-of-contents approach.

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<sup>14</sup> The “prior art base” is the information that is considered when deciding whether or not the invention claimed in a patent application is new and non-obvious. The prior art base for the purposes of the 2013 Act is set out in section 8 of the 2013 Act.

125. The following example explains what this means in practice:

#### Example 1.3.2:

- **Application P was filed on 1 June 2016 and describes a widget with a part M made of copper.**
  - **Another application A, filed on 1 June 2017, claims priority from P, and describes and claims (in a claim C) a widget where part M can be made of any metal (including copper).**

126. In example 1.3.2, the claim C claiming a widget with a part M made of any metal cannot claim priority from application P, as P does not suggest that M can be made of metals other than copper. The priority date of claim C is 1 June 2017, the date of filing of application A.

127. If P forms part of the prior art base for claim C, then C is not new when compared with P and cannot be granted a patent. In this case, P is said to poison A. This is because C covers a widget with M made of copper. A patent claim is not novel if anything covered by the claim is part of the prior art base, even if some of the things covered by the claim are not part of the prior art base.

128. This does not mean that a patent cannot be granted on application A. A patent can still be granted, but claim C will have to be deleted, or amended so that it does not include the invention described in P.

### Why might poisonous priority be considered a problem?

129. Poisonous priority has arisen as an issue in other jurisdictions, in particular in relation to patents granted under the European Patent Convention. Applicants in these other jurisdictions consider that it is unfair that a priority application P could be “prior art” against an application A claiming priority from P where A describes a modified form of the invention described in P. They argue that they should be able to get a patent for all of the subject matter described in A. This has led to calls for the issue to be addressed in other jurisdictions which use the whole-of-contents approach.

### Could poisonous priority occur in New Zealand?

130. As discussed above, for poisonous priority to occur, the following factors must be present:

- i. There must be an application A that claims priority from an earlier application P.
- ii. Application A must describe and claim a modified form of the invention described in P.
- iii. P must form part of the prior art base for A.

131. In relation to factor (i), most patent applications filed in New Zealand claim priority from an earlier patent application. The earlier application could be a New Zealand provisional specification, or a patent application filed in another country.
132. Some New Zealand patent applications claiming priority from an application P will describe a modified form of the invention described in P as required by factor (ii). Other applications A will only describe and claim the same invention as described in P.
133. In relation to factor (iii), section 8(2) of the 2013 Act defines the prior art base for the whole-of-contents approach. For the purposes of section 8(2) the prior art base includes information contained in a complete specification filed in respect of another New Zealand patent application. This only applies if the complete specification is eventually published under section 76 of the 2013 Act.
134. The prior art base for the purposes of section 8(2) therefore does not include New Zealand provisional specifications, or foreign patent applications. Nearly all the New Zealand patent applications that claim priority from earlier applications claim priority from one or more of these, so these earlier applications cannot form part of the prior art base under section 8(2).
135. In light of the three factors mentioned above, this suggests that poisonous priority can only occur in New Zealand under very limited circumstances. These are set out in examples 1.3.3 – 1.3.5 below:



#### Example 1.3.3:

- An applicant files a complete specification CS1 under the 2013 Act that does not claim priority from any earlier application. CS1 is published by IPONZ.
- Up to 12 months after filing CS1, the same applicant files an international application PCT1 under the Patents Cooperation Treaty (PCT) claiming priority from CS1, and which describes a modified form of the invention described in CS1.
  - PCT1 is published by the International Bureau of the World Intellectual Property Organisation.

#### Example 1.3.4:

- An applicant files an application with a provisional specification P1 under the 2013 Act (provisional specifications cannot claim priority from an earlier application).
- Up to 12 months later the same applicant files a complete specification CS2 and an international application PCT2 both claiming priority from P1. CS2 and PCT2 are identical and describe a modified form of the invention described in P1.
- Both CS2 and PCT2 are published.

#### Example 1.3.5:

- An applicant files a foreign application F in another country.
- Up to 12 months later, the same applicant files two applications A1 and A2 in New Zealand both claiming priority from F. Either A1 or A2 (or both) describe a modified form of the invention described in F.

136. In the situation described in Example 1.3.3, PCT1 can poison CS1. This will be the case regardless of whether PCT1 enters the “national phase”<sup>15</sup> in New Zealand. If PCT1 does enter the national phase, CS1 can poison PCT1. The issue can be avoided, though, if the applicant formally abandons CS1 or PCT1 before they are published. If either CS1 or PCT1 is not published they cannot form part of the prior art base for PCT1 or CS1 respectively, and one cannot poison the other.

137. It would be unusual for the situation described in Example 1.3.3 to occur. However, MBIE is aware that a few New Zealand applicants have been taking this route. These applicants file a request for examination at the same time that CS1 is filed. If they do this, IPONZ will provide a first examination report within three months. The applicant can then use the information in

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<sup>15</sup> An explanation of what is meant by “national phase” under the PCT can be found at: <http://www.wipo.int/pct/en/faqs/faqs.html><sup>16</sup> Apotex Pty Ltd v AstraZeneca AB [2013]FCA 162 (5 March 2013), <http://www.austlii.edu.au/au/cases/cth/FCA/2013/162.html>

the examination report to decide whether not it is worthwhile incurring the cost of filing a PCT application.

138. In the situation described in Example 1.3.4, PCT2 can poison CS2. CS2 can poison PCT2 if PCT2 enters national phase in New Zealand. MBIE understands that some applicants follow this route, although the number of applications involved is small. The issue can be avoided, though, if the applicant abandons either CS2 or PCT2 before they are published. Alternatively the applicant could simply file either CS2 or PCT2 but not both.
139. The situation described in Example 1.3.5 is likely to be rare. However, the situation can occur more often in relation to divisional applications, as described later in this document.
140. So far there appears to have been no cases in New Zealand where poisonous priority has resulted in the grant of a patent being refused, or a patent being revoked. However, as the 2013 Act has only been in force for just over four years, it may be too soon for any such cases to emerge. Poisonous priority could not occur under the (now repealed) 1953 Act.
141. The relevant provisions in the 2013 Act are effectively the same as those in the Australian Patents Act 1990. However there appears to have been only one case where poisonous priority has been an issue since the Patents Act 1990 entered into force in 1991<sup>16</sup>.
142. This Australian case involved two Australian patent applications A and B both claiming priority from the same United Kingdom patent application P. One of the Australian applications (B) had been amended after filing. This meant that the subject matter claimed in B was no longer entitled to claim priority from P. The court found that the disclosure in A anticipated the claims of B and B was revoked.

## Is poisonous priority an issue in New Zealand?

143. As mentioned above, poisonous priority is likely to occur only rarely (if at all) in New Zealand. On the rare occasions that it might occur, it is relatively simple in most cases for applicants to avoid it. This might suggest that poisonous priority is not a significant issue for New Zealand. On this basis, MBIE considers that no amendment to the Patents Act 2013 is required to deal with the issue of poisonous priority.

### Question P6:

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

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<sup>16</sup> Apotex Pty Ltd v AstraZeneca AB [2013]FCA 162 (5 March 2013), <http://www.austlii.edu.au/au/cases/cth/FCA/2013/162.html>

## Poisonous divisionals

144. The poisonous divisionals issue relates to the potential conflict between a divisional patent application and its parent.<sup>17</sup> It is similar to the poisonous priority issue. Example 1.3.6 below sets out how poisonous divisionals can arise:

### Example 1.3.6:

- **An applicant files a priority application P describing two inventions X and Y. Invention X is a widget with a part M made of copper. Invention Y is some other invention.**
- **Up to 12 months later the same applicant files an application A in New Zealand claiming priority from P.**
- **Application A describes and claims a modified form, X1 of invention X. X1 is a widget with a part M made of any metal. A also describes invention Y.**
- **The applicant files a divisional application D1 divided from A. D1 describes inventions X1 and Y, and contains claims to invention Y. The claims in A are limited to claims to X1.**

145. In Example 1.3.6, application D1 could poison A if D1 forms part of the prior art base for A. The claims to invention X1 in A are only entitled to a priority date that is the filing date of A. The description of X in application D1 is entitled to the priority date of P. As described in relation to Example 1.3.2 above, the claims to X1 are not novel in light of the description of X in application D1. This could prevent a patent being granted for invention X1, although a patent could still be granted for invention X. That is, D1 poisons A.

146. If X1 was claimed in D1, then A could poison D1, if A forms part of the prior art base for D1.

## Could poisonous divisionals occur in New Zealand?

147. Consideration of Example 1.3.6 suggests that poisonous divisionals could occur in New Zealand where the following factors exist:

- i. An application A claims priority from an earlier application P.
- ii. Application A describes subject matter not described in P.
- iii. An application D is divided out of A.
- iv. Application A can form part of the prior art base for D, or vice versa.

148. Most patent applications filed in New Zealand claim priority from an earlier application (factor (i)). MBIE understands that applications satisfying factor (ii) do occur, and divisional patent applications (factor (iii)) are fairly common. Under the whole-of-contents approach,

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<sup>17</sup> An explanation of divisional patent applications can be found in Section 1.1 of this document.

divisional patent applications can form part of the prior art base for their parent applications, and vice-versa (factor (iv)).

149. On this basis, the poisonous divisional issue could occur reasonably frequently in New Zealand. As far as MBIE is aware, there have been no examples of a patent being refused or revoked under the 2013 Act as a result of poisonous divisionals. This may simply reflect the fact that the 2013 Act has only been in force a little over four years.

## Is there a problem?

150. Applicants consider that it is unfair that a parent application A could be prior art against a divisional application D1 both claiming priority from an application P or vice-versa. They argue that they should be able to get a patent for all of the inventions described in A. This has led to calls for the issue to be addressed in other jurisdictions which use the whole-of-contents approach.
151. It appears to MBIE that there is no good reason why a divisional application should be able to poison its parent application, or vice-versa. The fact that it can happen appears to be an unintended consequence of the whole-of-contents approach.
152. It is possible for applicants concerned about the issue to avoid the problem. In Example 1.3.6, the problem could be avoided by amending application D1 to remove the description of X1. However, this sort of amendment may not be possible in all cases.

## Possible Options for dealing with the poisonous divisionals issue

153. MBIE has identified two possible options for dealing with the poisonous divisional issue:
- i. Amend the 2013 Act to provide that a divisional patent application cannot be part of the prior art base for its parent application, and vice versa (an “anti-self-collision” provision); or
  - ii. Amend the 2013 Act to provide that the claims of a complete specification can have more than one priority date.
154. MBIE’s preferred option is option (i). This option provides certainty and clarity. Because it is explicitly directed to dealing with the poisonous divisional issue, it reduces the likelihood of unintended consequences.
155. Option (i) would also deal with the poisonous priority issue identified in Example 1.3.5 above. In Example 13.5, an applicant filed two applications A1 and A2 both claiming priority from the same priority application P. In this case, A1 could poison A2 or vice versa. If option (i) was implemented, applicants could avoid the issue identified in Example 1.3.5 by filing a single application A claiming priority from P. A second application could then be divided from A.
156. Option (ii) is not favoured. For reasons set out in Section 1.4 of this document dealing with multiple priority dates for claims, it is not certain that this option would be a solution to the problem it is intended to solve. There is also a risk of unintended consequences.

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**Question P7:**

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

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## 1.4 Multiple priority dates for claims

157. This section looks at the way that the 2013 Act deals with priority dates for claims in patent applications. Under sections 57-63 of the 2013 Act, a claim can only have a single priority date. In the last few years some stakeholders have argued that the Act should allow a claim to have more than one priority date. Most other countries allow claims to have more than one priority date.

### What are Priority Dates?

158. To assist in understanding the issues discussed in this section, readers are referred to the discussion on **Ppatents and Priority** starting at paragraph 23. The concept of priority dates is best illustrated by using an example such as Example 1.4.1 below:

#### Example 1.4.1:

- **An applicant A files a priority application P1 describing a widget with a part M made of copper (invention X1)**
- **Three months later, applicant A files a second priority application P2 describing a widget with a part M made of iron (invention X2).**
- **Up to 12 months after the date of filing of P1, A files an application A in New Zealand claiming priority from both P1 and P2.**
- **Application A describes a widget with a part M that can be made of aluminium (invention X3) and includes a claim C for a widget with a part M made of copper, iron or aluminium.**

159. In Example 1.4.1:

- Because X1 is described in P1, invention X has a priority date that is the filing date of P1.
- Because X2 is described in P2, but not P1, invention X2 has a priority date that is the filing date of P2.
- Because invention X3 is described in A, but not in P1 or P2, X3 has a priority date that is the filing date of A.

160. The priority date of claims under the 2013 Act is the filing date of the earliest application that describes subject matter covered by the claim. In the case of claim C in Example 1.4.1, Claim C would have a priority date that is the date of filing of priority application P1. This will be the case even though C also includes subject matter with later priority dates (the dates of filing of P2 and A).

