

Patents Bill

1 November 2007

Attorney-General

LEGAL ADVICE

CONSISTENCY WITH THE NEW ZEALAND BILL OF RIGHTS ACT 1990: PATENTS BILL

1. We have considered whether the Patents Bill (PCO 4946/20) (the Bill) is consistent with the New Zealand Bill of Rights Act 1990 ('Bill of Rights Act'). We understand that this Bill is likely to be considered by the Cabinet Legislation Committee at its meeting on Thursday 8 November 2007.
2. We considered potential issues of inconsistency with sections 14, 19, 21, 25(c) and 27(1) of the Bill of Rights Act and assessed whether or not these issues are justifiable under section 5 (Justified limitations) of that Act. To that end we examined whether the relevant clauses serve an important and significant objective and whether there is a rational and proportionate connection between these clauses and that objective. [\[1\]](#)
3. We have reached the conclusion that the Bill appears to be consistent with the rights and freedoms affirmed in the Bill of Rights Act.

PURPOSE

4. The purpose of this Bill is to update New Zealand's patent regime to ensure that it continues to provide an appropriate balance between providing adequate incentives for innovation and technology transfer and protecting the interests of the public and the interests of Māori in their traditional knowledge and in indigenous plants and animals. It also updates the regulatory regime for patents attorneys. If passed, the Patents Bill will replace the Patents Act 1953.

BILL OF RIGHTS ACT ISSUES

Section 14 – Freedom of Expression

5. Section 14 of the Bill of Rights Act affirms the right to freedom of expression, which includes the freedom to seek, receive, and impart information and opinions of any kind and in any form. The right has been interpreted as including the right not to be compelled to say certain things or to provide certain information. [\[2\]](#)
6. We note, taking into account the various domestic and overseas judicial pronouncements on the issue, a two-step inquiry has been adopted to determine whether an individual's freedom of expression has been infringed. The first involves a determination of whether a particular activity falls within the freedom of expression. The second step is to determine

whether the purpose or effect of the impugned government action is to restrict that freedom.^[3]

Requirements to provide documents or other information

Clause 211(1) and (2) and clause 214(1)(c)

7. The Bill contains some provisions that require persons to provide or disclose information. We particularly note clause 211(1) and (2), which lists the Board's powers of investigation or inquiry, and clause 214(1)(c), which states that the Board may issue a summons to a person requiring that person to produce documents, things, or information. The powers in these clauses relate to investigation and inquiry concerning a complaint about the conduct of a patent attorney.

8. It cannot be excluded that the documents and other information that the Board may require to be provided, may be of such a nature that they express an idea or meaning^[4]. Since non-compliance with these requirements may have consequences that create a degree of compulsion, it may therefore be argued that the powers in these provisions raise freedom of expression issues.

9. The Ministry of Economic Development (MED) has advised that the powers are necessary so that the Board, during an investigation or inquiry, can have access to all the relevant information and documents that it needs to enable it to reach a fair and reasonable determination in relation to the complaint and in relation to whether disciplinary action against a patent attorney is warranted. This is particularly important as the Board may order that a person's registration as a patent attorney may be cancelled or suspended. This affects that person's continued employment in the patent attorney profession.

10. We further note that the Board may only exercise its powers under clause 211(1) if the Board considers it 'reasonably necessary for the purposes of any investigation or inquiry' under subpart 3 (Standards of conduct and discipline) of the Bill. Moreover, the powers in clause 214(1)(c) in relation to production of documents and other types of information are limited to production of documents that "are relevant to the subject of the inquiry".

11. In our view, the limitations in clauses 211 and 214 of the Bill on the freedom of expression appear to be justified under section 5 of the Bill of Rights Act.

Clause 293

12. In order to be able to exercise his or her functions, duties and powers under the Bill, the Commissioner may need to receive certain information. Clause 293 (Supplementary empowering provision) provides for a regulation making power to 'prescribe what information must be provided or other evidence or documents must be provided in connection with the thing.' It will depend on the actual wording of these regulations whether the information to be provided under the relevant clauses will be sufficiently expressive to be covered by section 14. We note, however, that these regulations have to

be drafted in a manner that is consistent with the Bill of Rights Act, otherwise they may be open to challenge for being ultra vires.

Right to receive information

Clauses 74 and 76

13. The Bill provides that certain documents relating to patent applications become open to public inspection at specified times (clause 74). There are, however, some restrictions on the publication of these documents (clause 76). Although this limits the right to receive information, as affirmed in section 14 of the Bill of Rights Act, we think this limit is justifiable under section 5 of that Act.

