

Regulatory Impact Statement

Regulations Required to Implement the Patents Act 2013

Agency Disclosure Statement

This Regulatory Impact Statement ("RIS") has been prepared by the Intellectual Property Office of New Zealand ("IPONZ"), a business unit of the Ministry of Business, Innovation and Employment ("MBIE").

We note also that the fees proposed are influenced by forecasts of future patent application volumes, the likely costs to process the anticipated volume of applications, and the corresponding fee revenue that would result from that volume of applications. These forecasts were made after analysis of the information available at the relevant time. A review of the prescribed fees is proposed for 2017.

The Act introduces a number of new processes, such as third party assertions and re-examination, which have no direct corresponding process in the Patents Act 1953 ("the 1953 Act") and therefore there is no data to support the expected numbers of such requests or assertions under the Patents Act 2013 ("the 2013 Act"). However, where there is a similar process or mechanism, such as third party observations under the 1953 Act, then the data for the known process has been incorporated into the considerations used to formulate the proposed fees under the 2013 Act.

This RIS does not discuss the options for all regulations that are necessary in order to implement the Patents Act 2013. It has been assumed that the relatively minor technical nature of a number of the regulations which are more or less identical to those in the Patent Regulations 1954 would not require extensive public consultation or expansion within this Statement.

A handwritten signature in black ink, appearing to read 'Ingrid Bayliss', with a stylized flourish at the end.

Ingrid Bayliss
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Date: 12 March 2014

Status Quo and Context

Purpose

1. This RIS covers analysis of the options for regulations required to implement the Act.
2. The Act received Royal Assent on 13 September 2013. The Act replaces and repeals the Patents Act 1953 ("the 1953 Act"). The Act leaves a number of procedures and processes to be prescribed by regulations. Regulations must prescribe procedures and requirements for various matters including:
 - The filing and examination of patent applications;
 - The grant of patents;
 - Proceedings under the Act;
 - The means by which information must be given to and by the Commissioner of Patents ("the Commissioner");
 - The patents register; and
 - Fees payable under the Act.
3. The commencement provisions in the Act require that the Act will enter into force on 13 September 2014 if not brought into force earlier. Accordingly regulations made under the Act must be in force by this date.
4. The Ministry has reviewed the Act and identified the matters that must be prescribed by regulations in order for it to be implemented. A significant proportion of the regulations that are proposed mirror or are more or less identical to the regulations that are currently prescribed in the Patents Regulations 1954 ("the 1954 Regulations") made under the 1953 Act. These regulations are generally minor and technical in nature, and do not have significant impacts on the public. In addition, various other technical regulations have been identified which are necessary for implementation of the Act. These proposed regulations will not have significant impacts on the public and they are not addressed in any detail in this RIS.
5. There are, however, new regulations required for some of the newly introduced features of the Act, such as the ability for applicants to request examination and for the Commissioner to re-examine applications and granted patents. The regulations required in relation to these new features are primarily necessary to define the various prescribed processes, time periods and procedures which have been newly introduced by the Act.
6. Changes are also necessary to the regulations 1954 Regulations to allow for the fact that IPONZ now interacts with users of the patent system electronically through an online case management facility. The Act supports this by including a provision expressly providing for an electronic delivery method to be prescribed by which documents or information is to be given to or from the Commissioner.
7. The fee schedule under the 1954 Regulations was last updated in 1999, and does not reflect the costs that IPONZ will incur in administering the Act. Accordingly, new fees need to be prescribed to ensure IPONZ recovers these costs. Fees for the new processes and procedures introduced by the Act also need to be prescribed by regulations.

Problem Definition and Overarching Objectives

8. Regulatory Impact Statements were prepared in relation to the policy decisions reflected in the Act. This RIS does not address the impacts of the new features that are introduced by the Act, but rather analyses the impacts of the regulations proposed to implement the Act.

9. The overarching problem to be addressed is that regulations must be made to prescribe fees, and the detail of the processes and procedures set out in the Act, before the Act can be fully implemented. If the necessary regulations are not prescribed it will not be possible to fully implement the Act when it comes into force.

10. The key overarching objectives for the regulations are to:

- A. Prescribe processes and procedures for the purposes of the Act that strike a reasonable balance between the interests of patent applicants and patent owners, and the interests of society as a whole.
- B. Align New Zealand's patents regulatory regime more closely with the regime in Australia, where appropriate, in accordance with the Government's wider Single Economic Market agenda.

11. As this RIS addresses a wide range of regulatory issues, specific objectives and criteria for each are outlined within the respective sections.

Options Analysis

12. Options assessed are grouped into the following issue areas (some of which have a number of sub-issues):

- A. Fees;
- B. Examination request;
- C. Third party assertions and re-examination;
- D. Time period for placing an application in order for acceptance;
- E. Proceedings under the Act;
- F. Mandating electronic communication; and
- G. Address requirements

Issue A Fees

Status Quo and Problem Definition

13. IPONZ has conducted a thorough review - in association with Deloitte – to understand fully the future costs and funding requirements for IPONZ in administering the Act, noting that IPONZ may recover only those costs incurred in administering the Act and recover the full costs thereof in line with Treasury guidelines. The review looked at the expenditure and revenue of IPONZ to identify the necessary fee structures and fee amounts to be charged under the Act. The review resulted in a set of proposed fees which are set at a level that will enable IPONZ to continue to operate in a financially responsible manner, which avoids the projected decline into deficit of the IPONZ memorandum account and puts in place a fee structure that facilitates appropriate use of the patent system.

14. The Act imposes on IPONZ obligations in administering the Act that are additional to those imposed by the 1953 Act. IPONZ also proposes to introduce fees for new procedures and processes which have been introduced under the Act.

15. The current fees prescribed under the 1954 Regulations were set in 1999, and most of the proposed fees for which there is an existing fee broadly reflect what those fees would be if they had been adjusted for inflation over the intervening 15 years. Since that time, IPONZ has significantly reduced its internal costs by reducing back-office administration and allowing greater attention in front-office, high quality examination services.

16. Assessing whether an invention is patentable under the Act will require a significantly higher level of resources to examine patent applications than was required under the 1953 Act. Additionally the Act also provides third parties with more opportunities to challenge decisions to grant patents, for example by third party assertions and requests for re-examination.

17. In response to these strengthened standards IPONZ proposes to increase the number of patent examiners and resources available for patent examination as well as continuing to support, maintain and conduct routine enhancements to its IT systems. In addition, costs of acquiring and using international patent searching tools, required in order to examine against the strengthened standards under the Act, are forecast to increase.

18. These changes are forecast to increase total direct expenses for administering the Act by 16% over the costs related to administration of the 1953 Act.

19. In addition to the forecast increased costs, IPONZ has also experienced a decline in volumes of patent applications due to the global recession. The majority of patent applications received by IPONZ (roughly 90%) are from foreign applicants who have chosen to have their invention protected in New Zealand. About two thirds of the applications are filed through the Patent Cooperation Treaty (PCT). The impacts of the global recession on patent application volumes in New Zealand are delayed by approximately two and a half years following filing of the international patent application under the PCT. The delay arises from the time taken for an international patent to be searched and examined in the international part of the process, before the application proceeds to the national part of the process, e.g. becoming an application in New Zealand.

20. Due to the global financial crisis and resulting economic decline the number of PCT applications designating New Zealand declined during and after the period of the Global Financial Crisis. Patent application volumes are conservatively expected to remain at

current reduced levels or increase modestly over the next 5 years, which will further impact IPONZ's revenue from patents if the current fees are retained.

21. Patents are the largest driver of IPONZ revenues with patent application and renewals fees representing 57% of total revenue in the 2012 financial year. Overall patent application volumes are projected as follows:

IPONZ Forecast Volumes	13/14	14/ 15	15/16	16/17	17/18
Total Complete and PCT Applications	6100	4850	4850	4900	4950

22. As a result of the above forecast in patent volumes and associated revenue, if fees are not increased IPONZ will face a projected shortfall between its fees revenue and the increased cost of providing its statutory obligations under the Act.

23. IPONZ has looked, and continues to look, at all other options for meeting the forecast deficit through reducing costs while ensuring high quality patent examination standards. This includes the regulations proposed to be made under the Act and the removal of back-office administrative functions to fully focus on the provision of patent examination. In this regard IPONZ's business transformation programme, including the removal of paper-based processes and moving to operating exclusively online, has resulted in a reduction of administrative staff by 8.5 FTEs, equating to a reduction of more than 10% of total staff.

