

Select Committee report of New Zealand Bill

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The Parliamentary Commerce Select Committee issued its report on the Patents Bill on 30 March 2010. For a copy of the report, go to (http://www.parliament.nz/NR/rdonlyres/B6E4F834-C47A-426A-86B8-F573ED4F5E04/132519/DBSCH_SCR_4679_PatentsBill2352_7434_1.pdf)

The Patents Bill is designed to replace the Patents Act 1953. The Bill aims to modernise the New Zealand patent system. It is also an objective of the Bill to provide appropriate incentives for innovation and technology transfer.

Submissions on the Bill closed on 2 July 2009. Written submissions were received from over 60 individuals, New Zealand companies, IP firms and industry associations. Over July and August 2009, the Commerce Select Committee heard oral presentations from around half of the submitters.

The Committee worked through the submissions with officials and has now issued a report with recommended changes to the Bill. The Patents Bill will have its second and third readings in Parliament. Further changes could still be made to the Bill before it becomes law. A new Patents Act replacing the Patents Act 1953 should be in force by December 2012.

This article discusses the main points covered in the Select Committee report.

Patentable inventions

Under the Bill, an invention is a patentable invention if it:

- is a manner of manufacture;
- is novel;
- involves an inventive step;
- is useful; and
- is not otherwise excluded from patentability.

Exclusions from patentability

The Bill excludes from patentability any invention where commercial exploitation of the invention is contrary to public order or morality. The Bill further excludes:

- human beings, and biological processes for their generation;
- methods of medical treatment of human beings;
- methods of diagnosis practiced on human beings; and
- plant varieties.

Further guidance on public order and morality

The Committee recommends an amendment to the Bill to provide guidance when commercial exploitation of an invention could be considered contrary to public order or morality. Further, the view of the Committee is that commercial exploitation of the following inventions should be considered contrary to public order or morality:

- processes for cloning human beings;
- processes for modifying the germ line genetic identity of human beings;
- inventions that use human embryos for industrial or commercial purposes; and
- processes for modifying the genetic identity of animals that is likely to cause them suffering, or an animal resulting from such processes.

Computer programs

The Committee recommends an amendment to exclude computer program inventions from patent protection. The Intellectual Property Office of New Zealand (IPONZ) has granted patents for computer program inventions for over a decade. In 2002 the Ministry of Economic Development (MED) consulted widely with ICT companies with a discussion paper on the Patents Act 1953. Most submitters that commented on software protection wanted to retain patent protection for software. And the Bill, as introduced, included the patentability of software.

However, while considering the Bill, the Committee heard from several submitters calling for the specific exclusion of computer software from patentability. Many submitters argued there can be no ‘inventive step’ in software development as all ‘new’ software builds on existing software. The Committee agreed with those submitters who felt that software patents can stifle innovation and competition, and can be granted for trivial or existing techniques. The Committee tried to single out ‘embedded software’ as being patentable subject matter. Embedded software is defined by the Committee as computer software that plays an integral role in the electronics with which it is supplied. Examples include software that is used in or to control cars, pacemakers, telephones and washing machines.

But the Committee decided that developing a clear and definitive distinction between embedded and other types of software was too hard. It has recommended a blanket exclusion for computer programs that arguably also excludes embedded software from patent protection. Having recommended a blanket exclusion, the Committee delegated the unenviable task to IPONZ to develop guidelines that allow for the patentability of inventions containing embedded software.

If the software exclusion remains in the Bill and becomes law, it will be interesting to see what effect it has on software patenting in New Zealand. At present, IPONZ allows most of the different types of claims that applicants use to protect software and computer-implemented business methods. Protectable aspects have traditionally included:

- the flow of the software on execution;
- a computer system in which the software is executed; and
- the software code either when stored on a storage medium or carried in a data signal; and
- related data structures either when stored on storage medium or carried in a data signal.

It is likely the exclusion will apply to patent applications filed under the new regime directed to the last two of these categories of software claims.

Interests of Maori

The Bill seeks to provide adequate incentives for innovation and technology transfer while ensuring that the interests of Maori (the indigenous people of New Zealand) in their traditional knowledge, and indigenous plants and animals are protected.