14. In reaching this view, we note that most documents relating to a patent application will not be made public at the time the application is made. Many will be made available at a later date (as set out in clause 74). For instance, patent applications and the documents associated with them are not made available to the public until 18 months after the earliest priority date. However, some might not be made available, for example, because they contain confidential or commercially sensitive information. Clause 76 is intended to ensure that documents that are not available under clause 74 are not published. As a consequence, these documents will not be available for inspection or be able to be produced in court unless a person having power to authorise inspection or production directs that this may occur.

15. There may be occasions when applicants decide that they wish to keep their inventions secret rather than allow details to be published in a patent application. If the application is withdrawn before publication, then no details should be made public. Clause 76 also ensures that in such cases the application and associated documents remain confidential.

Clause 125(2)

16. Under clause 125(2) (Directions in relation to inventions concerning defence), a direction can be made prohibiting or restricting: (a) the publication of information concerning the invention; and (b) the communication of information concerning the invention to a person or class of persons specified in the directions. This provision only covers patent applications dealing with inventions that have military or other defence related uses. Restricting such information is justified because publication would be prejudicial to the defence of New Zealand.

Section 21 – Right to be Secure against Unreasonable Search and Seizure

17. Section 21 of the Bill of Rights Act provides:

“Everyone has the right to be secure against unreasonable search or seizure, whether of the person, property, correspondence or otherwise.”

18. There are two limbs to the section 21 right. First, section 21 is applicable only in respect of those activities that constitute a "search or seizure". Second, where certain actions do constitute a search or seizure, section 21 protects only against those searches or seizures that are "unreasonable" in the circumstances.

19. The requirements in clause 211(1) and (2) and clause 214(1)(c), which were discussed above under the freedom of expression, involve compulsory access to information in the context of an investigation and inquiry concerning a complaint about the conduct of a patent attorney. These requirements impinge to a certain degree upon reasonable expectations of privacy which members of the public would have in relation to that information. For that reason, these requirements also constitute a search or seizure for the purposes of section 21 of the Bill of Rights Act.

20. Nonetheless, for the same reasons as discussed in paragraphs 9 and 10 above, we have concluded that the requirements in these provisions are reasonable and, therefore, are not inconsistent with section 21 of the Bill of Rights Act. In reaching this conclusion we note that the ability to require documents is less of an intrusion into the expectation of privacy than a power of entry.[\[5\]](#)

21. As regards clause 293 (see paragraph 12), we note again that regulations have to be drafted in a manner that is consistent with the Bill of Rights Act, otherwise they may be open to challenge for being ultra vires.

Section 19(1) – Freedom from Discrimination

22. Section 19(1) of the Bill of Rights Act affirms the freedom from discrimination on prohibited grounds set out section 21 of the Human Rights Act 1993 including race and ethnic origins. In our view, taking into account the various domestic and overseas judicial pronouncements as to the meaning of discrimination, the key questions in assessing whether discrimination under section 19 exists are:

- i. Does the provision draw a distinction based on one of the prohibited grounds of discrimination; and
- ii. Does the distinction involve disadvantage to one or more classes of individuals?

23. If these questions are answered in the affirmative, the provision gives rise to a prima facie issue of 'discrimination' under section 19(1) of the Bill of Rights Act. Where a provision is found to be prima facie inconsistent with a particular right or freedom, it may nevertheless be consistent with the Bill of Rights Act if it can be justified under section 5 of that Act.

Appointment of a Māori advisory committee

24. Under clause 275(1), the Commissioner must appoint a Māori advisory committee. The functions of this committee are laid down in clause 276. These functions include advising the Commissioner of whether an invention claimed in a patent application is derived from

Māori traditional knowledge or from indigenous plants or animals. If so, the Committee advises whether the commercial exploitation of that invention is likely to be contrary to Māori values.

25. We note that there is no obligation to appoint a Committee, nor is the Māori advisory committee instructed, to advise with respect to inventions derived from traditional knowledge of non-Māori which could be of equal importance to those groups. It could therefore be argued that clause 275(1) appears to discriminate on the basis of race or ethnic origin. We have considered whether clause 275(1) would result in disadvantage to non-Māori and thus raises an issue of prima facie inconsistency with section 19(1) of the Bill of Rights Act.

