



24 May 2012

New Zealand Productivity Commission
PO Box 8036
The Terrace
Wellington 6143

By email: transtasmanreview@productivity.govt.nz

Dear Sir/Madam

Productivity Commission Investigation into Strengthening Economic Relations between Australia and New Zealand

Introduction

1. The New Zealand Law Society (Law Society) welcomes the opportunity to comment on the Australian and New Zealand Productivity Commissions' joint issues paper on *Strengthening economic relations between Australia and New Zealand*, April 2012 (issues paper).

Summary of submission

2. This submission focuses on intellectual property law considerations raised by the issues paper, in particular by the discussion under the heading "Knowledge transfers" above question 31 on page 31.
3. Question 31 asks: **How could Australia and New Zealand enhance the creation and transfer of knowledge between the two countries to mutual benefit?**
4. In the discussion about question 31, there is a suggestion that possible areas "where knowledge creation and flows could be enhanced through a trans-Tasman integration agenda" could include "introducing a single regulatory framework for patents and trademarks".
5. The Law Society believes that introducing a single trans-Tasman regulatory framework for patents and trademarks would not enhance the creation and transfer of knowledge between the two countries, for the reasons discussed below. Moreover, introducing a single trans-Tasman regulatory framework for patents and trademarks could create legal and practical difficulties. These difficulties were discussed in two recent papers in the journal *Intellectual Property Forum*, and are summarised in Appendix 1.
6. The Law Society believes that any decisions regarding the introduction of a single trans-Tasman regulatory framework for patents and trademarks should be preceded by a dedicated, thorough and robust process of policy development, including public consultation.

Discussion

Trade Marks

7. The primary purpose of a trade mark is to distinguish the goods and/or services of one trader from those of another. The benefit to a trader is that a successful brand is an incentive for its customers to buy its products. The benefit for customers is that they can rely on the brand for quality assurance and can seek redress if something goes wrong.
8. Those trade mark roles have no direct effect on enhancing or transferring knowledge, irrespective of where the creation or transfer might occur. It is difficult therefore to see how a single trade mark regulatory framework would have any effect on enhancing the creation or transfer of knowledge between Australia and New Zealand.

Patents

9. A patent is an economic tool intended to encourage investment in innovation through commercialisation of inventions. The theoretical basis for this is discussed in a New Zealand Treasury paper:¹

“Another characteristic often attributed to knowledge is non-excludability. Non-excludability means that once a good has been created, it is impossible to prevent other people from gaining access to it (or more realistically, is extremely costly to do so).

...

If knowledge is not perfectly excludable, others can benefit from the knowledge other than the creator. The knowledge “spills over” to others – a positive externality. This outcome is good from a social point of view, because the benefit to society as a whole outweighs the loss of potential economic rents the creator could have made from keeping the knowledge to herself (because knowledge is non-rival). However, the creator’s ex post inability to capture enough of those rents will diminish the incentive to invest in developing knowledge in the first place.”

10. Patents give a knowledge creator the “ex post ability to capture enough of the rents” so as to be incentivised “to invest in developing knowledge in the first place”. Thus, patents do have a role in enhancing the creation and transfer of knowledge.
11. Australia and New Zealand each have their own patent law that establishes patent eligibility requirements and mechanisms to ensure that only patents that meet these requirements are granted and are enforceable. The patent laws also provide the legal framework for the transfer of patent rights.
12. One part of the patent bargain is that, in return for the patent exclusivity, the patentee must disclose the patented invention. Under the existing patent law in New Zealand and the previous law in Australia, publication of the invention did not occur until after a patent application had been accepted.² Under current Australian law and the pending New Zealand Patents Bill, patent applications are published 18 months after filing even if they have not been accepted.

¹ *Innovation and Productivity: Using Bright Ideas to Work Smarter*, New Zealand Treasury Productivity Paper 08/05, April 2008, at 11 –12: <http://www.treasury.govt.nz/publications/research-policy/tprp/08-05>.

² A patent application is “accepted” after it has been examined and found to be eligible for a patent.

13. Both countries' separate legal regimes for patents already allow for the diffusion and transfer of knowledge both within and between the two countries. There is, therefore, no need to introduce a single trans-Tasman regulatory framework for patents for the purpose of enhancing the creation and transfer of knowledge between the two countries.
14. Moreover, significant difficulties have been identified in establishing a single trans-Tasman regulatory framework for patents. The difficulties are outlined in Appendix 1.

