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By email to competition.policy@mbie.govt.nz

Competition and Consumer Policy
Ministry of Business, Innovation & Employment
PO Box 1473
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Comments on Discussion paper ‘Review of section 36 of the Commerce Act 1986 and other matters’

INTRODUCTION

These submissions have been prepared by The New Zealand Institute of Patent Attorneys, Inc (NZIPA).

NZIPA is an incorporated body representing most trans-Tasman patent attorneys registered and practising in New Zealand.

The current membership of NZIPA comprises 155 Fellows, 3 Honorary, 27 Students, 17 Non-resident, 15 Associates and 2 Retired.

Patent attorneys operate in the global arena across all sectors of industry to assist businesses in their key markets to use intellectual property (IP) systems for strategic advantage. Patent attorneys are qualified to, and regularly do, advise on all intellectual property rights including patents, trade marks, designs, and copyright.

SUMMARY

The Commerce Act 1986 (the Act) contains three provisions that restrict the Act from applying to certain conduct relating to IP. These IP-related provisions are:

- section 45
- section 36(3)
- section 7(2) and 7(3).

The Discussion Paper sets out a proposal to repeal the IP-related provisions.

The NZIPA believes the IP-related provisions should not be repealed.

The NZIPA favours retaining the status quo. The current IP-related provisions have not been shown to be causing any problem.

IP-RELATED PROVISIONS

Section 45 – Exceptions in relation to intellectual property rights

Section 45 of the Act exempts contracts, arrangements or understandings – in so far as they contain a provision authorising any act that would otherwise be prohibited by reason of the existence of a statutory IP right – from the prohibitions in the Act relating to cartels (under section 30) and agreements (under section 27).

The Discussion Paper acknowledges that this provision has not been tested in any New Zealand Court. There is no case law on the scope of section 45 [para 219].

A similar provision in Australia’s Competition and Consumer Act 2010 has also ‘remained relatively untested in the courts’. The Australian Government has introduced legislation to repeal the provision [para 231].

This does not mean that the Australian Government will repeal the provision. There is merely a proposal to do so. It appears premature to repeal the New Zealand provision in the absence of an actual repeal in Australia, or any problems with the New Zealand provision having been identified.

Section 36 – Taking advantage of market power

Section 36(3) states that a person does not take advantage of a substantial degree of power in a market (as prohibited by section 36) by reason only that the person seeks to enforce a statutory intellectual property right [para 220].

Once again, there is little case law on this provision. There is some doubt that the sole judgement mentioning this section involved enforcement of rights under section 36(3) or not [para 221].

Section 7 – Law relating to restraint of trade and breaches of confidence not affected

Section 7(2) provides that the Act does not limit or affect any rule of law relating to breaches of confidence.

Section 7(3) provides that no rule of law relating to breaches of confidence affects the interpretation of any of the provisions of the Act. A breach of confidence could include, for example, the disclosure of a trade secret [para 222].

PROBLEM DEFINITION

The discussion paper notes that IP-related conduct is unlikely to be anti-competitive in most instances [para 234].

A range of examples of conduct are set out, many of which may fall outside of the three IP-related provisions above and, therefore, could be challenged as unlawful at present [paras 235,236]. Presumably the conduct set out in the examples could be challenged whether or not the IP-related provisions exist. Repealing the IP-related provisions from the Act would have no effect on the lawfulness or otherwise of the conduct set out in the examples.

Conduct that may fall within the section 45 exemption includes granting exclusive licences [para 236]. However, granting an exclusive licence would be unlikely to lead to a lessening of competition [para 239].

The discussion paper notes that there are no specific New Zealand examples of the IP-related provisions in the Act enabling anti-competitive conduct to go undeterred [para 242].

While it is not clear that a strong rationale exists for treating IP differently under competition law to any other form of property [para 240], the NZIPA submits that there is not a strong rationale for repealing legislation that has not been shown to be causing any problem.

NZIPA submits that repealing the IP-related provisions may have unintended consequences. Repealing section 36 for example could discourage dominant players from pursuing IP protection for their innovation if there are restrictions on licensing or enforcement. This weakening of IP rights would lead to reduced innovation, or at least reduced public disclosure of innovation, by some of New Zealand's best resourced and most innovative companies.

These unintended consequences have the potential to hurt the New Zealand public and are not in accord with the policy rationale underpinning the Patents Act 2013 which incentivises innovation and encourages the public disclosure of such innovation.

OPTIONS IDENTIFICATION

The discussion paper considers two options in relation to the Act's IP-related provisions:

1. retain the status quo
2. repeal one or more of the IP-related provisions,

The NZIPA favours retaining the status quo. The current provisions have not been shown to be causing any problem.

Yours faithfully



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