## Is there a problem?

161. It is not apparent that the fact that a claim can only have single priority date is actually causing a problem under the 2013 Act provisions. This provision was carried over from the 1953 Act, and so has been the law in New Zealand for more than 60 years.
162. Under the 2013 Act (and also the 1953 Act) a patent will not be refused or revoked merely because one or more of the claims includes subject matter with more than one priority date. There is no requirement that such claims must be split into two or more separate claims such that each claim has one and only one priority date.
163. Stakeholders have argued that the use of multiple priorities for claims is a solution to the poisonous priority and poisonous divisional issues in New Zealand. They have pointed to a recent decision by the Enlarged Board of Appeal of the European Patent Office which ruled that, under the European Patent Convention, the use of multiple priorities is a complete solution to the issues of poisonous priorities and poisonous divisionals<sup>18</sup>.
164. As discussed in section 1.3 above, poisonous priority is unlikely to be a problem in New Zealand. MBIE is also proposing an amendment to the 2013 Act to deal with the poisonous divisional issue. On this basis, amending the 2013 Act to provide for multiple claim priorities as a solution to the poisonous priority and poisonous divisional issues does not seem justified.
165. In any case, as suggested in section 1.3, using multiple priorities in this way is not the best way of dealing with the poisonous priority and poisonous divisional issues. To understand why this is so, we must first understand how it is argued that multiple priorities should be used in this context.
166. Example 1.4.2 sets out a situation where multiple priorities could apply:

### Example 1.4.2:

- **Priority application P describes a widget with a part M made of copper and was filed on 1 June 2016.**
- **Application A, filed on 1 June 2017, claims priority from P, describes a widget where part M can be made of any metal (including copper).**
- **Application A contains a claim C for a widget with a part M made of any metal (including copper).**
- **P forms part of the prior art base for claim C.**

167. If P forms part of the prior art base for claim C, then C is not new when compared with P and cannot be granted a patent. This is the poisonous priority situation. This is because C includes

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<sup>18</sup> Decision G/15, see <http://www.epo.org/law-practice/case-law-appeals/pdf/g150001ex1.pdf>



a widget with a part M made of copper. A patent claim is not novel if anything covered by the claim is part of the prior art base, even if some of the things covered by the claim are not part of the prior art base.

168. Using multiple priorities to deal with this issue involves notionally splitting claim C into two parts:

- i. Claim C1 to a widget with a part M made of copper; and
- ii. Claim C2 to widget with a part M made of any metal except copper.

By “notionally” we mean that the claim is not physically split into two separate claims, but it is read as if it were two separate claims.

169. Claim C1 is novel over the description in P, because C1 can claim priority from P. Claim C2 is novel over the description in P because P does not describe a widget with a part M made of metals other than copper. This means that claim C as a whole is novel and could be granted a patent.

170. There are two problems with adopting this approach in New Zealand:

- i. It relies on convincing the Commissioner of Patents or the High Court to use multiple priorities in this way.
- ii. There is a risk that this approach may be used in ways that are not intended.

171. In relation to problem (i), if the 2013 Act was amended to allow for multiple priorities, there is no guarantee that the Commissioner of Patents, or a Court, would follow the “notional claim splitting” approach set out above. In the Australian case<sup>19</sup> referred to earlier in the discussion on poisonous priorities, the claims of one of the patents involved were found to be anticipated by the description in the priority application. This is despite the fact that the Australian Patents Act 1990 allows claims to have multiple priority dates.

172. In light of this, amending the 2013 Act to provide for multiple priorities would not be a certain solution to the poisonous priority and poisonous divisional issues.

173. It would also be possible for multiple priorities to be used in for purposes other than dealing with the poisonous priority and poisonous divisional issues, and which might not be appropriate. Consider Examples 1.4.3 and 1.4.4:

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<sup>19</sup> Apotex Pty Ltd v AstraZeneca AB [2013]FCA 162 (5 March 2013), <http://www.austlii.edu.au/au/cases/cth/FCA/2013/162.html>

### Example 1.4.3:

- **Priority application P describes a widget W with a part M made of copper and was filed on 1 June 2016.**
- **Application A, filed by applicant AA on 1 June 2017, claims priority from P, describes a widget W where part M can be made of any metal (including copper).**
- **Application A also contains a claim C for a widget W with a part M made of any metal (including copper).**
- **On 1 December 2016, either:**
  - **a description D is published which describes a widget W with a part M made of copper; or**
  - **another patent application B is filed by applicant BB, and application B describes a widget W with a part M made of copper, B is eventually published and B forms part of the prior art base for claim C.**

174. Looking at Example 1.4.3, under current practice, claim C would be not be new when compared with description D or application B, and claim C could not be granted a patent. This is the intended outcome. Claim C would have to be amended so that it is novel, for example by physically splitting C into the two separate claims C1 and C2 described in paragraph 168.
175. But using the “notional splitting” approach, claim C could be considered to be novel in light of D or B and could be granted a patent with no amendment. This is not the intended outcome. There is no guarantee that a court, or the Commissioner of Patents would not be convinced to follow this approach in the absence of a specific provision in the Act prohibiting it.

#### Example 1.4.4:

- **Priority application P describes a widget W with a part M made of copper and was filed on 1 June 2016.**
- **Application A, filed by applicant AA on 1 June 2017, claims priority from P, describes a widget W where part M can be made of any metal (including aluminium).**
- **Application A also contains a claim C for a widget W with a part M made of any metal (including aluminium).**
- **On 1 December 2016, another patent application B is filed by applicant BB, and application B describes and claims (in claim BC) a widget W with a part M made of aluminium. B is eventually published.**
- **B forms part of the prior art base for claim C.**

176. Looking now at Example 1.4.4, claim C would be not be new when compared with the description in application B, and claim C could not be granted a patent. This is the intended outcome. Claim C would have to be amended so that it is novel, for example by notionally splitting C into two separate claims.
177. But using the notional splitting approach, claim C could be considered to be novel in light of application B and could be granted a patent with no amendment. As in the discussion on Example 1.4.3, this is not the intended outcome.
178. But there is also another unintended outcome. Claim BC in Example 1.4.4 could also be granted a patent. As discussed in Section 1.3 above, under the 2013 Act application P does not form part of the prior art base for B. Application B has a filing date that is prior to that of A, so A does not form part of the prior art base for B, so claim BC is novel.
179. If claim C and claim BC are both granted a patent, then this would mean that there would be two claims, granted to different applicants, both covering a widget W with a part M made of aluminium. This is an outcome that the whole-of-contents approach was intended to avoid.

#### MBIE is not convinced that there is a problem

180. In light of the factors discussed above, MBIE is not convinced that the the 2013 Act provisions regarding a claims only having one priority date are actually causing significant problems. Further, amending the 2013 Act to allow claims to have multiple priority dates could have unintended consequences. On this basis, we consider that no changes to the 2013 Act to provide for claims to have multiple priority dates are justified.

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**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.**

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## 1.5 Extensions of time when hearing is requested

### The current situation

181. The issue relates to the situation where a patent applicant requests a hearing under section 208 of the 2013 Act during examination of a patent application. Under section 71(1) and Regulation 80, an application must be in order for acceptance within 12 months of the issue of a first examination report. If it is not in order for acceptance when this time period expires, the application is void. The applicant cannot be granted extensions of this period as of right.
182. In the majority of cases IPONZ will not be able to hold a hearing and issue a decision before the expiry of the 12-month period referred to in the previous paragraph. There is currently no provision in the 2013 Act, or the 2014 Regulations that provides for an extension of time under these circumstances.
183. Section 72 of the 2013 Act provides that this time can be extended where there is an appeal to the High Court pending in respect of the application.

### Why would an applicant request a hearing?

184. 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 filed 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.
185. This process continues until the examiner is satisfied that all of the examiner's objections are overcome. In some cases, though, the applicant and examiner reach an impasse, where the examiner maintains an objection, effectively refusing to accept the application while the applicant argues that the examiner is wrong. Under such circumstances, the applicant may request a hearing under section 208 of the 2013 Act.

### What is the problem with the current situation?

186. As mentioned above, an application must be in order for acceptance within 12 months of the date of issue of the first examination report. If the applicant requests a hearing, and IPONZ cannot hold a hearing and issue a decision before this 12-month period expires, the application is void unless the 12-month time period can be extended.
187. Patent applicants will usually request a hearing only after several attempts to convince a patent examiner that the examiner's refusal to accept their application is wrong. This means that hearings are usually requested towards the end of the 12-month period allowed for putting the application in order for acceptance. As IPONZ is a small patent office, it does not have the resources to hold a hearing and issue a decision in what is left of the 12-month

period. Usually the hearing will be held and a decision issued some time after the expiry of the 12-month period.

188. There is currently no provision in the 2013 Act that explicitly provides for extensions of time for putting the application in order for acceptance when a hearing is requested. Currently, IPONZ does grant extensions of time under section 230 of the Act - which provides for time limits set in the Act or regulations to be extended - if the time limits cannot be met due to a delay by the Commissioner.
189. The lack of an explicit provision for extension of the 12-month period for putting an application in order for acceptance where a hearing is requested may lead to uncertainty for both patent applicants and third parties as to the status of the application. Applicants may be worried that their application might be treated as void if the hearing has not been held and a decision issued after the 12-month period has expired.
190. If extensions of time are being granted for delays by the Commissioner, this raises the question of whether it would be better for the Commissioner to work to reduce or eliminate the delay, rather than amending the Act or 2014 Regulations to “institutionalise” that delay.
191. Third parties who have an interest in the fate of an application may have no certainty about when the fate of the application will be determined. This is because the current approach to dealing with the issue, using section 230 of the 2013 Act, does not place any limits on any extension of time that might be granted.

## Possible options to deal with the problem

192. MBIE has identified two possible options for dealing with the issue:
  - i. Use the provisions of section 230 of the 2013 Act to extend the time (the status quo).
  - ii. Amend the 2013 Act and/or the 2014 Regulations to provide that, where a hearing has been requested under section 208, the time allowed for putting an application in order for acceptance can be extended to a specified date after the issue of a hearing decision.

### Option (i): Use section 230 of the 2013 Act (status quo)

193. Under this option, the time allowed for putting a patent application in order for acceptance is extended under section 230 of the 2013 Act. The extension is usually granted as part of the Commissioner’s decision. That is, the extension is granted retrospectively, once a hearing has taken place.
194. Section 230 enables the Commissioner to extend the time within which anything must be done under the 2013 Act or the 2014 Regulations if that thing is not or will not be done in time due to a delay by the Commissioner. There is no limit on the length of any extension that can be granted. Extensions of time can be granted even if the time limit being extended has already expired.

195. It is not inappropriate to use section 230 in this context. If an extension of time is required it is because the Commissioner has not been able to hold a hearing or issue a decision before the time limit for putting the application in order for acceptance has expired.
196. However, there are disadvantages to using section 230 in this way. Section 230 gives the Commissioner a very broad discretion in granting extensions of time. As mentioned earlier there is no limit on the extensions that can be granted. This is undesirable and can lead to uncertainty for both applicants and the public. It can also be argued that the sort of broad discretionary power found in section 230 should only be used sparingly and not as a matter of course. For these reasons, this option is not preferred by MBIE.

#### Option (ii): Amend the Act and/or Regulations (preferred option)

197. Under this option, the 2013 Act and/or the 2014 Regulations would be amended to allow for an extension of time for putting a patent application in order if a hearing is requested under Section 208. The extension of time could be granted by the Commissioner once the applicant had formally requested a hearing and paid the appropriate fee.
198. Providing extensions of time in this way can give greater certainty to patent applicants and the public as to the status of an application which is the subject of a hearing request. For this reason, Option (ii) is MBIE's preferred option.
199. How could the extension of time be expressed? One way of doing this might be to extend the time to a date that is a specified time after the hearing decision issued. This is the approach taken in Regulation 13.4(1)(g) of the Australian Patent Regulations 1991.
200. The specified date would need to be at least twenty working days after the date of the decision. Twenty working days is the time limit set under section 214 for initiating an appeal of a Commissioner's decision to the High Court.
201. For some hearings, the Commissioner's decision may be that the patent application will be accepted if the applicant makes appropriate amendments to the application. It may be that the twenty-working-day appeal period referred to above will be sufficient time for the applicant to formulate and submit amendments. Alternatively, provision could be made for a further extension, if twenty working days was considered insufficient.
202. If this approach is adopted, it will be necessary to include some provision setting out what happens if an applicant withdraws a hearing request before a hearing is held. This is because the proposed extension is open-ended and based on the date of the hearing. If the hearing is not held, what is the status of the application?
203. One approach would be to provide that, where a hearing request has been withdrawn, and the 12-month time period set under section 71(1) had expired, the application is deemed to be abandoned. This approach would provide certainty to the applicant and the public as to the status of the application. This approach could also be used if it was decided to continue with the current practice of providing extensions under section 230.

