



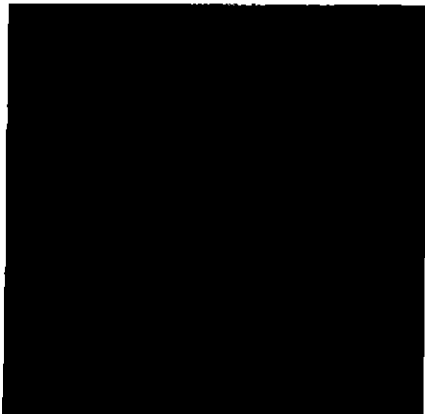
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Trans-Tasman harmonisation of intellectual property law regimes – the costs and benefits

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Executive Summary

The Prime Ministers of Australia and New Zealand have announced plans to develop a joint trademark regime and a single patent examination. This paper was prepared for the Ministry of Economic Development to outline, and where possible quantify the costs and benefits to the New Zealand economy of these proposals. While we have also identified costs and benefits to overseas parties, these should not be included in a national cost-benefit analysis, or the overall decision-making process.

Summary of our assessment

The gains from trans-Tasman Integration are sought after, but more difficult to achieve; the easier issues have been addressed already. In this instance, the proposal around institutional organisation of IP management is part of a wider package of integration which, from MED's perspective, is of interest to industry but which, at the specific level, is more difficult to validate. The Ministry has strong policy grounds to pursue this initiative, but there are risks and potential costs from a business perspective. Our findings are therefore equivocal.

Our analysis supports MED's view primarily because of the need to retain a credible IP capability for patent examination. The gains are, however, marginal from a business perspective and could be lost if the risks that we identify come to fruition. The benefits and risks differ between trademarks and patents, and we structure our findings in this manner.

Muted benefits for trademark changes

Changing the process of registering trademarks is a low priority for business.

Business perceptions are that there would be a small benefit for a few businesses, which would have lower costs. This small benefit needs to be weighed against a set of possible costs and risks:

- The cost of implementing the change;
- Possible longer delays in registering trademarks; and
- Increasing the risk of cluttering of the register with trademarks that are not necessarily used here, which could exacerbate the difficulty experienced by small businesses in finding a registrable local mark.

Firms applying for a national mark could also experience higher costs associated with the change to search requirements, although IPONZ indicates that it researches both registers currently.

There may be some benefit, although diminished by the larger change, of New Zealand joining the Madrid Union. The group of New Zealand businesses for whom the change would reduce costs is small, perhaps 500 a year.

Overseas companies are more likely to benefit, and although there is some uncertainty around the size of the group, it is likely to be between 3,000 and 6,000 each year.

For international firms, the benefit of New Zealand joining the Madrid Union is likely to be greater than any trans-Tasman regime. From their perspective, consistency with other overseas jurisdictions is more significant. It is also not clear the extent to which a trans-Tasman register will change behaviour once the Madrid process is available. The estimates of those applying for a trans-Tasman mark are likely to be smaller – possibly much smaller – depending on whether it is recognised as a ‘country’ under the Madrid scheme.

MED indicates that it foresees larger benefits from a regional trademark regime than are currently visible to market participants. These benefits are analogous to EU benefits from a regional trademark. MED may be correct. If MED is not correct, then there is little downside: the current arrangements remain.

Some benefit from reduced costs of dual patents?

There will be some benefit to the IP offices of Australia and New Zealand, as a result of the economies of scope associated with examining for novelty and inventive step only once. The capacity and capability issue in IPONZ that has been identified by MED as one of the main drivers for the reform, from the New Zealand perspective, is an important, additional, and non-measurable benefit.

There may be other operational efficiencies as a result of harmonising the process. IP Australia appears more likely to achieve these, as it implements IPONZ processes (e.g. electronic formalities checks). This would have some benefit to New Zealand businesses, which generally view IP Australia as relatively bureaucratic. IP Australia has assumed in its assessment of the proposal that the official fees will remain the same. This suggests that it does not expect internal cost savings as a result of the proposal.

The direct benefits to business are small. There will be some benefit to New Zealand firms from the reduced costs of applying for and maintaining dual patents. This could be up to \$3,000; however this is likely to be an upper estimate, as it is based on saving local agent fees. These are increasingly irrelevant to New Zealand/Australia dual filings. As a result of mutual recognition of patent attorney qualifications, a significant number of attorneys have joint registration. This allows them to file directly in the other country. It is also unlikely that there will be much change in the amount of work the attorney undertakes (as the applications can still have different claims, and there will still need to be examination under two sets of laws), although there will be some reduction in

effort as the IP offices move to cross skill and therefore mirror commercial practice.

There is some risk to business from the proposal. IPONZ currently examines patent applications much more quickly than IP Australia. The time to examine is expected to increase with the new test. It is not known by how much. A single examination model would mean that IPONZ and IP Australia's time to examine would equalise. The SEM IP Outcomes Steering Committee has agreed that service levels will be maintained as long as an acceptable quality standard can be met.

From a business perspective, the key is that they are able to control the speed at which the patent is granted. So the loss of the ability to prosecute patents quickly in New Zealand, if that is what the applicant wants, could be a significant disbenefit. A patent granted is commercially much more valuable than a patent pending. A delay would only have to cost New Zealand businesses applying for a patent an average of \$540 to outweigh the benefit noted above of reduced filing and maintenance costs. We see this possible cost as a risk, one that could outweigh the minor benefits if it were to happen.

There are other potential strategic benefits. The proposal may contribute to a perception that New Zealand is an easy country in which to do business. The New Zealand government is pursuing a strategy to encourage overseas companies to view New Zealand as part of Australia in terms of the business environment and this initiative will help in a small way.

A final benefit, albeit somewhat speculative, may arise if this proposal could be leveraged in larger, more significant markets. The leverage would come about if the other countries were to agree common quality standards and allow IPONZ to export its operational efficiencies to reduce the international backlog.

Australian businesses benefit

The proposal is more positive for Australia. Australian firms are more likely to file patents in New Zealand, so would stand to benefit more from any reduction in cost. Any delay in getting a New Zealand grant of patent is likely to be of lesser consequence, depending on their strategy, as they already experience a long delay in their local prosecution (and that may reduce). This could be an issue for those businesses that use New Zealand as a test market. Unlike New Zealand, single country applications in Australia would experience no change, or possibly a reduced time to examine.

For IP Australia, this proposal is a prototype it intends to pursue in other jurisdictions. This represents a broader strategic benefit that is not replicated for New Zealand.

Overseas businesses benefit

The most substantial benefit from this proposal will go to international PCT (Patent Cooperation Treaty) applicants. They will gain the benefit of any cost savings and are unlikely to be hindered by any delay, as New Zealand is currently an outlier in terms of speed. However, given that Australia and New Zealand are already low cost patent environments from an international perspective, it is unlikely that this is material for international business.

Views of the patent attorney profession

A secondary concern is the potential loss of business for New Zealand attorneys.

On Trademarks, the patent attorney profession expressed concern that international business would be lost to Australia as a result of this proposal. While this is likely to be true, the Madrid Protocol is likely to have a greater effect on the behaviour of overseas firms applying for New Zealand trademarks than a trans-Tasman regime.

Although New Zealand attorneys are generally cheaper, Australia is a larger market with which international businesses are more familiar. It is likely that they will have an Australian attorney first as five times more patent applications are made there. Australian attorneys also reportedly offer very low rates for adding a New Zealand patent application to an Australian one. This is because the more lucrative stages are prosecution, objections and litigation, so attorneys are willing to offer early discounts that can be recouped later.

There is no empirically provable, ideal size of the patent attorney profession. However, there are potential risks associated with the proposal including:

- Possible loss of local expertise on commercialisation and protection of innovation;
- Possible loss of productivity to Australia as New Zealand attorneys follow the more lucrative work;
- Possibly higher attorney fees in New Zealand as local firms lose overseas contracts and/or businesses have to hire Australian attorneys to get the relevant expertise. Australian attorneys are around 20-30% more expensive than New Zealand attorneys for routine filing, and 40-50% more expensive for more contentious issues that require more experienced attorneys.

There are some countervailing considerations. First, New Zealand researchers indicate that they prefer a face to face relationship with their patent attorneys. Also, they are less worried about the number of patent attorneys than they are about the quality.

