

# Chapter 18

## Trans-Tasman Intellectual Property Coordination

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### 18.1 Introduction

From time to time policy-makers, politicians, judges and business people have suggested that New Zealand and Australia would benefit from having harmonised intellectual property laws, or at least laws that are more harmonised than at present. The purpose of harmonisation ought to be to have a better intellectual property law, in both countries, that is supportive of business, research and development, innovation and creativity. From a regulatory perspective, the key benefits of harmonisation are thought to include a reduction in the amount of, and consequently more effective and efficient, regulation. Regulatory efficiency and effectiveness are keys to improving the business environment leading to a single trans-Tasman economic market. Each area of harmonisation, however, needs to be considered on its own merits. This chapter examines whether and how intellectual property regulatory coordination and harmonisation can deliver benefits for the intellectual property regime and the players within it.

Statements about harmonising intellectual property laws are found in a variety of documents, including submissions made to the New Zealand Parliament in relation to intellectual property law reform. In connection with

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current patent law reform, for example, one submission made to the select committee on the Patents Bill 2008 asserts:<sup>1</sup>

[N]ew Zealand should take this opportunity to harmonise its law with that of its major trading partners. Not only will this encourage pharmaceutical companies to operate, and possibly invest, in the New Zealand market, but it will benefit local innovators.

Another submission discusses the express exclusion for methods of medical treatment in the Bill compared to no similar exclusion in Australia, and comments:<sup>2</sup>

The failure of a coordinated approach in Australia and New Zealand on this issue given the geographical proximity of Australia and New Zealand and the fact that globally they are often seen as the same market is disappointing.

There is already much similarity between New Zealand and Australian intellectual property laws. This similarity is not a matter of coincidence. It is not just that both countries are members of the main international agreements, which shape features of domestic intellectual property law – so too are most of the other countries of the trading world.<sup>3</sup> Both share a common British heritage relating to intellectual property law, including a common court of final appeal which was only dispensed with on the Australian side between 1968 and 1986<sup>4</sup> and on the New Zealand side in

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<sup>1</sup> See, for instance, AJ Park “Submission to the Commerce Committee on the Patents Bill 2008” at 15; Watermark Patent & Trade Marks Attorneys “Submission to the Commerce Committee on the Patents Bill 2008” at 2.

<sup>2</sup> Watermark Patent & Trade Marks Attorneys “Submission to the Commerce Committee on the Patents Bill 2008” at 2.

<sup>3</sup> Both countries are members of the World Trade Organization (WTO) and members of the Agreement on Trade-Related Aspects of Intellectual Property Rights, 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement), Annex 1C, 33 ILM 1197, 1198 (1994), (TRIPS Agreement), which provides for certain minimum standards of intellectual property protection. Both countries are members of the key World Intellectual Property Organisation (WIPO) Agreements, including the Paris Convention for the Protection of Industrial Property (Paris Convention), 14 July 1967 (Stockholm text), 828 UNTS 305 and the Berne Convention for the Protection of Literary and Artistic Works, 24 July 1971 (Paris text), 1161 UNTS 3; 102 Stat 2852. In addition to these treaties, which provide substantive legal standards, both countries are members of WIPO treaties which are about coordination of registration systems. These include the Patent Co-operation Treaty, which provides a mechanism to coordinate the administrative process relating to patents, and the Madrid system on trade mark registration. Australia is a member of the WIPO Copyright Treaty (WCT). New Zealand is not, although arguably its copyright law complies with that treaty. New Zealand has also committed to meet the WCT standards in some of its trade agreements.

<sup>4</sup> Privy Council (Limitation of Appeals) Act 1968 (Cth) (federal and constitutional matters), Privy Council (Appeals from the High Court) Act 1975 (Cth) (remaining appeals from the

2003.<sup>5</sup> Their geographical location (and distance from many other countries) often means that, practically speaking, their consumers and businesses are treated as a single unit by those who deal with them. Both also participate in free trade agreements (FTAs) often with the same third country or countries.<sup>6</sup> Moreover, New Zealand and Australia are, at the time of writing, negotiating a shared agreement known as the Trans-Pacific Partnership (TPP).<sup>7</sup> We also have our longstanding Closer Economic Relations agreement (“CER”),<sup>8</sup> with its various memoranda of business law harmonisation, although so far these have steered clear of urging full-scale harmonisation of intellectual property law.<sup>9</sup> Rather, what has been contemplated is a more mild – apparently – intellectual property “coordination”. More recently, however, the coordination goals have become more in-depth and greater integration is planned. The New Zealand and Australian Governments have a trans-Tasman single economic market (“SEM”) programme, which has evolved out of the CER relationship. As part of the SEM, the governments announced, in 2011, that they have set the following goals in intellectual property law:<sup>10</sup>

- a. one regulatory framework for patent attorneys;
- b. one application process for patents in both jurisdictions;
- c. a single examination for patents (although separate registration);<sup>11</sup>
- d. one trade mark regime; and
- e. one plant variety rights regime.

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High Court), and the Australia Acts 1986 (UK, Cth & States) (remaining appeals from State courts).

<sup>5</sup> Supreme Court Act 2003 (NZ).

<sup>6</sup> See Susy Frankel and Megan Richardson “Limits of Free Trade Agreements – the New Zealand/Australia Experience” in Christoph Antons and Reto Hilty (eds) *Intellectual Property Aspects of Free Trade Agreements in the Asia-Pacific Region* (Kluwer, 2011 forthcoming).

<sup>7</sup> Trans-Pacific Partnership Agreement, currently under negotiation. See New Zealand Ministry of Foreign Affairs and Trade “Trans-Pacific Strategic Economic Partnership Agreement” at [www.mfat.govt.nz/index.php](http://www.mfat.govt.nz/index.php) (last accessed 25 September 2011) expansion of Trans-Pacific Strategic Economic Partnership Agreement (15 June 2005, entered into force 1 May 2006). Other negotiating partners are the Brunei, Chile, Malaysia, Peru, Singapore, United States and Vietnam.

<sup>8</sup> Closer Economic Relations Agreement, Australia-New Zealand (28 March 1983, entered into force 1 January 1983).

<sup>9</sup> See also Susy Frankel and Meredith Kolsky Lewis “Trade Agreements and Regulatory Autonomy: The Effect on National Interests” (ch 15) and Chris Nixon and John Yeabsley “Australia New Zealand Therapeutic Products Authority: Lessons from the Deep End of Trans-Tasman Integration” (ch 17) for a further discussion of the trans-Tasman relationship.

<sup>10</sup> See generally “Single Economic Market” at [www.med.govt.nz](http://www.med.govt.nz) (last accessed 25 September 2011).

<sup>11</sup> See also IP Australia and IPONZ “Integration of Patent Examination between Australia and New Zealand” at [www.iponz.govt.nz/cms/pdf-library/iponz/integration-of-patent-examination-fact-sheet-nz-6-tm.pdf](http://www.iponz.govt.nz/cms/pdf-library/iponz/integration-of-patent-examination-fact-sheet-nz-6-tm.pdf) (last accessed 25 September 2011).

Despite the SEM goals and some commonalities in the law, there are significant areas of divergence between our two laws. For instance, different patentability thresholds, different treatment of medical uses under patent law,<sup>12</sup> and some different grounds for trade mark registration. In New Zealand, for example, the Commissioner of Trade Marks must not register a trade mark that is offensive to Māori.<sup>13</sup> In order to make this determination the Commissioner consults with a Māori advisory committee on registration of culturally offensive trade marks.<sup>14</sup> A similar advisory committee is proposed in the current Patents Bill, but there is no equivalent to this in Australia (nor is it contemplated in Australia's own proposed reforms).<sup>15</sup>

Also, Australia and New Zealand currently have different terms of copyright, different standards of originality,<sup>16</sup> different ownership rules in copyright, different defences to infringement of copyright, different ways of treating parallel imports of copyright material and trade marked goods and different approaches to functional designs. Additionally, when cases get to court further inconsistencies may develop. This happens even where the laws seem on their face to be alike so that in formal terms there is apparent harmonisation, but in substantive terms there is not.

One purpose behind the SEM is a seamless set of regulations for business. One might then ask why harmonisation has not occurred when on its face it might seem to make good business and economic sense. To begin with, despite the commonalities in domestic law that international treaty mechanisms create, as noted above there are many, and significant, differences in the laws of Australia and New Zealand. These differences arise for many reasons and international intellectual property agreements rarely provide for complete harmonisation of domestic legal standards. Rather, they utilise a minimum standards approach. There are different ways to comply

<sup>12</sup> In New Zealand, methods of medical treatment are not patentable, see *Pfizer Inc v Commissioner of Patents* [2005] NZLR 362 (CA) and contrast with *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524.