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**Question P9:**

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

**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.**

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## 1.6 The utility requirement

### The current situation

204. One of the criteria that an invention must satisfy under the 2013 Act in order to be granted a patent is that the invention must be useful. Section 10 of the 2013 Act states:

*An invention, so far as claimed in a claim, is useful if the invention has a specific, credible, and substantial utility.*

205. The requirement that an invention have a specific, credible, and substantial utility was introduced in the 2013 Act. There was no such requirement under the 1953 Act.

206. The 1953 Act did not contain any explicit requirement for an invention to be useful. However, lack of usefulness was a ground for revoking a patent. In the context of the 1953 Act, an invention was considered useful if it did what the patent owner said it would do (classical utility).

### What is the problem with the current situation?

207. Some stakeholders have argued that the usefulness requirement in section 10 of the 2013 Act is distinct from the classical utility requirement in the 1953 Act. They suggest that the 2013 Act is unclear as to whether or not classical utility is a requirement of the 2013 Act in addition to the requirement in section 10 of the 2013 Act.

208. It appears that what is being suggested is that the lack of clarity in the 2013 Act means that there are two possible interpretations of the usefulness requirements:

- i. The requirements of section 10 are the only usefulness requirements (i.e. classical utility is not a requirement); or
- ii. The classical utility requirement is in addition to the requirements of section 10.

209. Why might this be a problem? If a patent specification is prepared that meets interpretation (i) above, but the Commissioner or the courts apply interpretation 2, that specification might be refused a patent. Any patent granted might be held to be invalid.

### Comment

210. At this stage MBIE is not convinced that there is a problem. We invite concerned stakeholders to provide us with their comments on why they believe that the requirements of section 10 do not encompass classical utility.

#### Question P11:

**Do you consider that the usefulness requirements in the 2013 are unclear? Why?**

## 1.7 Swiss-type Claims

211. This section deals with the issue of **Swiss-type** claims, and whether the 2013 Act should be amended to allow a different claim format known as **EPC2000 type** claims to be used instead of Swiss-type claims.<sup>20</sup>

### What is a Swiss-type claim?

212. A Swiss-type claim is a claim in a patent specification of the form:

*“Use of a substance X for the manufacture of a pharmaceutical for the treatment of a medical condition Y in humans.”*

213. This form of claim is generally used under the following circumstances:

- Substance X is not new – that is, it was known at the time patent specification A was filed; and
- The use of substance X to treat condition Y is new and inventive; and
- Methods of medical treatment of humans are not patentable.

214. The Swiss-type claim is effectively a way of claiming patent rights over a new use (treating medical condition Y in humans) of a known substance X. This could be claimed as follows:

*“A method of treating condition Y in humans by using substance X”.*

215. This form of claim is to a method of medical treatment of humans. In many countries, including New Zealand and members of the European Patent Convention (**EPC**), patents over methods of medical treatment of humans are not permitted. The main reason for this is the view that medical professionals should not be prevented by patents from choosing the best treatment for their patients.

216. However, it often happens that new uses are found for existing pharmaceuticals. An example of this is aspirin. This was originally developed as a painkiller, but was later found to be useful in preventing or treating heart disease. Because the substance is not new, it cannot be patented again. The method of using it cannot be patented in those countries which do not allow patents over methods of medical treatment of humans.

217. However, pharmaceutical companies argue that developing new uses for known pharmaceuticals is costly, and that patent protection is required to provide an incentive to develop such uses. This eventually led to the Swiss courts developing the “Swiss-type” format in a bid to provide patent protection for new uses of known pharmaceuticals without breaching the ban on patents for methods of medical treatment of humans.

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<sup>20</sup> EPC 2000 refers to the revised version of the European Patent Convention adopted at a Diplomatic Conference in 2000.

218. Many other jurisdictions, including the other EPC members,<sup>21</sup> have since adopted them. In New Zealand, the Court of Appeal has confirmed that Swiss-type claims are allowable in New Zealand<sup>22</sup>.

### What is an EPC2000-type claim?

219. An EPC 2000-type claim is a claim in a patent specification in the following form:

*“Substance X for the treatment of medical condition Y in humans”.*

In the absence of any specific exception, a claim of this form would be treated under the patent laws of many countries, including New Zealand and EPC members, as a claim to substance X itself, regardless of the use to which it is put. If substance X were known, the claim would not be new, and no patent could be granted.

220. However, the EPC does contain an exception which allows such claims to be patented<sup>23</sup>. This exception was expanded when the EPC was revised in 2000 – hence the name “EPC2000-type” claim.

### Why were EPC2000-type claims adopted in the EPC?

221. Allowing EPC2000-type claims was seen as a way of encouraging research into further medicinal uses of known drugs that would otherwise not be patentable under Article 53(c) of the EPC. Article 53(c) provides that European patents shall not be granted for methods of medical treatment of humans.
222. EPC members make up a significant portion of the world market for pharmaceuticals. If further medicinal uses of known drugs could not be protected by patents in these countries, this could lead to less research being carried out into such uses both in EPC members and the rest of the world. This could reduce the range of medical treatments available, not just in EPC members, but in the rest of the world as well.

### EPC2000-type claims in New Zealand

223. Under practice established under the 1953 Act and continued under the 2013 Act, an EPC2000-type claim *“Substance X for the treatment of medical condition Y in humans”* would be treated as a claim to substance X itself regardless of the use to which the substance is put<sup>24</sup>. If substance X is known, then such a claim would not be novel, and could not be granted a patent. That is, EPC2000-type claims are not patentable in New Zealand.
224. In light of this, the only way that EPC2000-type claims could be allowed in New Zealand would be if the 2013 Act were amended to permit them.

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<sup>21</sup> Switzerland is a member of the European Patent Convention.

<sup>22</sup> See *Pharmaceutical Management Agency Ltd v Commissioner of Patents* [2000] 2 NZLR 529

<sup>23</sup> See Articles 54(4) and 54(5) of the European Patent Convention <http://www.epo.org/law-practice/legal-texts/html/epc/2016/e/ar54.html>

<sup>24</sup> See *L’Air Liquide’s Application* 49 RPC 428.

## What is the difference between Swiss-type claims and EPC2000-type claims?

225. Any difference between the two types of claims will lie in the subject matter they cover. That is, what activities would infringe each type of claim? Would these activities be the same, or different?
226. If Swiss-type claims and EPC2000-type claims cover the same subject matter, there might be no problem with allowing EPC-2000 type claims in New Zealand, even if there was no particular advantage in doing so. However, if EPC2000-type claims cover more subject matter than Swiss-type claims (that is, if they are broader), this would mean that activities that would not infringe a Swiss-type claim might infringe an EPC2000-type claim.
227. Swiss-type claims and EPC2000-type claims are used to claim patent rights over new uses of known pharmaceuticals. New Zealand spends several hundred million dollars each year on patented pharmaceuticals. Most of this cost is met by the New Zealand government through PHARMAC subsidies.
228. If EPC2000-type claims are broader than Swiss-type claims, this could mean that some uses of pharmaceuticals that are not covered by Swiss-type claims could be covered by EPC2000-type claims. Under these circumstances, costs to PHARMAC (and to consumers) could be higher than they are now. If this is the case, it would be difficult to justify allowing EPC2000-type claims unless it could be shown that allowing them would produce benefits sufficient to offset the costs.

## Are EPC2000-type claims broader than Swiss-type claims?

229. Are EPC2000-type claims broader than Swiss-type claims? There is currently no definitive answer. To date there have been no judicial decisions from the New Zealand courts, or the courts of similar jurisdictions, such as Australia or the United Kingdom, that have dealt with the issue.
230. The closest relevant decisions are from the European Patent Office (EPO) Enlarged Board of Appeal (Decision G 2/08<sup>25</sup>) and the EPO Technical Board of Appeal (Decision T1780/12)<sup>26</sup>.
231. Decision G 2/08 states (at paragraph 6.5):
- “In respect of second and further medical indications the EPC now allows use-related product claims directed to the substance itself whereas under EPC 1973 decision G 5/83 allowed claims directed to the use of a substance for the manufacture of the drug for a therapeutic indication (‘Swiss-type claims’). It appears that the rights conferred on the patentee by the claim category under Article 54(5) EPC are likely broader...”*
- (Article 54(5) (along with Article 54(4) EPC) allows EPC2000-type claims to be granted a patent under the EPC).
232. Decision T 1780/12 quotes decision G 2/08, and goes on to say (at paragraph 22):

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<sup>25</sup> See <http://www.epo.org/law-practice/case-law-appeals/pdf/g080002ex1.pdf>

<sup>26</sup> See <http://www.epo.org/law-practice/case-law-appeals/recent/t121780eu1.html>

*“It follows from the above analysis (see points 16 and 17) that the claims under consideration belong to different categories, i.e. purpose-limited process claim vs. purpose-limited product claim and differ in addition in at least one technical feature. It is generally accepted as a principle underlying the EPC that a claim to a particular physical activity (e.g. method, process, use) confers less protection than a claim to the physical entity per se, see decision G 2/88 (supra, reasons, point 5). It follows that a purpose-limited process claim also confers less protection than a purpose-limited product claim”*

In this decision a Swiss-type claim is described as a “purpose limited process claim”. An EPC2000-type claim is described as a “purpose limited product claim”.

233. It appears from these EPO decisions that the EPO considers EPC2000-type claims to be broader than Swiss-type claims. If New Zealand were to allow EPC 2000-type claims, and the New Zealand courts were to follow the approach taken by the EPO, this could impose additional costs on the public health system and on consumers as mentioned earlier. That is, there may be significant disadvantages to amending the 2013 Act to allow EPC2000-type claims

## Advantages and disadvantages for New Zealand in adopting EPC2000-type claims

234. There do not appear to be any advantages or benefits to New Zealand in adopting EPC2000-type claims. The reason these claims were adopted in EPC countries was to stimulate research into new medicinal uses of known drugs. But this does not apply in New Zealand.
235. The New Zealand market for pharmaceuticals is about 1% of the world market. Allowing for EPC2000-type claims in New Zealand is unlikely to make any difference to the decisions of pharmaceutical companies to invest in the development of new medicinal uses of known drugs, either in New Zealand or anywhere else. Those decisions will largely be determined by the nature and scope of the patent protection provided in large, wealthy economies like the United States or the EU, which make up a large percentage of the world market for pharmaceuticals.
236. It seems clear, however, that there may be significant disadvantages in amending the 2013 Act to allow EPC2000-type claims to be patented. In particular, adopting EPC2000-type claims could increase the amount that New Zealand pays for patented pharmaceuticals, if the New Zealand courts were to interpret such claims as being broader than Swiss-type claims.
237. On this basis, MBIE does not see a case for amending the 2013 Act to allow EPC2000-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?**

## 1.8 Exhaustion of patent rights

238. This section deals with the issue of **exhaustion** of patent rights, and whether the 2013 Act should provide for exhaustion of patent rights. It also looks at:
- whether the 2013 Act should provide for domestic or international exhaustion of patent rights; and
  - the conditions under which exhaustion applies.

### What is exhaustion of rights?

239. In the context of intellectual property rights, exhaustion generally means that when a product covered by an intellectual property right is sold to the public, the ability of the rights owner to control further sale of the product is limited.
240. For example, the owner of copyright in a book has the exclusive right to issue the book to the public. But once the book is sold by the copyright owner, the purchaser is free to sell the book without seeking the permission of the copyright owner, or paying a royalty. That is, the right of the copyright owner to issue the book to the public is “exhausted”. Section 9(1) of the *Copyright Act 1994* explicitly provides for this exhaustion of rights.
241. The *Copyright Act 1994* and the *Trade Marks Act 2002* provide for “international exhaustion” of copyright and trade mark rights. This relates to situations where a copyright work or a product carrying a trade mark registered in New Zealand is placed on the market in another country by or with the permission of the copyright or trade mark owner. In these situations the copyright work or the trade marked product can be imported into New Zealand without the permission of the copyright owner or the trade mark owner. Such imports are known as “parallel imports”.

### The current situation

242. The 2013 Act (and also the 1953 Act) is silent on the issue of exhaustion of patent rights. As a result, the situation regarding exhaustion of patent rights in New Zealand is unclear. The most relevant case law appears to be *Thomas A Edison v Stockdale* [1919] NZLR 276.
243. In this case it was held that where a patented product is sold subject to the condition that it not be resold, any resale will infringe the patent. An implication of this holding is that if a patented product is sold without any such condition, resale within New Zealand at least will not infringe the patent, although this does not appear to have been tested.
244. It is also unclear whether parallel imports of patented products into New Zealand are permitted. With increasing international trade this could be a problem. The *Copyright Act 1994* and the *Trade Marks Act 2002* allow for parallel imports of copyright works and products carrying registered trade marks.