Trans-Tasman trademark register: Summary of costs, risks and benefits

Who	Frequency	Costs and risks	Benefits
Government	Initial costs	IT system changes (Australia and NZ). Quality system changes (NZ). Legislative changes – delegations, classification and whether a name is capable of distinguishing (Australia and NZ). Maintain register and systems (minor). Additional database search for national trademarks (minor).	Strategic benefits of a regional trademark regime.
Government	Ongoing		Some economies of scope from not having separate examination of two trademarks, although the same market and database searches are required so this is marginal.
NZ business	Ongoing	90% of applications are single country – costs would rise by estimated \$211 per application. Delay in registering trademark (risk and potential cost). Increased difficulty in identifying registrable trademark (minor). Reduction in trademark activity (and increase in infringement) due to higher cost of registering.	At least 10% of applications are joint with Australian applications – costs would decrease by estimated \$3,977 per application. Unclear effect on number of joint applications – may increase for large companies (depending on brand strategy, e.g. if there are plans for selling brand names, they may prefer this route to Madrid); for smaller companies there may be no change. Strategic benefits from a joint trademark.
Australian and international business	Ongoing	Higher cost for single country applications – estimated \$64 per application.	Lower cost of joint simultaneous applications (\$2,970 per application). Possible increase in joint applications (because of the change to the cost relative to the benefits of trade-marking in NZ) – the ease of applying for both may encourage trans-Tasman registration even where there is no short-term plan to use in NZ.

The Madrid Protocol is not accounted for in this table. The effects of the Madrid Protocol (without the trans-Tasman register) would be to:

- Reduce the number of simultaneous direct applications for individual trademarks in Australia and NZ (as these would go through the Madrid process), thus reducing the benefit of the proposed trans-Tasman register; and
- Reduce the price of getting NZ and Australian trademarks simultaneously (i.e. the status quo price would decline), thus reducing the benefit of this proposal.

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Single examination of patents: Summary of costs, risks and benefits

Who	Frequency	Costs and risks	Benefits
Government	Initial	<p>IT system changes (Australia and NZ)</p> <p>Examiner training (Australia and NZ)</p> <p>Legislative changes – delegations (assuming NZ bills passed).</p> <p>Security arrangements (Australian and NZ)</p>	<p>Stronger specialisation between the two patent offices and, possibly, a stronger career structure for NZ patent examiners.</p> <p>Greater institutional resilience.</p>
Government	Ongoing		Economies of scope from reduced examination effort.
NZ business	Ongoing	<p>Potential delay to grant of patent – a risk that we understand is being managed closely.</p> <p>Unclear effect on official filing fees – should reduce somewhat for dual applications, may increase for single patent applications to allow for higher Australian processing costs (note new NZ fee unknown but likely to be closer to Australian fee anyway).</p>	<p>Likely reduction in attorney fees associated with filing – attorney is only interacting with single office of filing and there will be one application form, but all other costs remain.</p> <p>Reduced attorney and official maintenance fees.</p> <p>Possibly more enforceable right (if specialisation and IPO certification mean Australian examination is more stringent).</p>
Australian and international business	Ongoing		<p>Lower filing and renewal costs for dual applications.</p> <p>More likely to file in NZ – it will be somewhat easier to file a dual application, but it is not clear that this will be a substantial lure for international companies as NZ is a small market and the costs are not high at the moment, and their Australian attorney can already file here.</p>

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1. Introduction, context and method

In August 2009, the Prime Ministers of Australia and New Zealand announced the establishment of a *Trans-Tasman Outcomes Implementation Group* to work on developing trans-Tasman processes for:

- A single regulatory framework for patent attorneys;
- A single trademark regime;
- A single application process for patents in both jurisdictions; and
- A single plant variety right regime.

In February 2011, the Prime Ministers reaffirmed their commitment to these outcomes of the Single Economic Market (SEM) and added a fifth item: a single examination for patents where application is made in both countries.

The purpose of this paper is to outline, and where possible quantify, the costs and benefits of the single patent examination and the single trademark regime proposals.

1.1 Background to the proposals

1.1.1 Single patent examination

Although this has been referred to in New Zealand as a single examination model, it is more accurately thought of as a single examiner model, as there would still be two examinations undertaken.

IP Australia proposed the model to the Intellectual Property Office of New Zealand (IPONZ) and the Ministry of Economic Development (MED). An examiner from either office may undertake search and examination of patent applications filed in either jurisdiction. Where there are applications for the same invention in Australia and New Zealand, the same examiner would examine both applications. This would allow common elements of the two examinations to be reused.

The scope of technologies and types of applications to which the single examination system would apply would be agreed from time to time by IPONZ and IP Australia. The broad expectation from IP Australia seems to be that most applications would be covered by the agreement, with the exception of those applications for inventions that are not patentable in New Zealand (such as software, some gene technologies, and diagnostic and medical techniques for human treatment). IPONZ has a narrower view, expecting local applications to be examined locally (where there is no corresponding Australian application).

Two patents will be issued, one for each country.

1.1.2 Trans-Tasman trademark register

This proposal is for a trademark register that would confer a right to a trademark in both Australia and New Zealand. The register would be additional to the existing national registers, so that applicants could opt to register their trademark on a national register or the trans-Tasman register. A trans-Tasman trademark would be equally enforceable in each country as a trademark on the national register.

1.2 Method

The outcome MED sought from this study was to understand the consequences of these two proposals, with particular reference to the costs and benefits for the government, applicants, other businesses, and patent attorneys.

We approached the problem with a combination of research methods:

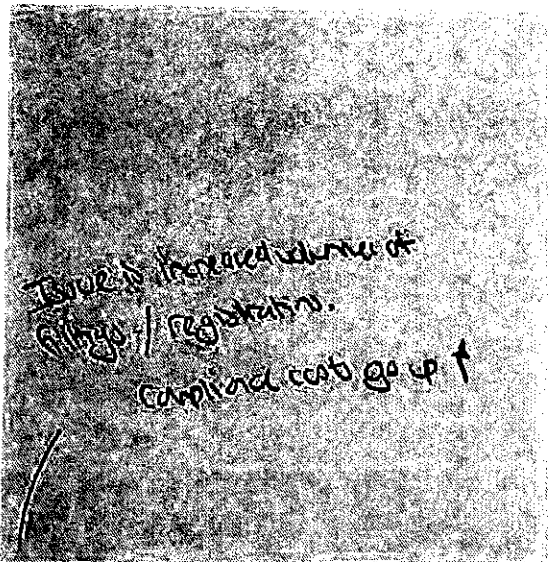
- Desktop analysis of the likely changes in fees and charges.
- Interviews with interested parties including IP office staff, businesses and patent attorneys.

We used an online tool to estimate patent attorney costs that might be saved by eliminating either the New Zealand or Australian application process. Global IP Estimator Online generates cost estimates of overseas applications for trademarks and patents and other intellectual property rights.¹ It is used by patent attorneys to prepare estimates for clients considering applying for protection overseas.

The database is based on fee schedules provided by intellectual property firms in each country. Schedules are updated monthly. The fees used in the estimates are based on the average of at least five firms' fees for each category. The estimate is the mid-point of the mathematical mean and the highest fee in that category. Therefore, the fees can be expected to be on the high side, and overestimate the potential savings to business.

The estimator includes in-house fees which are local costs for submitting an International application. For our purposes, this means it includes New Zealand patent attorney fees associated with an Australian application, where an Australian associate or agent has been instructed. The Australian attorney fees are also included.

¹ www.globalipweb.com



2. Trademarks

The proposal establishes a unitary tra

MED believes that there will be a ben
mark system for the two countries and draws the analogy of the European regional trademark system. The additional benefit is that there would be one registration process in the two countries. Officials see the increasing integration of the two markets as important and are of the view that a shared trademark register will be important for some firms in the future even though they may not perceive that now.

There is no real problem identified with the current system, and a number of advantages to the status quo for some businesses. Businesses will be able to use the current processes if they want to.

2.1 Madrid system achieves some benefits

The benefit of this proposal is most likely to flow to large companies who apply for the same trademark at the same time in Australia and New Zealand. Some of these will be based in New Zealand, but the majority will be overseas.

New Zealand will soon become party to the Madrid Protocol. This allows a company to apply for a trademark in all member countries through a single application process once a trademark has been obtained in the home country. Some patent attorneys suggested that overseas companies and large New Zealand companies are more likely to use this route, which makes the trans-Tasman regime less important. However, the companies would still need to apply, only not for the joint register.

Australia signed the Madrid Protocol in 2001.

A trans-Tasman register would need to be recognised as a "country" in terms of the Madrid system, or applicants would still get separate national trademarks.

