



Australian Government
IP Australia

IP Australia's submission to the Productivity Commission's 2015 Issues Paper— *Mutual Recognition Schemes*

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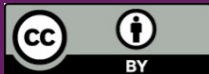
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IP Australia's submission to the Issues Paper

Introduction

1. IP Australia is pleased to make this submission to the Productivity Commission's January 2015 Issues Paper ('**Issues Paper**') regarding Mutual Recognition Schemes.
2. IP Australia is responsible for the legislation governing the following intellectual property rights ('**IPRs**'):
 - patents for inventions
 - registered trade marks
 - registered designs
 - plant breeder's rights ('**PBR**').
3. This submission addresses the exclusion of intellectual property ('**IP**') from the Tasman Mutual Recognition Arrangement ('**TTMRA**'), particularly questions 17 to 19 in the Issues Paper:

Question 17: Given current efforts to align intellectual property laws in Australia and New Zealand, is there scope in the foreseeable future to remove the exclusion of intellectual property from the TTMRA? Would it yield a net benefit?

Question 18: What are the barriers to implementing a single trans-Tasman register for trademarks and patents? How can the best be addressed?

Question 19: In the absence of trans-Tasman registers for trademarks and patents, can mutual recognition of registration be a viable alternative? What would be the costs and benefits of mutual recognition?

IP Australia's submission focusses on patents for inventions and registered trade marks, as they represent the largest proportion of the IPR applications that IP Australia is responsible for.¹ Nevertheless, similar considerations would also apply to registered designs and PBR.

Summary

4. For the reasons outlined below, and noting the substantial work that has already been undertaken on streamlining the processes for obtaining patents and registering trade marks in each country—IP Australia considers that there is limited scope in the foreseeable future to do any of the following:
 - remove the exclusion of IP from the TTMRA
 - create single trans-Tasman registers of IP rights
 - mutually recognise Intellectual Property Rights granted in each other's territory.

Background

Purpose of the TTMRA

5. As noted in the Issues Paper, one of the key impacts of the TTMRA is to enable goods that can be lawfully sold in Australia to be sold in New Zealand (and vice versa) 'without having to satisfy additional, or duplicative and potentially inconsistent, requirements,' and 'regardless of differences in standards or other sale-related regulatory requirements.'²

¹ In 2013, IP Australia received 29,717 patent applications, 62,950 trade mark applications, 2889 design applications and 330 plant breeder's rights applications.

² Pages 1 and 2 of the Issue Paper refer

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6. As summarised in the Productivity Commission's 2009 Review of Mutual Recognition Schemes ('**2009 Review**'), the main rationale for introducing the Mutual Recognition Arrangement ('**MRA**') and the TTMRA was to remove the barriers that regulatory differences create for goods and labour mobility.³ Further, the stated ends of the TTMRA are to 'enhance the international competitiveness of Australian and New Zealand enterprises, increase the level of transparency in trading arrangements, encourage innovation and reduce compliance costs for business.'⁴

Exceptions to operation of TTMRA—Intellectual Property

7. While the TTMRA seeks to override domestic regulatory arrangements, there are exceptions in relation to certain laws, so that these laws continue to apply notwithstanding the operation of the TTMRA. One of these exceptions relates to IP laws. Relevantly, certain listed IP laws are specifically excluded from the operation of the *Trans-Tasman Mutual Recognition Act 1997* (Cth) to the extent that the IP laws provide protection of intellectual rights and relate to the requirements for the sale of goods.⁵

8. The rationale for excluding IP laws from the operation of the TTMRA is outlined in the 2009 Review:

Laws relating to the protection of [IP] were **excluded from the TTMRA so as not to undermine the system by which patent rights are allocated on a regional basis** (PC 2003). If mutual recognition were to apply to [IPRs], this would mean that, for example, a product that is subject to an IPR in Australia but not in New Zealand could be freely sold in Australia, thus undermining the intention of the IPR. In 2003, the Commission found that the exclusion for [IP] should be retained. At the time, patents law and practices were evolving, including in relation to international agreements.⁶

[emphasis added]

9. In respect of the exceptions under the TTMRA, the 2009 Review concluded that:

Since the 2003 review of mutual recognition, there has been no realistic opportunity to remove or narrow the list of exclusions from the TTMRA. However, both Australia and New Zealand are active participants in international processes aimed at harmonising or defining protection of [IP], trademarks and patents around the world.

