

1950
NEW ZEALAND

**COMMISSION TO INQUIRE INTO AND REPORT
UPON THE LAW OF PATENTS, DESIGNS,
AND TRADE-MARKS**
(REPORT OF THE COMMISSION)

Laid on the Table of the House of Representatives by Command of His Excellency

*Commission to Inquire Into and Report Upon the Law of New Zealand
Relating to Patents, Designs, and Trade-marks*

B. C. FREYBERG, Governor-General

To ALL to whom these presents shall come and to :

HERBERT EDGAR EVANS, of Wellington, Solicitor-General,
GEORGE WILLIAM CLINKARD, of Wellington, Secretary for
Industries and Commerce,
ANDREW JOHN PARK, of Wellington, Barrister and Patent
Agent,
STUART WENTWORTH INNES-KER PETERSON, of Wellington,
Manufacturer, and
JOHN RALFE SMITH, of Wellington, Communications Engineer.

WHEREAS it has been deemed expedient that a Commission should issue to inquire whether any, and if so what, changes are desirable in the Patents, Designs, and Trade-marks Act, 1908, the Patents, Designs, and Trade-marks Act, 1921–22, and the several Acts amending these Acts, and in the practice of the Patent Office and of the Courts in relation to matters arising therefrom, and particularly to inquire into the initiation, conduct, and determination of legal proceedings arising under or out of the said Acts and into the provisions of the said Acts for the prevention of the abuse of monopoly rights, and to suggest any amendments of those Acts or of procedure thereunder which in your opinion would facilitate the expeditious settlement and the reduction of the cost of legal proceedings in cases arising under the said Acts and would encourage the use of inventions and the progress of industry and trade :

Now, therefore, I, Lieutenant-General Sir Bernard Cyril Freyberg, the Governor-General of the Dominion of New Zealand, in pursuance and exercise of the powers conferred upon me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby constitute and appoint you, the said

Herbert Edgar Evans,
George William Clinkard,
Andrew John Park,
Stuart Wentworth Innes-Ker Peterson, and
John Ralfe Smith

to be a Commission to inquire into and report upon :—

(1) Generally, the working of the Patents, Designs, and Trade-marks Act, 1908, the Patents, Designs, and Trade-marks Act, 1921–22, and the several Acts amending those Acts, and the practice of the Patent

Office and of the Courts in relation to matters arising therefrom, and whether any, and if so what, changes in those Acts or that practice are desirable.

(2) In particular—

- (a) The initiation, conduct, and determination of legal proceedings arising under or out of the said Acts :
- (b) The provisions of the said Acts for the prevention of the abuse of monopoly rights :
- (c) What amendments of those Acts or of procedure thereunder would in your opinion facilitate the expeditious settlement and the reduction of the cost of legal proceedings in cases arising under the said Acts and would encourage the use of inventions and the progress of industry and trade :

And, with the like advice and consent, I do further appoint you, the said Herbert Edgar Evans, to be Chairman of the said Commission :

And it is hereby declared that the powers hereby conferred shall be exercisable notwithstanding the absence at any time of one of the members hereby appointed so long as the Chairman, or a member deputed by the Chairman to act in his stead, and at least three other members be present and concur in the exercise of such powers :

And you are hereby authorized to conduct any inquiry under these presents at such times and places as you deem expedient, with power to adjourn from time to time and place to place as you think fit, and to call before you and to examine on oath or otherwise such persons as you think capable of affording you information as to the matters aforesaid, and to call for and examine all such books, papers, writings, and documents as you deem likely to afford you the fullest information on any such matters :

And you are hereby given liberty to report your proceedings and findings under this Commission from time to time if you shall judge it expedient so to do :

And, using all due diligence, you are required to report to me under your hands and seals not later than the thirty-first day of January, one thousand nine hundred and forty-nine, your findings and opinions on the matters aforesaid, together with such recommendations as you think fit to make in respect thereof :

And you are hereby strictly charged and directed that you shall not at any time publish or otherwise disclose, save to me in pursuance of these presents or by my direction, the contents or purport of any report so made or to be made by you :

And it is hereby declared that this Commission shall continue in full force although the inquiry be not regularly continued by adjournments from time to time or from place to place :

And, lastly, it is hereby further declared that these presents are issued under and subject to the provisions of the Commissions of Inquiry Act, 1908.

(Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand and issued under the Seal of that Dominion, this 28th day of April, 1948.

H. G. R. MASON, Minister of Justice.

Approved in Council—

T. J. SHERRARD,
Clerk of the Executive Council.

Extending Period Within Which the Commission Appointed to Inquire Into and Report Upon the Law of New Zealand Relating to Patents, Designs, and Trade-marks Shall Report

B. C. FREYBERG, Governor-General

To all to whom these presents shall come, and to HERBERT EDGAR EVANS, GEORGE WILLIAM CLINKARD, ANDREW JOHN PARK, STUART WENTWORTH INNES-KER PETERSON, and JOHN RALFE SMITH : Greeting.

WHEREAS by Warrant dated the twenty-eighth day of April, one thousand nine hundred and forty-eight, you, the said

Herbert Edgar Evans,
George William Clinkard,
Andrew John Park,
Stuart Wentworth Innes-Ker Peterson, and
John Ralfe Smith

were appointed under the authority of the Commissions of Inquiry Act, 1908, and with the advice and consent of the Executive Council, to be a Commission of Inquiry for the purposes in the said Warrant set out :

And whereas by the said Warrant you were required to report to me not later than the thirty-first day of January, one thousand nine hundred and forty-nine, your findings and opinions on the matters referred to you :

And whereas it is expedient that the time for so reporting should be extended as hereinafter provided :

Now, therefore, I, Lieutenant-General Sir Bernard Cyril Freyberg, the Governor-General of the Dominion of New Zealand, in pursuance and exercise of the powers conferred upon me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend until the thirty-first day of July, one thousand nine hundred and forty-nine, the time within which you are so required to report :

And, in further pursuance of the said powers and authorities, and with the like advice and consent, I do hereby confirm the said Commission and the said Warrant except as altered by these presents.

(Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this 26th day of January, 1949.

H. G. R. MASON, Minister of Justice.

Approved in Council—

T. J. SHERRARD,

Clerk of the Executive Council.

Extending Period Within Which the Commission Appointed to Inquire Into and Report Upon the Law of New Zealand Relating to Patents, Designs, and Trade-marks Shall Report

B. C. FREYBERG, Governor-General

To all to whom these presents shall come and to HERBERT EDGAR EVANS, GEORGE WILLIAM CLINKARD, ANDREW JOHN PARK, STUART WENTWORTH INNES-KER PETERSON, and JOHN RALFE SMITH : Greeting.

WHEREAS by Warrant dated the twenty-eighth day of April, one thousand nine hundred and forty-eight, you, the said

Herbert Edgar Evans,
George William Clinkard,
Andrew John Park,
Stuart Wentworth Innes-Ker Peterson, and
John Ralfe Smith

were appointed under the authority of the Commissions of Inquiry Act, 1908, and with the advice and consent of the Executive Council, to be a Commission of Inquiry for the purposes in the said Warrant set out :

And whereas by the said Warrant you were required to report to me not later than the thirty-first day of January, one thousand nine hundred and forty-nine, your findings and opinions on the matters referred to you :

And whereas by further Warrant dated the twenty-sixth day of January, one thousand nine hundred and forty-nine, the time within which you were so required to report was extended until the thirty-first day of July, one thousand nine hundred and forty-nine :

And whereas it is expedient that the time for so reporting shall be extended as hereinafter provided :

Now, therefore, I, Lieutenant-General Sir Bernard Cyril Freyberg, the Governor-General of the Dominion of New Zealand, in pursuance and exercise of the powers conferred upon me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend until the thirty-first day of December, one thousand nine hundred and forty-nine, the time within which you are so required to report :

And in further pursuance of the said powers and authorities and with the like advice and consent, I do hereby confirm the said Commission and the two respective Warrants hereinbefore referred to except as altered by these presents.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this 27th day of July, 1949.

H. G. R. MASON, Minister of Justice.

Approved in Council—

T. J. SHERRARD,

Clerk of the Executive Council.

Extending Period Within Which the Commission Appointed to Inquire Into and Report Upon the Law of New Zealand Relating to Patents, Designs, and Trade-marks shall Report

B. C. FREYBERG, Governor-General

To all to whom these presents shall come and to HERBERT EDGAR EVANS, GEORGE WILLIAM CLINKARD, ANDREW JOHN PARK, STUART WENTWORTH INNES-KER PETERSON, and JOHN RALFE SMITH : Greeting.

WHEREAS by Warrant dated the twenty-eighth day of April, one thousand nine hundred and forty-eight, you, the said

Herbert Edgar Evans,
George William Clinkard,
Andrew John Park,
Stuart Wentworth Innes-Ker Peterson, and
John Ralfe Smith

were appointed under the authority of the Commissions of Inquiry Act, 1908, and with the advice and consent of the Executive Council, to be a Commission of Inquiry for the purposes in the said Warrant set out :

And whereas by the said Warrant you were required to report to me not later than the thirty-first day of January, one thousand nine hundred and forty-nine, your findings and opinions on the matters referred to you :

And whereas by further Warrant dated the twenty-sixth day of January, one thousand nine hundred and forty-nine, the time within which you were so required to report was extended until the thirty-first day of July, one thousand nine hundred and forty-nine :

And whereas by further Warrant dated the twenty-seventh day of July, one thousand nine hundred and forty-nine, the time within which you were so required to report was extended until the thirty-first day of December, one thousand nine hundred and forty-nine :

And whereas it is expedient that the time for so reporting should be extended as hereinafter provided :

Now, therefore, I, Lieutenant-General Sir Bernard Cyril Freyberg, the Governor-General of the Dominion of New Zealand, in pursuance and exercise of the powers conferred upon me by the Commissions of Inquiry Act, 1908, and of all other powers and authorities enabling me in this behalf, and acting by and with the advice and consent of the Executive Council of the said Dominion, do hereby extend until the thirtieth day of June, one thousand nine hundred and fifty, the time within which you are so required to report :

And in further pursuance of the said powers and authorities and with the like advice and consent, I do hereby confirm the said Commission and the three respective Warrants hereinbefore referred to except as altered by these presents.

Given under the hand of His Excellency the Governor-General of the Dominion of New Zealand, and issued under the Seal of that Dominion, this 21st day of December, 1949.

T. CLIFTON WEBB, Minister of Justice.

Approved in Council—

T. J. SHERRARD,
Clerk of the Executive Council.

To His Excellency the Governor-General of the Dominion of New Zealand.

MAY IT PLEASE YOUR EXCELLENCY,—

We, the undersigned Commissioners, appointed by Warrant dated the 28th day of April, 1948, have the honour to present to your Excellency our report under the following terms of reference :—

- (1) Generally, the working of the Patents, Designs, and Trade-marks Act, 1908, the Patents, Designs, and Trade-marks Act, 1921-22, and the several Acts amending those Acts, and the practice of the Patent Office and of the Courts in relation to matters arising therefrom, and whether any, and if so what, changes in those Acts or that practice are desirable.
 - (2) In particular—
 - (a) The initiation, conduct, and determination of legal proceedings arising under or out of the said Acts :
 - (b) The provisions of the said Acts for the prevention of the abuse of monopoly rights :
 - (c) What amendments of those Acts or of procedure thereunder would in your opinion facilitate the expeditious settlement and the reduction of the cost of legal proceedings in cases arising under the said Acts and would encourage the use of inventions and the progress of industry and trade.
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REPORT

1. We gave notice in the daily newspapers in the leading centres indicating the objects of the inquiry and requesting any interested persons or parties to attend and give evidence, while a number of Government Departments and other organizations which it was thought might be interested in making submissions were circularized with a questionnaire, a copy of which is set forth in Appendix I hereto.

2. We commenced our public sittings in Wellington on 11th May, 1948, and held further sittings from time to time until 29th August, 1949. Our public sittings occupied a total of forty-two days.

3. Evidence was given by forty-three witnesses, including representatives of Government Departments, manufacturers, and other organizations and societies. The evidence occupies 1,875 closely typed foolscap pages, and, in addition, many written statements, documents, and files were admitted as exhibits. A list of the witnesses appears in Appendix II.

4. In certain cases, where it was thought desirable so to do, we exercised our powers of subpoena to ensure the attendance of certain witnesses on certain aspects, particularly relating to allegations as to abuse of monopoly relative to patent rights in New Zealand.

5. As a result of the evidence adduced a large number of suggestions as to the amendment of the Acts in question were made, and these have all been considered by us. A number of these are traversed and reviewed in this report, while in the case of many others it has, as is pointed out in paragraph 12, been found unnecessary to mention them as they are met if our recommendation that the British Patents and Designs Acts of 1949 are substantially adopted in New Zealand. Where in this report we speak of those Acts, we are referring to the consolidating Acts passed in December, 1949, and not to the Patents and Designs Act, 1949, passed on 30th July, 1949.

6. Our proceedings were prolonged owing, firstly, to the fact that during the course of the public sittings certain evidence was adduced alleging that in certain industries there had been abuses of monopoly rights. The consequent investigations necessitated adjournment to permit further evidence to be submitted by those making such allegations, and also in some cases subpoenas to be issued to ensure the attendance of witnesses who might be able to assist us in this aspect of our inquiries.

7. Secondly, a further factor of the greatest importance was that during our deliberations new Patents and Designs Acts were passed in Great Britain, the Patents Act in particular making very considerable changes in the law and, to a great extent, implementing the recommendations of the Departmental Committee appointed by the President of the Board of Trade in Great Britain in April, 1944 (hereinafter referred to as the Swan Committee).

8. Inasmuch as that Committee had over a period of three years given very great consideration to, and reviewed a great amount of evidence in relation to, matters which were substantially of the same nature as we have had to investigate, we have considered it to be of the greatest importance to our own inquiry to ascertain, firstly, how far the recommendations of the Swan Committee resolved the matters before us, and, secondly, the extent to which the Legislature in Great Britain implemented and adopted such recommendations. We accordingly have had no hesitation in deferring our final deliberations until the Bills in question had actually been passed and become law in that country.

9. Our public sittings were not closed until the new Patents and Designs Act had been passed in Great Britain, as it was desired that an opportunity should be given to interested parties to adduce further evidence, if they so desired, as to any respects in which they might still consider the British Acts deficient in meeting their particular suggestions.

10. We desire to place on record the very great assistance which we have received from a consideration of the two interim reports and the final report of the Swan Committee. As has already been stated, that Committee had before it the matters substantially in issue before us, and its careful consideration of these matters, and its courageous suggestions for solving the difficulties and meeting the deficiencies in the earlier British Acts, have been of inestimable benefit, and have very materially reduced our own labours.

11. After very fully considering all the evidence and the other facts which have been placed before us we have decided to recommend that the basic principles of the British Patents and Designs Acts of 1949 should be adopted in New Zealand.

12. Those Acts have been designed to overcome the major deficiencies in previous legislation to which we have been directed to give our attention, and we have considered it unnecessary to deal in detail in this report with a wide number of different topics coming within the scope of our inquiry, since the substantial adoption in New Zealand of the provisions of the British Patents and Designs Acts of 1949 will, in our opinion, provide a satisfactory solution.

13. Taking, therefore, the British Acts of 1949 as being broadly acceptable for adoption in New Zealand, we have decided that to avoid undue prolixity and a mere repetition of the substance of much that has already been most adequately stated in the reports of the Swan Committee, it will be most convenient to deal in the following manner with the various matters which we have to consider. A large number—in fact the majority—of the sections of the British Acts of 1949 are, in our view, entirely applicable, with only consequential verbal changes in New Zealand. Any sections not dealt with in this report may be so regarded. In most cases the reasons for their incorporation in the British Acts may be found in the Swan reports. We shall, however, in this report endeavour to refer to all the amendments of substance in the New Zealand law recommended by us. We shall also deal with any amendments resulting from the new British Acts which should be modified, having regard to New Zealand conditions and requirements.

14. So far as is practicable, we have, for convenience, followed the order adopted by the Swan Committee in its final report. There are a number of sections in the New Zealand Patents, Designs, and Trade-marks Acts which have no counterpart in England. The more important of these will be reviewed, and recommendations made as to their retention or otherwise. The Swan Committee did not to any material extent consider trade-marks. Before us, trade-marks, as such, took no great degree of prominence, but certain suggestions in regard thereto will be made at the end of this report.

PATENTS

THE STATUTE OF MONOPOLIES

15. Inasmuch as it has been suggested during the course of our investigations that there should be substantial amendments to our patent system in its present form, it may be desirable to give a brief historical survey of New Zealand patent law.

16. As in Great Britain, the basis of patent monopoly rights in New Zealand is the Statute of Monopolies enacted in 1623. The famous section 6 thereof, following after a general declaration of the illegality and invalidity of grants of monopolies, defined in the following terms those which alone would thereafter be lawful :—

Provided also that any declaration before-mentioned shall not extend to any letters patent and grants of privilege for the term of fourteen years or under, hereafter to be made, of the sole working or making of any manner of new manufactures within this realm to the true and first inventor and inventors of such manufactures, which others at the time of making such letters patent and grants shall not use, so as they be not contrary to the law, nor mischievous to the State, by raising prices of commodities at home, or hurt of trade, or generally inconvenient; the said fourteen years to be accounted from the date of the first letters patents or grant of such privilege hereafter to be made, but that the same shall be of such force as they should be if this Act had never been made, and of none other.

This section is substantially incorporated in the definition of "invention" as set out in the interpretation section 2 of our Patents, Designs, and Trade-marks Act, 1921-22.

17. With the exception of certain amendments which have from time to time been made in the New Zealand Acts, it can be said that in general the New Zealand law has followed the British, and any amending legislation in Great Britain has usually been followed shortly thereafter by similar legislation in New Zealand. The result is that at the present time the New Zealand patent law is substantially the same as that which obtained in Great Britain prior to the passage of the 1949 Acts.

18. Section 6 of the Statute of Monopolies, it will be observed, refers to the making of any manner of new manufactures, and up to the passing of the Patents and Designs Act, 1949 (12 and 13 Geo. 6, Ch. 62), on 30th July, 1949, in Great Britain, this was still the yardstick by which the patentability of any new alleged invention was determined. The question of the definition of "invention" was given most careful consideration by the Swan Committee, but the definition in the Statute of Monopolies was still maintained with relatively slight amendment. The new definition is now contained in section 101 of the consolidating Act (the Patents Act, 1949 (12, 13, and 14 Geo. 6, Ch. 87), enacted on 16th December, 1949) and reads :—

"Invention" means any manner of new manufacture the subject of letters patent and grant of privilege within section six of the Statute of Monopolies *and any new method or process of testing applicable to the improvement or control of manufacture*, and includes an alleged invention.

The words in italics are the additions to the definition made by the Act of 1949. We see no reason why a similar amendment should not be adopted in New Zealand.

19. At this stage, however, it may be proper to consider the suggestion which was put before us that patents should be granted in respect of what might broadly be described as "plants having specific characteristics." It was submitted to us by several witnesses that an injustice was done to plant growers and specialists in horticulture in that they could not, under the present Patents Act, obtain any monopoly in respect of new and improved plants, and our attention was directed to the fact that in the United States, for a number of years past, patents have been granted in respect of particular types of plants coming within the definition of the relevant United States enactment.

20. To enable patents to be granted in respect of plants would necessarily involve a departure from the definition of "invention" as defined in the Statute of Monopolies, the amendment introduced in Great Britain in 1949 not assisting the matter on this particular point. We have given very anxious consideration to whether an amendment of the definition of "invention" should be made to enable patents to be obtained in respect of specified types of plants, but we have come to the conclusion that at the present stage it would not be desirable for such a step to be taken.

21. There seems to be a very substantial controversy as to the value of patents in respect of plants, and we are inclined to adopt the view suggested by the Department of Agriculture in its communication to us of 10th August, 1948, supported as it was by the statement of Messrs. Fife and Towler on behalf of the British group at the Hague Congress, 25th to 30th May, 1947, on the Legal Protection of New Plant Varieties.

22. We are also influenced by the fact that in a small country such as New Zealand the setting up of an adequate technical equipment (including that required for colour photography) and administrative staff to deal with such a widely divergent form of production would be difficult and costly at the present stage of development. Moreover, the evidence before us suggests that there is great doubt whether the patenting of plants is capable of affording any real protection to plant breeders.

23. We have thought that, although not an entirely satisfactory alternative, the Canadian system of registering trade-marks in respect of plants might well be tried. Having regard to the fact that in New Zealand under section 30 of the Patents, Designs, and Trade-marks Amendment Act, 1939, provision is made for registration of registered

users of trade-marks, the originators of new plants could register their trade-marks in respect thereof and grant registered user rights to those persons to whom they are prepared to grant the right to propagate and sell such plant varieties.

THE APPLICANT

24. For a number of years past there have been substantial differences between the New Zealand and the British law as to the party entitled to apply for letters patent. Going back no further than to the present New Zealand Act of 1921-22, we find the definition of "Inventor" and "Applicant" to be as follows: -

"Inventor" and "Applicant" subject to the provisions of this Act, include the legal representative of a deceased inventor or applicant; and "inventor" also includes the nominee or assignee of the actual inventor.

In Great Britain, on the other hand, apart from applications under the International Convention, the true and first inventor until 1949 had to be an applicant for letters patent. He could be joined by another person, firm, or company as a joint applicant, but nevertheless the true and first inventor himself had to be a party to the application.

25. Under the 1949 Act it is now possible in Great Britain for the assignee of the actual inventor to apply for letters patent. It is important to observe, however, that by virtue of the provisions of section 2, subsection (2), of the Patents Act, 1949, it is provided that: -

If the application (not being a convention application) is made by virtue of an assignment of the right to apply for a patent for the invention, there shall be furnished with the application or within such period as may be prescribed after the filing of the application a declaration, signed by the person claiming to be the true and first inventor or his personal representative, stating that he assents to the making of the application.

26. In New Zealand, on the other hand, there has never been any necessity for an assignee applicant to file any assignment or other document establishing either his right to apply by way of assignment or evidencing the consent of the true and first inventor to his making the application. All that has been required is that the assignee applicant should file an application form asserting that he applies as the assignee of the true and first inventor, naming him.

27. It is our view that provision should be made in New Zealand similar to that now existing in Great Britain, whereby, if the assignee applicant does not file within a prescribed time an actual legal assignment of the invention, then a consent signed by the person claiming to be the true and first inventor, or his personal representative, should be filed. We feel that it is important, however, that any assignment which is filed in support of the assignee applicant's right to apply should be in terms sufficient to establish clearly the identity of the invention purporting to be assigned.

28. Apart, however, from the fact that in New Zealand the assignee has for many years had the right to apply, there are two other very important differences between the New Zealand "applicant" section and that in Great Britain. Under section 6 of the Statute of Monopolies the grant of a patent was permitted to the "true and first inventor." In Great Britain, ever since the Statute of Monopolies, the expression "true and first inventor" included not only the actual inventor as such, but the true and first importer of the invention into the realm. The historical basis for the "true and first importer" being entitled to a patent was apparently that if, by travelling in foreign lands at the risk of his life and limb, and at considerable expense to himself, he were able to bring into England an invention which would assist the particular trade and industry in that country, he would be as much entitled to obtain a patent for the invention as the actual inventor might have been.

29. For some reason or other, which has not been explained to us, this interpretation of the term "true and first inventor" was not, at least for many years, followed in New Zealand. The present definition of this term first appeared in section 2 of the

New Zealand Patents, Designs, and Trade-marks Act, 1889, and is repeated in the unrepealed interpretation section 2 of the Patents, Designs, and Trade-marks Act, 1908, where the definition of "true and first inventor" is as follows:—

"True and first inventor" means the person who is the actual inventor of an invention or his nominee or assignee; but does not include the unauthorized importer of an invention from any place outside New Zealand.

The apparent intention of this definition was to prohibit the grant of a patent to any "importer" but the "authorized importer" of an invention from any place outside New Zealand. What exactly was contemplated by the term "authorized importer" is not clear nor, so far as we have been able to discover, have there been any judicial decisions on the point, nor does it appear to have come into prominence before the Patent Office, which does not appear to have made inquiries whether or not an importer is an "authorized importer."

30. It may be arguable that the definition of "true and first inventor" above quoted is so repugnant to the definition of "inventor" now contained in section 2 of the New Zealand Act of 1921-22 that it no longer has effect. In that section, subject to the provisions of that Act, "inventor" and "applicant" are together defined as including the legal representative of a deceased inventor or applicant, and "inventor" is defined as including the nominee or assignee of the actual inventor.

31. Although hitherto the point does not appear to have assumed any practical importance, we think that the doubt as to the effect of the definition in the Act of 1921-22 upon that in the Act of 1908 should be resolved in one way or the other, having regard on the one hand to the desirability of uniformity between British and New Zealand legislation relating to patents, and on the other to the changes resulting from modern conditions of communication and travel.

32. The final point of differentiation between the concept of "applicant" in New Zealand as opposed to that in Great Britain is the inclusion of the "nominee" of the actual inventor in the definition section of the New Zealand Act. Why the "nominee" of the actual inventor has the right to apply in New Zealand has not been explained to us. It is possible, however, that this right may, in fact, be the result of the aforesaid definition of "true and first inventor" in section 2 of the Patents Act of 1908. An authorized importer could hardly be described as being the "assignee" of the actual inventor, but he might well be described as "nominee" of such inventor, and the expression may therefore have been introduced for that very purpose. In our view, if it is decided to remove the differentiation between "true and first inventor" in New Zealand and Great Britain, it will no longer be necessary to include the word "nominee" in the definition section of the word "applicant" in the New Zealand Act.

33. Summarizing, therefore, our conclusions in this regard, we suggest that the concept of "applicant" as defined in the British Act of 1949 should be followed in New Zealand, but that if the assignee applicant supports his application by a formal legal assignment of the invention, the further requirement set forth in subsection (2) of section 2 of the British Act of 1949 would be unnecessary. It is recognized, however, that there may be a number of cases in which the circumstances are such that a formal deed of assignment is not entered into, and in those cases the formal consent as set forth in that subsection should be required.

34. It may be observed that it was suggested before us that the actual inventor should be the only person entitled to apply for letters patent, but it is our view that this would be a retrograde step and not in conformity with the exigencies of modern conditions. It is to be remembered that the entry of a person, firm, or company entered on the Register of Patents as the registered proprietor of a patent, besides conferring rights, imposes possible obligations and liabilities. It is the registered proprietor of a letters patent who has to defend himself against actions, or petitions for revocation, and has to defend himself against any attacks on the ground of abuse of monopoly. A number of

inventors who have made adequate and satisfactory arrangements for the sale or other disposal of their patents or of their inventions would be embarrassed if it were made compulsory for them to be the applicants for letters patent. The same considerations would obtain to an even greater extent in the case of applicants under the International Convention.

35. A further matter which was discussed at considerable length before us was whether some better and more adequate means should be provided to enable the Crown, or its representatives, to apply for letters patent in New Zealand and elsewhere. This point was discussed by a number of witnesses on behalf of Government Departments and others, and a very helpful statement was presented by Mr. A. E. Currie, of the Crown Law Office. The matter is one of growing importance having regard to the increasing number of inventions which are made by various Government technical officers, such, for instance, as those from the Department of Scientific and Industrial Research, Department of Agriculture, and others, and we recommend that there should be established by statute a Holding Corporation in which would be vested all the necessary powers to apply for letters patent in its name as assignee of the actual inventor.

36. The powers of such Holding Corporation should be wide enough to include the right not only to apply for letters patent and designs, but also to acquire letters patent and designs, and to grant licences thereunder. It likewise should have power to obtain registration of trade-marks, or to acquire them, and inasmuch as such a Corporation would *ex hypothesi* be a holding corporation, it should have the right, in connection with any trademarks held by it, to grant registered user rights under the provisions of section 31 of the Patents, Designs, and Trade-marks Amendment Act, 1939.

37. The constitution of such a holding company or corporation would require careful consideration because it would need the right to acquire and hold inventions, designs, and trade-marks, and to apply for and obtain the relevant letters patent or certificates of registration not only in New Zealand, but also in overseas countries, and the laws of such countries should be examined carefully to ensure that such Holding Corporation would have the necessary status to make or acquire such rights in such countries. We are informed that there are some countries which do not recognize a corporation sole, and it therefore appears to be desirable that the Holding Corporation should be a corporation aggregate.

38. Such a Corporation might also be given powers to acquire, hold, deal with, and dispose of other forms of property.

INVENTIONS MADE BY AN EMPLOYEE DURING THE COURSE OF EMPLOYMENT

39. This particular matter was given very careful consideration in the final report of the Swan Committee, particularly in view of their proposal that the definition of an "applicant" should be extended to enable an assignee to apply. That Committee has dealt with the matter in paragraphs 17 to 28 of their final report, and it can be said that cases coming under this head may be divided into two groups—firstly, where there is a written agreement of service between the employer and the employee, and, secondly, where there is no written agreement. A further line of demarcation may be drawn between those cases in which the employee is an employee of the State or a quasi-State Corporation, and those in which he is in private employment.

40. It may be desirable first to deal broadly with the question of Government employees. We think that a definite policy should be laid down covering all Departments, so that as a general rule the treatment of Government employees may be the same to whatever department they may for the time being be attached.

41. It appears from paragraph 19 of the final report of the Swan Committee that in England, as a result of investigations by a Board of Trade Committee of 1922 under the chairmanship of Sir Kenneth Lee, and subsequently by a Civil Service Committee, a

permanent body, called the Central Awards Committee, was set up for the purpose of receiving complaints by Government employees who were dissatisfied with the terms proposed or awards made by the Departments in respect of their inventions. In our view, a similar body might usefully be established in New Zealand, but it is thought that an even more important and fundamental consideration is that all departments should have uniformity in regard to their approach to this particular problem.

42. We think that, so far as Government employees are concerned, a uniformity of practice in the various Government Departments, coupled with a constituted body to deal with complaints as has been suggested, should provide adequate remedies without the necessity of seeking redress under any of the provisions of the Patents Act. The difficulties of invoking the provisions of the Patents Act as against the Crown will be sufficiently obvious without the necessity for elaboration here.

43. In the case of private employees, we have come to the same opinion as the Swan Committee that where, in fact, there has been a written agreement between the parties in which the rights to any particular invention or inventions have been clearly defined, there is no more reason for interfering with the terms thereof than is admissible in the case of any other contract. In those cases, however, in which there is no written agreement between the parties, but where the circumstances are such as create a genuine doubt as to whether, having regard to all the circumstances, the property in the invention resides in the employer or the employee, difficulties have always existed. A reference to the authorities shows that almost all such cases turn on questions of fact. Once the facts are adequately ascertained, the principles of law applicable thereto appear to give rise to little dispute.

44. As has been pointed out in paragraph 25 of the Swan report, three cases where no written agreement has been entered into require consideration—firstly, the ownership of the invention may reside in the employee: secondly, it may reside in the employer; and, thirdly, the circumstances may be such that both the employer and the employee are entitled to share in and derive benefit from the invention.

45. The matter obviously received very careful consideration in the drafting of the 1949 British Act, and was sought to be adjusted by section 56 thereof, which appears on its face to cover not only the case where a patent has been granted or applied for, but also the case where a dispute arises between an employer and employee in respect of an invention when no application for patent has been made. However, reference to the form 55 in the regulations under the 1949 Act would seem to suggest that the jurisdiction of the Comptroller does not arise in respect of any invention until an application for letters patent in respect of the invention is actually before the Patent Office. If this be the case, we think that the application of the section as it at present stands may be too limited, and that a number of cases are likely to occur in which a dispute arises between an employer and employee prior to any application for a patent being made in respect of an invention. The employee inventor may claim the invention to be his entirely or, on the other hand, may not be prepared to assign it to his employer except on terms not acceptable to the latter. The employer, for his part, may contend that by virtue of the circumstances he is entitled to the benefit of the invention without giving any additional remuneration to the employee. It is clear that in such cases it is a matter of importance to both parties that an application for a patent should be made at the earliest possible date so that an effective filing date as against third parties is secured.