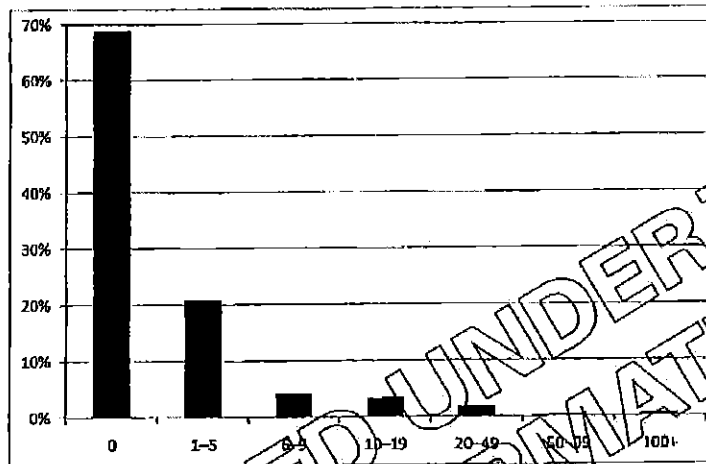
2.2 Typical New Zealand business will not benefit or disbenefit

For most New Zealand companies, IP codified through patents and trademarks are not relevant to their businesses. Most New Zealand businesses are very small; in fact 90% are either non-employers or employ at most 5 people.² Our general comment is that questions of IP in general and trade marking in particular are not important for many of

² Statistics NZ Business Demographics Statistics, as at February 2010.

these firms; however, it might be very important for some and perhaps to more in future.

Figure 1 Businesses by number of people employed



Source: Statistics New Zealand Business Demographics, February 2010

The country registers will be kept in place for those companies that wish to register in just one country. For those that want to register in the one country, there will be no change in the status quo.

There may be additional, potential costs of registering a unitary trademark:

- The most significant cost will be increased difficulty in finding a mark that can be registered. Large firms are likely to take the option of trans-Tasman registration even if they have no intention of marketing their product in New Zealand in the short term. This means there will be a higher number of marks on the register relevant to New Zealand. Businesses and patent attorneys consistently stated that New Zealand trademarks were often not able to be registered in Australia, and they used a different mark or brand there. This suggests a material impact from a larger register.
- There is potential for higher patent attorney costs and official fees because of the larger search requirements, and the need for iteration to find a useable mark. We understand from officials that they do not consider these costs to be significant. We understand that IPONZ undertakes a search of the Australian register as a matter of course.
- There may also be a delay in obtaining registration. There will be a reduction in the number of applications by an estimated 7-12% (see below); offsetting this, each application will require additional effort by the IP office. For all applications there will be a somewhat larger (and increasing over time) set of trademarks to search. Those applications that would have just gone to one country and now cover both will require a wider marketplace search for existing use. However, again, our

understanding is that there is a search of the New Zealand and Australian registers at present.

If they do not have the money to pay the higher costs, they may choose to adopt the mark anyway. This risks problems at a later date if an infringing party becomes aware of their operations.

Another problem is idiomatic differences between Australia and New Zealand. This is a broader issue than offensiveness to Maori. Some businesses and attorneys questioned the extent to which Australian trademark examiners could be expected to identify descriptive words from the New Zealand lexicon. Examples might include Polynesian and Maori words, local colloquialisms, and cultural issues or images.

2.3 Number of applicants

The table below provides a summary of the number of applications filed in Australia and New Zealand by source, and whether the applicant also filed in the other country. We have chosen to use average data over a five year period because the global recession from late 2007 saw a collapse in the number of applications filed compared to a fairly stable level of filings for the previous decade. We do not want this temporary phenomenon to unfairly colour the results.

Average number of applications by office of filing, 2004-08³

	Total received in that office	Resident applications for single	Resident applications for both	Madrid applications	Other international for single	Other international for both
Australia	62,537	36,529	2,388	11,888	4,800-8,472 ⁴	6000-2,328
New Zealand	17,828	7,955	933	- ⁵	552-4,224	- ⁶

³ Source: World Intellectual Property Organisation (2010) *World Intellectual Property Indicators*, <http://www.wipo.int/ipstats/en/statistics/marks/>

⁴ The uncertainty around whether 'other international' applications are simultaneously filed in both Australia and New Zealand reflects the range of figures given in the TTOIG trial report (refer previous section). There is no independent data available on this issue (from IPONZ or WIPO).

⁵ New Zealand is not currently a member of the Madrid Union. This is discussed further below.

For six months, ending in August 2010, IP Australia and IPONZ ran a live trial to identify:

- Whether a portion of the trademark examination could be done only once and if the offices could rely on each other's work; and
- How large the group of international applications is that simultaneously seek both Australian and New Zealand registration.

With respect to the first objective, the conclusion was that mutual recognition was not practical. It took as long to decide whether to rely on the other office's search as it would take to do that portion of the work. This suggests that there are no, or very limited economies of scope available from the proposal.

The conclusion with regard to the second objective was that there are relatively few simultaneous applications. Only 2.7% of total filings were made under the trial. About 43% of these opted out of the trial process. This left just 661 applications considered for mutual recognition over a six month period.

The report of the trial indicates that this number significantly understates the true number of applications that were eligible. However, it is difficult to envisage a sufficient benefit flowing to a small number of applicants that would outweigh the costs indicated above which will be borne by all applicants.

We have used the annualised results of the trial (2,238 applications) and the 'more likely' figure identified by IPONZ (6,000 applications) as the range for analysis. There are no independent statistics available that provides guidance on this issue.

We have assumed that all Australian filings originating in New Zealand have a contemporaneous New Zealand filing. This is extremely unlikely. As we have already noted, there is often a delay of several years before a New Zealand business moves into the Australian market. Under the current system it is likely that there is a similar delay in trademark registration. Based on their experience, patent attorneys variously suggested between 2% and 10% of New Zealand trademarks are filed simultaneously into Australia. The figure we have used is at the top end of that range. This will therefore overstate the total benefits to New Zealand businesses.

⁶ In order to avoid double counting we have only noted applications in their office of first filing. We have assumed that for applications originating in New Zealand this is New Zealand; for all other applications (from Australia and other countries) we have assumed this is Australia. As a result the table does not add horizontally.

2.4 Cost changes

We have estimated the costs and benefits to businesses on the following bases:

- For applications filed in a single country, as attorneys and the patent office are not required to look at additional data beyond what they already look at, we assume that there will be no increase in search costs. This is an important assumption and is one which the patent attorneys contest; they indicate that there will be additional cost. As a proxy for this additional cost we have used the search fee for filing an application in the other country. This may understate the attorney costs if interaction is needed to find a registrable mark. We have provided some sensitivity analysis around this issue, given the difference in views.
- For applications filed in both countries we have assumed that some of the costs associated with filing in the secondary country would be eliminated. For example, for an application originating in Australia but also filed in New Zealand, we have assumed that the applicant would no longer pay New Zealand's official application and renewal fees or some of the patent attorney costs associated with these functions. We have assumed that the application attorney costs for the secondary country would reduce by half, as there is more work required because of the broader scope of the trademark than simply a national application. We have assumed that the search fees and costs would remain, as there would still be a need to search the New Zealand register.

Intellectual property office fees, NZ dollars⁷

	Australia	New Zealand
Search	117	40
Application	234	100
Registration	325	0
Renewal	390	250

⁷ The exchange rate used is 0.77 NZD/AUD. The search fees are the TM Headstart for Australia and the preliminary search and advice fees for New Zealand.

Additional assumptions that we have made are:

- Australian trademark applications have 1.6 classes on average,⁸ compared to 1.83 classes on average for New Zealand applications.⁹
- The discount rate is 8.2%. This is in line with Treasury recommendations.¹⁰

Change in business costs for a trademark application by origin country¹¹

A negative number is interpreted as an increase in costs

	Single country	Both countries
Australia	Nil to -\$64	\$2,970
New Zealand	Nil to -\$211	\$3,077

Based on the cost changes indicated in the table above and the average number of applications between 2004 and 2008, as described earlier, we can estimate the net benefit to New Zealand businesses would be \$2.04m per annum. This estimate does not account for the Madrid Union which may reduce the number of applications for trans-Tasman trademarks through this process (and hence the benefit).

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⁸ Source: WIPO.

⁹ Source: IPONZ.

¹⁰ The Treasury (2008, as revised in October 2010) *Public Sector Discount Rates for Cost Benefit Analysis*.

¹¹ Sources: WIPO, IPONZ, IP Australia, Global IP Estimator online, Treasury (for discount rate), Reserve Bank (for exchange rates).

2.5 Sensitivity analysis – attorney costs

Total annual change in costs by origin country, sensitivity to attorney cost for search

	Official fee only	Attorney costs
Australia	\$4.75m	-\$34.88m
New Zealand	\$2.04m	-\$10.75m
International	\$5.48m	-\$10.5m

There is a risk that attorney costs for a New Zealand only trademark application will rise. This could occur if iteration was needed to identify a registrable mark, or if the search expanded considerably as more Australian trademarks were registered in New Zealand.

The table shows the results where only the official search fee is added to the cost for a single country application and the alternative where the attorney search fees are also included.¹² Clearly this makes a significant difference to the results.

For New Zealand applications, the breakeven point is \$467. That is, if the cost for a New Zealand only trademark rose by \$467, it would exactly balance the saving for those New Zealand businesses which applied for a trans-Tasman mark. For Australian businesses the breakeven is lower at \$194 because of the much higher number of applications.