245. Many parallel imported products, for example mobile phones, incorporate patented technology. At least some of this technology is likely to be covered by New Zealand patents (much of this technology is patented in other countries, but not necessarily in New Zealand).
246. In theory, it might be possible for a patent owner to block parallel imports of patented technology into New Zealand if the owner could convince a New Zealand court that such imports were not envisaged by the 2013 Act. If this were to happen, it could lead to reduced competition in the New Zealand market and higher prices to consumers for products incorporating patented inventions.

### International obligations

247. Article 6 of the WTO TRIPS Agreement<sup>27</sup> states:

*“For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.”*

248. Article 18.11 of the Comprehensive and Progressive Trans-Pacific Partnership Agreement states:

*“Nothing in this Agreement prevents a party from determining whether or under what conditions the exhaustion of intellectual property rights applies under its legal system.”*

249. The effect of these provisions is that New Zealand is free to determine whether or not it provides for exhaustion of patent rights (or any other intellectual property rights) and, if so, the conditions under which exhaustion should apply.

### What is the problem?

250. In March 2017, the United States Supreme Court issued a judgment in *Impression Products, Inc. v. Lexmark International, Inc.*<sup>28</sup>. In this decision, the Court held that:

*“a patentee’s decision to sell a product exhausts all of its patent rights in that item, regardless of any restrictions the patentee purports to impose, or the location of that sale.”*

The United States Patents Act is silent on the issue of exhaustion, so this decision clarifies the situation in the United States regarding exhaustion of patent rights.

251. An effect of this ruling is that international exhaustion now applies to products protected by United States patents. This means that products protected by a United States patent that:
- were sold outside the United States; and
  - were sold by or with the permission of the patent owner,

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<sup>27</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights.

<sup>28</sup> See [https://www.supremecourt.gov/opinions/16pdf/15-1189\\_ebfj.pdf](https://www.supremecourt.gov/opinions/16pdf/15-1189_ebfj.pdf)

can be parallel imported into the United States without infringing the patent. That is, parallel importation of patented products into the United States is now allowed. Previously, the assumption was that such imports were not permitted.

252. Like the United States Patents Act, the 2013 Act is silent on the issue of exhaustion. In light of the United States Supreme Court decision, it seems timely to look at how the 2013 Act should deal with exhaustion.

## Options for dealing with the problem

253. We have identified three options for dealing with exhaustion of rights:

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

### Option (i) – the status quo

254. This would mean that the 2013 Act would not be amended to provide for exhaustion of rights. As far as MBIE is aware, the lack of an exhaustion provision in the 2013 Act has not (so far) led to problems. This does not mean that issues might not arise in future, particularly given the recent rise in international trade of goods that may be protected by intellectual property rights, including patents. There is a risk, for example, that a patent owner may be able to use the 2013 Act's silence on exhaustion to block parallel imports of patented products or products incorporating patented technology.
255. Retaining the status quo would be inconsistent with the position taken on exhaustion of rights in the *Copyright Act 1994*, and the *Trade Marks Act 2002*.
256. For these reasons, MBIE does not favour the status quo.

### Option (ii) Amend the 2013 Act to provide for domestic exhaustion only

257. This option would involve amending the 2013 Act to deal with the situation where a product covered by a current New Zealand patent is sold in New Zealand by, or with the permission of, the patent owner to a purchaser P. The amendment would provide that the patent owners rights to control the further sale or use of the product would be “exhausted” by the initial sale.
258. This would mean that P could re-sell the patented product to another purchaser P1 in New Zealand without needing to get the permission of the patent owner. Purchaser P1 would be free to use the product, and to on-sell it in New Zealand without getting the permission of the patent owner for that use or re-sale.



259. Under this approach, exhaustion would only apply where the patented product was first placed on the market in New Zealand. It would not apply to imports by persons other than the patent owner. That is, parallel imports of patented products would not be permitted.
260. While it would clarify the law applying to domestic patent exhaustion, adopting this option would be inconsistent with the position taken on exhaustion of rights in the *Copyright Act 1994*, and the *Trade Marks Act 2002*. The justification for providing for international exhaustion in these Acts was that this would lead to greater competition and lower prices for products protected by copyright or trade marks. New Zealand is a significant net importer of such products.
261. New Zealand is also a significant net importer of patented products – about 90% of New Zealand patents are granted to foreign applicants. For this reason, MBIE does not favour limiting exhaustion of patent rights to domestic exhaustion.

Option (iii): Amend the 2013 Act to provide for domestic and international exhaustion (preferred option)

262. Under this option, the 2013 Act would be amended to allow for both domestic and international exhaustion of patent rights.
263. The effect in relation to domestic exhaustion is as set out in the discussion of option (ii) above. In relation to international exhaustion the effect would be to allow the parallel importation of patent products into New Zealand. This would mean that:
- if a product patented in New Zealand is placed on the market in another country; and
  - the product was placed on the market in that other country by, or with the permission of the owner P of the New Zealand patent

the importation of that product into New Zealand by a person who did not have the permission of the patent owner P would not be an infringement of the New Zealand patent on the product.

264. Given that New Zealand is a significant net importer of patented products, allowing for international exhaustion of patent rights could lead to increased competition and lower prices for these products in New Zealand. MBIE is not aware of any evidence that there would be any significant disadvantages in allowing this. For this reason, this is MBIE's preferred option.
265. Note that allowing for parallel importation of patented products into New Zealand will not necessarily mean that the products can be freely sold in New Zealand. Such products will still need to meet any requirements set in other legislation, such as those relating to product safety.
266. Adopting option (iii) would also be consistent with the approach to exhaustion followed in the *Copyright Act 1994* and the *Trade Marks Act 2002*.

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**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?**

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## 1.9 Attorney-General's right to intervene in patent proceedings

267. This section looks at sections 163 and 164 of the 2013 Act to consider whether these provisions should be retained in the Act. They allow the Attorney-General to intervene in patent proceedings.

### The current situation

268. Section 163 allows the Attorney-General to do the following things if he or she believes the public interest is involved:

- (a) Bring a proceeding to test the validity of a patent.
- (b) Apply for revocation of a patent.
- (c) Appear and be heard in by a court or the Commissioner of Patents in proceedings for the grant, amendment, or revocation of a patent, or for a declaration of non-infringement, and take any steps he or she considers desirable as if he or she were a party to the proceeding.
- (d) Intervene in, and take over the control and conduct of any of the proceedings referred to in paragraph (c) if a party to those proceedings consents.

269. Section 164 requires any party to a proceeding before the Court or the Commissioner of Patents to inform the Attorney-General. The party must provide copies of the papers filed in that proceeding if the Solicitor-General requests it.

270. MBIE is not aware of any case where the Attorney-General has used his or her power under section 164 or its predecessors to intervene in patent proceedings. There have been instances where parties, including the Crown, have asked the Attorney-General to intervene:

- ***Lucas v Peterson Portable Sawing Systems Ltd (in liquidation)***: the defendant notified the Attorney-General of his intention to challenge the validity of the plaintiff's patent. The defendant made persistent requests from 2003 to 2007 for the Attorney-General to intervene. However, the Attorney-General declined to intervene because the case was a commercial dispute that did not raise a matter of the public interest.
- **GTG**: In 2005 the Crown asked the Attorney-General to bring revocation proceedings against a company known as GTG, which had instituted patent infringement proceedings against some Crown entities. The Attorney-General declined to do so because, although it may have been in the interests of the Crown, the Attorney-General concluded that it would not be in the public interest for him to do so.

271. In relation to section 164, parties rarely inform the Solicitor-General of their intention to challenge the validity of a patent.

## What is the rationale for sections 163 and 164?

272. The Attorney-General was first given express standing to appear in patent proceedings in the *Patents, Designs, and Trade Marks Amendment Act 1947*, which amended the *Patents, Designs, and Trade Marks Act 1921*.<sup>29</sup> The provision was carried over to the 1953 Act and the 2013 Act largely unchanged. The relevant provision was most likely derived from the UK *Patents and Designs Act 1907* which gave the Attorney-General the explicit power to apply for revocation of a patent.<sup>30</sup>
273. The purpose given for the original New Zealand amendment was to prevent patent law being abused where a monopoly over an invention might have been given without real justification. At the time, there was also doubt as to whether the Attorney-General already had an implicit right to appear in patent proceedings. The *Patents, Designs, and Trade Marks Amendment Act* made it clear that the Attorney-General could do so.<sup>31</sup>
274. It is likely that the rationale of the predecessors to section 163 and 164 was that, under the *Patents, Designs, and Trade Marks Act 1921*, and the 1953 Act, only a “person interested” could oppose the grant of a patent or apply to revoke a patent. An interested person was generally considered by the courts to be someone with a commercial interest in the invention claimed in the patent or patent application.
275. This could mean that persons with information suggesting that a patent should not be granted, or should be revoked might not be able challenge the grant of the patent because they lacked the required interest. It is also possible that some interested persons might lack the financial resources to mount a challenge.
276. It is not in the public interest for a patent that would not be upheld by the courts (and which therefore could not be enforced) to remain on the Register of Patents. There may be situations where there are no persons with sufficient “interest” to challenge the grant of a patent, but where there would be significant disadvantage to the public if the patent were to go unchallenged. In such cases, there may be a case for the Attorney-General to challenge such patents.

## Is this rationale still relevant?

277. In deciding whether sections 163 and 164 (or something like them) should remain in the 2013 Act, there are two questions to be considered:

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<sup>29</sup> Section 3(1) of that Act provided that the Attorney-General, if in his opinion the public interest is or may be involved, may appear in any proceedings before the Court or the Commissioner for the grant, extension, amendment, or revocation of a patent, or for the prevention of the abuse of monopoly rights, or where the validity of the patent is in question. Section 3(2) of that Act provided that any person intending on questioning the validity of a patent must give notice to the Solicitor-General.

<sup>30</sup> *Patents and Designs Act 1907* (UK) (repealed), s 25(3)(a). Under the *Patents Act 1949*, the Attorney-General did not have the express power to apply for a revocation order. However, “any interested person” could apply for a revocation order. The Attorney-General could be heard in appeals in relation to revocation and compulsory licence orders: *Patents Act 1949* (UK) (repealed), section 44(2).

[http://www.legislation.gov.uk/ukpga/1949/87/pdfs/ukpga\\_19490087\\_en.pdf](http://www.legislation.gov.uk/ukpga/1949/87/pdfs/ukpga_19490087_en.pdf)

[http://www.legislation.gov.uk/ukpga/1907/29/pdfs/ukpga\\_19070029\\_en.pdf](http://www.legislation.gov.uk/ukpga/1907/29/pdfs/ukpga_19070029_en.pdf)

<sup>31</sup> Hansard, Parliamentary Debates October 17 to November 27, 1947 at 793 and 887.

- Should the Attorney-General retain the power to challenge the grant of a patent? and
- If so, how should this be achieved?

## Should the Attorney-General be able to challenge the grant of a patent?

278. We have identified three options for dealing with this issue:

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

### Option (i) the status quo

279. This involves leaving sections 163 and 164 as they are, without amendment. However, the approach taken in the 2013 Act, that “any person” (as opposed to an “interested person”) can oppose or challenge the grant of a patent, means that there may no longer be value in having explicit provisions such as sections 163 and 164 setting out how the Attorney-General may intervene in patent proceedings (see the discussion in option (iii) below).

280. In addition, parties to patent proceedings rarely inform the Solicitor-General as required by section 164, that they intend to challenge the validity of a patent. On this basis, retaining sections 163 and 164 unchanged is not preferred by MBIE.

### Option (ii) repeal sections 163 and 164 of the 2013 Act

281. The rationale behind giving the Attorney-General the power to challenge the grant of a patent or otherwise intervene in court proceedings involving patents was to ensure that the public interest was protected.

282. While there may be very few occasions when the Attorney-General might wish to intervene, they could occur. If sections 163 and 164 were to be repealed, this might imply that Parliament was specifically ruling out the possibility of the Attorney-General intervening in patent proceedings at all. Since there may be occasions when this might be justified, the option of repealing sections 163 and 164 is not preferred by MBIE.

### Option (iii) Allow “any person or the Attorney-General” to challenge the grant of a patent

283. Under sections 92 and 112 of the 2013 Act, “any person” (as opposed to an “interested person”) can apply to oppose the grant of a patent or to revoke a granted patent. There is no need for a person to be an interested person.

284. The reason for dropping the interested person requirement was that if a person has information that might call into question the validity of a patent, then it is in the public interest for that information to be brought to the attention of the Commissioner of Patents

or the courts. The Commissioner or the courts should not be prevented from considering this information merely because the person providing it is not an “interested person”.