<sup>13</sup> Trade Marks Act 2002, s 17(1)(b).

<sup>14</sup> Trade Marks Act 2002, s 177. New Zealand's *Toi Iho* label of authenticity was established with relative ease, however subsequently funding has been cut and so its survival is not clear. By comparison in Australia the efforts to establish and then maintain a similar label were fraught with difficulties played out on the public stage, with the governing body eventually disbanded. *Toi Iho* is a registered certification trade mark used to promote and sell authentic, quality Māori arts and crafts.

<sup>15</sup> See Intellectual Property Laws Amendment (Raising the Bar) Bill 2011, and the briefing by Michael Caine, Convenor of the Patents Legislation Committee, and member of the Patent Consultation Group operated by IP Australia, at [www.davies.com.au/pub/detail/486/intellectual-property-laws-amendment-raising-the-bar-bill-2011-introduced-into-the-senate](http://www.davies.com.au/pub/detail/486/intellectual-property-laws-amendment-raising-the-bar-bill-2011-introduced-into-the-senate) (last accessed 25 September 2011).

<sup>16</sup> The standard appears to be higher in Australia: see the Australian decisions *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458 and *Telstra Corp Ltd v Phone Directories Co Pty Ltd* [2010] FCAFC 149. Although prior to these decisions it appeared to be lower, see *Desktop Marketing Systems Pty Ltd v Telstra Corp Ltd* (2002) 55 IPR 1.

with the minimum standard, sometimes resulting in different laws in different jurisdictions.<sup>17</sup> And, countries can, if they wish, provide more extensive protection than the minimum standards. In essence minimum standards often give countries considerable national autonomy over implementation of those standards.<sup>18</sup>

Also, Australia as a result of its prescriptive FTA with the United States (known as “AUSFTA”) has made some important changes to its law in order to comply with AUSFTA and these changes have made Australia’s laws more protective of intellectual property rights than New Zealand’s<sup>19</sup> laws in some aspects (for example, in respect of duration of copyright: life plus 50 years in the case of New Zealand as prescribed by the TRIPS Agreement;<sup>20</sup> life plus 70 years in the case of Australia as prescribed by AUSFTA and as standard in the United States and Europe).<sup>21</sup> A further consequence of AUSFTA was a move in Australia to make up for gaps in AUSFTA’s perceived lack of balance as far as copyright protection especially is concerned, by expanding the limits and exceptions to infringement (resulting, for instance, in the adding of new exceptions for private use, archiving and parody or satire)<sup>22</sup> — but this move equally has no parallel in New Zealand.

In this chapter we discuss some aspects of intellectual property law harmonisation (a matter which we have discussed in an earlier publication).<sup>23</sup> Our main focus, however, will be on the more immediately feasible<sup>24</sup> and already accepted goal of regulatory coordination in the administration of intellectual property law and policy. The two goals are not completely distinct. Harmonisation of laws is potentially an important goal in its own right, but it works in tandem with other areas of regulatory coordination. Other methods of regulatory coordination may, in fact, be premised on a certain level of

<sup>17</sup> See TRIPS Agreement, art 1.1.

<sup>18</sup> This is sometimes called the “umbrella approach”. For a discussion of minimum standards see Susy Frankel “Challenging Trips-Plus Agreements: The Potential Utility of Non-Violation Disputes” (2009) 12 J Int Econ L 1023.

<sup>19</sup> For a more general discussion of the direct and indirect impacts of FTAs on regulatory autonomy see Susy Frankel and Meredith Kolsky Lewis “Trade Agreements and Regulatory Autonomy: The Effect on National Interests” in this volume (ch 15).

<sup>20</sup> See TRIPS Agreement, art 12; Copyright Act 1994, ss 22–24.

<sup>21</sup> Australia-United States Free Trade Agreement (AUSFTA) (18 May 2004, entered into force 1 January 2005), art 17.4; Copyright Act 1968 (Cth), s 33.

<sup>22</sup> See Copyright Act 1968 (Aus), ss 43C (private use), 48–53 (archiving) and 41A (parody or satire).

<sup>23</sup> Susy Frankel and Megan Richardson “Limits of Free Trade Agreements – the New Zealand/Australia Experience” in Christoph Antons and Reto Hilty (eds) *Intellectual Property Aspects of Free Trade Agreements in the Asia-Pacific Region* (Kluwer, 2011 forthcoming).

<sup>24</sup> Regarding the political, economic and administrative feasibility relating to another aspect of trans-Tasman integration, see Chris Nixon and John Yeabsley “Australia New Zealand Therapeutic Products Authority: Lessons from the Deep End of Trans-Tasman Integration” in this volume (ch 17).

commonality between laws. Indeed, cooperation may not be possible unless there is a degree of harmonisation. There is not, for example, much to be gained in coordinating patent examination procedures if the underlying law is too different to make such coordination effective. It might be very difficult to have a single trade mark regime if there is no agreement on what makes a trade mark registrable. Similarly, if there is no cooperation at the institutional level, apparent efforts at harmonisation may ultimately prove ineffectual. Moreover, a background in cooperation may ultimately prove valuable in providing the groundwork and culture in which harmonisation can take place later on. Thus, there can be flow-on effects from coordination at the administrative level and in general it may be a more feasible goal than substantive law harmonisation in the short term (as well as fostering harmonisation where this may be thought desirable further down the line).

There are, however, legitimate questions as to whether full substantive law harmonisation is necessarily desirable in each instance for either New Zealand or Australia — an issue which can raise important economic concerns for each country. Paul Conway of the OECD has said:<sup>25</sup>

An ongoing push for greater regulatory harmonisation, mutual recognition and integrated institutions, where appropriate, would continue to reduce spatial transaction costs between New Zealand and Australia and mitigate the negative impact of economic geography. ... However, as with all significant regulatory changes, it is important that harmonisation initiatives be consistent with New Zealand's own objectives and circumstances.

Examination of these issues also takes us beyond purely economic circumstances of the different economies to the broader social and cultural circumstances. These are very difficult issues to consider.<sup>26</sup> We examine some examples below. We also discuss substantive legal differences, as these need to be understood so that they can be factored into decisions about regulatory coordination. Where substantive differences are important to national policy those differences should be retained, but whether a legal rule amounts to an important matter of national policy needs to be assessed carefully and fully. How such an assessment should take place is something we will analyse further as this project progresses. Arguably, substantive legal differences should not necessarily be barriers to progressing regulatory coordination, but these differences need to be able to exist in the coordinated environment.

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<sup>25</sup> Paul Conway "How to Move Product Market Regulation in New Zealand Back Towards the Frontier" (2011) OECD Economics Department Working Papers, No. 880, OECD Publishing, available at [www.oecd-ilibrary.org/economics/how-to-move-product-market-regulation-in-new-zealand-back-towards-the-frontier\\_5kg89j3gd2r8-en](http://www.oecd-ilibrary.org/economics/how-to-move-product-market-regulation-in-new-zealand-back-towards-the-frontier_5kg89j3gd2r8-en) (last accessed 25 September 2011).

<sup>26</sup> Although we touch on them in our earlier paper, Susy Frankel and Megan Richardson "Limits of Free Trade Agreements – the New Zealand/Australia Experience" in Christoph Antons and Reto Hilty (eds) *Intellectual Property Aspects of Free Trade Agreements in the Asia-Pacific Region* (Kluwer, 2011 forthcoming).

After discussing the issues that existing differences in the laws raise, we then focus this chapter on the question of regulatory coordination short of substantive law harmonisation<sup>27</sup> and where that might be a useful approach.

We explore these and related issues through three areas which seem to be most fruitful for coordination.

First, is the area of registration of intellectual property. The main registered intellectual property rights are trade mark, patents and plant variety rights (“PVRs”).<sup>28</sup> Registration requires examination of applications for trade marks and patents. Examination of applications requires resources in the Intellectual Property Office, particularly examination staff. The qualifications for examiners for trade marks and patents differ. Patents require staff capable of examining scientific and technological documentation. At present New Zealand does not operate a full patent examination system.<sup>29</sup> A Bill, currently before Parliament, proposes changes to that examination system. In particular full examination of patents will be available on request<sup>30</sup> and the standard of examination will no longer only be focussed on New Zealand, but will also look at the prior expert knowledge of the field, known as the prior art, worldwide. These changes will require more examination staff to fulfil the tasks of the Office. This raises the question of whether examination can be coordinated across the Tasman for the benefit of both countries and what issues that coordination raises. The SEM programme now has the goal of a shared application and examination system. However, there will be separate registration systems. There are many differences of examination criteria between the countries and how shared examination will work in those circumstances raises several issues, which we discuss further below.