2.6 Effect on overseas businesses unclear

We have also noted the results for international applicants (i.e. from outside Australia and New Zealand). According to the results of the mutual recognition trial, we could expect between 2,328 and 6,000 applications from overseas companies for a joint trademark.¹³ We have used the lower estimate to derive these results. If the higher cost figure is used (i.e. including the patent attorney search costs), then there would need to

¹² These are obtained from the breakdown of costs in Global IP Estimator. We have used the component of the fee associated with the search component of an Australian application (for New Zealand).

¹³ The smaller figure is the annualised number eligible for the mutual recognition trial. The larger figure is an estimate by IPONZ, for which no further detail is available, so it is not clear whether these are contemporaneous applications or applications in New Zealand that correspond to an earlier Australian application.

be around 4,100 common applications for international business to be indifferent. In other words, if 4,100 (or more) of the 6,552 applications by overseas companies for New Zealand trademarks were also sent to Australia and converted to trans-Tasman marks, then the additional costs to international companies would be equal to (or less than) benefits of the scheme.

IPONZ has said that they expect approximately 6,000 (inward) applications under the Madrid protocol. Some of these will be new (i.e. the trademark would not have been separately registered in New Zealand). But some will be what would have been formerly direct applications in both Australia and New Zealand. One rule of thumb is that if you are seeking registrations in three or more jurisdictions, the Madrid Protocol process is efficient. However, one attorney stated that if a client was unsure of their expansion plans, then the Madrid process could still be utilised because it allows more efficient maintenance of trademarks (through one renewal process) and additional countries can be designated at a later date. Although the price for a New Zealand trademark in the Madrid System has yet to be set, it is expected to be less than the cost of a stand-alone mark. The benefit of a trans-Tasman register to overseas applicants will therefore be lower than described here.

It is possible that a trans-Tasman register could lower costs further under the Madrid Protocol if it was able to be recognised as a 'country' as the CTM in Europe has been. However it is speculative to consider when or whether this will occur and the effect on costs.

2.7 Implementation costs

The potential costs of implementing the system that we have identified are:

The cost of changing the computer systems to allow searching on the other country's database. This cost may be very small, or even nil, as the databases are already being searched regularly. The cost of enhancing the New Zealand quality system (some work on this is in progress, which may be sufficient to eliminate this as a cost specific to this project).

- Changing the law to delegate authority to examine to the IP office in the other country.
- Changing the law to align the classification requirements (New Zealand takes a more conservative approach currently), and whether a name is capable of distinguishing (In Australia it is as long as it is not common or famous, in New Zealand it is not).

2.8 Conclusion

The benefit to the New Zealand economy is estimated to be at most \$2.04m per annum. The main debate is around the assumptions of cost (with two very different views), as well as the nature of the less easy to measure, but possibly important, strategic benefit of having a unitary trademark regime.

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Trans-Tasman trademark register: Summary of costs, risks and benefits

Who	Frequency	Costs and risks	Benefits
Government	Initial costs	<p>IT system changes (Australia and NZ)</p> <p>Quality system changes (NZ)</p> <p>Legislative changes – delegations, classification and whether a name is capable of distinguishing (Australia and NZ)</p> <p>Maintain register and systems (minor)</p> <p>Additional database search for national trademarks (minor)</p>	<p>Strategic benefits of a regional trademark regime.</p> <p>Some economies of scope from not having separate examination of two trademarks, although the same market and database searches are required so this is marginal.</p>
Government	Ongoing		
NZ business	Ongoing	<p>90% of applications are single country – costs would rise by estimated \$211 per application.</p> <p>Delay in registering trademark (risk and potential cost)</p> <p>Increased difficulty in identifying registrable trademark (minor)</p> <p>Reduction in trademark activity (and increase in infringement) due to higher cost of registering.</p>	<p>At least 10% of applications are joint with Australian applications – costs would decrease by estimated \$3,977 per application.</p> <p>Unclear effect on number of joint applications – may increase for large companies depending on brand strategy e.g. if there are plans for selling brand names may prefer this route to Madrid; for small companies there may be no change.</p> <p>Strategic benefits from a joint trademark.</p>
Australian and international business	Ongoing	<p>Higher cost for single country applications – estimated \$64 per application.</p>	<p>Lower cost of joint simultaneous applications (\$2,970 per application)</p> <p>Possible increase in joint applications (because of the change to the cost relative to the benefits of trade-marking in NZ) – the ease of applying for both may encourage trans-Tasman registration even where there is no short-term purpose in NZ.</p> <p>Strategic benefits from a joint trademark.</p>

The Madrid Protocol is not accounted for in this table. The effects of the Madrid Protocol (without the trans-Tasman register) would be to:

- Reduce the number of simultaneous direct applications for individual trademarks in Australia and NZ (as these would go through the Madrid process), thus reducing the benefit of the proposed trans-Tasman register; and
- Reduce the price of getting NZ and Australian trademarks simultaneously (i.e. the status quo price would decline), thus reducing the benefit of this proposal.

3. Patents

The cost of patenting in Australia and New Zealand is not really a major issue for business. In a recent Business New Zealand survey, respondents gave it a low priority, with concern expressed that it would increase the costs of monitoring the manufacturing environment and defending a company's freedom to operate in New Zealand because of the much higher number of applications in Australia.¹⁴ This view was reinforced by businesses we interviewed.

Again, officials have a different perspective, largely driven by the need to strengthen the skill base in IPONZ to improve the quality of examination and to develop greater institutional resilience in the face of increasing specialisation. For officials, there is some priority to change with the increasing examination requirement.

3.1 Legislative change is required

Once the Patents Bill (currently awaiting its second reading) is passed, the New Zealand and Australian laws will be aligned in most key areas including universal novelty (currently New Zealand examines for local novelty only) and inventive step. The same set of prior art will be examined under both laws. Without this legislative change, this proposal cannot proceed. Some differences will remain such as:

Exclusions under New Zealand law for software, gene technologies and treatment of illness and disease;

• The case law around the test for obviousness;

The Maori advisory committee; and

Practice and procedure variations.

Some minor changes to Australian law will also be required (such as allowing delegation of examination to IPONZ), but IP Australia does not see these as significant.

¹⁴ This concern may reflect a misconception that the proposal is for a single trans-Tasman grant of patent, rather than individual Australian and New Zealand grants. However, Australian companies may apply more often for New Zealand patents if it is easier and cheaper to do so from Australia than at present. In this case, this concern would have some basis.

3.2 Limited benefits to New Zealand

Business could see the benefit of an improved quality of examination, but our view is that the full implications of the changes for IPONZ are not fully seen or understood by business.

Few of the patent attorneys or businesses to whom we spoke with could identify any benefits associated with the proposal, other than possibly some efficiency in processing at the patent office. The benefits that we have identified through discussions with IP Australia in particular are:

- For the patent offices, economies of scope from eliminating one examination for each application. This is not strictly true as there would still be two examinations and two reports, and indeed two patents, but the content of the examinations should have significant overlap as described above.
- IP Australia also identified an increase in accuracy as a result of electronic transfer of information. However, that benefit does not seem to rest on the implementation of a single examination model (as electronic transfer could be separately implemented and indeed is already normal practice in New Zealand) and should not be included in analysis of this proposal.
- For businesses, reduced patent attorney fees relating to filing, as one set of forms will be eliminated. Other attorney costs will remain as they are. Interviewees stated that customisation requirements are immaterial at the minute unless the business wants to modify their claim. Claim modification will remain the same in the single examiner model. This benefit is therefore likely to be small.
- Reduced administrative effort for maintaining the patents as they will be maintained at the same time through the office of filing.

For exporters, greater confidence about investing and exporting to Australia, as the patents are granted for the same specification and of the same quality standard. This is unlikely to be material, as exporters can obtain Australian patents to their New Zealand specification now.

- Possibly an improvement in examination quality. All interviewees agreed that higher quality examination is better, because the patent is more likely to be valid and freedom to operate is not inefficiently restricted by weak patents. However, there was little support for the notion that Australia has a higher quality of examination. Some interviewees felt that in theory Australia should be better, as they are WIPO certified to undertake search and examination for international PCT patent applications, which New Zealand is not.¹⁵ IP Australia has to meet quality

¹⁵ An office must have a minimum of one hundred examiners to be eligible to be a PCT search and examination office. IPONZ has around thirty examiners.

standards as part of this certification process. IP Australia certainly considers New Zealand does not meet this quality standard. In addition, by virtue of its scale IP Australia operates with a much higher degree of specialisation, which is likely to be a benefit in terms of getting robust patents. Based on our interviews though, it seems that there are very divergent opinions; some see the differences are in process rather than quality of outcome. Others see the difference as much more significant. Our judgment supports the later. It will be difficult to protect specialisation with a group of only thirty examiners with the increased effort required by the new test.