285. In addition, the 2013 Act contains provisions that make it easier to challenge the validity of a patent. These include a re-examination provision (section 94), and expanding the grounds on which the Commissioner of Patents can revoke a patent.
286. Any person can apply to the Commissioner to re-examine a patent application, or a granted patent, on any ground the Commissioner could use to refuse to grant a patent. The applicant for re-examination does not take any further part in the proceedings. This is a relatively cheap way of challenging a patent, the main cost being the IPONZ fee of \$500+ GST.
287. In light of the changes to the patents regime making it easier for anyone to challenge a patent, there may be no need to explicitly provide the Attorney-General with the power to intervene in patent proceedings. The words “any person” in sections 92, 94, and 112 of the 2013 Act could include the Attorney-General.
288. However, as noted in the discussion of option (ii) above, there may be occasions where intervention by the Attorney-General is justified. To avoid any doubt about whether the Attorney-General has the right to intervene, MBIE’s preferred option is to repeal sections 163 and 164, and also amend sections 92, 94 and 112 of the 2013 Act to make it clear that the Attorney-General, as well as any person, can challenge the validity of a patent.

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#### **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?**

#### **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?**

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## 1.10 Availability of documents relating to 1953 Act applications

### What is the problem?

289. Under section 91 of the 1953 Act, documents relating to 1953 Act applications, in particular examination reports produced by patent examiners, were made confidential. They cannot be made available to the public by the Commissioner of Patents. In addition they cannot be produced or inspected in any legal proceeding unless the Court or other authorised official certifies that production of the reports is in the interests of justice.
290. The only documents relating to 1953 Act applications that could be made public are provisional and complete specifications relating to an application, and then only when an application was accepted.
291. The situation under the 2013 Act is that, once a complete specification relating to a patent application has been published under sections 76 or 79 of the 2013 Act, all documents relating to that application are open to public inspection. The only exceptions to this are the documents prescribed in Regulation 85(2).
292. Uncertainty arises from the wording of sections 253(2) and 255 of the 2013 Act. These provide that, after entry into force of the 2013 Act, patent applications under the 1953 Act continue under that Act, but that the 2013 Act applies to patents granted under the 1953 Act.
293. Where a patent has not been granted on a 1953 Act application, this is clear – section 91 of the 1953 Act continues to apply to these. It is less clear what the situation is if a patent has been granted on a 1953 Act application – does section 91 of the 1953 Act apply or not?

### Proposed solution

294. MBIE proposes that the transitional provisions of the 2013 Act be amended to make it clear that the provisions of section 91 of the 1953 Act continue to apply to all 1953 Act applications and patents granted on those applications.

#### **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?**

## 1.11 Abstracts

### What is the issue?

295. As the 2013 Act is currently worded, there is nothing to prevent the Commissioner of Patents or the courts from using the contents of the abstract when determining the scope of a claimed invention. Some stakeholders argue that the abstract should not be used in this way as this could disadvantage the patent applicant or patent owner. It is unclear, though, whether the use of the abstract in this way really is a problem.

### What is the abstract?

296. Regulation 50 of the 2014 Regulations requires that the application must be accompanied by an abstract if the application is accompanied by a complete specification. The abstract is intended to be a summary of the invention described in the complete specification. The purpose of the abstract is to assist people making searches of the Register of Patents. It should have sufficient detail for a searcher to be able to decide, after reading the abstract, whether or not the searcher needs to read the complete specification with which the abstract is associated.

297. The requirements for abstracts are set out in Regulation 33 of the 2014 Regulations.

### Is there a problem?

298. Some stakeholders have argued that patent examiners are currently policing the requirements of Regulation 33 rigorously, particularly in respect of requiring the abstract to outline how the invention claimed provides a solution to a problem inherent to the prior art. They are concerned that following this approach in the abstract may mean that the patent applicant may be held to account for this assertion in any subsequent litigation.

299. The concern appears to be that this might unfairly prejudice the rights of the patent owner. They suggest that the 2013 Act be amended to include a provision like Article 3.3 of the PCT, which provides that the abstract cannot be taken into account for the purpose of interpreting the scope of the protection sought, or any other purpose.

300. MBIE is 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. Some jurisdictions, such as Australia<sup>32</sup>, and the European Patent Convention have a provision similar to PCT Article 3.3. The United Kingdom and the United States do not.

301. The fact that some major jurisdictions do not have a provision like PCT Article 3.3 suggests that there may be no problem regarding use of the abstract to interpret the scope of the invention disclosed or claimed in the complete specification.

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<sup>32</sup> See Regulation 3.3(6) of the Australian Patents Regulations 1991.



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**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?**

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# 2 Trade Marks Act 2002

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## Introduction: the trade mark registration process

1. This section of the consultation document looks at issues concerning the *Trade Marks Act 2002* (**the Trade Marks Act**) and the *Trade Marks Regulations 2003*. (**the Trade Marks Regulations**). To assist in understanding the issues, set out below is a brief description of the registration procedure for trade marks under the Trade Marks Act and Trade Marks Regulations.
2. A trade mark registration provides the owner with exclusive rights over the trade mark in New Zealand. A person who wishes to register a trade mark in New Zealand must make an application to the Commissioner of Trade Marks (**the Commissioner**). The application will be examined by examiners at the Intellectual Property Office of New Zealand (**IPONZ**).
3. There are two basic types of application:
  - i. A national application
  - ii. An international registration.

### National applications

4. These are applications for registration of a trade mark filed directly with IPONZ.

### International Registrations

5. These are applications received by IPONZ through the Madrid Protocol<sup>33</sup>. New Zealand is a member of the Madrid Protocol. The Protocol is intended to make it easier for a person or business to apply to register a trade mark in countries other than the applicant's home country.
6. A person or business may own a trade mark registration (or an application for the registration of a trade mark) in their home country. If their home country is a member of the Madrid Protocol, they may use this registration or application as a basis for an international application by submitting an international application to the Intellectual Property Office in their home country.
7. The international application is then submitted to the World Intellectual Property Organization (**WIPO**). WIPO will add the international application to their register. At this point the international application becomes an international registration. However, this registration process does not provide the owner with any rights in New Zealand.

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<sup>33</sup> Information about the Madrid Protocol system can be found at <http://www.wipo.int/madrid/en/>

8. Either as part of the international application process or once the application has become an international registration, the owner may decide which countries it wants to seek protection in. These countries are limited to countries which are part of the Madrid Protocol and are described as *designated countries*. An international registration which is seeking protection in New Zealand is described as an international registration designating New Zealand (**IRDNZ**).
9. At this stage the IRDNZ is sent to IPONZ for examination. If IPONZ determines that the international registration meets the requirements for registration under the Trade Marks Act, the trade mark will be considered protected in New Zealand.

## Examination

10. The procedures for examining national and international applications are very similar. Applications are examined by a trade mark examiner to determine whether or not the trade mark application meets the requirements for registration. If the examiner considers that the application does not meet these requirements, the examiner will issue a compliance report explaining why the application is deficient. The applicant is given 12 months from the date of filing (for national applications) or 12 months from the date that an IRDNZ is received by IPONZ to respond to the compliance report.
11. The applicant's response may amend the application so it meets the requirements, and/or persuade the examiner the application does in fact meet the requirements. The examiner may issue further compliance reports before finally deciding whether to accept the application or not.
12. Once the application has been accepted, the fact that it has been accepted will be advertised. Any person can file a notice of opposition opposing registration of the trade mark concerned. The notice of opposition must be filed within three months after the date that acceptance is advertised. If no notice of opposition is filed, or the oppositions filed are unsuccessful, the trade mark is registered at that point or at least six months after the date of filing (whichever is later).

## 2.1 Series of Trade Marks

### The current situation

13. The Trade Marks Act provides for the registration of a "series of trade marks". Section 2 of the Trade Marks Act defines "series of trade marks" as:

*"means a number of trade marks for the same goods or description of goods or the same services or description of services (as the case may be) that—*

*(a) resemble each other in their material particulars; and*

*(b) differ only in respect of 1 or more of the following matters:*

*(i) statements of the goods or services for which they are, or are proposed to be, used:*

(ii) statements of number, price, quality, or names of places:

(iii) other matters of a non-distinctive character that do not substantially affect the identity of the trade marks:

(iv) colour”

14. Examples of how this definition is applied are set out below in relation to a (fictional) trade mark “FLORINA”:
  - a. statements of the goods or services for which they are, or are proposed to be, used (e.g. FLORINA marmalade vs FLORINA jam)
  - b. statements of number, price, quality, or names of places (e.g. FLORINA Wellington vs FLORINA Auckland)
  - c. other matters of a non-distinctive character that do not substantially affect the identity of the trade marks: FLORINA (upper case) vs florina (lower case)
  - d. colour: FLORINA vs FLORINA
15. Series of trade marks are used for a range of reasons:
  - a. to show slight variations of how the trade mark might be used
  - b. to show how the trade mark might appear when rendered in different colours.
16. Series of trade marks may only be registered in New Zealand through a national application. The international registration system under the Madrid Protocol (Madrid) does not provide for the registration of series of trade marks.
17. Series of trade marks are also provided for in Australia and the United Kingdom. However there are differences in filing fees and the type of trade marks that qualify as a series.

### Why provide for series of trade marks?

18. Series of trade marks were provided for in the predecessor of the Trade Marks Act, the *Trade Marks Act 1953*, which in turn was based on the United Kingdom *Trade Marks Act 1938*. These provisions were carried over into the Trade Marks Act.

### Scope of a registration of a series of trade marks

19. Registration of a series of trade marks is not intended to provide broader protection than a registration of a single mark of the series. A registration for a single trade mark has a similar scope through various sections of the Trade Marks Act, including:
  - Use: section 7 states that the use of a registered trade mark includes use of a use in a form differing in elements that do not alter the distinctive character of the registered trade mark.
  - Colour: section 19 states that unless a trade mark registration is specifically limited, the registration covers all colours.
  - Confusingly similar/identical marks: section 25 requires that the Commissioner must not register a trade mark which is identical or similar to an existing registration, if the use of the unregistered mark is likely to deceive or confuse.

- Infringement: section 89 states that the use of a sign in trade that is identical or confusingly similar to a registered trade mark will be considered an infringement of the registered trade mark<sup>34</sup>.
20. The fee charged for filing a series application is the same as that charged for filing a non-series national application.

## Problem

### Incorrectly filed applications

21. Many applications to register series of trade marks do not meet the requirements set down in the Trade Marks Act and the Trade Marks Regulations for filing such applications. Approximately 10% of all national applications involve series of trade marks. Of those applications, approximately 50% of them are filed incorrectly. A majority of incorrect applications are filed by small-medium enterprises (**SMEs**). As a result, series of trade mark registrations only make up approximately 6% of all registrations derived from national applications<sup>35</sup>.
22. When a series of trade marks application is filed incorrectly it creates uncertainty and imposes additional costs to prospective applicants intending to file applications for similar trade marks. Incorrectly filed applications are also more costly to administer for IPONZ.
23. Errors in series of trade marks applications are usually unintentional. Either the applicant does not understand the requirements for a series of trade marks or they do understand, but their interpretation of what constitutes “matters of a non-distinctive character” is broader than intended by the Trade Marks Act.

### Use of series of trade marks provisions for “strategic” purposes

24. The series of trade marks provision can be used by applicants for “strategic” purposes for which they were not intended. For example, we have heard of an instance where an applicant has, seemingly deliberately, submitted an application which covers a broad range of trade marks which are not a valid series. The applicant appears to have used the series of trade marks process to “place hold” a number of potential trade marks to give time to make a decision on which mark(s) the applicant wants to register.

### Summary

25. In the situations described above, the trade marks register contains single applications covering multiple trade marks. It would not be clear to third parties which of the trade marks might be registered or how the conflicts between the applications might be resolved.
26. For example, applicant A files application S to register a series of trade marks. Applicant B subsequently files application M to register a mark which is similar to one of the marks in

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<sup>34</sup> Use is limited to use on identical or similar goods or services to which the registration covers and where the use is likely to deceive or confuse.

<sup>35</sup> Some series applications contain two or more trade marks which could constitute a valid series.

application S (mark S1). This leads IPONZ to object to application M. Applicant B may then incur significant expense trying to devise strategies to overcome the objection even though Applicant A may not intend to actually use or register the mark S1.

27. Overall, administration of the series of trade marks provisions can be costly for IPONZ, and for trade mark applicants, with only minimal benefits identified for the owners of registrations covering a series of trade marks. Accordingly, we consider there is an opportunity to determine whether the Trade Marks Act should provide for series of trade marks.

## Options for dealing with the problem

28. We have identified four potential options to address the problem:

- Option 1: provide more guidance for applicants on the requirements for series of trade marks.
- Option 2: clarify the criteria for a series of trade marks
- Option 3: charge an application fee for series marks based on the number of marks in the series
- Option 4: remove the series provisions from the Trade Marks Act (preferred option).

