chapman tripp
patents

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Committee Secretariat
Economic Development, Science and Innovation Committee
Parliament Buildings
Wellington

By Email

Tēnā koe Secretariat

SUBMISSION OF CHAPMAN TRIPP PATENTS ON THE PATENTS AMENDMENT BILL

1 Thank you for the opportunity to submit on the Patents Amendment Bill 154-1 (the **Bill**).

We support the Bill

2 Chapman Tripp Patents Limited strongly supports the Bill. It is long overdue and will finally address a loophole that has allowed the continued filing and grant of low-quality patents under the Patents Act 1953 (the **1953 Act**) to persist for over a decade, undermining the intent of the Patents Act 2013 (the **2013 Act**).

3 The Bill will enhance legal certainty, reduce costs and complexity, and better align New Zealand's patent regime with international best practice.

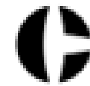
4 That said, we recommend a minor amendment to ensure transparency by clarifying that the outdated secrecy provisions of the 1953 Act no longer apply. We do so for the reasons below.

– the problem

5 The transitional provisions of the 2013 Act have enabled the continued filing and granting of "divisional" patent applications under the repealed 1953 Act (the **Transitional Divisionals**). This perpetuates outdated, lenient standards—most notably the absence of examination for an "inventive step", which is a fundamental requirement for validity of a patent.

6 As a result, IPONZ has granted many patents of questionable validity, imposing unnecessary uncertainty and costs on New Zealand businesses and stifling competition. We say that because those businesses either need to incur significant costs opposing grant of the patent, applying to the High Court to revoke the invalid patent – which may take years to resolve – or negotiating a licence for what is unpatentable technology.

7 Furthermore, some applicants have exploited the transitional provisions and the more lenient criteria of the 1953 Act to create "patent thickets"—multiple overlapping patents covering similar subject matter. Patent thickets can be



developed and deployed to block competitors, deter market entry, and create barriers to innovation to the detriment of New Zealand businesses and consumers. The ability to amass such thickets under outdated patent standards underscores the urgent need for reform.

– the solution

8 The Bill will require all divisional applications filed after commencement to meet the 2013 Act's more rigorous novelty, inventive step and support criteria standards on the balance of probabilities. Doing so will bring some overdue consistency and integrity to the patent system.

Criticisms unwarranted

9 The Bill is the result of extensive consultation dating back to 2016, and is necessary to protect New Zealand's interests.

10 Concerns about fairness to applicants are misplaced. The transition period has already lasted over ten years.[1] And the overwhelming majority of remaining Transitional Divisionals are held by large, well-resourced foreign entities.

11 Further, fairness to applicants should not be used as a blindfold to ignore the "*public interest in maintaining the integrity of the register and of ensuring that invalid patents do not remain on it*".[2] Register integrity is best served by preventing invalid patents from being granted in the first place, which the proposed amendments will do more effectively and efficiently than the current regime.

Recommendation: transparency

12 Section 91 of the 1953 Act restricts public access to important information relating to Transitional Divisionals, prior to grant.[3] This restriction applies precisely at the stage when such information is of greatest interest and value to third parties considering opposing grant of the patent.

13 This secrecy is outdated, inconsistent with modern principles of open government, and out of line with most advanced patent systems worldwide.

14 In particular, the secrecy provisions mean that the determination of whether s 258 or new s 258A apply to a divisional application—and thus whether it is the 1953 Act or the 2013 Act which applies to the application—is made behind closed doors without public scrutiny.

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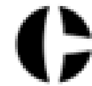
1 *cf* Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (AU), s 55(1)(a) and (b), which raised the requirements for patentability, including for some existing applications and future divisional applications, from commencement.

2 *Doug Andrews Heating and Ventilation Ltd v Dil* [2012] NZHC 2534 at [43].

3 *IPONZ Guide for Releasing Official Information held under Patents Act 1953, Patents Regulations 1954 and Official Information Act 1982*, Intellectual Property Office of New Zealand (undated) <https://www.iponz.govt.nz/assets/pdf/about-iponz/iponz-guide-for-releasing-official-information-held-under-the-patents-act-1953.pdf>.



15 This lack of transparency serves no purpose other than to shield an applicant's potentially inconsistent arguments, and is out of step with s 78 of the 2013 Act.

16 We urge the Committee to amend the Bill to make it clear that the repealed s 91 of the 1953 Act no longer applies to any application or patent, or, at the very least, does not apply to an application to which new s 258A applies. Such an amendment will promote transparency and public confidence in the patent system, discourage abuse of the transitional provisions, and reduce unnecessary costs for IPONZ and third parties by preventing the re-litigation of validity issues that have already been addressed during examination.

Next steps

17 The Patents Amendment Bill is essential to ensure that only truly deserving inventions receive patent protection in New Zealand. It will promote innovation, reduce unnecessary costs, and protect New Zealand businesses and the public.

18 We commend the Bill and urge its swift passage, with the recommended amendment for transparency.

19 We are happy to provide further information or comment if useful at any stage.

Ngā Mihi Nui

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Directors