3.3 Fees

There are clearly a number of issues around this proposal as well. One of the first ones to come to mind for our interviewees was the fee difference between Australia and New Zealand patent offices. Both countries operate to cost recovery principles. This suggests that New Zealand fees will need to rise to the Australian level.

The Australian fees are set based on the Australian Government Cost Recovery Guidelines 2005; they are set to fully recover the cost of services at a product group level (i.e. patents and trademarks) and to avoid cross-subsidisation. At present, trademark applicants subsidise the cost of patents by around AU\$10 million, indicating that patent fees are likely to rise.¹⁶

The proposal is that New Zealand will pay Australia a fee for service (and vice versa) for applications filed in New Zealand, but examined in Australia. It has not been decided what this fee will be. The Cost Recovery Guidelines appear to allow the possibility that it will be set on either a marginal cost or a full cost recovery basis. Clearly this makes a substantial difference to the cost of patents.

It seems highly likely that it will be a full cost recovery basis otherwise the fixed costs of patent examination will not be recovered. Adding weight to this conclusion, IP Australia's analysis of the proposal assumes that the fees will remain the same.

Assuming official fees won't change seems conservative. Those applications for New Zealand patents that are examined in Australia would need to cover the higher Australian cost suggesting the New Zealand fee would need to rise to at least the

¹⁶ This information is drawn from the IP Australia Cost Recovery Impact Statement 2010. This report also indicates that the fees are based on an activity based costing model, taking account of the government's Innovation policy and charging a lesser portion of the cost up front and recovering the full cost through renewal charges. The fees are set on a three year cycle, so presumably the next review will take effect in 2014.

Australian fee. In addition, the costs of administering the agreement between the two offices would need to be recovered.

We understand that IPONZ fees are expected to rise in any event. This is related to a combination of the changes in the Bill, and the introduction of new quality measures that would be required by IP Australia.

It seems inevitable then that New Zealand official fees for a New Zealand only patent will rise. It cannot be estimated by how much, relative to the (as yet unknown) higher fee associated with the new Bill.

For dual applications, the IP Australia assumption appears to be that parties will pay the sum of the fees of both offices. Notwithstanding our expectation that New Zealand's fees will rise, this seems to ignore the economies of scope for the patent offices. These are cited as a key benefit of the proposal. It would be expected that the additional official fee for the secondary country should be less than the full fee for a stand-alone application.

3.4 Estimated savings for business

To estimate the possible cost savings for businesses associated with the single examination model for patents, we have relied on scenarios run by IP Australia for a PCT application in Global IP Estimator Online, using the middle of their band of estimates.¹⁷ For direct filings we have run an additional scenario, although the results are fairly similar.

We have presented more analysis of the patent applications data available from WIPO in an appendix.

Estimated saving for patent applications by office of filing and origin

Office	Origin	Average applications 2004-08	Estimated saving per application
Australia	Australia	2,698	
	New Zealand	295	3,760

¹⁷ The IP Australia scenarios were run in October 2010, so we have adjusted the results for changes in the AU/US exchange rate since that time (since all fees are converted from US dollars). Results have then been converted to NZ dollars.

	Other – PCT	17,786	
	Other – non-PCT	4,398	
New Zealand	Australia	545	2,649
	New Zealand	1,765	
	Other – PCT	3,829	3,172
	Other – non-PCT	755	

The estimated savings are based on the assumption that the patent attorney fees for filing would be eliminated for one application filed in both Australia and New Zealand. We have assumed that PCT applicants would file through Australia, therefore eliminating the New Zealand attorney fee.

The estimates represent around one third to one half of the attorney costs for obtaining a patent. Intuitively, this appears on the high side. As we have noted the process for attorneys will be largely the same, albeit with the elimination of one set of forms. Also, we have already noted that many Australian and New Zealand attorneys already file in the other jurisdiction without instructing a local agent under the mutual recognition of their qualifications. This trend would likely increase with the proposal to have a joint regulation of the profession. The true reduction in fees is likely to be significantly lower than the IP Australia estimates, as relatively little work is being eliminated.

3.5 Aggregate savings

Estimated annual savings, Australia and New Zealand

	Estimated savings
Australia	\$1.44m
New Zealand	\$1.11m
Total	\$2.55m

Based on the average volume of applications in 2004 to 2008, the available annual savings are \$1.11m to New Zealand businesses.

3.6 Timeliness of grant – a material risk to manage

Offsetting these business cost savings, there is a risk that there is an increase in the amount of time taken to get a patent granted. Commercially, a patent granted is much more valuable than a patent pending.

In New Zealand, patents are examined within twenty working days while in Australia it takes fourteen months from request for examination.¹⁶ The key from the perspective of business seems to be that they are able to control the speed of grant. So, the loss of the ability to prosecute patents quickly in New Zealand, if that is what the applicant wants, would be a disbenefit.

IPONZ and IP Australia have agreed that, subject to meeting quality standards, there will be no diminution in service as a result of this proposal. However, like fees, timeframes must equalise with the merging of the system (or there will be gaming or arbitrage). IPONZ has acknowledged that this means the timeframe will lengthen as their workload changes. The timeframe will change with the new test under the Bill in any event (so the true status quo is likely to be longer than twenty days).

As a rule, it is preferable that examination is completed quickly, and then it is up to the applicant to determine their strategy in terms of when they wish to get their patent (for example by delaying getting their application in order for acceptance, which can be held off for fifteen months). One of the great advantages of the New Zealand patent office is its speed of processing. Some businesses report using their New Zealand patent to bring a test case against an infringer, and this allows them to then modify other patent applications (e.g. in Australia) to take account of the challenge, or prior art which is proved.

In theory, where there is infringement, it is possible to prosecute for damages back to the date of filing once your patent has been granted. In reality, the business may never recover the damage in the market associated with increased competition, and the infringer may wind up their business having made money from the patented idea before damages can be awarded. The proposal may force applicants into delaying their grant when it is not in their best interest.

Any delay would only have to cost businesses an average of \$540 to outweigh the estimated savings. This does not seem implausible in terms of the lost business opportunities in the market. We therefore strongly caution that the patent timeframe is monitored very closely to ensure that any benefits are not lost through delay.

¹⁶ In Australia, there is a further delay of around four years between filing a patent application and requesting examination.

3.7 Other costs

We have not quantified the work that will be required to set up the system between the two countries and the ongoing costs of IT requirements, security arrangements, and training for examiners in dual legislation. These should not be underestimated, particularly the last. New Zealand examiners will be required to come to grips with a new New Zealand law. This proposal effectively requires them to examine two new laws.¹⁹

3.8 Benefit to Australian economy

The business savings for Australia will be greater, as more Australian firms file patent applications in New Zealand than vice versa.

We understand that IP Australia is hoping to implement this model with other, particularly developing, countries. This is a long term strategic benefit to their economy of exporting regulatory practices. This may represent the best benefit for New Zealand businesses as well.

Although it is somewhat speculative, leveraging this proposal in larger, more significant markets to agree common quality standards and allow IPONZ to 'export' its operational efficiencies to reduce the international backlog would benefit New Zealand. It is not apparent whether New Zealand or Australia has the international clout in intellectual property to achieve this. Effecting broader changes in international IP processing would be much more valuable to New Zealand businesses than a trans-Tasman scheme. Their costs and frustrations are centred in these larger markets (e.g. the United States, European Union and Japan). This is also where the commercial value of New Zealand ideas lies.

¹⁹ There may be a small benefit to IPONZ if IP Australia is more willing to assist them with training their examiners in the new tests because of this proposal. However, this is unlikely to be substantial given differences in legislation; case law (Australia looks to the United States, while New Zealand tends to look to the United Kingdom), practice and process will persist between the offices.

3.9 International businesses big winners

Estimated annual savings, common PCT filings

	Estimated savings
40%	\$4.86m
60%	\$7.29m
80%	\$9.72m

It is not possible to know how many PCT applications are common to New Zealand and Australia. The table above gives an indication of savings that would be available to foreign companies based on a range of assumptions about the proportion of PCT applications filed in New Zealand that were also filed in Australia. There were an estimated average of 3,829 PCT applications filed by non-Australian, foreign companies with IPONZ between 2004 and 2008. This table shows estimated cost savings if 40% (1,532), 60% (2,297) or 80% (3,063) of these were also filed in Australia.

Recall that these estimates are based on the figures provided by IP Australia of savings in attorney costs. These are likely to be significantly overestimated.

This suggests the largest benefit is to overseas firms. Despite this, it is not clear that they will change their behaviour, as New Zealand is relatively inconsequential and the costs are already low to file a patent here. In other words, it is the size of the potential market not the cost of the patent that drives behaviour.

