

# New Zealand Law Society

## SUBMISSION ON THE PATENTS BILL

### PART 1 - PRELIMINARY

#### Clause 3 – Purposes

1. Clause 3 sets out the intended purposes of the legislation. This feature was absent in the Patents Act 1953. Under s5(1) of the Interpretation Act 1999 these purposes are to be taken into account in construing the legislation and serve an important function.

2. In the original first stage Cabinet paper of August 2000, an objective stated for the reform of the patents law was to continue to promote innovation and competition and to encourage technology transfer into New Zealand. This purpose has been omitted from the Bill, which the Society noted in its comments on the Draft Patents Bill in 2005.

3. This objective appears within Article 7 of the TRIPS Agreement<sup>1</sup>. Article 7 (“Objectives”) reads:

*“The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.”*

4. The explanatory note to the Bill states at page 58:

*“Statement of public policy objective(s)  
To provide an efficient and effective patent system that promotes innovation and economic growth while providing an appropriate balance between the interests of innovators and the interests of society as a whole and that complies with New Zealand’s international obligations.”*

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<sup>1</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights

***Recommendation***

5. That the policy objectives set out at paragraphs 3 and 4 above be incorporated into clause 3 so that they are taken into account when the Act is interpreted by the courts or the Commissioner of Patents.

**Clause 5 – Interpretation**

6. The following definition should be reconsidered.

***Recommendation***

7. *Treaty application* – For reasons that are explained in paragraph 12 below in relation to clause 8(2), this definition should include a third limitation that the international application must have entered the national phase in New Zealand. As the definition stands, all international PCT applications are included in the definition even though only a small percentage ever enter into the national phase in New Zealand, becoming applications that might become New Zealand patents.

**Clause 6 - Meaning of novel**

8. This clause contains a fundamental change to New Zealand law by establishing a standard of absolute novelty. However, the clause must be drafted to avoid inadvertently changing the principles by which novelty is judged, irrespective of the prior art base against which this judgement is made. The fundamental principle is that novelty must be judged against a single document at a time.<sup>2</sup>

***Recommendation***

9. How this can be avoided is discussed with reference to clause 13(b) of the Bill (paragraphs 26-27). A similar clarifying amendment could be made to clause 6.

**Clause 8 - Meaning of prior art base**

10. Clause 8(1) defines the prior art base in a manner similar to that in the Australian legislation (the Patents Act 1990).

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<sup>2</sup> Established in such cases as *General Tyre v. Firestone* [1972] RPC 457

11. Clause 8(2) extends the meaning of prior art base to include an earlier filed patent application that may be cited against a later filed application even if it was not published at the time that the later application was filed. The approach taken in the Bill is a “prior claiming” approach (based on paragraph (b) of the definition of prior art base in the Australian Patents Act 1990) ensuring that a patent is granted to the first applicant.
12. The reason for amending the definition of “treaty application” to include only those Patent Cooperation Treaty (*PCT*) international applications that have entered the national phase in New Zealand is that the prior art base for the purposes of clause 18(2) would have included PCT international applications that had never entered the national phase in New Zealand. That could have resulted in a first applicant in New Zealand being denied a patent although the invention was not prior published and the invention could not be patented in New Zealand by an earlier PCT international applicant who had not entered the national phase in New Zealand.
13. Clause 8(3) is intended to provide relief from a consequence of the prior claiming approach where both the earlier and the later filed applications were made by the same entity or by common inventors. This exception to the extension is known as “avoidance of self collision”.
14. This exemption is limited in the Bill to cases where either all the applicants of both cases are the same, or all of the inventors of both cases are the same at the respective filing dates. This can create practical hardship in cases where there is a co-operative research agreement in place between two different teams of researchers. In such a case, when the second application is filed but the inventorship is not the same and an assignment has not been made whereby the applicants are the same, the conditions may not be met. The exemption should be expanded to include the case where there is a co-operative research agreement in place in respect of the subject matter of the later and earlier applications.
15. This practical hardship was recognised by an amendment to the US Patent Act 1952 (the 2004 CREATE Act). There should be an appropriate provision to avoid the hardship in this Bill as well.