24. However, even with these efforts, on their own, the cost-reduction measures undertaken by IPONZ outlined above are not sufficient to avoid the decline in the IPONZ memorandum account. Revision and re-balancing of the fees charged by IPONZ its memorandum account is required to avoid the forecast significant decline of the memorandum account. The additional costs required to administer the Act, including meeting the significantly higher level of resources required to examine patent applications under the Act, and lower revenues are forecast to cause the IPONZ memorandum account balance to fall from \$4.2 million for the 2012 financial year to \$0.2 million by 2017 if IPONZ retain the existing fee structure for patents. There is a risk however that the memorandum account could fall into deficit after this period.

Objectives and Criteria

25. In reaching the proposed new fee structure, the fees review conducted by IPONZ in consultation with Deloitte considered the four proposed options discussed below against the following criteria (which correspond to overarching objective A, above at paragraph[10]):

- Administrative efficiency - including the efficient delivery of services, the simplicity and transparency of options and how difficult options are to implement.
- Appropriately assign costs – including whether costs are equitable across different users (including applicants, the public and third parties), and whether costs create the right incentives for engagement with the patents system.
- Effectively recover costs – including how effective the option is in collecting the cost of operating the service and reducing the extent of cross-subsidisation between patent processes.

26. The analysis of fees options did not specifically assess the impact of the options on government objectives such alignment with Australia (overarching objective B), as this was not considered to be a relevant or appropriate criteria for fee setting.

Proposed Options

27. Four alternative approaches were evaluated against the three criteria noted above:

Cost-to-serve per patent service

28. This approach involves setting a fee for each individual process or procedure, reflecting the cost of administering that procedure. The primary advantage of this approach is the fees will be entirely transparent for those individual services.

29. However, this approach also results in an inefficient economic allocation of costs. Charging the cost-to-serve fee would have a significant impact on some patent applicants and third parties. Prescribing fees which reflect the actual costs of such procedures would be likely to discourage the use of these procedures e.g. third party assertions, re-examination or the opposition/revocation processes. This may result in invalid patents being granted or remaining on the register of patents which is not in the public interest.

30. The inefficient economic allocation of costs most clearly occurs in relation to procedures such as amendments, restorations and Hearings Office processes. The use of these processes help ensure that the interests of the public are protected, for example, Hearings Office procedures enable disputes over patents to be resolved without recourse to the High Court. A cost-to-serve approach would lead to significantly higher fees for these procedures. The cost-to-serve of a restoration application is over \$850 and the cost of a hearing before an Assistant Commissioner of Patents is over \$14,000.

31. Other procedures have lower cost-to serve, e.g. the cost of processing a patent renewal fee is only \$154. Charging such a low fee for the renewal of a patent registration would potentially encourage patent owners to renew their patents even where they no longer receive significant benefit from a patent. This in turn could prevent inventions being placed in the public domain as quickly as possible, which is contrary to public interest and policy goals set by section 243(2) of the Act.

Consumer Price Index (CPI) adjustment

32. This approach takes the current fees and adjusts them for inflation since they were set in 1999. The advantage of this approach is simplicity. However, this option does not provide any transparency because the change in fees bears no relation to the costs of administering the Act, and nor does it take into account changes in the way that IPONZ administers the Act, or the additional procedures covered by the Act.

Considering the fees charged by similar overseas offices

33. This approach looked at the fees charged by the intellectual property offices in Australia, United Kingdom and Canada as these countries have already adopted similar legislation to the Patents Act. Given that the cost structures of foreign patent offices are likely to be quite different from that of IPONZ, this approach provides little useful information. However, it does provide a benchmark to compare fee proposals against.

Total Cost to administer the Act

34. This is IPONZ's preferred approach. It involves looking at the total cost incurred by IPONZ in administering the Act, and setting fees such that IPONZ's total fee income covers the total cost. Although this sacrifices transparency of the true cost of individual services, there are significant advantages, including that:

- It is equitable in that it does not inappropriately encourage or deter the use of some key procedures. For example, the direct costs of processing annual renewal fees are low but it is considered important to set fees for renewals at a level that partially subsidises the costs associated with hearings, oppositions and revocations since it is to the benefit of both patent owners and the public that these activities take place – noting that the fees must still be high enough to deter frivolous proceedings.
- It is efficient in that it allows costs to be recovered through a relatively small number of fees, and does not result in an increase in the number of fees which would result in an increase in administrative costs for both IPONZ and clients.

35. The fees are set to recover the cost to serve at an aggregate level. This methodology is efficient and equitable and the level of fees do not penalise low volume services. Fees are set at a level which will encourage users to participate in the process and maintain the integrity of the register to the benefit of existing patent holders. Effectiveness is lost through the reduced transparency of how the fees are set.

36. The approach adopted (by IPONZ in association with Deloitte) in revising patent fees was to look at the entire suite of services in order to understand the supporting role and value that each component plays to the integrity of the patent register. Fees were set taking into account the forecast patent filing volumes, the time and resource associated with each service and IPONZ's operating costs. The level of each proposed fee maintains a degree of relationship to the actual cost to serve for all services and also meet the objectives noted above. This approach follows the broad rationale of the current fees structure.

Proposed Item with Fee	Current Fee**	New Fee**
Patent Application accompanied by a provisional application	\$50.00	\$100.00
Patent application accompanied by a complete specification*	\$250.00	\$250.00
Request for examination & Re-examination	No fee (the 1953 Act does not provide for requests for examination)	\$500.00
Voluntary Amendment of a specification	\$60.00	\$150.00
Restoration Request	No fee	\$100.00
Amendment after	\$60.00	\$150.00

Proposed Item with Fee	Current Fee**	New Fee**
acceptance		
Request for a hearing	\$750.00	\$850.00
Notice of opposition	\$300.00	\$350.00
Revocation Request	No fee	\$350.00
Annual Maintenance/Renewal Years 4-9	Renewal fee of \$170.00 due at year 4, \$340.00 due at year 7.	\$100.00
Annual Renewal Years 10-14	Renewal fee of \$540.00 due at year 10, \$1000.00 due at year 13.	\$200.00
Annual Renewal Years 15-20	No fee	\$350.00
Maintenance/renewal late fee	No fee	\$50.00

37. The fees proposed above do not radically depart from the current fee structure, and the structure is also broadly comparable to the fees charged by IPONZ for other intellectual property rights it grants (i.e. trade marks and designs). This similarity will assist IPONZ clients who often deal with IPONZ across multiple types of intellectual property

38. Compared with the 1953 Act, the Act provides for a number of additional procedures where fees will need to be charged. In this respect the Act is comparable with legislation adopted in overseas jurisdictions, for example Australia, the United Kingdom and Canada. The procedures are similar to those adopted in overseas intellectual property offices although the fees charged by some offices are greater than those proposed to be charged by IPONZ. In any event, a fees review is proposed for 2017/18.

39. The proposed fees changes results in a patents memorandum account surplus of between \$0.2 million and \$1.2 million between financial years 14/15 and 17/18 which will allow for any market shocks or changes to patent applications volumes after the Act enters into force.

40. This will result in an IPONZ memorandum account balance having a buffer by 2017. We note that the IPONZ memorandum account is expected to drop substantially in 2021 following the expected lull in trade mark renewal revenue following the change in legislation in 2003 which changed the first trade mark renewal period from seven to ten years meaning that renewal revenue is significantly reduced for a three year period. The 2017 buffer is essential because it will give IPONZ some flexibility to plan and deal with the revenue consequences of this volume lull. This approach is consistent with the approach taken in relation to the trade mark fees introduced in the Trade Marks Amendment Regulations 2012.

Consultation

41. Submitters generally accepted the need for fees to increase to cover the increased costs of examination. Some thought that the fees were too low, while others were

concerned that the fees might deter some small businesses or individual inventors from using the patent system.

42. There was also concern that the fee for voluntary amendment was too high and might deter applicants from making minor corrections to their applications. The New Zealand Institute of Patent Attorneys (NZIPA) suggested that the fee for voluntary amendment should only be levied if amendments were proposed before examination or after acceptance (as in Australia).

43. The Ministry acknowledges the concerns expressed by submitters with respect to the proposed fee for voluntary amendment, but considers that the issue can be dealt with through the development of guidelines as to when the voluntary amendment fee is payable. Interested parties will be consulted during the development of the guidelines, which will be publicly available on the IPONZ website.

44. Some submitters also suggested that the regulations should allow for the annual renewal fees to be paid several years in advance. The Ministry does not support this as it would negate the policy intent behind the requirement for renewal fees (to encourage patent owners to allow patents to lapse if the patent owner is no longer exploiting the invention).

45. In light of the submissions, the Ministry considers that the fees proposed are appropriate, will:

- A. Enable IPONZ to continue to operate in a financially responsible manner;
- B. Ensure that access to the patent system for innovators is not unduly restricted; and
- C. Provide equitable access for third parties to the processes for challenging the acceptance or grant of applications and patents.