46. We think that in such cases provision should be made whereby both parties may apply on a special application form which will include a statement that there is a dispute between them as to which is entitled to the grant of the patent. If the employee refuses to be a party to a joint application, then either of them should be able to apply alone on a special form of application in which the fact that there is a dispute is stated. Where application is made in any of the ways suggested, the position of neither party will be prejudiced, and the filing of an application need not be held up pending a settlement of the dispute.

47. To resolve any possible doubt, we think that a provision should be included in the equivalent of section 56 of the British Act of 1949, that the mere filing of a consent from an employee assignor to the assignee shall not constitute such an estoppel as will prevent the assignor seeking the decision of the Commissioner or the Court within a reasonable time under the equivalent of that section. It may well happen that, for the purposes of obtaining an early filing date for an application, the employee inventor may without sufficient consideration give his consent to the filing of the application in the name of the employer, and it is thought only fair to the employee that such act should not affect any right which he may have to claim some benefit from the invention.

48. It will be noted that provision is made by section 16 of the British Act of 1949 for the mention of the name of the actual inventor in the complete specification, the letters patent, and the Register of Patents. Provision to a similar effect was made in New Zealand in section 58 of the Patents, Designs, and Trade-marks Amendment Act, 1939, which corresponded with section 11A of the British Act of 1907.

DATE OF PATENT

49. The British Act of 1949 has to a very great extent implemented the suggestions of the Swan Committee which are set out in paragraphs 29 to 43 of the final report. These suggestions have been accepted as a foundation for a basic change in the British Act of 1949 by the new conception of what is termed the "priority date." In our view the amendments in this regard overcome a large number of difficulties which existed under the previous Act, and which, in a number of cases, reacted to the disadvantage of the patentee.

50. Possibly one of the more important advantages of this change is in the case of convention applications. Previously the position was that if an invention claimed the priority date of the earliest basic application under the provisions of the International Convention, and it was proved to the satisfaction of the Court that the invention claimed in the British specification was different from or larger than that claimed or described in the basic specification, then the patent could be invalidated as offending against the provisions of the Act: see section 25, subsection (2) (a), of the British Patents and Designs Act, 1907 (corresponding to section 61 (1) of the New Zealand Amendment Act of 1939), which reads:—

A patent may be revoked upon any of the following grounds

- (1) that the invention claimed in the complete specification is not the same as that contained in the provisional specification, and that the invention claimed, so far as it is not contained in the provisional specification was not new at the date when the complete specification was filed, or the true and first inventor was not the applicant, or one of the applicants, for the patent, or, in the case of an application made under section ninety-one of this Act, that the invention claimed in the complete specification is not the same as that for which protection has been applied for in the Convention country (regard being had to the provisions of subsection (2b) of that section).

51. The priority date of an application under the British Act of 1949 is defined in section 5 of that Act, which reads:—

5. (1) Every claim of a complete specification shall have effect from the date prescribed by this section in relation to that claim (in this Act referred to as the priority date); and a patent shall not be invalidated by reason only of the publication or use of the invention, so far as claimed in any claim of the complete specification, on or after the priority date of that claim, or by the grant of another patent upon a specification claiming the same invention in a claim of the same or later priority date.

(2) Where the complete specification is filed in pursuance of a single application accompanied by a provisional specification or by a specification which is treated by virtue of a direction under subsection (4) of section three of this Act as a provisional specification, and the claim is fairly based on the matter disclosed in that specification, the priority date of that claim shall be the date of filing of the application.

(3) Where the complete specification is filed or proceeded with in pursuance of two or more applications accompanied by such specifications as are mentioned in the last foregoing subsection, and the claim is fairly based on the matter disclosed in one of those specifications, the priority date of that claim shall be the date of filing of the application accompanied by that specification.

(4) Where the complete specification is filed in pursuance of a convention application and the claim is fairly based on the matter disclosed in the application for protection in a convention country or, where the convention application is founded upon more than one such application for protection, in one of those applications, the priority date of that claim shall be the date of the relevant application for protection.

(5) Where, under the foregoing provisions of this section, any claim of a complete specification would, but for this provision, have two or more priority dates, the priority date of that claim shall be the earlier or earliest of those dates.

(6) In any case to which subsections (2) to (5) of this section do not apply, the priority date of a claim shall be the date of filing of the complete specification.

Briefly, the present position in Great Britain as a result of this section 5 is that even if one or more claims in the British specification cannot have the date of the basic application substantiated, such claims are not invalidated provided that at the actual date of filing they were not anticipated. In New Zealand the present position is that the effect of section 61 (1) of the Amendment Act of 1939 is to invalidate any claims which cannot maintain the date of the basic application. The same principles apply in regard to disconformity between a provisional and a complete specification.

52. We agree with the statement contained in paragraph 35 of the final report of the Swan Committee, and consider that the idea of the date of priority, not necessarily being the date of the patent, is one which has very considerable advantages, and we have no hesitation in recommending that it should be adopted in New Zealand. The "date of the patent" would then be the date of the filing of the complete specification in New Zealand, and from it the duration of the patent and the dates for payment of the renewal fees would run. We think that it would be desirable, for the sake of convenience both to the Patent Office and to patentees, to adopt the system of numbering prevailing in Great Britain and Australia, whereby each application receives a serial number at the time of filing, and later, on acceptance of the complete specification, there is allotted a final number under which the patent is granted.

53. It is convenient at this juncture to deal with a suggestion which was put forward during the course of the public hearings to the effect that the date of "conception" of the invention should be made the vital factor in New Zealand rather than the date of application, or—if the language of the British Act be adopted—the priority date. The date of conception is, of course, the vital factor in establishing—where the matter is in dispute—the right to a patent in the United States. We have given the matter our very careful consideration and are of the opinion that it would be a retrograde step to adopt the idea of a notional date of conception as the basis of patent rights in New Zealand.

54. The system of filing an application for a patent with a provisional specification is limited to certain countries in the British Commonwealth, particularly Great Britain, South Africa, Australia, and New Zealand, and it would seem that basically the object of permitting the filing of a provisional specification is substantially the same as that of permitting the establishment of a date of conception in the United States. Within the prescribed period after the filing of the provisional specification (which was until relatively recently nine months but is now a year) the inventor is expected to decide whether or not his invention is or is not worth exploiting on a commercial scale, it being considered that in the majority of cases this period should be sufficient for adequate investigation to be made.

55. Until the passing of the British Act of 1949 the maximum extension of time for the filing of the complete specification was only one month, but the proviso to subsection (2) of section 3 of that Act now extends this period as of right to three months, with the result that if, as recommended, a similar amendment is made in New Zealand, the applicant will have fifteen months from the date of filing his provisional specification before he has to file his complete specification.

56. Having regard to the fact that in New Zealand it is not easy to investigate the commercial possibilities of technical inventions so rapidly as in England, we would recommend that a further three months' extension of time for filing a complete after a

provisional specification should be available to the applicant in those cases in which he can satisfy the Commissioner that such an extension is justified, but any such application should be made before the expiry of the period of fifteen months. In other words, we think that the applicant should have fifteen months as of right, within which to file his complete after provisional specification in New Zealand, but that, at the discretion of the Commissioner, he may have this period extended for a further period not exceeding a maximum of three months, making eighteen months in all.

57. Apart from the more liberal period for filing a complete after a provisional specification now afforded by the British 1949 Act, the extent to which an inventor may, even before filing an application for provisional protection, experimentally test the commercial possibilities of his invention has been widened and more clearly defined. Under the provisions of the British Act of 1949 the right of an inventor to engage in a certain amount of experimental use, even in public, to test the commercial merits of his invention even before applying for the provisional protection is more adequately recognized than heretofore. The sections in question are section 50, subsection (2), and section 51, subsection (3), which read :—

50. (2) Subject as hereinafter provided, an invention claimed in a complete specification shall not be deemed to have been anticipated by reason only that the invention was published before the priority date of the relevant claim of the specification, if the patentee or applicant for the patent proves—

- (a) That the matter published was obtained from him or (where he is not himself the true and first inventor) from any person from whom he derives title, and was published without his consent or the consent of any such person; and
- (b) Where the patentee or applicant for the patent or any person from whom he derives title learned of the publication before the date of the application for the patent or (in the case of a convention application) before the date of the application for protection in a convention country, that the application, or the application in a convention country, as the case may be, was made as soon as reasonably practicable thereafter :

Provided that this subsection shall not apply if the invention was before the priority date of the claim commercially worked in the United Kingdom, otherwise than for the purpose of reasonable trial, either by the patentee or applicant for the patent or any person from whom he derives title or by any other person with the consent of the patentee or applicant for the patent or any person from whom he derives title.

51. (3) An invention claimed in a complete specification shall not be deemed to have been anticipated by reason only that, at any time within one year before the priority date of the relevant claim of the specification, the invention was publicly worked in the United Kingdom—

- (a) By the patentee or applicant for the patent or any person from whom he derives title; or
- (b) By any other person with the consent of the patentee or applicant for the patent or any person from whom he derives title.

if the working was effected for the purpose of reasonable trial only and if it was reasonably necessary having regard to the nature of the invention, that the working for that purpose should be effected in public.

58. The main difficulty, however, in adopting the date of conception in New Zealand would, in our opinion, be that in many cases it would be gravely detrimental to the interests of the inventor. Even if it were decided in New Zealand that the date of conception should be the effective date, a publication of the invention in New Zealand between the date of conception and the date of filing of the first application for letters patent might mean the loss of very valuable rights overseas. Under the provisions of the International Convention the date of conception as such is not recognized, and the effective date for the purposes of protection under the convention is the date of filing in the first convention country in which the application is lodged. If, therefore, there were a disclosure of the invention made by the inventor in New Zealand prior to filing an application, and details of that invention were communicated to countries overseas prior to any filing of an application by the inventor in a convention country, then his rights in those convention countries would be irretrievably lost because any applications filed in such convention countries, even based on the International Convention, would

bear a date subsequent to the publication of the invention therein. For these reasons, therefore, it is not thought that the "date of conception" should be accepted in New Zealand, particularly if the suggestions made in paragraphs 55, 56, and 57 hereof are adopted.

THIRD-PARTY RIGHTS

59. The Swan Committee paid considerable attention to this matter: see paragraphs 44 to 55 of the final report. The protection of the interests of third parties who may have innocently used rights which had temporarily lapsed or otherwise been extinguished may assume considerable importance, and it was the intention of the Swan Committee to define a standard form of protection of the rights of third parties which would be appropriate where patents have been restored (a) after having lapsed due to the unintentional failure of the patentee to pay the requisite renewal fees, or (b) after the original grant had expired before an extension of the term of the patent had been made under the section in the British Act equivalent to section 20 of the Patents, Designs, and Trade-marks Act, 1921-22 (as amended).

60. The standard formula proposed by the Swan Committee is set out in the Schedule to paragraph 55 of the final report, and is as follows:—

(i) In so far as the complete specification of the patent claims an article (other than an apparatus, machine or plant or part thereof as specified under head (ii) hereof) and any article so claimed has been manufactured by the third party during the interim period hereinafter defined, that particular article may at all times be used or sold.

(ii) In so far as the complete specification claims some apparatus, machine or plant or part thereof for the production or supply of an article or service, then any particular apparatus, machine or plant or part thereof so claimed which has been manufactured or installed by the third party during the interim period hereinafter defined and the products thereof may at all times be used or sold and in the event of any such apparatus, machine or plant or part thereof being impaired by wear or tear or accidentally destroyed, a like licence shall extend to any replacement thereof and to the products of such replacement.

(iii) In so far as the complete specification claims any process for the making or treating of any article, any particular apparatus, machine or plant which during the interim period hereinafter defined has been manufactured or installed by the third party or exclusively or mainly used by him for carrying on such process may at all times be so used or continue to be so used and the products thereof may at all times be used or sold and in the event of such apparatus, machine or plant being impaired by wear or tear or accidentally destroyed, a like licence shall extend to such process when carried on in any replacement of such apparatus, machine or plant and to the products of the process so carried on.

And it is declared that in the foregoing proviso (a) the word "article" shall be deemed to include any substance, material, apparatus, arrangement, machine or plant and (b) the "interim period" means the period between the date of the expiry of the said patent and the date of this Order.

61. So far as the restoration of patents under the British Act of 1949 is concerned, the conditions as proposed by the Swan Committee appear to have been substantially accepted: see Patent Regulation 84 under the aforesaid Act. We think that the provisions of the British Act of 1949 should be adopted, but that conditions similar to those set out in British Patent Regulation 84 should also apply (*mutatis mutandis*) to those cases which have been allowed to proceed to acceptance under the provisions of section 4 of the Patents, Designs, and Trade-marks Amendment Act, 1924. Section 4 in this Act has no equivalent in Great Britain, and provides that in those cases in which, owing to inadvertence on the part of the applicant, his application has not been accepted within the prescribed time, he can make application for the late acceptance thereof subject to the conditions and restrictions imposed under the said Act or regulations. These conditions, we think, should be standardized to comply with British Patent Regulation 84.

EXAMINATION OF APPLICATIONS

62. The examination section (section 10) of the Patents, Designs, and Trade-marks Act, 1921-22, came in for considerable discussion during the course of our sittings, and was the object of a great deal of criticism. The section reads as follows :—

10. *Investigation as to novelty and subject-matter.*—(1) Where an application for a patent has been made and a complete specification has been left, and it appears to the Commissioner that the invention is not new, or is for any other reason not a proper subject-matter for a patent, the applicant shall be informed thereof: and the applicant may, within such time as may be prescribed, amend his specification, and the amended specification shall be investigated in like manner as the original specification.

(2) If the Commissioner is satisfied that the invention is not new, or that it is for any other reason not a proper subject-matter for a patent, he may, after hearing the applicant, if desirous of being heard, and unless the objection is removed by amending the specification to the satisfaction of the Commissioner, either—

(a) Refuse to accept the specification: or

(b) Accept the specification on condition that a reference to such prior specifications as he thinks fit be made in the specification by way of notice to the public.

(3) An appeal shall lie from the decision of the Commissioner under this section to the Court.

63. In the first place, it is to be observed that this section is, and always has been, very different from the examination sections in the various British Patents Acts which have from time to time been in force. The principle upon which the British practice is based may briefly be said to be an examination of British specifications for fifty years past—which has now been extended to include other publications—and if, as a result of such examination, the Examiner considers that the invention is wholly or in part anticipated, the applicant is called upon to file an amended specification with a view to overcoming the official objections. If the Examiner is of the opinion that there is no material difference between the invention disclosed in the specification under examination and the prior art, he will refuse to accept the application, but otherwise, as is usually the case, he will proceed on an adequate disclaimer of the prior art being inserted as a warning to the public. In certain cases he will call for a specific reference to one or more prior specifications to be inserted. “Specific reference” means that there must be an admission of the prior art by reference to the numbers of any prior patents referred to by the Examiner.

64. In other words, the main purpose of the examination in Great Britain is to investigate the *novelty* of the invention as opposed to considering the *subject-matter* of the invention. The difference between “novelty” and “subject-matter” is well expressed by Lindley, L.J., in *Gadd and Mason v. Mayor of Manchester*, (9 Reports of Patent Cases, p. 516 (Court of Appeal)), at p. 525 :

In considering subject-matter, novelty is assumed; the question is whether, assuming the invention to be new, it is one for which a patent can be granted. In considering novelty, the invention is assumed to be one for which a patent can be granted if new, and the question is whether on that assumption it is new.

65. It is pertinent to observe here that an important addition to the Comptroller's powers of examining as to novelty has been made by section 15 of the 1949 Act which reads :—

15. (1) If at any time after the acceptance of the complete specification filed in pursuance of an application for a patent and before the grant of a patent thereon it comes to the notice of the comptroller, otherwise than in consequence of proceedings in opposition to the grant under the last foregoing section, that the invention, so far as claimed in any claim of the complete specification, has been published in the United Kingdom before the priority date of the claim—

(a) In any specification filed in pursuance of an application for a patent made in the United Kingdom and dated within fifty years next before the date of filing of the applicant's complete specification: or

(b) In any other document (not being a document of any class described in subsection (1) of section fifty of this Act),

the Comptroller may refuse to grant the patent unless within such time as may be prescribed the complete specification is amended to his satisfaction.

(2) An appeal shall lie from any decision of the Comptroller under this section.

Prior to 1949, once an application had been accepted in England, the Comptroller had normally no power to refuse the grant of a patent on the application unless the matter again came before him in opposition proceedings. We think that this section should be adopted in New Zealand.

66. Prior to the British Act of 1949, the British Comptroller had a limited jurisdiction to deal with the question of subject-matter. This matter is adequately stated in *Terrell on Patents* (8th Edition), at pp. 214 and 215, as follows:—

The limits within which "quantum of invention" (*i.e.* "obviousness") and "manner of manufacture" may be considered both on application and in opposition proceedings were defined by Sir Stafford Cripps, S.-G., in *Compagnies, &c., du Nord de la France's Application* (48 R.P.C. 185). The effect of his decision may be summarized as follows: There are two questions to be considered: (1) "Is there a manner of manufacture?" and (2) "Is the manufacture new?"; and a manner of manufacture may be regarded as "a manner of adapting natural materials by the hands of man or man-made devices."

As to the first question, "the inherent jurisdiction of the Comptroller . . . is unlimited" but the question must be decided by a study of the specification, and if the invention appears upon the face of the document to be for a manner of manufacture, the grant must not be refused if there is no other objection.

As to the second question, the jurisdiction is limited to a consideration of prior publication and prior claiming. If, however, "there is admittedly no . . . inventive step," the grant must be refused. But such an admission must "be gathered from the document itself in the form in which it would ultimately be approved . . . with all necessary references to the prior art and to earlier documents."

In construing the specification, the Comptroller may take notice of facts known to persons skilled in the art in so far as these are established by evidence or admitted. If, however, there is any real contest whether, in the light of these facts, there is an inventive step, the Comptroller cannot decide the matter, and the grant cannot be refused.

67. Subject-matter was considered at very great length by the Swan Committee, and indeed it is a controversial question on which there are two directly opposing views. On the one hand, it is contended by those who consider that the Patent Office should have power to consider subject-matter that it is wrong and against the public interest that the Patent Office should allow an application which it thinks is wanting in subject-matter. On the other hand, the opposing view is that irreparable harm may be done to the inventor of a really valuable invention by virtue of the possible arbitrary action of the Patent Office in refusing *in limine* to proceed with an application on the ground of lack of subject-matter when a fuller examination of the case, supported by expert evidence, would lead the Court in infringement proceedings to a contrary conclusion.

68. The question of subject-matter has always been one of the most difficult for the Courts to decide, and the position is very well set out in *Terrell on Patents* (8th Edition), at p. 65, where the learned author states:—

The more numerous decisions in which the term "subject-matter" is used in a somewhat narrow sense must now be considered. In these cases there is no question that the invention must be classed as a "manufacture"; it is also frequently admitted or proved that the invention is novel and useful, but it is contended "that the invention is obvious and does not involve any inventive step having regard to what was known or used prior to the date of the patent." That is to say, the question to be decided is whether there is a sufficient "quantum of invention" in the step taken by the inventor to warrant the grant of monopoly rights. The decisions are therefore really decisions of feeling—each Judge viewing the invention against the background of his own experience.

It has often been said that "subject-matter is a question of law, whereas novelty is a question of fact; but although it is possible to state the general principles which guide the Court in arriving at a decision, nevertheless "subject-matter" is always the most uncertain issue in patent cases, depending as it does upon the temperament and experience of the Judge.

69. By a majority, the Swan Committee recommended that the British Comptroller should have vested in him the power to refuse applications where there was clearly no subject-matter for a patent, but suggested certain safeguards with a view, so far as was possible, of ensuring that no patent should be refused if the matter were really in doubt. Effect was not given in the British Act of 1949 to this recommendation so far as the examining of applications was concerned, but in opposition proceedings a patent

application can now be rejected on the ground of lack of subject-matter or on the ground of prior user, neither of which grounds was available to an opponent prior to the passing of that Act, though both were, and still are, available upon an application for revocation of a patent.

70. We have thought it desirable to give a very brief summary of the principles which are involved in the examination of applications in Great Britain up to and including the passage of the 1949 Act, but when we turn to an examination of section 10 of the New Zealand Act of 1921–22 we find that a great deal of the criticism levelled against this section is entirely justified.

71. The reason for its present form is not entirely clear. It has been suggested on the one side that the intention of the section was merely to provide for an optional search, but not making it in any way obligatory upon the Commissioner to do so. On the other hand—and this is the view which has apparently been adopted by the New Zealand Patent Office in more recent years—it is contended that, before he allows an application to proceed to acceptance, the Commissioner must be satisfied, in the terminology of the section, “that the invention is a proper subject-matter for a patent,” and that he would be failing in his duties if he did not make such a search as would, in fact, satisfy himself on this point. Whatever may be the interpretation of the section, it is obviously one which in its present form is unsatisfactory, and we have no hesitation in recommending its repeal.

72. Apart from the difficulties of construction indicated above, it is a moot question whether the section does or does not confer upon the Commissioner the right of rejecting an application, not only on the ground that it is lacking in subject-matter in the more limited sense of lacking “quantum of invention,” but on any other ground which would not normally be available in Great Britain otherwise than on a petition for revocation or on a counterclaim in an action for infringement.

73. The section provides, *inter alia*, that the Commissioner has the right to reject the application if he is satisfied either that the invention is not *new* or that it is *for any other reason* not a proper subject-matter for a patent. The word “new” imports “novelty,” and it is clear, therefore, that under section 10 the Commissioner has always had power to reject an application on this ground. The requirement of “novelty” necessitates not only that the invention has not previously been published, but that it has not previously been *used*: see *Terrell on Patents*, p. 83, where the learned author states:—

We have now to examine what has been held to be a “new manufacture,” that is to say, to what extent “prior user” or “prior publication” will invalidate a patent. It is evident that, if the alleged new manufacture can be shown to have been in the possession of the public before the application for the grant of letters patent, there is no consideration for the grant. The patentee offers to the public, in return for the monopoly privilege, his information and knowledge respecting a new manufacture; if the public is already possessed of the information or knowledge, the supposed inventor has nothing to give. Consequently, the defendant in an action for infringement has always been entitled to succeed if it could be proved that the invention was not novel at the date of the patent.

Accordingly, it would seem that, contrary to the past and present practice in Great Britain, the Commissioner in New Zealand has always, under section 10, had the right to reject an application on the ground of prior user. Whether the effect of the expression “not new” in the section was fully realized when the section was drafted is possibly a matter of some doubt—see, for instance, section 10, subsection (2) (b), which relates to a reference to *prior specifications* to be made in the specification under review. This subsection does not call for reference to any “prior user” which may have been cited by the Commissioner during examination.

74. If consideration be given to the words “for any other reason not a proper subject-matter for a patent” in section 10, subsection (1), it is very difficult to consider them as meaning that all the Commissioner has to do is to consider subject-matter in the more limited sense of lacking in “quantum of invention,” and the least that can be said is that there is a very considerable argument for a wider interpretation. The

difficulty in construing these words is even greater when reference is made to the opposition section—section 57—of the Patents, Designs, and Trade-marks Act, 1939, and in particular subsection (1) (e) thereof, which gives as a ground for opposition: “that the invention is not new in New Zealand or is *for any other reason* not a proper subject-matter for a patent.” On a wide interpretation of the words in italics it would appear that every ground of attack on a patent might be open to an opponent, but such an interpretation is not consistent with the concluding words of the section “*but on no other ground*,” which would appear to indicate that there are at least some grounds not open to an opponent. It is to be observed that, following a suggestion of the Swan Committee, the expression “subject-matter” does not occur in the British Act of 1949. The expression there used is “is obvious and does not involve any inventive step.”

75. The matter was considered by the late Sir Charles Skerrett, C.J., in *McLeod and McShain's Application*, (1928) N.Z.L.R., p. 604, in which case the exact extent and scope of the grounds available by way of opposition were left undecided. The decision in this case was prior to the passing of the Amendment Act of 1939, which amended section 13 of the Patents, Designs, and Trade-marks Act, 1921–22. The amendments made by the 1939 Amendment Act do not, however, affect the judgment of Skerrett, C.J., as the portion of section 13 to which the learned Judge directed his attention is repeated in the 1939 Act. In the course of his judgment, Skerrett, C.J., said at p. 607:—

I do not find it necessary in this case to express any opinion as to the construction of the general words in the latter part of paragraph (e) of subsection (1) of section 13. It must, however, be borne in mind that the section contemplates that there may be objections to the grant of a patent other than those specified in it, but excepts such objections from the jurisdiction of the Registrar.

76. It has also been urged that in its terms section 10 of the 1921–22 Act imposes on or calls for the applicant to show “universal novelty”—that is to say, that he must show not only that his invention has not been published in New Zealand at the date of his application, but that it has not been published elsewhere. This point, although it has been pleaded, has not, as far as we are aware, been decided by the Courts, but it is noteworthy to observe that section 10 differs from section 57, subsection (1) (e), of the Patents, Designs, and Trade-marks Amendment Act, 1939, in that in the latter a ground of opposition is that the invention is not new *in New Zealand*, and this limitation is not apparent in section 10. It would seem, therefore, that unless the words “in New Zealand” in section 57, subsection (1) (e), of the 1939 Amendment Act are treated merely as surplusage, a wider interpretation must be placed on the corresponding words in section 10, which does not include the words “in New Zealand.”

77. While, therefore, we have no hesitation in recommending the repeal of this ambiguous and confusing section 10, the question of what should take its place is a matter of greater difficulty. It appears clear from the evidence given before us that up to a comparatively recent time the examining body at the Patent Office was too small, and not sufficiently equipped either with technical knowledge or the necessary facilities to institute a satisfactory examination into any specifications other than those of a relatively simple nature, and it appears equally clear from the evidence that up to recent years there was, in fact, no material examination as to novelty in the vast majority of overseas applications of a technical nature such, for instance, as in the fields of chemistry and electronics. This situation has now to a considerable extent been altered, and at the present time, we are informed, the staff of examiners at the Patent Office is a body capable of examining, at least to a reasonable extent, specifications relating to any of the various arts and sciences.

78. We are not satisfied, however, that any body of examiners in New Zealand would have the same background of experience and knowledge, or have the opportunity of acquiring a specialized knowledge, of particular branches of the various arts, as is the case with the examiners in the United States or Great Britain. In making this statement we make no reflection whatsoever on the examining corps in New Zealand, but it is obvious that in Great Britain, or in the United States, in each of which countries the

number of examiners and patent applications are very large, the examiners have the opportunity to specialize in limited fields. This is not possible in New Zealand, and not probable in the foreseeable future.

79. With all these factors taken into consideration we think that, so far as New Zealand is concerned, the basis for examination of applications should be substantially as follows : that regulation 13A (Statutory Regulations 1947/136) should be repealed and the Commissioner should be given, in lieu of the powers conferred by it, a power similar to that given in Canada. Regulation 13A now provides as follows :—

13A. (1) Every applicant for the grant of a patent shall inform the Commissioner in writing whether to his knowledge a patent for the same or a similar invention has been applied for in Great Britain, Australia, the United States of America, and any other countries which the Commissioner may in any case nominate, and shall upon request supply to the Commissioner such further information as the Commissioner may require in respect of any application so made.

(2) For the purposes of this regulation, an applicant for the grant of a patent in New Zealand shall be deemed to have knowledge of an application elsewhere than in New Zealand for a patent for the same or a similar invention if that application is made by the person who is the applicant in New Zealand, or by a person through whom he derives his title to apply, or by a person who derives his title to apply through the person who is the applicant in New Zealand.

In our opinion, this regulation is in many respects unnecessary, and calls for a considerable amount of unnecessary work on the part of both the Patent Office and the applicant.

80. The adoption of a system somewhat similar to that obtaining in Canada would have the following result. In the cases of New Zealand applications where corresponding or substantially corresponding applications have been filed either in the United States, Canada, Australia, or Great Britain, the Commissioner would have the power, when he considers it desirable or necessary, to call upon the applicant to provide full information as to the prior art cited during the course of examination of the corresponding applications in the countries stated, provided that that prior art was, in fact, available as a prior publication in New Zealand. The Commissioner would then have the power, if the applicant has not already amended his specification to avoid such prior art, to cite such art as part of the official examination in New Zealand. If this were done, it would, in our opinion, be a very material step forward to ensure that patents in New Zealand will not be granted in respect of any alleged inventions which, in fact, were old as forming part of the readily available art of the countries specifically mentioned.

81. Until recently full copies of the United States specifications were not received in New Zealand, the Patent Office Library receiving only abridgments thereof. In many cases these abridgments do not contain information sufficient to enable them to be cited as complete anticipations of full specifications describing in detail the same invention, but recently the Patent Office has altered its practice and has taken the further advanced step of obtaining full copies of United States specifications. The same course, we understand, applies in connection with Canadian specifications, which are now being received in printed form.

82. The result is that if full copies of the printed specifications from Great Britain, United States, Canada, and Australia are received in New Zealand, and if the Commissioner in appropriate cases exercises the authority which we have suggested he should have vested in him, a very full examination can be made with relatively little work on the part of the examiners. Their work, over and above their search of published New Zealand specifications, will merely consist in ascertaining how much of the particular art cited by the examiners in the countries mentioned has received prior publication in New Zealand and ensuring that the applicant makes such amendments in his specification and claims as are sufficient to avoid the matter so cited.

83. Such procedure would, at least in the vast majority of cases, render unnecessary any independent examination of the art in those countries by the examiners in New Zealand. We think that an independent examination in every case would be beyond the capacity of the relatively small number of examiners. As regards those countries in which no corresponding application has been filed, the examiners in New Zealand could

in appropriate cases make an independent search of the records at their disposal. In all cases the examiners would, of course, make a search of published New Zealand specifications.

84. It is possible, however, that for some little time to come, owing to the delay due to the accumulation of cases through the war years, a demand by the Commissioner for the applicant to furnish a statement of the art overseas might often result in applications not being accepted within the time prescribed by the Act. Under these circumstances, it is suggested that by a suitable modification of section 125 of the Patents, Designs, and Trade-marks Act, 1921-22 (which gives a general power to extend times where there has been delay in the Patent Office), it could be provided that where for the reasons mentioned it is not possible within the prescribed time to put an application in order for acceptance, an extension of time for acceptance could be granted. Alternatively, provision to a similar effect could be made in the section defining the period for acceptance.

85. We think that the recommendations which we have made could be carried into effect if the examination sections of the New Zealand Act were brought into line with the similar sections in the British Act of 1949, *mutatis mutandis*, provided that a further provision were inserted to the effect that the Commissioner may, if he so desires, instead of carrying out the whole or any part of the examination prescribed, call upon the applicant to furnish, within the time prescribed, particulars of the art as referred to in paragraph 80 hereof, and may require a disclaimer of any such art as has received prior publication in New Zealand.

86. We have already pointed out that, in our view, under section 10 of the Patents, Designs, and Trade-marks Act, 1921-22, the Commissioner is empowered to reject an application on the ground of prior user, and that even in England at the present time the Comptroller has no such power. We have given careful consideration to the question whether this power should still be retained by the Commissioner, and we think that it should not be exercisable by the Commissioner during examination proceedings. Prior user as such is not a matter which can come before the Commissioner in the course of his normal official duties. Further, it is a matter requiring proof, and in *ex parte* proceedings before the Commissioner it would seem to be out of the province of the Commissioner as a judicial officer to obtain evidence. In opposition proceedings the position is different. There an allegation of prior user is supported by evidence adduced by the opponent, and it is merely the duty of the Commissioner in his judicial capacity to decide whether or not, on the facts adduced in evidence, the allegation of prior user is proved.