...

These initiatives include greater coordination of the regulatory frameworks governing [IP]—including the activities of [IP] practitioners—on both sides of the Tasman. However, **as both countries retain separate [IP] regimes in which property rights are regionally defined, removing the exclusion from the TTMRA would undermine the effective operation of these systems.**⁷

[emphasis added]

Current trans-Tasman initiatives to reduce the cost of protecting IP in both countries

10. Current efforts concerning the IP outcomes of the Trans-Tasman Outcomes Implementation Group ('**TTOIG**') under the Single Economic Market agenda have focused on alignment, where appropriate, of registration procedures and examination practices rather than harmonising the substantive IP laws themselves. The objective is to reduce regulatory and business compliance costs associated with registering trade marks and applying for the grant of patents in Australia and New Zealand. It is not expected that the Australian and New Zealand IP laws and practices should necessarily become identical, since both countries

³ Page 30 of the 2009 Review refers.

⁴ See paragraph B in the Recitals to the TTMRA, available at <https://www.coag.gov.au/sites/default/files/ttmra.pdf>

⁵ Section 44 and Items 1(1)(b) and 3 of Schedule 1 of the *Trans-Tasman Mutual Recognition Act 1997* (Cth) refer.

⁶ Page 190 of the 2009 Review refers.

⁷ Pages XXX and XXXI of the 2009 Review refer.

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expect to retain the flexibility to address domestic policy issues. Nor is it proposed in the near term for any IPR to be issued and managed by means of a single trans-Tasman register.

11. IP Australia notes that among the Outcomes Proposals listed as at 7 February 2011 on the TTOIG website is a medium term proposal for a single trans-Tasman trade marks register.⁸ As noted in the May 2014 TTOIG Report, changes to Australian and New Zealand trade mark legislation have resulted in the trade mark registration procedures becoming substantially aligned. However, the proposal for a single trans-Tasman trade marks register is on hold due to current resourcing constraints and the business case for this outcome requiring additional information to be gathered over a period of time.⁹
12. As noted in the Issues Paper, work is 'on track' to permit the single application process and the single examination process for persons seeking patent protection in both jurisdictions.¹⁰ The *Intellectual Property Laws Amendment Act 2015 (Cth)* authorises the making of regulations necessary to complete the Australian legislative implementation of those processes. As noted in the Issues Paper, a Bill to amend the Patents Act 2013 (NZ) is expected to be introduced into the NZ Parliament in 2015.¹¹
13. When implemented, those processes are expected to reduce the costs of seeking patent protection in both countries, by reducing the costs of professional representation for filing and prosecuting patent applications to grant. Under the processes, the effect of grant in each country would remain distinct—each country would maintain its own registers of patents and its own patents law and practice.

Responses to Questions 17 to 19

14. The TTMRA establishes a general principle of mutual recognition of the right to sell goods across the Tasman so long as local sale of the goods would comply with applicable regulations. The effect of the current exclusion of IP laws from the TTMRA is that in so far as these laws regulate the sale of goods then they are not overridden by the TTMRA's mutual recognition of the right to sell goods. Accordingly, any trans-Tasman sale of goods currently needs to comply with any requirements regarding the sale of goods which are imposed by IP laws.¹²
15. IP Australia considers that this exclusion remains appropriate and that neither single trans-Tasman registers for patents and trade marks nor an arrangement where protection in one country automatically results in protection in both ('**Trans-Tasman IP Protection**') are viable alternatives in the foreseeable future.
16. There are three main reasons why we consider that removing the exclusion of IP from the TTMRA, and instituting Trans-Tasman IP Protection would not yield a net benefit for Australia and New Zealand.

