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VIA EMAIL ONLY

NZIPA Submissions on Divisional Patent Applications

Introduction

The following submissions have been made on behalf of the New Zealand Institute of Patent Attorneys (“NZIPA”).

The NZIPA was incorporated in 1912 and represents most, although not quite all, patent attorneys registered under the New Zealand Patents Act 1953 that are resident and practicing in New Zealand.

Patent attorneys hold a unique position in New Zealand's innovation sector. The patent attorney profession continues to evolve and respond to the changing needs of the New Zealand and global environments. Patent attorneys provide real support to New Zealand's innovators through identification and enhancement of ideas, protection and commercialisation. That support is not limited to patent law, and covers a broad range of legal and commercial issues. It further extends to foreign businesses wishing to commercialise in New Zealand.

Comments / replies in relation to the questions in the consultation document follow.

Question 1: Under section 258 of the 2013 Act, applications divided from patent applications made before the entry into force of the 2013 Act are examined under the 1953 Act.

The Ministry considers that this approach may be adversely affecting third parties, including local businesses. Do you agree? If not, please explain why.

All patent rights granted in New Zealand have the potential to impact businesses operating locally in the relevant industry. We therefore understand this question to be

asking whether the mechanism by which patent rights may be granted on applications that are divided out of applications filed before the entry into force of the 2013 Act based on examination under the 1953 Act unfairly affect third parties.

NZIPA represents members with differing views on this issue. We do not consider it appropriate to state a particular position but instead we provide comments on the differing views.

Invalid patent rights create risk and uncertainty for all businesses, be they large or small, local or foreign. Compared to global standards, examination of applications under the 1953 Act was deficient with the local novelty criteria, low thresholds around support and applicants being given the benefit of the doubt. While it is possible to oppose applications after they have been accepted, this can be a lengthy, time-consuming and costly process which is generally only viable for medium to larger businesses. The pre-grant opposition process also places the onus on the opponent, despite the low standard of examination under the 1953 Act, with only a scintilla of invention required for an invention to be patentable.

In recognition of these problems, the 2013 Act was implemented and applications were subjected to a higher level of scrutiny. The transitional provisions sought to avoid prejudicing applicants that had applied for patents prior to the Act coming into force. This included continuing to examine applications filed under the 1953 Act under the examination criteria of the 1953 Act, which some applications, particularly those of local businesses for whom protection in NZ was of primary importance, were specifically prepared in consideration of, although it is accepted that many applications would alternatively have been prepared with higher level, international standards in mind. The transitional provisions also maintain the ability to “daisy chain” 1953 Act divisional applications, which some applicants legitimately planned to use as a filing strategy as it was available under the 1953 Act. This was contrasted with the new deadline for filing divisionals under the 2013 Act (examination must be requested within 5 years of filing, barring divisional applications after that date).

Despite this, the implementation of the 2013 Act still prejudiced many applicants. Some may have filed applications overseas with a view to following up in New Zealand. Similarly, PCT applications may have been pending but the national phase not entered in time for these applications to be examined under the 1953 Act. Others may have been at an earlier stage, having taken decisions on investment but not in a position to seek patent protection. Despite such issues, the 2013 Act was implemented with the accepted overarching need for a more robust patent system with transitional provisions that largely maintained the provisions of the 1953 Act to applications filed under that Act.

Some of our members and their clients believe the current transitional provisions are potentially open to abuse with regards continuing to file multiple divisional applications under the 1953 Act some time after the 2013 Act has commenced.

On the other hand, some of our members and their clients believe the current transitional provisions are fair in maintaining the provisions that were in place at the

time 1953 Act patent applications were filed. If those transitional provisions are now changed, some applicants (which includes local businesses) may be adversely affected.

Given these differing views it does not seem unreasonable that there is at least consultation around the issue.

