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By email to mail@iponz.govt.nz

Intellectual Property Office of New Zealand
PO Box 9241
Marion Square
Wellington 6141
New Zealand

INTRODUCTION

These submissions have been prepared by The New Zealand Institute of Patent Attorneys, Inc (NZIPA).

NZIPA is an incorporated body representing most Trans-Tasman patent attorneys registered and practising in New Zealand.

The current membership of NZIPA comprises 156 Fellows, 1 Honorary, 35 Students, 20 Non-resident, 15 Associates and 6 Retired.

Patent attorneys operate in the global arena across all sectors of industry to assist businesses in their key markets and to use intellectual property (IP) systems for strategic advantage. Patent Attorneys are qualified to, and regularly advise on, all intellectual property rights including patents, trade marks, designs, and copyright.

PART A: FINDINGS (PAGES 11 – 23)

Is there any other information that IPONZ should take into account as part of the fees review? If so, does this information confirm IPONZ's findings or suggest different findings? Why?

The information presented in this part of the Discussion Document shows it is difficult for IPONZ to predict both its costs and its revenues. For example, IPONZ has faced higher than expected costs due to the new patents regime under the Patents Act 2013, and lower than expected patents renewal volumes. In addition, IPONZ has had much higher than expected trade mark revenue.

IPONZ's long term strategy for trade marks appears to be much more developed than that for patents. While the Discussion Document discusses various assumptions made as to IPONZ's costs in relation to patents, the NZIPA is concerned that there is a risk that the proposed significant increases to patent fees may be funding a less developed strategy.

The Discussion Document notes the 'costs of implementing the new patents regime are forecast to continue exceeding revenue'. But the Discussion Document is silent as to when IPONZ expects to move from implementation to 'business as usual'.

The fees review proposes significant increases to patent fees and decreases to trade mark fees.

The fees review also proposes IPONZ would carry out a fees review in 4-5 years' time to evaluate the impacts of any fees changes.

To guard against the possibility that the assumptions underlying the proposals in the Discussion Document may prove to be inaccurate, the NZIPA believes IPONZ should consider more moderate increases to patent fees and lower or no decreases to trade mark fees.

The NZIPA is pleased to note IPONZ has planned for increased expenditure to improve trade mark services (set out on page 14 of the Discussion Document, and our further discussion under 'Other comments' below). The NZIPA is, however, disappointed to note that, despite the significant increases IPONZ proposes to patent fees, IPONZ has no plans for increased expenditure to improve patent services, beyond a significant increase in patents personnel. IPONZ considers such a significant increase in patents personnel is required to meet the requirements of the new patent regime under the Patents Act 2013.

The Discussion Document explains the time in motion impact on trade marks, but it is less clear how costs IPONZ has developed and modelled its costs for patents, except for the significant increase in patents personnel.

The base assumptions set out in the Discussion Document include that the volumes of patent applications and renewals are expected to remain static. But, the information available from the 'Facts and Figures' section on IPONZ's website suggests the volume of patent applications is decreasing.

In view of this decrease and in light of patent examiners' presumably increasing familiarity with the new patents regime, the NZIPA suggests that continuing significant increases in patent personnel, which are used at least in part to justify increasing patent fees, may not be required.

PART B: OBJECTIVES AND ASSESSMENT CRITERIA (PAGES 24 – 25)

Are there any other objectives, principles or criteria that IPONZ should take into account when deciding which proposals and options to progress?

Patent fee proposals

The analysis in the Discussion Document appears to be focussed only on the rebalancing of trade mark and patent revenues and the reduction in the memorandum account balance. The NZIPA is disappointed that there has been no consideration of the wider goals of the IP system in New Zealand and, more particularly, the impact of the proposed significant increases to patent fees on those goals.

In the NZIPA's recent submission on the proposed research and development (R&D) tax incentive, we noted the incentive is intended to fuel innovation, and support the

government's broader goals for an inclusive, sustainable, and productive economy. The aim is to incentivise business R&D, so the economy can benefit from the broader social returns to business R&D.

Despite its comparatively poor private sector investment in R&D, New Zealand continues to create world class innovation, but then favours freely publishing the outputs of that R&D rather than actively managing and controlling the intellectual property.

Increasing private sector R&D is only part of the solution to achieving the government's goals. For New Zealand to fully benefit from the increased investment in R&D, the results of that R&D must be identified, captured, secured and, preferably, commercially exploited.

Introducing an R&D tax incentive is intended to, among other things, lead to greater innovative business activity, thus increasing employment, industry diversity, international engagement, profitability and overall sustainability.

The NZIPA considers achieving these goals requires businesses to be incentivised to not only increase their investment in R&D but also to identify, capture, secure and commercially exploit the results of their R&D activities.