Secondly, in the area of dispute resolution there have been legislative reforms designed to streamline the process for resolving civil proceedings with a trans-Tasman element in order to reduce costs and improve efficiency and minimise existing impediments to enforcing certain New Zealand and Australian judgments and regulatory sanctions (including vis-à-vis intellectual property). This reform is a significant step towards the coordination of intellectual property proceedings with trans-Tasman elements, but the reforms do not go to the full extent of the Australian cross-vesting legislation in allowing for claims to be grouped and heard together.

<sup>27</sup> As David Goddard points out “although regulatory coordination may involve having the same substantive rules, it more commonly takes other forms”: David Goddard, “Business Laws and Regulatory Institutions: Mechanisms for CER Coordination” in Arthur Grimes, Lydia Wevers and Ginny Sullivan (eds) *States of Mind: Australia and New Zealand 1901–2001* (Institute of Policy Studies, Wellington, 2002) 179 at 180.

<sup>28</sup> In New Zealand the Designs Act 1953 provides for the registration of designs. Because copyright also protect designs, registration is not frequently used and creators of designs rely on copyright law. This chapter will focus on trade marks and patents and will not discuss PVRs or registered design rights.

<sup>29</sup> Patents Act 1953, s 12.

<sup>30</sup> Patents Bill 2008 (235-2), cl 59B.

Thirdly, in the area of law reform there seems to be very little formal cooperation between policy-makers. Certainly, Australian reforms are often considered by New Zealand policy-makers (and to a lesser extent the other way around), but coordinated law reform between the two countries seems to have been almost entirely absent,<sup>31</sup> although the trans-Tasman judgments review and the proposed joint therapeutics authority provide an interesting new experiment in this regard.<sup>32</sup>

Before turning to these three areas we discuss the reasons for regulatory coordination and then discuss some of the areas of intellectual property law where this may or may not be appropriate.

## 18.2 Why coordinate and why coordination may not always be possible

The reasons for business law coordination are usually that this would improve doing business between or with the two countries.<sup>33</sup> David Goddard has written:<sup>34</sup>

Increased coordination of business law with Australia can lead to significant gains for New Zealand consumers and business. ... Where the principal objective of a coordination exercise is to reduce the cost of regulation in participating countries, and there are significant economies of scale in carrying out the relevant regulatory functions, [an approach focussed on a single institution and common rules] will usually be the appropriate approach. Considerable work remains to be done to develop satisfactory models for making and maintaining common rules, and establishing and operating shared institutions, in a manner that achieves appropriate voice for, and responsiveness and accountability to, stakeholders in both countries.

New Zealand courts in intellectual property cases have also commented on coordination with Australia and referred directly to CER. For instance, as

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<sup>31</sup> Coordination rather seems to come about through trade agreements which may include interests beyond Australia and New Zealand, see Susy Frankel and Meredith Kolsky Lewis “Trade Agreements and Regulatory Autonomy: The Effect on National Interests” in this volume (ch 15).

<sup>32</sup> See Chris Nixon and John Yeabsley “Australia New Zealand Therapeutic Products Authority: Lessons from the Deep End of Trans-Tasman Integration” in this volume (ch 17).

<sup>33</sup> David Goddard and the New Zealand Institute of Economic Research *CER: Business Law Coordination Potential Discussion Paper* (1999) at [www.med.govt.nz/upload/4966/cerbuslaw.pdf](http://www.med.govt.nz/upload/4966/cerbuslaw.pdf) (last accessed 15 September 2011).

<sup>34</sup> David Goddard “Business Laws and Regulatory Institutions: Mechanisms for CER Coordination” in Arthur Grimes, Lydia Wevers and Ginny Sullivan (eds) *States of Mind: Australia and New Zealand 1901-2001* (Institute of Policy Studies, Wellington, 2002) 179 at 220.



Somers J (for the Court) said in *Douglas Pharmaceuticals Ltd v Ciba-Geigy AG*:<sup>35</sup>

The practical considerations are, first, ... and, secondly, that New Zealand practice will conform to that of Australia – a desirable feature emphasised by CER.<sup>36</sup>

Comments of courts where issues of trade marks and passing off and a common market for goods are central have often suggested that trans-Tasman harmonisation is desirable. For example, in *Dominion v Budget*,<sup>37</sup> considerable attention was paid to trans-Tasman trade. Cooke P said:<sup>38</sup>

While similar legally-enforceable rules are not in force between New Zealand and Australia, I think that the Courts of the two countries should be prepared as far as reasonably possible to recognise the progress that has been made towards a common market. From 1966 there was a very substantial increase in two-way trade under the New Zealand-Australia Free Trade Agreement (NAFTA) and this has been accelerated by the CER Heads of Agreement 1982 and the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZ-CERTA) 1983.<sup>39</sup>

I am suggesting, not that these Agreements have any direct bearing on the present litigation, but that they are part of a background which should influence the development of the common law in Australasia.

The concern that a lawful Australian product could be excluded from New Zealand was raised in the New Zealand chapter of the protection of “champagne”. There Gault J said:<sup>40</sup>

The second matter raised by way of defence was that: “it would be anomalous for a lawfully labelled Australian product to be excluded from the New Zealand market when the two markets are effectively one common market.” We were referred to no authority for the proposition that the wine market of Australia and New Zealand effectively are one common market. I am aware of the decisions of this Court in which there has been reference to the need to have regard to the principles and objectives of the CER agreement between Australia and New Zealand.<sup>41</sup>

<sup>35</sup> *Douglas Pharmaceuticals Ltd v Ciba-Geigy AG* [1990] 2 NZLR 46 at 54 (CA).

<sup>36</sup> Citing Cooke P in *New Zealand Apple and Pear Marketing Board v Apple Fields Ltd* [1989] 3 NZLR 158 (CA).

<sup>37</sup> *Dominion Rent A Car Ltd v Budget Rent-A Car Systems* [1987] 2 NZLR 395 (CA).

<sup>38</sup> *Dominion Rent A Car Ltd v Budget Rent A Car Systems* [1987] 2 NZLR 395 at 407 (CA).

<sup>39</sup> Citing the New Zealand Official Year Book 1986-87 at 647.

<sup>40</sup> *Wineworths Group Ltd v Comite Interprofessional Du Vin De Champagne* [1992] 2 NZLR 327 at 344 (CA).

<sup>41</sup> Citing *Dominion Rent A Car* *Dominion Rent A Car Ltd v Budget Rent-A-Car Systems* [1987] 2 NZLR 391 at 407 (CA) and *Vicom (NZ) Ltd v Vicomm Systems Ltd* [1987] 2 NZLR 600 (CA) at 605, (1987) 2 TCLR 474 (CA) at 479.

Gault J, however, was careful to underscore that different facts give different results and on that basis the Australian product was excluded from the New Zealand market.<sup>42</sup>

I am also aware of proposals for the harmonisation of the commercial laws of the two countries. Of course, harmonisation of laws will not mean identical decisions in cases where the fact situations are different.

The treatment of New Zealand and Australia as separate markets may, however, be problematic if, as is often the case, New Zealand is reliant on imports from countries that treat Australia and New Zealand as the same market. Given New Zealand's dependence on this trade, maintaining a separate trade mark regime may be contrary to both business and consumer overall interests. As discussed below, however, a combined trade mark regime arguably needs to accommodate differences between the nations (see [18.4]).

The New Zealand and Australian Governments have issued many Memoranda of Understanding expressing their commitment to greater trans-Tasman coordination in business law. Given intellectual property's important function in establishing and maintaining a business, trans-Tasman coordination of intellectual property registration has been a recurring theme. The Memorandum of Understanding on Coordination of Business Law 2000 expressed a mutual intention of "exploring the potential for more closely coordinating the granting and recognition of registered intellectual property rights".<sup>43</sup> The 2006 Memorandum of Understanding expressed a shared commitment to the "development of a seamless processing regime for the granting of patents and the registration of trade marks, plant variety (or breeders') rights and patent attorneys".<sup>44</sup> The 2011 SEM programme includes shared patent application and examination (but separate registration), a single plant variety rights regime and a single trade mark regime.

As the CER and SEM arrangements described above show, intellectual property coordination is a business concern. The matter, however, is not as simple as that. Intellectual property also plays a role in research (both commercial and non-commercial), in education, in the provision and availability of information and in the development and flourishing of culture, including the arts, and in the pricing of consumer and other goods. None of these concerns is necessarily unconnected to business. Authors and artists need to make a living and their operations may be quite explicitly commercial. But ease of business is a different concern and the benefits associated with

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<sup>42</sup> *Wineworths Group Ltd v Comite Interprofessionnel Du Vin De Champagne* [1992] 2 NZLR 327 (CA) at 344.

