

# Impact Summary: Intellectual Property laws Amendment Bill.

## Section 1: General information

Purpose
<p>This RIA contains proposals for amendments to the <i>Patents Act 2013</i>, the <i>Trade Marks Act 2002</i> and the <i>Designs Act 1953</i> (<b>the IP Laws</b>), to be included in the proposed Intellectual Property Laws Amendment Bill. It also contains proposals for amendments to the Patents Regulations 2014, the Trade Marks Regulations 2003, and the Designs Regulations 1954 (<b>the IP Regulations</b>).</p> <p>The intent of these proposed amendments is to make technical amendments to the IP Laws and the IP Regulations, in order improve the practical workability of these statutes. The proposed amendments are largely of interest to a small, knowledgeable audience, mainly patent attorneys and other intellectual property lawyers.</p> <p>The Ministry of Business, innovation and Employment is solely responsible for the analysis and advice set out in this Regulatory Impact Statement, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of informing final decisions to proceed with a policy change to be taken by Cabinet.</p>

### Key Limitations or Constraints on Analysis

- *Describe any limitations or constraints — both those listed below and any others you have identified:*
- *Scoping of the problem*
- *Evidence of the problem*
- *Range of options considered*
- *Criteria used to assess options*
- *Assumptions underpinning impact analysis*
- *Quality of data used for impact analysis*
- *Consultation and testing*

The contents of this RIA have been informed by public consultation. This has included the release of a consultation document in June 2019, and face-to-face meetings where requested by stakeholders.

The issues included in the consultation document were those identified by MBIE, and those identified by stakeholders.

The range of options considered was constrained by the practicality of implementation by the Intellectual Property Office of New Zealand (**IPONZ**), taking into account the resources available to IPONZ. In addition, decisions by IPONZ on whether or not to grant patents, or register trade marks or designs are appealable to the High Court. In some cases, this meant that non-regulatory options (i.e. options that did not involve legislative amendment), such as the changing guidelines or practice were not practical due to uncertainty as whether the changes would be upheld by the courts.

The impact analysis is based on a qualitative analysis of the impacts of the issues and proposed solutions, rather than on consideration of monetary costs and benefits. This is because, for some issues, the impact will depend on how applicants react to the proposed changes, and this is difficult to predict. For other issues it is very difficult to assign monetary values to the impact.

### Responsible Manager (signature and date):

Susan Hall

Corporate Governance and Intellectual Property Policy

Building, Resources, Markets

Ministry of Business, Innovation and Employment

## Section 2: Problem definition and objectives

### 2.1 What is the policy problem or opportunity?

- *Describe the current situation and how it is expected to develop if no action is taken, over and above what is already intended. This is the “counterfactual” against which other options should be assessed, and your preferred option described, in section 4.*
- *Why does the current situation constitute “a problem”, or why is it expected to do so if it continues?*
- *What is the underlying cause of the problem? Why does government need to act – why can’t individuals or firms be expected to sort it out themselves, under existing arrangements?*
- *Why does it need to be addressed now?*
- *How much confidence is there in the evidence and assumptions for the problem definition?*

## 1 Patents Act 2013

### 1A. Transitional provisions for divisional patent applications made under the Patents Act 1953

Description of problem	Magnitude of Problem
<p>Divisional patents applications are applications split off from an original parent application. Current rules are enabling applicants to keep applications pending for prolonged periods by filing successive divisional applications, unreasonably disadvantaging third parties.</p> <p>This issue arises in both the transitional provisions in the <i>Patents Act 2013</i> relating to patents filed under the <i>Patents Act 1953</i> and in divisional patent applications filed under the <i>Patents Act 2013</i>.</p>	<p>As at February 774 divisional patents applications, filed under the Patents Act 1953 were still pending.</p> <p>Under the provisions for patent applications filed under the Patents Act 2013, divisional patent applications could be kept 'pending' for up to 20 years from the date the original parent applications was filed.</p>

The *Patents Act 2013*, which replaced the *Patents Act 1953*, includes transitional provisions that specify how patent applications made under the *Patents Act 1953* are to be dealt with following entry into force of the *Patents Act 2013*.

Under the *Patents Act 1953*, one or more “divisional patent applications” may be “divided” from an earlier “parent” patent application. Applicants may file divisional patent applications if the parent application describes more than one invention. Under the *Patents Act 1953*, patents can only be granted for one invention only.

The “parent” application can also be a “divisional” patent application. Under the transitional provisions in the *Patents Act 2013*, where a divisional application is divided from a parent application filed under the *Patents Act 1953*, it is treated as if it was an application filed under the *Patents Act 1953*, even if the divisional application was filed after the *Patents Act 2013* came into force. This was intended to ensure that applicants who had filed parent patent applications under the *Patents Act 1953* were not unfairly disadvantaged when the *Patents Act 2013* entered into force.

An unintended consequence of the transitional provisions is that patent applications filed under the Patents Act 1953 can be kept “pending” long after the Patents Act 2013 came into force by filing successive divisional patent applications from previous divisional applications. This has the potential to unreasonably disadvantage third parties, including local businesses, by causing uncertainty as to what patent rights might eventually be granted on these applications.

Another problem is caused by the fact that divisional applications filed under the Patents Act 1953 must meet the criteria for granting a patent in that Act. The *Patents Act 1953* allowed the grant of overly broad patents over inventions which are not novel or inventive, and which could cover products already on the market. This could mean that third parties have to engage in costly litigation to have the patents invalidated. The *Patents Act 2013* avoids this problem by imposing much stricter criteria for granting a patent.

As of February 2019, there were 774 divisional patent applications made under the Patents Act 1953 that were still “pending”. The *Patents Act 2013* entered into force in September 2014.

The problem is due to the use of the provisions for divisional patent applications for purposes for which those provisions were never intended. At least one local manufacturer (Fisher and Paykel Healthcare) has argued that these provisions are being used by a foreign competitor in a manner that might jeopardise its local manufacturing operation.

In addition, as long as divisional applications made under the *Patents Act 1953* remain pending, IPONZ will have to maintain the capacity to examine patent applications under this Act. This imposes additional training burdens on IPONZ, as examiners will need to be trained to examine under both the *Patents Act 1953*, and the *Patents Act 2013*.

#### 1B. Divisional patent applications under the Patents Act 2013

Under the *Patents Act 2013* patent applications can be “divided” from an earlier “parent” patent application. Applicants may file divisional patent applications if the parent application describes more than one invention. Under the *Patents Act 2013*, patents can only be granted for one invention only. The “parent” application can also be a “divisional” patent application.

An unintended consequence of this is that it is possible to keep an original parent patent application “pending” for long periods of time by filing successive “divisional” patent applications from previous divisional patent applications. This can allow these applicants to keep patent applications “pending” for up to 20 years<sup>1</sup> from the date of filing of the original parent application. The original parent application is the earliest application in a “chain” of successive divisional patent applications which is not itself a divisional patent application. In addition, Some applicants are using divisional patent applications for purposes that were also not intended, including to circumvent other provisions of the *Patents Act 2013*.