Each country would lose flexibility to optimise its IP systems to suit its needs

17. The objective of IP systems is to encourage investment in innovation by rewarding innovators with time-limited monopolies over the sale of their innovations. Optimal levels of protection will differ between countries for a variety of reasons, including different market sizes, business and industry profiles, economic, social and cultural policy settings.

⁸ http://ttoig.treasury.gov.au/content/outcomes_proposals_20110207.asp

⁹ http://ttoig.treasury.gov.au/content/six_monthly/downloads/may_2014.pdf at pages 10-11.

¹⁰ Page 8 refers.

¹¹ Page 8 refers.

¹² For example, Part 14 of the *Trade Marks Act 1995 (Cth)* establishes a number of offences in relation to the false use of trade marks in the course of trade.

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18. Although Australia and New Zealand are members of a number of international treaties and agreements relating to IP, these treaties still permit differences in the local IP laws of members.¹³ Indeed, there are substantive differences in the Australian and New Zealand IP systems. For example, the pharmaceutical extension of term scheme in Australia, and exclusions from patentability which differ in each country. See the Attachment to this submission for more detail.
19. Trans-Tasman IP Protection would remove each country's flexibility to adjust its IP system to best suit its needs.

Businesses in each country could have reduced freedom to operate

20. The territorial nature of IPR allows for different business and marketing strategies to account for different market sizes, technology capabilities, and business and industry profiles of different countries. So businesses may choose to seek protection for their IP in some countries, but not in other countries.
21. Where a business chooses not to seek IP protection in some country, it leaves other businesses in that country free to use that IP. There are a greater number of IP registrations in Australia than in New Zealand, reflecting the differences in those markets.¹⁴ Trans-Tasman IP Protection would restrict other businesses' freedom to operate in the country where the IPR owner would otherwise not seek IP protection.
22. The current national trade mark systems allow businesses in the different countries to use the same or similar marks without conflict or confusion about the origin of their goods or services. Trans-Tasman trade marks protection could be inconsistent with a basic tenet of the international trade mark system, which is that a trade mark that is not being used in a country and is not otherwise well-known should be available for use by other traders.¹⁵ This protection would, in some circumstances, create rights in a country where a trade mark is not otherwise being used, preventing other businesses from using the same or a similar trade mark. This could result in a lost opportunity for those businesses in the country where the mark would not otherwise be used.

IPR protection differs from other regulations governing the sale of goods

23. Although IPRs impact on the manufacture, distribution and sale of goods, the policy objectives for granting IPRs are unique compared to regulations that otherwise control the manufacture and sale of goods (see paragraph 17 above). Other regulations governing the manufacture, distribution and sale of goods are concerned with matters such as production quality, packaging, and inspection of goods. The policy objectives of those regulations are aimed at matters unrelated to innovation, such as protecting public health and safety.
24. As indicated in paragraphs 5 to 6 above, mutual recognition is aimed at removing unnecessary regulatory impediments to the trade in goods. IP Australia considers that the protection of IPRs is not an unnecessary regulatory impediment, but is instead a necessary measure to encourage technological innovation (patents) and to prevent confusion in the marketplace about the origin of goods and services (registered trade marks).

¹³ Chief among these is the TRIPS Agreement, which sets international standards concerning the availability, scope and use of IPR for members of the World Trade Organization - see the *Agreement on Trade-Related Aspects of Intellectual Property Rights*, available at http://www.wto.org/english/docs_e/legal_e/27-trips.pdf. TRIPS requires members to comply with a number of Articles of the *Paris Convention for the Protection of Industrial Property* ('**Paris Convention**'), including Article 4bis(1) which provides for the "independence of patents obtained for the same invention in other countries".