<sup>43</sup> Memorandum of Understanding on Coordination of Business Law between Australia and New Zealand 2000 (entered into force 31 August 2000).

<sup>44</sup> Memorandum of Understanding on Coordination of Business Law between Australia and New Zealand 2006 (entered into force 22 February 2006).

this need to be considered alongside costs and benefits associated with other goals. It may be that intellectual property policy can meet a wide range of goals. In many ways intellectual property law purports to do so. Whether it is successful at balancing sometimes competing goals is a matter of some debate. And other bodies of law, including competition law, may need to be considered in a comprehensive assessment. A good example is parallel imports, which we will come to in the next section of this chapter. As noted there, in some areas (such as books) New Zealand policy is to make prices affordable through allowing parallel importation of certain copyright and trade marked products.<sup>45</sup> Australian law still imposes restrictions on the parallel imports of books although the Productivity Commission has recommended reform, citing the New Zealand example as a model.<sup>46</sup>

The New Zealand Ministry of Economic Development in many of its intellectual property-related policy papers on CER includes statements about the interests of New Zealand and New Zealanders. Those interests are, as one might expect, framed in economic development terms. Similar statements of the interests of New Zealand are found in select committee reports relating to recent legislation. For example, the Copyright (New Technologies and Performers' Rights) Bill as reported back from Select Committee stated:<sup>47</sup>

Intellectual property has a major role to play in achieving an inclusive economy for the benefit of all New Zealanders and supporting research and development, while minimising regulatory barriers to innovation. Copyright is of central importance to the information and communication technologies and creative industries and to furthering growth and innovation in New Zealand.

As the above comments also show, however, there is some appreciation among lawmakers and adjudicators in New Zealand that complete harmonisation of intellectual property law between Australia and New Zealand may not be ideal for either party, given their very different economic, social and cultural circumstances.<sup>48</sup> The point was made explicitly

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<sup>45</sup> Copyright Act 1994, s 12(5A); Trade Marks Act 2002, s 97.

<sup>46</sup> Australian Productivity Commission "Copyright Restrictions on the Parallel Importation of Books" 2009, available at [www.pc.gov.au/projects/study/books](http://www.pc.gov.au/projects/study/books) (last accessed 27 September 2011). Note that books sold over the internet are treated more liberally under s 44F of the Copyright Act 1968 (Cth), inserted by amendment in 2003. Before that, however, music was treated in a more liberal fashion under the Copyright Act 1968 (Cth), with new provisions in the form of ss 44D and 112D inserted by amendment in 1998; and for competition law's role in ensuring the provisions' purpose is not undermined by action taken by music distributors in the relevant market, see *Universal Music Australia Pty Ltd v Australian Competition and Consumer Commission* (2003) 57 IPR 353 (FCA).

<sup>47</sup> Copyright (New Technologies and Performers' Rights) Amendment Bill 2008 (102-1) at 1.

<sup>48</sup> Susy Frankel and Megan Richardson "Limits of Free Trade Agreements – the New Zealand/Australia Experience" in Christoph Antons and Reto Hilty (eds) *Intellectual Property Aspects of Free Trade Agreements in the Asia-Pacific Region* (Kluwer, 2011 forthcoming).

in *Pfizer v Commissioner of Patents*, regarding the exception for medical treatment patents, where O'Regan J said:<sup>49</sup>

Pfizer argued that the acceptance of patentability of methods of medical treatment in Australia supports its case...[Counsel] referred us to the decisions of the full Federal Court in *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994) 122 ALR 141 and in *Bristol-Myers Squibb Company v FH Faulding & Co Limited* (2000) 170 ALR 439. In both cases, the Court concluded that patents could be granted for methods of medical treatment. The definition under review in both cases (from the Australian Patents Act 1990) is in similar terms to the definition in s 2 of the Act. Those decision[s] ... were made in the knowledge that the consequence was that the law of Australia would differ from the law of New Zealand in this respect ...

In their judgment in *Bristol-Myers*,<sup>50</sup> Black CJ and Lehane J noted the desirability that, in important areas of commercial law, there should be consistency in the laws of the two countries, but they nevertheless determined that it was appropriate to confirm and apply the earlier decision. We share their view that, in matters of commerce, conformity in the law of the two countries may be a desirable policy objective but, in our opinion, it is not determinative in this context.

Such reasoning can lead to necessary and deliberate differences in the laws. These differences, we suggest, may well be justified. Sometimes, however, differences in the laws are not so clearly justified. In the next section we highlight parallel importing as an area where harmonisation has been considered and may potentially be worthwhile from the perspective of both New Zealand and Australia. We also discuss the exclusion of methods of medical treatment in patent law and the concept of inventive step where harmonisation might not be possible. Although we note that in each case there is no one shared view (including as between the authors of this chapter).

## 18.3 Potential harmonisation and its limits

### 18.3.1 Copyright

One area where there has been some agreement that greater harmonisation would be beneficial, but such steps have not been achieved in the political process, is in the area of parallel importing. Broadly, New Zealand allows parallel importing of copyright and trade marked products. Australia does not allow parallel importing to the same extent.<sup>51</sup> In 2009, the Australian

<sup>49</sup> *Pfizer Inc v Commissioner of Patents* [2005] 1 NZLR 362 (CA) at [72]–[74].

<sup>50</sup> *Bristol-Myers Squibb Company v FH Faulding & Co Limited* (2000) 170 ALR 439 (FCA) at 444.

<sup>51</sup> However, internet purchases are treated more liberally under s 44F, inserted by amendment in 2003 to the Copyright Act 1968 (Cth). Music is also treated in a more liberal fashion under the Copyright Act 1968 (Cth), with new provisions in the form of ss 44D and 112D inserted by amendment in 1998.

Productivity Commission undertook an extensive study of whether or not Australia should allow the parallel importation of books.<sup>52</sup> The report made extensive comparisons to New Zealand including that the international books market treated them as one market. The report also noted differences between Australia and New Zealand, but still concluded Australia should allow the parallel importation of books. The committee concluded:<sup>53</sup>

The Government should repeal Australia's Parallel Import Restrictions (PIRs) for books. The repeal should take effect three years after the date that it is announced.

This did not become law as the Government did not adopt the Commission's recommendations but the issue of parallel import reform is still under debate in Australia.

There may be particular advantages to having common standards for parallel imports given that international publishers often treat Australia and New Zealand as a single market (and because of the real competition local retailers face with online retailers such as Amazon). In copyright law more generally, however, the lack of coordination may be particularly difficult as there is no bureaucracy or registration process that can operate as a platform for regulatory coordination the same way as there is with respect to trade marks and patents (and designs).<sup>54</sup>

In addition, it might not be desirable to harmonise laws where an increased intellectual property standard has been shown not to be economically beneficial. The Australian Productivity Commission in its report on free trade agreements discussed the estimated cost to the Australian public of the extension of term of copyright. The report states:<sup>55</sup>

In terms of AUSFTA, ... some estimates of the effects suggesting that the copyright provisions could result in an annual net cost to Australia of up to \$88 million.

The DFAT/CIE report made some simplifying assumptions in order to quantify the benefits of extending the term of copyright protection. ... The net effect is that Australia could eventually pay 25 per cent more per year in net royalty payments, not just to US copyright holders, but to all

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<sup>52</sup> Australian Productivity Commission "Copyright Restrictions on the Parallel Importation of Books" (2009) available at [www.pc.gov.au/projects/study/books](http://www.pc.gov.au/projects/study/books) (last accessed 17 September 2011).

<sup>53</sup> Australian Productivity Commission "Copyright Restrictions on the Parallel Importation of Books" (2009) available at [www.pc.gov.au/projects/study/books](http://www.pc.gov.au/projects/study/books) (last accessed 17 September 2011) at recommendation 1.

<sup>54</sup> See discussion below at [18.4]. Regulatory cooperation in copyright may exist through border control measures.

<sup>55</sup> Australian Productivity Commission "Bilateral and Regional Trade Agreements Research Report" 13 December 2010 [www.pc.gov.au/projects/study/trade-agreements](http://www.pc.gov.au/projects/study/trade-agreements) (last accessed 17 September 2011).

copyright holders, since this provision is not preferential. This could amount to up to \$88 million per year, or up to 700 million in net present value terms. And this is a pure transfer overseas, and hence pure cost to Australia.