This has the potential to unreasonably disadvantage third parties, including local businesses, by causing uncertainty as to what patent rights might eventually be granted on these applications. It could also mean that patent applicants may be able to obtain more generous patent rights than would otherwise be the case if the other provisions of the *Patents Act 2013* were followed.

#### 1C. “Poisonous” divisional patent applications

Description of issue	Scale
A 2012 UK court decision set a precedent for refusing divisional patent applications, based on what is disclosed in the parent patent application. In light of the similarities between the UK Patents Act and the <i>Patents Act 2013</i> , this decision is relevant in New Zealand. We consider this “poisonous divisionals” doctrine to be overly restrictive, and was not an intended outcome of the 2013 Act.	The “poisonous divisionals” doctrine could result in potentially all divisional patent applications filed under the 2013 Act being vulnerable to revocation.

In 2012, a United Kingdom court issued a decision under the United Kingdom Patents Act 1977. The effect of this decision is that it is possible for a divisional patent application to be refused because the invention claimed in the application is not new in light of what is disclosed in the parent patent application it was divided from, or vice versa. This situation is known as “poisonous divisionals”. The relevant legislative provisions in the United Kingdom Patents Act are the same as the corresponding provisions in the *Patents Act 2013*.

In patents matters, the New Zealand courts have traditionally taken their lead from decisions of the United Kingdom courts in areas where the two patent laws are the same

<sup>1</sup> The term of a patent in New Zealand is 20 years from the date of filing of the patent application. In the case of divisional patent applications, the 20 year term runs from the date of filing of the original parent application. There is therefore no point in keeping a divisional patent application pending more than 20 years after the date of filing of the original parent application.

or very similar. This suggests that the New Zealand courts would uphold the “poisonous divisionals” doctrine if asked to rule on it.

Refusing a divisional patent application on the basis of what is disclosed in its parent application is not the intended outcome. Potentially all of the divisional patent applications made under the *Patents Act 2013*, and their parent applications, are affected. Where patents have already been granted they are vulnerable to revocation. The “poisonous divisionals” issue unreasonably disadvantages patent applicants using the divisional patent application system for its intended purpose.

#### 1D. Extensions of time when a hearing is requested

Description of issue	Magnitude of problem
There is insufficient provision under the Patents Act 2013 for extensions to the period for resolving objections by the IPONZ examiner when an applicant has requested a hearing before the Commissioner of Patents. Current practice is to extend the time under a provision that allows for extensions of time due to delays by the Commissioner, but the legality of this has been questioned by IPONZ hearing officers. This can lead to uncertainty for patent applicants and third parties as to the status of the application where a hearing has been requested but not yet been held.	The number of applications where a hearing is requested is small less than 10 per year.

Patent applications are examined by an IPONZ examiner who decides whether the requirements for granting a patent are met. If the examiner considers that the requirements are not met, an examination report is issued setting out the examiner's objections. The applicant must overcome all objections within 12 months after the date of issue of the first examination report. If all objections are not overcome, within the prescribed period, the patent application is deemed to be void. There is no provision in the Act or regulations that allow this 12 month time limit to be extended.

If the applicant is unable to convince the examiner that the applicant has overcome the objections, the applicant can request a hearing before the Commissioner of Patents (in practice an IPONZ hearing officer). As IPONZ is a small patent office, it lacks the resources to hold a hearing and issue a decision before the prescribed period referred to above expires.

There is no provision in the Act to allow this 12 month period to be extended in these circumstances. This can leave the status of the application uncertain. Current practice is to extend the time under a provision that allows for extensions of time due to delays by the Commissioner, but the legality of this has been questioned by IPONZ hearing officers.

#### 1E. Exhaustion of Patent Rights

Description of issue	Scale
The <i>Patents Act 2013</i> is silent on whether or not a patent owner can control re-sale of products covered by their patent. A court decision from 1919 suggests that if a patented product is sold with no limitations on resale, the product can be resold in New Zealand without the patent owner's permission, although this has never been tested.	Potentially affects all patents granted in New Zealand.
It is currently unclear whether parallel importation of patented products is permitted in New Zealand. It would be desirable to clarify the issue to avoid problems in future.	

Intellectual property rights such as patents or copyright provide rights owners with the right to prevent others from selling a product covered by those rights without the permission of the rightsholder. Intellectual property rights legislation may provide that, where a product covered by an intellectual property right is sold to the public, the right to sell the product is “exhausted”. This means that the product can be resold by its purchaser without the permission of the rights owner.

The *Copyright Act 1994* and the *Trade Marks Act 2002* both explicitly provide for exhaustion of rights. They provide that if a copyright work or a product carrying a registered trade mark is placed on the market anywhere in the world, with the rights owner’s permission, it can be resold in New Zealand without the need to get the permission of the rights owner. This is known as “international exhaustion” and allows for the parallel importing of copyright works and trade marked products. The justification for providing for international exhaustion for copyright and trade marks was to provide greater competition and lower prices for consumers in the New Zealand market.

The *Patents Act 2013* is silent on whether or not a patent owner can control further sale of products covered by their patent. A court decision from 1919 suggests that if a patented product is sold with no limitations on resale, the product can be resold in New Zealand without the patent owner’s permission, although this has never been tested.

It is currently unclear whether parallel importation of patented products is permitted in New Zealand. It would be desirable to clarify the issue to avoid problems in future.

## 2. Trade Marks Act 2002

### 2A Series of Trade Marks

Description of issue	Scale
Many series of trade marks applications are being filed incorrectly, either because the applicant does not fully understand the criteria, or in some cases, to place a strategic hold on a suite of trade marks. This issue may be exacerbated by the fact that the application fee for a series of trade marks is the same as for a single trade mark, and there are no limits on the number of marks permitted in a series.	<p>Around 50% of series of trade mark applications are incorrectly filed.</p> <p>This can cause uncertainty for third parties, and increases administrative costs for IPONZ.</p>

The *Trade Marks Act 2002* allows for the registration of “series” of trade marks. A series of trade mark is a “family” of two or more trade marks which are nearly identical, only differing in “minor” characteristics. Examples of a series trade mark in relation to a (fictional) trade mark “FLORINA” are set out below:

- a. statements of the goods or services for which the mark is intended to be used (e.g. FLORINA marmalade, or FLORINA jam)
- b. statements of number, price, quality, or names of places (e.g. FLORINA Wellington or FLORINA Auckland)
- c. the marks differ only in other matters of a non-distinctive character that do not substantially affect the identity of the trade marks: FLORINA or florina
- d. colour: FLORINA or FLORINA

There are a number of problems associated with series trade marks. About 50% of applications are filed incorrectly, usually because the trade marks listed in the application do not form a series of trade marks as defined in the Act. Most of these incorrect applications are filed by small businesses, who have not sought the assistance of a trade marks lawyer or patent attorney. Often, applicants file incorrect applications because they do not understand the Act's requirements for series of trade marks.

There is also some evidence that some applicants may file incorrect series of trade mark applications for "strategic reasons". They may submit an application containing a broad range of trade marks which are not a valid series. The purpose of this is to place a "hold" on a number of potential trade marks until the applicant has made a decision on what mark(s) the applicant wants to register. The use of series trade mark applications in this way may be exacerbated by the fact that the fee for filing a series of trade mark application is the same as the fee for filing an application containing a single trade mark. Another factor is that there is no limit on the number of marks that can be in a series trade mark application.