The Committee does not appear to recommend any changes to the provisions in the Bill that would establish a Maori Advisory Committee. It is possible that these provisions will be reviewed once the Waitangi Tribunal has released its report on the enquiry into indigenous flora and fauna and cultural intellectual property (WAI 262). The Bill provides as follows:

- the members of the Maori Advisory Committee are appointed by the Commissioner of Patents;
- the Maori Advisory Committee is to advise the Commissioner (on request) on whether
 - an invention is derived from Maori traditional knowledge or from indigenous plants or animals; and
 - if so, whether commercial exploitation is likely to be contrary to Maori values;
- the Commissioner is not bound by advice given by the Maori Advisory Committee;
- the Maori Advisory Committee may regulate its own procedure, subject to any direction given by the Commissioner.

The Committee heard submissions on many aspects of the Maori Advisory Committee. Some submitters were concerned that the Commissioner of Patents will appoint its members. Others felt that the granting of all patent applications should be done in partnership with the Maori Advisory Committee. A further concern was that the Commissioner will not be bound by the Maori Advisory Committee, which will only provide advice to the Commissioner.

Third party challenge

The Bill provides several processes for third party challenge to a patent application or patent. These are:

- opposition before grant;
- re-examination before grant;
- assertion before acceptance;
- revocation before the Commissioner or Court; and
- re-examination after grant.

Opposition

The Bill as introduced would have abolished the currently available opposition. The opportunity for opposition before grant was seen as being unnecessary, given the new tougher examination standards and the new procedure for re-examination the Bill would introduce.

Many submitters were concerned about the proposed removal of pre-grant opposition. They argued the ability to oppose a patent before grant is useful.

The Committee has recommended retaining a pre-grant opposition procedure. Under the amended Bill, any person will be able to oppose grant of a patent before grant on one or more of the following grounds:

- the invention is not a patentable invention;
- the nominated person is not entitled to the patent;
- the complete specification does not meet the requirements for patent specifications;
- there has been fraud, false suggestion or a misrepresentation by the applicant;
- the invention was secretly used in New Zealand; and
- grant of the patent would be contrary to law.

No timeframes are specified in the Bill about when an opposition can be filed. Under the current Act an opposition can be filed within three months (extendible by one month) from the date of publication of acceptance of the patent application. Hopefully, this will be clarified before the Bill becomes law.

Re-examination before grant

The new Bill provides that any person may file a request to have a patent application re-examined. The request must be filed on or after publication of acceptance and before grant.

The grounds for re-examination will be the same as the grounds of opposition discussed above. The difference is that re-examination will not give the party making the request:

- a right to be heard in relation to the re-examination;
- any other right to participate in the re-examination proceeding; or
- a right of appeal to the Court against any decision of the Commissioner on re-examination.

Assertions before acceptance

Under this provision, any person will be able to make an assertion that an invention lacks novelty and/or an inventive step, likely in view of asserted prior art. The assertion must be made on or after the complete specification becomes open to public inspection.

The Committee recommends the Bill be amended so that the assertion must be made before publication of acceptance.

Revocation of patent

Any person can apply to the Commissioner or the Court to revoke a patent on any one of several grounds. These are essentially those on which grant of a patent can be opposed, listed above (*with minor changes*).

Re-examination after grant

The Bill proposes that any person can request re-examination of a patent after grant, on the same grounds set out above for revocation. As for re-examination before grant, a person who requests re-examination after grant:

- has no right to be heard in relation to the re-examination;
- has no other right to participate in the re-examination proceeding after the request is made; and
- has no right of appeal.

The patentee has an opportunity to amend the patent specification in response if necessary.

Infringement

Under the Bill, a patent gives the patentee the exclusive rights to exploit the invention and to authorise another person to exploit the invention. A person infringes a patent if, other than under a licence or with the consent or agreement of the patentee, the person does anything within New Zealand that the patentee has the exclusive right to do.

The Bill would provide experimental use and spring boarding exceptions to infringement and introduce a new provision for prior use rights and grant of compulsory licences for export of pharmaceutical products.

Contributory infringement

The Bill introduces a statutory provision for ‘contributory infringement’, although this term is not used in the provision. Under the Bill infringement would occur where a person (A) supplies, or offers to supply, within New Zealand, another person (B) with means relating to an essential element of a patented invention, for putting the invention into effect.

There is a requirement that (B) would infringe the patent by putting the invention into effect.

There is a further requirement that (A) knows, or ought reasonably to know, that the means are suitable and intended by (B) for putting the invention into effect. If the means is a staple commercial product, there is a requirement for infringement that (A) supplies the means, or offers to supply the means, for the purpose of inducing (B) to put the invention into effect.