29. It is intended that any change to the series provisions in the Trade Marks Act would only affect applications filed after the legislative changes enter into force. Applications and registrations existing at the date of entry into force would continue under the current legislative provisions.

### Option (i): Provide greater guidance to trade mark applicants on series of trade marks

30. This would involve providing more guidance to applicants regarding series of trade marks than is currently provided. However, many applicants, in particular private applicants<sup>36</sup>, do not appear to follow the guidance currently provided.
31. In light of this, providing more extensive guidance may not make much difference to the number of incorrect series of trade marks applications that are filed. It would not prevent strategic series of trade marks applications from being filed, nor would it prevent an application for registration of multiple trade marks that do not constitute a series from being filed.

### Option (ii): clarifying the criteria for a series of trade marks

32. This option would involve removing the words “other matters of a non-distinctive character that do not substantially affect the identity of the trade marks” from the definition of series of trade marks. Experience suggests that applicants have difficulty understanding this wording.

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<sup>36</sup> Private applicants are applicants who do not use the services of a lawyer or patent attorney.

33. This option might reduce the range of marks that could qualify as a series of trade marks, but this may be acceptable if it reduces or eliminates incorrect applications for series of trade marks. It could also reduce the likelihood of series of trade marks applications being filed but it does not eliminate the problem.
34. It would not, however, prevent series of trade marks applications from being filed for strategic purposes, nor would it prevent an application for registration of multiple trade marks that do not constitute a series from being filed.
35. This option would align with the criteria for registering a series of trade marks in Australia and, therefore, assist exporters to register the same series in Australia.

#### Option (iii): Charge an application fee based on the number of marks in the series

36. Adopting this option would mean that the application fee paid by applicants for series of trade marks would depend on the number of marks in the series. For example, an additional charge could be made for each additional mark in excess of two. There could also be a cap placed on maximum number of marks in a series. The United Kingdom Trade Marks Act 1994 follows this approach to fees for applications for a series of trade marks.
37. This approach would reduce the likelihood of series applications being filed but not eliminate the problem. It would not prevent strategic series of trade marks applications from being filed, nor would it prevent an application for registration of multiple trade marks that do not constitute a series from being filed.

#### Option (iv): Remove the series trade mark provisions from the Trade Marks Act (preferred option)

38. Adopting this option would mean that it is no longer be possible to register series of trade marks. This approach would prevent strategic series of trade marks applications from being filed and would eliminate the problem of incorrect applications for registration of multiple trade marks that do not constitute a series from being filed.

#### **Question T1:**

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

#### Assessment of the options

39. Our preferred option is Option iv. We consider this option would create more certainty on the register and subsequently lower costs for users. This option would also reduce the administrative burden for IPONZ, enabling resources to be targeted elsewhere.
40. We acknowledge this option would impact those who would prefer to have the option to file for a series application. However, given the scope of protection provided to a trade mark



registration, we consider the impact of this cost will be low compared to the benefit to the broader trade mark system. This option also reflects international practice, as most countries do not register 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.**

## 2.2 Prior continuous use to overcome a conflicting registration

### The current situation

41. Section 25 of the Trade Marks Act sets out the relative grounds for refusing to register a trade mark. Under this section the Commissioner must not register a trade mark (**trade mark A**) if it is identical or similar to another trade mark (**trade mark B**) that is registered and:
  - belongs to a different owner
  - has a priority date that is earlier than that of trade mark A
  - covers the same or similar goods and services to trade mark A
  - the use of trade mark A is likely to deceive or confuse the public.
42. Section 26 allows, however, for trade mark A to be registered if the following conditions apply:
  - the owner of trade mark B consents to registration of trade mark A, or
  - the Commissioner of Trade Marks, or the court, considers that:
    - a case of honest concurrent use exists, or
    - there are “other special circumstances” that justify the registration of trade mark A.

### The problem

43. The “other special circumstances” are not defined further in the legislation. However, evidence of use of trade mark A before the priority date of trade mark B may be considered a special circumstance in limited situations. These situations include where the applicant of trade mark A had a prior registration (similar to trade mark A) and consented to the use of trade mark B.

44. There have also been situations where the evidence provided in support of the registration of trade mark A may not meet the requirements of honest concurrent use with trade mark B. This may be because the period of concurrent use is too short to be considered honest.
45. However, there have been some situations where the applicant of trade mark A has also been able to provide evidence of prior continuous use that precedes the period of concurrent use with trade mark B. This evidence in combination with the evidence of concurrent use may show that it is proper for trade mark A to be registered.
46. IPONZ practice has been to disregard evidence of prior continuous use as satisfying the “other special circumstances” exception for justifying registration trade mark A. However, some applicants and their representatives have questioned whether this approach is too narrow in its interpretation of whether “other special circumstances” includes prior continuous use.
47. They consider that the evidence of prior continuous use should be sufficient to permit trade mark A to be registered. They also point to section 44(4) of the Australian *Trade Marks Act 1995* which explicitly permits trade mark A to be registered where there is evidence of its prior continuous use.
48. In response to this concern IPONZ has considered issuing a practice guideline providing for prior continuous use to be considered a “special circumstance” for the purpose of a decision permitting trade mark A to become registered. However, IPONZ has concerns that any marks registered under this changed practice would be vulnerable to invalidation, as it is unclear whether Parliament intended that prior continuous use be a “special circumstance”.

### Proposed solution to the problem

49. To deal with the issues identified above, MBIE proposes that the Trade Marks Act be amended to include a specific exception which allows the Commissioner or the court to register a trade mark if the prior continuous use of the trade mark makes it proper for the trade mark to be registered. It is intended to take an approach along the lines of section 44(4) of the Australian *Trade Marks Act 1995*.

#### 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.**

## 2.3 Require that specifications be clear

### The current situation

50. The specification is the list of goods or services specified in an application for registration. The registration only provides the trade mark owner with exclusive rights over the mark when used in relation to the goods or services in the specification.
51. A national application for registration sometimes contains a term in the specification which is unclear. In these cases, IPONZ will raise an objection on the basis that the term is insufficiently defined such that it is unable to be correctly classified under section 31 of the Trade Marks Act. If this is not remedied, the application will be refused.
52. When the application is an IRDNZ, however, this approach cannot be taken. This is because the International Bureau (**IB**) would have already determined the classification of the goods or services in the application. Article 3(2) of the Madrid Protocol confirms the IB's responsibility for the classification of goods and services. As the Trade Marks Act does not explicitly require a specification to be clear, IPONZ does not have any grounds to object to an unclear specification in an IRDNZ.

## Problem

53. The current approach results in IRDNZs being protected in New Zealand with unclear specifications, often because the terms used are too vague, incomprehensible, or linguistically incorrect. An unclear specification may result in the specification being read more narrowly than the owner intended. It may also have the opposite effect of providing broader protection than the applicant intended or is entitled to receive.
54. The lack of clarity over the scope of protection provided by a registration may lead to disputes over the validity or scope of trade mark registrations. Such disputes can be costly for parties to resolve, particularly if the dispute ends up being adjudicated by the High Court.

## Proposed solution to the problem

55. Our proposed solution is to amend the Trade Marks Act to specifically require specifications to be clear, thereby enabling IPONZ to object to unclear specifications, including those which include terms that are too vague, incomprehensible, or linguistically incorrect.
56. For national applications, it is envisaged that the only perceived difference would be the section under which objections are raised.
57. This approach would be consistent with our international obligations under the Madrid Protocol and align with the approach taken in the trade marks legislations in Australia and Singapore.

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### 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.**

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## 2.4 Mandate applicants use IPONZ’s pick list of goods and services for Search and Preliminary Advice applications

### The current situation

58. Prior to filing an application for registration, a potential applicant may submit their trade mark to IPONZ for a search for similar or identical trade marks on the register<sup>37</sup>, or to receive preliminary advice as to the distinctiveness of the trade mark. The potential applicant may also request a combination of the two services, a search and preliminary advice (**S&PA**).
59. For the purposes of this discussion, we will use the collective term S&PA, but the discussion is equally applicable to the individual services<sup>38</sup>.
60. The S&PA is designed to be a quick and easy service for both applicants to engage with and IPONZ to administer. It is not a substitute for examination of an application for registration and the results do not provide the applicant with a priority date or any property rights.
61. Fundamental to the determination of the S&PA is the specification. The specification provides the basis for IPONZ to assess whether the potential applicant’s trade mark is confusingly similar/identical to a trade mark on the register and whether that trade mark is capable of acting as a badge of origin for the applicant’s goods or services.
62. IPONZ provides applicants with the option of selecting their specification from an extensive list (the **pick list**)<sup>39</sup>. However, the use of the pick list is not mandated and applicants have the option to provide their own text for their specification.

### Problem

63. The current approach results in S&PA applications frequently containing specifications or incorrectly classified specifications with unclear terms. This requires IPONZ to conduct a specification examination, which is not part of the S&PA service. This limits IPONZ’s ability to provide an accurate and cost effective S&PA service.

### Proposed solution to the problem

64. We propose mandating that applicants use the IPONZ pick list for S&PA applications. The pick list is an extensive list of approved terms for use in each class of goods and services, which is

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<sup>37</sup> See Regulation 13 of the TM Regulations.

<sup>38</sup> In July 2018, IPONZ consulted on a proposal which would require applicants to pay a single fee per class, regardless of whether their application was for a search, preliminary advice or an S&PA. Effectively the proposal would mean that only S&PA applications would be possible – not the individual services.

<sup>39</sup> The pick list contains goods and services which been approved by IPONZ as being sufficiently defined and correctly classified.

frequently updated. Given the breadth of terms available for use from the pick list, we do not consider that S&PA applicants would be unfairly disadvantaged by the requirement.

65. Mandating the pick list would ensure that S&PA applications are correctly classified and sufficiently clear.
66. We considered expanding the S&PA service to include examination of the specification. However, we do not consider this option would address the problem identified. IPONZ would still need to resolve any specification issues before it could provide the S&PA.

#### 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.**

## 2.5 Clarify scope of acceptable memoranda

### The current situation

67. Section 182(d) of the Trade Marks Act provides that the register must contain any memoranda entered on the register at the request of the trade mark owner under section 78(c) of the Act. Section 78(c) provides that the trade mark owner may enter a memorandum on the register that relates to the trade mark, but that does not “in any way extend the rights given by the existing registration of the trade mark”. Other than this, the Trade Marks Act provides no other guidance on what can be entered as a memorandum.
68. Entering a memorandum on the register allows a trade mark owner to provide the public with necessary and important information about the trade mark registration that is not otherwise required under the Trade Marks Act. In the last two years, IPONZ has received an average of two requests a month to enter memoranda on the register.
69. Current IPONZ practice is that an application to enter a memorandum will be refused where the information in the proposed memorandum does not affect the scope and nature of the rights associated with a registration. IPONZ considers that allowing any other information to be entered as memoranda may be seen as contrary to the purpose of the Trade Marks Act which is (among other things) “to more clearly define the scope of rights protected by registered trade marks”.<sup>40</sup>
70. The types of memorandum that IPONZ has accepted include:
  - i. security interests of the sort that should be registered on the Personal Property Security Register established under the *Personal Property Securities Act 1999*
  - ii. geographical limitations: this indicates that the registered mark will only be used in a defined geographical region.

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<sup>40</sup> Section 3(a).

71. A memorandum will usually be refused where it provides information about:
- i. licence agreements: provisions in the Trade Marks Act that allowed licence agreements to be recorded on the register were repealed by the *Trade Marks Amendment Act 2011*. Requests to record licence agreements are rejected as being inconsistent with the intent behind the repeal of the provisions by allowing recordal of licences.
  - ii. other contractual arrangements between the trade mark owner and any other party: these are considered to be private commercial matters for which the public has no right of access to, nor entitlement to know.

## The problem

72. The Trade Marks Act provides no guidance, either to the trade mark owners, or to IPONZ, about what is, or is not, an acceptable memorandum. There appear to be no relevant IPONZ hearing officer or court decisions.
73. We are aware that, despite IPONZ's current practice, some trade mark owners continue to make applications for entry of memoranda that are contrary to that practice. The submission of such applications represents an unnecessary cost to both trade mark owners and IPONZ. The recordal of such memoranda and the information they contain appears to provide no benefits for either third parties or the wider public.

## Possible options to deal with the problem

74. Set out below are three possible options for dealing with the problem described above.

### Option (i): Amend the Trade Marks Act to remove the ability to enter a memoranda on the register

75. This option would involve repealing sections 78(c) and 182(d) of the Trade Marks Act so it would no longer be possible for trade mark owners to enter memoranda on the register. If, as suggested above, memoranda are not providing any benefits, there appears to be no reason for the Act to permit memoranda on the register.