87. Consideration will now be given to the question whether subject-matter should be considered by the Commissioner in New Zealand. By the term "subject-matter" in this connection we mean "quantum of invention." This matter has already been discussed in paragraphs 66 to 75 of this report. As we have already stated, the question of quantum of invention was probably the most controversial topic considered by the Swan Committee, and the recommendations made by the Swan Committee were those of a majority, the minority separately expressing their views. Even the majority of the Swan Committee recognized that any jurisdiction which was vested in the Comptroller to decide questions of subject-matter should be exercised only sparingly and in the clearest cases. Their main recommendations are expressed in paragraph 79 of the second interim report, reading as follows:—

After considering the arguments on both sides of this contentious question, we have come to the conclusion, subject to the dissent of two members (whose reasons for dissent are set out at the end of this report), that it would be in the public interest that jurisdiction should be conferred upon the Comptroller to enable him to reject applications for patents that appear to him to be wholly lacking in subject-matter. We desire, however, that this recommendation shall be subject to certain qualifications and safeguards. We consider that the extended jurisdiction proposed should only be exercised in the clearest cases where the quantum of subject-matter is manifestly negligible in view of the common general knowledge of the art. We suggest that in the early stages, when the standards of subject-matter are being established and an applicant applies for a hearing on this score, the case should be heard by at least two Hearing Officers sitting together, and rejection on this ground should only follow when the Hearing Officers are unanimous in their decision.

88. The majority of the Committee therefore considered that the extended jurisdiction should be exercised in only the clearest cases, and that no application should be rejected unless it were the unanimous decision of two Hearing Officers sitting together. This majority recommendation was not given effect to in the British Act of 1949, so far as the applications in their examination stage are concerned, although, as we have already stated, the Commissioner was empowered to consider the question of quantum of invention in opposition proceedings. We are in agreement with the majority of the Swan Committee that it does seem that there should be some jurisdiction in clear cases to enable applications to be refused on the ground of lack of subject-matter, but the difficulty is to ensure that it is only in such cases that such jurisdiction would be exercised to the prejudice of the applicant. In paragraph 68 of this report we have quoted *Terrell on Patents* (8th Edition), at p. 65, to the effect that the question of subject-matter is one of the most uncertain issues in patent cases, depending as it does on the temperament and experience of the Judge, and it is clear that the human element probably comes into this question more than in any other. It is essential, therefore, that if any extended jurisdiction is given enabling applications to be refused for lack of subject-matter during the examination stage the legislation should, as far as is possible, be designed to minimize this factor, otherwise irreparable harm may be done to an applicant.

89. In England the Swan Committee suggested that two Hearing Officers should be appointed, sitting together to consider the matter, and that the application should not be refused on the ground of lack of subject-matter unless both officers were in agreement. In a small Patent Office such as the New Zealand, it would be difficult to have two Hearing Officers who would have the qualifications of Hearing Officers in England. We suggest as possibly the best proposal that there should be jurisdiction given to reject applications on the ground of lack of subject-matter, but only in the clearest cases, and that such power should not be vested solely in the Commissioner. Accordingly, if the Commissioner considers that any application should be rejected on the ground of lack of subject-matter a hearing should take place before the Solicitor-General (or his nominee) and the Commissioner sitting together to hear argument; and no application should be rejected on such ground unless the Solicitor-General and the Commissioner are unanimous. No extra fees should be chargeable to the applicant by the Patent Office in respect of such a hearing. Any decision of the Solicitor-General and the Commissioner should be appealable to the Supreme Court, whose decision should be final.

90. It is recognized that such a proposal has its disadvantages, but the difficulty that we foresee if the Commissioner is empowered to reject an application without some further safeguard is that the only redress open to the applicant would be an appeal to the Court with its attendant expense. The result might be in a number of cases that a potentially valuable invention was lost because the applicant was not prepared to face the expense of an appeal. As regards the co-opting of the Solicitor-General or his nominee, it is not anticipated that this proposal will result in any substantial amount of extra work being placed on the Crown Law Office. The number of cases in which applications are likely to be rejected on the ground of lack of subject-matter should be very few.

91. It is only with considerable hesitation that we have come to the conclusion that during the examination stage jurisdiction should exist to refuse applications on the ground of lack of subject-matter, but we are impressed by the fact that at least in New Zealand the number of applications which are opposed is infinitesimal compared with the number which go forward to grant of patent in the usual way. It follows, therefore, that to confer upon the Patent Office power to consider subject-matter in opposition proceedings would give it a right in respect of only a very small minority of the applications coming before it for examination.

92. It appears that during the war years a number of inventions were referred to the War Inventions Board, and it has been suggested that some such tribunal should be constituted permanently. We do not favour any such proposal. The idea of referring patent applications to technical officers not associated with the Patent Office is not new.

It has been suggested in other countries, but usually where the examining facilities in the particular Patent Office were either non-existent or very limited. With the examining staff at present at the Patent Office, if the procedure which we have hereinbefore set forth is adopted, we see no reason why it should be necessary to refer specifications to any other Government Department for consideration or examination.

93. It must be remembered that it has been a basic principle of both British and New Zealand patent law that an unaccepted specification is a secret document, and this still obtains in Great Britain : see section 79 of the Patents Act, 1949. It obtained in New Zealand until the passing of section 5 of the Patents, Designs, and Trade-marks Amendment Act of 1946. This section we shall later advise should be repealed, and we shall give our reasons therefor. If effect is given to our recommendation in this regard the position will then be as it was before 1946, that an unaccepted specification is a secret document and is not open for inspection by any one but the applicant, his attorney, or the Patent Office itself. The idea of submitting a secret document, which should be confidential to the Patent Office, to any other person, whether a member of a Government Department or not, is, in our view, repugnant to the whole intent and purpose of the Patents Act. It is a practice for which we see no necessity and should not be permitted. It may be mentioned that provisional specifications which have not been followed by complete specifications are still secret documents and are not open to public inspection : see section 120 of the Patents, Designs, and Trade-marks Act, 1921-22.

94. During the course of the public sittings some suggestions were made the effect of which would be that the Patent Office would be an advisory as well as an examining body. The Patent Office, through its executive officers, has always been recognized both in Great Britain and in New Zealand as combining judicial with administrative functions, and in our view it is quite impossible for the Patent Office to act otherwise than in a manner consonant with complete impartiality in this respect. For the Patent Office to advise applicants or other interested parties would, in our opinion, be quite improper, and would in many cases place the Commissioner and his executive officers in a position of very great difficulty and embarrassment.

95. We recommend that, apart from the Commissioner insisting upon an adequate disclaimer of the prior art in the specification, any interested member of the public should be able, on payment of a prescribed fee, to obtain full particulars of the prior art which has been cited against any application. We consider that the examiner's reports themselves should be treated as confidential, as is the case in England : see section 79 of the Patents Act, 1949.

96. Summarizing our proposals in this important aspect of our inquiry, we recommend : —

- (a) That section 10 of the Patents, Designs, and Trade-marks Act, 1921-22, be repealed.
- (b) That the Examination Sections of the British Act of 1949 (including section 15) should in substance be adopted in New Zealand subject to
 - (i) The inclusion of a further provision enabling the Commissioner to call for information as to the relevant prior art cited against substantially corresponding applications in Great Britain, Canada, the United States, and Australia ; and
 - (ii) The limited extension of the jurisdiction of the Patent Office to consider subject-matter as previously defined.
- (c) The repeal of Patents Regulation 13A.
- (d) The maintenance by the Patent Office of the secrecy of unaccepted applications.

OPPOSITION

97. In discussing opposition proceedings our remarks should be taken as including not only opposition proceedings instituted in the normal way under section 57 of the Patents, Designs, and Trade-marks Amendment Act, 1939, but also what are generally known as "delayed oppositions" under section 28 of the Patents, Designs, and Trade-marks Act, 1921-22, as amended by section 62 of the Patents, Designs, and Trade-marks Amendment Act, 1939—that is to say, applications for revocation made to the Commissioner within twelve months from the date of sealing the patent.

98. In the main the grounds for opposition in New Zealand, with the exception of those set out in subsection (1) (c) of section 57, which has already been discussed (*supra*, paragraph 74), follow the grounds that were available in Great Britain prior to 1949.

99. The question which has given us a great deal of anxiety is whether or not the grounds now available in Great Britain by virtue of section 14 of the British Act of 1949 should be amplified in any amendment to the opposition section in the New Zealand Act. Although, as we have mentioned, two important grounds have been added by section 14 of the British Act of 1949 to those available by way of opposition, there are a number which, though open in revocation proceedings, are not available in opposition proceedings in Great Britain.

100. The somewhat incongruous position therefore arises that an opponent in opposition proceedings may be unsuccessful, but that immediately the patent is granted he may be able on other grounds to obtain revocation of the patent. The necessity in some cases, therefore, of taking not only opposition proceedings, but also, if unsuccessful, subsequent revocation proceedings, may greatly increase the costs of obtaining relief in respect of a patent which is, in fact, invalid, and should not have been granted if the grounds available at the opposition stage had been sufficiently wide. It is also to be noted that if an opposition has been unsuccessfully taken against a patent application there arises a natural but a quite unwarranted belief that as the matter has been substantially investigated by a competent Tribunal an attempt to revoke the patent would be fraught with great difficulty.

101. Previously it was considered that questions, such as subject-matter, inutility, and other technical defences could not satisfactorily be considered by the Commissioner, and in the case of *Johnson's Patent*, (1937) 55 Reports of Patent Cases, p. 4, Lord Justice Romer, in delivering the Judgment of the Court, and referring to the grounds for opposition, said at p. 17:—

... neither want of utility, prior user nor subject-matter are included. On the other hand, the grounds on which the Court may revoke a patent are set out in subsection (2) of section twenty-five and all the matters just referred to are there included. Their omission from section eleven is significant and must have been intentional, nor is the reason for their omission far to seek. Questions of utility, prior user and subject-matter as a rule depend for their solution upon the proper conclusion to be drawn from the conflicting oral evidence of experts in the relevant art, and such evidence would be wholly out of place in proceedings before the Comptroller.

102. The inclusion of the grounds of subject-matter and prior user—two grounds specifically mentioned by Romer, L.J., in the extract from his judgment quoted above—indicates that the Legislature in Great Britain is of the opinion that under modern conditions the Comptroller should have the right in opposition proceedings to consider such grounds. In fact, it is clear from a review of the contents of the British Act that the Comptroller in Great Britain has in many ways had his jurisdiction and authority enlarged. Particularly is this the case in infringement proceedings where, under section 67 of the new British Act, he has now a limited authority to decide infringement actions brought before him.

103. Having regard, therefore, to the apparently accepted principle, as evidenced in the British Act of 1949, of extending the jurisdiction of the Commissioner, we think that it would not be an undue extension of his jurisdiction to provide that the grounds available to an opponent be co-extensive with the grounds available to a petitioner

for revocation of a patent. At the present time any decision of the Commissioner in opposition proceedings is subject to an appeal to the Court, and this right would still be maintained.

104. We are aware that in paragraph 88 of the second interim report, the Swan Committee considered that the Comptroller should not consider questions of utility. Their remarks were primarily directed to the *ex parte* examination of applications before the Patent Office, but in contested proceedings we see little difference between granting him jurisdiction to consider subject-matter and prior user on the one hand and utility and kindred technical defences on the other.

105. We further recommend that where the Court, on appeal in opposition proceedings, has substantially considered the question of validity and upheld the patent it should have power to grant a certificate of validity to take effect upon the actual grant of the letters patent.

106. By section 40 of the Patents, Designs, and Trade-marks Act, 1921-22, it is provided that in an action for infringement of a patent the Court may certify that the validity of any claim in the specification of the patent came in question; and, if the Court so certifies, then in any subsequent action for infringement of such claim, the plaintiff in that action, on obtaining a final order or judgment in his favour, shall, unless the Court trying the action otherwise directs, have his full costs, charges, and expenses as between solicitor and client so far as that claim is concerned. We think that the ambit of this section should be extended to enable the Court to give a similar certificate in opposition proceedings in respect of any claim or claims which, after substantially considering the question of validity, it finds valid. The grant of such a certificate after the patentee had been put in jeopardy once would act as a substantial deterrent to any other person later desiring to attack the patent, inasmuch as, if he failed, he would be faced with the probability of having to pay costs and disbursements as between solicitor and client.

107. Under the British Law prior to 1949 it was necessary for an opponent to establish a *locus standi*, and this in certain cases he could not do unless he had a proprietary interest in a relevant patent or application, or an actual manufacturing or trading interest. Such interest had to come within the claims of the applicant's specification. We think it would be desirable to amend the New Zealand law by providing that a person who does not himself possess the requisite *locus standi* may enter an opposition provided that he has first obtained an opinion of Counsel to the effect that there appear to be good grounds for opposition.

THE RESTRICTIVE USE OF PATENT RIGHTS

108. For the sake of brevity, we would state that in this part of our report, unless a contrary implication appears, when we use the term "compulsory licence" (which relates to a licence to a particular person or company) we intend to include the term "licences of right" (which relates to a right in any person or company to obtain a licence).

109. The Patents, Designs, and Trade-marks Act, 1921-22, and amendments, dealt with the restrictive use of patent rights in two main ways—firstly, by giving the Commissioner power to grant "licences of right" or "compulsory licences" under section 29 of the Act (as amended), or even to revoke the patent, and, secondly, by providing under section 43, subsection (1), of the Act that it should not be lawful in any contract in relation to the sale, or lease of, or licence to use or work, any article or process protected by a patent, to insert a condition, the effect of which would be—

(a) To prohibit or restrict the purchaser, lessee, or licensee from using any article or class of articles, whether patented or not, or any patented process, supplied or owned by any person other than the seller, lessor, or licensor, or his nominees; or

(b) To require the purchaser, lessee, or licensee to acquire from the seller, lessor, or licensor, or his nominees, any article or class of articles not protected by the patent . . .

110. Under certain circumstances, where a reasonable alternative offer, free from the prohibited conditions, was at the time made to the purchaser, lessee, or licensee, the prohibition contained in section 43, subsection (1), did not apply. A further important restriction was imposed on the patentee by subsection (5) of section 43, which provided—

(5) The insertion by the patentee in a contract of any condition which by virtue of this section is null and void shall be available as a defence to an action for infringement of the patent to which the contract relates brought while that contract is in force.

111. Prior to 1949 the provisions to prevent the restrictive use of patent rights were substantially the same as those at present in force in New Zealand : see sections 27 and 38 of the British Act of 1907 (as amended). In addition to making substantial amendments to section 27 of the 1907 Act and some amendments to section 43, possibly of not so great importance, the British Act of 1949 strengthened the provisions in question by enabling advantage, under certain circumstances, to be taken of findings in a report of the Monopolies and Restrictive Practices Commission as laid before Parliament under section 9 of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948 : see, for instance, section 40, subsection (3), and section 43, subsection (6), of the Patents Act, 1949.

112. It will be necessary for us a little later to consider the changes in the law made by section 37 and succeeding sections of the British Act of 1949, but firstly we will consider the implications arising from the passing of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948. While a considerable portion of this Act deals with abuses of monopoly and restrictive practices which do not fall within the ambit of our inquiry, the fact that certain findings under such Act are matters to be taken into consideration under the Patents Act, 1949, makes it clear that its implications, so far as patents, designs, and, possibly, trade-marks, are concerned, are such that it cannot be ignored.

113. There is no Act in New Zealand which is in essence the equivalent of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948. The Board of Trade Act, 1919, may possibly be wide enough to bring within its scope such inquiries as are envisaged under the aforesaid British Act. We do not think it necessary, however, to express any opinion on this point, and shall consider whether it is desirable that the provisions of the British Act should, in so far as they directly or indirectly affect monopolies and restrictive practices within the scope of our inquiry, be adopted in New Zealand.

114. In paragraph 25 of its second interim report the Swan Committee made certain observations relating to monopolies in general, and their relationship to patents, so that, with the background of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, in mind, we have no hesitation in quoting their full remarks :—

It is easy to overestimate the part played by patents in creating and maintaining cartels, whether national or international. Several of the most important monopolies in this country exist with little or no help from patents, and it seems likely that, even where patents do form an important element in cartel arrangements, these arrangements could be reconstituted upon some other basis, even if patents were totally abolished. Where firms find it convenient and profitable to work together in regulating output and fixing prices, or where one or a few powerful firms desire to dominate smaller rivals, they will make use of whatever means come to hand to cement their agreements. Patents are often an available means, but they are not the only one. No conceivable reform of the patent system, nor even its total abolition, would, by itself, solve the problem of monopoly in modern industry. Nevertheless, it is sufficiently clear that patents do often play a part in the formation and maintenance of cartels, and that this use of patents is foreign, and may be inimical, to the purposes for which the patent system was instituted. It is not within our sphere to pronounce upon the merits and defects of cartels as such, but we are of opinion that it is wrong in principle that a patent should be used to establish a monopoly wider in scope and longer in duration than that conferred by a patent in itself, and it is obviously desirable that the patent law should keep in step with any measures which may be adopted in the future to limit or control monopoly in the public interest.

115. We are of the opinion that, apart from the provisions which we shall later suggest should be adopted in New Zealand to assist in the control of undesirable restrictive practices in regard to patents, a more general enactment should be envisaged under which monopolies and restrictive practices generally could be reviewed in wider and more general terms than is possible under any Patents Act. A finding or report under such Act should have substantially the same effect under New Zealand patent law as has a report of the Monopolies and Restrictive Practices Commission under the British Patents Act of 1949.

116. We do not think that all the provisions of the British Monopolies and Restrictive Practices (Inquiry and Control) Act of 1948 are necessarily suitable to New Zealand, nor do we think that we should in this report attempt to envisage such provisions as may be suitable to New Zealand. It is sufficient if we observe that there may be cases in which patents, trade-marks, or designs are only elements in a monopolistic scheme which may be contrary to the public interest. The Patents Acts as such were never intended to provide for investigation of such wide-embracing monopolies, and any attempt to investigate them under the Patents Act might result in only a partial consideration of a single aspect, prevent the matter from being considered in proper perspective, and fail to give a person aggrieved the relief to which he might be found entitled if the matter were considered as a whole under such an enactment as we have suggested.

117. We understand that in the United States the Sherman Anti-trust Act provides, as one of its objects, legislative power to investigate monopolies considered to be prejudicial to the public interests, and in some cases at least the powers under that Act have been used to investigate the incidence of patents in creating or maintaining such monopolies or assisting so to do.

118. The suggestion which we have made in paragraph 115 is, of course, supplementary to the "working" and other relevant provisions of the Patents Acts, and we shall now consider the "working" provisions of the Patents, Designs, and Trade-marks Act, 1921-22, and amendments.

119. As has been pointed out by the Swan Committee in its second interim report, paragraphs 14 *et seq.*, the obligation to "work" an invention was not specifically imposed upon the patentee by the Statute of Monopolies, but first appeared in the British Act of 1883. Although a number of countries have in their respective Patents Acts provisions which necessitate working of the invention within a prescribed time, such an obligation is not universal. Possibly the best-known exception is the United States of America, where a patent, having once been granted, is subject to no working requirements, nor, in fact, is the continuance of the grant subject to the payment of any renewal fees. In the majority of countries, however, working requirements of different degrees of severity are imposed.

120. At the present time the New Zealand "working" requirements substantially follow those incorporated in the British Patents Acts prior to 1949. The deficiencies of the provisions in the British Acts were very carefully considered by the Swan Committee in its second interim report in paragraphs 14 to 66. The Swan Committee had also to consider evidence alleging abuse of monopoly, restrictive conditions imposed by patentees, and other users of patents to the public detriment.

121. The Swan Committee was of the opinion that the "working" provisions of the British Acts were deficient in a number of respects, and in the Appendix to its second interim report it set out a suggested redraft of section 27 of the British Act to give effect to its recommendations for strengthening the provisions to prevent abuse of monopoly rights. However, before we consider the amendments which have been made by the British Act of 1949 which, to a considerable extent, implement the recommendations of the Swan Committee, there are a few preliminary observations which we shall make, and then we shall consider certain suggestions made to us by witnesses.

122. It is a matter of comment that apparently, during the period which has elapsed since the passing of the 1921-22 Act in New Zealand, no application for a "compulsory licence" has come before the Commissioner. Even in England applications under the corresponding provisions of the British Act of 1907 have been surprisingly few. The reason is not clear, and no evidence has been adduced before us which enables us to decide whether, so far as New Zealand is concerned, the dearth of applications is due to an absence of abuse of monopoly rights in this Dominion, or to commercial or other considerations preventing advantage being taken of the relevant sections. In any case, we are satisfied that the present sections of our Patents Act directed to controlling "abuses of monopoly" require amendment.

123. In reviewing the present law, and considering amendments thereto, we think it necessary to see that the balance is held evenly between the rights of the patentee on the one hand and of the public on the other.

124. *Non-monopolistic System.*—One suggestion contemplated the filing of a specification without claims, the initial examination thereof at the Patent Office being limited to ensuring that the disclosure is coherent and sufficient to enable the invention to be carried into effect by those skilled in the art. No monopoly would be granted, but at any time within sixteen years of the date of filing the inventor would be entitled to file a claim setting forth the ambit of his invention and giving *prima facie* evidence showing that it had become commercially successful and beneficial to the public. The invention and its commercial success would then be investigated by an appropriate tribunal, which would award to the inventor such a remuneration as it considered adequate under the circumstances. The remuneration would apparently be derived from Government grants and, if necessary, from additional moneys levied by manufacturers' federations or the like or by the Government, the money being collected from manufacturers in proportion to the profits.

125. We have given very careful consideration to this suggestion, but we feel that from a practical point of view it would be unworkable and that the possibility of reward to an inventor would be so nebulous as to discourage invention. The inventor's position would be very much worse than if a patent were endorsed "licences of right." In that case the inventor would have the advantage of collecting his royalties as his invention is actually used, and it would not be left to a tribunal at some stage within the sixteen years to allocate the quantum of reward which it considered justified under the circumstances. It is not seen how any workable scheme could be devised, particularly in the case of applicants from abroad, or where the invention is not manufactured in New Zealand.

126. *Compulsory Licences.*—A further suggestion made to the Commission was that every patent should be made subject to a "compulsory licence" or endorsed "licences of right" after a relatively limited period of time. It is necessary to remember that from its origin the conception of a patent right was that it was in effect a contract between the inventor and the Crown whereby, as the result of a full and complete disclosure by the inventor of a useful and beneficial invention, he has for a period of sixteen years a monopoly to "make use exercise and vend" his invention. Thereafter the invention is open to any one in the realm to manufacture and use if he so desires. In the same way an author has, by virtue of the Copyright Act, for a very much longer period than has the patentee, the exclusive right to publish or otherwise make use of his original work for his own financial benefit. The "working" requirements in the British and New Zealand Acts were designed to ensure that trade and the public in general should not be prejudiced by the non-use or by the unlawful use of the invention, and in our view merely gave effect to the underlying intent and purpose of section 6 of the Statute of Monopolies, which includes the words:—

. . . so as also they be not contrary to the law, nor mischievous to the State, by raising prices of commodities at home, or hurt of trade, or generally inconvenient; . . .

127. The automatic grant of licences of right obviously cuts across this basic conception of patent rights, and in our opinion is not justified, and would not be in the interests of either the public or the patentee. We think that the endorsing of all patents "licences of right" would discourage invention, with the result that the public would be deprived to a considerable extent of the advantages which they ultimately reap from the progress in the various arts and sciences due to invention. We agree with the views that the Swan Committee expressed in this regard in paragraphs 42 to 50 in its second interim report.

128. *Limit of Grant to Ten Years.*—A third suggestion which was made before us was that patents should be granted for a period of ten years. In our view, this limitation is undesirable. The tendency under modern conditions is to extend the life of a patent rather than to shorten it, and we think it can safely be said that the more revolutionary an invention is in principle the more likely it is to involve costly replacement of existing manufacturing equipment, and, therefore, the more difficult it is to ensure its early acceptance and adoption so that within the period of monopoly the inventor obtains an adequate reward. For instance, in New Zealand and Great Britain the life of a patent has, within relatively recent years, been extended from fourteen to sixteen years, whilst in countries such as the United States and Canada the life of a patent is respectively *seventeen* and *eighteen years*, and in the latter cases such periods date, not from the date of filing of the complete specification (as is the case in New Zealand and Great Britain), but from the actual date of the grant of the patent, which may be several years later. In this regard we agree with the conclusions arrived at by the Swan Committee in its second interim report (paragraphs 51 and 52).

129. Accordingly, after the most careful consideration, we have reached the conclusion that nothing should be done to prejudice the exclusive right of the patentee so long as, either through himself or his licensees or agents, the invention is worked for the benefit of the public, so that the patented article may be purchased at a reasonable price and—to adopt the words of the Statute of Monopolies—

. . . (Patents) . . . they be not contrary to the law, nor mischievous to the State by raising prices of commodities at home, or hurt of trade, or generally inconvenient; . . .

In so far, however, as patent rights are operated or used in a manner at variance with this fundamental consideration, provisions should be incorporated in the Patents Act for the protection of the public to ensure that they shall not be deprived of the benefits of an invention through the default of the patentee or his licensees.

130. During the course of our inquiry submissions were made to us by counsel on behalf of the New Zealand Radio Manufacturers' Federation that the "working" provisions of the New Zealand Act are deficient and give insufficient protection in that industry. We do not think it necessary for the purposes of this report to review at great length and in detail the evidence and the very helpful submissions made by counsel both for the Radio Manufacturers' Federation and for the Australian Radio Technical Services and Patents Co. (Pty.), Ltd.

131. One of the submissions made on behalf of the Radio Manufacturers' Federation was that the amendments introduced by the British Act of 1949 would not resolve their difficulties and objections on this point. As the amendments of the British Act were made to accord substantially with the recommendations of the Swan Committee it appears to us unnecessary to consider the New Zealand Act as it stands, and accordingly we shall direct our attention to reviewing the amendments made in the British Act, and advising as to what further amendments we consider necessary or desirable in New Zealand, having regard to the submissions made to us, and in particular those of counsel for the Radio Manufacturers' Federation and the Australian Radio Technical Services and Patents Co. (Pty.), Ltd.

132. We do not think, however, that it is within our province to decide whether the evidence placed before us in connection with this latter dispute does or does not show that an abuse of monopoly has taken place. Our concern, we think, is to consider whether if such a situation should arise in any industry, our present law would provide a prompt and effective remedy. We think it does not, but, for the reasons given in paragraph 131, we do not propose to refer to our present law in detail, and now turn to the examination of the provisions of the British Act of 1949. It is necessary for this purpose to review the changes made by that Act.

133. The following are the main differences between the grounds available in seeking a "compulsory licence" under the British Act of 1949 and those available under section 29 of the present New Zealand Act, which, as we have already stated, is on this point substantially the same as section 27 of the earlier British Act of 1907. Section 37 of the British Act of 1949 sets out the grounds upon which a compulsory licence or a licence of right may now be obtained, while section 29 of the New Zealand Act, as amended, sets out the grounds at present available in New Zealand :—

- (a) The ground that the patented invention is not being worked on a commercial scale is no longer qualified by the words: ". . . and no satisfactory reason can be given for such non-working"—see subsection (2) (a) of section 37 of the British Act of 1949 and subsection 2 (a) of section 29 of the New Zealand Act.
- (b) The effect of subsections (2) (d) and (e) of section 29 of the New Zealand Act has been incorporated in a modified form in subsections (2) (d) (iii) and (e) of section 37 of the British Act of 1949. In this regard reference may be had to the second interim report of the Swan Committee, paragraphs 27 to 65. In our view these new subsections represent a considerable improvement in drafting and make clear matters which gave rise to considerable difficulty under the previous British Act.
- (c) Subsections (2) (d) (i) and (ii) of section 37 of the British Act of 1949 introduce new grounds, of which—from the New Zealand point of view—the second in particular is very important. These two subsections read as follows—

(d) That by reason of the refusal of the patentee to grant a licence or licences on reasonable terms—

(i) A market for the export of the patented article manufactured in the United Kingdom is not being supplied; or

(ii) The working or efficient working in the United Kingdom of any other patented invention which makes a substantial contribution to the art is prevented or hindered; or . . .

Turning to section 37, subsections (2) (d) (ii), it was pointed out in evidence before us that the grant of a patent under certain circumstances may have a restrictive effect on the development of a particular technology, inasmuch as, in the absence of any right to use the patented invention, the holders of any improvement patents thereon would be debarred by fear of the possibility of infringement from exploiting such patents whilst the earlier patent was in force. It may be unnecessary to remark that it is a truism of patent law that the fact that a defendant in an action for infringement himself has a patent in respect of his particular process or apparatus does not in any way affect the question of infringement of an earlier patent. The only point at issue is whether the apparatus manufactured or the process used by the owner of the second patent comes within the claims of the original patent. If it does, then the fact that such latter process or apparatus adopts with additions, or is otherwise an improvement on, the original patented invention is immaterial to the question of infringement.

134. The new subsection in the British Act of 1949, section 37, subsection (2) (d) (ii), is subject to the qualification expressed in section 37, subsection (3) (c), which provides as follows :—

(c) No order shall be made under this section in respect of a patent on the ground that the working or efficient working in the United Kingdom of another patented invention is prevented or hindered unless the comptroller is satisfied that the patentee in respect of that other invention is able and willing to grant to the patentee and his licensees a licence in respect of that other invention on reasonable terms.

Briefly, the effect of this subsection appears to be that if it can be shown that the working or efficient working in the United Kingdom of any other patented invention which makes a substantial contribution to the art is prevented or hindered by an earlier patent in force, there is ground for a compulsory licence in favour of the second patentee, but not for a general endorsement of “licences of right.” Such a compulsory licence is not ordered unless the patentee applying for it is willing to grant to the earlier patentee a licence to work the later patent on reasonable terms. We are of the opinion that the inclusion of this subsection in the British Act is a very great improvement, and is likely to overcome a number of the difficulties to which our attention was drawn during the course of the proceedings.

135. Sections 38 and 39 of the British Act of 1949 are also of importance, but in essence they are explanatory of the provisions of section 37 and do not require detailed consideration.

136. Section 40, however, introduces another very significant and important amendment, and briefly provides for application for “licences of right” or a “compulsory licence” to be granted on the application of a Government Department, while by subsection (3) of section 40 it is provided :—

(3) Where according to a report of the Monopolies and Restrictive Practices Commission as laid before Parliament under section nine of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, conditions to which that Act applies prevail in respect of the supply of goods of any description which consist of or include patented articles, or in respect of exports of such goods, or in respect of the application to goods of any description of any process which consists of or includes a patented process, and, not earlier than three months from the date on which the report was laid before the Commons House of Parliament, a resolution has been passed by that House declaring that those conditions or any things which, according to the report as laid before Parliament, are done by the parties concerned, as a result of or for the purpose of preserving those conditions, operate or may be expected to operate against the public interest, a competent authority within the meaning of the said Act of 1948 may apply to the comptroller for an order under the next following subsection in respect of the patent.