Further, the consultation document describes the burden on examiners to examine according to two different sets of criteria. While this burden may not be overly onerous at present, this may increase over time as examiners' familiarity with examining under the 1953 Act diminishes. On the other hand, the 2013 Act requires IPONZ to maintain the ability to examine under the 1953 Act anyway because, under the 2013 Act, the grounds for re-examination of patents granted under the 1953 Act are the grounds for revocation by the court under the 1953 Act.

Question 2: The Ministry has identified three options (including no change) for dealing with the potential problems identified in relation to section 258 of the 2013 Act.

Are there any other options that you think should be considered?

The proposed options appear to cover the main viable alternatives. However, we suggest consideration of a modified form of option 3 whereby certain grounds would remain to be examined under the 1953 Act. More particularly, we suggest that the patent-eligible subject-matter requirements continue to be based on the Act under which an application was originally filed so as not to unduly prejudice applicants. For example, software or computer program inventions would continue to be potentially patentable if based on an earlier filed 1953 Act application. This can be distinguished from other criteria that could be introduced by examination under the 2013 Act in that, for example, lack of inventive step was a basis for revocation of 1953 Act patents and so was a criteria for such patents, even though they would not have been examined on that basis.

Question 3: MBIE's preferred option is Option 3. Do you agree that this is the best option? If not, which option do you prefer? Please explain why.

As an organisation that represents members with a range of clients with differing views and needs, we do not consider it appropriate to state preference for a particular option. Rather, we will comment on each of the proposed options and discuss problems and advantages of each.

Option 1: Status Quo

We see no major issues with the Ministry's view of this option.

Option 2: No 1953 Act Divisionals after specified date

If this option is implemented we believe there would need to be a reasonable time allowed for applicants to file further divisional applications, as discussed below.

With regards the concern around international obligations, it should be borne in mind that this is how divisional applications are treated under the 2013 Act. Consequently, if this is seen to be a problem, then it should be addressed for 2013 Act applications.

We note the last minute introduction (with little or no consultation on the issue) of reg 71 of the Patent Regulations 2014, which sets a five year deadline for requesting examination of divisional applications under the 2013 Act, effectively setting a deadline for the filing of divisional applications. NZIPA has previously raised concerns around whether the introduction of the provision was ultra vires and how the nature of the rule itself creates uncertainty – the deadline is driven by the need to request examination within 5 years of the filing date but, if a new divisional application has not yet been filed, how can there be a deadline in place for that application? It should be noted that generally, deadlines that pass prior to filing of an application are able to be extended and considered to be completed timely if attended to on filing. There is also uncertainty around how IPONZ will treat extensions of this term. IPONZ have stated that this will only be possible in exceptional circumstances but it is unclear what basis there is for treating this deadline differently from others. So, even if the current provisions around 2013 Act divisionals remain, we would like to see these amended so as to be clearer and remove such uncertainties. If there is to be a deadline for filing divisional applications, it should clearly be set out as such and not veiled as a deadline for requesting examination.

Option 3: 1953 Act divisionals treated as 2013 Act applications

If option 3 is adopted, the extent to which the 2013 Act would apply to any divisional applications filed after the specified date would need to be clarified. The consultation document refers to examining such divisional applications under the 2013 Act but it is unclear what, if any, other provisions of the 2013 Act would also apply.

For example, would examination of such divisional applications need to be requested? If so, what would be the examination request deadline? If the five year deadline under regulation 71 of the Patent Regulations 2014 applied then this might result in applicants not having the opportunity to request examination of (and therefore file) further divisional applications, despite them being legitimately filed under the 1953 Act. In addition to our suggestion to clarify whether there is a divisional filing deadline under the 2013 Act, therefore, clarification would also be required as to whether there is also a deadline for divisional applications filed after the specified date. An exception may be warranted in this scenario.

As a further example, for a divisional application filed after the specified date, would renewable fees be payable under the provisions of the 2013 Act or the 1953 Act while the application is still pending?

Question 4: What should the specified date be after which the restrictions on filing 1953 act divisional applications set out in options 2 or 3 will apply? Please explain why you think this date should be adopted.