The filing of incorrect applications can create uncertainty and impose unnecessary costs on other applicants who wish to file applications for similar trade marks. Incorrect applications are also more costly for IPONZ to administer.

#### **2B Prior continuous use of a trade mark to overcome a conflicting registration**

Under section 26 of the *Trade Marks Act 2002* the Commissioner of Trade Marks, or a court may register a trade mark A, even if there is an existing, similar trade mark B, if they consider that a case of "honest concurrent use" exists, or there are other special circumstances that justify registration of trade mark A.

There can be situations where trade mark A has previously been used concurrently with trade mark B. This is known as "prior concurrent use". Currently, in such situations, IPONZ does not consider prior continuous use to be a "special circumstance" for the purposes of section 26. This approach has been criticised by some stakeholders as being too narrow, and argue that prior concurrent use should be sufficient to permit trade mark A to be registered, as is the case in Australia.

#### **2C Mandate use of Pick List for Search and Preliminary Advice Applications**

Before a potential applicant applies to register a trade mark for particular goods or services, they can ask IPONZ to conduct a search of the Trade Marks register to see whether the same or a similar mark has already been registered for the same or similar goods or services. The applicant can also ask IPONZ to give preliminary advice as to whether or not the trade mark would otherwise be registrable. This service is known as "Search and Preliminary Advice" (**S&PA**).

An important part of the S&PA process is the list of goods and services that the applicant wants to apply their trade mark to. This list is known as the "specification". To make things easier for applicants, IPONZ provides a "pick list" on its on-line system that applicants can select goods and services from. However, use of this pick list is not mandatory.

Where an S&PA applicant's specification includes goods or services not on the picklist, this frequently causes problems for IPONZ, as it can mean that specifications can contain

unclear terms. This can make it difficult for IPONZ to offer an accurate and cost effective S&PA service.

## 2D Clarify scope of acceptable memorandums

Section 182(d) of the *Trade Marks Act 2002* provides that the Register of Trade Marks must contain any memorandums that the trade mark owner has requested be entered on the register. The Act provides that a memorandum must not “in any way, extend the rights given by the existing registration of the trade mark. Other than this, the Act gives no guidance on what can be entered as a memorandum. There are no relevant IPONZ Hearing Officer or court decisions which might provide greater guidance.

Current IPONZ practice is to refuse an application to enter a memorandum on the register where the information does not affect the scope and nature of the rights associated with a registration. In recent years, between 15 and 30% of requests to enter memorandums have been refused on these grounds. This imposes costs on both applicants and IPONZ. The recordal of such memorandums appears to provide no benefits for either third parties or the wider public.

## 2E Confirm that s17(1)(b) of the *Trade Marks Act 2002* only covers activities contrary to laws other than the *Trade Marks Act 2002*

Section 17(1)(b) of the *Trade Marks Act 2002* provides that the Commissioner of Trade Marks must not register a trade mark if use of the mark, or part of it would be contrary to New Zealand law. The acceptance of a trade mark application, or a registration can be invalidated on the same ground.

The policy intent was that the reference to “New Zealand” law did not include the *Trade Marks Act 2002*. However, this is not explicit in s17(1)(b). To date there have been no court rulings on the matter. There are two IPONZ Hearing Officer decisions that have ruled that s17(1)(b) does not include the *Trade Marks Act 2002*.

Despite these decisions, many of those who oppose acceptance of a trade mark application, or apply to invalidate a trade mark registration argue that s17(1)(b) does include the *Trade Marks Act 2002*. In such circumstances, 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 make a ruling. This adds unnecessary cost and complexity to the proceedings.

## 2F Partial refusals of national trade mark applications

Description of issue	Scale
International registrations of trademarks in NZ, made under our international obligations, are treated differently from national applications. International registrations may be partially refused, but still be registered. National applications must address all objections, or have their application treated as abandoned.	About one third of the trade mark applications received by IPONZ are international applications.  About 20 – 30% of international applications are the subject of partial refusals.

Trade Marks applications can either be “national” trade mark applications, which are filed directly with IPONZ, or they can be “international registrations designating New Zealand” (**IRDNZ**) filed with the International Bureau of the World Intellectual Property Organisation.

IRDNZs are made under the Trade Marks (International Registration) Regulations 2012. These regulations implement New Zealand's obligations under the *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks* (**the Madrid Protocol**). Local businesses apply to register their trade marks using national applications. Many foreign businesses seeking to register their trade marks in New Zealand use IRDNZs.

If, after examining an IRDNZ, the Commissioner of Trade Marks objects to the IRDNZ becoming registered in relation to some of the goods or services in the specification, the Commissioner will issue a "partial refusal" on the application and give the applicant a deadline for responding to the partial refusal. This approach is required by the Madrid Protocol. Partial refusals are issued in about 20 – 30% of IRDNZs.

If the applicant does not respond to the "partial refusal" within the time set by the Commissioner, the trade mark will be registered, but the goods or services that were objected to will be removed from the specification by the Commissioner.

National applications are treated differently. If an objection by the Commissioner relates to only some of the goods or services in the specification, and the applicant does not respond to the objection within the time set by the Commissioner, the entire application will be deemed to be abandoned.

The effect of this is that applicants for IRDNZs can get their marks registered, even if they do not respond to objections made by the Commissioner. This is not the case for applicants for national applications. Those applicants will have to incur the expense of a re-filing their applications if they wish to get their trade marks registered. This difference in approach disadvantages local businesses compared with overseas businesses. This is because local applicants must file national applications, while foreign applicants have the option of using an IRDNZ to gain trade mark protection in New Zealand.

### 3. Designs Act 1953

Description of issue	Scale
<p>The Designs Act 1953 is inconsistent in many administrative features with the Trade Marks Act 2002 and the Patents Act 2013. This results in additional costs for applicants and IPONZ. Issues include:</p> <ul style="list-style-type: none"> <li>• No provision for the substitution of applicant</li> <li>• No requirement to use the IPONZ Case Management Facility</li> <li>• Inconsistent provision for costs and security for costs</li> <li>• No clarity on whether persons other than an applicant for the registration of a design are also entitled to be heard in relation to registration of a design</li> <li>• Requirement for filing of authorisation for an agent</li> <li>• No regulations on the proceedings before the Commissioner of Designs</li> </ul>	<p>Additional costs created can include re-application costs, increased administration costs from running parallel and/or manual systems</p>

#### 3A Substitution of Applicant

Under the Designs Act 1953, there is no provision to record an assignment of a design application to another person before the design is registered. This is known as "substitution of applicant". The assignment can only be recorded after registration. This

adds cost and complexity for IPONZ and the other parties involved. The *Patents Act 2013* and the *Trade Marks Act 2002* both allow for substitution of applicant.

