



COVERSHEET

Minister	Hon Kris Faafoi	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Intellectual Property Laws Amendment Bill: Release of Consultation Document	Date to be published	9 July 2019

List of documents that have been proactively released

Date	Title	Author
22 May 2019	Intellectual Property Laws Amendment Bill: Release of Consultation Document	<i>Office of Hon Kris Faafoi</i>
22 May 2019	Cabinet Paper Annex 3: Summary of issues covered in the consultation document	<i>Office of Hon Kris Faafoi</i>
22 May 2019	DEV-19-MIN-0124	<i>Cabinet Economic Development Committee</i>

Information redacted

NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982.

In Confidence

Office of the Minister of Commerce and Consumer Affairs

Chair, Cabinet Economic Development Committee

Intellectual Property Laws Amendment Bill: Release of Consultation Document

Proposal

1. I request Cabinet's approval to release a public consultation document seeking submissions on issues to be included in the proposed Intellectual Property Laws Amendment Bill (**the IP Laws Amendment Bill**).

Executive Summary

2. This paper seeks Cabinet's approval to release a consultation document on the issues to be included in the proposed IP Laws Amendment Bill.
3. The intent of the proposed Bill is to make technical amendments to the *Patents Act 2013*, the *Trade Marks Act 2002* and the *Designs Act 1953 (IP laws)*, and associated regulations, in order improve the practical workability of these statutes. The proposed Bill is currently a priority 5 on the 2019 legislative programme (instructions to be provided to Parliamentary Counsel Office (**PCO**) in the calendar year).
4. The issues included in the consultation document (attached as **Annex 1**) were collated over time from experience with administration of the IP laws, and stakeholder feedback. The intended audience, and the sector expected to be most interested in the proposed consultation, is the legal sector, primarily patent attorneys and other IP lawyers.
5. The changes proposed in the consultation paper do not have a significant policy content. They predominantly involve changes to procedural and technical settings. As a result, the consultation paper is targeted at a comparatively small, knowledgeable audience, and I expect it to be of little interest to a broader audience.
6. I note one issue in particular, dealing with transitional provisions for divisional patent applications. I am aware that some stakeholders are concerned about the potential misuse of these provisions by competitors and seek an amendment to the *Patents Act 2013* to address this.
7. Once consultation is approved, I recommend a two-month consultation period, with submission of final proposed policy to Cabinet later in 2019.

Background

What is the purpose of the IP Amendment Bill?

8. Experience with the administration of the IP Laws over the last few years has revealed a number of technical and less significant issues that, if fixed, could reduce costs, complexity and regulatory burden for applicants for patents, trade marks, and designs, and on the Intellectual Property Office of New Zealand¹ (**IPONZ**), which administers the IP Laws.
9. These issues are not suitable for inclusion in a Statutes Amendment Bill or Regulatory Systems Bill. Some stakeholders may not agree that there is a problem. Even when stakeholders do agree there is a problem, there are different views on what the best solution might be. Other issues are of a technical nature or significant enough in impact that they are not necessarily appropriate for a Statutes Amendment Bill or Regulatory Systems Bill.
10. Dealing with these issues will require amendments to the relevant IP laws and associated regulations. As the IP laws are reviewed only infrequently, in the absence of a Bill like the IP Amendment Bill, there would be no means of making these sorts of amendments in the time between major reviews of these statutes.
11. The IP Amendment Bill has a priority 5 on the 2019 legislative program (instructions to be provided to PCO in the year). No policy decisions have yet been made by Cabinet regarding amendments to be incorporated into the Bill. I will return to Cabinet later this year to seek such decisions following consultation.

Public Consultation

12. Before policy decisions can be sought on amendments to the IP laws to be included in the IP Amendment Bill, it will be necessary to seek submissions from interested stakeholders on the issues proposed to be dealt with in the Bill. The Ministry of Business, Innovation and Employment (**MBIE**) has drafted the attached consultation document (**Annex 1**), and I seek Cabinet's agreement for me to release this document to obtain stakeholders' views.
13. The intended audience for the consultation includes patent attorneys and other intellectual property lawyers who are familiar with the application process under the relevant statutes. Comments are also welcome from other interested parties. I recommend public consultation take place for two months from the date of the document's release.

The Consultation document

How were the issues included in the consultation paper chosen?

14. The issues discussed in the consultation paper were raised over time by MBIE, patent attorneys and local businesses.
15. The consultation document presents MBIE's analysis for each of the issues raised. The results of this vary depending on the issue, but can be summarised as follows:

¹ IPONZ is a business unit of the Ministry of Business, Innovation and Employment.

- 15.1. Where MBIE's analysis suggests that there is a problem, the consultation document sets out viable options for dealing with this problem (including non-regulatory options where these exist). Where MBIE has a preferred option, this is indicated. Submitters are asked whether or not they agree with MBIE's conclusions, and if not, to give reasons.
 - 15.2. For some issues, MBIE is not sure that there is a problem. For these, the consultation document invites submitters to explain whether they support or disagree with MBIE's analysis, and to give their reasons for their position.
 - 15.3. For other issues, MBIE does not think that there is a problem, but invites submitters to explain why they consider that a problem does (or does not) exist.
16. 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.

Who is the consultation document aimed at?