The NZIPA is concerned that increasing patent fees may be inconsistent with these aims. Increasing patent fees may act as a disincentive to businesses capturing and securing the results of their R&D activities. If NZ businesses fail to capture and secure the relevant intellectual property rights, this potentially allows overseas businesses to benefit from taxpayer-subsidised New Zealand R&D without any benefit to New Zealand.

Trade mark fee proposals

The NZIPA is disappointed to note that the Discussion Document does not include any plans to increase expenditure on recruiting and retaining senior trade mark examiners.

Despite the comments in paragraph 36 of the Discussion Document referring to improving retention of experienced staff, the NZIPA considers IPONZ has a shortage of experienced or senior examiners to deal with complex trade mark cases.

The Hearings Office

The Discussion Document is silent regarding the Hearings Office at IPONZ.

The NZIPA considers the Hearings Office is under-resourced, but recognises the Hearings Office cannot be self-funding without putting the cost of access to the Commissioner out of the reach of many. Over the last five years, there have been 18% more trade mark decisions issued by IPONZ following hearings compared with patents.

The NZIPA considers the cost of running the Hearings Office should be partially funded by patent, trade mark and design applicants and that, instead of decreasing trade mark fees, IPONZ should use the surplus trade mark revenue to adequately resource the Hearings Office.

PART C: IMPACTS OF PROPOSALS (PAGES 27 – 29)

Do you agree with IPONZ’s impact analysis? Are there any other impacts of the proposed fee changes that IPONZ should consider? If so, please provide any information you have about who is impacted and how.

IPONZ’s analysis concludes increasing patent costs will have no effect on innovative activity. But no significant evidence is provided to support this conclusion. IPONZ’s analysis also concludes, however, that decreasing trade mark costs could lead to a moderate increase in volumes of domestic trade mark applications.

It is unclear why an increase in costs for patents should not have the opposite effect of a decrease in costs for trade marks.

Point 18 in the Introduction to the Discussion Document notes IPONZ aims to set fees for renewal of IP rights at a level that provides incentive for IP holders to allow their rights to lapse if they are not receiving sufficient benefit from their IP right (see also Finding 3A in respect of patents).

Decreasing renewal fees for trade marks appears to be inconsistent with this aim.

PART D: PROPOSAL 1 - INCREASED PATENT RENEWAL AND MAINTENANCE FEES (PAGES 30 – 33)

Do you support IPONZ’s preferred option (1A)? If not, what other option(s) should be adopted? Why?

As noted above, the NZIPA believes IPONZ should consider more moderate increases to patent fees, with the aim of further refining patent fees in the next fees review.

The NZIPA notes that the comparison of the proposed fees with, for example, Australia and Canada may not be appropriate. Other costs, such as salary/wage costs, are also likely to be higher in those jurisdictions. Moreover, comparisons with those jurisdictions and others, such as the United Kingdom, do not take into account the relative market sizes, which affects the financial benefit the patent holder can generate from their monopoly.

What effect do you think increased renewal fees would have on how businesses and individuals use the patent system?

The NZIPA agrees the proposed increased renewal fees would increase incentives for patent owners to allow unused patents to lapse, and for applicants to abandon patent applications that they do not intend to exploit commercially.

In addition, however, increasing patent renewal fees may have the effect of discouraging NZ businesses from filing patent applications to secure their IP rights.

We refer to our more detailed comments in Part B above.

PART D: PROPOSAL 2 - INCREASED AND NEW FEES FOR HIGH-COST PATENT SERVICES (PAGES 33 – 37)

Do you support IPONZ’s preferred options (2A and 2B)? If not, what other option(s) should be adopted? Why?

As noted above, the NZIPA believes IPONZ should consider more moderate increases to patent fees.

Our more detailed comments on one of the proposals under Option 2A and on the proposals under Option 2B are set out below.

What effect do you think increased fees for high cost services (Option 2A) would have on how businesses and individuals use the patent system?

The NZIPA understands IPONZ’s reasons for proposing increases to the services set out in Option 2A; based on the cost to serve being significantly higher than the current fee.

The Discussion Document asserts the fee for amendment after acceptance may be avoided in some cases by applicants amending specifications before acceptance.

However, the NZIPA considers few, if any, applicants would choose to make amendments after acceptance in preference to amending specifications before acceptance. This is because of the greater restrictions that apply to amendments made after acceptance compared to those made before acceptance.

Instead, the NZIPA considers applicants should be encouraged to seek amendment after acceptance where a need to make such amendments is identified – for example, following the outcome of examination in other jurisdictions, which may identify new prior art. The NZIPA is concerned increasing the fee for amendment after acceptance will act as a disincentive to applicants to promptly seek such amendment.

What effect do you think the proposed excess claims fee (Option 2B) would have on how businesses and individuals use the patent system?