### **3B Require use of the IPONZ Case Management Facility**

The *Designs Act 1953* provides that documents required to be filed with IPONZ, or documents required to be given or sent to a person under the Act may be sent by post or email. However, IPONZ no longer accepts postal communications or emails from applicants and other persons it deals with, and does not use the post to send documents to others. Instead all communications are made through IPONZ's on-line Case Management Facility. Both the *Patents Act 2013* and the *Trade Marks Act 2002* require the use of the Case Management Facility.

### **3C. Costs and Security for Costs**

Section 38 of the *Designs Act 1953* provides that the Commissioner of Designs may award costs to any party in proceedings before the Commissioner. It also provides that the Commissioner can require security for costs in certain limited circumstances.

The provisions of section 38 in relation to the requirement to provide security for costs only applies to proceedings for cancellation of a design. The corresponding provisions of the *Patents Act 2013* and the *Trade Marks Act 2002* apply to all proceedings before the relevant Commissioner. There appears to be no good reason for treating proceedings under the *Designs Act 1953* differently from proceedings under the *Patents Act 2013* and the *Trade Marks Act 2002*.

### **3D. Hearings before the Commissioner of Designs**

Section 36 of the *Designs Act 1953* relates to situations where the Act gives the Commissioner of Designs the power to make decisions involving the exercise of the Commissioner's discretion. If the decision involves an applicant for registration of a design, the Commissioner must offer the applicant an opportunity to be heard before making the decision.

It is unclear whether persons other than an applicant for the registration of a design are also entitled to be heard. For example, there is nothing to suggest that (for example) a third party who applies for cancellation of a design must be given an opportunity to be heard if the Commissioner refuses the request for cancellation. This could be seen as a denial of natural justice, and is also inconsistent with the approach taken in the *Patents Act 2013* and the *Trade Marks Act 2002*. Both these Acts provide that any person adversely affected by a decision involving the exercise of discretion by the relevant Commissioner is entitled to be heard before the decision is made.

### **3E. Authorisation of Agent**

The *Designs Regulations 1954* currently provide that an authorisation of agent signed by the applicant must be filed with an application to register a design if the application is filed by an agent (usually a patent attorney) acting on behalf of the applicant. This is inconsistent with the approach taken in the *Patents Act 2013* and the *Trade Marks Act 2002*. The approach taken under those Acts is that an authorisation of agent need only be filed if the Commissioner specifically requests one.

### **3F. Proceedings before the Commissioner of Designs**

The *Designs Regulations 1954* provide little guidance on how proceedings before the Commissioner of Designs should be conducted. This is in contrast to the *Patents Regulations 2014* and the *Trade Marks Regulations 2003* which contain extensive provisions on procedural and evidential requirements before the relevant Commissioner.

The lack of comprehensive regulations regarding proceedings before the Commissioner can result in uncertainty and delay (and higher costs) for parties to proceedings because parties are not sure just what is required of them.

## 2.2 Who is affected and how?

- *Whose behaviour do we seek to change, how is it to change and to what purpose?*
- *Who wants this to happen? Who does not?*

The issues discussed in this RIA primarily affect patent attorneys and other intellectual property lawyers, as they file and prosecute most of the applications for patents, trade marks, and designs in New Zealand. Many of the issues, for example, those relating divisional patent applications and series of trade marks will also affect businesses, researchers and inventors. The changes are intended to assist in ensuring that the intellectual property rights regime provides a fair balance between the interests of these groups and society as a whole.

A consultation document was released in June 2019 seeking public submissions on issues that might be included in the IP Laws Amendment Bill.

On some of the issues there was general agreement with MBIE's problem definition and proposed solution. On others there was some divergence of views among submitters as to whether there was a problem, or if there was, how it should be addressed. However, none of these issues were particularly contentious.

There were two issues, relating to divisional patent applications, where nearly all of those submitters who commented on them considered that there was not a problem. They strongly opposed MBIE's proposals for legislative amendments to deal with the issues raised by MBIE. The two issues were:

- Transitional provisions for divisional patent applications filed under the *Patents Act 1953*
- Divisional patent applications filed under the *Patents Act 2013*

## 2.3 Are there any constraints on the scope for decision making?

- *What constraints are there on the scope, or what is out of scope? For example, ministers may already have ruled out certain approaches.*
- *What interdependencies or connections are there to other existing issues or ongoing work?*

On the issues relating to divisional patent applications, potential options were limited by the need to keep within the bounds of our international obligations under the *Paris Convention for the Protection of Industrial Property*. For example, options that involve completely removing the ability to file divisional patent applications would not be consistent with the Paris Convention.

In relation to the issues relating to international trade mark applications, options were constrained by the need to be consistent with the Madrid Protocol.

## Section 3: Options identification

### 3.1 What options have been considered?

- *List the options and the criteria you used to assess them. Briefly describe their pros and cons.*

The options for the proposals in this RIA have been assessed with the following overarching principals in mind:

- ensuring that the IP Laws and IP Regulations work in a way that reflects the policy intent
- achieving a reasonable balance between the interests of those who apply for intellectual property rights, the interests of third parties, and the public such that the IP regime continues to benefit society as a whole
- Ensuring that the administration of the IP regime is efficient and does not impose unreasonable costs on applicants, third parties or the public.

## Patents Act 2013

### Issue 1A: Transitional Provisions for divisional patent applications made under the *Patents Act 1953*

MBIE identified two possible options for dealing with this issue:

- i. 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 an application filed under the *Patents Act 1953*; or
- ii. 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 *Patents Act 2013*, will be examined under specified criteria set out in the that Act (preferred option).

#### ***Option i: Amend transitional provisions to provide a “cut-off” date for filing divisional applications under the Patents Act 1953***

Under this option, the transitional provisions would be amended to provide that, after a specified date, it would no longer be possible to file divisional applications divided from a parent patent application that is or is deemed to be filed under the *Patents Act 1953*. It would eventually eliminate the uncertainty created by 1953 Act divisionals once any remaining 1953 Act divisional applications had been accepted or become void.

However, this option could be unfair to applicants who might not be able to obtain patent rights for all of the inventions disclosed in their applications. This could be a particular problem if examination of a 1953 Act divisional, after the specified date, resulted in an objection by a patent examiner that the application related to more than one invention. Under these circumstances, the applicant would only be able to obtain patent protection for one, but not all, of the inventions identified by the patent examiner.

This option might be considered inconsistent with the Paris Convention.

This option would be relatively simple for IPONZ to implement, as little extra work would be required.

#### ***Option ii: divisional applications filed under the Patents Act 1953 examined under the Patents Act 2013 if made after a specified date (preferred option)***

Under this option, any divisional applications derived from 1953 Act applications, or applications treated as 1953 Act applications, made after a specified date, would be examined under specified requirements of the 2013 Act.

In response to submissions the option as originally proposed was modified so as to specify those *Patents Act 2013* criteria that would apply *Patents Act 1953* divisional patent applications. In order for these divisional applications to be accepted for grant, they will have to meet the novelty, inventive step, and support requirements set out under the 2013 Act, rather than those set out under the 1953 Act. These would be applied using the “balance of probabilities” approach taken in the *Patents Act 2013* rather than the “benefit of the doubt” approach taken under the *Patents Act 1953*<sup>2</sup>.