### ***Recommendation***

16. The Society does not recommend the inclusion in New Zealand legislation of the prescriptive requirement of the US amendment, that details of the research agreement must be incorporated into the second patent specification. Rather, if during examination or an attack on the validity of the second application or a patent granted from the second application the first application is cited under the prior claiming approach, the applicant of the second application should then

be made to show that the first application did not form a part of the prior art base by providing evidence of the co-operative agreement in place at the time that the second application was filed

## **PART 2 – PATENTABLE INVENTIONS AND PATENT RIGHTS**

### **Clause 13 - Patentable inventions**

17. The retention of the manner of manufacture test in clause 13(a) creates uncertainty because of the retention of the words “within the meaning of s6 of the Statute of Monopolies” from the 1953 Act. In *Pfizer v Commissioner of Patents* [2005] 1 NZLR 362, the Court of Appeal held (at paragraph 58) that all of s6 of the Statute of Monopolies had been incorporated into s2 of the Patents Act 1953.
18. Section 6 of the Statute of Monopolies states that all “manner of new manufacture” are patentable provided they are not “contrary to law, mischievous to the state, ... or generally inconvenient”. In *Pfizer* the Court of Appeal held that a method of medical treatment of humans was not a patentable invention because of the “generally inconvenient” exclusion, not because it was not a “manner of new manufacture”.
19. Clause 13 should provide a complete code of the eligibility requirements for granting a patent. Paragraphs (b) and (c) do set out eligibility tests for novelty, inventive step and usefulness. Paragraph (d) provides that exclusions are to be found in clauses 14 and 15. Paragraph (a) should set out only what is patentable subject matter. It uses the words “manner of manufacture”, but it creates uncertainty by also including the Statute of Monopolies exclusions listed above. Paragraph (d) does not represent the full list of exclusions. There are also three additional categories of exclusion buried in paragraph (a).
20. The clause 14 exclusions consider whether or not the commercial exploitation of an invention would be contrary to public order or morality. In contrast, the Statute of Monopolies exclusions are based on whether granting a patent for an invention would be “contrary to law, mischievous to the state ... or generally inconvenient.”
21. The Patents Act 1953 was amended in 1994 to comply with TRIPS. The provision in s17 that allowed the Commissioner of Patents to refuse to grant a patent for any invention for which the use was contrary to law was deleted. A contrary to law exclusion is still inherent in the Statute of Monopolies exclusions.

22. In *Pfizer*, the Court of Appeal conceded (at paragraph 57) that “generally inconvenient” could be interpreted to “create a wider exception to patentability than would be permitted under Article 27 (of TRIPS)”, but thought that if Parliament had considered this to be the case they would have amended the Act in 1994. There is no evidence that anyone considered whether or not the inherent exceptions in s6 of the Statute of Monopolies went beyond what is permitted under Article 27 of TRIPS at the time the 1994 amendments were being made.

### ***Recommendations***

23. That paragraph (a) be replaced with a paragraph reading:  
     “is patentable subject matter; and”  
     “Patentable subject matter” could be defined by using as a model the definitions of “invention” in the US or Canadian Patent Act (both of which have a common British root) or the term could be left undefined.
24. The landmark case for the modern interpretation of the meaning of the words “manner of new manufacture” is an Australian decision, *NRDC v Commissioner of Patents* (1959) 102 CLR 252. The Australian High Court stated that the appropriate question to ask was: “Is this a proper subject of letters patent according to the principles which have been developed for the application of section 6 of the Statute of Monopolies?”.
25. The *NRDC* decision used the words “subject matter” in expanding on the new test. The case law interpreting what was a manner of new manufacture under the 1953 Act would still be relevant as a subject matter test if the proposed amendment were made, particularly if the expression “patentable subject matter” was left undefined. Uncertainties and possible non-compliance with TRIPS would be eliminated.

### **Novelty**

26. Following observations made about clause 6 (paragraph 8), clause 13(b) should be broken down into two parts so as to make it clear that novelty is only to be considered against a single document or other act of making an invention available to the public.

### ***Recommendation***

27. That new clause 13(b) should read:  
     “(b) when compared with any single piece of art of the prior art base as it existed before the priority date of that claim is novel; and”

The consequential amendment from that would be a new clause 13(c) as follows:

“(bc) when compared with the prior art base as it existed before the priority date of that claim involves an inventive step; and”

and to renumber the current (c) and (d) accordingly.