26. MED advises that, although there is no specific advisory group dealing with similar issues that may be of concern to non-Māori groups, there is nothing in the Bill that would prevent the Commissioner from taking into account the views of organisations with specific knowledge of issues affecting non-Māori groups. Clause 14(3) of the Bill, for instance, specifically authorises the Commissioner, for the purposes of making a decision as to whether an invention is contrary to public order or morality, to “seek advice from the Māori advisory committee or any person that the Commissioner considers appropriate” (emphasis added).

27. For this reason, we are of the view that clause 275(1) does not appear to result in disadvantage to non-Māori and therefore does not engage section 19(1) of the Bill of Rights Act.

Membership of Māori advisory committee

28. The Bill provides that a person must not be appointed as a member of the Māori advisory committee unless the person is qualified for appointment, having regard to that person’s knowledge of mātauranga Māori and tikanga Māori (clause 275(3)).

29. This provision could be seen as giving rise to indirect discrimination on the basis of race or ethnic origins because Māori are more likely than non-Māori to have knowledge of mātauranga Māori and tikanga Māori. This could arguably disadvantage non-Māori in their ability to be appointed as a member of the Māori advisory committee.

30. We note that the requirement does not prevent non-Māori from being appointed: it simply requires them to have knowledge of mātauranga Māori and tikanga Māori. It is important that members of the committee are qualified to provide advice to the Commissioner in relation to mātauranga Māori and tikanga Māori. This is because the Commissioner may take the committee’s advice into account in determining whether an invention is patentable (clause 14). Without having this knowledge, a member of the committee would have difficulty advising on whether the patent application is derived from Māori traditional knowledge or from indigenous plants or animals and, more importantly, whether the commercial exploitation of that invention is likely to be contrary to Māori values (see clause 276).

31. We have concluded that the potential discrimination in clause 275(3) appears to be justifiable under section 5 of the Bill of Rights Act.

Section 25(c) – Right to be presumed innocent until proved guilty

32. Section 25(c) affirms the right to be presumed innocent until proved guilty. This means that an individual must not be convicted where reasonable doubt as to his or her guilt exists. The prosecution in criminal proceedings must therefore prove, beyond reasonable doubt, that the accused is guilty.

33. Strict liability and reverse onus offences give rise to an issue of inconsistency with section 25(c) because the accused is required to prove (on the balance of probabilities) the defence to escape liability. In other criminal proceedings an accused must merely raise a defence in an effort to create reasonable doubt. Where an accused is unable to prove the defence, then he or she could be convicted even though reasonable doubt exists as to his or her guilt.

34. The Bill contains the following strict liability and reverse onus offences:

- Clause 187(5) (Only patent attorneys, and patent attorney companies and partnerships, may provide patent attorney services)
- Clause 188(3) (False representations)
- Clause 190(3) (Exception for lawyers and incorporated law firms to provide limited patent attorney services)
- Clause 212(1) (b) and (c) (Offences of obstruction)
- Clause 285(1) (Offence of failing to comply with summons)

35. All of these clauses give rise to an issue under section 25(c) of the Bill of Rights Act because a defendant may be required to prove something to escape liability.

Clauses 187(5), 188(3), and 190(3)

36. Clause 187 provides that only patent attorneys, and patent attorney companies and partnerships, may provide patent attorney services. It also sets out the criteria they must meet. Any other person that provides patent attorney services, or does not meet these criteria, commits an offence. It is a defence to an offence under subsection (2) if the person proves that he or she did not know, and could not reasonably be expected to have known, that the other person was not registered as a patent attorney or a patent attorney company.

37. Clause 188 provides who may represent himself, herself or itself as a patent attorney, or patent attorney company and partnership. Contravention of this section is an offence. Again, it is a defence to an offence under subsection (2) if the person proves that the person did not know, and could not reasonably be expected to have known, that the partnership was not a patent attorney partnership.

38. Under clause 190 lawyers and incorporated law firms are able to provide limited patent attorney services if they meet certain conditions. Contravention of this provision is an offence (sub-clause 190(3)). It is a defence to this provision if the lawyer or incorporated law firm is acting under the instruction of a patent attorney or patent attorney company, or directed to do so by a court of New Zealand (sub-clauses 190(2)(b) & (c)).

39. The objective of these provisions is to ensure that persons and partnerships providing patent attorney services are qualified and competent to provide patent attorney services. Clauses 187 and 188 carry over the current registration regime under section 103 of the Patents Act 1953 concerning who may be permitted to describe themselves or be held out as patent attorneys or patent agents and who may provide "patent attorney services".