137. There are, in our opinion, very considerable advantages in a Government Department either having the right to apply to have a patent endorsed “licences of right” or, alternatively, to seek a compulsory licence in favour of any person or persons specified in the application. It is not difficult to imagine cases in which a particular manufacturer may be anxious to seek a compulsory licence or to have a patent endorsed “licences of right,” but other commercial considerations, and the possibility of injurious repercussions, would either prevent him or deter him seeking such an order. The question of expense might well be a further factor in preventing or deterring him from making such an application. An application made by a Government Department, however, would overcome such difficulties, and it can be premised that such an application would not ordinarily be made without a full and objective analysis by the Department concerned as to the merits of the matter.

138. While we consider that section 40 of the British Act of 1949 is a very useful and important provision, which we recommend for adoption here, we think that any such provision should be extended to enable the Commissioner of Patents, in the case of an application by a Government Department for a compulsory licence, to grant a licence permitting importation of the patented articles. Although under the British Act it may be that the Comptroller has a discretion to permit importation in a particular case, in fact the decisions of the Courts show that applications for compulsory licences to import patented articles are not successful.

139. There is little doubt that the basic intention of the "working" provisions of the British Act is to require or, in appropriate cases, to enforce manufacture in the United Kingdom where most patented articles can readily be manufactured. In New Zealand, on the other hand, circumstances differ, in that there are a number of patented articles which it is not possible to manufacture here, and reliance must necessarily be placed on their continued importation during the term of the patent.

140. While we do not think, so far as private applicants for compulsory licences are concerned, that the law should be extended beyond that obtaining under the British Act of 1949, we believe that there may be cases in which it would be in the public interest that a Government Department should have the right to seek a compulsory licence or licences to import the patented article from abroad. We recommend, therefore, that provision be made to that effect. The extension we propose would, of course, be subject to an over-riding restriction, as in the British Act of 1949, to the effect that no order shall be made which will be at variance with any treaty, convention, arrangement, or engagement applying to the United Kingdom and any convention country.

141. It will be observed that section 43, subsection (6), of the British Act of 1949 provides that in any proceedings on an application made in relation to a patent under sections 37 to 42 of the Act any statement with respect to the making, using, exercising, or vending of the patented invention, or with respect to the grant or refusal of licences under the patent contained in the report of the Monopolies and Restrictive Practices Commission as laid before Parliament under section 9 of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, shall be *prima facie* evidence of the matter therein contained.

142. It thus appears that, although by no means limited to that object, section 40 of the British Act of 1949 is intended to enable the Crown to take the necessary steps when any report laid before Parliament under the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, shows that (*inter alia*) there has been abuse of monopoly rights in respect of patents. We have already discussed the British Monopolies Act, and will again refer to it.

143. Section 41 of the British Act of 1949 takes the place of the previous section 38, subsection (3), and the substantial differences between it and the earlier section lie in the fact that the Comptroller is now directed to grant a licence to any applicant unless it appears to him that there are good reasons for refusing the application where the patent relates to a substance capable of being used as a food or medicine or in the production of food or medicine, or an invention capable of being used as, or as part of, a surgical or curative device. The compulsory licence in either case is limited to the application of the invention to a food or medicine or to a surgical or curative device, as the case may be. Under the earlier section 38A there was no right to a grant of a licence in respect of surgical or curative devices, and it was not possible to obtain a patent for a substance capable of being used as a food or medicine except when produced by the process described in the specifications or its obvious chemical equivalent. Section 41 of the 1949 Act appears to us to be eminently suitable for incorporation in any amendment of the New Zealand law.

144. Finally, it is important to note that by virtue of section 45, subsection (3), it is provided that no order shall be made in pursuance of any application under sections 37 to 42 of the Act which would be at variance with any treaty, convention, arrangement, or engagement applying to the United Kingdom or any convention country. The alterations in the law made in the sections in question apparently were so far-reaching in their possible effect that it was thought desirable that any international commitments which may have been made should be protected. Owing to the fact that so many applications for letters patent in New Zealand emanate from abroad and in many cases are filed under the International Convention, it is particularly important that a similar clause be included in any Amendment Act passed in New Zealand.

145. While we think that the amendments made in regard to compulsory licences and "licences of right" by the sections of the British Act of 1949 which we have considered have met a number of the objections which were set forth in evidence before us, we consider that those amendments are still deficient in the following respects:—

Firstly, no satisfactory procedure is provided whereby an applicant for a compulsory licence can conveniently bring before the Comptroller a number of patentees holding among them a number of patents in respect of which compulsory licences are sought.

Secondly, there is no provision whereby the Comptroller, in considering an application for a compulsory licence, can take into consideration the extent or scope of the claims and their validity or invalidity. The basis, of course, upon which the Commissioner proceeds at present in dealing with such applications is to assume that the patents are, in fact, valid, and the question whether or not a compulsory licence or "licence of right" should be granted, the terms thereof, and the royalty to be paid by the licensee, are normally fixed, therefore, on the basis that in fact the patents are valid. Theoretically, the reason for this assumption is sound, inasmuch as, if the applicant for a compulsory licence were of the opinion that the patent was invalid, his remedy would be to take the necessary steps to apply for revocation of the patent. From a practical viewpoint, however, the position is somewhat different, for the following reasons:—

(a) As was contended by counsel for the Radio Manufacturers' Federation, where compulsory licences are sought in respect of a number of patents owned or controlled by different patentees it is obviously scarcely possible for each and every relevant, or allegedly relevant, patent to be first of all litigated by way of revocation or kindred proceedings to test its validity, and then for a subsequent application for a compulsory licence to be made in respect of each patent held valid by the Court. The cost of and delay in such a procedure would be out of all reason.

(b) Even where only one patent is involved the applicant for a compulsory licence may prefer to proceed on the assumption of validity of the patent rather than go to the expense and delay of a petition for revocation.

(c) Even if such an applicant were prepared to go to the expense of such a petition he may have been advised that it is uncertain whether every claim in the specification would be declared invalid. It is to be remembered that an applicant for revocation might succeed in showing the invalidity of some claims and fail in respect of others, leaving the way still open to the patentee to apply for leave to amend his specification by excluding the claims declared invalid and limiting the specification to the claims held valid. Even if all claims in the specification were held to be invalid it is in some cases not impossible for the patentee to seek and obtain amendment.

Thirdly, the cost of litigation and the prospect of appeals, even as far as to the Privy Council, must be a powerful deterrent from making any attempt to question the validity of a patent.

Fourthly, there is the possibility of an injunction being granted or applied for against the applicant for a compulsory licence whilst his applications are pending before the Commissioner. It will be obvious that no application for compulsory licence or subsequent order would be of any avail to a manufacturer who, before his application is determined, may be prevented by injunction from carrying on his business.

146. The difficulties which we have pointed out in paragraph 145 hereof were emphasized before us by counsel for the Radio Manufacturers' Federation. A further matter alleged as tending to an abuse of monopoly was that as a result of the failure of the Patent Office in the past to examine radio patents, a number of patent applications

may have been granted in New Zealand which, if a proper examination had been made, might have been rejected. The suggestions which we have made in connection with the examination of applications should substantially improve the position in the future. So far as the past is concerned, we have had insufficient evidence submitted to us to enable us to conclude that the position from the Radio Manufacturers' Federation's point of view would have been measurably strengthened even if a strict examination had been made in regard to the subject-matter of the Letters Patent previously issued. The opinion which we have formed makes it unnecessary to consider this submission in detail.

147. It may, however, be pointed out that—

- (1) Most of the applications in question were based under the convention on applications filed in the United States and Great Britain, and no evidence was submitted to us showing that any material number of such applications were refused in those two countries while being allowed in New Zealand.
- (2) Although there was some evidence before us which would indicate that, in some cases at least, wider claims were obtained in New Zealand than were granted upon corresponding applications in Great Britain and the United States, there was no evidence of which we can take cognizance that the position would have been altered in this Dominion, so far as the terms of the licence were concerned, if claims similar to those allowed in the United States or Great Britain had been allowed here. Put in another way, on the evidence before us, the broadcast receiving sets in respect of which the licences have been granted might still have infringed the patents in question if such patents had, in fact, been issued with claims limited to those allowed in the United States or Great Britain.
- (3) Generally speaking, there is no advantage gained by a patentee in seeking in New Zealand claims wider than those in Great Britain. Their *prima facie* invalidity is almost immediately apparent by a comparison of the New Zealand specification with the corresponding printed British specification which is on file in the New Zealand Patent Office Library. There is, in fact, a most substantial disadvantage to the patentee who pursues such a course (see section 64, subsections (2) (a) and (b), of the Patents, Designs, and Trade-marks Act, 1939).

148. The matter of improvement of the law relating to abuse of monopoly has given us considerable anxiety, and it is not thought that any proposals will be entirely satisfactory, or will meet every contingency that may arise. However, we think that, having due regard to the proper balance between the rights of the patentee and the interests of the public, the difficulties envisaged can to some extent be met as follows : firstly, by the passing in New Zealand of an Act having substantially similar objects to those of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948 ; secondly, by strengthening the provisions for compulsory licensing in any future Act that is brought into force in New Zealand ; and, thirdly, where anything in the nature of a public utility is involved, by extending the ambit of the section dealing with the rights of the Crown to use a particular invention or inventions so as to include such use by other parties as will enable the full benefit of a Crown monopoly to be obtained and continued.

149. More precisely in this regard, we make the following recommendations :—

I. (a) So far as the adoption of the broad basis of the British Monopolies and Restrictive Practices (Inquiry and Control Act), 1948, is concerned, we have already discussed this enactment in paragraphs III *et seq.* hereof. We consider such an enactment to be of particular value when many patents are owned or controlled by one organization or a number of affiliated or associated organizations whereunder a monopoly or a substantial monopoly exists, or may exist, in any industry. Although in such a case the

monopoly will be substantially co-extensive with the patent protection, and appropriate investigation under an Act similar to the said British Act would appear to provide a much better avenue for an exhaustive examination than the Patents Act.

(b) We also think that any report or finding made by a Commission or other Tribunal under any New Zealand Act equivalent to such British Act should be effective under the requisite provisions of the Patents Act without the necessity for having it laid before Parliament. The findings in the report should, in our view, be available for the purpose of the Patents Act immediately after issue by the Commission or Tribunal.

(c) We do not think that any New Zealand Act which may be adopted with a view to effecting objects similar to those of the said British Act should in any sense give power to the Commission or Tribunal to fix the basis of royalty or any other terms of a licence except with the consent of all parties involved before the inquiry. We think that if, in fact, a Commission or Tribunal finds that there is an undesirable monopoly involving patents as a material factor in the maintenance of such monopoly, the appropriate Government Departments should take the necessary steps to obtain an order for compulsory licences. In other words, if it is found that an undesirable monopoly exists, then we think that the rectification of the position is one for the Crown and not for any particular individual, trade, or industry, and is to be obtained within the framework of the Patents Act.

(d) It is probably unlikely in New Zealand that many monopolies involving patents will require investigation under the Act which we have suggested. We think, however, that the requisite power should be there.

II. (a) We think that when an application for a compulsory licence has been made to the Commissioner the Court should be given a discretionary power to defer the issue of an injunction against a defendant until his application has been finally disposed of. If the application is finally successful, no injunction should issue. If the application fails, then the patentee should not be deprived of his right to an injunction and the other relief normally open to him. It is clear that any such provision as has been suggested should give the Judge complete discretion as to whether or not an injunction should be refused in any particular case, because it is easy to envisage circumstances in which a defendant in an action for infringement might seek to take advantage of the proposed provision with a view to avoiding the consequences of his own clearly unlawful acts. It would thus be necessary for the Court to have the power to accelerate as well as to defer the issue of an injunction so as to ensure that any application for a compulsory licence will be prosecuted by the applicant with all due speed.

(b) Where, however, application by a Government Department for (i) an endorsement of "licences of right" or (ii) the grant of a compulsory licence to a person specified in the application is pending, then we are of opinion that provision should be made that in the former case an injunction shall not be granted at all, and in the latter case it shall not be granted against a person so specified, unless in either case the plaintiff can show special circumstances justifying the issue of an injunction.

(c) Similarly, while an inquiry is in progress under the proposed New Zealand enactment having the same general purposes as the British Monopoly and Restrictive Practices (Inquiry and Control) Act, 1948, the production to the Court of a certificate issued by the Commission or Tribunal investigating the matter that certain patents were directly in issue should be sufficient justification for the Court not to issue an injunction until the finding or report of the Commission or Tribunal has been issued. If the report, so far as the patents are concerned, holds that there is no undesirable monopoly, then the injunction could issue on a further application to the Court. If, on the other hand, the report shows that the circumstances are such as to necessitate the Government Department most directly involved taking proceedings under the Patents Act, then the Court should have no power to issue an injunction unless and until those proceedings and in favour of the patentee.

III. (a) It should further be provided that where a patentee has more than one patent which may be relevant, an applicant for a compulsory licence, after filing his application in respect of all relevant patents known to him, may serve notice on the patentee giving him full and precise particulars of his manufacture or process and calling upon the patentee to give him particulars of any other patents which he may possess and which he considers would be infringed by the manufacture, sale, or use of the said manufacture or process. On such information being given to the applicant by the patentee the applicant should have the right to amend his application for compulsory licence to include such other patent or patents as the patentee has notified the applicant to be relevant. Similarly, the patentee should have the right to have included in the application any other of his patents which he contends are relevant to the quantum of royalty.

(b) If the patentee refuses or neglects to advise whether there are any further relevant patents, then whilst any compulsory licence granted by the Commissioner in respect of the patent or patents relative to which the application was made is in force, the patentee shall not be entitled to take action for an injunction, damages, or account of profits in respect of any other patent or patents held by him when the request for particulars thereof was made to him by the applicant for a compulsory licence.

IV. Where a compulsory licence is sought in respect of patents belonging to more than the one patentee, the Commissioner should be empowered, if he thinks fit, to order that the cases be heard together, and to apportion any royalties fixed by him between the respective patentees in such proportions as he thinks proper. This suggestion is, we think, self-explanatory and requires no further elaboration.

V. (a) If on an application for a compulsory licence the Commissioner decides that such a licence shall be granted, he may, in considering the quantum of royalty or other terms of the licence, consider as a relevant issue, but without actually determining it, the possible validity or invalidity of the patents or any of them, and for that purpose evidence directed to such an issue should be admissible before the Commissioner.

(b) The suggestion that the Commissioner or the Court (on appeal) should take into consideration, without actually determining it, the question of possible invalidity, is one that has not been arrived at without much anxious consideration. This proposal, at first sight, might not appear to be in accordance with the legal conception that a licensee cannot challenge the validity of the licensor's title. The matter is stated in *Terrell on Patents* (8th Edition), at p. 259, as follows :—

This principle is frequently put in another way, *i.e.*, that an assignee or licensee is estopped from denying the validity of the patent. There is not, however, an absolute estoppel in all cases and in all circumstances . . . but only an estoppel which is involved in and necessary to the exercise of the licence which the licensee has accepted.

(c) It is to be noted, however, that in the case of an application for compulsory licence the licensee has not accepted a licence the terms and conditions of which have been fixed. He is merely applying to the Commissioner for a licence upon such terms and conditions as the Commissioner may fix. Inasmuch as the applicant for a compulsory licence is seeking a licence under an existing property right which he is not prepared to challenge in the Courts, it seems only equitable that he should pay a reasonable royalty even in those cases in which he brings evidence establishing a strong *prima facie* case of invalidity, but we think that the Commissioner should be permitted to give some weight to that evidence when assessing the *quantum*. The amount of royalty which the Commissioner fixes is in the ultimate a charge which must be passed on to the public, and we think that the amount of royalty should depend on all the circumstances of the case, including the relevance of the prior art.

VI. (a) We are of opinion that in all cases under the “working” sections of the Act, and when revocation of a patent is not in issue, an appeal to the Supreme Court should be final. It is our view that inasmuch as in the vast majority of cases no question

of revocation will arise in proceedings under the compulsory licensing sections, and that the question to be determined is, firstly, whether or not a compulsory licence should be issued, and secondly, the quantum of royalty and the terms thereof, one appeal to the Supreme Court should be sufficient. It is not a case in which property rights are finally determined or destroyed, and although it is conceivable that in certain cases serious harm might be done by a compulsory licence being wrongfully granted, it is thought that the harm is not as great as at present may, for example, result in Great Britain where an applicant for a patent has only one appeal and that is to the Patents Appeal Tribunal, after which, if a patent is there refused, he has no further redress. In the latter case valuable property rights may be lost in the event of the decision being erroneous.

150. If provisions to the foregoing effect are introduced, they should in the vast majority of cases afford sufficient protection not only to an applicant for a compulsory licence but also to a patentee who justifiably seeks to resist such an application.

151. During the course of our sittings many witnesses suggested in somewhat vague terms the setting up of a special Tribunal to hear cases under the "working" and other provisions of the Patents Act. This matter is one that is more relevant to that part of our report dealing with legal proceedings, but we may here state that in our opinion the Commissioner of Patents should for this purpose be an efficient Tribunal of first instance. For many years the Legislature has been content to entrust to the Commissioner the power, subject to appeal to the Court, to determine the quantum of royalty, and if, as has been suggested, possible validity or invalidity of the patents is an issue to be considered in conjunction with that of royalty, it is clear, we think, that there is no other officer or individual likely to be more fitted by experience than the Commissioner of Patents to consider the whole of the questions which will require determination upon such applications.

152. Finally, before leaving this particular branch of our inquiry, it is necessary to consider applications for compulsory licences before the Commissioner in their proper perspective. A great deal of evidence was adduced before us which, however germane it may be in a complicated issue which might arise in the case where a compulsory licence is sought in respect of a large number of patents held by different patentees, has little relevance in an ordinary application for a compulsory licence before the Commissioner in respect of one patent. The difficulties of applying the compulsory licence provisions of the Patents Act where a multiplicity of patents is involved have already been considered in this report. The procedure laid down in the Act for the case when only one patent is involved is so simple and so little subject to delay that we can scarcely conceive of any less expensive or more direct method of securing the desired object with due regard to legal and equitable principles.

153. An alternative suggestion is referred to in paragraph 164 hereof, where we discuss the rights of the Crown to use an invention as provided in the present section 30 of the Patents, Designs, and Trade-marks Act, 1921–22.

154. There remains for consideration, on this aspect of our report, section 43 of the Patents, Designs, and Trade-marks Act, 1921–22, already referred to in paragraphs 109 and 110 of this report. This section has its partial equivalent in sections 57 and 58 of the British Act of 1949 which, with modifications, replace section 38 of the Patents Act, 1907. Subsection (2) of section 57 of the British Act makes important improvements upon the corresponding subsection (5) of section 43 of the New Zealand Act in two respects—

- (a) It will no longer be possible, after a contract offending against the section has been terminated, for the patentee to recover damages for infringements committed while the offending contract was in force; and
- (b) It expressly provides that an offending contract made with the consent of the patentee, equally with one made by the patentee himself, will disable him from recovering damages for infringement.

Accordingly, we recommend the adoption of sections 57 and 58 of the British Act of 1949, but consideration might be given to including a provision that in the case of future licences the consent of the patentee to the grant of sub-licences and to their terms shall be presumed unless the contrary is proved.

REGISTRATION OF PATENT AGREEMENTS

155. Section 122 of the New Zealand Act of 1921–22, provides, *inter alia*, that where a person becomes entitled by assignment, transmission, or other operation of law to a patent or to the copyright in a registered design, or becomes entitled as mortgagee, licensee, or otherwise to any interest in a patent or design, he shall make application to the Commissioner to register his title. Although the section is mandatory in its language, the only sanction imposed upon a person who fails to register his instrument is that—as provided by subsection (4) of that section—a document or instrument in respect of which no entry has been made in the Register shall not be admitted in evidence in any Court in proof of the title to a patent or copyright in a design or to any interest therein unless the Court otherwise directs.

156. There is no question, in our view, that it is a matter of importance to the public that the Register should contain a record of devolutions of title or of any other interests. This was recognized by the Swan Committee: see paragraphs 67 to 71 of the second interim report. That Committee considered the possibility of imposing some additional sanction in the event of failure to comply with the mandatory provisions of the British section corresponding to section 122 of the New Zealand Act. It decided against such a course, and, with some reluctance, we feel that the imposition of a fine or any similar sanction might not remedy the position.

157. The corresponding section in the British Act of 1949 is section 74, and the essential difference between this section and section 122 of the New Zealand Act lies in the fact that by section 74, subsection (2), provision is made to enable the assignor, mortgagor, licensor, or other party to the instrument to register it. Previously it was possible only for the assignee, mortgagee, or licensee or other person acquiring an interest in the patent or design to register such instrument. This amendment should, in our opinion, be adopted in New Zealand.

158. While we are in agreement with the views of the Swan Committee that the position could not be met by fines or similar sanctions, we think that at least one other sanction might well be applied with a view to making it more imperative upon interested parties to register documents affecting the title to patents. The fact that the Court in legal proceedings may not admit in evidence proof of title by virtue of a document which has not been registered does not appear, in the majority of cases, to carry much weight, inasmuch as it is not a matter of great moment for the interested party at what time he registers a relevant document, so long as he does so prior to litigation being commenced. If this be done, no deleterious results appear to follow, for, as *Terrell* points out in his work on Patents (8th Edition), at p. 286 :—

Omission to register may, however, be rectified at any time, and the registration will then date back to the date of the agreement,

and he cites as an authority for this statement *Hassall v. Wright*, (1870) L.R.10 Eq. 509 at p. 512; 40 L.J.Ch., 145, at p. 146.

159. The additional sanction which we have in mind is that provision should be made whereby if any document affecting the title to a patent or design is not registered within the prescribed time, then—unless the Court is satisfied that owing to the special circumstances of the case there was a sufficient excuse for non-registration—the party relying on such document in proof of his title to or interest in such patent or design shall

not be able to assert any right to damages or account of profits which would otherwise have accrued to him prior to the actual date of registration of such document at the Patent Office. The "prescribed time" for registration might be reasonably liberal, and it is suggested that six months from the date of execution of the document should be reasonable, with a discretionary power to the Commissioner, on payment of a suitable fee, to extend the prescribed period for a maximum of a further six months.

160. It is interesting to note that by virtue of section 63 of the British Act of 1949 the holder of an exclusive licence under a patent has the like right as the patentee to take proceedings in respect of infringement of a patent committed after the date of the licence. An "exclusive licence" is defined in the interpretation section of the Act, section 101, as meaning—

exclusive licence means a licence from a patentee which confers on the licensee, or on the licensee and persons authorized by him, to the exclusion of all other persons (including the patentee), any right in respect of the patented invention, and "exclusive licensee" shall be construed accordingly.

This definition, which is otherwise entirely suitable for incorporation in any amendment of the law in New Zealand, should, we think, be amended to make it clear that only the holder of an exclusive licence which has been registered at the Patent Office shall have the right granted by the section. If the suggestion contained in the preceding paragraph is adopted, then this right would be subject to a similar limitation as to damages or account of profits if the document were not registered within the prescribed time.

THE CROWN USE OF PATENTED INVENTIONS

161. The present New Zealand law in connection with the use by the Crown of patented inventions is mainly set forth in section 32 of the New Zealand Act of 1921-22, although there have been certain amendments thereto, particularly with regard to the use of inventions during the war: see, for instance, section 4 of the Amendment Act of 1943. Although this section has so far been of little import in New Zealand, the possibility of its being more extensively used in the future cannot be ignored.

162. In Great Britain, on the other hand, the corresponding British section 29 has been the subject of considerable discussion, and has also been considered in a number of judicial decisions. Apparently a great deal of evidence on this subject was adduced before the Swan Committee, and that Committee has dealt with the matter at considerable length in paragraphs 56 to 91 of its final report.

163. It is unnecessary to traverse at length the very substantial amendments which have been made in the British Act of 1949 by sections 46 to 49, but in essence it may be said that the amendments incorporated therein have substantially given effect to the recommendations of the Swan Committee. We think that these sections could usefully be incorporated in any amendment to the New Zealand Patents Act, but there are two further points in respect of which we think amendments might well be made.

164. The first point arises under section 30 of the New Zealand Act of 1921-22. It will be recalled that in paragraph 153 of this report it was suggested that a possible amendment of that section might be made in order further to consolidate the position as against possible abuses of monopoly, and to this end reference is made to section 46, subsection (1), of the British Act of 1949, which reads as follows:—

(1) Notwithstanding anything in this Act, any Government Department, and any person authorized in writing by a Government Department, may make, use and exercise any patented invention for the services of the Crown in accordance with the following provisions of this section.

It will be noted that under this section the authority of a Government Department to make, use, and exercise a patented invention, either by itself or by any person authorized by it in writing, is limited to the use of the patented invention *for the services of the Crown*.

165. The expression “for the services of the Crown” has been given a somewhat extended meaning under the provisions of subsection (6) of section 46 in that any use of an invention for the supply to the Government of any country outside the United Kingdom in pursuance of any agreement or arrangement between His Majesty’s Government in the United Kingdom and the Government of that country of articles required for the defence of that country shall be deemed to be a use of the invention “for the services of the Crown.”

166. We recommend that there should be a further extension of the ambit of the meaning of the words “the services of the Crown” to include such use of any patented invention by any person or persons as, in the opinion of the Minister, is necessary or desirable to enable the advantages or benefits of any monopoly of the Crown or any Government Department to be exercised in the public interest to the best advantage. In making this suggestion we have in mind the fact that in the course of our proceedings, when the question of radio receiver patent royalties was under consideration, the representatives of both the patentees and the manufacturers expressed themselves as not being adverse to the principle just stated, but we must not be understood as recommending that the Crown be given the power to manufacture and sell under patents in competition with private enterprise in normal times.

167. In our view, it is a matter of importance that where a Government monopoly of a public utility has been established for the purpose, for instance, of disseminating information and news to the public the public should have the right to use such apparatus and appliances as may be necessary for them to receive such news in the best possible form or manner, and that any one who manufactures and sells apparatus for such a purpose should be protected if he is a person authorized in writing by a Government Department to make, use, and exercise any patented invention for that purpose.

168. The second point arises from the provisions of section 48, subsection (2), of the British Act of 1949, which reads as follows:—

(2) In any proceedings under this section to which a Government Department are a party, the Department may—

- (a) If the patentee is a party to the proceedings apply for revocation of the patent upon any ground upon which a patent may be revoked under section thirty-two of this Act;
- (b) In any case, put in issue the validity of the patent without applying for its revocation.

This section appears to carry out partly, but not wholly, the recommendations of the Swan Committee set out in paragraphs 88 to 91 of its final report. We think that the difficulties confronting a patentee in substantiating his rights against the Crown are obvious.

169. The Swan Committee suggested that the difficulties should be overcome in two ways:

- (a) By appropriate provisions in the proposed Crown Proceedings Bill, and
- (b) By deleting the words “with the consent of the parties” from subsection (2) of section 29 of the British Act of 1907, which corresponds with subsection (2) of section 32 of the New Zealand Act of 1921–22; and by giving the Court, Referee, or Arbitrator express power to determine in any proceedings under the section all issues between the parties including the issues of validity and infringement.

170. It will be noticed that the provisions of section 48, subsection (2), of the British Act of 1949 have effect only in those cases in which a Government Department is actually a party, and even then do not extend to permitting an issue of infringement to be decided. In this respect the second of the two suggestions made in paragraph 91 of the final report of the Swan Committee does not appear to have been adopted.

171. We recommend that, so far as New Zealand is concerned, the said section 48, subsection (2), if adopted, should be modified to provide—

- (a) That the Court be empowered to consider the question of infringement if this be denied by or on behalf of the Crown or Government Department interested.
- (b) That if either validity or infringement is put in issue, either party should have the same right of appeal as it would have if proceedings for infringement had been commenced in the usual manner.
- (c) That if neither validity nor infringement is put in issue, there should be no right of appeal.
- (d) That the Court, Referee, or Arbitrator should, without the question of validity being put in issue, have the same right, in assessing the quantum of royalty, to consider possible invalidity as we have recommended should be given to the Commissioner in the case of applications for compulsory licences.

172. We consider that, even in those cases in which the Government Department does not apply for revocation of the patent or directly put in issue the validity thereof, the Court should have the power, in assessing the amount of compensation due to the applicant for relief, to consider, without determining, the value of the invention and the possible validity or invalidity thereof. Such an amendment of the Act would not call for any actual decision by the Court on any particular issue of validity unless it were specifically invoked under a section equivalent to section 48, subsection (2), of the British Act, but the Court should have the power to admit evidence tending to show the closeness of the prior art as a material factor in assessing the quantum of royalty.

CHEMICAL PRODUCTS

173. Section 44 of the New Zealand Act of 1921–22 (as amended by section 67 of the Amendment Act of 1939) substantially corresponds with the law as it was in Great Britain prior to 1949. In effect, that section provides that in the case of inventions relating to substances prepared or produced by chemical processes or intended for food or medicine, the specification shall not include claims for the substance itself except when prepared or produced by the methods or processes of manufacture particularly described or ascertained or by their obvious chemical equivalents. The corresponding section in the previous British Act was considered by the Swan Committee in paragraphs 92 to 101 of its final report, and it recommended (*inter alia*) that the section should be amended to give an applicant the right to claim the product itself, whatever be the process of manufacture.

174. By paragraph 100 of its final report the Swan Committee also recommended that the proviso which precludes the claiming of admixtures in the case of food and medicine should be extended to preclude the claiming of any mere admixture resulting only in the aggregation of the known properties of the ingredients of that substance.

175. The Committee's first recommendation has been given effect in the 1949 Act, but the second recommendation referred to in paragraph 100 does not appear to have been adopted in England. Section 10, subsection (1) (c), provides as follows:—

- (1) If it appears to the comptroller in the case of any application for a patent—

* * * *

- (c) That it claims as an invention a substance capable of being used as food or medicine which is a mixture of known ingredients possessing only the aggregate of the known properties of the ingredients, or that it claims as an invention a process producing such a substance by mere admixture,

he may refuse the application.

It will be noted that that subsection is substantially the same as that which appeared in England in the proviso to section 38, subsection (1), of the Patents and Designs Act, 1907, and which appeared in New Zealand as the proviso to section 67, subsection (1), of the Amendment Act of 1939.

176. We think that the amendments introduced by the British Act of 1949 should be adopted in New Zealand, but we think that the proviso referred to in paragraph 174 of this report should be extended in the manner suggested by the Swan Committee. It appears to us that a chemical product which comprises merely a mixture of known ingredients possessing only the aggregate of known properties of the ingredients should be no more patentable than a product or substance capable of being used as a food or medicine.

177. As pointed out by the Swan Committee in paragraph 96 of its final report, we do not think that the additional protection given to patentees enabling them to claim a substance irrespective of the process or method by which it is produced would have any materially deleterious effect on the public interests, having regard to the provisions of section 37, subsection (2) (d) (ii), of the British Act of 1949. The effect and ambit of this section has already been discussed in paragraphs 133 and 134 of this report, and we feel that it is an adequate safeguard if, during the currency of a particular patent covering a substance, any patentee of an improved process or method for producing such substances should be able, subject to the conditions there discussed, to obtain a compulsory licence.

JOINT OWNERSHIP OF PATENTS

178. This particular matter was given very careful consideration by the Swan Committee in paragraphs 102 to 110 of its final report, and the result of its recommendations has been incorporated in sections 54 and 55 of the British Act of 1949. Briefly, the new sections clarify the position of joint owners of a patent where such joint ownership has been created by the grant or by subsequent assignment, and it provides that, in the absence of an agreement, a licence under a patent shall not be granted, and a share in a patent shall not be assigned, except with the consent of the relevant parties: section 54, subsection (3). It is provided, however, by section 55 that the Comptroller may, upon the application of the party interested, make such an Order as regards licensing or assignment of a patent as he thinks fit, and provision is made to give effect to any order which he may make in that behalf in the event of a refusal or neglect by the person in default to execute the requisite documents to give effect to the order of the Comptroller. In our view, this is a very satisfactory method of dealing with a matter which has always given cause for a certain amount of discussion, and we recommend its adoption in New Zealand.