Summary

46. The following table provides a summary of the IPONZ's assessment of each option. It rates the four options considered according to our defined criteria using green, yellow and red lights to indicate whether an option meets, partially meets or does not meet criteria.

47. Overall the option of setting fees at a level such that IPONZ's total fee income covers the total cost, but each particular fee does not necessarily reflect the actual cost of providing the particular service, best met the criteria applied. It was the most efficient and equitable option considered and at least partially met the effectiveness criteria.

48. The option of setting fees at the actual cost of delivering each individual patent service rated higher in terms of effectiveness because there is complete transparency as to how each fee has been set. However this option did not meet the criteria for appropriate assignment of costs because it would result in fees being set at a very high level for low volume services, which could act as a disincentive on the use of such services – some of which are integral to the overall integrity of the patent regime.

49. The remaining two options each failed to meet at least one of the criteria against which they were assessed.

	Administrative Efficiency	Appropriately assign costs	Effectively recover costs	Overall Rating
Cost to Serve per patent service				
Cost to administer the Act				
Consider the fees charged by overseas offices				
Increase Fees by CPI				

Issue B: Request for Examination

50. The purpose of this group of regulations is to provide procedures implementing the requirement, in section 64 of the Act, that patent applications will only be examined by IPONZ when requested by the applicant. Under the 1953 Act, all applications are examined automatically; there is no requirement for applicants to request examination.

51. The practice of requiring applicants to request examination is known as “deferred examination” and is a feature of the patent laws of other countries such the UK, Australia, Canada and under the European Patent convention. Experience suggests that some applicants lose interest in their patent applications after filing and examination reports are issued on applications irrespective of whether or not the applicant intends to respond. Requiring all applications to be examined, as they are under the 1953 Act, will result in IPONZ wasting resources on examining applications where the applicant has no intention of responding to an examination report. This increases costs to IPONZ, and hence to applicants.

52. If applications are only examined when the applicant requests it, the wastage of IPONZ resources will be reduced, enabling fees to be kept at a lower level than might otherwise be the case.

53. However, it is not in the public interest for patent applications to be left unexamined for too long a period. This leads to uncertainty for the public as to what rights (if any) will eventually be granted. As a result, some limits must be put on applicants’ ability to put off requesting examination.

54. Applicants may request examination on their own initiative, or must request examination if directed to do so by the Commissioner. The main reason why the Commissioner might direct applicants to request examination is to ensure a smooth flow of work to the IPONZ patent examination team. Most examination requests are likely to arise from a direction to request examination.

55. Third parties may also request that the Commissioner direct an applicant to request examination of a patent application. This will usually be because the third party wishes to

provide goods or services that might fall within the scope of any patent that might be granted on the application, and the third party wants certainty about what (if any) patent rights will be granted.

Problem Definition

56. Section 64 makes provision for procedural aspects of the request process are to be prescribed in the regulations. These are:

- i. The time period in which a voluntary request for examination must be made.
- ii. The time period in which a request for examination must be made after a direction from the Commissioner.
- iii. The conditions under which the Commissioner may direct an applicant to request examination.

57. Accordingly regulations must be made to prescribe these matters in order for the Act to be implemented.

Objectives and criteria

58. The objectives of the regulations made under section 64 of the Act are to balance a number of competing interests:

- Administrative efficiency by ensuring a smooth flow of work to the patent examination team while minimising the wastage of resources in examining applications;
- Equity through providing applicants with a reasonable period to determine whether they wish to incur the cost of requesting examination;
- Maximising the benefit of the patents system to the public by providing certainty to third parties and the public regarding when an application is likely to be examined; and
- Impact on government objectives - aligning the New Zealand patent regime more closely with Australia.

59. The options for these proposed regulations were assessed against the criteria listed above.

Time period in which a voluntary request for examination must be filed

60. The deadline for filing a voluntary examination request must strike a reasonable balance between the interests of patent applicants and those of the public. It is not in the public interest for the examination of patent applications to be delayed for too long.

61. The time period is significant because failure to request an examination within the prescribed time will result in an application being deemed to be abandoned. However, where failure to meet the deadline was unintentional, applicants may be able to have their application restored under the Act.

Proposed Options

62. The Ministry considered 2 options for setting the time period for voluntary requests for examination:

- Option 1 – that the deadline for a voluntary examination request should be three years from the date of filing the application.
- Option 2 – that the deadline for a voluntary examination request should be five years from the date of filing the application.

63. Other options such as the time periods prescribed under the laws applying in United Kingdom, European Patent Office were discussed in the public consultation paper '*Proposals for Regulations to be made under the Patents Act 2013*' at [75]-[80]. The corresponding periods of the UK and the EPO are shorter than the originally proposed three year period, and it was considered by IPONZ that these periods were too short to meet the objectives paragraph 62 above.

Option 1: Analysis

64. A three year period in which to request examination would be efficient because it would ensure that requests for examination were made within a reasonable time after application, and where applicants did not show interest in progressing their applications by requesting examination these applications could be deemed abandoned. It is in the public interest to ensure that applications do not remain unexamined for an extended period of time as the public need a degree of certainty as to what if any patent monopoly may be granted with respect to an invention.

65. Although this time period is comparable to that required in overseas jurisdictions such as the UK and under the European Patent Convention, submissions received on this issue noted that a three year period may be too short for some "national phase" applications filed under the PCT, i.e. those applications without a claim to convention priority. In those few cases (approximately 110-140 cases (2.5%-3.7% of the total) annually since 2000), applicants would be placed in the position of having to request examination within five months of filing of the "national phase" application in New Zealand. The Ministry has noted the submitters' concerns and accepts that a three year deadline could be inequitable for a small number of applications.

66. This option would provide IPONZ with sufficient flexibility to control its workflows within the prescribed three year period. For the majority of patent applications IPONZ expects that it would be issuing a direction to the applicant to file a request to examine the application within 6-12 months of the filing date of the complete specification. The exception being those PCT national phase applications which do not have a claim to convention priority, and would therefore require a request for examination to be made within five months of the examinable date.

67. A period of three years does not meet the overarching objective of aligning the New Zealand patent regime more closely with Australia because Australia allows a five year period in which to request examination. However a three year period is comparable with other jurisdictions such as the UK and the European Patent Convention, which both require a request for examination be filed within about 24 and 30 months of the filing date.

Option 2: Analysis

68. A five year period in which to request examination is considered to be less efficient than the three year period proposed in Option 1, however it is still efficient and ensures that requests for examination where made within a reasonable time after application. IPONZ intends to direct applicant to request examination of the majority of patent applications well in advice of the proposed five year period

69. A five year period would be fairer to a greater number of applicants, having regard to the concerns raised in relation to Option 1 above, because it allows sufficient time following filing of their application (including “national phase” applications) for applicants to identify the commercial viability of the invention before determining whether the application should proceed to examination.

70. This option would provide IPONZ with greater flexibility to manage examination workflow in the event that application volumes are or become greater than anticipated.

71. This option is consistent with the time period required under Australian law in which to request examination. Alignment with the corresponding Australian period may offer some further flexibility for applicants, IPONZ and IP Australia to operate under the proposed Single Examination Process of the Single Economic Agenda patent outcomes. It therefore meets the over-arching of objective of aligning the New Zealand patent regime more closely with Australia. Submitters on the discussion document saw this as a desirable alignment.

	Administrative Efficiency	Equity	Maximising public benefit	Government objectives	Overall Rating
Option 1 – 3 years					
Option 2 – 5 years					

Time period for filing a request for examination following a direction from the Commissioner

72. Section 64 of the Act provides that, if an applicant is directed to request examination by the Commissioner, the request must be filed within the time period prescribed in the Regulations. If the request is not filed within that time the patent application is deemed to be abandoned. The main reason why the Commissioner would direct applicants to request examination is to ensure a smooth flow of examination work to IPONZ patent examiners.

Proposed Options

73. IPONZ considered two options for the prescribed period in which a request for examination must be made following a direction from the Commissioner which were assessed against the criteria at paragraph [59]:

- Option 1 – a prescribed period of two months from the Commissioner’s direction with no provision for extension of this period. However, if the applicant misses

the deadline, and the application is deemed abandoned, it may be possible to restore the application under the Act.

- Option 2 – a prescribed period of three months from the Commissioner's direction (during submissions alternative time periods of three to six months were suggested however the analysis of a three month period also applies to longer periods).

Option 1: Analysis

74. A two month non-extendable period in which to request examination following a direction from the Commissioner is administratively efficient because it avoids untimely delays and uncertainty in examination and IPONZ workflows, such as those experienced in the Australian Intellectual Property Office which recently reduced the corresponding period under Australian law from nine months to two months.