**Clause 14 - Inventions contrary to public order or morality not patentable inventions**

28. It will be difficult for potential patent applicants or their advisers to determine whether or not an application can be refused under this provision. Clause 14(1) does not state what happens if there are two commercial exploitations, one of which is contrary to public order or morality while the other is not. The Commissioner is given no assistance in making the determination other than to seek advice from any person the Commissioner considers appropriate.
29. The only guidance given is the exception set out in clause 14(2) that commercial exploitations that are prohibited by law cannot be regarded as contrary to public order or morality only on that ground. This wording appears to have been taken from article 27.2 of TRIPS.
30. Clause 276 of the Bill states that the function of the Maori Advisory Committee is to advise (a) whether an invention is derived from Maori traditional knowledge or indigenous plants or animals, and (b) if so, whether its commercial exploitation would be contrary to Maori values. There is no linkage made between clause 14(1) and clause 276 (or indeed with any other provision or procedure in the Bill) to assist in determining whether commercial exploitation that is contrary to Maori values might, as a consequence, be contrary to public order or morality. It is noted that the Genetic Modification Royal Commission recommendation 10.5 was that New Zealand should pursue an amendment of the TRIPS Agreement “to include a reference to the avoidance of cultural offence as a specific ground for exclusion or reservation.” In paragraph 86, chapter 10, the Royal Commission expressed doubt that such an exclusion is permitted under TRIPS. There is therefore uncertainty as to whether the Commissioner could refuse a patent even if the Maori Advisory Committee did advise that the commercial exploitation of an invention was contrary to Maori values. This matter will no doubt be revisited once the Waitangi Tribunal has issued its report on the Wai 262 claim.
31. This Bill appears to give the Commissioner and the courts no choice but to make the law in an attempt to interpret clause 14. While clause 277 requires the Commissioner to consider advice from the Maori Advisory Committee, it is not binding. What the Commissioner decides will be open to review by the court.

***Recommendation***

32. Despite the obvious difficulties in drafting, it might be considered preferable to provide more guidance as to what Parliament considers to be the meaning of clause 14.

**Clause 15 - Other exclusions**

33. The explanation for the proposal in clauses 15(2) and (3) to exclude inventions for methods of medical and diagnostic treatment of humans is said, in the explanatory note at page 7, to be:

*“Methods of medical treatment of human beings are currently not patentable in New Zealand as the courts have long held that they are not a “manner of manufacture”. In more recent times there have been attempts by patent applicants to overturn this ruling. In order to provide certainty, and to remove any doubts, the Bill specially excludes such methods from patent protection. Most other countries also exclude such methods.”*

34. In two different Court of Appeal decisions, in 1983 and in 2004, the Court stated that it should be for Parliament and not the courts to weigh up the policy considerations and decide whether or not methods of medical or diagnostic treatment of humans should be patentable.
35. In 2004 the Court concluded that Parliament had not taken the opportunity, when it had amended patent law, to change the common law rule that methods of medical treatment are not patentable. Accordingly, for this reason and others the Court concluded that methods of medical treatment are not patentable in New Zealand.

***Recommendation***

36. This exclusion has never been the subject of full Parliamentary debate and scrutiny. The explanatory note suggests that Parliament should merely endorse the courts' opinions. Parliament should be weighing up the merits of the policy reasons for excluding such subject matter in New Zealand. One aspect of this weighing up is the merits of harmonising the New Zealand patent law with that of Australia, where patents are available for methods of medical treatment in Australia.
37. The proposal to exclude plant varieties under clause 15(3) and (4) is because New Zealand has been in technical breach of the 1978 Union for the Protection of New Varieties of Plants (UPOV) treaty since it acceded to it in November 1981. Article 2(1) of UPOV 1978 states in part:

*"... a member ... whose national law admits of protection under both these forms [i.e. a PVR grant or a patent] may provide only one of them for one and the same botanical genus or species."*

***Recommendation***

38. As New Zealand is contemplating joining the 1991 text of UPOV, which does not have any such exclusion, consideration may need to be given to inserting in clauses 15(3) and (4) a sunset clause so they are repealed when New Zealand has acceded to UPOV 1991.

**Clause 16 - Nature of patent**

39. Clause 16(2) adds nothing to clause 16(1) and is outdated. It is based on the 1885 notion that personal property can only be one of two categories - choses in possession or choses in action. The argument then followed that since the former is reserved for corporeal property a patent, being incorporeal must be a chose in action along with debts, shares bank accounts, cheques, bills of lading etc. Patents are simply incorporeal property, of which choses in action are only one sub category. The UK legislature recognised this in the UK Patents Act 1977 where section 30(1) declares patents to be "personal property (without being a thing in action)".

***Recommendation***

40. That clause 16(2) be deleted.

**Clause 17 - Exclusive rights given by patent**

41. Clause 17(2) uses the word "includes" in defining what exploiting an invention means. This means that the definition is open and can include other acts of exploitation. From a patentee's point of view this gives rise to the possibility of taking action for infringement for actions not expressly set out in the clause but that constitute exploitation. From the point of view of someone contemplating an activity not included in those listed, there will be uncertainty as to whether or not that constitutes an exploitation within the meaning of clause 17. A similar uncertainty might arise over the meaning of the word "authorise" in clause 17(1).
42. The Society does not take a position one way or the other on these clauses, but points out that this is the effect of the wording.
43. Clause 17(3) provides that the section is subject to those sub-parts of Part 4 of the Bill that relate to compulsory licences. Unlike the current legislation, the exclusive rights are not made

subject to "any statute or regulation for the time being in force". It is not clear whether this was intended.