Several other countries’ patent regimes apply an excess claims fee. But, unlike IPONZ’s proposal, those regimes typically apply a fee for each claim above a certain number. Some also apply the fee at a different time during the patent process. For example, in Australia, an excess claims fee is charged for each claim over 20 on acceptance, while in the US, the fee is charged for each claim in excess of 20 on filing.

The excess claims fee is intended to reflect the higher cost to IPONZ of examining complex patent specifications.

Under IPONZ's proposal, applicants will incur excess claims fees for each group of 10 claims over 29 included in an application at any point during the examination process. So, the same fee is payable for an application including 30 claims as one including 39 claims. This is inconsistent with the aim of incentivising applicants to file patent applications with fewer claims. An applicant who pursues an application with 30 claims is charged the same excess claims fee as one who pursues an application with 39 claims; despite the 30% difference in the total number of claims.

The NZIPA suggests, if an excess claims fee is introduced, the proposal be simplified to set the threshold at which no excess claims fee is payable at 30, instead of 29. And further to set the fee at \$20 for each claim over 30, instead of \$200 for each group of 10 claims over 29.

PART D: PROPOSAL 3 - NEW TRADE MARK APPLICATION FEE OPTIONS (PAGES 37 – 40)

Do you support IPONZ's preferred options (3A and 3B)? If not, what other option should be adopted? Why?

The NZIPA does not support IPONZ's preferred options 3A and 3B. Instead, the NZIPA believes IPONZ should consider no decreases to trade mark fees.

General trade mark fee

The NZIPA notes that the Discussion Document does not include any evidence that the current fee of \$150 deters applicants from applying for a trade mark. The NZIPA is concerned that reducing the fee for a trade mark application may be perceived as minimising the value of a trade mark, which is often the main IP asset that a small New Zealand business owns.

Preferential fee for use of picklist

The NZIPA also does not agree with reducing the current fee per class for applications made using a classification picklist. Moreover, the NZIPA considers the use of the picklist should not be encouraged without further education for self-filing applicants.

The NZIPA is concerned that an inexperienced applicant using the picklist will not obtain adequate protection for their trade mark or may over-claim relevant goods/services. For example, the approved list of terms in the picklist will always lag behind product development. This means the list may not include appropriate wording to adequately cover the applicant's goods/services.

The NZIPA also notes that a cheaper rate for applicants using a picklist favours applications originating in New Zealand over applications originating from overseas

from countries which have differing approved terms or practices for the wording of specifications.

The NZIPA's is also concerned that providing a discount for use of the picklist will disadvantage those applicants who obtain proper legal advice prior to filing. This is because our members are unlikely to use a picklist, due to the limitations discussed above.

Preferential rate for applications with pre-application advice

The NZIPA does not agree with encouraging search and preliminary advice at the expense of proper legal advice prior to filing.

The combination of search and preliminary advice provides an indication of registrability of a trade mark. However, it does not take any account of market conditions, for example unregistered trade mark rights.

The proposal allows for the filing of the application within three months of the pre-application advice. Due to potential intervening priority applications, or delayed notification from the World Intellectual Property Office (WIPO) of International Registrations designating NZ, any such application would require a new search to satisfy the requirements of section 25 of the Trade Marks Act 2002.

The NZIPA notes that the data in Table 19 of the Discussion Document suggest that the total time to complete examination of a trade mark application, including search and preliminary advice, is 0.75 hours, whereas the time to completely examine a standard trade mark application is 0.9 hours. It is unclear how IPONZ is able to achieve these times if both types of applications are receiving the same level of examination.

Preferential fee for applications under Madrid protocol

The NZIPA does not agree that applications under the Madrid protocol are similar to picklist application in that they require less effort to classify.

Regardless, the NZIPA agrees with IPONZ that option 3C should not proceed.

Decreasing the trade mark renewal fee

The NZIPA disagrees with IPONZ's proposal to decrease the renewal fee for trade marks.

The NZIPA is concerned that reducing the fee does not take account of the value of the right and, therefore, devalues the trade mark.

As noted in comments in Part C above, IPONZ aims to set fees for renewal of IP rights at a level that provides incentive for IP holders to allow their rights to lapse if they are not receiving sufficient benefit from their IP right.

Accordingly, the payment of a renewal fee performs the important role of effectively removing from the register those trade marks that are no longer being used or are of no value to the owner. Reducing the trade mark renewal fee would reduce the effectiveness of this mechanism to ‘declutter’ the Register.

What effect do you think the proposed fee for applications using the classification picklist (Option 3A) would have on the trade mark system?

The NZIPA considers a reduced fee for applications using the picklist is likely to encourage self-filing applicants to use the picklist. As noted above, this may result in such applicants filing applications comprising terms from the picklist that do not accurately describe their goods and services.

In addition, the use of a picklist could result in the register of descriptions being cluttered with items chosen from the picklist, instead of terms that accurately describe the goods and services for which the trade mark is or will be used.

