



COVERSHEET

Minister	Hon Kris Faafoi	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Intellectual Property Fees Review: Trade Marks Amendment Regulations 2019 and Patents Amendment Regulations 2019	Date to be published	29 October 2019

List of documents that have been proactively released		
Date	Title	Author
10 Sept 2019	IPONZ Fees LEG Cabinet paper	Office of the Minister of Commerce and Consumer Affairs
10 Sept 2019	LEG Cabinet Committee Minute 0136	Committee Secretary of LEG

Information redacted: No information has been redacted

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In Confidence

Office of the Minister of Commerce and Consumer Affairs
Chair, Cabinet Legislation Committee

Intellectual Property Fees Review: Trade Marks Amendment Regulations 2019 and Patents Amendment Regulations 2019

Proposal

1. This paper seeks authorisation for submission to the Executive Council of the Trade Marks Amendment Regulations 2019 and the Patents Amendment Regulations 2019.

Executive Summary

2. The Intellectual Property Office of New Zealand (IPONZ) is a business unit within the Ministry of Business, Innovation and Employment (MBIE). In 2018, IPONZ reviewed the cost recovery fees it charges for trade mark, patent, and design services, finding that:
 - 2.1 trade mark and patent revenue levels should be rebalanced to prevent cross-subsidisation between these regimes;
 - 2.2 the current surplus in the IPONZ memorandum account can be reduced steadily by rebalancing trade mark and patent revenue and by increasing overall IPONZ revenue slightly;
 - 2.3 the patent fee structure should be refined to better reflect the true cost of certain patent services; and
 - 2.4 changes to the trade mark fee structure could improve the efficiency and effectiveness of the trade mark system.
3. On 20 February 2019, the Cabinet Economic Development Committee agreed to changes in the trade marks and patents fees. On 11 March 2019, Cabinet approved the fee changes and authorised the drafting of amendment regulations to give effect to these [DEV-19-MIN-0024 and CAB-19-MIN-0073 refers].

Policy

Patents and Trade Marks

4. The fees for trade marks were last reviewed in 2012 and for patents in 2013. In 2018, IPONZ reviewed the fees it charges for trade mark, patent and design services.

5. The revenue from cost recovery fees varies from year to year. To smooth out these variations and avoid the need for frequent fee adjustments, IPONZ operates a memorandum account.
6. The memorandum account allows for surpluses to be retained by IPONZ to meet any future deficits incurred in providing its statutory functions. However, memorandum accounts are not intended to develop 'structural' surpluses over a number of years, and are expected to trend towards zero over a reasonable period of time.
7. The purpose of the 2018 review was to support a more consistent and transparent approach to cost-recovery across the range of services that IPONZ provides. The review was also intended to assess whether fee changes are needed to address a \$27.5 million surplus that had accrued in the IPONZ memorandum account. This surplus was largely due to higher than expected trade mark application volumes since 2012.
8. The key findings of the review were that:
 - 8.1 Trade mark and patent revenue levels should be rebalanced to prevent cross-subsidisation between these regimes. Continuing under the status quo would mean that users of trade mark services would be paying some of the cost of patent services, to the extent of millions of dollars. To restore proportionality between revenue and expenses a significant increase in overall patent revenue (approximately 80%) and a significant decrease in overall trade mark revenue (approximately 40%) are required.
 - 8.2 Under the status quo, the memorandum account balance would reduce relatively quickly under current fees due to increasing cost pressures, with some risk of falling into deficit by June 2024. A steady reduction in the memorandum account surplus can be ensured by rebalancing trade mark and patent revenue and by increasing overall IPONZ revenue slightly.
 - 8.3 The patent fee structure should be refined to better reflect the true cost of certain patent services.
 - 8.4 Changes to the trade mark fee structure could improve the efficiency and effectiveness of the trade mark system.

Patents

9. Cabinet has agreed to the following changes to patent fees and penalties and new fees payable [paras 3 to 5 of DEV-19-MIN-0024 and CAB-19-MIN-0073 refers].
10. These changes are intended to raise overall patent revenue and to provide stronger incentives for patent holders to let patents lapse and for applicants to let patent applications become void when they are no longer required which would provide more certainty for third parties.

Matters under Patents Regulations 2014			
Fee	Amount (NZ\$) (exclusive of GST)		
	Current	New	Percentage Change
Maintenance fee due on the 4 th and each subsequent anniversary of the filing date of the complete specification	100	200	100%
Maintenance fee due on the 4 th and each subsequent anniversary of the filing date of the complete specification if the fee is paid up to 6 months late	150	300	100%
Renewal fee due on the 4 th to 9 th anniversary of the filing date of the complete specification	100	200	100%
Renewal fee due on the 10 th to 14 th anniversary of the filing date of the complete specification	200	450	125%
Renewal fee due on the 15 th to 19 th anniversary of the filing date of the complete specification	350	1,000	186%
Penalty payable for request to extend the period for payment of a renewal fee	50	100	100%
Request for examination or re-examination (including examination of applications under the Patent Cooperation Treaty)	500	750	50%
Additional fee for examination of patent application with 30 claims or more (per every 5 claims over 25)	N/A	120	N/A
Request for leave to amend complete specification after acceptance	150	500	233%
Request for restoration of patent or patent application	100	600	500%

Matters under Patents Regulations 1954			
Fee	Amount (NZ\$) (exclusive of GST)		
	Current	New	Percentage Change
On filing complete specification (including divisional applications)	250	500	100%
Application to amend complete specification before acceptance	60	150	150%
Application to amend complete specification after acceptance	60	500	733%