75. Submissions from New Zealand resident patent attorneys noted that the two month period may be too short, particularly for foreign applicants, to make a decision about whether to request examination. Notwithstanding these concerns, Option 1 is considered to be to provide a sufficient period of time for applicants to receive and consider a direction to request examination, and to make the request. In coming to this view we note that:

- A. The two month time period is equivalent to that required in overseas jurisdictions such as Australia. The Australian Institute of Patent and Trade Mark Attorneys (IPTA) made submissions supporting the two month period. It seems that IPTA does not see the two month period as particularly problematic. New Zealand patent attorneys prosecuting Australian patent applications also have to meet this two month deadline when prosecuting applications in Australia.
- B. Applicants will have a period of time (anticipated to be six to twelve months) following filing before it is anticipated that a direction to request examination is issued by IPONZ. It is anticipated that applicant will use at least some of this time to consider how to progress their application in New Zealand.
- C. IPONZ currently publishes a notification on the IPONZ website of the current work-front for patent applications. Applicants and the public can go to the IPONZ website and identify when certain applications are likely to be examined. IPONZ will continue to publish this information and will include an indication of the likely period that applications can expect to have a direction to request examination issued thereon when the Act comes into force.
- D. Once the system of directing applicants to direct examination is in place, patent attorneys will be able to estimate when a direction will be issued on a particular application by looking at the directions that are being issued on earlier filed applications and will also be further informed by the information available from the IPONZ website.

76. Applicants will therefore have several indications of the likelihood of the issue of a direction to request examination well in advance of the actual notification. That is, applicants will in effect have rather longer than the two month period proposed to make a decision on whether to request examination. On this basis, the Ministry does not consider the arguments of the New Zealand resident patent attorneys submitters to be well-founded.

77. Option 1 ensures that the policy intent of enabling the Commissioner to direct a request for examination is effectively implemented, that is, Commissioner could effectively manage examination workflows, including prioritising patent application of particular significance.

78. Option 1 is consistent with the two month (non-extendible) time period required under Australian law. As with voluntary requests for examination, alignment with the corresponding Australian period may offer further flexibility for applicants, IPONZ and IP Australia to operate under the proposed Single Examination Process of the Single Economic Agenda patent outcomes. It therefore meets the over-arching objective of aligning the New Zealand patent regime more closely with Australia.

Option 2: Analysis

79. A three month period in which to request examination following a direction from the Commissioner is administratively efficient because it avoids untimely delays and uncertainty in examination workflows.

80. If the three month period was to be extendible, then this would decrease the administrative efficiency of the option, as IPONZ would be faced with dealing with extension of time requests and a subsequent spread of periods within which examination could be requested. The uncertainty in workflows would add to the administrative burden created by Option 2.

81. Option 2 is fairer to applicants because it allows a sufficient period of time for applicants to receive and consider a direction to request examination, and to make the request.

82. As noted above, applicants will have a period of time (anticipated as six to twelve months) following filing before it is anticipated that a direction to request examination is issued by IPONZ. It is anticipated that applicant will use at least some of this time to consider how to progress their application in New Zealand. A longer period of Option 2 would increase the potential for delays and reduce the Commissioner's ability to effectively manage workflows.

83. Option 2 does not enable closer alignment with the Australian patent system as it introduces an inconsistency with the corresponding period under Australian patent law. This inconsistency would be of significance on applications to be examined under the Single Examination Process of the SEM.

Examination request at direction of Commissioner	Efficiency	Equity	Effectiveness	Government objectives	Overall Rating
Option 1 – 2 months					
Option 2 – 3 months or longer					

The conditions under which the Commissioner may direct an applicant to request examination

84. The grounds proposed by the Ministry are intended to provide IPONZ with some degree of flexibility to determine when an application may be examined. It is proposed to adopt the same grounds as those in the Australian Patents Regulations, namely:

- A. That the Commissioner reasonably considers it expedient to give the direction having regard to the progress made in the examination of applications filed before the filing date of the application concerned.
- B. That the Commissioner reasonably considers it to be in the public interest to give the direction.
- C. That the Commissioner reasonably considers it expedient to give the direction, having regard to the examination of another patent application.

85. It is also proposed that the grounds on which third parties can require the Commissioner to direct an applicant to request examination be the same as those in the Australian regulations:

- A. it is in the public interest; or
- B. there are special circumstances that make it desirable.

86. The grounds contained in the Australian regulations were the only option considered on this aspect of the proposed regulations.

Consultation

87. Submitters had no objections to the grounds proposed by the Ministry. No submitter suggested that there be additional grounds.

88. . There are, in practice, no other grounds that would be reasonable given the competing interests of patent applicants and the public. It is considered that this option meets all the criteria against which it was assessed (paragraph [58] above).

Issue C Third Party Assertions and Re-Examination

Problem Definition

89. Third party assertions (section 90 of the Act) and re-examination (sections 94 and 95) have been introduced as low-cost options for third parties to challenge the validity of accepted applications or granted patents. The Act provides that the procedures for filing an assertion or re-examination request, and that the processes and time periods associated with addressing matters raised in assertions and re-examination requests are to be prescribed in the regulations.

90. There are no provisions in the 1953 Act that mirror sections 90, 94 and 95, although section 22 of the 1953 Act has some similarities with section 90. Sections 90, 94 and 95 of the Act are based on the corresponding sections of the Australian Patents Act 1990. The 1954 Regulations do not regulate the procedures that third parties must use to take advantage of the provisions of section 22.

91. If an assertion or re-examination request is received by the Commissioner, the Commissioner will inform the applicant/owner of the assertion and, if appropriate raise an objection with the patent applicant or patent owner. The applicant or owner will be given an opportunity to respond to the objection. Failure to respond to the objection within the prescribed time may result in refusal to grant a patent on the application or revocation of a granted patent.

92. Third party assertions can be filed prior to publication of acceptance of a patent application. Assertions will be dealt with as part of the normal patent examination process, so no fee will be charged. Re-examination requests can only be filed after publication of acceptance of the application. A fee will be charged for this procedure. Re-examination may be requested by third parties, or by the Commissioner.

93. Both third party assertions and re-examination are ex parte procedures – the third party concerned does not take part in proceedings after the assertion or request for re-examination has been filed. The intention is that the associated procedures be kept as simple as possible to encourage the use of these procedures, while providing some safeguard against frivolous requests.

Objectives and criteria

94. The objectives of these regulations are:

- A. To ensure that an appropriate balance is struck between providing third parties with a relatively low-cost way of challenging the grant or validity of patents;
- B. Providing patent applicants or patent owners with a reasonable opportunity to defend their patent applications or patents; and
- C. Impact on government objectives - aligning the New Zealand patent regime more closely with Australia.

Options – making of a third party assertion or re-examination request

95. For the following aspects of the third party assertion and requests for re-examination process there was only considered to be one viable option which is based on the procedures of the corresponding Australian Patent Regulations.

96. The assertion or request will be required to contain sufficient information to identify the patent application it relates to, the reasons for the assertion or request, and the information or documents relied upon by the third party. Copies of the documents and information can be provided, and must be provided if they are not otherwise available to the Commissioner. A verified English translation of any documents that are not in English will also be required.

97. The Ministry considered the following options for setting the time period for responding to objections raised in third part assertions and re-examination reports:

- Option 1: Two months from the date of the Commissioner's report on re-examination, to the time available to put a patent application in order for acceptance following a report relating to a third party assertion.

- Option 2: Three months with an extension of time of one month, and further time in exceptional cases, from the date of the Commissioner's report on re-examination.

Option 1: Analysis

98. The two month non-extendable period to respond to a report on re-examination or a third party assertion is efficient in that it provides a relatively short period within which all matters raised in a report must be addressed by the applicant. The lack of an extension period reduces the administrative burden.

99. However, the administrative burden may increase for both IPONZ and applicants or patent owners as applicants/owners may decide to request a hearing on any outstanding matters at the end of the two month period.

100. The nature of matters which may be raised in a re-examination report can be complex, and more varied than would be considered during the routine examination of an application. A period of two months may not be sufficient for applicants or patent owners to sufficiently address re-examination objections raised in a significant proportion of cases.

101. A hearing to deal with matters raised in a re-examination request adds to the costs of the patent process and introduces delays for applicants/owners to deal with matters raised in a re-examination report. Costs are also incurred by IPONZ in that the fees associated with hearings do not reflect or recoup the cost of each proceeding.

102. Option 1 is consistent with the corresponding time period required for a similar procedure under Australian patent law, although under Australian law, the applicant/owner has up to three months to request a hearing if the re-examination process has not been resolved by the end of the two month period.