Under this option applicants would be able to obtain patent protection for all of the inventions disclosed in their patent applications, if they so wished, and so is fairer to applicants than option 1.

<sup>2</sup> Under this approach, applicants are given the “benefit of doubt” such that a patent application would only be refused if it was “almost certain” that a court would rule the patent invalid.

This approach significantly reduces the uncertainty created by pending divisional applications filed under the *Patents Act 1953* once any divisional applications filed before the specified date had been accepted or gone void.

This option would mean that more time would be required by IPONZ to examine divisional applications filed under the *Patents Act 1953*. There may be some additional costs imposed on applicants, but we consider that the benefits to third parties of amending the transitional provisions more than offsets the likely small additional cost to applicants.

### ***What did submitters say?***

Submissions from patent attorneys and layers generally opposed any change. Some argued that it would be unfair to applicants who had applied for patents under the *Patents Act 1953*. These submitters were also sceptical that the current provisions were actually causing a problem. Some submitters who did not agree with this option nevertheless argued that, if it was adopted, it would be unfair to apply all of the requirements of the *Patents Act 2013* to divisional patent applications made under the *Patents Act 1953*.

On the other hand, two local manufacturers, Fisher and Paykel Healthcare, and Douglas Pharmaceuticals supported the change. Both of these submitters considered that the current transitional provisions for divisional patent applications potentially disadvantaged them, in comparison to their foreign competitors.

### **Issue 1B: Divisional patent applications under the *Patents Act 2013***

MBIE has identified two possible options to deal with the problems posed by filing of successive divisional patent applications under the *Patents Act 2013*:

- i. amend the *Patents Act 2013* to provide that divisional patent applications cannot be divided out of an application that is itself a divisional application: or
- ii. amend the *Patents Act 2013* to provide for specified time limits for filing divisional applications (preferred option)

### ***Option i: Provide that divisional patent applications cannot be divided from previous divisional applications***

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<sup>3</sup> provided that the original parent had not been accepted, gone void or deemed abandoned.

Once the original parent was accepted, void, or abandoned, it would not be possible to file a further divisional application if examination of a divisional application resulted in an objection that the application claimed more than one invention. Implementing this option would not impose any additional burden on IPONZ.

This option can still allow divisional patent applications to be kept “pending” for long periods of time. There is nothing in the *Patents Act 2013* that requires divisional patent applications to be examined within a set period of time after the original parent application has been accepted, gone void, or deemed abandoned. For this reason, this option is not preferred.

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<sup>3</sup> The “original parent” application is the earliest application in a “chain” of successive divisional patent applications which is not itself a divisional patent application.

**Option ii: Provide for specified time limits for filing divisional patent applications (preferred option)**

Under this option, the *Patents Act 2013* would be amended to provide for a time period for filing divisional patent applications. The time period would begin when a request for examination is filed on the original parent application<sup>4</sup>, and ends at the expiry of the time prescribed in the Act (currently 12 months from the issue of the first examination report on the application) for overcoming all of the examiner's objections to the original parent application, or when the original parent application is accepted, void or abandoned, whichever is earlier. In addition, there will also be a requirement that a request for examination must be filed with a divisional patent application.

This approach is a modified version of the option originally proposed, which was based on an approach taken under the United Kingdom Patents Act 1977. The original option would have meant that applicants would have had to overcome all objections to divisional patent applications within 12 months of the issue of the first examination report on the original parent application. This was considered too restrictive by submitters, and some questioned whether IPONZ would be able to complete examination of the divisional applications within the 12 month period.

This option will require IPONZ to examine divisional patent applications promptly after they are filed. This may impose some additional burden on IPONZ, although this could be mitigated if adoption of this option discouraged applicants from filing divisional patent applications for purposes for which they were not intended.

The effect of this is that the fate of all divisional patent applications derived from an original parent application will be determined, within, at most, two years of the date of issue of the first examination report on the original parent. That is, it will not be possible to keep a divisional application "pending" for up to 20 years. This should provide more certainty for third parties regarding the patent rights that might be granted on the inventions disclosed in the original parent application. This is why this option is preferred.

**What did submitters say?**

Most submitters opposed any change to the current provisions. They argued that the practice of filing of divisional patent applications from earlier divisional applications did not cause a problem. They went on to say or that changing the provisions would be unfair to applicants by making it difficult or impossible to obtain patent protection for all of the inventions that might have been disclosed in their applications. Others considered that the original preferred option proposed might be difficult for IPONZ to implement.

One submitter, although disagreeing that changes should be made, nevertheless put forward a modified version of the original preferred option which the submitter argued would go a long way towards dealing with the problems identified by MBIE. MBIE agreed with this submitter's comments, and has adopted the suggested approach, with minor changes.

**Issue 1C: "Poisonous" Divisional Applications**

The nature of this issue is such that the status quo (do nothing) is not a viable option. MBIE has identified two options for dealing with this issue:

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<sup>4</sup> Under the *Patents Act 2013* patent applications are not examined until the examiner requests it. A request for examination must be filed within the period prescribed under section 64 of the Act. This period is currently five years from the filing date of the patent application.

- i. amend the *Patents Act 2013* to provide that a divisional patent application cannot be part of the “prior art base” for its parent application, and vice-versa (a so-called “anti-self-collision” provision (preferred option)).
- ii. amend the *Patents Act 2013* to provide that the claims in a patent application can have more than one “priority date”.

***Option i: Provide for an “anti-self-collision” provision***

This option involves providing that a divisional patent application cannot form part of the “prior art base” for its parent application, and vice-versa (a so-called “anti-self-collision” provision). The “prior art base” is the material that can be used to determine whether or not the invention claimed in a patent application is new or inventive. If the invention is not new or inventive, no patent can be granted on the application.

This approach is simple and should leave no doubt as to what is intended. For this reason this option is preferred over option ii, which depends on a court adopting a particular interpretation of the provision proposed in option ii.

***Option ii: provide that the claims in a patent application can have more than one “priority date”***

Patent applications must include a “specification”, which is a detailed description of the invention the applicant wants patent protection for. The specification includes a series of statements called claims, which are the legal definition of the invention, and which must meet the criteria for granting a patent. The claims must not claim anything that was not described in the specification.

It is possible for a patent application A to claim “priority” from one or more earlier priority patent applications P. Under the *Patents Act 2013* each claim in application A has a “priority date”. Different claims can have different priority dates. The “priority date” of a claim in application A is the date of filing of the priority patent application P where the specification of P includes the matter contained in the claim. The priority date is used when determining whether or not the invention claimed in the patent application is novel and inventive. If a patent application does not claim priority from any earlier application the priority date of the claims in the specification is the filing date of the application.

Sometimes a claim in a patent application will include material that was contained in one or more of the priority applications P and in the patent application A. Under the *Patents Act 2013* such a claim can have only one priority date, which is the date of filing of the application A. In other countries, such a claim could have two or more priority dates.

If a claim has more than one priority date, it could be read it as if it were one or more claims, each with a single priority date, in such a way that the “poisonous” divisional problem cannot occur. Option ii involves amending the *Patents Act 2013* to provide that a claim can have more than one priority date.