LEGAL PROCEEDINGS

179. One of the matters which we were particularly required to consider was what amendments of the Patents Acts or of procedure thereunder would in our opinion facilitate the judicial settlement and the reduction of the costs of legal proceedings in cases arising under the Acts. This matter was also one of those to which the Swan Committee directed very considerable attention, and its main remarks in regard thereto are set forth in paragraphs 95 to 143 of its second interim report. Before dealing with the matter in detail it appears to be desirable to make a few preliminary observations concerning the main distinctions between the procedure in New Zealand and that in Britain.

180. In Britain there is a Tribunal called "the Patents Appeal Tribunal" to which appeals from the Comptroller of Patents in applications for and oppositions to patents are taken, the decision of such Patents Appeal Tribunal, as a general rule, being final. Section 87 of the British Act of 1949, does, however, provide for an appeal to the Court of Appeal in the cases therein mentioned. The Patents Appeal Tribunal is a Judge of the High Court of Justice nominated for the purpose by the Lord Chancellor. As a result of experience, therefore, such Judge becomes very familiar with the questions involved in patent litigation. For many years prior to the appointment of the Patents Appeal Tribunal appeals from the Comptroller of Patents were made to the Solicitor-General, whose decision was also usually final.

181. In New Zealand, however, the position is different. There is no "Appeal Tribunal" as in England, and any appeals from the Commissioner of Patents are made to the Supreme Court. There is a right of appeal therefrom to the Court of Appeal and, subject to the usual rules appertaining to Privy Council appeals, there is a further right of appeal to the Privy Council.

182. Both in England and in New Zealand actions based on infringement of patents are tried without a jury unless the Court otherwise directs: Section 84 (4) of the British Act of 1949 and section 34 (2) of the New Zealand Act of 1921-22. In England they are tried before a High Court Judge, and there is a right of appeal to the Court of Appeal, and thence to the House of Lords in conformity with the usual practice in appeal cases in England. In New Zealand they are tried before a Judge of the Supreme Court, and there is a right of appeal to the Court of Appeal, and thence, in those cases in which the issues come within the Privy Council Appeal Rules, an appeal to the Privy Council is possible. In England there is provision for the appointment of scientific advisers to assist the Court, and under the present New Zealand law, the Court may, and on the request of all the parties must, call in the aid of an assessor specially qualified, but it appears that in neither country has advantage been taken of such provision to any considerable extent.

183. Rules of procedure governing the conduct of proceedings in patent actions are in force in New Zealand (*N.Z. Gazette*, 23rd August, 1923). Later a somewhat elaborate set of rules was adopted in England, and these have been in force for a considerable time, but have not been adopted in New Zealand. These latter rules were originally brought into effect in the belief that they would assist in limiting the expense of patent actions by having the facts more or less crystallized before the case came for hearing. In fact, they do not appear to have achieved any great degree of success in that direction, and we do not recommend their adoption in New Zealand.

184. It is clear from a review of the relevant paragraphs in the report of the Swan Committee that a very great body of evidence was adduced before it showing great dissatisfaction with the cost and prolixity almost inevitable in patent actions, and similar evidence was adduced before us. We are satisfied that the cost, delay, and procedural difficulties in patent actions are sources of great embarrassment to litigants, but it is by no means easy to suggest a remedy.

185. In England the Swan Committee, apart from the proposal that scientific advisers be appointed to assist the Court in such actions as may appear desirable, suggested that two special Judges having, besides the legal, the necessary scientific qualifications, should be appointed from the English Bar. The intention was that one or other of the Judges should, in the first instance, hear cases in the High Court, and if there should be an appeal to the Court of Appeal the other Judge, who did not hear the particular case, would be available to strengthen and assist the Court of Appeal in determining that appeal. A second Judge has now been appointed in England under section 49 of the Patents and Designs Act, 1949, which section was left unrepealed by the Patents Act, 1949, passed later in the year.

186. The circumstances in New Zealand, however, are different in that, owing to the relatively small population, very few patent actions ever come before the Courts, and there are certainly not enough to occupy any substantial part of the time of any Judge with scientific qualifications who may be appointed for that purpose. It is therefore obvious that any suggestion to remedy or assist the position in New Zealand must be different from that suggested by the Swan Committee in England.

187. It will be convenient to state the main differences in the law resulting from the passing of the British Act of 1949. In the succeeding paragraphs Nos. 188 to 196 we will also comment on the changes as they particularly affect New Zealand conditions.

188. I. The Comptroller under section 67 of the Act has now, with the consent of the parties, a limited jurisdiction to hear actions for infringement, but the damages awarded by him must not (unless otherwise agreed between the parties) exceed £1,000. Subsection (5), however, provides :—

(5) The decision of the comptroller on a reference under this section shall not be binding upon any party thereto in any subsequent proceedings before the Court for infringement of the patent or for revocation of the patent ; but a patentee or licensee shall not be entitled, in any subsequent proceedings for infringement, to any relief in respect of an alleged infringement which was in issue in proceedings under this section.

We believe that this addition to the jurisdiction of the Comptroller should be useful, and we recommend a similar provision in New Zealand.

189. II. In infringement proceedings an exclusive licensee (as defined in the Act) may himself sue for infringement of a patent, joining the patentee as a defendant, if the latter is not prepared to join as co-plaintiff. It is important to note that an exclusive licensee does not come within the definition in the Act unless the right conferred by the licence is a sole right even as against the patentee. We think that this innovation is a good one, and we recommend its adoption in New Zealand subject to the right in question being granted only to the *registered* exclusive licensee. Our reasons for this amendment have already been considered in paragraph 159 of this report.

190. III. Section 60 of the British Act of 1949 provides that in an action for infringement of a patent the plaintiff shall be entitled, at his option, to an account of profits in lieu of damages. Prior to 1919, the plaintiff had this alternative right to an account of profits. Section 34 of the 1907 Act was then amended to take away the right, and the 1949 Act restores this alternative remedy. We do not think that the matter is generally of importance, but in some cases it may be, and we accordingly recommend that the British Act should be followed. Apparently neither damages nor an account of profits can be obtained under the British Act against an innocent infringer since it is clear from section 59 that damages cannot be obtained in such cases, and section 60 provides that a plaintiff shall be entitled, at his option, to an account of profits in lieu of damages. We think that the word "option" would not be appropriate unless the plaintiff had the choice of one or the other, and the choice of damages is taken away by section 59 in the case of innocent infringements. But it would be better to avoid all possibility of doubt by adding after the word "damages," when adopting sections 59 and 62 of the 1949 Act, the words "or account of profits" in subsection (1) of section 59 and in the proviso to subsection (1) of section 62. At present in New Zealand the remedy is provided for by section 39 of the Patents, Designs, and Trade-marks Act, 1921-22. This section specifically excludes the successful plaintiff from obtaining an account of profits. Certain apparent inconsistencies in the Act may, however, be noted : see sections 25 and 38, which either suggest that an account of profits may be obtained in certain circumstances or merely emphasize that in those circumstances neither remedy is available.

191. IV. A very important innovation has been introduced by section 66 of the 1949 Act, which reads :—

66. (1) A declaration that the use by any person of any process, or the making or use or sale by any person of any article, does not or would not constitute an infringement of a claim of a patent may be made by the Court in proceedings between that person and the patentee or the holder of an exclusive licence under the patent, notwithstanding that no assertion to the contrary has been made by the patentee or licensee, if it is shown—

- (a) That the plaintiff has applied in writing to the patentee or licensee for a written acknowledgment to the effect of the declaration claimed, and has furnished him with full particulars in writing of the process or article in question ; and
 - (b) That the patentee or licensee has refused or neglected to give such an acknowledgment.
- (2) The costs of all parties in proceedings for a declaration brought by virtue of this section shall, unless for special reasons the Court thinks fit to order otherwise, be paid by the plaintiff.
- (3) The validity of a claim of the specification of a patent shall not be called in question in proceedings for a declaration brought by virtue of this section, and accordingly the making or refusal of such a declaration in the case of a patent shall not be deemed to imply that the patent is valid.

(4) Proceedings for a declaration may be brought by virtue of this section at any time after the date of the publication of the complete specification in pursuance of an application for a patent, and references in this section to the patentee shall be construed accordingly.

Briefly, the purpose of this section is to compel the patentee to define his attitude against another person who wishes to manufacture a competitive article which may possibly be considered to infringe the patent in question. If the patentee will not give the acknowledgment sought, then the person seeking it may apply to the Court for a declaration of non-infringement.

192. There is likely to be a number of cases where such a remedy would be useful. Previously there were no means available to any interested party to test the position with the result that he had the alternatives on the one hand either of not commencing or discontinuing manufacture of the article in question, or on the other hand of proceeding with the manufacture and running the risk of being ultimately sued for infringement and cast in possibly heavy expenses and damages.

193. While we consider that this section is of considerable assistance, we are not quite satisfied that it goes so far as it might. In subsection (3) it is provided that the validity of a claim of the specification shall not be called in question. This, in our view, is a restriction which may limit the application of the section in defining another person's rights as set forth in the preceding paragraph. The position which can arise is illustrated in the following hypothetical case.

194. A patentee's specification contains ten claims of which on any reading the competitive device does not infringe eight. On a broad construction, which is not warranted by the state of the available art, there may be infringement of the other two claims; on a narrow construction there would be no infringement. In other words, the person seeking the declaration wishes to rely on what is known as the "Fletcher Moulton plea" or the "Gillette plea" to the effect that what he proposes to do was not novel at the priority date of the claim in question. Under section 66 as it stands it would be open to the Court to state that the device in respect of which a declaration is sought does not infringe, but it would not be open to the Court to state that if the claim or claims in question cover such device, they are too broad, and consequently invalid. We think that consideration should be given to the widening of the ambit of the section to permit the "Fletcher Moulton plea" to be available. If the proceedings do ultimately turn on the question of validity, either party should have the usual right of appeal on that ground in accordance with our recommendation in paragraph 219 of this report.

195. By subsection (2) of section 66 it is provided that, unless for special reasons the Court thinks fit to order otherwise, the costs of all parties should be paid by the plaintiff. We think that such a condition might in many cases act as a powerful deterrent to the proposed plaintiff and might result in the proposed defendant refusing to give a written acknowledgment, with little risk of having to put his patent in issue in litigation. If the proposed plaintiff should proceed with his claim to a declaration, the defendant might be in the happy position, even though his case is extremely weak, of having the benefit of any slight chance of success without the risk of having to pay costs in the event of failure. We recommend that subsection (2) should be amended so that the costs will be completely in the discretion of the Court.

196. V. Various other amendments of relatively minor nature have been made by the 1949 Act. It is unnecessary to discuss these changes in detail, and we pass them by with the suggestion that they should be adopted in New Zealand. The changes which we have above discussed are all calculated and intended to simplify and reduce the cost of patent litigation.

197. A number of suggestions were made before us as to the appointment of some Tribunal to try these cases in what might be described as a "practical manner." None of these suggestions was in a form sufficiently precise to enable a careful examination thereof to be made, but it is desirable to correct certain misconceptions which appeared evident from the suggestions made by certain witnesses.

198. From some remarks which were made during the course of the sittings it would appear that there was an impression, by no means limited, that the main matters arising in the trial of patent actions or other proceedings coming under the Patents Act are those of subject-matter and novelty. In point of fact, although these questions are of importance and difficulty, they constitute a relatively small proportion of the grounds upon which a patent can be attacked or which must be considered in patent proceedings.

199. We propose, therefore, to consider the main proceedings which involve litigation or disputes before the Commissioner or the Courts. By "main" proceedings we refer to those which, under the British Act of 1949, either at present are, or in future are likely to be, the main sources of litigation :—

- (1) Infringement actions and revocation proceedings.
- (2) Oppositions or "delayed oppositions."
- (3) Opposed applications for leave to amend specifications.
- (4) Applications for compulsory licences and "licences of right."
- (5) Declarations of non-infringement.
- (6) Applications for extensions of patents.

If the grounds of opposition are extended as we have recommended, the same grounds will be available in opposition proceedings as in infringement or revocation cases. We shall therefore consider items (1) and (2) together.

200. Under the present New Zealand Patents, Designs, and Trade-marks Amendment Act, 1939, the following grounds are set forth in section 61 as the grounds upon which a patent may be attacked :—

- (a) That the invention was the subject of a valid prior grant :
- (b) Subject to the provisions of section fifty-five of this Act, that the true and first inventor was not the applicant or one of the applicants for the patent :
- (c) That the patent was obtained in fraud of rights of the person applying for the order or of any person under or through whom he claims :
- (d) That the invention is not a manner of new manufacture the subject of letters patent and grant of privilege within section six of the Statute of Monopolies :
- (e) Subject as in this section provided, that the invention is not new :
- (f) That the invention is obvious and does not involve any inventive step having regard to what was known or used prior to the date of the patent :
- (g) That the invention is not useful :
- (h) That the complete specification does not sufficiently and fairly describe and ascertain the nature of the invention and the manner in which the invention is to be performed :
- (i) That the complete specification does not sufficiently and clearly ascertain the scope of the monopoly claimed :
- (j) That the complete specification does not disclose the best method of performance of the invention known to the applicant for the patent at the time when the specification was left at the Patent Office.
- (k) That the patent was obtained on a false suggestion or representation :
- (l) That the invention claimed in the complete specification is not the same as that contained in the provisional specification, and that the invention claimed, so far as it is not contained in the provisional specification, was not new at the date when the complete specification was filed, or the true and first inventor was not the applicant or one of the applicants for the patent or, in the case of an application made under section fifty-five of this Act, that the invention claimed in the complete specification is not the same as that for which protection has been applied for in the convention country (regard being had to the provisions of subsection four of that section) :
- (m) That the primary or intended use or exercise of the invention is contrary to law :
- (n) That the patentee has contravened or has not complied with the conditions contained in the patent :
- (o) That prior to the date of the patent the invention was secretly worked on a commercial scale, and not merely by way of reasonable trial or experiment, in New Zealand by the patentee or others, not being a Government Department or the agents or contractors of or other person authorized in that behalf by, a Government Department :
- (p) That in the case of inventions relating to substances prepared or produced by chemical processes or intended for food or medicine the specification includes claims which under section forty-four of the principal Act cannot lawfully be made . . .

It is also to be remembered in this connection that under the provisions of section 27, subsection (2), in addition to the grounds specifically set forth in the above-mentioned section 61, any ground which was available by way of a writ of *scire facias* is still available. The grounds quoted above constitute a very formidable total, and, in fact, it may safely be said that in recent years more patents have been held invalid on some technical ground such as ambiguity, insufficiency, or intility than on the ground of lack of subject-matter or lack of novelty.

201. Under section 32 of the British Act of 1949 the grounds for revocation of a patent have been somewhat altered from those which previously existed, and which were substantially the same as those still existing in New Zealand. The intention of the Act of 1949 was to include in the section an exhaustive and comprehensive list of those grounds upon which a patent could be attacked, and the remedy available under the old writ of *scire facias* was deleted, it apparently not being thought necessary to retain it. However, while we think that the grounds set forth in section 32 of the British Act of 1949 should be incorporated in any amending New Zealand Act, we also think that the additional grounds which have always been available under the writ of *scire facias* should be retained. A ground for seeking a writ of *scire facias* is —

(3) When the King doth grant anything which by law he cannot grant, he, *jure regio* (for the advancement of justice and right), may have a *scire facias* to repeal his own letters patent.

We consider that circumstances may arise in which a patent might be revoked upon this ground though not upon any of the grounds specified in the aforesaid section 32.

202. It is a basic conception of British and New Zealand patent law that it is incumbent upon a patentee in his claims clearly to define and delimit the area within which he claims a monopoly. If he fails, through ignorance, lack of skill, or otherwise, to claim as widely as he could have done, he has no protection for the area which he failed to cover. There is no such thing as infringement of the equity of a patent, and it is a truism of patent law that what is not claimed is disclaimed and open for the public to use. On the other hand, it not infrequently happens that a patentee may have evolved a useful and valuable invention but has drawn his claims so widely as to result in their being voidable on one or more of the grounds already mentioned. A clear exposition of the law is set out in the judgment of Lord Russell of Killowen in the relatively recent case of *Electric and Musical Industries Ltd. and Another v. Lissen and Another*, (1938) 56 Reports of Patent Cases, p. 23 at p. 39, and (1938) 4 All E.R. 221 at pp. 224–225, in which he states :—

The function of the claims is to define clearly and with precision the monopoly claimed, so that others may know the exact boundaries of the area within which they will be trespassers. Their primary object is to limit and not to extend the monopoly. What is not claimed is disclaimed. The claims must undoubtedly be read as part of the entire document and not as a separate document ; but the forbidden field must be found in the language of the claims and not elsewhere. It is not permissible in my opinion, by reference to some language used in the earlier part of the specification to change a claim which by its own language is a claim for one subject-matter into a claim for another and a different subject-matter, which is what you do when you alter the boundaries of the forbidden territory. A patentee who describes an invention in the body of the specification obtains no monopoly unless it is claimed in the claims. As Lord Cairns said, there is no such thing as infringement of the equity of a patent (*Dudgeon v. Thomson*, L.R. 3 App. Cas. 34).

203. Even if the invention disclosed in the specification is an invention having the necessary attributes of subject-matter and novelty, the question arises whether the invention which he *claims* has those attributes ? In other words, in an endeavour to cover as much ground as he possibly can and thus keep away as many potential infringers as possible, has the patentee claimed so widely that his *claimed* invention does not have the attributes necessary to support a valid patent ?

204. It will thus be seen that under both British and New Zealand law the ambit of a patentee's monopoly must be clear from his claims, and, however valuable his invention may be, if it has not been adequately claimed he may lose the whole or part

of his rights thereto. Admittedly, as will be discussed later, this conception imposes a heavy onus on the patentee, but the underlying consideration is that the public must know what they can or cannot do without trespassing on the forbidden field. The importance attributed to the claiming clauses is not limited to the laws of the British Commonwealth. The same factor determines the value and validity of patent rights in the United States of America and other countries.

205. There is, however, in some other countries another conception involved in considering the ambit of the monopoly under letters patent. While it can be said that all countries call for a specification to end with claims, some do not consider that the yardstick of infringement and validity are entirely disposed of by the examination of the claims. To a greater or lesser extent, the Courts of some European countries consider broadly the advance in the art made by the patentee and, having regard to their findings on that point, then determine the issue of infringement.

206. If, however, the ambit of the invention is not clear from a perusal of the specification and claims, confusion and doubt as to the extent of the monopoly must arise in the minds of the public. Subject, therefore, to certain suggestions hereinafter made to ameliorate the lot of the patentee, we see no reason to depart from the fundamental rule that a patentee must define his invention in and by his claims.

207. The construction of a specification and claims, just as of any other written document, is and always has been a matter for the Court. The Court is entitled to hear technical evidence to explain the state of the art and to explain any particular words in the specification which might have a special technical meaning, but it is the Court that must construe the specification. We do not see how it would be possible for the legal interpretation of a specification to be left to scientific experts, or any tribunal other than a judicial one, any more than it would be proper to leave to a jury in any other form of civil action the task of construing any document relevant to the suit.

208. It will be seen, therefore, that a patent action differs from most ordinary actions in that it calls for a combination of technical and scientific knowledge in the particular art in suit with the legal qualifications requisite to construe and apply the law when the particular facts are found.

209. Summing up the position, therefore, the cost of patent actions must be ascribed mainly to the following factors :—

Firstly, a patent action involves mixed questions of law and fact, and in many cases the facts relate to an art of a technical nature on which the Judge has to be instructed at length before he is acquainted with the principles involved.

Secondly, usually many expert witnesses are called on each side, and to qualify them before the trial and to adduce their evidence at the trial requires considerable time and involves heavy expense.

Thirdly, apart from what might be described as the fundamental issues of lack of subject-matter and novelty—which are really implicit in the Statute of Monopolies—there have over the course of years been brought into greater prominence the other defences set forth in section 61 (*ante*, para. 200). These defences, and the evidence necessary in relation to them, involve a great deal of extra work and consideration.

Fourthly, the costs are liable to be greatly increased by appeals, extending in important cases as far as the Privy Council.

210. It is therefore clear that if it were possible, in the trial of an action, for the requisite evidence to be adduced before a Judge already conversant with the technical side of the case, and if the application of the defences, other than those of lack of novelty and subject-matter available under section 61, were as far as possible reduced, a great saving of cost and delay in patent actions should be affected. In our view, the cost of patent actions has in more recent years been greatly increased by reliance upon such other defences as insufficiency, inutility and ambiguity.

211. Although over a long period of years wilful or deliberate ambiguity in a specification was always a ground for the revocation of a letters patent, in recent years this ground has become more and more dangerous to a patentee, and in fact in some instances it has even been suggested that where a specification is capable of two interpretations then it is *ipso facto* ambiguous, and the Court does not require to consider further which interpretation is correct. This point is well illustrated by the judgment of Lord MacMillan in *Electric and Musical Industries Ltd. v. Lissen*, (1938) 56 R.P.C. 23 at p. 46, and 4 All E.R. 221 at p. 232, where he says :—

My Lords, the Patents and Designs Act, 1907, as amended in 1932, warns the would-be inventor that his patent may be revoked if the complete specification does not sufficiently and clearly ascertain the scope of the monopoly claimed (section 25 (2) (i)). The present case in its three stages before Mr. Justice Luxmoore, the Court of Appeal and this House has occupied some sixty days of judicial time, a substantial part of which has been devoted to the discussion of the question of the scope of the monopoly claimed and on this question the Court of Appeal have differed from the Trial Judge and your Lordships are not at one. How can it, in these circumstances, be maintained that the specification in suit sufficiently and clearly ascertains the monopoly claimed ? How can it be said that it clearly indicates to the manufacturer or even the technical expert what may, and what cannot, be done without infringing the patent ? I do not believe that, where an inventor has a clear conception of his invention and desires to describe it clearly, the resources of the English language are inadequate for the purpose, even in the case of so highly technical an art as that of wireless transmission.

The modern tendency in actions in which reliance cannot be placed upon the basic defences of lack of novelty or lack of subject-matter is to try to upset a patent on the ground of ambiguity.

212. Many years ago in England there was a suggested rule of construction applicable to patent specifications known as “benevolent construction” of the specification in favour of the patentee, this being based upon the express language of the letters patent, the last sentence of which reads :—

And lastly we do by these presents for us our heirs and successors grant unto the said patentee that these our letters patent shall be construed in the most beneficial sense for the advantage of the said patentee.

In spite of this provision, the tendency now appears to be more and more in favour of construing the specification strictly against the patentee, and in favour of the defendant. In *Electric and Musical Industries, Ltd. v. Lissen* (*cit. sup.*) Lord Russell of Killowen concluded his judgment with these words :—

I must, however, add that I dissent from the view that the concluding words of the form of letters patent afford any assistance in or have any relevance to the question of the meaning or construction of the language used in a specification. Whatever effect they may produce in regard to the construction of the document in which they occur, they have not, in my opinion, any relation to a specification. The construction of a specification is subject to no special rules. When I was a Judge sitting in the Chancery Division, I tried many patent actions which involved fine points relating to the construction of specifications ; but not once were these words in the letters patent cited or prayed in aid on behalf of a Patentee.

Lord Atkin, however, had expressed the opposite view in the same case at p. 38, as follows :—

But if there were a reasonable doubt, I am firmly of opinion that we are bound to resolve it in favour of the patentee. It seems to me quite inadmissible to pass over the concluding words of the letters patent : “ We do grant unto the said patentee that these our letters patent shall be construed in the most beneficial sense for the advantage of the said patentee.” They seem to have been regarded at times as a mere conventional form of royal graciousness. In fact they are a material portion of the grant, and must be read as such. The grant gives protection to the invention of which the patentee “hath by and in his complete specification particularly described the nature.” It is in aid of the protection so given that the words in question are used. They are now of statutory authority, for the form of letters patent containing them is prescribed in the Patent Rules made in pursuance of the Acts. I do not think that any gloss put upon them in any decisions can prevent the Court from giving them their full effect. And so applied they seem to enforce the construction contended for in this case by the patentee.

It is by no means unusual for a patent of a valuable nature and embodying a valuable invention to be irretrievably lost to the patentee by virtue of some technical defect, leaving the way open for the defendant to successfully plead certain of the enumerated technical defences.

213. Dealing with this point in paragraph 102 of its second interim report, the Swan Committee stated :—

102. A common ground of complaint has been that Judges unfamiliar with the difficulty, which in many cases besets an inventor in describing in accurate and precise language the nature and limits of his invention, are apt to require in the drafting of a patent specification the same high degree of precision that would normally be expected in the drafting of a deed of settlement or a policy of insurance, and tend to condemn for ambiguity or uncertainty, specifications which fail to come up to this exacting standard. It is felt also that a Judge who has no previous knowledge of the art with which the invention is concerned cannot, even with the assistance of counsel and expert witnesses, form a balanced and reliable view of the true meaning and implications of a specification which is addressed to persons fully acquainted with the art, and therefore couched in language which assumes a competent knowledge of the technique of the art.

214. On the other hand, it is fully realized that deliberate ambiguity created in the specification with the express purpose of leaving the public in doubt as to the ambit of the monopoly must result in the invalidity of the patent. Such we think was the intention of Earl Loreburn in his speech in the House of Lords in the *Natural Colour Kinematograph Co., Ltd. v. Bioschemes Ltd.* case, (1915) 32, Reports of Patent Cases, 256, at p. 266, when he stated :—

I wish to add that, quite apart from these grounds, I think this patent is bad for ambiguity in the specification. There seems to be some danger of the well-known rule of law against ambiguity being in practice invaded. Some of those who draft specifications and claims are apt to treat this industry as a trial of skill, in which the object is to make the claim very wide upon one interpretation of it, in order to prevent as many people as possible from competing with the patentee's business, and then to rely upon carefully prepared sentences in the specification which, it is hoped, will be just enough to limit the claim within safe dimensions if it is attacked in Court. This leads to litigation as to the construction of specifications, which could generally be avoided if at the outset a sincere attempt were made to state exactly what was meant in plain language. The fear of a costly law suit is apt to deter any but wealthy competitors from contesting a patent. This is all wrong. It is an abuse which a Court can prevent, whether a charge of ambiguity is or is not raised on the pleadings, because it affects the public by practically enlarging the monopoly, and does so by a kind of pressure which is very objectionable. It is the duty of a patentee to state clearly and distinctly, either in direct words or by clear and distinct reference, the nature and limits of what he claims. If he uses language which, when fairly read, is avoidably obscure or ambiguous, the patent is invalid, whether the defect be due to design, or to carelessness or to want of skill. Where the invention is difficult to explain, due allowance will, of course, be made for any resulting difficulty in the language. But nothing can excuse the use of ambiguous language when simple language can easily be employed, and the only safe way is for the patentee to do his best to be clear and intelligible. It is necessary to emphasize this warning. To my mind, this is a very plain case of offence against the rule to which I have referred. I cannot see what purpose there could have been for using the roundabout language here employed, which has provoked so much argumentative subtlety and taken up so much time, unless the object was to hold in reserve a variety of constructions for use if the patent should be called in question, and in the meantime to frighten off those who might be disposed to challenge the patent.

215. We feel that it is wrong that a patentee should lose the benefits of a valuable invention by the defendant being able to take advantage of some technical defect in the specification which really does not deceive any person skilled in the art either as to the ambit of the invention or the manner in which it is to be performed. To remedy the position in this respect, while yet ensuring that specifications are not drawn deliberately in a way which will cause the ambit of the monopoly to be uncertain, is a matter of some considerable difficulty. Although the suggestion is somewhat revolutionary, we feel that the position might be met by a provision in the revocation section to the effect that in construing a specification the Court, if satisfied that the specification was framed in good faith, shall—where more than one construction is reasonably possible—adopt a construction which shall tend to support the patent on the basis of the legal maxim *ut res magis valeat quam pereat*; in other words, to import the doctrine of “benevolent construction” on the lines adopted by Lord Atkin in the passage quoted in paragraph 212.

Reference may be had in this regard to section 64, subsection (2) (a), of the New Zealand Act of 1939, for the use of a similar expression (*cf.* section 62 (2) of the British Act of 1949). Those sections deal with the class of case in which an invalid claim framed in good faith and with reasonable skill and knowledge, exists along with an infringed valid claim.

216. We believe that such a provision would prevent the taking of objection to a patent on technical points unless they were of very material substance, and we can see no harm to the public in endeavouring to sustain a valuable patent where the specification is not so ambiguous as really to deceive those skilled in the art.

217. Coupled with this suggestion, we think that there should be created in the Patent Office the post of Chief Examiner, which should be a highly paid position, and which should be filled by an officer who has both legal and technical qualifications. Provision should be made whereby, with the consent of both parties, this officer might sit as official assessor with the Judge of the Supreme Court in all actions which involve patents of a substantially technical nature. He would, of course, sit purely in an advisory capacity, but his intimate knowledge of patent law, as well as his scientific attainments, should be of very great assistance to the Court in quickly assimilating the necessary factual background before the legal principles applicable can be invoked. He would, of course, not be available to sit on appeals from the Commissioner, but in such cases the Court would have the opportunity of having the relevant technical facts clearly and concisely expressed in the decision of the Commissioner appealed from. In those cases in which the assistance of the official assessor is not invoked, use might be made of the assistance of scientific advisers as provided for in section 84 (2) of the British Act of 1949.

218. This proposal is by no means an ideal one, but having regard to the comparatively little patent litigation that comes before the Courts in New Zealand, we think that it would afford an effective way of obtaining speedy determination of patent cases. As will be stated later, when we deal with Patent Office administration, the appointment of a Chief Examiner, having the stated qualifications, would be of very considerable benefit from the point of view of the expeditious handling of Patent Office work of a technical nature.

219. A further point which causes great delays and expense in patent litigation, and which has been traversed by the Swan Committee in England, is the number of appeals which can be taken, and we recommend that in all cases in which appeals are taken from any decision of the Commissioner the judgment of the Supreme Court should be final except in those cases where in Great Britain an appeal from the Patents Appeal Tribunal is permitted. So far as the latter cases are concerned, we do not feel that it would be justifiable to exclude a right of appeal to the Privy Council where actual rights of property exceeding £500 in value are involved—namely, cases in which the effect of the decision of the Appeal Tribunal is the revocation of the patent, cases involving questions of co-ownership of the patent, and (with the leave of the Tribunal) cases in which the effect of its decision is the refusal of the grant of a patent on the ground of prior user or lack of inventive step or on any of the further grounds which in paragraph 103 we have suggested should be made available in opposition proceedings.

220. Subject to the suggestions hereinbefore contained, we think that the provisions of sections 59 to 67 of the British Act should be adopted in New Zealand, *mutatis mutandis*, and in particular we think that section 67, which enables the Comptroller in Great Britain to try cases of infringement, subject to certain limitations and restrictions, would be eminently suitable for adoption in New Zealand. Under that section the limit of damages which the Comptroller may award in respect of infringement is the sum of £1,000, unless the parties otherwise agree.

221. We have come to the apparently inescapable conclusion that so long as the construction of a patent specification is for the Court, no other Tribunal would or could be a satisfactory alternative. Patent rights are rights of property, and accordingly a patentee has a right to appeal to the Courts for protection against any infringement of his rights. We can imagine no other form of Tribunal which would enable all the matters requiring consideration in a patent action to be fully yet more expeditiously and cheaply considered. Whatever be the Tribunal, the same expert evidence, the same defences, and the same questions of construction must arise. In other words, the multiplicity of possible defences reacts to the disadvantage of a patentee, and we see no reason for their abolition or restriction. While they are maintained and (properly as we think) the patentee is compelled to define his invention in his claims, a judicial tribunal is, in our view, the only possible one which can do justice. Any other form of Tribunal would not reduce the costs and could not be expected to interpret the law.