The incurring of such costs might be a reason to avoid harmonisation. Another question is whether that cost is already passed onto New Zealand because of the flow of copyright goods via Australia when producers of those goods treat New Zealand and Australia as one market.

In Stage 2 these questions will be further developed in a cost benefit analysis in the following way:

The question is the extent to which the price of books might change if Australia and New Zealand allowed commercial parallel importing of books?

The assumptions in analysing this question are that:

- New Zealand is in a single economic market with Australia for books
- to prevent the influence of different business models and innovation from having an effect which will be difficult if not impossible to measure, the book market is to be "frozen" at a suitable point in time (possibly at the time of the Productivity Commission report as there will be available data)
- the wider impacts (costs) such as the United States trade reaction will be explored

Overall the Australian Productivity Commission concluded that:<sup>56</sup>

The Australian Government should not include matters in bilateral and regional trade agreements that would serve to increase barriers to trade, raise costs or affect established social policies without a comprehensive review of the implications.

and in relation to intellectual property, in particular, it stated the government should:<sup>57</sup>

... [a]void the inclusion of IP matters as an ordinary matter of course in future [trade agreements]. IP provisions should only be included in cases where a rigorous economic analysis shows that the provisions would likely generate overall net benefits for the agreement partners.

But there is a potential downside to a failure to harmonise the copyright term or other areas of intellectual property law. When countries have differing

<sup>56</sup> Australian Productivity Commission "Bilateral and Regional Trade Agreements Research Report", 13 December 2010, Recommendation 4, Chapter 14 see [www.pc.gov.au/projects/study/trade-agreements](http://www.pc.gov.au/projects/study/trade-agreements) (last accessed 17 September 2011).

<sup>57</sup> Australian Productivity Commission "Bilateral and Regional Trade Agreements Research Report", 13 December 2010, Recommendation 4, Chapter 14 see [www.pc.gov.au/projects/study/trade-agreements](http://www.pc.gov.au/projects/study/trade-agreements) (last accessed 17 September 2011).

intellectual property laws the possibility of discrimination at the domestic level against nationals from other countries arises. In international trade law and international intellectual property law this possibility is removed through the principle of national treatment.<sup>58</sup> The international agreements, however, do not require national treatment in some specific circumstances and, importantly, duration of copyright is one of those circumstances.<sup>59</sup> The European Union takes advantage of this national treatment exception and only applies the extended copyright term (life of the author plus 70 years) to copyright works originating from countries where the same term is applied.<sup>60</sup> If there is a lesser term in the originating country then that term will apply. Even though Australia has a longer copyright term, and other more extensive intellectual property standards than New Zealand, this has not led to Australia applying different standards to New Zealanders seeking protection in Australia, despite the legal basis on which to do so.<sup>61</sup>

### 18.3.2 Patent law

In patent law the two countries have different laws. The New Zealand Patent Bill 2008, as drafted, might bring some aspects of those laws closer<sup>62</sup> and lead other aspects further apart. Similarly, Australia's own proposed reforms (perhaps aptly named the "Intellectual Property Laws Amendment (Raising the Bar) Bill 2011") if enacted as expected will bring some aspects of the law closer to New Zealand's law and other parts will remain different.<sup>63</sup> Differences include the exclusion of medical use patents in New Zealand; and no patent term extension in New Zealand, but term extension (for pharmaceutical patents) in Australia.<sup>64</sup>

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<sup>58</sup> General Agreement on Tariffs and Trade 1994 (GATT), 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization (WTO Agreement), Annex 1A, 1867 UNTS 187; 33 ILM 1153 (1994), art 3.

<sup>59</sup> Berne Convention, art 7(8) and TRIPS Agreement, art 3(1).

<sup>60</sup> Directive 2006/116 on the term of protection of copyright and certain related rights [2006] OJ L372/12.

<sup>61</sup> Broadly, international agreements incorporate non-discrimination principles. In particular national treatment, which requires that countries provide foreign nationals with the same or better protection as domestic nationals. See, for example TRIPS Agreement, art 3.

<sup>62</sup> See, for example, discussion below at [18.4.3] about request for examination and the Bill reported back from Select Committee adopting the Australian approach.

<sup>63</sup> See Intellectual Property Laws Amendment (Raising the Bar) Bill 2011. Among other things this Bill will raise the standard of inventiveness in Australia to one more closely approaching an worldwide prior art standard (particularly removing any reference to Australia in its definition of common general knowledge); and will also introduce two new exceptions to infringement, one for experimental use and the other for regulatory purposes (relating to approvals).

<sup>64</sup> Patents Act 1990, s 70 (Aus). Patent term extension is discussed further in Susy Frankel and Meredith Kolsky Lewis "Trade Agreements and Regulatory Autonomy: The Effect on National Interests" also in this volume (ch 15). The Trans-Pacific Partnership free trade

New Zealand's Patent Bill also proposes exclusions for computer programs<sup>65</sup> and matters of ordre public, including patents which are contrary to Māori values.<sup>66</sup> Neither of these exclusions is proposed in Australia.

Another difference – but perhaps one which will become less so under the mooted reforms – is in approaches to whether something is obvious or involves an inventive step. This is a criterion for examination and consequently, a further issue is whether and how one examination process will apply two different legal standards. It seems that a shared examination process is a precursor to harmonisation of the standards of patentability, such as inventive step.

It is notable that there seems to more consensus on the need for harmonisation on procedural standards (such as examination) than substantive law standards. Thus even in areas of substantive law where harmonisation may appear to be an option, the decision seems to have been taken that differences are justified. This may be because of the difference of economic opportunities for development in patent-related fields. It may equally be because patents are treated as very sovereign rights.

With regard to the exception for medical use patents, as mentioned above, the case law reveals policy reasons for these differences. Indeed the cases show that New Zealand courts have considered whether following Australia would be the right path. Whether, from a historical legal standpoint, the exception should exist or not – is a debate well traversed and is not our focus. The issues that we wish to consider are whether there is any detrimental effect in New Zealand given those differences with Australia. The exclusion of medical use patents arguably keeps the cost of healthcare down (especially in a jurisdiction such as New Zealand which does not have a comprehensive government-subsidised healthcare system), although, another view is that it may reduce incentives for investment in medical facilities. It is quite possible that the two countries have different economic and social interests in drawing the balance differently. Also, it is noteworthy that in Australia the legislature has not stepped in to change the result arrived at through the common law process. In New Zealand the Patents Bill, currently before Parliament, proposes codifying the common law exception. But does the difference between the two laws have further impacts that need to be considered, including the threat or actual exclusion of certain medical technologies, from New Zealand and any consequent increase in medical tourism from New

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agreement negotiations, which both New Zealand and Australia are part of may result in changes to these areas of patent law.

<sup>65</sup> And see, for a considered discussion, Steve Krouzecky "Are Australia and New Zealand the Same? Patentability and Computer Programs" IAM Magazine, 3 August 2011, available at [www.iam-magazine.com/reports/Detail.aspx?g=e622a505-461a-49c8-b491-9e218858c942](http://www.iam-magazine.com/reports/Detail.aspx?g=e622a505-461a-49c8-b491-9e218858c942) (last accessed 17 September 2011).

<sup>66</sup> Patents Bill 2008 (235-2), cl 15.



Zealand to Australia in search of higher quality services that might privilege some New Zealanders over others?

Differing approaches to inventive step is not just a trans-Tasman, but a worldwide, phenomenon. At present the different trans-Tasman approaches do not seem to have caused much difficulty because of the separation of examination and the low standard of examination in New Zealand.<sup>67</sup> Although that standard may itself cause problems. The Select Committee report noted.<sup>68</sup>

The Patents Bill is modelled on the now repealed United Kingdom Patents Act 1949, and has a low threshold for patentability compared with most other countries. This low threshold can lead to broader patent rights being granted in New Zealand than in other countries, which can disadvantage New Zealand businesses and consumers, as technology that may be freely available in other countries can be covered by patents in New Zealand. This can discourage innovation and inhibit growth in productivity and exports.

If the Bill becomes law, the New Zealand examination standard will change. Further changes are anticipated on the Australian side with the "Raising the Bar" Bill currently before Parliament. As a result the differences between the statutes may appear less stark in the future. There is, however, still the question whether the standards will be interpreted in a similar way by the respective patent offices (IP Australia and IPONZ) and the courts.

Australian courts have already discussed this issue, but not as regards New Zealand. In the case of *Aktiebolaget Hässle & Anor v Alphapharm Pty Limited*,<sup>69</sup> the High Court of Australia discussed the different obviousness (inventive step) standards under United Kingdom and United States law. The High Court eventually followed United States law and made some interesting observations about harmonising with other countries:<sup>70</sup>

There are obvious advantages in a substantial measure of uniformity between the patent laws of countries with which Australia maintains international arrangements under its patents legislation. But these reasons reveal that the law respecting obviousness in various jurisdictions currently diverges and that the extent of this divergence changes from time to time. There is no universal view of a matter which at bottom reflects a range of attitudes to the balance of interests at stake in patent law.

