



NEW ZEALAND
LAW SOCIETY

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Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Bill

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1 Introduction

1.1 The Law Society welcomes the opportunity to comment on the Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Bill (Bill). The Law Society comments on the following aspects of the Bill:

- Introduction of a Single Application Process (SAP) and Single Examination Process (SEP) (clause 5 of the Bill: proposed new section 220A)
- Joint regulation of patent attorneys (clause 6: proposed new Part 6)
- The interface with the Lawyers and Conveyancers Act 2006: enabling non-patent attorney lawyers to do certain patents work (clause 6: proposed new section 273)
- Amendment to section 92 of the Patents Act 2013 (clause 4)

2 Introduction of Single Application Process (SAP) and Single Examination Process (SEP)

2.1 The explanatory note to the Bill states that the objectives of the SAP and SEP are to:

- reduce time and resources spent by businesses applying for and obtaining patents in both New Zealand and Australia;
- minimise the administrative costs of running the patent regime;
- ensure patents granted in Australia and New Zealand are of a similar, high quality standard; and
- ensure the examination approach is consistent between Australia and New Zealand.

2.2 It is not clear that the Bill achieves these objectives.

2.3 As to reduction of time and resources and minimising administrative costs:

- Currently, an attorney electronically sends an application to IP Australia and to IPONZ. Under the Bill there are still two separate patent applications. The attorney will send an application to one IP office. That office will send the application to the other IP office. The saving appears to be limited.
- The business/attorney will still have to deal with an examination report on each patent application.
- The majority of joint patent applications are filed using the Patent Cooperation Treaty (PCT) procedure. The World Intellectual Property Organisation (WIPO) has developed software (ePCT) which allows applicants to file international applications electronically through WIPO's portal. It appears that ePCT will achieve on an international scale what SAP is seeking to achieve on a bilateral scale.

2.4 As to ensuring patents are of a similar, high quality standard and examination is consistent:

- The SEP should mean consistent examination on those matters where Australian and New Zealand law are the same (there are material differences in the laws so the examination reports will often differ). However, because most patent applications are filed through the PCT, examiners already have the benefit of an international search and opinion. Examiners can

also look at each other's search reports. Consistent high quality examination is not dependent on the SEP.

- The standard of examination in New Zealand should have already reached the same level as Australia with the introduction of the requirements to examine for "inventive step" in the Patents Act 2013.

SAP and SEP to be voluntary or compulsory?

2.5 The explanatory note to the Bill states:

Entry to the SEP is voluntary ... Alternatively, entry to SEP could be compulsory.

2.6 It is unusual for an explanatory note to set out alternatives in this way. The Bill itself is not clear on whether SEP will be voluntary or compulsory. Section 220A does not specify whether the SEP will be voluntary or compulsory, but section 220A(7) confers a broad power for making regulations. It seems that the explanatory note contemplates this regulation-making power could be used to make SEP compulsory.

2.7 In the policy papers and consultation leading up to the introduction of this Bill the SAP and SEP regimes were described as being voluntary.

2.8 A significant policy decision such as whether SAP and SEP are to be compulsory or voluntary should not be left to delegated legislation. The Bill should specify whether the SAP and SEP are to be voluntary or compulsory.

Recommendation

2.9 That the Bill be amended to make clear whether it is intended the SAP and SEP are to be voluntary or compulsory.

3 Joint regulation of patent attorneys

Adoption of the existing Australian regime

3.1 The purpose of new Part 6 is to implement a 2011 Cabinet decision to introduce a single trans-Tasman regulatory framework for patent attorneys, for the purpose of:

- reducing the registration costs for New Zealand and Australian patent attorneys; and
- promoting competition between them.

The proposed new framework is to be based on the existing Australian registration regime, as amended in Australia to extend the regime to New Zealand-based patent attorneys.

3.2 The Regulatory Impact Statement (RIS) *Trans-Tasman Regulatory Framework for Patent Attorneys* compares the cost in the two jurisdictions for the administrative steps of registration as a patent attorney and the annual renewal fee for that registration, but does not compare the cost to a prospective patent attorney in each jurisdiction of reaching the point of registration (i.e. completing all of the necessary pre-qualification training). The RIS correctly recognises that the current New Zealand scheme for qualifying for registration as a patent attorney is no longer appropriate. But for the reasons outlined below, the Law Society recommends that the committee seeks advice from officials on the likely cost of qualifying as a patent attorney under the proposed regime and the risk that New Zealand trainee patent attorneys will permanently move to Australia.