Recommendations

15. The introduction of trans-Tasman regulation of trademarks and patents is a complex issue that requires careful consideration and debate. Any decisions having long-term implications for the region should be principled and based on empirical research and data. A dedicated and thorough policy development process, including public consultation, is needed before any decisions are taken around the introduction of a single trans-Tasman regulatory framework for patents and trademarks.

Conclusion

16. This submission was prepared with assistance from the Law Society's Intellectual Property Law Committee.

Yours sincerely

Jonathan Temm
President

Appendix 1: Legal and practical difficulties with a single trans-Tasman regulatory framework for patents and trademarks

Appendix 1: Legal and practical difficulties with a single trans-Tasman regulatory framework for patents and trademarks

Trade Marks

1. Potential legal and practical difficulties with a trans-Tasman regulatory framework for trademarks were discussed in *Beyond Harmonisation – The Case for a Trans-Tasman Trade mark Regime*, Intellectual Property Forum, Issue 86, (September 2011), Nura Taefi, pages 11 to 23.
2. This paper lists the differences in the laws of each country. The author observes that the different state of the existing registers is the biggest practical barrier to having a single merged trade mark regime. A single register would contain conflicting registrations – the same mark might be owned by differing entities in each country. It would also compromise some common law rights in unregistered trade marks. The author concludes:

“... there is a potential for a merger of the registers to have serious detrimental effects for the companies whose (registered and unregistered) right in their trade marks in one jurisdiction could suddenly lose their value as a result of the merger. It is also difficult to see how it would be possible to preserve common law rights in existence prior to the merger.”
3. The author then suggests the establishment of a trans-Tasman trade mark register that would co-exist with the existing registers. Although such a regime would complicate rather than simplify the existing one, it would have the advantage of introducing gradual change while not compromising current registered and common law rights.

Patents

4. Potential difficulties with a trans-Tasman regulatory framework for patents were discussed in *The “ANZAC” Patent – A Bridge Too Far?* Intellectual Property Forum, Issue 82, (September 2010), Gareth Dixon, pages 41 to 53.
5. This paper explores the possibility of a trans-Tasman patent regime modelled on either the existing European Patent Convention (EPC) or the much-debated but never enacted unified Community Patent Convention (CPC) regime. In a CPC regime a single patent would be granted that would be enforceable in all countries that are members of the convention. In the existing EPC system a single European patent is granted, but it is only in force in countries where the patent owner has taken the additional step of registering the patent. After national registration it is treated as a national patent of that country. In addition, the national patent regimes of each of the member countries remain and applicants can choose to seek national patents through a national office.
6. The author considers a CPC-like regime (i.e. a single patent covering both territories) to be preferred over an EPC-like model. However, the author identifies five differences in substantive law that would make a CPC-like regime untenable at the moment.
7. An EPC-like regime (providing for both a trans-Tasman and two national patents) would also not be possible without significant concessions in respect of five problem areas. The five problem areas are:
 - The patentability of computer software – computer programs would be excluded from patents under the Patents Bill in New Zealand but there is no express exclusion in Australia.

- The proprietary rights of indigenous people – there is no express provision in Australian patent law to protect the rights of indigenous people, but there are provisions under the New Zealand Patents Bill to do so (and these may be expanded in response to the Wai 262 report³).
- The patentability of methods of medical, surgical and diagnostic treatment of humans – these are excluded in New Zealand but not in Australia.
- The exclusion of patents for inventions, the exploitation of which would be contrary to morality – there is an exclusion in New Zealand but not in Australia (although there is a government intention⁴ to introduce such an exclusion in future).
- Patent term extensions for pharmaceuticals – these are available in Australia but are not in New Zealand.

8. The author's concludes:

“If any ANZAC system is ever to eventuate, it will need to originate from first principles which address the five major impasses identified earlier.”

“Despite our obvious similarities, we have seen that our two countries operate under appreciably different patent systems, both in terms of substantive patentability criteria and practice. Both systems have undergone an expansion phase and a slight contraction-consolidation phase in accord with the recent global trends. On these bases, it is tempting simply to accept that our two patent systems are each viable as they are.”

³ *Ko Aotearoa Tēnei: A Report into Claims Concerning New Zealand Law and Policy Affecting Māori Culture and Identity*, Waitangi Tribunal, 2010

⁴ *Australian Government Response to Senate Community Affairs References Committee Gene Patents Report*, (November 2011), page 17.