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<sup>67</sup> New Zealand under the Patents Act 1953 does not fully examine patent applications. It applies the benefit of the doubt approach. For a description of this approach see Susy Frankel "Lord Cooke and Patents: The Scope of 'Invention'" (2008) 39(1) VUWLR 73.

<sup>68</sup> Patents Bill 2008 (235-1) (select committee report) at 1.

<sup>69</sup> *Aktiebolaget Hässle & Anor v Alphapharm Pty Limited* [2002] HCA 59, (2002) 56 IPR 129.

<sup>70</sup> *Aktiebolaget Hässle & Anor v Alphapharm Pty Limited* [2002] HCA 59, (2002) 56 IPR 129 at [81].

New Zealand cases also refer to harmonisation with, or following, international standards. In *Pharmac v Commissioner of Patents*, for example, Gault J stated:<sup>71</sup>

There are ample dicta to the effect that patent law reflects international trends and it is important that it should do so, because intellectual property is not bounded any more than physical international trade and development is circumscribed by national boundaries. While I accept that the legal position in New Zealand is not necessarily affected by the position overseas where the state of the law reflects different statutory provisions, nevertheless it is important as far as possible to keep patent law in harmonisation with international trends and patentability with international obligations.

On the one hand, this statement about harmonisation with international trends has a positive, even utopian, aim of fostering a harmonious international system of intellectual property law at a time when the TRIPS Agreement had just been signed and the international community was seemingly on a trajectory towards achieving common standards. In today's world of different and disparate standards, however, it seemingly brushes over the diversity of the standards that actually prevail. Because of that diversity, the goal of following international trends and complete harmonisation is, at best, illusory and quite possibly undesirable. In these circumstances which country's law New Zealand, or Australia, harmonises with is a very important issue.

The difficulties of harmonisation may very well be why in the field of patents the SEM programme only contemplates shared examination and not a shared regime. However, some key differences between New Zealand and Australian law relate to the patentability criteria that will be part of the examination process, such as inventive step. In a joint statement issued by IP Australia and IPONZ it was stated that shared examination will retain enough flexibility to ensure each country's policy interests can be met:<sup>72</sup>

There will be no disadvantage to innovators in either country. Australia and New Zealand will operate as one integrated patent examination entity in practice – not in law. Both countries will retain flexibility to implement legislation and policies.

There are several issues which need to be resolved if this goal as well as shared examination are to be achieved. One such issue is what the effect on New Zealand will be if it applies the same standard of inventive step as

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<sup>71</sup> *Pharmaceutical Management Agency Ltd v Commissioner of Patents* (1998) 8 TCLR 591 at 595 (HC).

<sup>72</sup> Integration of Patent Examination between Australia and New Zealand, at [www.med.govt.nz/upload/27619/Integration%20of%20patent%20examination%20fact%20sheet.pdf](http://www.med.govt.nz/upload/27619/Integration%20of%20patent%20examination%20fact%20sheet.pdf) (last accessed 27 September 2011).

Australia. How will innovators be affected? This project will consider those issues further.

There is an approach, however, that falls short of detailed substantive harmonisation. As mentioned above, there are areas where closer coordination may well be useful and since the SEM programme has focused especially on the granting and recognition of intellectual property rights this seems the most logical place for coordination and, indeed, has been the place where coordination has begun.

In Stage 2 the differences of law relating to criteria for patent examination will be explored. The analysis will include consideration of:

- what patents have been applied for in both countries and what have been the differences in outcome;
- what are the reasons for the differences in outcome; and
- if it is desirable to do so, how can those differences be resolved.

Stage 2 will also analyse:

- the extent to which differences in approach to inventive step may support innovation in New Zealand and in Australia; and
- whether or not New Zealand's exclusion of methods of medical treatment is an overall benefit to New Zealand.

## 18.4 Coordinating registration of intellectual property rights

For the same economic and social reasons that harmonisation may or may not be desirable depending on the circumstances, the same can be said, albeit to a lesser extent, about regulatory coordination in an administrative sense. There are clear areas where full coordination, even as a regulatory matter, may not seem desirable. A good example is that a product's reputation may not be the same in Australia and New Zealand. Thus, while deserving of protection in one country it may not deserve protection in the other, even if the same substantive standard of distinctiveness through use were to be applied. How will a single trade mark regime deal with different uses on either side of the Tasman? As global trade increases this becomes less and less likely, but it remains that products on the shelves of Australia supermarkets are, for example, different from those in New Zealand (as they are also sometimes as between different states in Australia).<sup>73</sup>

Another example is New Zealand's laws that allow the refusal of registration of trade marks that are offensive to Māori,<sup>74</sup> a procedure for which is incorporated into the registration process for trade marks in New Zealand

<sup>73</sup> See, for instance, *New South Wales Dairy Corporation v Murray Golburn Co-op Co Ltd* (1990) 18 IPR 385.

<sup>74</sup> Trade Marks Act 2002, s 17(1)(c).

(meaning it is not just a matter of which substantive laws are applied, but a distinctive procedure allowing for the consideration of offensiveness). These differences may not prevent coordination in some aspects of the registration process, but they may provide reasons for different processes at certain stages to be adopted with the anticipation that outcomes will be different as well. One possibility is that examination can be coordinated to a degree, but that does not mean automatic registration in both places. Each country would have autonomy to decline registration for its own public policy reasons, such as (in New Zealand) offensiveness to Māori. On the other hand, it might be highly desirable if trade marks that are offensive to Māori are also not registered in Australia and that the prohibition is enlarged to Aboriginal cultural offensiveness in both jurisdictions. The SEM proposal for a single trade mark regime does not yet detail what that regime will entail. It is likely that it will be a development from the trade mark pilot scheme discussed below. That pilot was looking at mutual recognition, which is one step short of a single regime. If a single regime is to be progressed, how matters such as refusal of registration on public policy grounds (such as Māori interests) will be dealt with in such a regime will need to be agreed.

In our previous discussions we have focused on areas where greater coordination may be possible (as well as the potential for harmonisation of substantive law standards in certain key areas). The following discussion however focuses on two areas in which greater coordination in the registration process is currently taking place.

### **18.4.1 *Granting and recognition of intellectual property rights***

The territoriality principle is powerful in the domain of intellectual property law.<sup>75</sup> Put simply, rights must be registered separately in respect of each jurisdiction for which protection is sought.<sup>76</sup> While there is also a core political reason for territoriality being maintained, even in intellectual property, economically territoriality entails costs for traders and consumers. Most obviously, it increases transaction costs for registration (because of the need for multiple registrations, especially if in each case the process needs to be gone through in full), which may well result in costs that are passed on to consumers at the point of purchase. In addition, it may enable entrenched international business practices under which traders sell different products in different markets and to price discriminate in those different markets according to what the consumer is able and willing to pay.

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<sup>75</sup> Susy Frankel *Intellectual Property Law in New Zealand* (2nd edition, LexisNexis, Wellington, 2011 forthcoming).

<sup>76</sup> Susy Frankel *Intellectual Property Law in New Zealand* (2nd edition, LexisNexis, Wellington, 2011 forthcoming).

This is no doubt the rationale behind a combined trade mark system. Short of having a combined New Zealand and Australian patent registration, there are other methods of regulatory cooperation which may go some way to ameliorate the problem of transaction costs and (to the extent it applies) price discrimination. These include mutual recognition (that is, both countries agreeing to recognise the examination, rejection or registration of intellectual property rights registered in the other country), unilateral recognition (whereby one or both countries unilaterally recognise the examination, rejection or registration of intellectual property rights registered in the other country) and the sharing of some resources.<sup>77</sup>

### **18.4.2 Trans-Tasman Trade Mark Harmonisation Project**

In 2004, IP Australia and IPONZ announced a three-stage trans-Tasman Trade Mark Harmonisation Project.

The first stage of the project commenced in May 2006 and consisted of “a comparison of trade mark law and practices across the offices and a retrospective comparison of 200 applications filed in both countries”.<sup>78</sup> This comparison confirmed that the examination systems in both offices were “reasonably aligned on a majority of issues”.<sup>79</sup> It was found that 73.5 per cent of examination outcomes were the same and this figure would have increased to 95 per cent if discussion had occurred between the offices at the time.