APPLICATIONS FOR LEAVE TO AMEND

222. The relevant sections in the New Zealand Act of 1921–22 are sections 23 to 25, the first dealing with applications before the Commissioner, the second with applications to the Court, and the third with limitation of damages on amendment being allowed.

223. It not infrequently happens that a patentee discovers, after his patent has been granted or his application accepted, that his claims do not define his invention properly. In those circumstances he may take advantage of either section 24 or section 25 (as the case may be) in an endeavour to rectify the position. The ambit of permissible amendment (which in any event is not a matter of right) is set forth in section 23, subsection (6), and the proviso to section 24, subsection (1), both being to the same purport—namely, that:—

No amendment shall be allowed that would make the specification as amended claim an invention *substantially larger than, or substantially different from* the invention claimed by the specification as it stood before amendment.

The words in italics are the important words in the section. Although applications for leave to amend are not infrequently opposed before the Comptroller in England, the greatest contest arises in the Courts, where, during the course of litigation, the patentee seeks to amend his specification. Often the main struggle rages round the permissibility of the amendment, it being in some cases conceded to be inevitable that if the amendment is allowable, the patentee will succeed in his action. An instance of the complexity and difficulty of this matter is exemplified in the very recent case of *Re May and Baker, Ltd., and Ciba Ltd.'s Letters Patent*, (1948) 65, R.P.C. 255.

224. In all cases of amendment the essential question is purely one of law, and we can see no alternative to the present procedure. It is interesting to note, however, that in England, under sections 29 to 31, the limitations regarding amendment have been completely redrafted, the governing subsection being 31 (1), which reads:—

31. (1) After the acceptance of a complete specification, no amendment thereof shall be effected except by way of disclaimer, correction or explanation, and no amendment thereof shall be allowed, except for the purpose of correcting an obvious mistake, the effect of which would be that the specification as amended would claim or describe matter not in substance disclosed in the specification before the amendment, or that any claim of the specification as amended would not fall wholly within the scope of a claim of the specification before the amendment.

225. We think that this provision should go a long way to delimit more clearly the bounds of permissible amendment and avoid litigation in a number of cases which would give rise to legal proceedings under the present law of New Zealand. We recommend the adoption of the relevant sections 29 to 31 of the British Act of 1949.

APPLICATIONS FOR COMPULSORY LICENCES

226. The procedure and hearing of applications for compulsory licences and "licences of right" under sections 37 to 42 of the British Act of 1949 are set forth in sections 43 and 44 of that Act. Section 44 reads as follows:—

44. (1) An appeal shall lie from any order made by the comptroller in pursuance of an application under sections thirty-seven to forty-two of this Act.

(2) On any appeal under this section the Attorney-General or such other counsel as he may appoint shall be entitled to appear and be heard.

(3) Where any such application is opposed in accordance with the last foregoing section, and either—

(a) The parties consent; or

(b) The proceedings require a prolonged examination of documents or any scientific or local investigation which cannot in the opinion of the comptroller conveniently be made before him,

the comptroller may at any time order the whole proceedings, or any question or issue of fact arising therein, to be referred to an arbitrator agreed on by the parties, or, in default of agreement, appointed by the comptroller.

(4) Where the whole proceedings are referred as aforesaid, section nine of the Arbitration Act, 1934 (which relates to the statement of cases by arbitrators) shall not apply to the arbitration; but unless the parties otherwise agree before the award of the arbitrator is made, an appeal shall lie from the award to the Appeal Tribunal.

(5) Where a question or issue of fact is referred as aforesaid, the arbitrator shall report his findings to the comptroller.

The main features of this section are that it provides for an appeal from the Comptroller at which the Attorney-General may appear, and that the Comptroller may refer the matter to an arbitrator either partly or as a whole.

227. We think that the general provisions of this section provide a simple and inexpensive way of dealing with applications for compulsory licences. We suggest, however, the following modifications:—

(a) That in lieu of referring the whole matter, or any question of fact to arbitration, the Commissioner, with the consent of the parties, may invoke the assistance of a person possessing the qualifications appropriate to the issues involved to sit with him in an advisory capacity during the proceedings. In many cases this should be a saving of expense and time.

(b) That the provision for the appearance of the Attorney-General is unnecessary, having regard to section 3 of the New Zealand Amendment Act of 1947.

(c) That the appeal to the Supreme Court should be final except where the question of revocation of the letters patent is involved.

DECLARATION OF NON-INFRINGEMENT

228. We have already, in paragraphs 191 to 195, made our suggestions in this regard.

APPLICATIONS FOR EXTENSION OF TERM OF PATENT

229. We suggest that the Commissioner should have jurisdiction to consider applications for extension under subsection (1) as well as those under subsection (6) of section 20 of the New Zealand Act of 1921–22. The saving of cost resulting from taking proceedings before the Commissioner is most considerable. Power might well be reserved to the Commissioner to refer the application to the Court at any stage. This and other aspects of extensions of term of patents will be more fully dealt with in paragraphs 245 to 248 hereof.

230. Before leaving the subject of legal proceedings there are two further sections of the British Act of 1949, and one in the New Zealand Amendment Act of 1947, to be considered :—

I. *Section 59: Innocent Infringers.*—The section substantially corresponding to this section in New Zealand is section 38 of the Act of 1921–22, which reads :—

38. (1) A patentee shall not be entitled to recover any damages or to obtain any account of profits in respect of an infringement of a patent from any defendant who proves that at the date of the infringement he was not aware, nor had reasonable means of making himself aware, of the existence of the patent; and the marking of an article with the word “Patent,” “Patented,” or any word or words expressing or implying that a patent has been obtained for the article, stamped, engraved, impressed on, or otherwise applied to the article, shall not be deemed to constitute notice of the existence of the patent unless the word or words are accompanied by the words “New Zealand” or the letters “N.Z.” and by the number of the patent.

(2) Nothing in this section shall affect any proceedings for an injunction.

231. If, as we have suggested, a registered and exclusive licensee may take action for infringement, the present wording of the New Zealand section quoted is inapplicable, and we recommend that it should be recast, following the lines of the British section 59, but the section as amended should, we think, still retain the necessity for the inclusion of the words “New Zealand” or the letters “N.Z.” as well as the number of the patent. The British section is clearer than the New Zealand section 38 because there has always been a doubt as to the interpretation to be given to the words “*nor had reasonable means of making himself aware*” appearing in the New Zealand Act and in section 33 of the British Act of 1907. The change in the British Act of 1949 to the wording “and had no reasonable ground for supposing” goes far to resolve the doubt.

232. II. *Section 65: Remedy for Groundless Threats of Infringement Proceedings.*—The British Act of 1949 has altered the previous law herein, the British 1907 Act corresponding in substance with the “threats” section 65 of the New Zealand Amendment Act of 1939. The new subsection (3) is important, and reads :—

65. (3) For the avoidance of doubt it is hereby declared that a mere notification of the existence of a patent does not constitute a threat of proceedings within the meaning of this section.

We have given anxious consideration to this section, which has considerable importance as affording protection against possible oppressive action on the part of the patentee or others who, rather than take action for infringement, seek to achieve their object by the more subtle method of threats against rivals or their customers.

233. On the other hand, it is possible that under some circumstances the section as it stands may actually be productive of avoidable litigation. Subsection (3) of the British Act of 1949 goes only so far as to permit the mere notification of the existence of a patent. The inclusion of this subsection may have two possible effects—firstly, on the one hand, the giving of such notice to the alleged infringer prevents him from afterwards pleading “innocence” under section 59 of the 1949 Act, and, secondly, on the other hand, the mere notification of the existence of the patent may be regarded by the recipient as, and have the same effect as, a threat or warning.

234. We have stated that the section as it stands at present may be productive of avoidable litigation. A patentee may discover that a certain manufacturer is, either innocently or otherwise, infringing his patent, and it may be that the patentee would be perfectly satisfied with the payment of royalties rather than seek an injunction and damages. At present the patentee cannot write to the alleged infringer to the effect that “you are infringing my patent, but I am prepared to grant you a licence thereunder,” as this would presumably constitute a threat. His only recourse, if the mere bald notification of the existence of a patent has no effect, is to issue the writ and then negotiate. We think that a distinction should be drawn between the case where a patentee is desirous of negotiating *bona fide* with the actual manufacturer or main distributor of an alleged infringing device, and the case where he seeks to intimidate customers of these persons. We therefore suggest that the section should be amended by the provision of a further subsection to the effect that an allegation of infringement accompanied by a

bona fide offer to grant a licence on the basis of a reasonable royalty, to be agreed upon or, in the event of disagreement, to be fixed by arbitration, should not be deemed to constitute a threat within the section. A patentee who is not prepared to make such an offer can properly be required by the law to take infringement proceedings.

235. III. We have not yet considered the importance of section 3 of the New Zealand Amendment Act of 1947 in relation to legal proceedings. The section reads :—

3. (1) In any proceedings before the Court or the Commissioner for the grant, extension, amendment, or revocation of a patent, or for the prevention of the abuse of monopoly rights, or where the validity of a patent is in question, the Attorney-General, if in his opinion the public interest is or may be involved, may appear and be heard and take any steps which he considers desirable as if he were a party to the proceedings.

(2) In any proceedings before the Court or the Commissioner, any party who intends to question the validity of a patent shall give notice of that intention to the Solicitor-General at least twenty-one days before the hearing, and shall supply the Solicitor-General with a copy of such papers filed in the proceedings by himself and by any other party as the Solicitor-General requires.

(3) In any proceedings in which the Attorney-General appears in accordance with this section, costs may be awarded either to or against the Attorney-General.

It will first be noted that this section permits the Attorney-General to appear in the first, second, third, fourth, and sixth cases defined in paragraph 199 hereof. So far as extensions of patents are concerned, the Attorney-General always had the right to appear. So far as the fifth case—declarations of infringement—is concerned, it appears of no interest to the public for the Attorney-General to appear if the matter is purely one of infringement or non-infringement *inter partes*. If the question of validity is raised, as we have suggested should be possible, then under section 3 (1) the Attorney-General can intervene.

236. We have carefully considered whether section 3 should be extended in scope in the following respects :—

- (a) By giving the Attorney-General the power to inaugurate proceedings to test the validity of letters patent or to apply for revocation of a patent.
- (b) By giving him power to join the plaintiff in an action based on threats.
- (c) By making it mandatory for him to appear wherever he is of opinion that the public interest is involved.
- (d) By giving him power, when he intervenes on behalf of a party, to take over with the consent of that party the control and conduct of the proceedings.

237. With regard to (a), we think it desirable to point out that, although it is unlikely, circumstances may arise where it is desirable for a Government Department to test the validity of a patent. We recommend that this should be permitted, but we also recommend that the powers to test the validity of letters patent and to apply for revocation should be given to the Attorney-General, whether or not a Government Department wishes to make use of the inventions.

238. With regard to (b), although no “ threats ” action has yet been determined by the Courts in New Zealand, we think it may be desirable to enable the Attorney-General to intervene even where no question of validity has arisen, and the only issue is one of infringement.

239. With regard to (c), we think it sufficient to leave the question of intervention to the discretion of the Attorney-General, but with regard to (d) we recommend the extension of his power. In some cases the party on whose behalf the Attorney-General intervenes may not be financially in a position effectively to prepare an adequate case. In such an event it is only reasonable that, as the Attorney-General may under subsection (3) be liable to pay costs to the other party, he should be able to control and conduct the case as he thinks best.

240. If section 3 is invoked liberally by the Attorney-General in cases in which the public interest is involved—and it may be said that to a greater or lesser extent this condition must obtain in almost all cases—the possibility feared by some witnesses of an allegedly invalid patent or patents being used oppressively is most unlikely to occur.

We desire to safeguard ourselves, however, against any inference that this suggestion is made as a result of any evidence that in New Zealand such oppressive use has been made to any appreciable extent in the past.

241. Our recommendation that the Attorney-General should under section 3 of the 1947 Amendment Act be active in intervening where the validity of a Patent is in issue is prompted, firstly, by the fact that a patent is a right *in rem*, and, secondly, that the Crown should not grant an invalid patent. We believe that under modern conditions the positive right of the Crown to revoke its own grant by *scire facias* (to which we have already referred in paragraph 201) in proper cases should be affirmed by statute.

242. Having dealt with legal proceedings, we propose now to deal with a number of miscellaneous matters.

APPLICATIONS FILED UNDER THE INTERNATIONAL CONVENTION

243. We have already briefly discussed convention applications when dealing with "date of patent," and it is unnecessary to deal with the matter further except to say that the Swan Committee in paragraphs 111 to 121 of its final report made many suggestions which, in the main, have been incorporated in the 1949 Act. These amendments have been considered by us, and we think that they are eminently suitable for adoption in New Zealand.

244. The more important of the amendments made in relation to convention cases by the British Act of 1949 are :—

(a) *Recognition of Partial Priorities.* This follows from the conception of "priority date" to which reference has already been made, and it now permits an applicant claiming convention rights to maintain the convention date in respect of that part of his invention which has been covered in the convention country, and to maintain the actual date of filing of his application in Great Britain in respect of that part which was not adequately disclosed in his original convention application. Recognition of partial priorities is not uncommon in other countries, and in our view this is definitely a progressive step in line with modern conditions.

(b) Instead of more than the one application being filed where multiple priorities are claimed, only one application form is now requisite—see Patent Form No. 1, Convention.

(c) Prior to the passing of the 1949 Act it was not possible to found a convention application based on applications filed in different convention countries—that is to say, it would not be possible to file a convention application based on multiple priorities in which one application, for instance, was filed in France and the other in Belgium. That is now possible subject to certain conditions, to which it is not necessary to refer in detail in this report.

APPLICATIONS FOR EXTENSION OR PROLONGATION OF PATENTS

245. Section 20 of the New Zealand Act of 1921–22 is the relevant section in this regard. It has been amended on several occasions, the most important amendment being that made by section 2 of the Amendment Act of 1946, which gives the Commissioner power to hear applications for extension of patents when the application is made under section 20, subsection (6), in consequence of loss due to war conditions. In substance this section follows the similar amendment made to the then British Act as a result of the urgent recommendations of the Swan Committee in its first interim report of 12th March, 1945. Previously both applications for extension based on insufficient remuneration having regard to the exceptional merit or utility of the invention, and applications based on loss due to the war, could only be heard by the Court. The present position is that, both in the United Kingdom and New Zealand, the former class must still be brought before the Court, but the latter—based on war loss—may be brought before the Commissioner or the Court at the discretion of the applicant.

246. The consolidated provisions relating to extensions of patents now appear in England in sections 23 to 26 of the 1949 Act. Section 25 introduces an innovation in allowing certain classes of licensees to make application if they have suffered loss as such. We consider that the whole of these sections could be adopted in New Zealand, subject to the following alterations :

- (a) We think, following upon our previous recommendations (paragraph 159) that the privilege of applying for an extension of a patent should not be open to a licensee unless he has registered his title.
- (b) We think that applications for extension on the ground of insufficient remuneration should, at the option of the applicant, be capable of being made either to the Court or the Commissioner, as is the case in connection with extensions sought on the ground of loss due to the war.

247. Very few applications for extension on the ground of inadequate remuneration have come before the Court in New Zealand—at least in recent years—and it is not improbable that the paucity of applications may be due to the somewhat cumbersome and expensive procedure which must now be followed. The procedure is laid down in the Rules of the Supreme Court under the New Zealand Act of 1921–22 (*N.Z. Gazette*, 1923, Vol. II, p. 2241) and these appear to us to be capable of considerable simplification.

248. In view of the extended jurisdiction now vested in the Comptroller in England under the 1949 Act—a jurisdiction which we have already recommended should be extended to the Commissioner in New Zealand—we do not think that there is any reason why he should not be able to deal with applications for extension based on inadequate remuneration. The procedure and requirements could be substantially simplified without prejudicing the necessity of the patentee affirmatively proving his case for an extension. The Commissioner should, we think, have the right, if he thinks fit, to refer to the Court any matter involving questions of difficulty.

EXPLOITATION AND DEVELOPMENT OF INVENTIONS OF VALUE IN THE PUBLIC INTEREST

249. This question was considered by the Swan Committee in its final report (paragraphs 148 to 158). Our attention has been drawn to the Development of Inventions Act, 1948 (Great Britain), which, *inter alia*, provides for the establishment of a body corporate called the National Research Development Corporation with the functions :—

(a) Of securing, where the public interest so requires, the development or exploitation of inventions resulting from public research, and of any other invention as to which it appears to the Corporation that it is not being developed or exploited or sufficiently developed or exploited ;

(b) Of acquiring, holding, disposing of and granting rights (whether gratuitously or for consideration) in connection with inventions resulting from public research and, where the public interest so requires, in connection with inventions resulting from other sources.

250. The scheme proposed by the Act is quite original as far as the United Kingdom and New Zealand are concerned, and appears likely to have greater chances of success in a highly industrialized country such as Great Britain than in a country such as New Zealand. We suggest that the effect of the Act in achieving its avowed objects should be carefully reviewed from time to time in New Zealand, and as soon as a sufficient measure of success is evidenced in the United Kingdom the enactment of similar legislation in New Zealand should be considered. However, in paragraphs 36 to 38 we have made certain recommendations for the establishment of a Corporation to hold patents and other property on behalf of the Crown.

251. We have dealt with the main topics which we have had to consider in connection with patents, and shall now consider in order various sections of the British Act of 1949, which we think should be amended to conform to New Zealand conditions. In so far as we make no reference to any particular sections of the British Act, it can be assumed that, *mutatis mutandis*, we consider them suitable for adoption in New Zealand.

252. *Section 12: Putting in Order for Acceptance.*—Subject to the provisions for extensions contained in the section, the normal time for acceptance of the complete specification is now twelve months after the filing thereof. Under section 8A of the Act of 1907 the complete specification had to be accepted within eighteen months after the filing of the application. Where, however, under the Act of 1907 an application was accompanied by a complete specification the new provision has the effect of shortening the time for acceptance by six months. On the other hand, where an application was accompanied by a provisional specification and the complete specification was not filed until the end of the statutory period, there would have remained only six months in which to put the complete specification in order for acceptance. The new provision has the effect of extending the period for acceptance in such cases from six months to twelve.

We think that the period for acceptance stated in section 12 should be at least *fifteen* months for acceptance without extension, and with a right of a further three months' extension on the payment of the prescribed fee, especially having regard to the distance of New Zealand from the sources of many of the most technical inventions.

253. *Section 13: Acceptance.*—This section should be amended, as to time for acceptance, to conform to the amendment suggested to be made in section 12.

254. *Section 15 and Others: Prior Publication.*—In the examination section 7, the opposition section 14, and section 50 (which deals with prior publication generally) it is provided in effect that a prior specification more than fifty years old does not constitute prior publication. Presumably the reason for this time limitation is that if the specification has faded into the limbo of forgotten ideas the rediscovery of the subject-matter thereof entitles the fresh inventor to the grant of letters patent. The earlier British Act of 1907 also contained a similar limitation, but heretofore in New Zealand any prior specification could be set up as an anticipation irrespective of its date. The matter is not of great importance, but we suggest that the limitation contained in the British Act should be adopted in the relevant sections of the New Zealand Act.

255. *Section 17 (5): Joint Applications.*—We do not think that the powers given to the Comptroller in the United Kingdom are sufficiently wide to prevent in some cases possible serious loss to one of the joint applicants. The position may arise that an application for provisional protection has been filed by joint applicants, and towards the end of the provisional period of protection one of the applicants refuses not only to proceed himself, but also to permit the application to proceed in the name of the other. The refusal may be unjustified but, with the right of an appeal, the application may lapse before the rights of the parties *inter se* can be finally determined. The Commissioner in New Zealand should, we think, be given the additional power to authorize the application to proceed in the name of one or more of the applicants pending a final determination of the matter.

256. *Section 18: Secrecy of Inventions.*—Under this section the Comptroller's authority to impose secrecy is limited to classes of cases notified by a competent authority as relevant for defence purposes. We think that provision should be made for the Commissioner to act on his own volition pending his ascertaining from the competent authority whether in fact an invention is of a class relevant to defence purposes.

257. *Section 19: Grant and Sealing.*—The date of publication referred to in this section is not the "date of publication" of the complete specification in New Zealand. This difference is due to section 5 of the New Zealand Amendment Act of 1946, which provides for the publication of a complete specification three months after filing. We shall later recommend that this section be repealed, and that "date of publication" should have the same meaning in New Zealand as it has in the United Kingdom.

258. *Section 21: Extent, Effect, and Form of Patent.*—Under section 3 of the Crown Proceedings Act, 1947, in the United Kingdom a declaratory judgment may be given in an infringement proceeding in lieu of an injunction, the latter remedy not being available against the Crown. There is no corresponding provision at present in New Zealand to

enable a declaratory judgment to be obtained in such circumstances. If in New Zealand the Crown Suits Act and its amendments be replaced by an enactment corresponding with the British Act of 1947, an appropriate reference to it should be made in any amendment of the patent legislation in New Zealand.

259. *Section 27: Restoration of Lapsed Patents.*—This section incorporates an important limitation on the rights of patentees to have their patents restored where owing to inadvertence they have failed to pay the prescribed renewal fee or fees within the prescribed time. Previously no time limit was specified for making application for restoration. The present section imposes a limit of "within three years from the date on which the patent ceased to have effect." We think that such a limitation might create an injustice in certain cases, and, while we recommend the adoption of the section in principle, we consider that no time limit for the application for restoration should be imposed. The Comptroller has in any event a complete discretion to allow or refuse the application, and he has to be satisfied under subsection (4) (b) that there has been no undue delay in the making of the application. Any Order for restoration must, as heretofore, be subject to the protection of third-party rights, a matter which has been discussed in paragraphs 59 to 61 of this report.

260. *Section 28: Restoration of Lapsed Applications.*—We think that our remarks in regard to section 27 are applicable here. We recommend the adoption of this section without any limitation as to the time within which an application for restoration should be made.

261. *Section 49: State of Emergency.*—The general purport of section 49 would seem relevant to New Zealand conditions. The section as it stands requires some consequential adaptation in a manner not calling for detailed reference.

262. *Section 51: Previous Communication.*—A similar observation applies to this section.

263. *Section 70: Special Provisions Relating to Aircraft, &c.*—A similar observation applies to this section, especially to subsection (2).

264. *Section 73: Registers, &c.*—While section 31 of the New Zealand Act is to the same general effect as this section, we think that this section should be adopted in New Zealand.

265. *Section 76: Clerical Errors, &c.*—The subject-matter of this section is in substance covered by section 121 of the New Zealand Act of 1921–22 and section 7 of the Amendment Act of 1946, but we think that the procedure laid down in the British section 76 is preferable, and suggest that, subject to the inclusion of a right of appeal, it should be adopted in New Zealand in lieu of the present provisions.

266. *Section 77: Evidence of Entries, &c.*—While the subject-matter of this section appears to be substantially covered by sections 130 and 131 of the New Zealand Act of 1921–22, we recommend the adoption of the language of the British section.

267. *Section 81: Discretionary Powers.*—Section 124 of the New Zealand Act of 1921–22 (as amended by the 1939 Act) is the equivalent in New Zealand. We think that section 81 should be adopted in New Zealand subject to a provision that the Commissioner shall not exercise his discretion adversely to any party in any proceedings before him without giving that party an opportunity of being heard.

268. *Section 82: Costs and Security for Costs.*—The equivalent sections in New Zealand are sections 45 and 127 of the Act of 1921–22. The British Act of 1949, in section 82, has extended the ambit of the old sections to be co-terminous with the extended jurisdiction of the Comptroller. This section, we recommend, should be adopted in New Zealand.

269. *Section 83: Evidence.*—The corresponding section in New Zealand is section 129 of the Act of 1921–22. The British section is not entirely applicable to New Zealand conditions, but in substance it should be adopted in New Zealand. The New Zealand section does not permit the alternative of affidavits or statutory declarations.

We think this alternative should be included, and also that the powers of the Commissioner in New Zealand should, in view of his proposed extended jurisdiction, be defined in a manner applicable to New Zealand conditions, but to the general effect of subsection (2) of section 83 of the British Act of 1949.

270. It is to be noted that section 129 of the New Zealand Act exempts from stamp duty statutory declarations made for the purposes of that Act. We think it is of importance that this provision should be retained.

271. *Sections 84 to 87.*—While these sections deal with Court procedure peculiar to the United Kingdom, we recommend that their general principles be adopted in New Zealand, subject to the somewhat material alterations requisite to bring them into conformity with New Zealand practice and procedure.

272. *Sections 88 and 89: Patent Agents.*—These sections are not entirely applicable to New Zealand, and we shall advise later that, subject to amendment, the present New Zealand sections be retained.

273. *Sections 90 to 93: Offences.*—Section 143 of the New Zealand Act of 1921-22 deals with offences. It is recommended that, subject to the amendments mentioned in the next paragraph, these sections of the British Act should be adopted in lieu of the present New Zealand section 143.

274. *Section 91.*—While the penalty provided by section 143 (1) of the New Zealand Act is heavier than that provided by section 91 (1) of the British Act, we think both are insufficient having regard to the possible gravity of the offence. The New Zealand section 143 (2) provided for a fine of £20 for a like offence. In some cases the offence under the section may be deliberate, with a view to misleading the public and competitors as to the true position. We think the maximum fine should be £200. We think that the maximum fine under section 91 (2) should be increased to £100.

275. *Sections 92 and 93.*—We recommend that these sections should be adopted in New Zealand.

276. *Sections 94 to 101* will in certain instances require considerable adaptation before adoption in New Zealand, but the interpretation section 101 should be closely followed.

277. *Sections 103 to 105* have no application to New Zealand.

278. *Section 106*, with requisite modifications, is applicable to New Zealand.

279. We shall now consider the more important sections which are in the New Zealand Acts and which have no counterpart in the British Act of 1949.

280. *Section 2 of the Patents, Designs, and Trade-marks Act, 1908.*—This section is the interpretation section of the Act, and has been briefly discussed with reference to the definition of “true and first inventor” in paragraphs 28 *et seq.* of this report. It is unnecessary to refer to the specific definitions contained in this section except to say that some are quite inconsistent with the later definitions in the interpretation section of the Act of 1921-22, and in general are a source of confusion and uncertainty. Inasmuch as we shall later recommend that the further unrepealed sections of this Act (relative to merchandise marks) should constitute the basis of a fresh enactment, we think that, in so far as the interpretation section affects Patents, Designs, and Trade-marks as such, it should be repealed.

281. *Section 125 of the Principal Act of 1921-22: Power of Commissioner to Extend Time.*—This section briefly provides that the Patent Office may extend the time for doing any act when owing to delay on the part of the Patent Office such act is not done within the prescribed time. We think that this is an important section and, although not in the British Act of 1949, should be retained. In paragraph 84 we have suggested that this section might possibly be amplified to give the Commissioner more comprehensive powers in a case where delay in acceptance is due to awaiting the result of the acceptance of a corresponding application overseas.

282. *Section 128*, requiring the Commissioner to present a report to be laid before Parliament, should, we think, be retained.

283. *Sections 132 and 133*, dealing respectively with applications sent by post and excluded days, should be retained.

284. *Section 135*, dealing with the registration of Patent Agents, should be retained subject to the necessary amendments if the section is re-enacted in a fresh consolidated Act. It is recommended that there should be included in the section a subsection to the same effect as subsection (5) of section 88 of the British Act of 1949.

285. *Section 137*, dealing with the charges of Patent Agents, is not in the British Act. It is not a matter of importance, and so far as we are aware it is seldom, if ever, invoked, but as a similar provision relating to solicitors is contained in section 23 of the Law Practitioners Act, 1931, in New Zealand, we think it should be retained.

286. *Section 139*, dealing with the procedure in making Rules of Court, should be retained. There should be incorporated in it the equivalent of section 84 (2), (3), and (4) of the British Act of 1949.

287. *Section 140*, dealing with appeals to the Court, should be retained.

288. *Section 141*, dealing with notification of legal proceedings for relief, involving the rectification of the Register, should be retained.

289. *Section 145*, reserving the prerogative of the Crown in relation to the making or withholding of a grant of letters patent, should be retained, but subsection (2) of section 102 of the British Act of 1949 should be added so as to reserve the right of the Crown, or of any person deriving title from the Crown, to sell or use articles forfeited under customs or excise laws.

290. *The Patents, Designs, and Trade-marks Amendment Act, 1924, Section 4*.—The provisions of section 4 of this Act have no equivalent in Great Britain, and this obtained both after and before the passing of the 1949 Act. Briefly, this section provides for the acceptance of a complete specification after the prescribed time when, due to inadvertence, the application was not placed in order for acceptance by the due time. Provision is made for the protection of third-party rights, a matter discussed by us in paragraphs 59 to 61 of this report. While the intention of this section is clear, its exact scope is by no means obvious. On its face it would seem to provide for only those cases in which a complete specification has been filed within the prescribed time but has not so far been accepted. If this be the interpretation, the reason for the language of subsection (9) is not apparent. It is understandable that the provision that the period of three months' extension for acceptance of the complete specification would have no application to proceedings under that section, but it is not clear why the period of one month for an extension of time for leaving the complete specification should have any application at all unless the intention of the section is to include not only those cases in which the complete specification was filed within the prescribed time, but also those cases in which the complete specification was not filed within the prescribed time. If this latter be the construction, the section should be amended to clarify the position.

Even if section 4 be given such an extended interpretation we do not see any objection thereto, so long as the rights of third parties are protected. The exercise of the Commissioner's discretion should ensure that only really meritorious applications receive favourable consideration.

In general, subject to redrafting to clear up possible ambiguities, we recommend that section 4 of this Act should be retained.

291. *The Patents, Designs, and Trade-marks Amendment Act, 1946, Section 5*.—This section has no counterpart in Great Britain, although there is a somewhat similar provision in the Australian Patents Act. This section 5 came in for considerable criticism in the evidence before us. Previously (except in the case of convention applications) publication by the Patent Office did not occur before acceptance, and there are three very important reasons for this being the case. Firstly, it has always

been an accepted principle that if a complete specification is not accepted within the prescribed time and lapses an applicant may refile without being prejudiced by the filing of his original complete specification or its examination by the Patent Office. It not infrequently may happen that an inventor may have discovered some flaw in his invention, and although he may not be able to add to or amend his complete specification to remedy the defect he can commence afresh. The publication of his original complete specification may in many cases deprive him of this right. Secondly, the publication of the complete specification after its acceptance results in the public and interested parties having before them a document the claims of which precisely define the ambit of the letters patent to be granted. Under section 5 there is publication of a document the claims of which may bear no relation to the claims as ultimately accepted. The public may be seriously misled thereby. Thirdly, under section 5 and the Schedule to the Act infringement dates from the date of publication, not, as heretofore, from the date of *acceptance*. As pointed out, however, the claims as at publication may be wider than those at acceptance, with the result that an interested party perusing the published specification, may be misled as to the ultimate ambit of the claims.

Other reasons could be advanced as to the difficulties arising from this section, and we have no hesitation in suggesting its repeal as soon as possible. In fact, it would seem that it was originally introduced owing to the accumulation of cases which had then built up. Its usefulness (if any) in this respect has substantially passed.

292. *The Patents, Designs, and Trade-marks Amendment Act, 1946, Section 6.*—This section, relating to the *Patent Office Journal* and to records, should, we think, still remain in any new Act. It is more or less of a formal nature and calls for no comment.