17. The issues discussed in the consultation document will mainly be of interest to persons involved with the filing and prosecution of patent, trade mark and design applications. These people will be primarily experts in the field such as patent attorneys and other intellectual property lawyers. Some local businesses that are significant creators or users of material protected by patents, registered trade marks and registered designs may also have an interest.
18. The consultation document is necessarily technical in nature. This is because of the technical nature of the issues which are mainly of interest to a small and specialist sector (e.g. patent attorneys). In order to discuss the issues it is necessary to describe technical and little-known processes. MBIE has sought to make the document as accessible as possible by providing introductory sections and hypothetical examples to explain a particular topic or process.
19. To assist in making the document more accessible, I include a one-page summary of the main issues discussed in the consultation document. This summary, attached as **Annex 2**, is intended to give persons who may be interested in the consultation document an overview of the issues discussed in the consultation document, to assist them in deciding whether they should make a submission.

What issues are discussed in the consultation document?

20. The consultation document is split into four sections. Three of the sections discuss issues relating to the *Patents Act 2013*, the *Trade Marks Act 2002*, and the *Designs Act 1953*. A brief summary of each issue is set out in **Annex 3** of this paper.

21. The fourth section seeks submitters' views on the use of artificial intelligence (**AI**) by IPONZ in the future. In particular, comments are sought on what matters IPONZ should take account of before deciding whether or not to use AI to make decisions to accept or refuse applications to grant a patent or register a trade mark or design. No amendments to the IP Laws in relation to the use of AI by IPONZ are proposed at this stage.

Transitional provisions for divisional patent applications

22. I note for Cabinet's particular attention one specific issue in the consultation document, concerning the transitional provisions for divisional patent applications made under the *Patents Act 1953*. I have received feedback from Fisher and Paykel Healthcare (**FPH**) in New Zealand expressing significant concern about competitors' use of these provisions in a manner that may have been unintended by the provisions.
23. Under the *Patents Act 1953*, one or more "divisional applications" may be "divided" from a "parent" patent application. Where a divisional application is divided, under the transitional provisions in the *Patents Act 2013* it is treated as an application filed under the *Patents Act 1953*, even if the divisional application was filed after the 2013 Act came into force.
24. This can allow patent applications filed under the *Patents Act 1953* to be kept "pending"² long after the 2013 Act came into force. This has the potential to unreasonably disadvantage third parties, including local businesses, particularly as the criteria for granting a patent under the 1953 Act are more liberal than under the 2013 Act. The consultation document proposes an amendment to the transitional provisions to overcome this problem.
25. This may be contentious because FPH has argued that one of its competitors has been using the transitional provisions to file chains of divisional patent applications based on patent applications filed under the *Patents Act 1953*. This has forced FPH to incur substantial costs in opposing the grant of patents on these divisional applications in order to protect FPH's local manufacturing operations.

Next Steps

26. I intend to release the consultation document as soon as possible following Cabinet's approval. Submitters will be given two months from the date of release to make submissions.
27. I expect to seek approvals in September 2019 for any legislative amendments that arise following analysis of submissions on the consultation document.

Consultation

28. The Ministry of Foreign Affairs and Trade has been consulted on the recommendations in this paper. The Department of the Prime Minister and Cabinet has been informed.

² A patent application is "pending" if it has not been accepted for grant of a patent, and is not abandoned or void.

Financial Implications

29. The proposals in this paper have no financial implications.

Legislative Implications

30. Implementation of the proposals discussed in the consultation document will require legislation to amend the relevant IP laws. This will be done through the proposed Intellectual Property Laws Amendment Bill. The Bill has a priority 5 on the 2019 legislative programme (instructions to PCO within the year).

Impact Analysis

31. The Regulatory Impact Analysis Review Panel at MBIE has confirmed that no separate Regulatory Impact Analysis is required in support of the proposal to issue the consultation document since the analysis necessary at this stage is covered in the consultation document.

Human Rights

32. The proposals in this paper do not have human rights implications.

Gender Implications

33. The proposals in this paper do not have gender implications.

Publicity

34. Given the technical nature and narrow scope of the issues discussed in the consultation document, and the specialised audience it is aimed at, no formal press statement is proposed. Release of the consultation document will be publicised by informing interested parties (such as patent attorney firms) directly, and through IPDNZ's normal communication channels. The consultation document will be made available on the MBIE website.

Proactive Release

35. I propose to release this Cabinet paper together with the cover brief provided to me by MBIE. These documents, including any redactions as appropriate under the *Official Information Act 1982*, will be published on the MBIE website.

Recommendations

I recommend that the Cabinet Economic Development Committee:

1. **Note** that the proposed Intellectual Property Laws Amendment Bill:
 - 1.1. is intended as a vehicle for technical amendments to the *Patents Act 2013*, *Trade Marks Act 2002*, and the *Designs Act 1953*, and their associated regulations that would not otherwise be eligible to be included in a Statutes Amendment Bill or Regulatory Systems Bill; and

- 1.2. has been given a priority 5 (instructions to PCO within the year) in the 2019 legislative programme.
2. **Note** that:
 - 2.1. a consultation document discussing issues proposed to be included in the Intellectual Property Laws Amendment Bill has been drafted by the Ministry of Business, Innovation and Employment, which administers *Patents Act 2013*, the *Trade Marks Act 2002* and the *Designs Act 1953*; and
 - 2.2. the issues in the consultation document are of a technical nature and narrow in scope, and that the consultation document is targeted at stakeholders familiar with making applications under the *Patents Act 2013*, the *Trade Marks Act 2002* and the *Designs Act 1953*, in particular patent attorneys and other intellectual property lawyers.
3. **Agree** to the release of the consultation document for submissions for a period of two months from the date of release.
4. **Authorise** the Minister of Commerce and Consumer Affairs to make editorial or minor content changes to the consultation document prior to its release.

Authorised for lodgement

Hon Kris Faafoi

Minister of Commerce and Consumer Affairs