However, this option can only solve the “poisonous divisional” problem if it the courts can be persuaded to use this approach to reading the claims described above. There is no guarantee that this will happen. Australia provides for the claims in a patent application to have more than one priority date. However, the Australian courts have not, so far, been willing to consider the approach to reading the claims set out above.

This option could mean additional work for IPONZ examiners, as in some circumstances unconnected with divisional patent applications, they might have to assign priority dates to different parts of a patent claim, something they do not have to do now.

This suggests that providing that claims in a patent application can have more than one priority date is not a certain solution to the “poisonous divisional” problem. In addition, allowing claims to have more than one priority date could have unintended consequences.

For these reasons, option ii is not preferred.

### ***What did submitters say?***

Submitters agreed that there was a problem, but differed as to how best to address the problem. Some considered that MBIE’s preferred option would deal effectively with the problem. Others considered that MBIE’s alternative option relating to priority dates of a claim was preferable.

### **1D. Extensions of time when a hearing is requested**

MBIE has identified two options for dealing with this issue:

- i. use the provisions of section 230 of the *Patents Act 2013* (the status quo)
- ii. explicitly provide for an extension of time when a hearing is requested (preferred option)

#### ***Option i. Use the provisions of section 230 of the Patents Act 2013***

Under this option, which reflects current processes, the time allowed for overcoming all objections to a patent application is extended under section 230 of the Act. This extension is usually granted retrospectively, when a decision is issued following a hearing.

The legality of using section 230 in way this has been questioned by IPONZ hearing officers. For these reasons, this option is not preferred.

#### ***Option ii: Explicitly provide for an extension of time when a hearing is requested (preferred option)***

This option involves amending the *Patents Act 2013* to provide that, when a hearing is requested by a patent applicant under s208 of the Act, the time originally set for overcoming all objections is extended to a date prescribed in the regulations. The extension would be granted once the applicant had formally requested a hearing and paid the appropriate fee. At the time the extension is granted, the date of the hearing will not be known, so the extension will be open ended, although it is intended that the extension will be tied to the date of issue of the hearing decision.

This will give greater certainty to both patent applicants and the public as to the status of an application that is the subject of a hearing request. There should be little or no impact on IPONZ, as the only change will be basis on which an extension of time is granted. On this basis, this is MBIE’s preferred option. No additional costs will be imposed on applicants.

If this option is adopted, it will be necessary to include a provision setting out what happens if a patent applicant withdraws a hearing request before a hearing is held, but after the (otherwise non-extendible) time limit originally set for overcoming all objections has expired. It is proposed that, in such cases, the application is deemed abandoned, so that there is no doubt about the status of the patent application in such cases. Such an approach will also deter applicants from being tempted to request a hearing merely for the purposes of gaining a *de facto* extension of the time originally set for overcoming all objections to their patent applications, rather than because they genuinely want a hearing.

Such *de facto* extensions would effectively allow applicants to “get around” the 12 month time limit set for overcoming examiner’s objections.

### ***What did submitters say?***

Submitters generally agreed with the preferred option. A few considered that the proposed approach where a hearing request was withdrawn was unfair to applicants who decided to withdraw their request for a hearing and amend their application to overcome the examiner’s objections. However, they did not suggest any viable alternative that would avoid the risk of the hearing request process being used to obtain *de facto* extensions of time for overcoming an examiner’s objections to a patent application.

### **Issue 1E: Exhaustion of patent rights**

MBIE has identified three options for dealing with this issue:

- i. do nothing (the status quo)
- ii. provide for domestic exhaustion only
- iii. provide for international exhaustion (preferred option)

#### ***Option i: Do nothing (status quo)***

This is not a preferred option. Although, as far as MBIE is aware, the lack of an exhaustion provision in the *Patents Act 2013* has not caused any problems so far, this does not mean that such problems will not occur in the future. For example, a patent owner could use the Act’s silence on exhaustion to block parallel imports of products incorporating patented technology. Recent court cases involving exhaustion of patent rights in the United States and Australia involving ink cartridges for printers are an indication that such issues could arise here.

In addition, retaining the status quo would be inconsistent with the stance on exhaustion taken in the *Copyright Act 1994* and the *Trade Marks Act 2002*.

#### ***Option ii: Provide for domestic exhaustion only***

Providing for domestic exhaustion would mean that, where a product incorporating patented technology is placed on the market in New Zealand, by or with the permission of the patent owner, the patent owner would have no control over further resale or distribution of the product. This will mean that if a person buys a product incorporating patented technology in New Zealand, that person is free to sell or further distribute the product within New Zealand without the patent owner’s permission.

However, under this option, parallel importation of products incorporating patented technology would not be permitted. This would be inconsistent with the stance on exhaustion taken in the *Copyright Act 1994* and the *Trade Marks Act 2002*. There appears to be no good reason for this inconsistency.

#### ***Option iii: Provide for international exhaustion (preferred option)***

Providing for international exhaustion would mean that, if a product incorporating a patented technology is placed on the market anywhere in the world (including New Zealand) by or with the patent owner’s permission, the patent owner would have no control over the further resale or distribution of the product in New Zealand. This will allow for parallel importation of products incorporating patented technology.

This approach is consistent with the stance on exhaustion taken in the *Copyright Act 1994* and the *Trade Marks Act 2002*, and so is the preferred option. There appears to be no good why the approach to exhaustion in the *Patents Act 2013* should be different from that taken in the *Copyright Act 1994* and the *Trade Marks Act 2002*.

### ***What did submitters say?***

Submitters who commented on this issue generally agreed with the proposal to allow for international exhaustion.

## **2. Trade Marks Act 2002**

### **2A Series of Trade Marks**

MBIE identified four options to deal with the problem:

- i. provide more guidance for applicants on the requirements for series of trade marks
- ii. clarify the criteria for series of trade marks, together with a cap on the maximum number of marks in a series (preferred option).
- iii. charge an application fee for series marks based on the number of marks in a series
- iv. remove the series provisions from the *Trade Marks Act*

#### ***Option i: provide more guidance to applicants on series trade marks***

This would involve providing additional guidance to applicants on what constitutes an acceptable series. However, many applicants, in particular applicants who do use the services of a trade mark lawyer or patent attorney, do not appear to follow the guidance currently provided.

In light of this, providing additional guidance may not make much difference to the number of incorrect series trade mark applications filed. It would also not discourage the filing of “strategic” series trade mark applications.

#### ***Option ii: clarify the criteria for a series of trade marks (preferred option)***

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 trade marks. Experience suggests that it is this part of the definition that applicants have most difficulty understanding. In addition a cap will be imposed on the maximum number of marks in a series. The cap would be prescribed in the regulations.

This option might reduce the range of marks that could qualify as a series of trade marks, but MBIE considers that it will significantly reduce the number of incorrect applications. This is likely to reduce costs for both IPONZ and applicants.

This approach would not prevent the filing of series trade mark applications for “strategic” reasons, but might make this use of the series trade mark regime less attractive.