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Single examination of patents: Costs and benefits

Who	Frequency	Costs	Benefits
Government	Initial	<ul style="list-style-type: none"> IT system changes (Australia and NZ) Examiner training (Australia and NZ) Legislative changes – delegating (assuming NZ bill is passed) Security arrangements (Australia and NZ) Loss of sovereignty over Crown grant of patent. 	Economies of scope from reduced examination effort.
Government	Ongoing	<ul style="list-style-type: none"> Loss of business to Australia (at least overseas firms). Reduced size of local profession. <ul style="list-style-type: none"> Possibly detrimental to local innovators in terms of access to expertise to support commercialisation and protection of IP. Probably increase local fees as overseas work is more lucrative at the moment. Lost productivity to Australia. Contrary to government's innovation goals. 	
NZ business	Ongoing	<ul style="list-style-type: none"> Unclear effect on official filing fees – should reduce somewhat for dual applications; may increase for single patent applications to apply for higher Australian processing costs (note: new NZ fee unknown but likely to be closer to Australian fee anyway). Could be higher cost if patent attorneys are required to argue differences in the law (highlights need to train examiners to ensure NZ patents are examined to NZ law and vice versa). Potential delay to grant of patent – may be contrary to business interests. If international companies file more often it will increase the costs of maintaining freedom to operate in NZ. 	<ul style="list-style-type: none"> Limited reduction in attorney fees associated with filing – attorney is only interacting with single office of filing and single application form but all other costs remain. Reduced attorney and official maintenance fees. Possibly more enforceable right (if specialisation argued) (IPO certification mean Australian examination is more stringent). Lower filing and renewal costs for dual applications. More likely to file in NZ – it will be somewhat easier to file a dual application, but it is not clear that this will be a substantial lure for international companies as NZ is a small market and the costs are not high at the moment, and their Australian attorney can already file here.
Australian and International business	Ongoing		

4. New Zealand attorneys are against the proposals

We have not been asked to come to a view about the opposing views on the proposal from officials and the patent attorneys but, rather, note the views for completeness. Our general perspective is that there is likely to be a stronger patent attorney profession in Australia simply because it is a larger market with a higher proportion of product in the advanced manufactures and other IP intensive areas than New Zealand. As a consequence, its formal and informal networks will be stronger and, over time, its competitive position will continue to strengthen.

4.1 On trademarks ...

The views of the attorneys are negative on the issue of a trans-Tasman mark. As an example of the comments in the interview notes, one attorney said that he would counsel against getting a trans-Tasman mark because there would be more room for other firms to attack the registration, rendering the mark unusable. In contrast, a single country registration is sheltered from an attack in the other jurisdiction. For example, international firms often use trademark watching services in Australia, but not New Zealand as the market is too small to justify the cost. These companies then oppose registration of similar brands to their own.

Officials challenge this view expressed by attorneys and we have no evidence to support either view. However, it is clear that any business that seeks to expand in Australia will face a range of entry barriers, including a higher level of commercial aggression that New Zealand firms are used to.

New Zealand attorneys see another cost to the New Zealand economy is the competitive disadvantage of New Zealand patent attorneys. New Zealand attorneys cannot market themselves as Trademark Attorneys under the proposed joint regulatory regime for the profession, but Australian attorneys can. This is a well recognised term internationally. If a New Zealand trademark can be easily obtained by an Australian Trademark Attorney, international companies are more likely to use this option. They are likely to be more familiar with Australian attorneys (where they file more trademarks).

New Zealand attorneys are likely to have a cost advantage, but the cost of marketing may outweigh the advantage. It is also unlikely to be something multinationals exert effort to seek out, given the relatively small costs of Australasian IP protection (compared to Europe, the United States or Japan for example).

4.2 The patent attorney profession will shrink?

IPONZ has a strong view that the specialisation in patent examination is needed for survival of the office. On the other hand, patent attorneys feel that the proposal will

exacerbate the so-called 'brain drain' with patent attorneys leaving for Australia. Patent attorney firms report that they have difficulty retaining staff because salaries are much higher in Sydney. If this proposal goes ahead, then large international firms are likely to use Australian-based patent attorneys to file New Zealand applications (through the Australian patent office). This is likely for two reasons:

- Australia is a larger market and overseas (and some local) businesses are likely to feel more confident that they can obtain the skills they require to prosecute their patents in a larger market. Overseas firms are more likely to be familiar with the Australian market, because they file almost five times the number of patents there. Some New Zealand businesses already reportedly believe that New Zealand patent attorneys are not qualified to represent them. Australian attorneys already often file their own New Zealand applications rather than instructing a local attorney. However, this does not always flow through to the more complex work associated with litigation or revocations and objections.
- A number of firms reported that Australian attorneys are offering cheap fees to file in New Zealand (in addition to Australia). This seems to be some sort of early discounting to hook new clients, rather than a systematic advantage. The model seems to be that the bulk of work related to patents comes in the prosecution and litigation phases and so discounts for search and filing are recouped in these later periods.

A reduction in international filings will reduce the work variety that New Zealand firms can offer, and therefore further reduce the attractiveness of New Zealand to patent attorneys.

There are a variety of business models evident in New Zealand patent attorney firms:

- Some firms focus on representing local clients, which tend to be small businesses; these clients are likely to wish to retain local representation. There are also a small number of large New Zealand firms that retain New Zealand attorneys.
- Some firms have a greater proportion of international work, often around 50-60%, for companies wishing to file into New Zealand and sometimes Australia. It is this work that is at risk of moving to Australia.
- One firm reported that they have leveraged the lower salaries of New Zealand patent attorneys and represent overseas clients in overseas jurisdictions.

There is no empirical ideal size for a workforce; generally competitive forces should be left to determine this. However, we did hear the sentiment from business that it is difficult to describe and conceptualise an invention over the phone – so the ability to meet is valuable. Some businesses felt that the talent pool for their specific technology in New Zealand is already small (limited to two-three attorneys).

There are 149 fellows of the NZ Institute of Patent Attorneys, which represents almost all of the attorneys practicing in New Zealand. As a comparison, as at 30 June 2010, there were 11,223 current practising certificates for barristers and solicitors.

Obtaining patent attorney services in New Zealand may increase in cost for the following reasons:

- International work is generally more profitable than local work. To the extent that there is currently a larger gross contribution, local fees will rise.
- If there are no New Zealand based attorneys with a particular expertise, businesses may have to employ an Australian firm. Australian patent attorneys cost around 20-30% more for routine filing, 40-50% more for contentious work.²⁰
- One further issue that was raised by a number of patent attorneys and one business was that having a national patent office is an issue of sovereignty. A patent is a Crown grant and as such should be granted by a national organisation, not an Australian one. There was some concern that the eventual goal is to delegate patent granting to Australia.

The Australian economy is likely to gain more from the proposal, as the available work is likely to skew toward Australian patent attorneys.

4.3 Officials' view

Officials note that the amalgamation of the training of patent attorneys will mean that, over time, there will be an evenness of training. They also challenge the analysis of the competitive position of the profession and see it as likely that there will be a price response and a price fall. They point to the current relatively closed nature of the profession and feel that the greater openness to competition will be beneficial.

²⁰ We also heard examples of two Australian firms charging more than three times what a New Zealand attorney would charge for a similar application (not allowing for the exchange rate).

5. Conclusion

As indicated earlier, our findings are equivocal. Neither of the proposals to harmonise trans-Tasman Intellectual property analysed in this paper are a priority for business. There are some small benefits and some possible risks.

A trans-Tasman trademark register has the risk of potentially raising costs, and will save a relatively small amount of money, for the small group of businesses who do want a trans-Tasman trademark. However, MED has a strong view that there are other benefits from a regional trademark.

A single patent examination is unlikely to provide substantial cost savings to New Zealand businesses, and there is the potential risk if it results in a delay to prosecution of a New Zealand patent.

The proposal is largely aimed at harmonising processes. IPONZ has arguably achieved the most significant efficiencies available in this area. IP Australia stands to gain a lot more if it can achieve the operational efficiencies which are probably necessary to meet New Zealand service levels.

The most significant group of beneficiaries is likely to be overseas businesses applying for dual patents. However, it is not the cost of patenting in New Zealand that drives their current behaviour, as New Zealand is a relatively low cost jurisdiction already.

The value of patents generally comes from a wider portfolio than just Australia and New Zealand. One business we spoke with suggested a minimum of 'half a dozen'. All businesses talked about seeking protection in major markets and where their main competitors operate. This suggests that the best way to achieve benefit from this proposal might be to leverage any agreement on quality or operational efficiencies to these more significant markets, if that would reduce the international backlog of applications. However, this is outside the brief of this cost benefit analysis.