40. In our view, these clauses have significant and important objectives. They contain offences that are regulatory in nature (as opposed to ones that are truly criminal) and the information that can exonerate the defendant is information that is particularly in the realm of the defendant.

41. When examining the proportionality of the proposed penalties, we note that as a general principle, reverse onus and strict liability offences should carry penalties at the lower end of the scale. The penalty for committing an offence under these provisions is a fine on summary conviction not exceeding \$5000 for offences under clauses 187(5) and 188(3) and a fine not exceeding \$1000 for an offence committed under clause 190(3). These penalty levels are comparable to the penalty levels for similar offending and are not disproportionate.

Clause 212(1) (b) & (c) and clause 285(1)

42. Clause 212(1)(b) and (c) are reverse onus offences which provide, respectively, that it is an offence to fail, without sufficient cause, to comply with any requirement of the board, a board committee or other authorised person, and to act, without sufficient cause, in contravention of, or fail to comply with, any order made by the board or a board committee or any term or condition of the order.

43. Clause 285(1) provides that a person commits an offence, if he or she without sufficient cause fails to comply with a summons to attend before the patent attorneys' standards board or does not give evidence, answer questions, or provide documents or other information as required.

44. MED has advised us that these offences are aimed at deterring a person obstructing or hindering an investigation by the patent attorneys' standards board concerning a complaint against the conduct of a registered patent attorney. It is in the public interest to ensure that the commissioner or board, when making a decision in respect of a patent attorney, has all the information relevant to the matter being determined. If there was no power to summon witnesses, or no ability to sanction witnesses who chose not to appear, the ability of the commissioner or the board to make fair decisions would be compromised.

45. We consider that in both cases, the evidence as to why the defendant has failed to comply with a requirement or order, or acts in contravention of an order will be primarily within the defendant's knowledge. The defendant will know why he or she was unable to comply with an order or requirement or has acted in contravention better than the prosecution in any instance.

46. The offences are regulatory in nature and the penalty for these offences is a fine, on summary conviction, not exceeding \$2000. This penalty is again comparable to similar offences in other acts and is therefore not disproportionate.

47. For these reasons outlined above we consider that the limitations in the Bill on the presumption of innocence under section 25(c) of the Bill of Rights are justified under section 5 of that Act.

Section 27(1) – Right to natural justice

48. Clause 135 (Presumption that product produced by infringing process) states that if a patented process is a process for obtaining a new product, the same product produced by a person is presumed in infringement proceedings to have been obtained by that process unless the defendant proves the contrary.

49. We note that this provision puts a burden on the defendant to disprove the presumption and thus reverses the onus of proof. We have therefore examined whether this provision is consistent with the right to natural justice (as affirmed in section 27(1) of the Bill of Rights Act).

50. Clause 35 has been carried over from the Patents Act 1953 (see section 68A of that Act). It was inserted in the Patents Act 1953 by the Patents Amendment Bill 1994 to implement the obligations set out in Article 34 of the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (the TRIPS Agreement). All members of the WTO, including New Zealand, must comply with the TRIPS Agreement.

51. The rationale behind Article 34 is that where a product can be made either by a patented process, or by a non-patented process, it is often not possible to determine, by examination of the product, what process was used to make the product. In such cases, it may be very difficult or even impossible for the owner of the patent for the process to find out if the patented process was used and therefore infringed, whereas it should be well within the realm of knowledge of the defendant to give evidence in relation to the process that was used.

52. For this reason, we are of the view that clause 135 does not seem to be inconsistent with section 27(1) of the Bill of Rights Act.

CONCLUSION

53. We have concluded that the Bill does not appear to be inconsistent with the rights and freedoms affirmed by the New Zealand Bill of Rights Act 1990.

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Footnotes

1 In applying section 5, we have had regard to the guidelines set out by the Court of Appeal in *Ministry of Transport (MOT) v Noort* [1993] 3 NZLR 260; *Moonen v Film and Literature Board of Review* [2000] 2 NZLR 9; and *Moonen v Film and Literature Board of Review* [2002] 2 NZLR 754.

2 *RJR MacDonald v Attorney-General of Canada* (1995) 127 DLR (4th)1

3 *Ross v New Brunswick School District No 15* [1996] 1 SCR 825

4 *R v Keegstra* [1990] 3 SCR 697, 729, 826

5 *Trans Rail v Wellington District Court* [2002] 3 NZLR 780, 791-792.

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