293. *The Patents, Designs, and Trade-marks Amendment Act, 1947, Section 2.*—This section, giving effect to the Neuchatel Agreement, should be retained.

Section 3: This section has been fully discussed in previous paragraphs of this report, and suggestions have been made for its extension (see paragraphs 236 to 241). We consider this to be a very valuable section, and it should be retained, suitably amended as we have previously suggested.

Section 4: This section, which prohibits officers and employees of the Patent Office from acquiring interests in patents, is sound in principle. On two points, however, the section is not clear. In the first place, it does not specifically state whether the prohibition extends to the obtaining of letters patent by application or is limited to the acquisition of a patent from a third party, and, in the second place, it does not state whether the prohibition applies to New Zealand patents only or extends to patents in other countries. It appears that the wider interpretation on both points was intended, and we think that that intention should be made clear by amendment of the section. The section, to be consistent with its apparent intention, should also include a like prohibition in the case of designs.

Section 5: Dispensing with Probate or Letters of Administration: This section is peculiar to New Zealand. It is a rather round-about-way of overcoming the very important practical difficulties which arise as a result of the previously existing necessity of resealing in New Zealand probate or letters of administration in the estates of overseas deceased applicants for or proprietors of patents, designs, and trade-marks. Patents, designs, and trade-marks constitute property, and even where an application or a patent, design, or trade-mark is the only property in New Zealand, the somewhat expensive formalities of resealing probate or applying for letters of administration usually have to be complied with. The powers of dispensation under this section are capable of wider application, and we suggest that possibly it would be better for a general amendment of this kind to be included in a future amendment of the Administration Act. In the meantime, section 5 has a definite, if somewhat limited, value.

Section 6: This section is taken from section 12 of the Atomic Energy Act, 1946 (Britain), subsection (8) of which has been amended by section 106 (3) of the British Patents Act of 1949. This section 6, with a similar amendment, would perhaps be better included in a separate enactment relating to atomic energy, if it is decided to amend the Atomic Energy Act, 1945, at present in force in New Zealand, in the light of the British Act of 1946 dealing with the same subject.

294. Finally, we recommend that—as has been done in the United Kingdom—the law relating to patents, designs, and trade-marks be embodied in three separate Acts, each dealing with one of those subjects. In any event, the patents provisions should be consolidated into one enactment as soon as possible. The many amendments which have been made in patent law since the 1921–22 Act make the various provisions very difficult to follow, and consolidation of them is essential. One particular reason for separation of the Acts is that at present some of the law relating to designs has to be gathered by inference, under section 65 of the Act of 1921–22, from the law relating to patents. In Britain, however, the Registered Designs Act, 1949, is complete in itself.

295. We have not considered it necessary to consider the “transitional” provisions referred to in section 106 of the British Act of 1949. They are consequential, and require no further comment. Similarly, the Second Schedule, dealing with repeals of various prior enactments, is not reviewed. They require consideration, however, if any consolidation of the New Zealand Acts is contemplated.

296. We have considered the regulations under the British Act of 1949. A detailed examination, however, of regulations, which are to a large extent procedural, would not appear to be necessary, and we content ourselves by remarking that in substance they might well be followed in New Zealand. A number of changes and additions will, however, be necessary to make them fit in with local conditions and practice.

MERCHANDISE MARKS

297. The unrepealed sections 1, 2, and 82 to 97 of the Patents, Designs, and Trade-marks Act, 1908, deal with this subject. Those provisions have, since originally passed, been the subject of only one material amendment—namely, the amendment made by section 70 of the Patents, Designs, and Trade-marks Amendment Act, 1939, which reads:—

70. For the purposes of paragraph (d) of subsection one of section eighty-five of the Patents, Designs, and Trade-marks Act, 1908, goods delivered in pursuance of a request made by reference to a trade-mark, or mark, or trade description appearing in any sign, advertisement, invoice, wine-list, business letter, business paper, or other commercial communication shall be deemed to be goods in connection with which the trade-mark, or mark, or trade description is used.

298. In England the equivalent in substance of the aforementioned provisions is the Merchandise Marks Act, 1887. There are one or two differences between the two enactments, the most important of which are probably the inclusion in section 82 (1) of the New Zealand Act of three further offences which are not in the corresponding British enactment. These are—

82. (1) (f) Falsely represents that the goods offered for sale were manufactured or made in New Zealand; or

(g) Applies or uses the word “colonial,” or any similar word or words, to any goods not manufactured in New Zealand; or

(h) Uses any word, mark, or sign tending to mislead any person as to the real or actual manufacturer or maker of goods, or the place where such goods were made or manufactured; or”

299. The ambit of the British Act of 1887 has from time to time been extended by later legislation, of which the Merchandise Marks Act, 1926, is the most important. It requires an indication of origin of imported goods in certain cases.

300. Representations were made before us which may be briefly summarized as follows :—

- (1) That there was insufficient “policing” of the Act, with the result that alleged offences were being committed without any authority being responsible for the prosecution of the alleged offenders. We were shown certain instances of alleged breaches of the Act. It is not within our province to decide whether or not in fact such instances are or are not offences within section 82, but we are satisfied that the ground of complaint under this heading is justified.
- (2) That the New Zealand public is insufficiently protected from what may broadly be said to be “unfair trade competition” owing to there being in New Zealand no equivalent to the provisions of the Merchandise Marks Act, 1926. We are of opinion that there is considerable force in this submission.
- (3) There was some suggestion that the ambit of the New Zealand Act should be extended to cover more widely “unfair trade competition.” We think that, provided the recommendations we make hereunder are followed, adequate protection should be given to the public.

301. There was some discussion as regards the further protection accorded to the public by the inclusion of subparagraph (*h*) of subsection (1) of section 82, which makes it an offence to use any word, mark, or sign tending to mislead any person as to the real or actual manufacturer of goods, or the place where such goods were made or manufactured. It was, on the one hand, suggested that, in view of subparagraph (*d*) of subsection (1) making it an offence to apply a false trade description to goods, it was surplusage, while, on the other, it was suggested that it covered grounds not contemplated by subparagraph (*d*). In our view, the latter is the correct construction.

302. We recommend—

Firstly, That the remaining provisions of the New Zealand Act of 1908 should be abstracted from the Patents, Designs, and Trade-marks Acts, and made the subject-matter of entirely separate legislation.

Secondly, That separate legislation should include provisions corresponding to those of the further enactments on the subject at present in force in England, particularly the Merchandise Marks Act, 1926.

Thirdly, That, although not in the British Acts, subparagraphs (*f*), (*g*), and (*h*) of subsection (1) of section 82 should be retained. We place considerable reliance on subparagraph (*h*), which is very wide in its terms and should be a substantial safeguard.

Fourthly, The administration of the Act should be placed under the control of the Department of Industries and Commerce, and, following the British practice, the necessary powers should be given to that Department to institute prosecutions for alleged offences under the Act.

303. We consider that the last suggestion is most important, and that in the majority of the cases to which our attention has been drawn the fault has lain not in the inadequacy of the provisions of the Act, but in the fact that it does not appear to have been the special responsibility of any Department to ensure that the Act is effectively administered.

DESIGNS

304 We have already mentioned that for some unknown reasons designs and the protection thereof have played a relatively small part under the various Acts. Compared with the United Kingdom, and taking cognizance of the proportionate difference in population, the number of design applications filed in New Zealand is very small. It is possible that the cost of applications may have deterred British and other manufacturers from seeking design protection in New Zealand and other countries in respect of any but the most important designs

305. In general it may be said that the New Zealand law has followed the British. The Registered Designs Act, 1949, in Great Britain not only separates "design" legislation from that of patents, but makes other very material changes in the law. The matter of designs was given very thorough investigation by the Swan Committee, and its remarks and recommendations are set forth in paragraphs 267 to 316 of their final report. Its suggestions have in substance been implemented in the provisions of the Registered Designs Act, 1949.

306. The most important alterations made in Britain by the Registered Designs Act, 1949, may briefly be summarized as follows :—

I. Under the earlier British Act—which substantially corresponded with the present design provisions of the New Zealand Act of 1921-22 and amendments—an applicant was required to seek registration of his design in one or more of fifteen different classes. The classification depended to a substantial extent, but not entirely, on the material of which the article was made. Thus articles composed wholly of metal, or in which metal predominates, and jewellery were in Class 1, while articles of wood, &c., were in Class 3, those of glass, &c., in Class 4, and so on. This arbitrary division into classes has now been abolished, and section 1, subsection (1), of the Registered Designs Act, 1949, provides :—

(1) Subject to the following provisions of this section, a design may, upon application made by the person claiming to be the proprietor, be registered under this Act in respect of any article or set of articles specified in the application.

307. II. A new definition of design is now provided by section 1, subsection (3), which reads :—

(3) In this Act the expression "design" means features of shape, configuration, pattern or ornament applied to an article by any industrial process or means, being features which in the finished article appeal to and are judged solely by the eye, but does not include a method or principle of construction or features of shape or configuration which are dictated solely by the function which the article to be made in that shape or configuration has to perform.

In effect, this definition gives effect to various judicial decisions since the passing of the earlier Act and excludes from protection features of shape or configuration which are dictated solely by the function which the article to be made in that shape or configuration has to perform.

308. III. The rights given to the proprietor by registration have been more precisely and adequately defined. These are set forth in section 7, which provides :—

(1) The registration of a design under this Act shall give to the registered proprietor the copyright in the registered design, that is to say, the exclusive right in the United Kingdom and the Isle of Man to make or import for sale or for use for the purposes of any trade or business, or to sell, hire or offer for sale or hire, any article in respect of which the design is registered, being an article to which the registered design or a design not substantially different from the registered design has been applied, and to make anything for enabling any such article to be made as aforesaid, whether in the United Kingdom or the Isle of Man or elsewhere.

(2) Subject to the provisions of this Act and of subsection (3) of section three of the Crown Proceedings Act, 1947, the registration of a design shall have the same effect against the Crown as it has against a subject.

309. IV. An action in respect of groundless threats is now provided for. Section 26 provides :—

(1) Where any person (whether entitled to or interested in a registered design or an application for registration of a design or not) by circulars, advertisements or otherwise threatens any other person with proceedings for infringement of the copyright in a registered design, any person aggrieved thereby may bring an action against him for any such relief as is mentioned in the next following subsection.

(2) Unless in any action brought by virtue of this section the defendant proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute, an infringement of the copyright in a registered design the registration of which is not shown by the plaintiff to be invalid, the plaintiff shall be entitled to the following relief, that is to say :—

(a) A declaration to the effect that the threats are unjustifiable;

(b) An injunction against the continuance of the threats; and

(c) Such damages, if any, as he has sustained thereby.

(3) For the avoidance of doubt it is hereby declared that a mere notification that a design is registered does not constitute a threat of proceedings within the meaning of this section.

310. V. The provisions as to obtaining compulsory licences have been more clearly defined by section 10.

311. VI. The Registrar of Designs is empowered by section 3 to make a search in order to decide whether a design is new or original, but he is under no obligation so to do.

312. VII. Provision is made by section 1, subsection (4), that :—

(4) Rules made by the Board of Trade under this Act may provide for excluding from registration thereunder designs for such articles, being articles which are primarily literary or artistic in character, as the Board think fit.

313. We recommend that, subject to the undermentioned observations, the Registered Designs Act, 1949, should, with the necessary modifications, be adopted in New Zealand.

314. We shall now deal with certain sections of the British Act of 1949 which we consider might be modified before adoption in New Zealand.

315. *Section 1, Subsection (4).*—Exclusion of articles which are primarily literary or artistic in character. This subsection has been set out in paragraph 312 above. Rule 26 under the British Act of 1949 provides for the exclusion of the following designs from registration :—

(1) Works of sculpture other than casts or models used or intended to be used as models or patterns to be multiplied by any industrial process.

(2) Wall plaques and medals.

(3) Printed matter primarily of a literary or artistic character, including bookjackets, calendars, certificates, coupons, dressmaking patterns, greetings cards, leaflets, maps, plans, postcards, stamps, trade advertisements, trade forms, and cards, transfers and the like.

316. A considerable amount of evidence presented before us was directed to an injustice in New Zealand which was alleged to result from section 30 of the Copyright Act, 1913, read in conjunction with Design Regulation 66. Section 30 of the Copyright Act, 1913, provides :—

(1) This Act shall not apply to designs capable of being registered under the Patents, Designs, and Trade-marks Act, 1911, except designs which, though capable of being so registered are not used or intended to be used as models or patterns to be multiplied by any industrial process.

(2) Regulations may be made under section one hundred and twenty-three of the Patents, Designs, and Trade-marks Act, 1911, for determining the conditions under which a design shall be deemed to be used for such purposes as aforesaid.

while Design Regulation 66 states :—

66. A design shall be deemed to be used as a model or pattern to be multiplied by any industrial process within the meaning of section 30 of the Copyright Act, 1913—

(a) When the design is reproduced, or is intended to be reproduced, in more than fifty single articles, unless all the articles in which the design is reproduced, or is intended to be reproduced, together form only a single set, as defined by Regulation 4 hereof :

(b) Where the design is to be applied to (1) printed paperhangings ; (2) carpets, floor-cloths, or oilcloths manufactured or sold in lengths or pieces ; (3) textile piece-goods, or textile goods manufactured or sold in lengths or pieces ; (4) lace, not made by hand.

317. Objections similar to those made before us were considered by the Swan Committee, and section 1 (4) of the British Act of 1949 was intended to meet the difficulty. While we find ourselves in agreement with the Swan Committee in this respect, we do not think that the way in which the difficulty has been met in England is entirely suitable for New Zealand conditions. We think that the terminology of subclause (3) of Designs Rule 26 may give rise to a considerable degree of uncertainty, particularly as a result of the inclusion of the words “ and the like.”

318. We have carefully considered the evidence before us in New Zealand, and we make the following recommendations in regard to this important matter :—

(a) That section 30 of the Copyright Act 1913, and Design Regulation 66 be repealed.

- (b) That in place of section 30 a section should be incorporated in the Copyright Act to the effect that, notwithstanding anything to the contrary in that Act, in respect of the application of the Copyright Act to an article capable of being registered as a design and intended to be reproduced in more than fifty single articles, the term of copyright of such article shall be for a period of ten years. It should be further provided, however, that nothing contained in such section should limit the right of the owner of the copyright to the full period of protection in respect of the application of the work to those cases in which design protection cannot be obtained.
- (c) That nothing in the aforesaid section should prevent the owner from applying for registration of a design in respect of the application of his copyright work to articles capable of being registered as a design, but such registration should not prejudice or detract from his rights under The Copyright Act, 1913.

319. If these recommendations be adopted, the resulting position may briefly be summarized as follows :—

- (1) The owner of the copyright work would enjoy the copyright for the full period allowed to him under the Copyright Act, 1913, except in those applications of his copyright which are capable of being registered as a design and which it is intended to produce in more than fifty single articles. In the latter case or cases the owner's period of protection would be limited to a period of ten years.
- (2) In addition to the protection for ten years proposed to be made available to the owner by amendment of the Copyright Act, 1913, he may, if he so desires, seek the further benefits and the further period of monopoly available on registration as a design.

320. If the foregoing suggestions are adopted, provision should be made for the adequate protection of innocent infringers. Copyright protection obtains in New Zealand without the necessity for registration, and—owing to various international copyright arrangements—protection exists under the Act for works first published in many countries overseas. Some notification of a claim to protection in New Zealand should be applied to or be associated with articles sold on the New Zealand market. It is suggested that some provision on the lines of the “innocent infringer” protection sections in the Patents Act might be adopted. As registration under the Copyright Act is not compulsory, the notification should indicate that the design is the subject of copyright in New Zealand and specify the date from which the copyright runs.

321. There are a number of sections in the British Registered Designs Act of 1949 which have their equivalent in the British Patents Act, 1949. In respect of the latter we have recommended certain amendments, and suggest similar modification of the corresponding Design Sections, particularly of the following :—

Section 5, providing for the secrecy of certain designs.

Section 7, subsection (2), regarding the position of the Crown.

Section 9, dealing with the protection of innocent infringers.

Section 10, dealing with compulsory licences, as amplified by our suggestion to include, on application by a Government Department, the grant of licences to import.

Section 19, dealing with the registration of assignments and other instruments.

Section 26, dealing with actions in respect of groundless threats.

Section 35, dealing with offences. The maximum fine of £5, as in the case of patents, is, in our opinion, too low.

We also suggest that provision similar to section 3 of the New Zealand Amendment Act of 1947 should be enacted in relation to designs.

TRADE-MARKS

322. The New Zealand law on trade-marks is in substance the same as that at present in force in England. The Trade Marks Act, 1938, in Great Britain was shortly afterwards followed in New Zealand by the Patents, Designs, and Trade-marks Amendment Act, 1939. There have been later amendments which touch on various aspects of trade-mark law, but they do not require attention here.

323. Before us little evidence was submitted which warrants any material changes in the trade-mark sections of the 1939 Amendment Act, as the Act appears to protect most adequately the rights of the registered proprietors of trade-marks while safeguarding the interests of the public. It will, however, be apparent that our recommendations regarding a number of sections of the Patents Act, 1949 (Great Britain), are also applicable to trade-marks. We also suggest that provision similar to section 3 of the New Zealand Amendment Act of 1947 should be enacted in relation to trade-marks.

324. One recommendation which we desire to make relates to the possibility of greater co-operation between the Registrar of Companies and the Commissioner of Patents. At the present time it is possible for a company to be registered having as an essential part of its name the registered trade-mark of another person. Once a company is registered it is necessary for any person aggrieved thereby to seek an appropriate remedy in the Supreme Court, with the attendant expense.

325. We recommend either or both of the following provisions :—

(a) That the Patents, Designs, and Trade-marks Act be amended to provide that the use of a registered trade-mark or a word so closely resembling same as to be calculated to deceive or cause confusion as part of the name of a limited liability company is such a use as would constitute an infringement of the registered trade-mark under section 6, subsection (1), of the Patents, Designs, and Trade-marks Amendment Act, 1939.

(b) That the Companies Act, 1933, be amended to provide that the Registrar of Companies may refuse to register any company—

(i) The name of which comprises a registered trade-mark or a word so closely resembling the same as to be calculated to deceive or cause confusion, and

(ii) The main trading object or objects of which include manufacturing or vending foods covered by such registered trade-mark, and to that end he should cause a search to be made in the Register of Trade-marks before registering a company in a name which is or contains a word or words capable of registration as a trade-mark.

We think that it is undesirable to make it mandatory for the Registrar of Companies to refuse to register a company under the circumstances set forth in this paragraph, because in some cases it is possible that the registered trade-mark may cover goods in respect of which it has not been used.

326. A further recommendation relates to the conversion of registration from the system of classification set out in the Third Schedule to the regulations to the new system set out in the Fourth Schedule. We suggest when a trade-mark classified according to the Third Schedule falls due to be renewed it should be classified according to the Fourth Schedule. The result would be that ultimately all trade-mark registrations would be classified under the new system. It appears that this change would have the approval of both the Patent Office and the Institute of Patent Attorneys. The process of change would be spread over a number of years, and should not involve congestion of work in the Patent Office. The proprietor of the work should be required to file an application for classification according to the Fourth Schedule.

PROTECTION OF ROYAL ARMS, GOVERNOR-GENERAL'S ARMS, AND ARMORIAL INSIGNIA OF NEW ZEALAND

327. It has been pointed out to us that section 47 of the New Zealand Act of 1939 does not fully cover all these matters. We recommend that a provision similar to section 92 of the Patents Act, 1949 (Great Britain), should be enacted in New Zealand, with an appropriate extension to include the Royal Arms, the Governor-General's Arms, and the Armorial Insignia of New Zealand.

PATENT OFFICE ADMINISTRATION

328. In such a relatively young country as New Zealand, it is only natural that patents should be of comparatively recent origin. In fact, prior to 1860 patents could only be granted in New Zealand by way of a private Act of Parliament. In that year the first Patents Act under which applications for patents were made was introduced by way of petition addressed to the Governor. The repository for records at that time was the Office of the Colonial Secretary, provision also being made for granting letters of registration, which were also kept in that office, to holders of letters patent in certain other countries. The Patents Act of 1870 provided, *inter alia*, for the appointment of a Patent Officer and the establishment of a Patent Office, but the actual issue of letters patent was still made by the Colonial Secretary. This Act provided that the Patent Officer might call to his aid such scientific and other persons as he thought fit to assist him in determining whether letters patent could be granted. If he considered that the application should be granted, the Patent Officer issued his warrant authorizing the issue of letters patent under the public seal of the colony, and the Colonial Secretary was charged with the duty of causing the letters patent to be issued.

329. The Patents Act of 1883 really vested the grant of letters patent in the Patent Office as such, and completed the removal of matters relating to patents from the Colonial Secretary. Since that date the Patent Office has carried on its functions under the administrative control of the Minister of Justice. From 1883 to the present date the legislation has substantially followed step by step the British in its general policy, although it has never followed the British patent legislation in defining the procedure for and the extent of examination of patent specifications.

330. The Patent Office is charged with the examination of applications, and the issue of letters patent and certificates of registration of designs, trade-marks, and copyrights. Until recent years, as has already been explained, there has been little or no examination of patent specifications, particularly for novelty or subject-matter if the subject-matter was of a technical nature, the administration and policy of the Patent Office being mainly that of recording and issuing the patents. Where the invention was of a relatively simple nature, there was some examination, the extent of which has varied from time to time with the number of examiners available to the Patent Office. During the war years, when the examining staff at the Patent Office practically ceased to exist, examination of applications appears to have been formal in all but a minority of cases.

331. So far as trade-marks are concerned, the position has always been different, and there has for many years past been a search made of prior trade-marks on the Register to see whether the trade-mark applied for is clear of any similar mark already registered in respect of the same or similar goods. The examination of trade-marks has not been the subject of any adverse comment before us, and in our view has, generally speaking, been satisfactory in its scope. The searching facilities are not now, and never have been, satisfactory. This point, however, will be dealt with later.

332. For some unknown reason designs have never in New Zealand assumed the prominence that they have in Great Britain, even having regard to the substantial difference of population between the two countries. Design registrations as such have therefore not played a very considerable part in Patent Office administration, and are more or less taken as incidental to the main functions of the Office—namely, that of considering applications for patents and trade-marks.

333. Copyrights also come within the purview of the Patent Office, but are not within our order of reference. They again are not of importance so far as the Patent Office is concerned, probably by reason of the fact that registration of copyright is not necessary to obtain protection, although certain useful forms of remedy are available only to registered owners.

334. Until the passing of the 1949 Act in Great Britain the Patents and Designs Act was one enactment, whilst the Trade-marks Act was entirely separate. By the 1949 Act the patents and designs provisions were separated, so that at the present time in Great Britain there are three different enactments covering respectively patents, designs, and trade-marks. So far as we are aware, there is substantially a separate administration and staff to deal with each of these property rights. We have already recommended that there be three separate Acts in New Zealand, although it is obviously undesirable to have in New Zealand a complete division of staff as is necessary and possible in Britain.

335. Inasmuch as designs and copyrights play such a small part in the economy of the Patent Office, we feel it unnecessary to discuss administrative difficulties in regard to these two spheres of its activity, and shall therefore confine ourselves to considering the questions relating to patents and trade-marks. Both these subjects are of increasing importance, and while we propose to consider the administration of the Patent Office in its major function as a "Patent" Office, the trade-mark aspect must not be overlooked.

336. The first essentials in any modern and adequately administered Patent Office are that there must be complete facilities for internal administration, and, secondly—and equally important—there must be adequate facilities for the public, inventors, and other interested parties to make, under reasonably convenient conditions, a thorough and quick search of both patents and trade-marks. This requires, firstly, centralized, well-lighted, and reasonably commodious accommodation; secondly, a competent and sufficient technical and administrative staff; and, thirdly, an up-to-date library and searching room, under one roof, with a proper and modern indexing system for both patents and trade-marks.

337. We are satisfied, from the evidence before us and our own inspection of the present Patent Office premises, that while some progress has been made in respect of staff matters, fundamental requirements stated in the preceding paragraph have not been met. The Patent Office is now located at Wellington, partly in Lambton Quay and partly in Bowen Street, and, even combining the space available in the two buildings, the facilities are entirely inadequate from the point of view of both the staff and the public. The patents administrative staff, as far as is possible, is mainly located in the Bowen Street building, while the trade-marks section is located in the Lambton Quay building, the Commissioner having his office located in the latter building.

338. The Patent Office Library and search rooms—if they can be dignified by that term—are at present located partly in Bowen Street and partly in Lambton Quay. To search New Zealand specifications it is necessary for any interested person to pay the prescribed fee at the public office in Lambton Quay and then to proceed to Bowen Street. If he desires afterwards to search British, Australian, and other foreign specifications he must return to Lambton Quay. So far as prior New Zealand specifications are concerned, owing to lack of technical staff in the past, the indexing system and the arrangement of the volumes are such that it is extremely difficult to make a thorough search in respect of any invention, while in the case of an invention relating to electronics it is well nigh impossible.

339. Steps are now being taken to remove the overseas specifications to the basement of the departmental building in Stout Street. While this may provide a greater amount of space, the position will remain most unsatisfactory, for reasons which we proceed to elaborate.

340. The library and searching room for patents should be fully equipped and contain all relevant publications, including New Zealand and overseas specifications, as well as technical works. It should be adjacent to the examining staff and available equally to them and to the public. The indexing system should be such that both local and overseas specifications can be readily and adequately searched in their proper classes and subclasses, without the great risk of mistakes being made or specifications being overlooked through inaccurate or inadequate indexing.

341. So far as the library is concerned, we consider a properly equipped library to be a matter of great importance. Evidence on this point was submitted to us by a number of witnesses, and suggestions were made as to the necessary sum which should be allocated for this purpose. We do not think it either necessary or desirable to suggest any sum or sums for the initial equipment or the upkeep of the Patent Office Library. We shall content ourselves with recommending, in general terms, the principles which should be considered :—

- (1) The Patent Office library should be equipped as an independent entity, not relying in any way on the National Library Service or any other departmental library. This is important as the Patent Office library must fulfil a dual purpose in that it should function as a reference library not only for the Patent Office Examiners, but also for the public. It must be emphasized that a publication, to be an anticipation of an alleged invention, must be “available to the public” prior to the date of the application. If any publication is in the Patent Office library, properly indexed, and clearly bearing the date of its receipt in the library, it would obviously from that date be available as an anticipation. A reference available only in the library of another Department gives rise to very difficult questions of law as to its “availability to the public.”
- (2) The Patent Office library should include as wide a range of publications as possible. The wider the range, the greater the difficulty in obtaining a patent for any alleged invention which in fact is not new.

342. To this end the Patent Office library should contain as essential elements the following publications, properly indexed :—

- (a) Printed New Zealand specifications. We are strongly of the opinion that if the New Zealand Patent Office is to reach the standard of a modern Patent Office it is most desirable that the published specifications should be printed and that that work should have high priority as soon as the present strain upon the resources of the Government Printing Office begins to be relaxed. A natural corollary of examination of applications is that the specifications should be printed and be made available to the public at small cost. This principle is recognized and followed in all Commonwealth countries.
- (b) Printed copies of full specifications from countries overseas, particularly the United Kingdom, United States, Canada, Australia, and India.
- (c) At least one leading text-book on each subject included in modern technology.
- (d) A selection of the leading monthly and other publications which are issued at regular intervals in each of various arts and technologies.

343. Without the fulfilment of the fundamental requirements stated in paragraphs 336 to 342—and they are the natural concomitants of any properly equipped Patent Office—we do not think that any other recommendations which we may make for the more efficient carrying out of the functions of the Patent Office can be really effective.

344. If anything, the searching facilities for trade-marks are even worse than those for patents. Apart from the fact that the public have no search room as such, the records are not available without considerable difficulty. It is recommended that the trade-mark records should be kept in duplicate (one set for the internal use of the Patent Office, and the other set for the public), located in a well-lighted and reasonably convenient room.

345. The next vital consideration is an adequate staff. At least the senior officers should possess appropriate technical, legal, and administrative qualifications. Staffing difficulties at the Patent Office have apparently existed almost from its inception, and the reason is not difficult to find. The qualifications and duties of a member of the Patent Office have little or nothing in common with those of any other branch of the Department with which the Office must be associated, and it is clear that there must be reluctance on the part of any member of that Department to be appointed to such a relatively small branch as the Patent Office, where his training would do very little to assist him to obtain advancement in any other branch of his Department.

346. It is not unnatural, therefore, that junior officers who might be expected, after a lengthy training, to be available for the more senior positions in the Patent Office, are as a general rule particularly anxious to obtain a transfer to some other branch of the Department or of the Government service. It is clear that these conditions must prevail in the future unless means are devised to make a career within the Patent Office more attractive.

347. Recently, as has been shown in evidence before us, the Patent Office has materially changed in its characteristics. In the past this Office was substantially one of administration and record, but within recent years a considerable number of technical examiners has been appointed, the majority of them, naturally, through no fault of their own having had no real background of experience in patent examination or work. This contrasts strongly with the position in a country such as the United Kingdom, where, owing to the large size of the Patent Office, juniors are progressively trained so that the more able can attain responsible positions at relatively high salaries. At the present time the New Zealand Patent Office is in what might be described as a "transition stage" in that it is adding to the functions of an administrative and recording office those of an examining office, but with a staff of examiners who have not commenced with the background of experience really desirable for their duties.

348. We have given the matter very careful consideration, and it seems that to place the Office on a better footing from a staffing point of view it may be necessary to adopt a long-term plan to ensure that in the future such staffing arrangements are provided as to ensure that as far as possible the continuity and standard of the work in the Patent Office is not lowered by those constant changes of staff which have been apparently unavoidable in the past. Our recommendations are as follows:—

349. *I. Deputy and Assistant Commissioners.*—We have already recommended that there should be separate Acts dealing with patents, designs, and trade-marks, The administration of these Acts should be handled by two Divisions, one for patents and designs and the other for trade-marks, each in charge of an Assistant Commissioner. One of the Assistant Commissioners should hold the statutory office of Deputy Commissioner, and we recommend that, in view of the importance and intricacy of the work of the Patents and Designs Division, the Deputy Commissioner should have had sufficient experience in that field.

350. *II. Chief Examiner.*—So far as the Patents and Designs Division is concerned, we think that there should be appointed a Chief Examiner who should have, if possible, both legal and technical qualifications, and this officer should be a Hearing Officer to sit with the Commissioner or Deputy Commissioner in patent cases of a difficult nature. We feel that during the formative period steps might be taken to invoke the aid of the British Patent Office to secure, possibly on secondment, a senior official to occupy the position of Chief Examiner in New Zealand. Such an Officer would be able to advise on many matters of internal arrangement and staff training in the Patent Office.

351. *III. Patent Examiners.*—The qualifications for Patent Examiners should be not only a thorough technical grounding in or knowledge of the particular subject or subjects which they have to investigate, but also a reasonably sound appreciation of patent law. The fullest technical knowledge is insufficient to enable a thorough examination to be made unless accompanied by an appreciation of the principles of patent law applicable to any particular problem.

352. In Great Britain this knowledge, of course, can readily be acquired by juniors under instructions from senior officials as they progress through the Patent Office. This so far has, of course, been impossible in New Zealand, as it is only within the last two or three years that steps have been taken for the appointment of an adequate examining staff. For the future, we think that the Patent Office should recruit suitable junior officers who should be encouraged to attend the University—even during normal working hours—to acquire the necessary technical knowledge in appropriate subjects. These officers should be in the Professional rather than the Clerical Division, and their salaries and those of the examining staff must be sufficiently high to attract and hold them.