### Option (ii): Amend the Trade Marks Act to allow any additional information to be entered as a memorandum on the request of the trade mark owner

76. This option would involve amending the Trade Marks Act to allow the trade mark owner to enter any information about the registration that they consider the public would benefit from knowing, so long as that memorandum does not in any way extend the rights given by the existing registration.
77. This might include, for example, information about a licensing agreement with a third party or security interest in the registration. This is similar to the approach taken in sections 113 - 115 of the Australian *Trade Marks Act 1995*.
78. However, it would also be necessary to amend the Trade Marks Act to clarify any memorandum providing information about an interest claim in, or a right in respect of, a

registered trade mark is not proof or evidence that the person has that right or interest. Such security interests should be registered on the Personal Property Security Register established under the *Personal Property Securities Act 1999*.

79. This option could also result in potentially misleading information being entered on the trade marks register and give rise to false expectations about the validity of the information (e.g. that the information in memorandum has been vetted or otherwise validated by IPONZ). Furthermore, there would be no obligation on the trade mark owner to keep this information relevant or up to date.

Option (iii): Amend the Trade Marks Act to limit memoranda to those that affect the scope and nature of the rights associated with a registration (preferred option)

80. This would involve amending the Trade Marks Act to require that a memorandum can only relate to matters affecting the scope and nature of the rights associated with a registration. This would reduce the number of applications to enter memoranda, as it would give trade mark owners greater guidance about what is an acceptable memorandum. It would also reduce the likelihood of potentially misleading and outdated information being provided to the public about the registration and its owner.
81. However, this option may also unnecessarily restrict the owner of a trade mark registration from entering a memorandum and providing information they think is relevant to the public to know about their registration.

#### **Question T6:**

**What additional information, if any, about a registered trade mark should be permitted to be entered on the register by way of a memorandum? If additional information should be permitted, please explain why is it important, or otherwise necessary, for the public to know this information? Should the Trade Marks Act be amended to require trade mark owners to provide this information?**

#### **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?**

## 2.6 False claims of ownership as a ground for invalidity proceedings

### The current situation

82. Section 32 of the Trade Marks Act provides that “a person claiming to be the owner of a trade mark or series of trade marks” may apply to register the mark. It sometimes happens that an application to register a trade mark will be made by a person who is not the true owner of the mark<sup>41</sup>. The validity of the applicant’s claim to ownership is not considered as part of the examination process, as the Commissioner has no way of determining this. This can mean that a trade mark could be registered in the name of a person who is not the true owner.
83. If the applicant knew they were not the true owner of the trade mark at the time the application was made, the process for removing the application or registration is relatively straight forward. If the application is accepted, a third party may oppose the application under s47 of the Trade Marks Act on the basis that the application was made in bad faith. If the trade mark is registered, a third party may apply to have the registration declared invalid under s73 of the Trade Marks Act, also on the ground that the application was made in bad faith.

### Problem

84. There may be occasions where a person will apply to register a trade mark where they believe, in good faith, that they are the owner of a mark even though they are not the true owner. If this application is accepted, then third parties have the opportunity to oppose the application under section 47 of the Trade Marks Act on the ground that the person is not the true owner of the mark.
85. However, if the trade mark is registered, it is unclear from the Trade Marks Act whether the registration of the trade mark can be declared invalid under section 73 of the Trade Marks Act. Section 73 provides that the Commissioner or the court may declare a trade mark registration invalid, to the extent that the trade mark was not registrable under Part 2 of the Trade Marks Act. Part 2 covers sections 9-30 of the Trade Marks Act. However, the ownership of a trade mark registration is covered by section 32 (in Part 3).
86. The issue of whether or not the true owner can obtain a declaration of invalidity of a registration in these circumstances was considered in *Chettleburgh v Seduce Group Australia Pty Ltd*<sup>42</sup>. In this decision the High Court decided, relying on section 13 of the Trade Marks Act, that it was possible to obtain a declaration of invalidity, even though this was not explicitly provided for in the Trade Marks Act.

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<sup>41</sup> Under s5 of the Trade Marks Act the owner of an unregistered trade mark is the person who owns all of the rights in a mark.

<sup>42</sup> *Chettleburgh v Seduce Group Australia Pty Ltd* 2012 NZHC 2563.



87. Despite this High Court decision, there may be value in amending the Trade Marks Act to explicitly provide that a trade mark can be declared invalid on the grounds that the person registered as the owner of the trade mark is not the true owner of the trade mark.

## Proposed solution to the problem

88. We propose amending the Trade Marks Act to make it explicit that a trade mark registration can be declared invalid on the ground that the registered owner of the mark is not the true owner.

### 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.**

## 2.7 Confirm that section 17(1)(b) covers activity which is contrary to law other than the Trade Marks Act

### The current situation

89. Section 17(1)(b) of the Trade Marks Act provides that the Commissioner must not register a trade mark if use of the mark, or a part of it, would be contrary to New Zealand law. The acceptance of a trade mark can be opposed, or a registration invalidated on the same ground.

### Problem

90. The policy intention behind the reference to “New Zealand law” was that it include New Zealand laws other than the Trade Marks Act. However, this is not explicit in section 17(1)(b). To date there have been no court rulings on the matter. There are two IPONZ hearing officer decisions<sup>43</sup> that have ruled that section 17(1)(b) does not include the Trade Marks Act.
91. Despite these hearing officer decisions, we are aware that those who oppose acceptance under s47, or applicants for a declaration of invalidity under section 73 argue that the term “New Zealand law” in section 17(1)(b) includes the Trade Marks Act. That is, they include a ground in their notice of opposition, or application for a declaration of invalidity, that use of the trade mark concerned would breach provisions of the Trade Marks Act.
92. In these cases, the trade mark applicant (in opposition proceedings) or trade mark owner (in invalidity proceedings) must incur a cost in responding to this ground. The Commissioner or court must then rule on this ground. This can add cost and delay to the proceedings.

<sup>43</sup> *Kiwilicious Cake Company Limited v Bluebird Foods Limited* [2014] NZIPOTM 4 (29 January 2014) and *Hayden Crowther v Apple Inc* [2013] NZIPOTM 48 (16 December 2013).

93. While the additional costs and delays to proceedings are not substantial, there may be value in amending the Trade Marks Act to make it clear that the term “New Zealand law” in section 17(1)(b) does not include the Trade Marks Act. We are interested in submitters’ view on whether the Trade Marks Act should be amended in this way.

#### 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.**

## 2.8 Remove requirement that only an “aggrieved person” can apply to revoke or invalidate a registration

### The current situation

94. Under sections 65 and 73, respectively, of the Trade Marks Act, an aggrieved person may apply to the Commissioner (or the court) to revoke a registration or declare a registration invalid. While the term “aggrieved person” is not defined in the Trade Marks Act, the courts have generally given the term a broad and liberal interpretation. This has lowered the threshold for being considered an aggrieved person to the point where almost anyone could meet this requirement.
95. The original reason for providing that only an aggrieved person could file an application for revocation or declaration of invalidity was to discourage third parties from filing vexatious applications for strategic reasons, or to harass the trade mark owner.

### Problem

96. Both sections 65 and 73 allow the Commissioner or a court to refuse applications for revocation or declarations of invalidity that are vexatious. This suggests that there is no need to retain the requirement that such applications must be made by an aggrieved person. In practice the costs involved in preparing and submitting an application for revocation or declaration of invalidity are likely to discourage vexatious applications.
97. It is also not in the public interest for trade marks to remain on the register if they should not have been registered in the first place, or are not being used by their owners. The aggrieved person requirement makes it harder for third parties to apply to remove such marks from the register.
98. Section 47 of the Trade Marks Act allows a person to oppose an application to register a trade mark. There is no requirement for the opponent to be an “aggrieved person”. There is

also no requirement that the Commissioner refuse a notice of opposition that is vexatious. There is no evidence that this has led to vexatious notices of opposition being filed.

99. In light of experience with section 47 oppositions, and the provision that the Commissioner or court can refuse applications for revocation or declarations of invalidity that are vexatious, there seems no reason why the aggrieved person requirement should not be removed.
100. Australia, the United Kingdom and Singapore allow any person to submit an application for revocation or invalidity.

## Proposed solution to the problem

101. Our proposed solution is to remove the requirement that only aggrieved persons can make an application for revocation or declaration of invalidity. This would mean that any person could make such applications.
102. There is the possibility that removing the aggrieved person requirement could result in an increase in applications for revocation or declarations of invalidity being submitted. However, we consider this risk is likely to be low. As mentioned earlier, the threshold for considering someone an aggrieved person is not particularly high.

### 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.**

## 2.9 Partial refusals for national trade mark applications

### The current situation

103. Where the Commissioner raises an objection against an IRDNZ, the Commissioner is required to indicate the particular goods or services in the specification to which the objection relates.
104. If the objection relates to particular goods or services, or particular classes within the specification, the Commissioner will issue a "partial refusal" compliance report. Examples of this may be where the trade mark is considered descriptive in relation to some of the goods or services but not all, or where a trade mark is considered similar to another trade mark but only some of the goods or services are considered similar.
105. If the owner does not respond to the report within the time limit set in the report, the Commissioner will remove the specific goods/services/classes from the specification and the application will be accepted with the amended specification.

### Problem

106. Applications filed directly with IPONZ (national applications) are treated differently from IRDNZs. In the case of a national application, if an objection relates to only a portion of the specification, the applicant will be issued a compliance report with that information. If the applicant does not respond to the report within the time limit set, the entire application will be deemed to be abandoned.
107. This difference in approach can place applicants of national applications at a disadvantage compared with owners of international registrations where compliance report objections relate to only some of the goods or services in the specification.
108. The owners of IRDNZs may still get their marks protected in New Zealand, even if they do not respond to a compliance report. Applicants who file a national application would have to incur the cost of re-filing their applications if they fail to respond to the compliance report and still wish to have their trade marks registered.

### Proposed solution to the problem

109. We propose amending the Trade Marks Act so that applicants of national applications are treated equally to owners of international registrations.
110. This change would mean that if an applicant of a national application does not respond to a compliance report, and the objection in the compliance report only relates to some of the goods/services in the specification, the offending goods/services will be removed from the application and the application will be accepted.
111. If the applicant was comfortable with the reduced specification, the applicant need not incur the expense of providing a response. This approach would also provide greater certainty to applicants about the goods or services that the objection relates to.
112. However, this approach may also result in “clutter” on the trade marks register. After receiving a compliance report, an applicant may decide that it is not worth continuing with the application. In these cases, the applicant may decide that there is no point in incurring the costs of filing a response to the compliance report. If the application is subsequently accepted, and later registered, this may result in the registration of a mark that may not be used.
113. We acknowledge the potential impacts referred to in the preceding paragraph. However, we consider the risks associated with those impacts to be low and outweighed by the benefits of having a consistent approach.
114. IPONZ are also assessing the timeframe required to respond to compliance reports as part of a separate process. If this process results in a reduction in timeframes, this would potentially reduce any negative impacts of amending the Trade Marks Act.

### 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.**

### 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?**

## 2.10 Undefended non-use revocation proceedings

115. Under sections 65 and 66 (a) of the Trade Marks Act an aggrieved person A may apply to the Commissioner or the court to revoke the registration of a trade mark on the ground that the trade mark has not been used commercially for a period of three years or more.
116. If the application for revocation meets the requirements of the regulations, the Commissioner will send a copy of the application to the owner of trade mark. If the trade mark owner wishes to oppose the application for revocation, the owner must file a counterstatement and provide evidence of use or special circumstances explaining non-use within two months after being sent the application<sup>44</sup>.

### The current situation

117. In more than half of all applications for revocation for non-use to the Commissioner, the trade mark owner fails to file a counterstatement and evidence. Such cases are known as undefended applications for revocation.
118. In undefended revocation proceedings the Commissioner must make a decision on the application on the documents filed by the applicant for revocation. However, there is no requirement for applicants for revocation to file evidence in support of their application. Evidence is only required from the applicant for revocation if the trade mark owner has filed a counterstatement and evidence.
119. This means that the Commissioner must make a decision on the application based only on an allegation of non-use, without any evidence of non-use being presented to the Commissioner. To date all undefended applications for revocation for non-use have resulted in revocation of the registration.
120. Although the Commissioner's decision to revoke a registration is appealable to the High Court, none of the Commissioner's decisions in relation to undefended revocations have been appealed.

### Potential Problem

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<sup>44</sup> Regulation 96, TM Regulations.