- 3.3 At present, to qualify as a New Zealand patent attorney, the candidate must pass six exams and have worked for a patent attorney for three years. There are no academic courses offered by the profession or by tertiary institutions. Instead, training is largely performed in-house. It is difficult to quantify the in-house costs but the only payment for sitting all six examinations is a \$172.50 fee paid to IPONZ.
- 3.4 With only 199 resident patent attorneys in New Zealand, the number of candidates for registration as a patent attorney each year is insufficient to support a full range of tertiary courses in New Zealand. It therefore seems likely that New Zealanders will have to study at Australian institutes. Some of that training is expected to be by distance learning courses. Other training may require attendance at the Australian institute.
- 3.5 In Australia, there are nine compulsory courses which must be taken at a recognised tertiary provider and accredited by the Professional Standards Board. Course fees alone can cost A\$25,200.¹
- 3.6 If the Australian regime is adopted, it is likely that the direct cost to a person from New Zealand wishing to become registered as a patent attorney (A\$25,200) would be prohibitive. The effect of this entry cost would be compounded by the lack of access to the Australian student loans system.
- 3.7 In addition, New Zealand trainee attorneys are likely to need to study at an Australian institute for at least some of the training. There is a real risk that trainee attorneys will move to Australia for the training and not return to New Zealand.
- 3.8 The present system does need to be significantly updated. However the committee should assess whether it is prudent to adopt the Australian regime as a replacement.

4 Non-patent attorney lawyers' ability to do certain patents work

- 4.1 The intention of the Bill is that non-patent attorney lawyers are to be permitted to continue to do certain patents work. That is made clear in the Cabinet Paper *Implementing a Single Trans-Tasman Registration Regime for Patent Attorneys*, which says:²

Patent Attorney Services

e. Only registered patent attorneys **and legal practitioners** are to be allowed to offer the following services for financial gain:

- apply for or obtain a patent, whether domestically or overseas;
- prepare specifications or other documents for the purpose of patent law, in Australia, New Zealand or elsewhere; and
- give advice (other than advice of a scientific or technical nature) about the validity, or infringement, of patents.

¹ The system was unofficially reviewed in *Like Learning Karate from a Textbook: a Critical and Historical Analysis of the Regulatory Regime in Australia*, Donna Meredith, Intellectual Property Forum, Issue 100, March 2015, page 45, at 53. That report identified fees at University of Technology in Sydney in 2014 for the Master of Intellectual Property which had eight courses apparently covering the nine requisite topics at A\$25,200.

² Cabinet paper, Appendix A: Key Elements of the Trans-Tasman Registration Regime Agreed to by Cabinet in November 2011, paragraphs (e) and (f), emphasis added).

f. A legal practitioner, who is not also a registered patent attorney, is to be prevented from preparing or amending a patent specification unless the practitioner is acting under instruction of a registered patent attorney or the amendment has been directed by an order of the Court.

[Emphasis added]

- 4.2 However, that intention has not been made sufficiently clear in the Bill as currently drafted.
- 4.3 The drafting problem arises from the fact that the Bill essentially carries over a long-standing 'carve-out' for non-patent attorney lawyers. This carve-out was first introduced in the Patents Act 1953, was preserved in the Patents Act 2013, and is carried over in the Bill to the extent that proposed new section 273(1) references the carve-out in describing the services that non-patent attorney lawyers may continue to carry out after enactment of the Bill. There is uncertainty about the exact scope of what the carve-out permitted. It is undesirable for the Bill to perpetuate the uncertainty and, for clarity, the Law Society recommends minor redrafting to achieve the policy intention of the Bill.
- 4.4 In terms of the background to the issue, section 103(3) Patents Act 1953 currently sets out what constitutes carrying on the business of a patent attorney:

For the purposes of this section a person who or a company which undertakes for gain in New Zealand—

- (a) to apply for or obtain patents in New Zealand or elsewhere; or
- (b) to prepare specifications or other documents for the purposes of the Patents Act 2013, this Act, or the patent law of any country; or
- (c) to give advice other than of a scientific or technical nature as to the validity of patents or their infringement—

shall be deemed to carry on business as a patent attorney.

- 4.5 Section 103(1) states:

No person either alone or in partnership shall carry on business, practise, act, describe himself [etc] ... as a patent attorney ... unless he is registered as a patent attorney ...