One factor suggesting that a relatively short period before the specified date may be appropriate is that it has already been two years since the 2013 Act came into force and so the continued filing of divisional applications under the 1953 Act is likely to be a concern for a small number of applicants.

That said, whether divisional applications should be filed, how many should be filed and what claims should be directed to may involve detailed review. This can take time, particularly for overseas applicants where there can be delays in communication. This can be exacerbated where English is not the applicant's first language, necessitating translations.

Another factor suggesting a longer period before the specified date may be appropriate is that the need to file divisional applications may not become apparent until completion (or near completion) of examination of currently pending applications. In this regard we note that the extended deadline for putting an application in order for acceptance is 18 months from the date examination commences.

With these issues in mind, we consider that a minimum period of 6 months should be provided for any new rules to apply after any new restrictions come into force.

Question 5: Are there any problems in relation to divisional patent applications other than in section 258 of the 2013 Act that you consider should be addressed by MBIE? If so, please describe the issue and why you consider them to be a problem.

- a) As noted in the comments on option 2 in question 2, if a deadline for filing divisional applications is considered as being problematic in view of international obligations, it should be addressed in the current legislation i.e. through amendment of regulation 71 of the Patents Regulations 2014. If the rule is to be maintained, we would like to see it made clearer and the other uncertainties that have been highlighted removed.
- b) The discussion in the Ministry's document is limited to examination of applications. There is no discussion around third party challenges (re-examination, opposition and revocation) and what rules would apply in these circumstances. It seems reasonable on the whole that the rules that were applied during examination form the basis for any third party challenges. However, consideration could be given to re-examination including at least the additional ground of lack of inventive step for applications examined under the 1953 Act.

- c) There have been issues, in Europe at least, where a divisional application has been used to anticipate or make obvious a parent application. This so-called ‘poisonous divisionals’ problem arises where an amendment is made in a claim of a parent application that is not adequately supported by one of the priority applications, bringing into question the priority and/or filing date of the parent application compared to its divisional. As a result, a divisional application may have an earlier effective priority or filing date and potentially invalidate the parent application.

As an example, suppose a parent application is originally directed to cutlery made from stainless steel. During examination, the claims are broadened such that they are directed to cutlery made from steel and no claim is included to the cutlery being made from stainless steel. Before this amendment is made on the parent application, a divisional is filed to cutlery made from stainless steel. Since the claims of the parent application are only entitled to their actual date of filing, the divisional application will pre-date and invalidate the claim to cutlery made from steel as the divisional claims are supported by the original filing.

While a simple example has been provided above, in practice, it can be much more complicated and it is widely accepted that this issue is to be avoided. In view of this, we would like to see consideration of rules preventing so-called self-collision between related applications. If this is rejected, we would at least like see consideration of a new provision corresponding to section 43(3) of the Australian Patents Act 1990 which reads:

Where a claim defines more than one form of an invention, then for the purposes of determining the priority date of the claim, it must be treated as if it were a separate claim for each form of the invention that is defined.

While this does not fully address the poisonous divisional issue and resulting uncertainty, it should diminish the impact.

We would also (or alternatively) like an anti-self-collision provision similar to clause 8(3) of the Patents Bill to be considered. This provision, if enacted, would avoid the problem of poisonous divisionals by restricting the prior art base to not apply to earlier applications by the same applicant / inventors. We are not aware of any compelling reasons for the removal of this clause and we do not believe its implications on the problems of poisonous divisionals was fully considered. Possibly, this provision could be amended to be limited to *earlier related applications*, such that the provision only covered parent / divisional applications.

Conclusion

We trust these submissions are of assistance and are more than happy to answer any questions in relation to them or be contacted by officials should the need arise.



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For any questions or any further information on the above submissions, please contact:

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Yours Sincerely

A handwritten signature in black ink, appearing to read 'Chris Way'.

Chris Way / Jonathan Lucas
Councillors