### **PART 3 – PROCESS FOR OBTAINING GRANT OF PATENT AND OTHER MATTERS**

#### **Clause 31 - Application requirements**

44. The clause sets out the requirements for an application and allows these to be set by regulation. The application forms prescribed for convention applications and Treaty applications claiming convention priority should contain a declaration that the applicant is claiming priority from the first application in a convention country (and thereby allowing for revocation for false suggestion if the convention date claimed is not the first application in a convention country) as in existing Form 2, but currently not in the recommended PCT national phase entry form.

#### ***Recommendation***

45. That when the regulations are drafted, the inconsistency should be corrected.

#### **Clause 37 - Contents of complete specification**

46. Clause 37(4) appears to set out an exception to what constitutes infringement rather than what matter should be included in a complete specification.

#### ***Recommendation***

47. That clause 37(4) be moved to Part 4, subpart 1 of the Bill among the group of clauses beginning at clause 136 under the heading "What does not constitute infringement".

#### **Clause 50 - Convention applicants may make convention applications**

48. Clause 50(2)(a) provides that if a complete specification is filed after a provisional application is filed in a convention country, the complete specification is to be treated as a basic application. The effect of this is that the priority date of a convention application is changed from that of the provisional application to that of the complete. Such a change is not permitted under Article 4C(4) of the Paris Convention 1883. By Article 2 of TRIPS, New Zealand is bound by the Paris Convention.

***Recommendation***

49. That s7(2A) of the 1953 Act, inserted to comply with Article 4C(4) of the Paris Convention, be reinstated and clause 50(2)(a) be either deleted or clarified.

**Clause 63 - Application treated as abandoned if applicant fails to act within set deadline**

50. Clause 63 will result in applications being abandoned if the deadlines established under clause 62 are not met. There appears to be no provision for extension of deadlines set under clause 62. (The powers of the Commissioner to extend deadlines under clauses 279 to 281 do not apply to deadlines set under clause 62.) This not only differs from the situation under the present Act, but also differs from the situation in most other countries; for example the USA, Europe and United Kingdom where for almost all deadlines it is possible to obtain an extension of time for 3 months.

***Recommendation***

51. That the Commission have the power to extend the deadlines in clause 62.

**Clause 67 - Time for putting in application in order for acceptance**

52. The purpose of setting deadlines for examination procedures is to try to keep the time that a patent application is pending to a minimum. Under the examination procedures in other countries this is done either by requiring responses to be made to examination reports within a prescribed time (as in clause 62 and 63) or by requiring an application to be in order for acceptance within a prescribed time (as in clause 67). Under the 1953 Act only the latter deadline procedure applied. Keeping track of two deadlines would increase compliance costs for applicants. It is not seen how having two deadlines to meet would better achieve the intended policy objectives than having one deadline. The compliance costs of applicants will be increased by establishing systems to cater for two different deadlines.

***Recommendation***

53. That one set of deadlines be deleted.

**Clause 74 - Documents open to public inspection**

54. This clause provides that regulations may prescribe documents, other than the specification, which should be open to public inspection.

55. The prescribed documents should include examination reports and applicant responses. This, when coupled with the provisions for third party assertions under clauses 86 and 87, would allow for a practice very similar to that currently available under European Patent Office procedure. It would allow third parties making assertions to monitor applications, to see how their assertions had been taken into account by examiners and the applicant's reaction to them.

***Recommendation***

56. That the prescribed documents include examination reports and applicant responses.

**Clause 91 – Refusal to grant patent: re-examination before grant**

57. A new procedure whereby any person can request re-examination after publication of acceptance of the complete specification replaces the current pre-grant opposition proceedings under s21 of the Patents Act 1953. Re-examination is limited to two grounds only - novelty and inventive step. The other grounds available under s21 of the 1953 Act are no longer available.
58. It is not only in the interest of competitors but also in the public interest to ensure that there are as few invalid patents on the register as possible, and clause 3(b) states that this is a purpose of the Bill. The Bill goes some way towards achieving this by allowing examiners to examine for inventive step and by substituting a balance of probabilities test for the existing duty to give the applicant the benefit of the doubt. The abandonment of the existing opposition procedure is not justified. The system proposed will not sufficiently address the fundamental issues of certainty and validity of rights. There will inevitably be some patent applications that survive the new examination procedure, but which should not proceed onto the patents register.
59. A pre-grant opposition procedure for third parties (as under the 1953 Act) would result in a cleaner and more reliable register. It would also better achieve the purpose stated in clause 13(b), better certainty that patents would be valid.
60. The Committee is referred to the comments about strengthening the procedural aspects of contested matters (refer to comments about clause 292, paragraphs 127 and 128).
61. Of note also are the comments in relation to clause 14 (paragraphs 28-31), that the criteria and appropriate testing of whether an invention is contrary to public order or morality should be