- 4.6 However, section 103(5) contains a saving provision for non-patent attorney lawyers.³ It states:

Nothing in this section shall be construed as prohibiting barristers or solicitors of the High Court of New Zealand from giving professional advice or taking such part in proceedings under the Patents Act 2013 or this Act **as has heretofore been taken by them.**

[Emphasis added]

- 4.7 There appears to be no case law on the meaning of the words "as has heretofore been taken by them" but it seems to be generally accepted that in terms of the above provisions, a non-patent attorney lawyer may not prepare a patent application or prepare specifications for the purposes of the Patents Act 2013. However, a non-patent attorney lawyer may give advice (other than of a scientific or

³ Section 103 was preserved by section 248 of the Patents Act 2013.

technical nature and possibly also as to validity or infringement) in relation to patents, act in patent proceedings, and carry out other work in relation to patents.

4.8 Under the Bill, proposed new section 271(1) requires a person providing patent attorney services to be registered under, and comply with, the joint registration regime. Proposed section 271(2)(a) states that, without limiting subsection (1), no person may provide patent attorney services unless the person is a registered patent attorney.

4.9 The term "patent attorney services" is defined as follows in the proposed new section 269(1):

the undertaking of any of the following services in Australia or New Zealand, or both, for gain:

- (a) applying for or obtaining a patent in Australia or New Zealand or elsewhere on behalf of another person; and
- (b) preparing or amending specifications or other documents for the purposes of the patent law of Australia, New Zealand, or any other country on behalf of another person; and
- (c) giving advice (other than of a scientific or technical nature) as to the validity of patents or their infringement –

and "providing patent attorney services" has a corresponding meaning.

4.10 The proposed carve-out that causes the concern is found in proposed section 273(1). It states:

Section 271 does not prohibit lawyers –

- (a) From providing legal services; or
- (b) From taking part in proceedings under the Patents Act 2013 **to the extent that they were entitled to do so before the commencement of this Part** [this refers to new Part 6 inserted by clause 6 of the Bill].

[Emphasis added]

This is equivalent to section 103(5) of the Patents Act 1953, although with slightly different wording.

4.11 Additional complexity arises under section 273(2), which provides that section 273 is said not to limit sections 277(1) and 279.

4.12 The proposed section 277(1) specifically prohibits a lawyer from preparing a specification or a document relating to an amendment of a specification unless he or she is also a registered patent attorney or acting on a patent attorney's instructions, etc.

4.13 The proposed new section 274(10) deals with offences. In *this* context lawyers are treated differently from others in that lawyers do not commit an *offence* if they *carry on business, practise or act as a patent attorney*. This is defined in proposed section 274(9) as doing *patents work* in New Zealand.

4.14 The proposed section 274(10) defines patents work as:

1 or more of the following done, on behalf of someone else, for gain:

- (a) applying for or obtaining patents in New Zealand or elsewhere;

- (b) preparing specifications or other documents for the purposes of this Act or the patent law of another country:
- (c) giving advice (other than advice of a scientific or technical nature) about the validity, or infringement, of patents.

This is equivalent to section 103(3) of the Patents Act 1953.

- 4.15 The fact that lawyers are carved out of the offences provision cannot be taken as meaning lawyers are permitted to do all patents work. It seems reasonably clear that lawyers are prohibited from doing patents work except for the carve-out in proposed section 273(1).
- 4.16 Accordingly, the precise extent to which lawyers can carry out patent attorney work under the Bill has not been clearly defined. It would seem to depend on the extent to which lawyers were entitled to do so under the Patents Act 1953 and (by extension) the Patents Act 2013 – about which there is some uncertainty.
- 4.17 The clear position of Cabinet should be reflected in the Bill. The Bill presents an opportunity to provide clarity on the patent work that lawyers may undertake.
- 4.18 There is a strong case for lawyers to be permitted to carry out any patent work, other than the preparation of specifications and documents relating to amendments of specifications, because:
- a Some lawyers will be competent to carry out this work.⁴
 - b It would unnecessarily limit competition to exclude lawyers with appropriate skills and knowledge from carrying out patent work.
 - c Excluding lawyers is not necessary for the proper protection of consumers.
 - d Lawyers are subject to a comprehensive regulatory regime designed to protect the interests of clients. Features of the regime are set out in the **attached** schedule.
- 4.19 Finally, the proposed section 271(1) of the Bill would provide as follows:

A person providing patent attorney services must be registered under, and comply with, the joint registration regime.