This option is a slightly modified form of the option ii proposed during consultation and is in response to comments made by submitters. The main difference with original option (ii) is the addition of a cap on the number of marks in a series. This modified option is now the preferred option.

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

Adopting this option would mean that the application fee for a series trade mark application would depend on the number of marks in the series.

This approach would probably reduce the number of series applications being filed, and therefore the number of incorrect series trade mark applications. However, it may discourage some applicants from filing series trade mark applications when there may be value to the applicant in doing so.

### ***Option iv: Repeal the series trade mark provisions in the Trade Marks Act 2002***

This was originally MBIE's preferred option. Adopting this option would have meant that it would not be possible to file series trade mark applications. However, this option was not favoured by stakeholders, who considered that there was considerable value to businesses in being able to register series trade marks.

### ***What did submitters say?***

The submitters who commented on this issue all opposed MBIE's original preferred option and argued that the ability to file series trade mark applications be retained. There were a range of suggestions as to how to deal with the issues raised by MBIE. Most preferred clarification of the criteria on what constitutes a valid series (option ii); others suggested that better guidance to applicants be provided (option i), or a combination of these two options.

## **2B Prior continuous use of a trade mark to overcome a conflicting registration**

MBIE identified only one viable option to deal with this issue. That is, to amend the *Trade Marks Act 2002* to provide that the Commissioner of Trade Marks, or a court, can register a trade mark that is the subject of an application to register that trade mark if they consider that continuous use of the mark prior to the priority date of a conflicting trade mark registration makes it "proper" to register the trade mark. Adoption of this option should not impose any significant additional costs on either IPONZ or applicants.

The only other way of dealing with this issue would be for IPONZ to change its examination guidelines to provide that prior continuous use is a "special circumstance" for the purposes of the Act, rather than amend the Act. However, such guidelines are not binding on IPONZ Hearing Officers or the courts, and there is a risk that trade marks registered under the changed guidelines could be invalidated if a Hearing Office or a court decides that Parliament did not intend that prior continuous use should be a "special circumstance". For this reason, changing the examination guidelines was not considered a viable option.

### ***What did submitters say?***

Most submitters who commented on this issue supported the proposed solution. One submitter argued that such an amendment should not be made without a wider consideration of how the system should mediate between registered and unregistered trade marks. MBIE notes these concerns, but does not consider that they should prevent the proposed amendment being made. However, the concerns could be looked at in the next IP Laws Amendment Bill.

## **2C Mandate use of Pick List for Search and Preliminary Advice Applications**

The only viable option identified by MBIE to deal with this issue is to require applicants for S&PAs to use the IPONZ pick list. This will mean that the specifications for S&PAs must choose goods and services from this pick list; they cannot contain goods or services not on

the pick list. This will ensure that S&PA specifications are clear and accurate. This may reduce costs and complexity for both IPONZ and S&PA applicants.

### ***What did submitters say?***

Submitters had divergent views on MBIE's proposal. Most agreed with the proposal. Those that did not considered that the pick list is not a complete list of all of the goods or services that a business might want to use a trade mark with, and might not cover new or emerging products. MBIE considers that the list is comprehensive, and that new or emerging products will fall within the scope of one or more of the terms in the list.

### **2D Clarify scope of acceptable memorandums**

MBIE has identified three possible options for addressing with this issue. These are to amend the Act to:

- i. remove the ability to enter memorandums
- ii. allow trade mark owners to enter any information they wish as memorandums
- iii. limit memorandums to those that affect the nature and scope of the rights given by a registration (preferred option)

#### ***Option i: Remove the ability to enter a memorandum***

Adopting this option would mean that trade mark owners would not be able to apply to enter memorandums on the Register of Trade Marks. Existing memorandums would not be affected.

However, those trade mark owners who apply to enter memorandums on the register presumably do so because they derive some benefit from doing so. Since it appears that memorandums do not cause any disadvantage to anyone, there seems to be no reason to remove the ability to enter memorandums.

#### ***Option ii: Allow any additional information to be entered as a memorandum***

Under this option, trade mark owners could enter any information that they considered the public would benefit from knowing about their registration regardless of whether or not it affects the rights given by the registration. The current restriction that a memorandum cannot extend the rights given by a registration would remain.

One disadvantage with this approach is that IPONZ would have no way of verifying the accuracy of any information contained in memorandums. There would also be no easy way of ensuring that the information was up to date. For these reasons, this option is not preferred.

#### ***Option iii: Limit memorandums to those that affect the nature and scope of the rights given by a registration (preferred option)***

If this option is adopted, acceptable memorandums would be limited to information that affected the rights given by a registration. These would usually be limitations, for example that the use of the trade mark was to be limited to a particular geographical area. The current restriction that a memorandum cannot extend the rights given by a registration would remain.

This option would likely reduce the number of applications to enter memorandums by giving trade mark owners greater guidance about what information could be contained in a

memorandum. It would also reduce the likelihood of inaccurate or out-of-date information being entered on the register. For these reasons, this option is preferred.

### ***What did submitters say?***

Submitters had a variety of views on this issue. While many agreed with MBIE's preferred option, others considered that this was unduly restrictive.

### **2E Confirm that s17(1)(b) of the *Trade Marks Act 2002* only covers activities contrary to laws other than the *Trade Marks Act 2002***

MBIE identified only one viable option; that is to make it clear that the term "contrary to New Zealand law" in section 17(1)(b) only refers to laws other than the *Trade Marks Act 2002*.

This approach reflects the original policy intent. This would mean that persons opposing the registration of a trade mark, or applying to invalidate a trade mark registration could not argue as a ground of opposition or invalidity that use of a mark would be contrary to the *Trade Marks Act 2002*. This would reduce costs and complexity for the trade mark applicants or owners involved, and reduce delays in opposition and invalidity proceedings.

The only other way of dealing with this issue would be for IPONZ to change its Hearings Office guidelines to provide the term "New Zealand law" in s17(1)(b) did not include the *Trade Marks Act 2002*. However, such guidelines are not binding on the courts, and there is a risk that the Hearing Office decisions could be overturned if a court rules that the term "New Zealand law" includes the *Trade Marks Act 2002*. For this reason changing the guidelines is not considered to be a viable option.

### ***What did submitters say?***

Most submitters agreed with MBIE's proposal. A few disagreed, arguing that there might be situations where use of a trade mark might be contrary to the *Trade Marks Act 2002*, such as where injunction prohibiting use of the mark has been granted. However, MBIE considers that, such cases are likely to be very rare, and in any case, the words "or would otherwise be disentitled to protection in any court" in s17(1)(b) should adequately deal with these cases.

### **2F: Partial refusals for national trade mark applications**

MBIE has identified only one viable option for dealing with this issue. This is to amend the *Trade Marks Act* to provide for partial refusals of national trade mark applications, so that applicants for national trade mark applications are treated in the same way as applicants for an IRDNZ. The alternative would be to prohibit partial refusals for IRDNZs. However, this would be inconsistent with New Zealand's international obligations under the Madrid Protocol.