made subject to whatever opposition procedure is adopted. This will allow disputed questions to be properly aired and considered before a determination is made.

#### **Clause 104 - Revocation of patent**

62. In addition to revocation by the court, clause 104 extends to the Commissioner the power to revoke a patent on any of the grounds set out in clause 106 at any time during the life of the patent.
63. In complete contrast to the 1953 Act, the Commissioner has been put on equal footing with the court in terms of revocation and all of its grounds and time limits. Evidential issues such as viva voce evidence and cross-examination are no longer considered too burdensome for the Commissioner. A distinction has been made between how evidence is to be given to the Commissioner compared to the usual process before the courts. Clause 256 states that evidence must be given to the Commissioner by affidavit or statutory declaration. The Commissioner may take oral evidence and allow cross-examination. It remains to be seen whether practice will see the Commissioner's discretion being used on a regular basis to allow evidence to be given and evaluated as in courts.
64. There is the prospect of revocation proceedings before the Commissioner being different from revocation proceedings before the court, leading both to the possibility of "forum shopping" and also the possible lack of fairness where different results may be obtained through choosing one forum rather than the other due to the different ways evidence will be received and tested. Nevertheless, it is noted that the Commissioner's decision may be appealed (clause 261).

#### **Clause 108 - Court may also revoke patent if patentee, without reasonable cause, refuses request of government department to exploit invention**

65. Clause 108 is not consistent with clause 174. Clause 108 states that a Government department may apply to have a patent revoked if the court is satisfied that the patentee has without reasonable cause failed to comply with the request to exploit the patented invention for the services of the Crown. However, clause 174 provides for the court to resolve any dispute concerning the terms of use of an invention for the services of the Crown. Clause 177(2) provides that the court may terminate the Crown use. This leaves open the question as to whether any disagreement between a patentee and the Crown is a dispute which can be settled

under the provisions of clause 174 by the court, or whether is it a ground under which the court can revoke the patent.

***Recommendations***

66. That clause 108 be deleted or its relationship with clause 174 clarified.
67. Clause 108 also appears to go beyond what is permitted under Article 31 of TRIPS. See also the comments below about Part 4, subpart 6 (paragraphs 84-89).

**PART 4 – INFRINGEMENT, OTHER PATENT PROCEEDINGS, AND MATTERS AFFECTING PATENT OWNERSHIP**

**Clause 138 - No infringement for use to produce information required by law**

68. The Cabinet Paper on Research Exceptions to Infringement states, in paragraph 19, that clause 138 does not exempt "research done for purposes unconnected with obtaining marketing approval". Nothing in the clause limits the research exception in that way.

***Recommendation***

69. That if the provision is to be so limited, words such as "in order to obtain marketing approval" could be added after "information required" in the fourth line of the clause. It may also permit activities going beyond what is required for developing and submitting information by exempting selling, hiring or otherwise disposing of the invention.

**Clause 141 - When and how proceedings may be brought**

70. For the sake of clarity, the parts of clauses 77 and 78 that relate to infringement ought to be in this part of the Bill (that is, with the main infringement provisions) and the cross-reference made from the infringement clause to the provisions in Part 3.

**Clause 142 – Proceedings brought by exclusive licensee**

71. The term "proceedings" is used throughout in place of the term "proceeding" as established under the High Court Rules. Clauses 140 and 141, which define how and when proceedings may be brought, do not state that such proceedings are to be brought in the court. This has to be implied from clause 142(1)(b), where it is stated that a court must take into account certain factors in awarding damages or other relief.

72. This clause determines what happens when an exclusive licensee brings infringement proceedings. Clause 143(b) sets out that a court must take into consideration when awarding damages or other relief “the extent of the infringement of the licensee’s rights”. This is not incorrect in principle, but the clause seems an unnecessary and potentially confusing addition to clause 143. Although, clause 142(1)(b) makes it clear that the remedies are limited to the exclusive licensee’s rights, such a principle is part of the ordinary operation of the law relating to remedies. Clause 142(1)(b) does not provide clarity, but because of the difference in wording between it and clause 143, it potentially introduces confusion, or even arguments that the sections are in conflict.