Option 2: Analysis

103. A longer period of three months plus an extension of time upon request and further discretionary time of Option 2 is not as administratively efficient as Option 1. However, it does provide patent applicants/owners with a longer period for dealing with reports on re-examination. This would reduce the number of likely hearing requests from applicants/owners who wish to pursue matters further by way of a hearing. It is therefore, more effective and efficient to increase the time available for applicants to deal with objections under third party assertions and re-examination during an examination procedure, than via a hearing.

104. The Ministry considers that Option 2 offers a greater opportunity to defend their application or patent, and offers the further possibility of an extension of one month on request. It is proposed that a further one month extension at the discretion of the Commissioner in exceptional circumstances would also be available.

105. Option 2 does not meet the government objectives on closer alignment with the Australian legislation as the proposed time periods are longer than those under Australian law.

Summary

106. The following table provides a summary of the IPONZ's assessment of the options considered for time periods to be prescribed in which to respond to third party assertions

and examination requests. It rates each of the options considered according to our defined criteria using green, yellow and red lights to indicate whether an option meets, partially meets or does not meet criteria.

107. Overall Option 2 is the preferred option.

	Low cost challenge	Applicant/owner opportunity to defend	Government objectives	Overall Rating
Option 1 – 2 month period				
Option 2 – 3 month extendible period				

Issue D: Time Period for Placing an Application in Order for Acceptance

Problem Definition

108. Under section 71 of the Act, the applicant must place a patent application in order for acceptance within the period prescribed in the regulations. Failure to meet this deadline will result in the application being deemed void. If the applicant misses the deadline, and the application is deemed to be void, it may be possible to restore the application under section 125 of the Act if the failure to meet the deadline was unintentional.

109. The corresponding deadline under the 1953 Act is 18 months from the date of the first examination report. The 18 month deadline under the 1953 Act was set at a time when the predominant means of communication with applicants was through the mail, and the 18 month deadline may therefore have been appropriate under those circumstances, but, given today's communication technology may be too long.

Objectives and criteria

110. The objectives are:

- A. To prescribe a period that gives patent applicants a reasonable period to overcome objections made by the Commissioner to the grant of a patent;
- B. To ensure that the fate of the patent application (refused or accepted) is determined in a reasonable time to provide a degree of certainty for both applicants and third parties; and
- C. Impact on government objectives - aligning the New Zealand patent regime more closely with Australia.

Options

111. The following options for the purposes of section 71 for setting the time period for placing an application in order for acceptance:

- Option 1 – A period of 12 months from the date of the first examination report issued on the application by the Commissioner, with no provision for extension.
- Option 2 – A period of longer than 12 months with discretion to extend time.

Option 1 analysis

112. The 12 month deadline provides applicants with sufficient time to meet objections raised in examination reports. The time period is the same as that applied in Australia and is comparable with the corresponding deadlines set in other jurisdictions. The Australian deadline was recently reduced to 12 months from 21 months. IPTA and one New Zealand patent attorney firm supported the 12 month deadline as this is the deadline applied by the Australian patent regulations.

113. The remaining submissions were not in favour of the preferred proposed period of 12 months to place an application in order for acceptance of 12 months from issuance of the first examination report. All but two of the submitters who addressed this issue considered that Option 1 too short. One submitter suggested a 24 month deadline, while another suggested that the 12 month deadline should be for a response to the first examination report. Two submitters suggested that extensions ought to be available. No substantive arguments were provided as to why it is too short or that there would be significant increased costs associated with complying with the proposed period.

114. Prior to changing the deadline, the Australian patent office levied fees on applicants who did not place their applications in order for acceptance within 12 months of the first examination report. As a result, it was found that many applicants did place their applications in order within twelve months. This was the basis for the adoption of the 12 month deadline in Australia.

115. The time period proposed was the preferred option of IPONZ. Other time periods were considered from other jurisdictions including the UK, EPO and Canada. In these other jurisdictions the methodology for determining when a particular application must be in order for acceptance was either relatively complex (e.g. UK rule 30) or depend upon progress of the application during examination.

116. The approaches adopted in other jurisdictions do not meet the objectives noted above.

117. A non-extendible period of 12 months is considered to meet a reasonable period to overcome objections made by the Commissioner to the grant of a patent. It also means that the fate of the patent application (refused or accepted) is determined in a reasonable time to provide a degree of certainty for both applicants and third parties with an interest in the application. Option 2 is considered to be less efficient and effective than Option 1.

118. The Australian experience suggests that applicants should have no difficulty complying with the 12 month deadline.

119. Option 1 is consistent with the corresponding time period required under Australian patent law. Therefore Option 1 best meets the objective of aligned more closely with the Australian Patent regime. Option 2 does not meet this criterion.

Option 2 analysis

120. A period longer than 12 months provides a significant opportunity for applicants to meet objections and place an application in order for acceptance.

121. However, a period of greater than 12 months does not increase the certainty for the public that a patent may be granted or refused in a reasonable time.

122. It is worth noting that periods of more than a year to place an application in order for acceptance are greater than is typical in other jurisdictions (where such time periods exist). More often than not, applications in other jurisdictions are subject to one or more examination reports where a deadline for response (usually between 2 and 4 months) is set in the examination report. The number of reports is generally limited by another set of rules. However, the overall effect of issuing a limited number of examination reports with deadlines therein is that the fate of applications is usually determined within the period of about a year. It is the exception rather than the norm internationally for the examination of applications to acceptance/refusal to take more than about one year.

123. Setting a period of more than 12 months would not meet the government objective of closer alignment with Australian legislation, as the corresponding period under Australian law is 12 months.

	Efficiency	Equity	Effectiveness	Government objectives	Overall Rating
Option 1 – 12 month non-extendible period					
Option 2 – Period in excess of 12 months with extensions available					

Issue E: Management of Patent Proceedings by the Commissioner

124. There are a number of proceedings involving patent applications or patents that are administered by the Commissioner of Patents, for example oppositions to the grant of patents, applications for the revocation of granted patents, and various related interlocutory proceedings (e.g. in relation to extensions of time and admission of evidence). These proceedings are handled through the IPONZ Hearings Office. The IPONZ Hearings Office operates as tribunal when administering patent proceedings. The Commissioner (acting through Assistant Commissioners) issues binding decisions after hearing submissions and considering evidence from the parties involved. Decisions of the Commissioner can be appealed to the High Court.

Problem Definition

125. The 1954 regulations made under the 1953 Act are out-dated and fail to give the Commissioner adequate powers to effectively case manage proceedings. This makes it harder for the IPONZ Hearings Office to administer proceedings in the most efficient and

cost effective manner possible. Under the current provisions parties have found it relatively easy to undermine the system to draw out proceedings to gain a strategic or commercial advantage.

126. New regulations are therefore required which meet the following criteria and objectives.

Objectives and Criteria

127. The objectives of the regulations made in respect of Hearings Office processes are to ensure:

- A. That the rules around proceedings are simple and transparent for parties;
- B. Proceedings in the Hearings Office run smoothly so that the time required is minimised, and the costs of proceedings is kept as low as possible for both IPONZ and the parties;
- C. That the hearings processes are fair for applicants and third parties;
- D. That the regulations provide the Commissioner with sufficient powers and flexibility to deal with parties who may seek to abuse the process to gain an unfair strategic advantage; and
- E. That the timeframes for procedural steps in patent proceedings be set appropriately so that parties have adequate time to file their pleadings and/or evidence without having to rely on extensions of time as a matter of course. It will then be possible to set an expectation that parties comply with the prescribed timeframes, and tighten up on extensions so they are only be available when truly justified.

Proposed Options

128. The Commissioner requires greater powers to implement modern case management practices so that patent cases are run in the most efficient and cost effective manner possible for the benefit of all parties to the patent process.

129. It is proposed that regulations under the Act be modelled closely on corresponding case management provisions in the Trade Mark Regulations 2003 (regulations 26 to 36) because this has benefits for both the IPONZ Hearings Office and intellectual property professionals who work on both patent and trade mark cases.

130. Submitters were unanimously in favour in adopting a modern case management regime that largely mirrors that in the Trade Mark Regulations. Both the NZLS and NZIPA believe the overall approach being adopted from the corresponding Trade Mark Regulations is highly desirable and would work well in the patent context too. It is the Ministry's view that prescribing a regime that is at least comparable in most respects to that which applies to trade marks is the only viable option for the patents regulations.

131. The following options were considered for regulations relating to the Commissioners control of proceedings:

- Option 1: Regulations that mirror as closely as possible the regulations relating to the Commissioner of Trade Marks' control of proceedings in the Trade Marks Regulations 2003.
- Option 2: Regulations that adopt most of the regulations relating to the Commissioner of Trade Marks' control of proceedings under the Trade Marks Regulations 2003, but which contain:
 - o additional powers for the Commissioner to:
 - impose sanctions on parties that fail to comply with Commissioner's directions, including increased costs and in some cases exclusion of the non-compliant party from the proceeding; and
 - to make directions as to how confidential information is to be treated, so as to adequately protect such information, but without impeding the progress of the proceeding; and
 - to direct the provision of further and better particulars;
 - o restrictions on the evidence that can be provided in proceedings to the particulars provided by that party; and
 - o extended timeframes for filing evidence in proceedings.