One potential disadvantage with this approach is that it may result in "cluttering" of the Register of Trade Marks with registered trade marks that the applicant has decided not to use. This can arise because, after receiving an objection to their application to register their trade mark, the applicant may decide that it is not worth pursuing the application further. In these cases, the applicant may consider there is no point in incurring the cost of responding to an objection. If the application is subsequently accepted, this may result in the registration of a mark that will not be used. This could mean that others who wish to use or register the same trade mark for the same or similar goods and services would have to incur the cost of getting the trade mark removed from the register.

While MBIE is aware of the possibility of “cluttering” of the register, we consider that the risks are low and outweighed by the benefits to applicants of a consistent approach to national applications and IRDNZs.

***What did submitters say?***

Nearly all submitters supported MBIE’s proposal. One submitter argued that the examination of national applications and IRDNZ’s involved different principles and that the current approach to partial refusals reflected this.

### **3. Designs Act 1953**

The proposed amendments to the Designs Act 1953 relate to procedural provisions, and the only option considered for these provisions is to align them with those in the corresponding provisions in the *Patents Act 2013* and the *Trade Marks Act 2002* and associated regulations.

Most applications to register designs under the *Designs Act 1953* are filed by agents such as patent attorneys acting on behalf of applicants. These agents also file applications for patents and trade marks. Aligning procedures under the *Designs Act 1953* with the corresponding procedures under the *Patents Act 1953* and *Trade Marks Act 2002* are likely to simplify procedures for agents, reducing costs for both agents and applicants. This will also simplify administration of the *Designs Act 1953* for IPONZ.

***What did submitters say?***

All submitters who commented on the proposed changes to the *Designs Act 1953* and associated regulations supported the changes.

## Section 4: Impact Analysis (Proposed approach)

### 4.1 Summary table of costs and benefits

Affected parties (identify)	Comment: nature of cost or benefit (eg ongoing, one-off), evidence and assumption (eg compliance rates), risks	Impact \$m present value, for monetised impacts; high, medium or low for non-monetised impacts
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#### Additional costs of proposed approach, compared to taking no action

Regulated parties	There may be one-off costs in becoming familiar with the changed procedures; there may be some ongoing costs if applicants have to alter their application filing strategies.  There may be a reduction in the scope of rights that some applicants for patents or trade marks may be able to obtain, compared with the status quo.	Low
Regulators	Some initial one-off costs in changing IT systems to reflect changed procedures	
Wider government	n/a	
Other parties	Little or no impact on other parties	Low
<b>Total Monetised Cost</b>		
<b>Non-monetised costs</b>		Low

#### Expected benefits of proposed approach, compared to taking no action

Regulated parties	Greater certainty for applicants regarding the scope and validity of the rights they are granted, and about the status of applications during the examination process.  May make the IP system easier to use for third parties, by reducing the incidence of “strategic” use of the IP system.	Low
Regulators	Some reduction in cost and complexity for IPONZ.	Low
Wider government	n/a	
Other parties	Greater certainty for third parties and the public about the scope and validity of granted rights, and about the status of	Low

	applications during the examination process.	
<b>Total Monetised Benefit</b>		
<b>Non-monetised benefits</b>		Low

#### 4.2 What other impacts is this approach likely to have?

- *Other likely impacts which cannot be included in the table above, eg because they cannot readily be assigned to a specific stakeholder group, or they cannot clearly be described as costs or benefits, eg equity impacts*
- *Potential risks and uncertainties*

Where risks and uncertainties exist, these have been discussed in the analysis of the options in section 3 above.

## Section 5: Implementation and operation

### 6.1 How will the new arrangements be given effect?

- *How is the proposed approach to be given effect? Eg,*
  - *legislative vehicle*
  - *communications*
  - *transitional arrangements*
- *Once implemented, who will be responsible for ongoing operation and enforcement of the new arrangements? Have they expressed any concern about their ability to do so?*
- *When will the new arrangements come into effect? Does this allow sufficient preparation time for regulated parties?*
- *How will implementation risks be managed or mitigated?*

The preferred options will be implemented through the IP Laws Amendment Bill and through amendments to the IP Regulations.

IPONZ will be the main party responsible for implementing the changed processes introduced by the amendments. The preferred options have been discussed with IPONZ, who are confident that they will be able to implement the changed processes efficiently.

The amendments will likely enter into force within 3 – 6 months after enactment. This will give time to gazette any changes to regulations required, and for affected parties to become familiar with the changes.

Transitional provisions will be required for some issues. These will be designed to ensure that applicants do not lose any rights that they would otherwise be entitled to prior to the entry into force of the relevant provisions.

Implementation will be monitored through IPONZ Technical Focus Group meetings. These meetings are held regularly (at least twice a year) and provide a forum for stakeholders to voice their opinions about what is, or is not working well, and how things could be improved.

The main implementation risks are concerned with how the proposed changes will work in practice. One risk is that there will be a “spike” in applications to IPONZ prior to entry into force of the legislative amendments because stakeholders want to take advantage of the status quo. This is inevitable, and difficult to avoid. IPONZ is aware of the risk and the need to manage it.

Another risk is that some stakeholders will attempt to circumvent some of the changes by using other provisions in the IP Laws for purposes that they were not intended for (as already happens with divisional patent applications). We have endeavoured to reduce this risk by careful consideration of the changes to, as far as possible avoid this. Implementation of the changes will be monitored to see how stakeholders react to the changes.

## Section 7: Monitoring, evaluation and review

### 7.1 How will the impact of the new arrangements be monitored?

- *How will you know whether the impacts anticipated actually materialise?*
- *System-level monitoring and evaluation*
  - *Are there already monitoring and evaluation provisions in place for the system as a whole (ie, the broader legislation within which this arrangement sits)? If so, what are they?*
  - *Are data on system-level impacts already being collected?*
  - *Are data on implementation and operational issues, including enforcement, already being collected?*
- *New data collection*
  - *Will you need to collect extra data that is not already being collected? Please specify.*

There are currently strong linkages between IPONZ and stakeholders (in particular patent attorneys) and between IPONZ and the intellectual property policy team at MBIE.

The main channel for monitoring how these changes are working in practice will be through IPONZ. They have regular and ongoing engagement with stakeholders, both as applications are in train, and through regular “Technical Focus Group” meetings.

Any issues that arise with the changed processes will soon become apparent. The intellectual property policy team and IPONZ also has regular engagements with IPONZ and. The policy team will also be able to monitor developments through accessing IPONZ’s online systems.

## 7.2 When and how will the new arrangements be reviewed?

- *How will the arrangements be reviewed? How often will this happen and by whom will it be done? If there are no plans for review, state so and explain why.*
- *What sort of results (that may become apparent from the monitoring or feedback) might prompt an earlier review of this legislation?*
- *What opportunities will stakeholders have to raise concerns?*

There are no specific arrangements for a formal review of the proposed changes to the IP Laws.

If there are any problems, these should become apparent relatively quickly, given the opportunities for stakeholders to raise concerns about how the changes are being implemented, such as the IPONZ Technical Focus Group process.

It is intended that there will be further IP Laws Amendment Bills in future years to deal with other issues relating to the IP Laws as they arise. These further Bills would be used to deal with any problems that are encountered with the implementation and administration of the IP Laws.