### ***Recommendations***

73. That the drafting relating to “proceedings” be improved for clarity.
74. That clause 143(b) be deleted.

### **Clause 151 - Court may make declaration of non-infringement**

75. This clause ought to deal with the issue of what, if any, effect such a declaration has in relation to a third party - person C.

### **Clause 160 - Application for registration of assignments, licences, and other interests in patents**

76. The reference to “prescribed” in clause 160(3) should be cross-referenced to clause 292.

### **Clause 164 - Compulsory licences**

77. Clause 164(2) gives grounds for such licences, including that the market “is not being supplied on reasonable terms”. It is unclear by what standard a judge is to measure “reasonable”.
78. This can be compared to clause 168, which provides for “reasonable remuneration having regard to the nature of the invention”. The danger of having the specific wording in one section but no wording in the other section is the possibility of adverse interpretation. It does not seem logical that “reasonable terms” under clause 164 should be without regard to the nature of the patent, but the presence of the words in clause 168 and the absence in clause 164 invites such an argument.

***Recommendation***

79. That some guidance be provided as to the relevant factors to be taken into account.

**Clause 165 - Court may order grant of licence**

80. One of the stated objectives of the Bill is clarity and the use of the phrase “supply of the patent predominantly in New Zealand” invites uncertainty about what is “predominantly in New Zealand”. Judgement could be made by volume of sales or some other measure. It is unclear whether volume of sales would include sales made in New Zealand under New Zealand law and subsequently exported. That would not seem to be the correct interpretation, but on the current wording is at least open to argument.

***Recommendations***

81. That the clause expressly state, rather than imply, that it is supply for the New Zealand market.

82. Clause 177 also uses the term “predominantly in New Zealand”. It is recommended that the drafting of these clauses be re-examined.

83. Clause 165(1) refers to “either of the grounds” in clause 164(2). It is recommended that the two grounds set out in clause 164(2) be split into paragraphs (a) and (b) so there is no doubt that the qualification “in New Zealand” refers to both grounds.

**Subpart 6 - Crown use of patented inventions****Clause 171 – Regulations may declare use to be Crown use*****Monopoly***

84. Clause 171 refers to the existence of a "complete or an almost complete monopoly". It is acknowledged that such wording derives from earlier legislation in this area, including the Patents Act 1953. It is not clear, however, how the existence of such a monopoly or part monopoly is to be measured.

***Recommendation***

85. This wording may not be appropriate in today’s environment and the language might possibly be altered to correspond with other legislation governing Crown monopolies. This comment

should be considered in the light of the comments on Crown use of patented inventions (paragraphs 86-88).

*Crown use*

86. Following on from the discussion about clause 108 (paragraph 65), there is still uncertainty as to the compatibility of the Crown use provisions in this subpart with Article 31 of TRIPS. Article 31 of TRIPS begins:

*“Where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected:”*

- 87 Article 31 applies not only to compulsory licences (Part 4 – subpart 5 of the Bill), but also to Crown use. The only exception to this general requirement is found in Article 31 paragraph (b), which permits Crown use in the case of national emergency or other circumstances of extreme urgency, or in cases of public non-commercial use. This was belatedly recognised when the 1994 amendments were before a select committee. The resultant changes caused uncertainty. Clauses 108 and 170 to 179 are taken from the amendments made to the 1953 Act in 1994.
88. Clause 176 permits Crown use under the national emergency exception. Because the Crown stands on the same footing as any other applicant for a compulsory licence, clauses 164 to 169 provide a procedure allowing the Crown to use patented inventions to the extent permitted under Article 31 of TRIPS.

***Recommendation***

89. That, apart from clause 176 and operative clauses tied to it, Subpart 6 appears to be redundant.

**Clause 183 - Certificate concerning ownership**

90. Clauses 180 to 183 give the Commissioner jurisdiction to settle disputes over who is an inventor of an invention in any application or patent. However, they overlook the likelihood that many disputes over inventorship will be between an employer and an employee. The Employment Relations Act 2000 gave the Employment Authority exclusive jurisdiction over all employer-employee disputes. In recognition of the apparent conflict of jurisdiction between the two Acts, clauses 27 to 29 provide for both the Commissioner of Patents and the Employment Authority to have jurisdiction over employer-employee disputes relating to their

respective rights in inventions made by an employee and any patent granted for any such invention.