Option 1: Analysis

132. The Ministry considers that Option 1 above goes some way to achieving the objective of prescribing regulations that are simple and transparent. This is because this option adopts the processes already in place under the Trade Marks Regulations 2003 which will be well known to most users. It will also enable IPONZ to adopt more consistent practices across both trade mark and patents hearings regimes.

133. Generally speaking this option is considered to be equitable to all users, however some submitters noted that there were opportunities under the Trade Marks Regulations for some parties to undermine the system which could result in inequitable impacts in some cases. For example a party who fails to comply with timeframes for a proceeding as directed by the Commissioner can delay proceedings and cause the other party to be put to additional and unnecessary costs.

134. The ability for the Commissioner to hold case management conferences at which the Commissioner may make directions as to the conduct of hearings offers significant advantages over the existing Hearings Office requirements for patent proceedings in terms of the efficient conduct of proceedings. Case management conferences enable both IPONZ and the parties to have clear understanding of how a proceeding will progress at the outset, and ensure that any potential issues are identified and resolved as early in the process as possible.

135. This option doesn't provide the Commissioner with sufficient powers to deal with parties who choose not to follow directions by the Commissioner in relation to time periods and confidential evidence in proceedings. It also does not allow the Commissioner to make directions to require better particulars where parties submit vague or incomplete particulars, and to exclude evidence not signalled in particulars. This can lead to avoid

parties abusing the process to gain an unfair strategic advantage, and unnecessary additional time and cost for third parties and IPONZ.

136. The time frames for filing evidence proposed under this option are also considered to be unfair and unreasonable for parties in some cases because they are too short and result in unnecessary requests for extensions of time which increases the costs for both IPONZ and parties to proceedings.

Option 2: Analysis

137. The majority of the amendments from the Trade Marks Regulations model proposed under Option 2 are to give the Commissioner further powers to deal with the increased complexity and costs involved in patent cases.

138. The NZLS and NZIPA have noted that the Commissioner's inability under the Trade Marks Regulations to impose a sanction until a party has "persistently and repeatedly" failed to comply with directions of the Commissioner means that the efficiency and effectiveness of these regulations could be increased. The Ministry agrees that Option 2 would offer increased efficiency and effectiveness by sending a clear message to litigants and their attorneys/counsel that they must comply with all the Commissioner's directions and if there is default, even if only once, then consequences will follow, including if necessary, increased costs orders and/or exclusion of a non-compliant party from a proceeding. This is consistent with the approaches taken by both the District Court and the High Court.

139. Option 2 also offers benefits in terms of achieving the objectives set out at paragraph 127, as compared to Option 1, by avoiding potential problems in relation to confidential evidence in proceedings. Option 1 would adopt the provisions in the Trade Mark Regulations which limits the Commissioner to directing that parties use their "best endeavours" to reach an agreement between themselves on how the confidential evidence is to be treated. The Ministry acknowledges submitters' concerns that this could lead to substantial delays in a proceeding where the parties cannot agree between themselves on a way to deal with the confidential evidence, particularly where stalling the proceeding would create a strategic advantage for one of the parties. This would leave a hiatus which needs to be resolved. Option 2 empowers the Commissioner to make directions as to the treatment of confidential information, so as to deal with this position. In particular, the Commissioner would have the power to make appropriate directions as to how confidential information is to be treated, so as to adequately protect such information, but without impeding the progress of the proceeding. This ability would improve the Commissioner's ability to manage proceedings effectively, thereby increasing the fairness and reducing costs for all parties.

140. The other proposals included in Option 2, namely restricting evidence that can be filed in a proceeding to evidence which relates to the particulars provided by that party, and giving the Commissioner the power to direct the provision of further and better particulars are considered to offer benefits over Option 1 in terms of simplicity and transparency, and the smooth and efficient conduct of proceedings. Both of these aspects of Option 2 will enable the Commissioner to ensure proceedings are conducted in a focussed and timely manner by enabling the Commissioner to require particulars to be clear and sufficiently detailed, and by limiting the evidence that may be filed to that which supports the particulars as filed. These regulations are also central to achieving basic principles of natural justice, namely that a party's pleadings must be sufficiently clear that

the other side knows the case against them and to prevent a party surprising the other side by presenting evidence on grounds that haven't been properly pleaded.

141. The increased powers for the Commissioner proposed in Option 2 which increase efficiency and effectiveness, also offer increased equity in patent proceedings. They do this by limiting the ability of parties to undermine the system by deliberately failing to comply with time frames, or in order to delay proceedings or to put the other party to additional unnecessary cost.

142. As noted above, the NZLS and NZIPA submissions on the discussion document raised concerns that the timeframes for filing evidence in patent proceedings were too short and failed to take into account the greater complexity of preparing evidence in patent proceedings. Evidence in patent proceedings usually requires significant involvement from the attorney and from independent experts. These independent experts are generally very busy and there are only a limited number of them in New Zealand. The following table shows proposals to extend the time for filing evidence in patent proceedings under Option 2 relative to Option 1 and the status quo:

	Status Quo (1954 Regulations)	Option 1	Option 2
Initiating parties' evidence in chief	2 months from filing of counterstatement	2 months from filing of counterstatement	4 months from filing of counterstatement
Respondent's evidence in chief	2 months from initiating parties' evidence in chief	2 months from initiating parties' evidence in chief	4 months from initiating parties' evidence in chief
Evidence strictly in reply	2 months from respondent's evidence in chief	2 months from respondent's evidence in chief	3 months from respondent's evidence in chief

143. The IPONZ Hearings Office confirms that the current time frames (which are the same as those in Option 1) do not give parties sufficient time to complete procedural steps, which results in the Hearings Office having to process multiple extension of time requests on almost every patent proceeding they administer. These extension requests create unnecessary work and delays for all concerned. This, in turn, makes it difficult for IPONZ to refuse unnecessary extensions that are delaying proceedings, and to set an expectation that the prescribed time frames be complied with. The Ministry considers that Option 2 strikes the correct balance of providing parties with enough time to complete procedural steps, while ensuring that extensions are not used to protract proceedings for strategic reasons.

144. The timeframes proposed in Option 2 were proposed by the NZLS and NZIPA. For some individual submitters, and the NZIPA, concerns around the timeframes for the evidential stages (as proposed in the discussion document) appeared to be compounded by the approach taken by the extension of time provisions, which would make it more difficult for parties to obtain extensions beyond the prescribed timeframes. They submit that the requirement for "exceptional circumstances" to obtain an extension beyond three months sets an unreasonably high bar and suggest that further extensions should remain

available beyond three months on a lower test, such as “reasonable circumstances” when supported with evidence of due diligence in trying to meet the deadline.

145. Extensions of time for evidential steps to be taken will still be available for up to three months in “reasonable” circumstances, and thereafter in “exceptional” circumstances, so there is enough flexibility built into the regime to cater for instances where a party genuinely requires an extension to complete an evidential step. Furthermore, the Commissioner’s ability to halt proceedings means there is a safety net for those rare situations where further time is genuinely needed but an extension is not available.

146. All submitters were unanimous in recognising the benefit of providing the Commissioner with the ability to halt proceedings, for example where the parties were negotiating a settlement agreement.

