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By email: mutual.recognition@pc.gov.au
Mutual Recognition Schemes
Productivity Commission
Locked Bag 2
Collins St East
Melbourne Vic 8003

Mutual Recognition Schemes – TTMRA review Submission by New Zealand Institute of Patent Attorneys

This submission is made by the New Zealand Institute of Patent Attorneys (NZIPA). NZIPA is a body that represents a great majority of the registered patent attorneys practising in New Zealand. Our members' clients include nearly all of the persons that seek registered IP rights in New Zealand, including Trademarks, Designs and Patents. Many of our members are also registered Patent Attorneys in Australia, and represent clients obtaining rights in Australia.

Our submission concerns the TTMRA exclusion relating to intellectual property. As a result we address our submission as answers to questions 16 to 19 of the issues paper.

The issues paper floats two quite radical proposals as an alternative to exclusion. Our experience suggests that there are substantial problems with either proposal, and that any economic case would likely fall in favour of the status quo. These proposals are made in a broad manner, and to the best of our knowledge without substantial forethought to their practicality. By necessity our response is similarly broad – there is little detail to address.

We are not resourced in time or money to undertake the economic studies required to substantiate our view of the cost and benefit. But if any change to the present exclusion is seriously proposed our members would be more than willing to cooperate in supplying guidance, expertise and data. Furthermore, in New Zealand, MBIE and IPONZ commissioned a study of the benefits of single patent filing and examination that resulted in the Sapere report. This did not address any of the economic costs that we identify below, and yet still found only a marginal benefit (in the savings that might accrue to applicants).

We would be happy to expand on any aspect of this submission. We are immersed in a unique field and sometimes things that seem self evident to us can require further explanation.

16: Are the current exceptions and exclusions for goods under the MRA and TTMRA still justified? What, if any, changes do you recommend?

Our submission is limited to the exclusion relating to intellectual property. We consider that this exclusion should be retained without change.

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?

The present efforts (exemplified for example in the Intellectual Property Amendment Bill of 2014, now passed) attempt to align the processes of the intellectual property offices, but do not substantially align the laws themselves. In New Zealand, the Patent Act 2013 updated our patent legislation, but did not align the substantive provisions with Australia. For example, there are basic differences in the scope of patentable subject matter, exclusions from patentability and extensions of patent term.

Even if the laws were directly aligned, the courts in New Zealand and Australia frequently have dramatically divergent interpretations of some of the key concepts in IP, even where the scope of the IP rights are superficially the same.

In this context it is not sensible to seek any further alignment of the IP registers, either through mutual recognition of IP rights or by implementing a single register.

Eventual alignment of IP laws and movement to a single register should be left until there is complete political and economic merger of the two countries. The cost/benefit is discussed below, and practical and political difficulties of each proposed approach are discussed in relation to questions 18 and 19.

What effect registered IP rights have

To consider whether mutual recognition of IP rights, or a single register, would provide a nett benefit it is crucial to understand the nature and impact of registered IP rights.

- A registered IP right gives an exclusive right – the right to exclude others from providing goods or services having a certain character (TM applied, design applied or invention embodied).
- The IP right is not needed to sell the goods in either market.
- The IP right does not give a positive right to sell the goods concerned – it does not override other regulation, or override the IP rights held by others.

So overall, mutual recognition of IP rights, or creation of a single register, does not open up the market or make it easier for a rights holder to sell a product. Rather, it promotes additional barriers for competing sellers.

Benefits/Costs – applicable to single register or mutual recognition

Any analysis of nett benefit needs to consider the cost. The potential benefit is confined to rights owners and is fairly easily determined. The various costs are less easily assessed, and fall to rights owners and to the wider community. It is our view that they would easily exceed the benefit to rights owners.

- A limited benefit would accrue to registered rights holders in mutual recognition of rights. There would be a saving in the cost of obtaining rights in both countries. This would accrue largely to rights holders domiciled outside New Zealand and Australia, as they are by far the majority of registered rights holders.
- A cost would accrue to TM rights holders in monitoring applications filed in both jurisdictions for potential conflicting marks and dealing with these conflicting marks through opposition. This would particularly impact local rights holders who are more concerned with avoiding uncertainties around their own use of the marks in the jurisdictions in which they trade.
- A cost would accrue to NZ and Australian business. This cost is of indeterminate magnitude. Anyone attempting to ensure freedom to sell a

product would need to search both registers (NZ and AU, patents and TMs) for any conflicting rights, even if only intending to release a product in one country. Rights holders are not immune from this cost. In fact our experience is that rights awareness is greatest among rights holders, and they are the most likely to diligently perform freedom to operate clearance searches.