The second stage was concurrent examination of 159 trade mark applications. The concurrent examination involved “examiners of both offices communicating with each other in relation to examination outcomes, and where examination outcomes differed, the examiners attempted to reach a common consensus where the respective office’s legislation and practices permitted”.<sup>80</sup> The divergence of examination outcomes, due to difference of practice or opinion, reduced from 21 per cent in stage one to eight per cent in stage 2. In addition, a consultancy report “supported the view that recognition of prior examination decisions of one office by the other (and vice versa), would be an effective way of facilitating consistent examination outcomes”.<sup>81</sup>

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<sup>77</sup> For a discussion of economic integration models see Chris Nixon and John Yeabsley “The Challenges and Opportunities of Conformity in the Wider Asia – Pacific Context: Tiny Steps on a Long Road” in this volume (ch 14).

<sup>78</sup> Ministry of Economic Development “Trans-Tasman Harmonisation Project” New Zealand Intellectual Property Office at [www.iponz.govt.nz/cms](http://www.iponz.govt.nz/cms). (last accessed 30 September 2011).

<sup>79</sup> Ministry of Economic Development “Trans-Tasman Harmonisation Project” New Zealand Intellectual Property Office at [www.iponz.govt.nz/cms](http://www.iponz.govt.nz/cms). (last accessed 30 September 2011).

<sup>80</sup> Ministry of Economic Development “Trans-Tasman Harmonisation Project” New Zealand Intellectual Property Office at [www.iponz.govt.nz/cms](http://www.iponz.govt.nz/cms) (last accessed 30 September 2011).

<sup>81</sup> Ministry of Economic Development “Trans-Tasman Harmonisation Project” New Zealand Intellectual Property Office at [www.iponz.govt.nz/cms](http://www.iponz.govt.nz/cms) (last accessed 30 September 2011).

The third stage was a trade mark harmonisation trial for six months.<sup>82</sup> The aim of the trial was for each office to recognise the prior trade mark examination decisions of the other office, where appropriate, having regard to local requirements. The primary objective was “to further align and enhance the quality and consistency of trade mark examination and assess the feasibility of a future model of mutual recognition”.<sup>83</sup> Participation in the trial was voluntary. In Australia, the trial was limited to electronically filed applications, but in New Zealand paper applications could be included. During the trial there was no guarantee given to applicants that the examination outcomes through the offices would be the same.

Broadly, indications are that the two sets of office procedures are not yet sufficiently aligned to make mutual recognition an immediate possibility. The final report states:<sup>84</sup>

The trial data confirms our belief that mutual recognition in trade marks examination is not a simple matter. Any model of mutual recognition would have to exclude examination for confusingly similar trade marks, as well as some other grounds specific to the legislation and practice of each jurisdiction – for example names, surnames, and words with potential Māori significance. This means there is no one-size-fits-all, cleanly-defined portion of the examination task as a whole that will only need to be performed only once per application, regardless of which jurisdiction’s examiner performs it. In effect, identifying such a portion of the task would be different according to the circumstances of the individual application for registration. This makes the benefits of such mutual recognition marginal, given the need to make exclusions and tailor each examination. This is not to say partial mutual recognition is impossible or untenable, merely that there are acknowledged difficulties in devising a smoothly workable model. There are, perhaps, better options to increase our consistency and harmonisation across jurisdictions, and to extend any benefit of this to customers. These options, which include a single examination model, are best explored alongside the development and planning for a single register as per the SEM agenda, in order to coordinate timing and change as well as to maximise gain and add value.

As discussed above, the two governments have now announced a SEM goal to move to a single trade mark regime.

In stage 2 of this project there will be a full analysis of whether a single trans-Tasman trade mark regime is likely to be a demonstrably effective regulatory reform.

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<sup>82</sup> The Trial commenced on 1 February 2010 and closed on 6 August 2010.

<sup>83</sup> Ministry of Economic Development “Trans-Tasman Harmonisation Project” New Zealand Intellectual Property Office at [www.iponz.govt.nz/cms](http://www.iponz.govt.nz/cms). (last accessed 30 September 2011).

<sup>84</sup> Ministry of Economic Development “Post-Trial Analysis Report – Stage 3” New Zealand Intellectual Property Office.

### 18.4.3 *Trans-Tasman patent coordination*

There has not yet been any equivalent trial on patent coordination. As mentioned above, the SEM proposal plans a single patent application and shared examination process. Also, through the patent law reform process a certain kind of coordination has occurred.<sup>85</sup> Under the New Zealand Patents Bill, as it was drafted when referred to the Select Committee, all patent applications received by IPONZ were to be examined.<sup>86</sup> The Select Committee, however, recommended the insertion of a clause to allow an applicant to request examination.<sup>87</sup> Under this clause any applicant may ask the Commissioner for an examination of the patent application and the complete specification to the application. It also permits the Commissioner, in prescribed circumstances, to direct an applicant to ask for an examination of the patent application and the complete specification relating to the application.<sup>88</sup>

The Select Committee concluded that empowering the Commissioner to direct an applicant to ask for an examination would “facilitate the efficient management of patent examiners’ workloads” and “would serve the [B]ill’s purpose of updating and simplifying the administrative aspects of the patent regime”.<sup>89</sup>

This clause in New Zealand’s Patent Bill is very similar to, and largely incorporates the wording of, the equivalent Australian provision.<sup>90</sup> The change

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<sup>85</sup> In August 2000 the New Zealand Government agreed to a three-stage review of the Patents Act 1953 in an attempt to recognise social and technological changes since the Act. In March 2002 as part of the stage 3 review, a discussion document titled “Boundaries to Patentability” was released. Submissions on the discussion document closed on 26 July 2002 and on 20 November 2002 a summary of the submissions was released. On 28 July 2003 Cabinet agreed to policy proposals that arose from stage 3 of the review. A Draft Patents Bill was released for public consultation on 20 December 2004. Submissions on the Draft Patents Bill closed on 11 March 2005. The Patents Bill was introduced during the 48th Parliament on 9 July 2008, and was reinstated in the 49th Parliament on 9 December 2008. The first reading took place on 5 May 2009 and the Bill was subsequently referred to the Commerce Select Committee (“Select Committee”). The closing date for submissions to the Select Committee was 2 July 2009. The Select Committee stated that it received and considered 67 submissions and heard 36 submissions. However, the New Zealand Parliament website records that 83 written submissions were received, although not all of these may have been considered. On 18 February 2010 the Select Committee decided to divide the bill, so that Part 5 became a separate bill to be known as the Patent Attorneys Bill.

<sup>86</sup> Patents Bill 2008 (235-1), cl 60.

<sup>87</sup> Patents Bill 2008 (235-1), cl 59B.

<sup>88</sup> Patents Bill 2008 (235-1), cl 59B.

<sup>89</sup> Patents Bill (235-1) (select committee report) at 8.

<sup>90</sup> Patent Act 1990 (Aus), s 44.

from all patents being examined to a request for examination was based on several submissions.<sup>91</sup>

The request for examination system places a lesser workload on IPONZ than the situation if all applications were examined on a compulsory basis. Standing alone, however, it may not be enough to reduce the costs and so this provides the incentive, from the New Zealand side, for shared examination with Australia.<sup>92</sup> The SEM proposal for shared examination is undoubtedly premised on reduction of costs for both jurisdictions. Given the small size of New Zealand this may be particularly important for New Zealand. Whether this is of a benefit to New Zealand inventors, however, is a separate question.

In stage 2 of this project there will be a full analysis of the pros and cons of shared patent examination.

## 18.5 Jurisdiction, choice of law and enforcement of judgments

For reasons discussed earlier, including the geographical closeness of New Zealand and Australia and the fact that they are often treated as a single market by third parties, disputes which have connections with Australia may be litigated in New Zealand and vice versa. In some cases there may be litigation in Australia and New Zealand on similar issues at the same time or sequentially, as for instance with the recent Cadbury litigation over colour trade marks<sup>93</sup> and the dispute between Budweiser Budvar and American company Anheuser Busch, Inc over the rights to the world trade marks BUDWEISER and BUD.<sup>94</sup> Questions have also been raised from time to time whether intellectual property infringement proceedings need to be governed

<sup>91</sup> The Departmental Report on the Clause-by-Clause Analysis of Submissions issued by MED in relation the Patents Bill ("the Analysis of Submissions Report") shows three submitters made submissions proposing a request for examination clause in the Bill. These were: the New Zealand Institute of Patent Attorneys Incorporated (NZIPA), Baldwins Intellectual Property and Baldwins Law Limited (Baldwins) and Tim Jackson. However, another submitter, the Institute of Patent and Trade Mark Attorneys of Australia (IPTA), not mentioned in the Analysis of Submissions Report, also proposed the inclusion of a request for examination clause. See submission available at [http://www.parliament.nz/en-NZ/PB/Legislation/Bills/a/f/2/00DBHOH\\_BILL8651\\_1-Patents-Bill.htm](http://www.parliament.nz/en-NZ/PB/Legislation/Bills/a/f/2/00DBHOH_BILL8651_1-Patents-Bill.htm) (last accessed 20 October 2011).