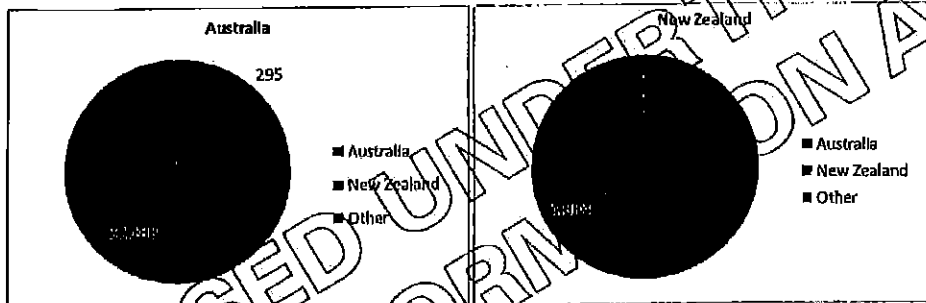
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Appendix A: Statistical overview

A.1 Patent statistics

In 2008, 5,724 patent applications were filed in New Zealand. Of these, 271 originated in Australia and a further 4,197 were from other foreign residents. In Australia, 26,346 applications were made, of which 272 originated in New Zealand and 23,253 outside Australasia. While it is not possible to categorically determine the proportion of applications that were made in both countries, it is probably reasonable to assume that a significant proportion of those applications made by non-residents in New Zealand were also made in Australia.

Figure 2: Applications for patents by office by origin, average for 2004-08



In 2008, the latest year for which comparable data is available, 89.3% of applications for patents in Australia were made by non-residents, in New Zealand the figure was 78.1%. The proportion of non-resident grants that were made is even higher, with 92.2% of Australian grants and 86.6% of New Zealand grants of patents being for non-residents. Resident patent applications are less likely to be successful, perhaps because non-resident applications have already been 'tested' in another intellectual property office in the home of the applicant.

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Figure 3: Australian patent applications by resident and non-resident

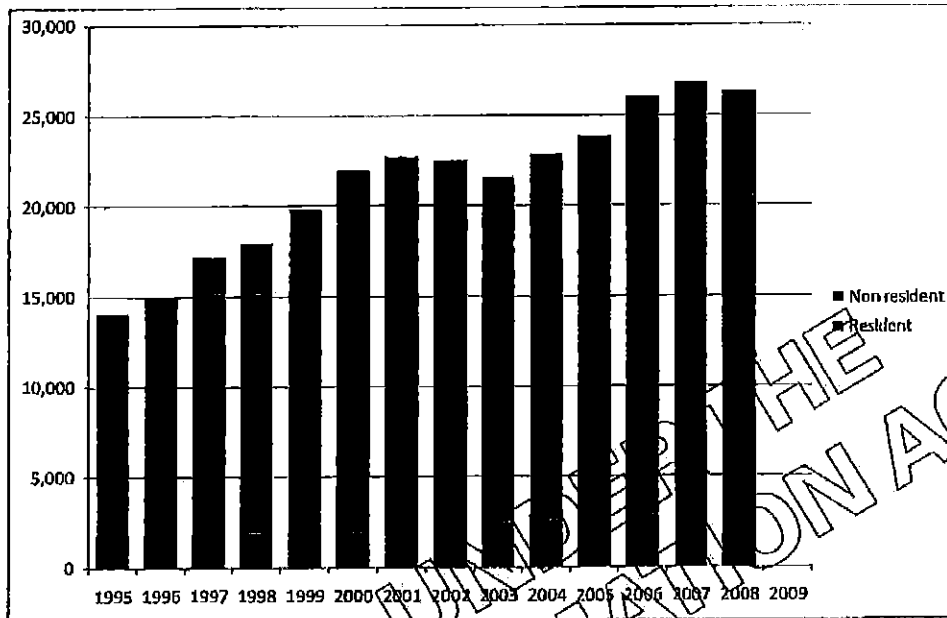
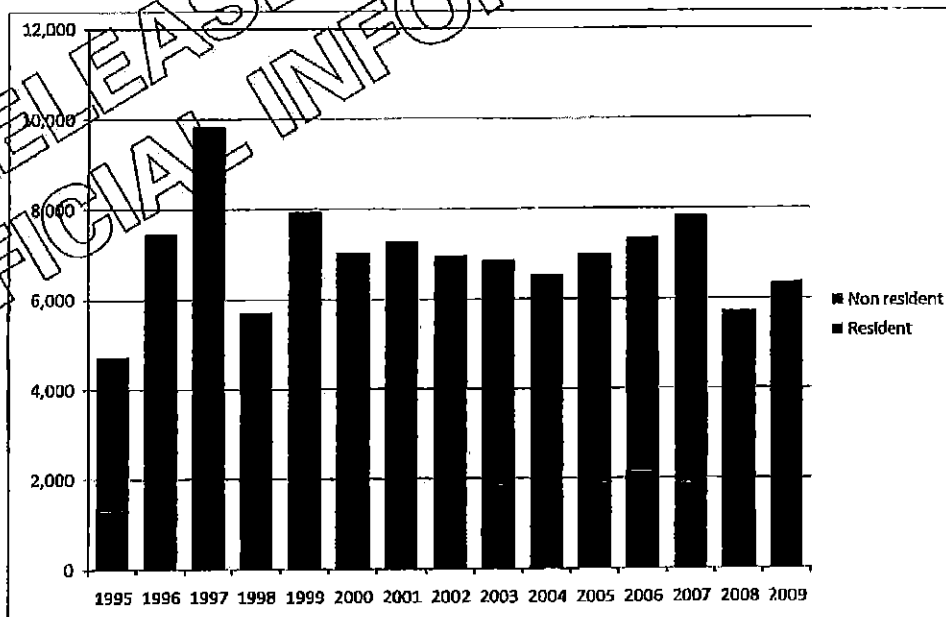
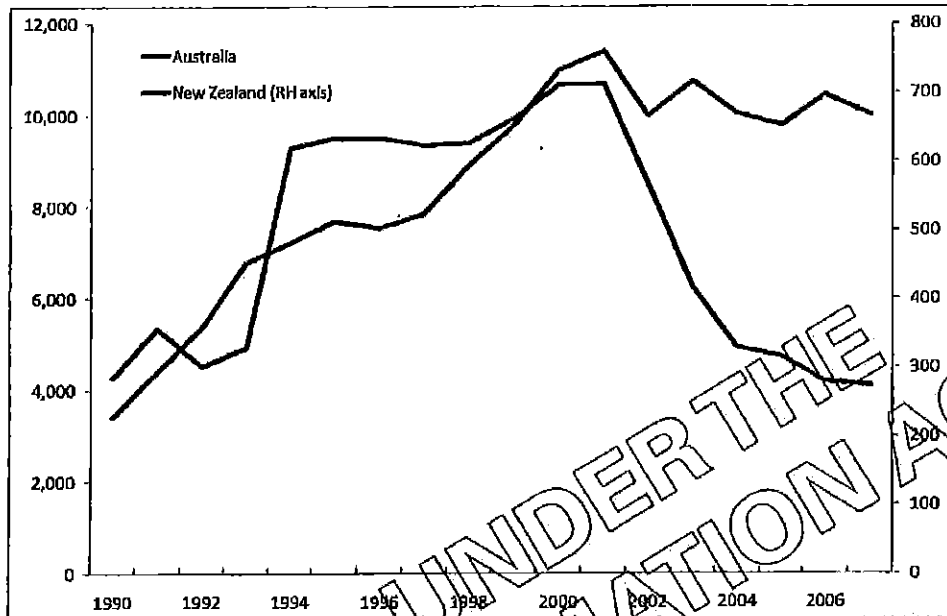


Figure 4: New Zealand patent applications by resident and non-resident



Applicants can file their patents in multiple countries leading to some applications being counted more than once in the WIPO statistics by country of origin or office. To give a clearer measure of activity, WIPO has developed a measure it calls 'patent families' in which a set of patents with some interlinking feature, such as priority claim, PCT national phase entry, continuation, continuation in-part, addition or division.