Trade Marks

11. Cabinet has agreed to reduce the fees payable for trade mark applications and renewal of trade mark registration. Cabinet has also agreed to introduce a lower level of fees for trade mark applications if the specification of goods or services in the application consists of descriptions pre-approved by IPONZ or if the information in the application reflects pre-application advice from IPONZ obtained within three months of the application being filed [paras 6 to 8 of DEV-19-MIN-0024 and CAB-19-MIN-0073 refers].
12. These changes are intended to better reflect the costs of processing trade mark applications and improve the efficiency and effectiveness of the trade mark system.
13. Cabinet also agreed to increase the fees for requests for search advice and requests for preliminary advice, but to introduce a lower level of fee if both search advice and preliminary advice are requested at the same time. This change is intended to provide an incentive for applicants to request combined search advice and preliminary advice.
14. The table below outlines the changes to the trade mark application fees.

Matters under the Trade Marks Regulations 2003				
Current Matter	“New” Matter	Current fee (\$)	New fee (\$)	Percentage Change
Request for search advice per class		40.00	50.00	25%
Request for preliminary advice per class		40.00	50.00	25%
	Request for both search and preliminary advice per class	80.00	50.00	-38%
	Application per class to register a trade mark (except adding a class to an existing application) where —			
	(a) pre-approved classification terms only are listed in the application but relevant search advice or preliminary advice was not obtained (or neither was obtained) within 3 months before the application was made	N/A	70.00	N/A
	(b) search advice and preliminary advice were obtained within 3 months before the application was made, and the information contained in the application is the same information provided in the request for advice	N/A	50.00	N/A
Other applications to register a trade mark per class (including adding a class to an existing application)		150.00	100.00	-33%
Renewal of registration of a trade mark registration, per class		350.00	200.00	-43%

Timing and 28-day rule

15. Under Article 8(7) of the Madrid Protocol that New Zealand is a party to, member states may collect individual fees for international registrations and change their amounts but they must make a declaration about any fee changes to the World Intellectual Property Organization (WIPO). The Madrid Protocol stipulates that a three month period applies between making the declaration with revised fees and the new fees coming into effect.
16. As a result of this declaration requirement, the amendment regulations will come into force on 13 February 2020. An earlier commencement date was not feasible because the end of the next WIPO notice period, at the end of 2019, coincides with critical IT infrastructure upgrades for IPONZ, and it would not be appropriate to bring the amendment regulations into force over the Christmas/New Year shutdown period in December 2019/January 2020.

Compliance

17. The amendment regulations comply with:
 - 17.1 the principles of the Treaty of Waitangi;
 - 17.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - 17.3 the principles and guidelines set out in the Privacy Act 1993;
 - 17.4 relevant international standards and obligations; and
 - 17.5 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.

Regulations Review Committee

18. I do not foresee any grounds for the Regulations Review Committee to draw these regulations to the attention of the House of Representatives under Standing Order 319.

Certification by Parliamentary Counsel

19. The draft regulations were certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Impact Analysis

20. A Cost Recovery Impact Statement was prepared in accordance with the necessary requirements, and was submitted at the time that Cabinet approval was sought of the policy relating to the regulations [DEV-19-MIN-0024 refers].

21. MBIE's Regulatory Impact Analysis Review Panel considered that the information and analysis summarised in the Cost Recovery Impact Statement met the criteria required for Ministers to make informed decisions on the policy proposals.

Publicity

22. External stakeholders who have a high interest in the project have been kept informed of the progress of the fees review through existing stakeholder management processes (such as the Technical Focus Groups).
23. Other stakeholders, customers and the general public have been kept informed through IPONZ's website, IPONZ's email newsletter, MBIE's consultation page and through responses to enquiries through MBIE's service centre.
24. IPONZ and MBIE will communicate the effect of the new regulations through the same channels in September 2019.

Proactive release

25. I propose to release the paper proactively within 30 business days. Appropriate redactions may be made in line with the Official Information Act 1982.

Consultation

26. The principles used in the fees review align with the Audit Office's Guidelines on Costing and Charging for Public Sector Goods and Services and with the Treasury's Guidelines for Setting Charges in the Public Sector.
27. Consultation on the fee change proposals took place between 25 June and 30 July 2018. MBIE received comments from seven submitters on the proposed changes to the Patents and Trade Marks fees and some of the original proposals were refined to take into account suggestions from the submitters.
28. The Treasury was consulted and the Department of the Prime Minister and Cabinet was informed of the contents of this paper.

Recommendations

The Minister of Commerce and Consumer Affairs recommends that the Committee:

1. note that on 20 February 2019, the Cabinet Economic Development Committee agreed to changes in the trade marks and patents fees [DEV-19-MIN-0024 and CAB-19-MIN-0073 refers];
2. note that the Trade Marks Amendment Regulations 2019 and the Patents Amendment Regulations 2019 will give effect to the decision referred to in recommendation 1 above;
3. authorise the submission to the Executive Council of the Trade Marks Amendment Regulations 2019 and the Patents Amendment Regulations 2019;

4. note that the Madrid Protocol requires that New Zealand provide three months' notice to the World Intellectual Property Organization before the new fees come into effect;
5. note that the Trade Marks Amendment Regulations 2019 and the Patents Amendment Regulations 2019 will come into force on 13 February 2020.

Authorised for lodgement

Hon Kris Faafoi

Minister of Commerce and Consumer Affairs

PROACTIVELY RELEASED