***Recommendation***

91. That the Bill make clear that any dispute as to who is an inventor between an employer and employee is subject to the joint jurisdiction of the Commissioner and the Employment Authority.
92. That to assist in navigating the Bill, clauses 180 to 183 be moved to follow clauses 27 to 29.

**PART 5 – PATENT ATTORNEY PROFESSION**

**Clause 190 - Exception for lawyers and incorporated law firms to provide limited patent attorney services.**

93. Clause 190 sets out an exclusion for providing patent attorney services for a “lawyer or incorporated law firm” (both defined in accordance with the Lawyers and Conveyancers Act 2006) but expressly excludes such from preparing “a specification or document relating to an amendment of a specification”.

***Recommendation***

94. That for clarity, the words “for the purposes of this Act” be added after “lawyer or incorporated law firm”.

**SUBPART 4 - APPEALS UNDER THIS PART**

**Clause 220 – Right of appeal**

95. Clause 222 provides a right of appeal to the District Court against any decision of the Patent Attorney’s Standards Board of New Zealand. Under clause 225 the decision of the District Court on an appeal is final, except that clause 229 provides that a party may appeal to the High Court against any determination of law arising in the appeal (to the District Court).
96. In contrast, appeals under s253 of the Lawyers and Conveyancers Act 2006 from the Lawyers and Conveyancers Disciplinary Tribunal are to the High Court and any order or decision can be appealed. There is a further possibility of appeal to the Court of Appeal against any determination of the High Court on points of law.

97. The jurisdiction of the Board includes making orders that conduct amounts to negligence or incompetence, which may well involve specialised evidence and an understanding of the substance of patent law. In this way such decisions are similar to those of the Commissioner of Patents, on which any appeal is directly to the High Court.

***Recommendation***

98. That appeals from the Board's decisions be to the High Court in the first instance, consistent with the position under the Lawyers and Conveyancers Act 2006, because the importance of these decisions warrants that course.

**Clause 227 – Orders as to costs**

99. Clause 227 allows the District Court to make an order for costs only in respect of the appeal. This appears to leave the matter of costs at Board level (under clause 218) unaffected, so the person complained about would still have to pay any costs award made by the Board even if they were successful on appeal.
100. Further, decisions of the Board under clause 218, which relates to costs orders, are not appealable.
101. Potentially, awards of costs and expenses could be substantial as the scope of a hearing could be broad, expert witnesses could be required, and a costs award could also include expenses incurred by the Commissioner.

***Recommendations***

102. That the Court on appeal should be able to re-visit costs awards made by the Board where a decision of the Board is reversed or modified on appeal, and that a decision of the Board under clause 218 (that is, costs awards) should also be appealable.
103. That both these points be dealt with by adding a subclause 222(1) "including a decision under s218."
104. That if the right of appeal was to the High Court, then further appeals against any determination of the law, under clause 229, should be to the Court of Appeal. Further, the reference in clause 229(3) to Part 4 of the Summary Proceedings Act 1957 would not be appropriate.

## **PART 6 – ADMINISTRATIVE AND MISCELLANEOUS PROVISIONS**

### **Clause 242 - Purpose of patents register**

105. Clause 242(a)(i) states that the purpose is to enable members of the public to “know what patents are in force ...”. Clause 244(1)(b) states that the contents of the patents register include details of patent applications.

#### ***Recommendation***

106. That the inconsistency between these two clauses could be resolved by expanding the scope of clause 242 so as to accord with clause 244.

### **Clause 254 - Commissioner must publish journal**

107. Clause 254(1) states that a journal must be published “periodically”. The current practice is to publish the journal monthly.

#### ***Recommendation***

108. That if express publication requirements are not included in the clause there should, at least, be an obligation to publish the journal “regularly”.

### **Clause 259 - Commissioner may award costs**

109. The purpose of the new Act is to provide an efficient and cost-effective procedure for contentious matters to be resolved. One way of achieving this is to punish abuses and delinquency with an appropriate award of costs. The High Court Rules contain provision for this.

#### ***Recommendation***

110. That clause 259 be expanded to cover this important area with greater particularity. Specifically, provision should be made for increased indemnity costs, in appropriate cases, as is the case in the High Court.

### **Clause 260 - Commissioner or court may require security for costs**

111. The normal rule is that security for costs may be awarded, at the discretion of a court, in the event that the relevant party resides out of New Zealand or is impecunious.

***Recommendation***

112. That the clause be expanded accordingly.

**Clause 267 - Functions of Commissioner**

113. These functions are quite narrow.

***Recommendation***

114. That should the Committee expand the purposes in clause 3 (see paragraphs 1-4) then it would seem appropriate also to expand the Commissioner's functions.