Figure 5: Patent families by country of origin

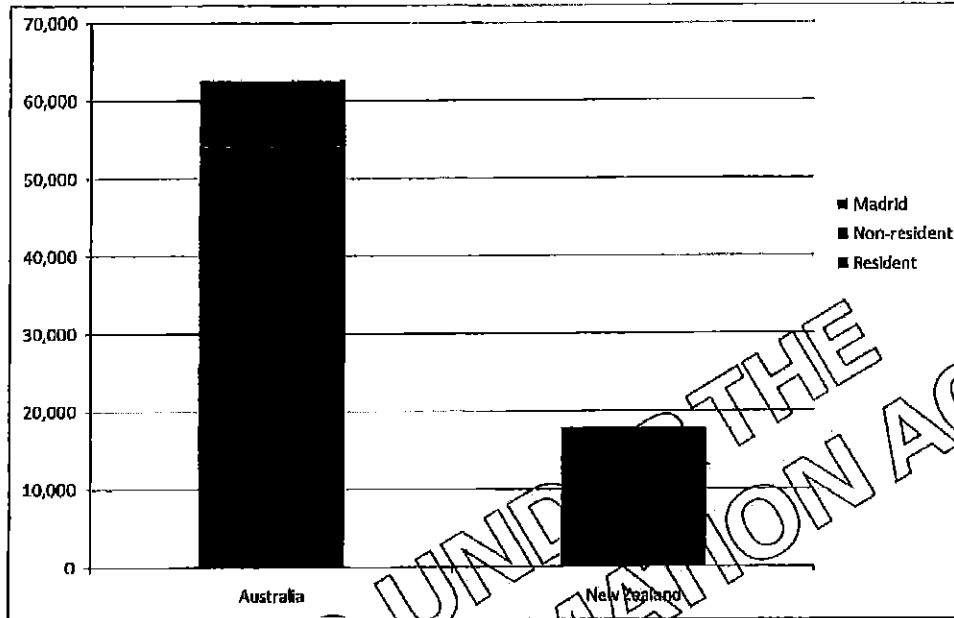


A.2 Trademark statistics

In 2008, 59,370 trademark applications were made in Australia, of these 38,381 were from Australian based businesses, 899 from New Zealand, and the remainder (20,090) were other international applicants. Of the other international applications, approximately 50% were through the Madrid process. This is a relatively high proportion compared to earlier years. The most likely explanation for this is that direct international filings plummeted in 2007 during the global recession, dropping 45% compared with the previous year.

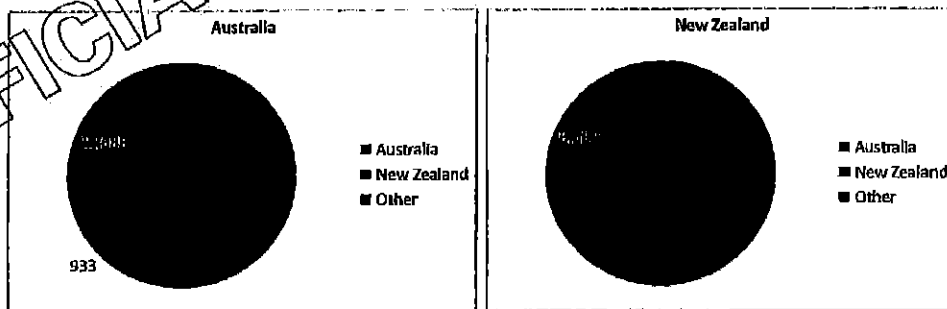
In New Zealand, 17,582 applications were made in 2008, with 8,330 of these being local, 2,515 originating in Australia, and 6,737 other overseas applicants.

Figure 6: Trademark applications in Australia and New Zealand



Australian applications are much more skewed toward local businesses. Coincidentally, the split between Australasian applications and other international applications is the same for Australia and New Zealand. Both received on average 37% of their trademark applications from outside Australasia. However, New Zealand received an average of 13% of its applications from Australia (and 50% from local businesses), whereas in Australia only 1% of applications are from New Zealand (and 62% local).

Figure 7: Average applications for trademarks by office by origin, 2004-08



Appendix B: Interviews completed²¹

Interviews

	Businesses
Paul Davies	EverEdge IP
John Monk	Uniservices
Carolyn Green	Fonterra
Mark Hildesley	Fisher and Paykel Appliances
Richard Johnston	Gallaghers Group
Neville Queree and Cath Andrews	IRA
Catherine Beard	Business NZ
Ralph Cooney	Advance materials network
	Patent Attorneys
Ian Finck and Carl Wells	James and Wells
Penny Galley and Julia Ballance	Baldwins
Matt Adams	AJ Park
Frank Callus	Henry Hughes
John Terry	Ellis Terry
Sheana Wheeldon	Kensington Swan
Elsbeth Buchanan	PL Berry
Tom Robertson and Coljin Woodroffe	Pipers

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²¹ We spoke with other business people who were unable to give us the time to complete a full interview. We have not listed these here.

IP Office staff

Ross van der Schyff, Simon Gallagher and Liz
Francis

IPONZ

Kieran Power and Kumudu Ramasundara

IP Australia

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Appendix C: Questionnaires

Introduction

Australia and New Zealand are working towards harmonising trans-Tasman intellectual property law. We are undertaking research for the New Zealand government on the potential costs and benefits of a single examination model for patents and a common trans-Tasman trademark register.

It is intended that eventually a patent filed in one country may be examined in either IP office (e.g. an Australian application could be examined in New Zealand or in Australia); if applications are filed in both countries, one examiner would examine both applications (to the national laws), issue two examination reports if required, and two separate patents would be granted. While it is intended that there be a phased approach to this outcome, it is this model that we are analysing.

For the trademark regime, the proposal is that there be a trans-Tasman register of trademarks in addition to the existing national registers. An applicant could choose to apply for either a national or trans-Tasman trademark. A trans-Tasman trademark would be equally enforceable in both countries.

Aim of interviews

We are undertaking interviews with a select group of patent attorneys and businesses with the purpose of determining their perspectives on the likely costs and benefits of these changes to New Zealand businesses. This will include understanding:

- The importance of IP protection to New Zealand businesses.
- The extent to which existing rules make it more difficult for New Zealand firms to do business in Australia, and/or for foreign firms to do business here, and hence to which these proposals will change how people do their business.
- The potential effects of the proposed single examination model on the time, cost, and quality of patent examination in New Zealand.

Patent attorney questions - patents

1. Can you please outline the type of intellectual property work you do, including the fields of technology and whether your business is predominantly from New Zealand companies or overseas companies?
2. What effect will there be from a single examination model on the work that patent attorneys do in terms of both volume and scope?
3. What work is involved in customising applications for each jurisdiction?
4. How do companies organise patent attorneys in New Zealand and Australia in your experience? What features of the company or its intellectual property strategy drive this?
5. How long does it take to get a patent – do you think this will decrease or increase? How important is that?
6. How will this proposal benefit New Zealand businesses? Why?
7. How will this proposal benefit Australian businesses, and / or other overseas businesses? Why?
8. How do you think that this proposal will have any effect on the quality of patent examination for grant of a New Zealand patent? Why?
9. What disadvantages do you consider this proposal brings?
10. Would you like to make any other comments on the proposal for a single examination of trans-Tasman patent applications?

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Patent attorney questions - Trademarks

1. Can you please outline the type of intellectual property work you do, including the fields of technology and whether your business is predominantly from New Zealand companies or overseas companies?
2. To what extent do New Zealand firms apply for trademark registration in Australia as well as here?
3. What effect will there be on the work that patent attorneys do in terms of volume and scope?
4. What work is involved in customising applications for each jurisdiction?
5. How do you think that this proposal will benefit New Zealand businesses? Why?
6. What disadvantages do you consider this proposal brings?
7. Would you like to make any other comments on the proposal to have a single trans-Tasman trademark register?

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Companies

1. Can you please describe your business in terms of the main fields of technology you operate in, whether your focus is export or domestic markets and approximate annual turnover?
2. How significant is IP protection for your business? Do you use trademarks or patents?
3. What countries do you formally protect your IP in?
4. How do you decide to in-source / outsource advice? Do you employ in-house IP specialists and/or external sources such as law firms, patent attorneys or other types of advisors? Do you employ IP specialists in New Zealand only or in other countries where you protect your IP?
5. What causes IP frustrations and costs for your business?
6. What costs do differences in trans-Tasman regimes for patents and trademarks impose on your business? Please explain/give examples if you can.
7. What, if any, changes would it make to the way you operate if you were able to apply for patent protection in Australia and New Zealand by using a single patent application?
8. What, if any, changes would it make to the way you operate if you were able to register a trade mark on a trans-Tasman register using a single application and paying one fee to obtain an equally enforceable trade mark right across Australia and New Zealand?
9. What do you see as the benefits to your business of IP protection?
10. What do you see as the benefits to your business in having an enforceable trans-Tasman trade mark right?
11. Do you have any experience of problems with the quality of patent examination in New Zealand? If so, do you think this proposal will address those problems? *(NB for interviewer: there is some suggestion that the examination quality will improve with Australian examiners broader experience).*
12. Do you have any experience of problems registering and / or enforcing your trade marks in Australia compared to New Zealand?
13. What are the wider benefits to New Zealand businesses from this proposal? What about overseas companies?
14. What are the wider benefits to New Zealand business from having the ability to register and enforce their trademarks across Australia and New Zealand?
15. What are the disadvantages to businesses (either in New Zealand or Australia or elsewhere) from this proposal?

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16. What are the disadvantages to businesses (either in New Zealand or Australia or elsewhere) from the proposal to provide a trans-Tasman trademarks register?
17. Which is more important to your business, obtaining a trade mark registration in New Zealand, Australia, across Australia and New Zealand, or elsewhere?
18. Are there any other comments you would like to make about the proposal for a single examination model for patents / or / a joint trans-Tasman trade mark register?

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