For example, where a patent claims a new method for controlling fungal diseases in apples by spraying a known fertiliser Z onto plants, and company (A) supplying apple orchardists (B) with the fertiliser, can prove that the fertiliser is a staple commercial product, then the supplier (A) being a contributory infringer of the method claim, would not infringe. Supplier (A) would need to ensure that in any advertising or labelling it has not directed the orchardist (B) to use the staple fertiliser for controlling fungal diseases as claimed in the patent.

Product by process

The Bill also provides that if a claim is to a process for obtaining a new product, the same product produced by an unauthorised person is presumed in an infringement proceeding to have been obtained by that process. It is up to the defendant to prove the contrary.

Experimental use exception

The Bill provides that it is not an infringement of a patent for a person to do an act for experimental purposes relating to the subject matter of an invention.

The Bill as originally drafted included the proviso that the ‘act did not unreasonably conflict with the normal exploitation of the invention’. The Select Committee recommends removal of this proviso so that experimental use will be permissible even if it does conflict with the normal exploitation of the invention. The Bill defines experimental purposes as including:

- determining how the invention works;
- determining the scope of the invention;
- determining the validity of the patent claims; and
- seeking an improvement of the *invention (for example, determining new properties, or new uses, of the invention)*.

Regulatory exemption – spring boarding

The Bill provides that it is not an infringement of a patent for a person to make, use, import, sell, hire or otherwise dispose of the invention under certain circumstances. These circumstances include uses reasonably related to developing and submitting information required under any law that regulates the manufacture, construction, use, importation, sale, hire or disposal of any product, whether in New Zealand or elsewhere.

Prior use rights

The Committee recommends inserting a new clause providing an exception for statutory prior use rights against infringement, particularly for the benefit of persons who exploit their inventions as trade secrets. The intention is to allow such persons to continue using an invention, even if another person or company gets a patent for the invention.

Compulsory licences for export of pharmaceutical products

The Select Committee recommends a further provision for compulsory licensing for export of patented pharmaceuticals under certain conditions. The intention is to assist, in particular, developing countries that face serious public health problems and have little or no capacity to manufacture pharmaceuticals.

These compulsory licence provisions apply only to patents for a pharmaceutical product or a process for making a pharmaceutical product. Pharmaceutical products captured include a medicine or vaccine or

active ingredient or a diagnostic kit needed for the use of a medicine or vaccine. The product must address a serious public health problem in one or more overseas countries. Examples include an actual or imminent epidemic of, for example, HIV/AIDS, tuberculosis or malaria.

Patent procedure

There are also some proposed changes to patent application procedure before the Intellectual Property Office of New Zealand. These include:

- examination by request;
- new procedures for filing divisional applications;
- new procedures for information disclosure requirements; and
- altered timeframes for putting applications in order for acceptance.

Request for examination

It will in future be necessary for a patent applicant to request examination and pay a fee. This is a departure from previous practice where examination of most New Zealand originating applications occurs automatically within four weeks and examination of most foreign originating applications occurs automatically within two to four years. The aim is to avoid IPONZ examining patent applications that an applicant no longer wishes to pursue.

Divisional applications

Under the present Act it is possible to file a divisional application at any time before acceptance of a patent application. The Committee recommends additional restrictions on divisional filing practice.

Duty to inform the Commissioner of search results

The Bill, as originally proposed, would require **all** applicants to inform IPONZ of the results of any documentary searches by, or on behalf of, a foreign Patent Office about a corresponding patent application. The Committee recommends that an applicant must provide the search results only on request by the Commissioner. However, it will remain to be seen under the new Act whether a request for search results is routinely made on every application.

Transitional arrangements

The validity of patents granted under the current Act will generally be judged under the existing law. Patent applications made under the old Act will generally continue to be dealt with under that Act even after the new Act commences. However, the new Act will apply if a complete specification is filed after the Act has commenced, or if an application is post-dated to a date after the Act has commenced. Where a divisional application is filed out of a patent application dealt with under the old Act, then the divisional application will still be dealt with under the old Act.

PCT applications which enter the New Zealand national phase before the new Act commences will be dealt with under the old Act. Where national phase entry is made after the new Act commences, the application will be dealt with under the new Act.

Patent attorney regulation

The Bill as introduced included many clauses on regulation of the patent attorney profession. The Committee has taken advice that development is underway towards a single trans-Tasman framework for qualification, registration and regulation of patent attorneys, which may quickly make the existing provisions in the Bill out of date. This has been signalled by the Governments of both New Zealand and Australia. To avoid delay enacting the rest of the Patents Bill, the provisions of the Bill relating to patent attorneys have now been removed from the Patents Bill.