While a picklist may increase the efficiency of IPONZ processing a particular application, it may decrease the effectiveness of the trade mark system as a whole.

What effect do you think the proposed fee for applications based on pre-application advice (Option 3B) would have on the trade mark system?

The NZIPA is unable to predict the effects of this proposal.

PART D: PROPOSAL 4 - SIMPLIFIED OPTIONS FOR PRE-APPLICATION TRADE MARK ADVICE (PAGES 41 – 43)

Do you support IPONZ’s preferred option (4A)? If not, what other option should be adopted? Why?

The NZIPA supports the bundling of the search and preliminary advice as a single service.

The pre-application trade mark advice service is overwhelmingly used by self-filing applicants, who are likely to have limited understanding of the requirements for registration of a trade mark. It is necessary that both absolute and relative issues are identified early to avoid an applicant investing in a trade mark that is not eligible for registration or use.

What effect do you think the bundling of pre-application advice as a single service (Option 2A) would have on the trade mark system?

The NZIPA is unable to predict the effects of this proposal.

PART E: MONITORING AND IMPLEMENTATION (PAGES 44 – 45)

Do you support IPONZ plans for implementing, monitoring and evaluating the amended fee schedules? If not, what alternative approach should IPONZ consider?

As regards implementation, the NZIPA considers a period longer than 28 days should be provided between the commencement date and notification of the amendment regulations in the New Zealand Gazette. The NZIPA suggests a period of three months would be more appropriate.

The longer period would enable our members to make the necessary amendments to their invoicing systems, and to also ensure that any cost estimates they provide take account of any increases or decreases fees.

As regards monitoring, the NZIPA suggests IPONZ should monitor and evaluate the impacts of more modest increases in patents fees sooner than the proposed review in 4-5 years' time to assess, for example, the impact on the memorandum account balance.

OTHER COMMENTS

Memorandum account balance

IPONZ's modelling of its fee proposals leads to a memorandum account balance of \$10M by June 2014.

Treasury's 'Guidance for the operation of departmental memorandum accounts' (Treasury Circular 2011/10) indicate that the balance of memorandum accounts is expected to trend towards zero over a reasonable period of time. In addition, mechanisms exist to manage deficits as part of the memorandum account process.

IPONZ's proposals for significant increases in patents fees do not adhere to Treasury's principles because they result in a significant memorandum account balance.

Improving IPONZ trade mark services

The NZIPA supports the three initiatives proposed to improve trade mark services within NZ more generally, namely:

- Education
- International relations
- Compliance and enforcement

Education

The NZIPA supports continuing the Awareness to Advocacy Programme and other education initiatives, which create a greater understanding of trade marks and IP, as a whole, and its value and importance to business.

The NZIPA suggests that instead of decreasing trade mark fees, IPONZ should increase expenditure on IP awareness at the secondary level. For example, more research could be done on the level of IP awareness in New Zealand (following on from Auckland Uniservices' research in 2010) and the efficacy of current grant models (for example, Callaghan Innovation) as part of considering the wider goals of the IP system in New Zealand.

International relations

The NZIPA strongly supports the appointment of international attachés to assist businesses in countries where there are complex/unique IP considerations and significant opportunities for New Zealand businesses, such as China. Having support 'in country' to assist or provide guidance on IP enforcement procedures and the court system, as well as providing an 'in market' liaison for New Zealand businesses in such countries would be immensely valuable to New Zealand businesses. The NZIPA notes that IPONZ could leverage from IP Australia's experience with its IP Counsellor to China.

Compliance and enforcement

The NZIPA strongly supports the proposal to strengthen the rights of IP owners by assisting with enforcement of IP, for example under Customs Intellectual Property Rights (IPRs), and Major Events Management Act 2007 and Trade Marks Act 2002 enforcements and copyright matters.

The NZIPA considers the Customs IPR team is under-resourced, which affects the service they provide to our members and their clients.

The Major Events Management Act 2007 and Trade Marks Act 2002 make provision for government-appointed enforcement officers to police the declared clean zones and address immediate incidents of ambush marketing as they occur and to perform certain functions as outlined in section 134 of the Trade Marks Act.

Funding of these officers would ensure people with the correct skills (for example, ex New Zealand Police or other law enforcement) were employed in these roles to adequately deal with offenders.

IP Strategy for New Zealand

The NZIPA is strongly in favour of the government developing an IP Strategy for New Zealand. It is apparent from the Discussion Document that IPONZ faces issues with prioritising expenditure, and this would be greatly assisted by the guidance that an IP Strategy for New Zealand could provide.

Yours faithfully

A handwritten signature in blue ink that reads 'Duncan de Geest'.

Duncan de Geest
NZIPA Council Member

Direct +64 4 498 3462
Mobile +64 21 977447
Email secretary@nzipa.org.nz