<sup>92</sup> This is discussed further in the patent law section above, at [18.3.2].

<sup>93</sup> See in New Zealand *Cadbury Limited v Effem Foods Limited* [2007] NZCA 303 and in Australia *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd (No. 4)* [2006] FCA 446.

<sup>94</sup> *Anheuser Busch Inc v Budweiser Budvar National Corporation* [2003] 1 NZLR 472 (CA); *Anheuser-Busch Inc v Budejovicky Budvar, Narodni Podnick* [2002] FCA 390, (2002) 56 IPR 182.



by the traditional “territoriality” principle that currently governs questions of registration and validity. Thus while in the English case of *Lucasfilm Ltd v Ainsworth* Jacob LJ commented that “infringement of an IP right ... is [in the absence of legislative intervention] essentially a local matter involving local policies and local public interest. It is a matter for local judges”,<sup>95</sup> in the New Zealand case of *KK Sony Computer Entertainment v Van Veen MacKenzie J* took the opposite position, stating that:<sup>96</sup>

The various forms of protection given under intellectual property statutes are territorial in nature, because the statutes conferring them are necessarily territorial in their application. To that extent they have the characteristics of immovable property. But the significant difference between such forms of intellectual property and true immovables such as land is that the same item of intellectual property may be protected by statutory rights in many jurisdictions. A strict application of [the territoriality principle] to such rights would mean that, where, as here, a defendant commits infringing acts against a single plaintiff in several jurisdictions, separate proceedings in each jurisdiction will be necessary to deal with those infringements. The inconvenience of such a requirement would outweigh the benefit of certainty that the application ... would provide.

Such practices and debates raise questions about whether more can be done to coordinate between the two jurisdictions. It is worth noting here an important recent legislative initiative.

In 2010, New Zealand and Australia passed parallel legislation on trans-Tasman proceedings, implementing a 2008 Agreement on trans-Tasman Court Proceedings and Regulatory Enforcement and on the recommendation of a trans-Tasman working group to review trans-Tasman co-operation in court proceedings and regulatory enforcement. The trans-Tasman Proceedings Act 2010, as it is known in both jurisdictions, has the stated purpose of “streamlin[ing] the process for resolving civil disputes with a trans-Tasman element in order to reduce costs and improve efficiency” and “minimis[ing] existing impediments to enforcing certain ... judgments and regulatory sanctions” as between New Zealand and Australia.<sup>97</sup> While not limited to

<sup>95</sup> *Lucasfilm Ltd v Ainsworth* [2009] EWCA Civ 1328, [2010] 3 WLR 333. The position described in *Lucasfilms* has been the position of New Zealand courts for a considerable period of time. See Susy Frankel *Intellectual Property in New Zealand* (2nd ed, LexisNexis, Wellington, 2011). See however, supporting the first instance judgment of Mann J (which was overturned on appeal), Graeme Austin “The Concept of Justifiability in Foreign Copyright Infringement Cases” (2009) IIC 1.

<sup>96</sup> *Kabushiki Kaisha Sony Computer Entertainment & Ors (t/a Sony Computer Entertainment Inc) v Van Veen* HC Wellington CIV-2004-485-001520, 14 December 2006.

<sup>97</sup> Trans-Tasman Proceedings Act 2010, s 3. Compare with the (more extensive) cross-vesting legislation which within Australia grants to each Australian state and territory courts the subject-matter jurisdiction of the others: and see Richard Garnett “An Overview of Choice of Law, Jurisdiction and Foreign Judgment Enforcement in IP Disputes” (2006) 11 MALR 341 at 346.

intellectual property claims and judgments, it is clearly anticipated that these come within its rubric.

As summarised in s 3(3), the New Zealand Act provides for the following matters:

- service in Australia of initiating court documents for civil proceedings before New Zealand courts and tribunals (Part 2(1));
- New Zealand judges declining jurisdiction and, by order, staying proceedings in New Zealand on the grounds that an Australian court is the “more appropriate” forum to hear the proceedings (Part 2(2));
- New Zealand courts giving interim relief in support of civil proceedings in Australian courts (Part 2(3));
- parties and their lawyers in Australia appearing remotely in civil proceedings in New Zealand and vice versa (other than to give, examine a person giving, or make submissions in relation to remote evidence under Part 4(1) of the Evidence Act 2006, operating in conjunction with corresponding Australian legislation) (Part 2(4)); and
- recognition and enforcement in New Zealand of specified judgments of Australian courts and tribunals (Part 2(5)–(7)).<sup>98</sup>

Although, as Daniel Kalderimis points out,<sup>99</sup> the Act is only an element of a wider trans-Tasman integration agenda which has been more fully realised in the case of trade practices claims by the provisions made for misuse of market power in trans-Tasman markets in the Commerce Act 1986 (NZ) and Competition and Consumer Act 2010 (Cth),<sup>100</sup> the Act provides a substantial step towards procedural coordination at the dispute resolution stage.

## 18.6 Law reform coordination

In the area of examination of trade marks and patents law reform, coordination seems most likely to come about through trials such as the trade mark trial. In areas of substantive intellectual property protection where the interests of the countries may or may not coincide, shared coordinated law reform processes which foster fuller discussion and wider consultation would be worth considering. In certain areas, such as the trans-Tasman proceedings reforms noted above, collaborative law reform appears to have been fruitful.

<sup>98</sup> Note, however, that the statutory process of registration of judgments which the Act adopts makes an express exception for judgments relating to immovable property located in third countries (intellectual property has historically been classified as immovable property): see s 61(2)(c)(i).

<sup>99</sup> Daniel Kalderimis “New Zealand Trans-Tasman Proceedings Act 2010 Passed” at [www.mondaq.com/NewZealand/article.asp?articleid=111126](http://www.mondaq.com/NewZealand/article.asp?articleid=111126) (last accessed 27 September 2001).

<sup>100</sup> New Zealand Commerce Act 1986, s 36A; Australian Competition and Consumer Act 2010 (Cth), s 46A.

The reforms were the direct result of recommendations of the trans-Tasman Working Group on Court Proceedings and Regulatory Enforcement, established in 2003 to examine the effectiveness of current arrangements for the conduct of civil proceedings between Australia and New Zealand and reporting in December 2006.<sup>101</sup> The Bills that were passed in New Zealand and Australia were also developed in close consultation to ensure consistent implementation of the agreement in both countries.<sup>102</sup> In other areas we have discussed in this chapter, such as patent law reform, it might be equally desirable to have Australian contributions to New Zealand law reform movements and vice versa, especially where the reform experience in one jurisdiction provides a potentially useful model for the other.

Such cooperation on law reform may be theoretical at present. It is in a sense a long-term goal. However, it is arguably a natural progression from regulatory coordination and needs to be considered as part of where regulatory coordination may lead to.

## 18.7 Conclusion

The most immediate phase of regulatory reform in intellectual property in the trans-Tasman SEM context is of cooperation between registration offices. This cooperation includes the goals of one patent application, shared patent examination and a single trade mark regime. Such cooperation could be the first of several steps towards harmonised intellectual property law. The short-term goal is limited to greater regulatory cooperation; however, it is important to assess where such cooperation will lead to and whether such cooperation will overall be of benefit to New Zealand. Within that cooperation framework each country is to retain its own registration system, at least in relation to patents. The proposed shared trade mark regime goes one step further.

This part of the regulatory reform project will look at whether the intellectual property aspects of trans-Tasman regulatory cooperation are an overall benefit. From the New Zealand perspective the project will have a special emphasis on the size of New Zealand, the cost of intellectual property products in New Zealand, New Zealand's dependence on international trade imports of intellectual property products (especially in the context of the trans-Tasman relationship), and relevant issues of the relationship between Māori and the Crown.

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<sup>101</sup> Attorney-General's Department (Australia) and Ministry of Justice (New Zealand) *Trans-Tasman court proceedings and regulatory enforcement: A Report by the Trans-Tasman Working Group* December 2006.

<sup>102</sup> Craig Thomson speaking in House Debate on the Australian Trans-Tasman Proceedings Bill 2009; Trans-Tasman Proceedings (Transitional and Consequential Provisions) Bill 2009, Monday 15 March 2010.