147. In view of the favourable response from submitters, and after analysis of the options against the criteria discussed above, the Ministry prefers Option 2, that the patent proceedings regulations follow the general approach in the corresponding Trade Mark Regulations with the following modifications to provide the Commissioner with further powers to ensure the regime can operate effectively in the patent context:

New regulation / amendment	Purpose	Submission	Impact
Remove reference to “persistently or repeatedly” fails to comply with the Commissioner’s direction	To make it clear that <i>all</i> directions of the Commissioner should be complied with.	The Law Society the NZIPA and the IPONZ Hearings Office all agree this is needed.	This is in keeping with the overriding purpose of this regulation, which is to give the Commissioner the power to give directions on how a case is to proceed. The Law Society and the NZIPA agree that the Commissioner should not have to wait until there has been “persist and repeated” failure to comply with a direction before anything can be done about it. Giving the Commissioner this power will ensure the regime works as intended.
Add a new provision stipulating that if the parties can’t reach an agreement as to how confidential information is to be treated the Commissioner may give a direction on how it is to be treated, which is	To remove a hiatus if the parties who are in a dispute cannot agree between themselves on how confidential information is to be treated.	The Law Society the NZIPA and the IPONZ Hearings Office all agree this is needed.	This power will ensure the Commissioner can prevent proceedings being stalled when one party refuses to agree to reasonable terms as to how to treat confidential information – often for wider strategic reasons.

subject to a sanction.			
A new regulation prescribing that evidence should be restricted to the particulars provided by that party in keeping with High Court Rule 22.24	In keeping with the principle that parties should not be able to introduce new evidence for a matter that was not properly pleaded at the appropriate stage of the proceeding.	The IPONZ Hearings Office considers it strongly beneficial to ensure that parties provide their best evidence at the proper stage of proceedings so the other side knows the case against them.	This will ensure parties fulfill their obligation to properly plead their case, rather than try to introduce new evidence and arguments outside the proper evidential stages.
A new regulation is required giving the Commissioner the power to direct the provision of further and better particulars	To ensure a party's pleadings are sufficiently clear so that the other side knows the case against them.	See comments directly above. The IPONZ Hearings Office has on a number of occasions had to seek better and clearer pleadings from parties. The requirement for clear pleadings is in keeping with the basic principle that the other side is entitled to know the case against them.	This will ensure the Commissioner has the power to direct that a party's pleadings are clarified so that the other side knows the case against them before going to the expense of preparing its evidence.
Extend the timeframes for the filing of evidence in patent proceedings	To ensure that parties have adequate time to prepare and file their evidence to remove their reliance on, and unnecessary work associated with, requests for extensions of time	The Law Society, the NZIPA and the IPONZ Hearings Office all agree that it is necessary to extend the timeframes for evidential steps to take into account the complexity in preparing evidence in patent proceedings	This will ensure parties to proceedings have a reasonable period of time to prepare and file evidence in proceedings, and will reduce the reliance on extension of time requests

148. The following table summarises the Ministry’s analysis of the options against the objectives at paragraph 127.

	Simplicity/ Transparency	Smooth conduct of Hearings	Fairness to all parties	Commissioner’s powers to control proceedings	Overall Rating
Option 1 – Adopt trade mark hearings regulations					
Option 2 – Adopt trade mark regulations with amendments					

Issue F: Mandating Electronic Communication

149. IPONZ currently operates with both an internet-based and paper-based system for receiving and issuing correspondence and other documents necessary for patent applications, registrations and proceedings.

150. In 2009 PricewaterhouseCoopers (PwC) was engaged to conduct an independent business evaluation to look primarily at the challenges that IPONZ will face over the forthcoming years and to help determine the operational, funding and revenue impacts that the changes might present. The report found, amongst other things, that:

A. There is an opportunity to simplify IPONZ's activities and reduce transaction costs through accelerating the move to on-line channels as the method of interaction and using IT to automate many tasks through electronic self-service functionality.

B. There are opportunities to simplify IPONZ's operations through eliminating paper-based applications, and eliminating duplicative data entry or scanning work.

151. Since that report one of IPONZ's primary focuses has been building its capability to administer the Act exclusively through electronic means. This has led to changes to processes, and the provision of information technology infrastructure to support new service delivery methods.

152. IPONZ introduced a new online case management system for patents in December 2012. The case management system is an internet-based system for receiving, and issuing correspondence and other documents necessary for patent applications, granting of patents, maintenance of applications, patent renewals and proceedings.

153. Uptake of the online case management system since its introduction (although not mandatory) has been very high - almost 100% of all patent applications are made using the online case management system. Similarly almost all patent examination reports and responses are serviced through the online case management system.

Problem Definition

154. Despite the high uptake of electronic services through the IPONZ case management system, a small minority of clients still choose to file documents in paper or email form, and to accommodate this small number of transactions and communications IPONZ must currently retain resource to handle essentially three avenues for incoming correspondence - paper, email and through the case management system. This comes at a cost to IPONZ which must be recovered from all clients through patent fees.

155. The Act recognises the very high uptake of electronic forms of communicating with IPONZ. It expressly states that a requirement under the Act to file, serve or give a document or information to the Commissioner, or for the Commissioner to serve or give any information or document to a person, must be met using a prescribed electronic delivery method (or another delivery method permitted by the regulations) in the prescribed manner.

156. It is therefore necessary to prescribe an electronic delivery method, and to determine what, if any, other delivery method should be permitted by regulations.

Objectives

157. The prime objectives of the regulations prescribing permitted delivery methods are to ensure:

- A. The costs for users and IPONZ of filing, serving or giving a document or information either to or by the Commissioner are kept as low as possible and aligns with the government's Better Public Services initiatives by reducing compliance costs for users;
- B. That the delivery method is simple to understand and fair to all users;
- C. That the delivery method is secure and provides certainty as to time of receipt and dispatch; and
- D. There is sufficient scope to permit alternative delivery methods where necessary and appropriate.

Proposed Options

158. The following options were considered for regulations prescribing permitted delivery methods:

- A. Option 1 – Status Quo. Allowing the serving, filing, deliver of documents to, or by, the Commissioner through either electronic (including via the IPONZ case management facility or via email) or paper based delivery methods.
- B. Option 2 – Mandating that where there is a requirement under the Act for any party, including the Commissioner, to file, serve or give a document or information, this requirement may only be met through the IPONZ case management system.
- C. Option 3 - Mandating the use of the IPONZ case management system as in Option 2, but allowing the Commissioner to approve other delivery methods in exceptional circumstances.

159. These options only apply to the delivery of all documents and information under the Act other than an application to enter the national phase under the PCT as Rule 49.4 of the PCT restricts IPONZ from mandating the use of a national form where applicants wish to enter the national phase.

Option 1: Analysis

160. Option 1 requires IPONZ to maintain resource to handle email and paper-based correspondence. This increases the costs to IPONZ and would mean that fees must be set higher than would otherwise be the case, to accommodate a very small number of users. The uptake of the case management system for filing patent applications, and more particularly PCT national phase application is nearly 100 % (greater than 99.5% over the last few months 2013-14, that is one or two applications out of 500 to 600 applications per month are not filed via the online system, but are nevertheless entered into the online system by IPONZ acting as proxy) without mandating the use of the online system.

161. This option offers a greater range of filing methods, and may provide greater access to the patent system for users who do not have Internet access or have difficulty understanding online processes and prefer to use a paper-based system. Accordingly, it

may be simpler to understand and fairer to some users. However, as noted above the proportion of users who would benefit from this option is very small.

162. Because this option includes multiple filing methods it offers reduced certainty as to the time of receipt and delivery of documents and information. For instance, it may be difficult to determine when a document sent by post is actually received with the same precision as is possible using an electronic delivery method. Email and paper based deliver methods are also less secure than an online system.

163. The range of delivery methods in this option allows flexibility to better ensure documents can be delivered in exceptional circumstances where a particular delivery method is not available.

Option 2: Analysis

164. This option reduces the need for IPONZ to maintain costly resources and processes to cater for what is already a very small proportion of communications under the patent system. This reduces costs to IPONZ which allows fees to be lower than would otherwise be the case.

165. Option 2 aligns with the Government's Better Public Services initiatives by reducing compliance costs for applicants, patent owners, third parties and the public in using the patent system.

166. The high take up of the online services that have been offered by IPONZ has already limited the resource required for paper-based processes, and has resulted in a reduction of administrative staff by 8.5 FTEs, equating to a reduction of more than 10% of total staff. Further savings may be possible if the use of the IPONZ case management system were mandatory.

167. NZIPA suggested that, since use of the electronic facility was nearly 100%, there is no need to mandate its use. While the uptake of electronic correspondence has been high, without mandating that communication to and from the Commissioner be exclusively through electronic means where possible, IPONZ is not able to fully derive the efficiencies and benefits that electronic communication provides.

168. In an environment where users mount legal challenges as part of business as usual, it is not viable for IPONZ to operate almost exclusively through electronic means without the legislation acting as a vehicle to support, drive and entrench this approach. The impacts to users through taking this approach are considered to be minor whereas the impacts and costs to IPONZ of retaining the status quo are significant because it is required to keep a level of infrastructure, capacity and capability to deal with multiple avenues of communication.

169. It is considered that any negative impacts on users of the patent system will be minimal. A small number of users without a home or business internet connection may be inconvenienced in that they will need some form of internet access to file applications and/or communicate with the Commissioner. This is viewed as a very small risk affecting very few users in light of the statistics showing that almost 100% of transactions and communications to and from IPONZ are conducted electronically through the new case management system. Additionally, the very small number of users without personal internet connections can utilise public internet facilities at places such as public libraries. Alternatively, users could appoint an agent to conduct transactions on their behalf.