121. In light of the discussion above, there is an argument that there is no need for the Commissioner to make a decision on the application for revocation. Instead, the registration could be automatically revoked where the application for revocation for non-use is undefended.
122. Revoking a trade mark application on the ground of non-use, where no counterstatement and evidence has been filed could be seen as contrary to the principles of natural justice. It could be seen as taking away a person's property rights without due process (eg without considering the facts) on the basis that they failed to meet a deadline, rather than on the basis that the ground of non-use was made out.
123. On the other hand, such an approach could be seen as justified on the ground that the Trade Marks Act, in section 67, places the onus on a trade mark owner to oppose an application for revocation for non-use. The effect of section 67 is to require the owner to file either evidence of use, or argue that there are special circumstances that justify non-use of the trade mark. If the trade mark owner does not provide a counterstatement and evidence, this could be seen as an admission that trade mark is not in use and that there are no special circumstances preventing use.
124. We are unsure whether the current approach to undefended applications for revocation of a registration for non-use is causing any problems, and we invite submitters to provide us with their views on the issue.

**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.**

**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.**

# 3 Designs Act 1953

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1. This section deals with proposed amendments to the *Designs Act 1953* and the *Designs Regulations 1954*. They do not affect the substantive criteria for registering a design, rather they relate to matters of form or procedure. It is not intended to be a formal review of the Designs Act as a whole.
2. The proposed changes are intended to streamline procedures and bring the Designs Act into alignment with the corresponding provisions in the 2013 Act and the Trade Marks Act. Many of the persons who deal with IPONZ in relation to the Designs Act also deal with IPONZ in relation to the patents and trade marks Acts. It makes sense to align processes and procedures where possible to minimise compliance costs for these persons.

## 3.1 Substitution of Applicant

### The current situation

3. Under the Designs Act, it is not possible to assign a design application, that is, to substitute one applicant for another.

### Problem

4. If an applicant sells a design application to another person, it is not possible for this transaction to be recognised by IPONZ. The change of ownership can only be recognised once the design is registered.
5. Both the 2013 Act and the Trade Marks Act allow for substitution of applicant. There seems to be no reason why the Designs Act should not be amended to allow for substitution of applicant.

### Proposed solution to the problem

6. MBIE proposes that the Designs Act be amended to allow for substitution of applicant. It will also be necessary to amend the Designs Regulations to include provisions regulating the procedure for substitution of applicant. The amendments to the Designs Act and regulations will be based on the corresponding provisions in the Patents Act and the 2014 Regulations.

#### 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?

## 3.2 Requirement to use IPONZ Case Management Facility

### The current situation

7. Section 48 of the Designs Act (as amended by the *Electronic Interactions Reform Act 2017*) provides that requirements for:
  - Documents required to be sent to a person by or under the Act; and
  - Documents, including applications, to be filed under the Act;may be satisfied by sending the relevant documents by post or by email.

### The problem

8. IPONZ no longer uses the post to communicate with applicants, and no longer accepts postal communications or emails from applicants and other persons it deals with. Instead communications are made through IPONZ's on-line Client Management Facility (**CMF**).

### Proposed solution to the problem

9. MBIE proposes to amend the Designs Act and the Designs Regulations to:
  - require information or documents required to be filed with the Commissioner under the Designs Act to be filed through the IPONZ CMF; and
  - allow the Commissioner of Designs to serve or be given information or a document to a person by using a prescribed electronic delivery means or other means that are reasonable in the circumstances.

We propose basing the proposed amendments on s229 of the 2013 Act, and regulations 12 – 17 of the 2014 Regulations.

10. MBIE also proposes to amend the Designs Act to provide that documents other than those given by, or to, the Commissioner may be sent by post, fax, email, or other prescribed electronic delivery method (if any). The proposed amendment will be based on section 233 of the 2013 Act.



11. One effect of this proposal is that the requirement, in Regulation 20 of the Designs Regulations, to use the forms prescribed in Schedule 2 of the Regulations would be revoked. Schedule 2 would also be revoked.

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**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?**

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## 3.3 Section 38: Costs and Security for Costs

### The current situation

12. Section 38(1) of the Designs Act provides that the Commissioner of Designs may award costs to any party in proceedings before the Commissioner. Section 38(2) provides that the Commissioner can require security for costs to be given in certain circumstances. These are:
  - i. an application has been made to the Commissioner for cancellation of a registered design or the grant of a licence for a registered design; and
  - ii. an appeal to the High Court from any decision of the Commissioner under the Designs Act.
13. In these circumstances the Commissioner or the Court may require a party to the proceedings listed above to give security for costs if the party neither resides nor carries out business in New Zealand. If security is not given, the application or appeal may be treated as abandoned.

### Problem

14. The provisions of section 38(2) are inconsistent with the corresponding provisions of the 2013 Act and the Trade Marks Act. 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.

### Proposed solution to the problem

15. MBIE proposes to amend Section 38(2) so that it is consistent with the corresponding provisions of the 2013 Act, and the Trade Marks Act.

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**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?**

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## 3.4 Hearings before the Commissioner of Designs

### The current situation

16. Section 36 of the Designs Act relates to situations where the Act gives the Commissioner the power to make decisions involving the Commissioner's discretion. If the decision involves an applicant for registration of a design, section 36 provides that the Commissioner must offer the applicant an opportunity to be heard before making the decision.

### Problem

17. It is unclear whether persons other than an applicant for registration of a design are also entitled to be heard before the Commissioner makes a decision involving the Commissioner's discretion. For example, section 15(2) provides that any person may apply to the Commissioner for cancellation of the registration of a design.
18. There is nothing in section 15(2) that requires the Commissioner to give that person or the proprietor of the registered design an opportunity to be heard if the Commissioner decides to refuse the request for cancellation. This approach could be seen as a denial of natural justice. It is also inconsistent with the approach taken in the 2013 Act and the Trade Marks Act which provide that any person adversely affected by a decision involving the relevant Commissioner's discretion is entitled to be heard before the decision is made.

### Proposed solution to the problem

19. MBIE proposes that s36 of 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.

#### 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?**

## 3.5 Authorisation of Agent

### The current situation

20. Section 40 of the Designs Act provides that applicants for registration and any other persons involved in proceedings under the Designs Act can be represented by an agent. This agent must be authorised in the manner prescribed in the Designs Regulations. Regulation 13 of the Designs Regulations allows applicants or other persons to appoint an agent by filing an authorisation of agent.

## Problem

21. The current approach is inconsistent with the approach taken in the 2013 Act and the Trade Marks Act which do not require an authorisation of agent to be filed with an application or other request made in relation to patent or trade mark applications or proceedings under these Acts.

## Proposed solution to the problem

22. It is proposed to amend the Designs Act and the Designs Regulations to remove the requirement for an authorisation of agent to be filed with an application for registration or in connection with proceedings under the Designs Act. The requirement would be replaced with an approach consistent with the approach taken under the 2013 Act and the Trade Marks Act.
23. This could be done, for example, by repealing section 40 of the Designs Act and amending section 46(2)(g) of the Designs Act so that its wording is the same as section 243(1)(d) of the 1953 Act. Regulations 12 – 17 of the Designs Regulations could then be replaced by regulations similar to regulations 38 - 43 of the 2014 Regulations.

### 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?**

## 3.6 Proceedings before the Commissioner of Designs

### The current situation

24. Proceedings before the Commissioner of Designs can be initiated at the request of:
  - applicants for registration of a design contesting a Commissioner's decision to refuse registration
  - persons opposing a Commissioner's decision to restore a lapsed design or design application under section 41A of the Designs Act
  - persons requesting the cancellation of a design under section 15 of the Designs Act
  - persons applying for a compulsory licence under section 14 of the Designs Act.

## Problem

25. Currently, the Designs Regulations provide little guidance on how proceedings before the Commissioner of Designs should be conducted. This is in contrast to the 2014 Regulations

and the Trade Marks Regulations, which contain extensive provisions on the procedural and evidential requirements for proceedings before the relevant Commissioner.

26. The object of providing detailed regulations regarding proceedings before the relevant Commissioner is to ensure that proceedings are conducted efficiently, and without undue delay. This also provides certainty for the parties to the proceedings as to just what is required of them.

## Proposed solution to the problem

27. MBIE proposes to amend the Designs Regulations to include provisions setting out the procedural and evidential requirements for proceedings before the Commissioner of Designs. The proposed provisions could be modelled on the provisions in Parts 3 and 6 of the 2014 Regulations.

### **Question D6:**

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

### **Question D7:**

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

# 4 Use of Artificial Intelligence by IPONZ

1. This section looks at the possible use by IPONZ of Artificial Intelligence (**AI**), and seeks feedback from submitters on the factors that IPONZ should take account of in applying AI in its operations.
2. IPONZ currently does not have any systems that make use of **AI**. However, IPONZ's current business plan includes investigation into AI and how it might be utilised by IPONZ in carrying out its functions.

## Use of Artificial Intelligence by other Intellectual Property Offices

3. Many overseas Intellectual Property Offices (**IPOs**) are using or developing applications of AI in their operations<sup>45</sup>.
4. Currently, the use or development of AI in IPOs appears to be limited to a few specific areas, such as:
  - classification of patents and trade marks
  - assisting with prior art searches for patents
  - searching for figurative trade marks
  - machine translation of patent specifications.
5. These applications of AI are used as tools for patent and trade mark examiners. That is, they provide information that examiners can use in the examination process. They do not replace the examiner. Using AI as a tool can increase examiner's productivity by performing some information gathering tasks that would otherwise have to be done by an examiner or some other intellectual property office employee. This could reduce the number of examiners required to deal with current or future workloads.
6. It is likely that, as such tools evolve, IPONZ will consider adopting them. As these tools are intended to assist the examiner make decisions regarding applications and whether to register or grant IP rights, rather than make those decisions themselves, no legislative amendments will be required to allow their use.

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<sup>45</sup> Information on how other IPOs are using AI can be found at [http://www.wipo.int/meetings/en/details.jsp?meeting\\_id=46586](http://www.wipo.int/meetings/en/details.jsp?meeting_id=46586) . This page contains documents from a meeting convened in May 2018 by the World Intellectual Property Organisation (**WIPO**) on ICT strategies and AI for IP administration.

## Use of Artificial Intelligence in IP Offices' decisions to grant or register IP rights

7. Currently, it appears that no IPO is using AI to make decisions relating to the grant or registration of IP rights. These decisions can range from simple decisions to extend time periods specified in legislation or regulations, to complex decisions such as whether a patent or trade mark application should be accepted or rejected.
8. These decisions are often referred to as “discretionary” decisions as they require the decision-maker to weigh evidence and exercise judgement. They are quasi-judicial in nature and can be appealed through the courts or other tribunals.
9. We understand that IP Australia (the Australian equivalent of IPONZ), has recently amended its intellectual property laws to allow for the use of AI to make discretionary decisions, but has not yet developed a working system.
10. Although AI systems that can make discretionary decisions do not yet exist, it is probable that such systems will be developed in future. As far as New Zealand is concerned, fully utilising AI systems would require amendments to the IP Laws. This is because the IP Laws only allow the power to make such decisions to be delegated to humans, not to computer systems.
11. The possibility that AI could be used for discretionary decisions raises some questions. These include:
  - What criteria should an AI system capable of making complex discretionary decisions meet before it is implemented?
  - How should erroneous decisions be dealt with?
  - How should appeals against a discretionary decision made by an AI system be dealt with?
  - Are there any discretionary decisions that should not be delegated to an AI system?
12. If it becomes possible for AI to make discretionary decisions, it is likely that, to start with, it will only be capable of making simple decisions, for example some extension of time decisions. In time AI technology may evolve to allow it to make more complex decisions.
13. This raises the question of who should decide which decisions can be made by an AI system and when. One approach would be to leave it entirely to IPONZ to make the decision. This could involve amending the IP Laws to provide that decisions made by a computer system and overseen by the Commissioner are deemed decisions of the Commissioner. This is the approach taken by Australia in the *Intellectual Property Laws Amendment (Productivity Commission Part 1 and Other Measures) Act 2018*<sup>46</sup>.
14. Alternatively, a more cautious approach could be taken. This can be justified as discretionary decisions of the type made by IPONZ have implications for the legal rights of applicants for registered IP rights, and for the public in general.

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<sup>46</sup> The text of this Act can be found at: <https://www.legislation.gov.au/Details/C2018A00077>

15. A more cautious approach could involve amending the IP Laws such that only those decisions specified in the IP Laws or associated regulations could be delegated to an AI system.
16. Either way, amendments to regulations or the IP Laws would be needed as AI technology evolves. Amendments to the IP Laws would require Parliamentary approval. Changes to associated regulations would need Cabinet approval.
17. Under both approaches, the IP Laws or associated regulations could specify criteria that must be met before a decision can be added to the list of decisions that can be delegated to an AI system. Criteria could include:
  - i. public consultation or notification before a decision is delegated to an AI system;
  - ii. a level of confidence in the AI system's ability to perform a task.
18. The IP Laws or associated regulations could also specify ongoing disclosure requirements such as:
  - i. publication by IPONZ of statistics relating to decisions made by an AI system, including how often decisions are challenged and whether those challenges are upheld
  - ii. publication of the tasks which an AI system is performing.

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**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?**

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