¹⁴ Around 4 times as many patents and trade marks applications are filed in Australia each year, as are filed in New Zealand. See http://www.wipo.int/ipstats/en/statistics/country_profile/ for details.

¹⁵ See Articles 6 and 6bis of the Paris Convention.

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Exclusion of IPR from the TTMRA – question 17

25. As extracted at paragraph 9 above, in the 2009 Review the Productivity Commission expressed the view that as New Zealand and Australia retained “separate [IP] regimes in which property rights are regionally defined, removing the exclusion from the TTMRA would undermine the effective operation of these systems.”
26. IP Australia agrees with this position and considers that circumstances have not substantially changed since 2009. Although there have been changes in IP law since 2009, there remain substantive differences — as outlined in the Attachment.
27. Additionally, removing the exclusion of IP laws from the TTMRA without also instituting Trans-Tasman IP Protection could result in unnecessary transaction costs for businesses. These costs would be associated with obtaining IP protection in a country where this protection would not otherwise be sought. This is because businesses with IP protection in one country would need to defensively protect their IP in the other country to prevent competitors in the second country from freely selling goods embodying that IP into the first country (where the IP is protected) under the TTMRA. As noted above, IP Australia is of the view that removing the exclusion of IP laws from the TTMRA would not be appropriate.

Issues with implementing trans-Tasman protection for patents and for trade marks— questions 18 and 19

28. In relation to patents, as noted at paragraphs 10 through 13 above, there continues to be substantial work undertaken by both Australia and New Zealand to reduce the regulatory burden in obtaining patents in each country. In particular, the single patent application process and single patent examination process are expected to reduce the costs of seeking patent protection in both countries. Once this work has been completed, there would appear to be minimal additional advantage for patent applicants being able to obtain trans-Tasman patent protection. Additionally, these advantages could be expected to be outweighed by the disadvantages outlined at paragraphs 17 to 22 above.
29. In relation to trade marks, as noted at paragraph 11 above, changes to the Australian and New Zealand trade mark legislation has resulted in the trade mark registration procedures becoming substantially aligned. Although there may be some benefits of a single trans-Tasman trade mark protection, again these benefits could be expected to be outweighed by the disadvantages outlined at paragraphs 17 to 22 above.
30. We note that there would also be a number of legislative and systems changes required in order to implement any system of Trans-Tasman IP Protection. The introduction of any such system of would need to deal with the conflict of rights already granted to different owners in each country.

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Attachment—Australian and New Zealand IP laws

Since the 2009 Review, there have been major amendments to the IP laws of each country.

The changes to the **Australian** IP laws include, but are not limited to:

- [Intellectual Property Laws Amendment \(Raising the Bar\) Act 2012](#)
- [Intellectual Property Laws Amendment Bill 2014](#).

The changes to the **New Zealand** IP laws include, but are not limited to:

- [Designs Amendment Act 2010](#)
- [Trade Marks Amendment Act 2011](#)
- [Patents Act 2013](#)—a new Act substantially replacing the [Patents Act 1953](#).

Nevertheless, there are still **substantive** differences between the IP laws of both countries. Examples of these differences follow.

- In Australia, the maximum term of a design registration is **10** years. In New Zealand, the maximum term is **15** years.
- Some types of inventions are patentable in Australia, but are specifically excluded from being patented in New Zealand, including:
 - methods of human medical treatment
 - diagnostic methods practised on humans
 - plant varieties.
- In New Zealand, the maximum term of any patent is **20** years from filing of the application. This is generally the case in Australia, but the terms of some patents for pharmaceutical inventions can be extended to a maximum of **25** years.
- In Australia, Plant Breeder's Rights in a plant variety that is a tree or vine lasts for up to **25** years from grant. In New Zealand, the analogous protection lasts for **23** years from grant.
- There are some differences in the substantive grounds for refusing or revoking registration of trade marks.