- 4.20 Presumably, it is not intended that non-patent attorney lawyers should register under the joint regime. Accordingly, it would be desirable for the Bill to be amended to make it clear that non-patent attorney lawyers are not required or entitled to register under that regime.

Recommendation:

- 4.21 That proposed new section 273 be replaced with the following:

273 Interface with Lawyers and Conveyancers Act 2006

- (1) Despite any other provision in this Act—

⁴ A lawyer must at all times act competently and must not undertake work in an area beyond that lawyer's field of competency. Under section 4 of the Lawyers and Conveyancers Act 2006, it is a fundamental obligation of lawyers to 'act in accordance with all fiduciary duties and duties of care owed by lawyers to their clients'. This provision is reinforced by Rule 3 of the *Lawyers and Conveyancers Act (Lawyers Conduct and Client Care) Rules*.

- (a) a lawyer may provide patent attorney services other than preparing a specification or a document relating to an amendment of a specification; and
- (b) a lawyer who is not a patent attorney is not required or permitted to register under the joint registration regime.

(2) In subsection (1) of this section, where the context permits, the term 'lawyer' includes a partnership of lawyers and an incorporated law firm.

5 Proposed amendment to section 92, Patents Act 2013 (Clause 4)

- 5.1 The purpose of the amendment to section 92 is to correct a drafting error. At present, the amendment is not retrospective and the potential arises for the unfair exploitation of the drafting problem.
- 5.2 As a general constitutional principle, laws should not be retrospective. But a change to correct a drafting error which does not prejudice any current opponent may be acceptable.
- 5.3 The Law Society suggests that officials check with IPONZ to determine whether any patent oppositions have been lodged relying on the "lack of unity of invention" ground of opposition. If there are no oppositions relying on that ground of opposition, then no one would be prejudiced by making the amendment retrospective to the date of the introduction of the Bill. Making the amendment retrospective would prevent someone opportunistically relying on the ground of opposition in the period up to the date on which the law comes into force.

Conclusion

The Law Society does not wish to be heard, but is available to meet with the officials advising on the Bill if this would be of assistance.



Chris Moore
President
24 March 2016

Schedule **attached**: Regulatory Regime for Lawyers

Schedule

Regulatory Regime for Lawyers

- 1 The fundamental obligations imposed on all lawyers by section 4 Lawyers and Conveyancers Act ('LCA') include the following:
 - a to be independent in providing services to clients; and
 - b to act in accordance with all fiduciary duties and duties of care owed by lawyers to their clients.
- 2 The fiduciary obligations which lawyers owe to their clients which exceed the duties of other professional or occupation groups, including financial advisers.
- 3 Rule 3 of the *Lawyers Conduct and Client Care Rules* ('RCCC') states that a lawyer must always act competently. Accordingly, a lawyer who provides financial services must at all times do so competently.
- 4 The RCCC comprises a detailed set of rules of conduct and client care which are binding on all lawyers.
- 5 Rule 3.8 RCCC requires each lawyer to ensure that the lawyer's practice establishes and maintains appropriate procedures for handling complaints by clients with a view to ensuring that each complaint is dealt with promptly and fairly by the practice.
- 6 As required by the LCA, the Law Society maintains a Lawyers Complaints Service which operates on a user friendly basis. Complaints are considered by Standards Committees comprising lawyers and at least one lay person. Standards Committees are able to impose a wide range of orders, including orders to:
 - a reduce or cancel fees;
 - b pay compensation;
 - c rectify at the lawyer's own expense any error or omission;
 - d pay a fine.

A complainant may apply to the Legal Complaints Review Officer (an independent Government-appointed person) to review a Standards Committee decision.
- 7 The Law Society operates a comprehensive financial assurance scheme. Compliance with trust account rules is monitored and enforced by a team of Law Society inspectors.
- 8 The Law Society maintains a fidelity fund which reimburses clients in the event of any theft.
- 9 In order to be admitted as a lawyer, a person must obtain a law degree (which involves at least a four-year study course), undertake the prescribed law professional course and satisfy the Court that he or she is a fit and proper person to be admitted as a barrister and solicitor.
- 10 The Law Society has a continuing legal education division which, among other things, conducts travelling seminars. The seminars cover a wide range of topics.
- 11 Rule 3.9 RCCC requires a lawyer to undertake continuing education and professional development necessary to ensure an adequate level of knowledge and competence in his or her fields of practice. Further, each lawyer must undertake at least 10 hours of Continuing Professional Development each year.