**Clause 269 - Power of Commissioner to delegate**

115. Clause 266 provides for the appointment of a Commissioner and as many Assistant Commissioners as may be necessary. Unlike s4(1)(b) of the Patents Act 1953, it does not provide for the appointment of other officers and employees, such as patent examiners. It is counterintuitive that a Bill intended to increase the rigour of pre-acceptance examination, and to introduce post acceptance re-examination, does not provide for the appointment of examiners competent to carry out the task. Given that around 5,000 patent applications can be expected to be filed in any year it is unlikely that any Commissioner would personally be able to devote the time needed to do the task. Clause 269 gives the Commissioner unlimited power to delegate any powers, but it is unclear as to whom the power to examine patent applications will be delegated if there are no patent examiners.

**Clause 275 - Appointment and membership of Maori advisory committee**

116. While supportive of the creation of the Maori Advisory Committee, the Society is unclear as to how it is proposed that the workings of the Maori Advisory Committee will link in with the provisions of the Bill; for example, in relation to the provisions in clause 14(1).

***Recommendation***

117. That the Maori Advisory Committee, and the process by which it operates, is made part of the scheme of the Bill, and that it links in with the process of examination and/or opposition/re-examination.

**Clause 280 - Commissioner may extend time limits for certain filing requirements or delivery failures**

118. Clause 280 provides the Commissioner with the power to extend certain statutory time limits. The Commissioner may extend the time for filing a complete after provisional specification (CAP), or the time for filing a convention application, or “the time in which anything must be done under this Act or the regulations if that thing is or will not be done in time because of a failure or delay of post, fax, or electronic delivery” (subclause 1(b)). It is not clear from this whether the time limits for filing CAPs and convention applications can be extended only if there has been postal delay. From the current drafting it would appear that those times may be extended for any reason whatsoever. This seems odd, particularly in relation to convention applications. In relation to CAPs, clause 35(2)(b) already gives the power for the Commissioner to extend the period from 12 months to 15 months.

***Recommendation***

119. That clause 280 be clarified.

**Clause 281 - Requirements for applying and granting extensions of time limits under section 280**

120. If, under clause 280, an extension of time is requested by a person’s agent, under clause 281 the Commissioner may require written confirmation that the application for the extension is authorised by that person and be signed by that person. The purpose of this requirement is unclear. An agent may file an application without filing a signed authority with the Commissioner, it being accepted such action is only for the benefit of the applicant and that it would be extremely unlikely that such an action would be taken contrary to the wishes of the applicant.

***Recommendation***

121. That, this being the case, the analogous situation for the request for an extension of time should not be treated differently. The extension is for the benefit of the applicant and, equally, would not be made in contravention of the applicant’s instructions.

**Clause 285 - Offence of failing to comply with summons**

122. A fine not exceeding \$2,000 is inadequate and likely to lead to witnesses paying the fine and refusing to appear.

***Recommendation***

123. That the fine level be reconsidered.

**Clause 287 - Payment and application of fees and other money paid under this Act**

124. Clauses 286 and 287 provide for the payment of fees to the Commissioner. It is not clear whether an act requiring the payment of fees will be ignored or considered out of time if the fees are not paid concurrently with that act. Clause 286(2) indicates that fees may be payable at a later date since it states the Commissioner may decline to do any act, receive any document “until that fee or penalty is paid”.

***Recommendation***

125. This any provision for late payment be clarified.

**Clause 289 - Saving for Royal prerogative and certain Crown rights**

126. This clause appears to be obsolete. It does not serve any useful purpose nor has it ever been relied upon. Its place in a Bill designed to modernise New Zealand patent law is not clear.

**Clause 292 – Regulations**

127. The rules of procedure should be updated and particularised. New Zealand is fortunate that the High Court Rules include specific rules applicable to patent matters. Similar approaches have been adopted overseas. For example, the Patents County Court in the United Kingdom has its own rules specific to patent and related causes of action.

128. The Patent Rules could be relatively easily modified to apply to Patent Office procedure, thereby providing a unified or at least complementary body of procedural rules.

***Recommendation***

129. That the rules of procedure be considered and dealt with by way of regulations.

**SCHEDULE 1 – FURTHER PROVISIONS APPLYING TO BOARD AND ITS MEMBERS**

130. Clause 25 of Schedule 1 requires the Board to provide an annual report as soon as practicable after the end of each financial year. This is an appropriate requirement and it would be useful to have this apply also to the Maori Advisory Committee.

***Recommendation***

131. That there be a requirement for the Maori Advisory Committee to provide an annual report as soon as practicable after the end of each financial year.

John Marshall QC  
President  
15 July 2009