170. We note finally that the proposed mandating of electronic filing and electronic communication is in line with other registers which also operate on an electronic basis, e.g. Land Information New Zealand's Landonline service and the Personal Property Securities Register.

171. Option 2 is not flexible enough to allow other means of communication with IPONZ. This could present problems in the case of an IPONZ system outage, or if access to the IPONZ case management system is limited for any other reason.

172. By using government standard authentication the case management system provides an additional level of protection and security to the user that is not available for paper and email communication. It is also notable that the case management system provides clients with a secure platform to interact with IPONZ that avoids the limitations inherent with email such as file size restrictions and spam filters that prevent legitimate emails from reaching their intended recipient because the emails are perceived to contain 'inappropriate' material.

Option 3: Analysis

173. The regulatory impacts of Option 3 are almost identical to those of Option 2, however Option 3 has the additional advantage of offering flexibility to permit alternative delivery methods in exceptional circumstances.

174. The Trade Mark Regulations 2003 (as amended 2012) already require that all communications to and from IPONZ and the filing of documents with IPONZ in respect of the Trade Marks Act 2002 must be via an electronic facility on the IPONZ website. Notwithstanding this, the Commissioner of Trade Marks has the discretion to accept the filing of documents by other means if a person is unable to access the electronic facility due to exceptional circumstances beyond the person's control.

Summary

175. The following table provides a summary of the IPONZ's assessment of the options considered for prescribing electronic delivery methods in the regulations. It rates each of the options considered according to our defined criteria using green, yellow and red lights to indicate whether an option meets, partially meets or does not meet criteria.

176. The Ministry prefers option 3 which proposes regulations to require that all communications to and from IPONZ and filing of documents with IPONZ in respect of Patents must be via an electronic facility on the IPONZ website. The Commissioner will have the ability to accept communications in other forms only in exceptional circumstances.

177. The advantages of this option, particularly in relation to reducing cost and increasing security and certainty, are considered to outweigh the potential disadvantage for the very small number of users not already using the electronic case management system.

	Reduces Cost	Simplicity / Fairness	Security / Certainty	Flexibility	Overall Rating
Option 1 – Allow online, email and paper based delivery					
Option 2 – Allow only online delivery					
Option 3 - Allow online delivery with ability to permit alternatives					

Issue G: Address Requirements

Problem Definition

Address for Service

178. The regulations under the 1953 Act require applicants to provide an address for service that must be in New Zealand. For registered New Zealand patent attorney with a place of business in Australia, the requirement for a New Zealand address for service means that an agent must provide a New Zealand address (e.g. a business or New Zealand associate) to meet this requirement.

179. The new Act requires that the addresses for service of patentees, licences or persons with an interest in patents must be entered in the patents register, but it does not define the nature of an address for service. Regulations are required to define the sort of addresses that can be provided as an address for service.

Objectives and criteria

180. The prime objectives of the regulations prescribing address for service requirements are to ensure:

- A. The costs for users of the patent system and third parties are kept as low as possible;
- B. That the requirements are fair to all users; and
- C. To the extent possible the requirements enable alignment with proposed changes to Australian legislation to recognise addresses for service in New Zealand.

Proposed Options

181. The following options were considered:

- A. Option 1 – Status Quo. Requiring that an address for service must be a New Zealand address.
- B. Option 2 – Allowing addresses from either Australia or New Zealand to be used as an address for service.

Option 1: Analysis

182. This option results in higher costs, and is less fair, for the approximately 40% of applications filed in New Zealand by foreign applicants are represented by agents who are registered New Zealand patent attorneys with a main place of business in Australia. This is because a New Zealand address for service must be obtained, this will usually be a NZ patent attorney firm.

183. Retaining a requirement for a New Zealand address for service does not enable alignment with proposed changes to Australian legislation to recognise addresses for service in New Zealand.

Option 2: Analysis

184. Allowing an address for service to be in either New Zealand or Australia will reduce costs for Australian applicants, but may impose some additional costs on third parties resident in New Zealand who may need to serve documents on an address in Australia. The Ministry notes that the service of documents will usually be in connection with legal proceedings, and the additional cost of service will be small in comparison with the costs of the proceedings. On this basis, the impact of the additional costs is expected to be minor.

185. The Australian government has proposed changes to its patent legislation that would allow patent applicants to nominate an address for service that may be in either Australia or New Zealand. The proposed changes to both the New Zealand and Australia laws are important parts of the trans-Tasman patent attorney regime to be implemented through separate legislation.

Summary

186. It is considered that Option 2 is preferable because of the reduced costs for Australian applicants, and has the benefits of enabling alignment with proposed changes to Australian legislation to recognise addresses for service in New Zealand.

Consultation on the Proposed Regulations

187. The Ministry issued a public consultation document 'Proposals for Regulations to be made under the Patents Act 2013' on 11 December 2013 seeking public feedback on a number of proposed regulations and fees. The closing date for submissions was 24 January 2014, with an extension of time until 7 February 2014 requested by and provided to the NZLS and the NZIPA.

188. IPONZ has also met with members of the TFG and the NZLS. The meetings covered the proposals within the discussion document and other matters in relation to specific details of the patent regulations and implementation of the Patents Act.

189. The TFG comprises senior representatives of the patent attorney profession in New Zealand and Australia. Members of the TFG are drawn from representatives of the main patent attorney firms in New Zealand and Australia, and also includes a representative of the NZLS, Intellectual Property Law Committee as a temporary member.

190. Submissions were largely supportive of the proposed regulations. There were a few areas where concerns were expressed, but there were primarily around the detail of some of the proposed regulations, such as time periods, rather than the principles behind the proposed regulations. The position of stakeholders on the proposals made in the discussion document are summarised in the discussion of the individual proposals set out below.

Conclusions

Fees

191. The Ministry proposes that the fees be set on the basis of the total cost to administer the Act on an aggregate level, and also proposes the fee schedule set out at paragraph 36 above.

Request for Examination

192. The Ministry proposes that the time period in which applicants must request examination be set as five years from the date of filing a complete specification. The time period in which applicants must request examination when directed to do so by the Commissioner is proposed to be two months from the date of the request, with no provision for extension.

193. It is proposed that the conditions under which the Commissioner may direct an applicant to request examination are as follows:

- That the Commissioner reasonably considers it expedient to give the direction having regard to the progress made in the examination of applications filed before the filing date of the application concerned.
- That the Commissioner reasonably considers it to be in the public interest to give the direction.
- That the Commissioner reasonably considers it expedient to give the direction, having regard to the examination of another patent application.

194. It is also proposed that the grounds on which third parties can require the Commissioner to direct an applicant to request examination be the same as those in the Australian regulations:

- it is in the public interest; or
- there are special circumstances that make it desirable.

Third Party Assertions and Re-Examination

195. The Ministry proposes that third party assertions and requests for examination must be filed through the IPONZ online case management system. Where an assertion is made, or a request for re-examination filed, patent applicants, or patent owners will be given a time period for overcoming objections of three months, with the possibility of an extension of one month on request. A further one month extension at the discretion of the Commissioner in exceptional circumstances would also be available.

Time Period for Placing and Application in order for Acceptance

196. The time allowed for putting a patent application in order for acceptance is to be set at 12 months from the date of the first examination report. And no extension other than as set out in section 72 is allowed.

Management of Patent Proceedings by the Commissioner

197. To remove reference to “persistently or repeatedly” fails to comply with the Commissioner’s direction and clarify that all directions of the Commissioner should be complied with.

198. To stipulate that if the parties can’t reach an agreement as to how confidential information is to be treated the Commissioner may give a direction on how it is to be treated and that failure to do so is subject to a sanction.

199. That evidence should be restricted to the particulars provided by that party in keeping with High Court Rule 22.24.

200. To give the Commissioner the power to direct the provision of further and better particulars to ensure party’s pleadings are sufficiently clear that the other side knows the case against them.

Mandating Electronic Communication

201. All communications to and from IPONZ and filing of documents with IPONZ in respect of Patents must be via an electronic facility on the IPONZ website with the exception of applications to enter the national phase under the PCT. The Commissioner will have the ability to accept communications through other means only in exceptional circumstances.

Address Requirements

202. Applicants must provide an address for service that can be in either Australia or New Zealand.

Implementation

203. The proposals discussed in this RIS will result in new regulations under the Act.

204. The amended regulations will come into force on 13 September 2014 after the 28 day period has passed following public notification of the regulations in the New Zealand Gazette.

205. In addition, IPONZ will publicise the changes to users via its website and appropriate press releases. It will also engage with users in the technical fora that it uses for consultation on such matters.

Monitoring, Evaluation and Review

206. IPONZ intends to review the prescribed fees in 2017/18. This will provide an opportunity to review more generally the operation of the regulations proposed and ensure they are being implemented efficiently and effectively.