- An opportunity cost would accrue to NZ and Australian businesses. This cost is indeterminate in magnitude. In the absence of a patent right in one of the countries, there is no bar to a manufacturer there setting up to make the product for sale in that country and export to other jurisdictions. Mutual recognition of IP rights would reduce the freedom to operate of all businesses in both countries. This would have a greater impact on NZ businesses than AU businesses, but is a significant impact on both.

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

At a technical level single registers would require some substantial law changes. It would also require a significant hand over of judicial power over each other's market – at a level that we are not aware exists at present in any sphere. And there would be future political constraints, for example in trade negotiations. Transitional problems are significant.

- **Uniformity of laws and application**
 - A single register would require a complete alignment of laws, including directions for uniform judicial interpretation. This type of alignment and direction exists in Europe with the European Patent Convention, but still the courts produce contrary decisions on the same scenario: the exact same patent, alleged infringement and prior art.
- **Limitation on future amendment could impact political freedom**
 - Another problem with this sort of alignment is that the content of the IP law would need to remain unified. Yet IP laws are now a core aspect of trade agreements. To constrain the content of both countries law to forever be the same would mean that any trade negotiations entered by one country could not include IP rights without the equal participation of the other party.
- **Recognition of jurisdiction of courts to make binding decisions in both countries**
 - A single register would require recognition of the right of the court of each country to determine a dispute (infringement or validity) for the combined region. So that, for example, each country would recognise the right of the court of the other country to grant an injunction and/or damages, and subsequently to assist (without question) enforcement of that injunction and/or damages. And each country would recognise the right of the court of either country to revoke a registered IP right.
- **Practical issues concerning transition to single registers - patents**
 - For patents a single register would need to be limited to newly obtained rights.

- At the moment it is quite possible for different parties to hold rights in each country. It is not clear how such a conflict could be determined, let alone resolved, keeping in mind that the exact scope of patent rights is not easily defined: many products are covered by large numbers of overlapping or independent patents.
 - It is also possible for parties to have made substantial investments in one or other country on the basis of an absence of rights in the other country. It would not be practical to suddenly recognise the existence of a swathe of additional rights.
 - It would take 20+ years to clear the existing independent registers, during which time freedom to operate clearance searches would be required of all three registers.
- **Practical issues concerning transition to single registers – trademarks**
 - For trademarks a single register could be a perpetual problem as rights can continue in perpetuity. Trademark registrations do not expire over any set time period so there is no inevitable eventual transitional period.
 - Where there are different owners of conflicting marks in New Zealand and Australia (whether these are registered marks, or marks that are simply used by different owners in each country) these conflicts may never be reconciled.
 - Diligent mark users and owners maintain a regular watch for conflicting applications in their markets. Where an application is lodged that they believe overlaps with a mark that they have registered, or that they use, they take steps to oppose the registration. To suddenly increase the range of applicable marks by recognising the rights existent in the other country would produce a morass of opposition and revocation proceedings where there was no underlying conflict (they presently operate independently in each market).
 - To implement a single register without such a mass recognition of existing rights would require a complex system of a single register with marks of different geographic scope.

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?

The short answer is that mutual recognition of rights is not viable.

All of the short falls described above with regard to recognising existing rights in a new single register environment would apply. And you would need to search both registers when determining freedom to operate. Any sensible rights holder would continue to seek registration on both registers, undermining any benefit of reduced costs to the rights holder.

In addition, the problems of judicial jurisdiction seem more intractable than for a single register. Mutual recognition means that persons obtain a registered right through the IP office of one country would obtain exclusivity in another jurisdiction. This would require legislation to allow a court (presumably in this other jurisdiction) to grant remedies (injunction and damages) for infringement in this other jurisdiction, of

a right that has only been reviewed and granted in (and in accordance with the laws of) the first jurisdiction.

Consider also the necessary defence to an IP infringement claim that the IP right is invalidly registered, with a counter claim for revocation of the right. How could a court in the second jurisdiction revoke a right granted in the first jurisdiction?

These problems also occur with a single register environment, but the single register environment implicitly requires the parliament of both countries to have addressed these issues of judicial jurisdiction and accepted the potential impact on sovereignty that this imposes.

Consider also that there are frequently different owners of certain IP rights in each country – particularly trademarks. How would these interact?

Conclusion: Keep the existing exclusion. To remove it, whether by implementing a single register or by mutual recognition of rights, would be a major step into the unknown with limited upside and considerable downside.

Yours sincerely

Logan O'Callahan
For **NZIPA**