353. As to the present examining staff, we recommend that consideration should be given to a scale of remuneration more commensurate with that obtaining in Great Britain. If it were possible for the present Examiners to attend a short series of lectures on patent law as it affects matters of examination, it would be of considerable advantage not only to themselves, but to their supervision of their juniors.

354. If the policy underlying these recommendations is pursued, the result should be to make provision from among the staff for future appointments of officers possessing the technical, legal, and administrative qualifications requisite for the highest positions in the Patent Office.

355. The staffing of the Trade-marks Division does not call for such high degree qualifications, but it does require a knowledge of the basic principles of trade-mark law. It would be of advantage if in the more senior positions there were an interchange of officers to a certain extent between the two Divisions.

356. We recommend also that consideration should be given to the salaries of the senior officers. If our recommendations to extend the jurisdiction of the Commissioner are adopted, his judicial work would appear to be at least on a magisterial level, and his salary should accordingly be commensurate therewith. The remuneration of the Deputy Commissioner and the Assistant Commissioners should be on a relative basis.

357. For many years the Patent Office has shown a considerable annual profit. Whether it will continue to do so, notwithstanding the increase in the examining staff and the effect of the adoption of any of our recommendations, is a matter upon which we do not care to conjecture. We feel, however, that consideration should be given to a change in the quantum and incidence of patent renewal fees. In New Zealand there are only two renewal fees payable—viz., £3 before the end of the third year, and £6 before the end of the sixth year. This contrasts with the position in Australia and in Great Britain, where there are annual renewal fees commencing at the end of the fifth and fourth years respectively. In the aggregate, the renewal fees payable in respect of a British patent amount to £126 and in Australia £38 10s., compared with New Zealand £9. The total fees payable in New Zealand since the year 1860 for the obtaining and maintenance of letters patent, where a complete specification has been filed in the first instance, have been as follows:—

| | £ | s. | d. |
|---|----|----|----|
| Under the Patents Act, 1860 | 10 | 0 | 0 |
| Under the Patents Act, 1870 | 20 | 0 | 0 |
| Under the Patents Amendment Act, 1879 | 14 | 0 | 0 |
| Under the Patents Amendment Act, 1881 | 10 | 0 | 0 |
| Under the Patents Amendment Act, 1883 | 9 | 10 | 0 |
| Under the Patents, Designs, and Trade-marks Act, 1889 | 17 | 0 | 0 |
| Under the Patents Regulations 1912 | 12 | 0 | 0 |
| Under the Patents Regulations 1922 | 12 | 0 | 0 |

On the same basis the total fees at present payable in New Zealand, Australia, and Great Britain are :—

| | | | | | New Zealand. | Australia. | | | Great Britain. | |
|----------------------------|----|----|----|----|--------------|------------|----|----|----------------|--|
| | | | | | £ | £ | s. | d. | £ | |
| On application and sealing | .. | .. | .. | .. | 3 | 10 | 0 | 0 | 6 | |
| Renewals | .. | .. | .. | .. | 9 | 38 | 10 | 0 | 126 | |
| Totals | | | | | 12 | 48 | 10 | 0 | 132 | |

Now that additional service to the public is being made available in the form of a useful measure of examination it seems only reasonable that the fees which were fixed as long ago as 1912 should be increased sufficiently to meet the actual cost of the improved service, and made more comparable with those of other countries, having due regard to differences in population and in volume of trade.

358. Before us there has been considerable divergence of opinion as to which Department should administer the Patent Office. Strong representations were made by counsel on behalf of the Radio Manufacturers' Federation, and to a certain extent the Manufacturers' Federation and others, that the Patent Office should be attached to the Department of Industries and Commerce. Other representations suggested that the Patent Office should remain with the Justice Department, while again it was suggested that the Patent Office should be associated with the Department of Scientific and Industrial Research.

359. After reviewing the whole of the evidence and submissions made before us, we recommend that the Patent Office should remain attached to the Justice Department. A primary consideration for this view is that the Department of Industries and Commerce will, if the provisions of the British Act are adopted in New Zealand, be a Department primarily concerned with watching patents in the public interest, and taking proceedings under the equivalent of sections 40 and 46 of the British Act of 1949. It is a firmly established principle not only that justice should be done, but also that it should be manifest to all that justice is being done, and we believe that the attachment of the Patent Office to a Department charged with the duty of safeguarding the rights of other parties as against patentees and applicants might give rise to certain doubts and apprehensions. The Justice Department appears to us to be the Department of State least likely to be affected by the suggested provisions for giving Government Departments the right to take proceedings in certain cases.

360. The intricacies of the law and procedure regarding patents, designs, and trade-marks, are such that the Commissioner in the proper discharge of his responsibilities should on policy questions have direct access to the Minister in Charge, and in that regard the position should not be endangered by the transmission of his views through another officer. We accordingly recommend that in such matters the Commissioner of Patents should have direct access to the Minister.

SUMMARY OF PRINCIPAL RECOMMENDATIONS

361. Generally, we are of opinion that the principles of the British Acts relating to patents, designs, and trade-marks should be followed. In this summary of our principal recommendations we are indicating by marginal note opposite to each the relevant section (where there is one) of the Patents Act, 1949 (Great Britain), and the cases in which our recommendation differs from it. We are also indicating after each recommendation the numbers of the principal relevant paragraphs of our report.

Invention

(Section 101.) That the definition of an invention be amended to include any new method or process of testing applicable to the improvement or control of manufacture. (Paragraph 18.)

That at present it would not be desirable to amend the definition of invention so as to enable patents to be obtained in respect of specified types of plants, but that the Canadian system of registering trade-marks in respect of plants might be considered as a partial solution. (Paragraphs 20 and 23.)

The Applicant

(cf. section 1.) That the doubt as to the applicability of the definition of “true and first inventor” contained in section 2 of the New Zealand Act of 1908 (which excludes an unauthorized importer) to the New Zealand Act of 1921–22 should be resolved. (Paragraphs 28 to 31.)

Crown Patents and Other Property

That a Corporation aggregate be established by statute, with power to obtain and hold patent, design, and trade-mark rights and other forms of property in New Zealand and in overseas countries on behalf of the Crown. (Paragraphs 35 to 38.)

Inventions by Employees

(a) *Of Government Departments.*—That uniformity of practice is essential, and that there should be established an Awards Committee to settle any disputes. (Paragraphs 40 and 42.)

(Varied from section 56.) (b) *Of Private Persons or Companies.*—That where there is no written agreement either the employer or the employee may make or proceed with an application for a patent pending the determination of any dispute by the Commissioner or the Court, without prejudice to the rights of either party. (Paragraphs 46 and 47.)

Date of the Patent

(Sections 5 and 22.) That the “date of the patent” should be divorced from the “priority date” of any particular claim or claims and should be the date of the filing of the complete specification in New Zealand. (Paragraphs 51 and 52.)

Filing of Complete Specification After Provisional

(Variation of section 3 (2).) That the applicant should have fifteen months as of right within which to file his complete specification after his provisional specification, but that, at the discretion of the Commissioner, this period may be extended for a further period not exceeding three months. (Paragraph 56.)

Experimental Testing of Invention Prior to Application

(Section 51 (3).) That, where reasonably necessary, an inventor be permitted to test the possibilities of his invention in public at any time within one year before the priority date of the relevant claim without such use having the effect of depriving him of the right to apply for a patent. (Paragraph 57.)

Third-party Rights

That there be adopted the standard formula proposed by the Swan Committee for the protection of third-party rights where patent (cf. Patent Rule 84.) applications have been revived or patents restored. (Paragraph 61.)

Examination of Applications

That the present examination section (section 10) be replaced by provisions similar to the examination provisions of the British Act of 1949, with an added provision empowering the Commissioner, as an alternative to a complete search, to call upon the applicant to give information as to "prior art" cited against the invention in a corresponding application in Great Britain, Australia, Canada, or the United States of America.

(Variation of sections 6 to 11.)

That Regulation 13A be repealed. (Paragraphs 79, 80, 85, and 96.)

(Section 15.)

That the Commissioner be empowered to refuse a patent for lack of novelty, even after acceptance, up to the time of the grant. (Paragraph 65.)

That the Commissioner should not, in the examination stage, be empowered to reject on the ground of prior user. (Paragraph 86.)

(No corresponding section in Great Britain.)

That, in addition to rejection for lack of novelty, an application may be rejected for lack of subject-matter or inventive merit, but only in the clearest of cases and pursuant to a unanimous decision, following a hearing before the Solicitor-General and the Commissioner sitting together. (Paragraph 89.)

That the maintenance by the Patent Office of the secrecy of unaccepted applications is essential, and should be further ensured by the repeal of section 5 of the New Zealand Amendment Act of 1946. (Paragraphs 93 and 96.)

Opposition Proceedings

(Variation of section 14.)

That the grounds of opposition to the grant of a patent be co-extensive with those available to a petitioner for revocation of a patent. (Paragraph 103.)

(No corresponding section in Great Britain.)

That where the Court, on appeal in opposition proceedings, has, after substantially considering the question of validity, decided it in favour of the applicant, it should have power to issue a certificate of validity, to take effect upon the actual grant of the letters patent, with the same consequences which now follow where such a certificate is given in infringement or revocation proceedings. (Paragraph 106.)

(Ditto.)

That a person who does not himself possess the *locus standi* for opposing an application may enter an opposition provided that he has first obtained an opinion of Counsel to the effect that there appear to be good grounds for opposition. (Paragraph 107.)

Abuse of Monopolies

That legislation similar to the British Act intituled Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, should be envisaged, and that a report of a Commission set up under such an Act receive *prima facie* recognition in proceedings under the Patents Act. (Paragraphs 115, 116, and 149, I.)

(Section 43 (6).)

(Variation of
section 40 (3).)

That the proceedings consequent upon such a report should be taken by the appropriate Government Department and not by individuals. (Paragraph 149, I.)

(No corresponding
section in Great
Britain.)

That the Court be given a discretionary power not to grant an injunction against a defendant who has applied for a compulsory licence while his application is pending. (Paragraph 149, II.)

(Ditto.)

That while an inquiry into monopoly and restrictive practices under the suggested legislation is in progress, the production to the Court of a certificate to that effect should be sufficient justification for the Court to defer the issue of an injunction. (Paragraph 149, II.)

(Ditto.)

That provision against multiplicity of proceedings be made by legislation having the effect of bringing within the scope of an application for a compulsory licence all the inventions which the patentee claims are embodied in the article manufactured by the applicant. (Paragraph 149, III.)

(Ditto.)

That power be given to the Commissioner to hear together applications for compulsory licences in respect of a number of patents belonging to more than one patentee. (Paragraph 149, IV.)

(Ditto.)

That on an application for a compulsory licence the Commissioner be empowered, in considering the quantum of royalty or other terms of the licence, to take into account as a relevant issue, but without actually determining it, the possible invalidity of any patent. (Paragraph 149, V.)

(cf. Section 87.)

That in all proceedings taken under the "working" provisions of the Act and not involving revocation of a patent, the decision of the Supreme Court should be final. (Paragraph 149, VI.)

(Sections 37 *et seq.*)

That the Commissioner of Patents be the Tribunal of first instance for applications under the "working" provisions of the Act. (Paragraph 151.)

That the provisions of the Patents Act relating to unlawful conditions in licences, &c., be amended so as—

(a) To prevent the recovery of damages or account of profits, after the determination of an offending contract, in respect of infringements committed while the contract was in force ;
and

(b) That an offending contract made with the consent of the patentee should have the same effect as one made by the patentee himself. (Paragraph 154.)

(Section 57 (2).)

Registration of Documents Affecting Patents

That provision be made whereby, if any document affecting the title to a patent or design is not registered within the prescribed time, then (in the absence of reasonable excuse for non-registration) the party relying on such document shall not be able to assert any right to damages or account of profits which would otherwise accrue to him before the actual date of registration. (Paragraph 159.)

(Variation of
section 74.)

Exclusive Licensee

That an "exclusive licensee" should have the same right as a patentee to take proceedings in respect of infringement of a patent committed after the date of registration of the licence. (Paragraph 160.)

(Section 63.)

Crown Use of Patents

That the definition of “services of the Crown” should include such use of a patented invention by any person as in the opinion of the Minister is necessary or desirable in the public interest to enable the advantages or benefits of any monopoly of the Crown or any Government Department to be exercised to the best advantage, but not to enable the Crown to manufacture and sell under patents in competition with private enterprise in normal times. (Paragraphs 166 and 167.)

{Variation of
section 46.)

That provision be made to enable the Court to consider questions of validity and infringement in proceedings under the section relating to the right of the Crown to use patented inventions. (Paragraphs 171 and 172.)

{Variation of
section 48 (2).)

Chemical Products

That a patent may be granted in respect of a product whatever be the process of manufacture, and that it should be permissible to obtain a patent for a mixture, but only if that mixture results in something more than the aggregation of the known properties of the ingredients. (Paragraphs 173 to 177.)

{Variation of
section 10 (1) (c).)

Joint Ownership of Patents

That the Commissioner should be given power, on an appropriate application, to make an order for the licensing or assignment of a patent, notwithstanding a refusal or neglect by an interested party to agree thereto. (Paragraph 178.)

(Section 55.)

Legal Proceedings

That the Commissioner be given a limited jurisdiction to hear infringement actions, but the damages awarded by him must not, unless otherwise agreed by the parties, exceed the sum of £1,000. (Paragraph 188.)

(Section 67.)

That power should be given to a registered exclusive licensee to sue in an infringement action, joining the patentee as a defendant if he is not prepared to join as co-plaintiff. (Paragraph 189.)

{Variation of.
section 63.)

That the right to obtain an account of profits in lieu of damages should be restored. (Paragraph 190.)

(Section 60.)

That the Court should be empowered to grant a declaration of non-infringement of a patent, and that in such a proceeding the Court should have power to declare that what the applicant for the declaration proposes to do was not novel at the priority date of the claim in question.

{Variation of
section 66.)

That the costs in such a proceeding should be completely in the discretion of the Court. (Paragraphs 191 to 195.)

That the grounds for revocation of a patent be those set out in section 32 of the British Act of 1949, with the addition of the ground described in section 27 (2) of the New Zealand Act of 1921-22—namely, any ground upon which a British patent might before 1st January, 1884, have been repealed by *scire facias*. (Paragraph 201.)

{Variation of
section 32.)

That provision should be made whereby the Court should, in interpreting a specification framed in good faith and with reasonable skill and knowledge, adopt a construction which will tend to support the patent. (Paragraph 215.)

{No corresponding
provision in Great
Britain.)

(Variation of
section 84 (2).)

That there should be created in the Patent Office the post of Chief Examiner, and that that officer, possessing both legal and technical qualifications, should, with the consent of both parties, sit as an official assessor in an advisory capacity with the Judge of the Supreme Court in actions involving patents of a substantially technical nature, or, alternatively, that the assistance of scientific advisers to the Judge might be invoked. (Paragraph 217.)

That in all cases in which appeals are taken from any decision of the Commissioner the judgment of the Supreme Court should be final, except—

- (a) From a decision revoking a patent,
- (b) From a decision or direction in a proceeding between co-owners of a patent, and
- (c) With the leave of the Supreme Court, from a decision in an opposition proceeding where a grant is refused on the ground of prior user or lack of inventive step; or any other ground which has heretofore not been available except in revocation proceedings. (Paragraph 219.)

(Variation of
section 87.)

Applications for Leave to Amend

(Sections 29 to 31.) That the limits of permissible amendment be more clearly defined in order to avoid unnecessary litigation. (Paragraphs 222 to 225.)

Applications for Compulsory Licences

(Sections 37 to 44.) That the procedure upon these applications should follow the lines of sections 37 to 44 of the British Act of 1949, with the addition of a provision that in lieu of referring the whole matter or any question of fact to arbitration the Commissioner may, with the consent of the parties, invoke the assistance in an advisory capacity of a person possessing the appropriate qualifications. (Paragraphs 226 and 227.)

Applications for Extension of Term of Patent

(Variation of
sections 23 to 25.) That the Commissioner should be given jurisdiction to consider ordinary applications for extension as well as applications made in consequence of loss or damage suffered by reason of hostilities, and that the privilege of applying for an extension of a patent should be open to a licensee provided that he has registered his title. (Paragraphs 229 and 245 to 248.)

Innocent Infringers

That the provision relieving an innocent infringer from liability be amended—

- (1) By substituting for the words “nor had reasonable means of making himself aware” the words “and had no reasonable ground for supposing”, to assist in removing the doubts which have arisen as to the interpretation of the former words.
- (2) That the obligation to mark goods with the letters “N.Z.” and the number of the patent be included.
- (3) That the words “or account of profits” should be included. (Paragraphs 190, 230, and 231.)

(Variation of
section 59.)

Remedy for Groundless Threats of Infringement Proceedings

That provision should be made whereby an allegation of infringement accompanied by a *bona fide* offer to grant a licence on the basis of a reasonable royalty to be agreed upon or, in the event of disagreement, to be fixed by arbitration, should not be deemed to constitute a threat giving rise to an action for damages. (Paragraphs 232 to 234.)

(Variation of
section 65 (3).)

Intervention by the Attorney-General

That the authority given to the Attorney-General by section 3 of the New Zealand Amendment Act of 1947 be extended to enable him—

- (a) To test the validity of a patent and to apply for revocation whether or not a Government Department wishes to make use of the invention,
- (b) To intervene in a “ threats ” action, even where no question of validity has arisen, and the only issue is one of infringement, and
- (c) When he intervenes on behalf of a party, to take over, with the consent of that party, the control and conduct of the proceedings. (Paragraphs 235 to 241.)

(No corresponding
provision in Great
Britain.)

Applications Under the International Convention

That partial priorities should be recognized in the case of an application claiming rights under the International Convention as regards that part of the invention which has been the subject of an application in a convention country, and that the other claims should still be valid if unobjectionable at the date of the filing of the complete specification in New Zealand. (Paragraph 244.)

(Section 5 (4) and
(6).)

Exploitation and Development of Valuable Inventions in the Public Interest

That as soon as a sufficient measure of success in the operations of the National Research Development Corporation in the United Kingdom is evidenced, the enactment of similar legislation in New Zealand should be considered. (Paragraphs 249 and 250.)

Offences

That the New Zealand provisions on this subject should be brought more into line with those of the British Act of 1949, but that in a number of cases, particularly cases of the offence of falsely representing that an article is patented or that the design is registered in New Zealand, the penalty should be substantially increased. (Paragraphs 273 and 274.)

(Sections 90 to 94.)

Definitions

That the definition section of the Patents, Designs, and Trade-marks Act, 1908, should be repealed in so far as it may affect the interpretation of the provisions of the Act of 1921–22. The construction of the New Zealand Act of 1921–22 and the amendment Act of 1939 or of any Act replacing them should be based solely upon the interpretation clauses in those Acts. (Paragraph 280.)

(No corresponding
provision in Great
Britain.)

Power of Commissioner to Extend Time

(No corresponding provision in Great Britain.) That the power of the Commissioner under section 125 of the New Zealand Act of 1921-22 be amplified to enable him to grant further time where the delay in acceptance is due to awaiting the result of applications overseas. (Paragraph 281.)

Publication of Complete Specifications Before Acceptance

(Ditto.) That section 5 of the New Zealand Amendment Act of 1946, which directs such publication, be repealed. (Paragraph 291.)

Statute Law

That the New Zealand legislation should consist of three separate statutes, each dealing with one of the three subjects of patents, registered designs, and trade-marks as is now the case in Great Britain. (Paragraph 294.)

Merchandise Marks

That the unrepealed provisions of the New Zealand Act of 1908 should be made the subject of entirely separate legislation intituled the Merchandise Marks Act.

That that legislation should also include provisions corresponding to those of the later enactments on the subject at present in force in Great Britain, particularly the Merchandise Marks Act, 1926.

That subparagraphs (f), (g), and (h) of subsection (1) of section 82 of the New Zealand Act of 1908 should be retained, notwithstanding that they do not appear in the British legislation.

That the administration of the proposed Merchandise Marks Act be placed under the control of the Department of Industries and Commerce, and that it should be the function of that Department to institute prosecutions for alleged offences under that Act. (Paragraphs 297 to 302.)

Designs

That the provisions of the Registered Designs Act, 1949 (Great Britain), should be followed in New Zealand, subject to the following modifications :—

That, in place of the provisions of section 30 of the Copyright Act, 1913, and Design Regulation No. 66, provision should be made whereby the owner of a copyright work would enjoy the copyright for the full period allowed to him under the Copyright Act, 1913, except where it is capable of being registered as a design and it is intended to produce it in more than fifty single articles.

In the excepted cases the owner's period of protection under the Copyright Act should be limited to ten years.

That, in addition to the protection for ten years under the Copyright Act, the owner, if he so desires, may seek the further benefits and the further period of monopoly available on registration as a design.

That in the excepted cases mentioned above provisions exempting an innocent infringer from liability for damages should be extended to the Copyright Act as well as to the Registered Designs Act.

That where we have made special recommendations in relation to provisions appearing in the Patents Act, 1949 (Great Britain), those recommendations will require to be applied to the corresponding provisions appearing in the Registered Designs Act, 1949.

That the provisions of section 3 of the New Zealand Amendment Act of 1947 should be enacted in relation to designs. (Paragraphs 318 to 321.)

Trade-marks

That a provision be made whereby the use, as part of the name of a company, of a registered trade-mark, or a word so closely resembling the same as to be calculated to deceive or cause confusion, will be declared to be such a use as would constitute an infringement of the trade-mark under section 6 of the New Zealand Amendment Act of 1939.

That the Companies Act, 1933, be amended to provide that the Registrar of Companies may refuse to register any company the name of which comprises a registered trade-mark or a word so closely resembling the same as to be calculated to deceive or cause confusion and the main trading objects of which include manufacturing or vending goods covered by such registered trade mark. (Paragraphs 322 to 325.)

That such of our recommendations relating to sections of the Patents Act, 1949 (Great Britain), as are appropriate to trade-marks should be applied to them.

That the provisions of section 3 of the New Zealand Amendment Act of 1947 should be enacted in relation to trade-marks. (Paragraph 323.)

Protection of Royal Arms, Governor-General's Arms, and Armorial Insignia of New Zealand

That a provision similar to section 92 of the Patents Act, 1949 (Great Britain), should be enacted in New Zealand, with an appropriate extension to include the Royal Arms, the Governor-General's Arms, and the Armorial Insignia of New Zealand. (Paragraph 327.)

Patent Office Administration

That the Patent Office should be housed in commodious, well-lighted premises under one roof. (Paragraph 336.)

That the library and searching room for patents should be fully equipped and contain all relevant publications, including New Zealand and overseas specifications as well as technical works, and should be adjacent to the examining staff and available equally to them and to the public.

That the library should be equipped as an independent entity, not relying in any way on the National Library Service or any other departmental library, so that there may be no doubt as to the availability of its contents to the public.

That the indexing system should be such that both local and overseas specifications can be readily and adequately searched. (Paragraphs 340, 341, and 342.)

That the trade-mark records should be kept in duplicate, one set for the internal use of the Patent Office and the other set for the use of the public. (Paragraph 344.)

That the staff should be adequate, and the senior officers should possess appropriate technical, legal, and administrative qualifications. The staffing arrangements should be such as to ensure the continuity of a high standard of work. (Paragraphs 345 to 349.)

That the Patent Office should be in two Divisions, the one for patents and designs and the other for trade-marks, and that the immediate supervision of each Division should be entrusted to an Assistant Commissioner working under the Commissioner. Either of these Assistant Commissioners could hold the office of Deputy Commissioner provided that he has had sufficient experience in the field of patents. (Paragraph 349.)

That in the Patents and Designs Division there should be appointed a Chief Examiner having both legal and technical qualifications, and that he should be a "Hearing Officer" to sit with the Commissioner or Deputy Commissioner in patent cases of a difficult nature, and that for the first appointment of Chief Examiner the aid of the British Patent Office might be invoked to secure a suitable senior officer. (Paragraph 350.)

That the examiners should have not only a thorough technical grounding in or knowledge of the subjects which they have to investigate, but also a reasonably sound appreciation of patent law. Their salaries should be on a scale more commensurate with that obtaining in Great Britain, and they should be encouraged to make a study of patent law. (Paragraphs 351 and 353.)

That junior officers should be encouraged to equip themselves with the necessary technical knowledge to assist them to reach the higher positions, and should be in the Professional rather than the Clerical Division. Their salaries should be sufficiently high to attract and hold them. (Paragraph 352.)

That if our recommendations to extend the jurisdiction of the Commissioner are adopted, his judicial work would appear to be comparable with that of the Magistrates, and his salary should be commensurate with theirs. The remuneration of the Deputy Commissioner and the Assistant Commissioners should be on a relative basis. (Paragraph 356.)

That, in view of the proposed additional service to the public (particularly in patent matters) and the greater cost involved in it, the fees for the obtaining and maintenance of letters patent should be increased. (Paragraph 357.)

That the Patent Office should remain attached to the Department of Justice, but that, in view of the intricacies of law and procedure regarding patents, designs, and trade-marks, the Commissioner, for the proper discharge of his responsibilities, should on questions of policy have direct access to the Minister of Justice. (Paragraphs 359 and 360.)

362. In concluding this report we wish to acknowledge our indebtedness to the counsel and to the departmental officers and other witnesses who appeared before us.

There were in attendance throughout our sittings Mr. W. J. Sim, K.C., and Mr. R. E. Tripe (representing the New Zealand Radio Manufacturers' Federation), and Mr. H. R. C. Wild (representing the Australian Radio Technical Services and Patents Co. (Pty.), Ltd.). Other counsel who appeared before us were Mr. P. B. Cooke, K.C. (representing the New Zealand Law Society), Mr. W. E. Leicester (representing the Department of Justice), Mr. R. Hardie Boys (representing the Public Service Association—in respect of certain members of the Patent Office staff—and the United Kingdom Manufacturers' and New Zealand Representatives Association), Mr. F. Campbell Spratt (representing the British United Shoe Machinery Co. of Australia Pty., Ltd.), Mr. D. R. Richmond (representing Colgate-Palmolive, Ltd.), and Mr. Ian H. Macarthur (representing Distillation Products, Inc., and Imperial Chemical Industries, Ltd.).

363. At the commencement of our proceedings we received great assistance from very full-written statements by and oral evidence of the Under-Secretary of Justice and the Commissioner of Patents, and these were followed by statements and evidence from the Departments of Agriculture, Broadcasting, Census and Statistics, Customs, Defence, Industries and Commerce, Marine, National Library Service (Education Department), Police, Railways, Scientific and Industrial Research, State Forests, and State Hydro-electric. From all of these, as well as from many other witnesses, we received valuable suggestions, criticisms, and evidence. We particularly appreciated the great assistance given to us by the Institute of Patent Attorneys, whose representatives (Mr. J. D. K. Hunter and Mr. E. W. B. Carey) had gone to much trouble in the preparation of written material and in giving oral evidence.

364. Besides those who have personally appeared before us, we desire to mention Sir Harold L. Saunders (formerly Comptroller of Patents and now a member of the Monopolies and Restrictive Practices Commission in Britain), who was a member of the Swan Committee, and Sir Percy Mills (Chairman of the National Research Development Corporation in Britain), who have kindly assisted us with useful information, the former dealing with some aspects of patent law, and the latter with the present scope of the work of his Corporation and its plans for the future.

365. Throughout our work we have been greatly assisted by the efficiency and industry of our Secretary, Mr. A. B. Thomson. His organizing ability has contributed much to the smooth running of the work of the Commission, and our consideration of the mass of material before us has been greatly facilitated by his methodical collation of the evidence. The record, extending, without the exhibits, to nearly 1900 pages, has been most efficiently recorded by the stenographers, who have faithfully reproduced the proceedings, sometimes under very difficult conditions.

We have the honour to be,

Your Excellency's most obedient servants,

HERBERT E. EVANS, Chairman.

G. W. CLINKARD.

ANDREW J. PARK.

S. W. PETERSON.

J. R. SMITH.

[L.S.]

Dated at Wellington, this 29th day of June, 1950.

APPENDIX I—COMMISSION TO INQUIRE INTO AND REPORT UPON PATENT LAW AND PROCEDURE

QUESTIONNAIRE FOR THE GUIDANCE OF WITNESSES

1. If you consider that New Zealand patents are used to the detriment of the public interest in the way of suppressing and retarding competitive developments in industry or otherwise for monopolistic purposes contrary to the public interest, give examples of the way in which patents are or have been to your own knowledge thus misused, and indicate your views as to how such misuse of patents can be checked or prevented.

Do you consider that section 26 (licences of right), section 29 (compulsory licences), or section 44 (2) (food and medicines) of the Patents, Designs, and Trade-marks Act, 1921-22 (as amended), requires amendment ?

If so, indicate the nature of the amendment you recommend.

2. Do you consider that all patents should be endorsed " licences of right." What is your view as to the effect it would have—

- (a) On the flow of invention ;
- (b) On the commercial exploitation of inventions ; and
- (c) On the retention of inventions as secret processes ?

3. Do you consider that the existing procedure for applying for a compulsory licence is satisfactory—i.e., an initial application to the Commissioner with an appeal to a Judge of the Supreme Court ?

4. Do you think that the onus of proof at present placed upon the applicant for a compulsory licence should be relaxed ?

5. Do you consider the present allocation of judicial functions in regard to patents as between the Commissioner and his assistants on the one hand and the Supreme Court on the other hand satisfactory—

- In regard to (a) Grant of patents ;
- (b) Oppositions to grant ;
 - (c) Revocation of patents ;
 - (d) Applications for licences ;
 - (e) Amendment of specifications ;
 - (f) Restoration of lapsed patents ;
 - (g) Dispute as to ownership of patents ?

6. Under the present Patents Acts there is doubt as to the right of the Commissione to refuse a patent which he considers is lacking in inventive merit or in novelty in view of prior user, or in utility—i.e., fails to achieve the result promised by the applicant.

Do you consider that the inquiry before him should be enlarged to enable him to refuse patents on these grounds ?

7. Do you consider that the present method of trying patent actions in New Zealand is capable of improvement, particularly in the direction of simplification of procedure and of reduction of costs ? If so, what suggestions can you make for the improvement of the present practice ?

8. Do you consider any alteration desirable in the character of the tribunal which tries patent actions—namely, trial in the first instance by one of the Supreme Court Judges, with right of appeal to the Court of Appeal, and a further appeal by right or by leave to the Judicial Committee of the Privy Council ?

If so, what suggestions have you to make as to the nature of the tribunal, and the right of appeal ?

9. Do you think any alteration is desirable in the form of relief which is normally given when a patent is found to be infringed—namely, an injunction and an inquiry as to damages ?

Do you think that a defendant who has infringed should under any circumstances be allowed to continue using the patented invention on payment of a suitable royalty as an alternative to an injunction, as a defendant is allowed to do under section 26 (1) (e) of the Act where the patent has been endorsed “licences of right”?

10. Do you think any alteration is desirable in the existing law in regard to the character and degree of amendment of specifications permitted when an action for infringement or proceedings for revocation, are pending?

What are your views as to the desirability of the present practice, not infrequently adopted, of trying motions for amendment of specification with the action for infringement or proceedings for revocation, and upon the same evidence?

11. Do you think any amendment, and, if so, what, is required in the practice and procedure in regard to applications or petitions for prolongation under section 20 of the Act of 1921–22 (as amended)?

12. In what way can you suggest that the New Zealand law and practice relating to patents, designs, and trade-marks can be made more conducive to the public interest and to the encouragement of invention, to the commercial development and use of inventions and to the general advantage of New Zealand industry and trade?

APPENDIX II—LIST OF WITNESSES

| Name of Witness. | Name of Association or Body Represented or Description of Witness. |
|-----------------------------|--|
| Anderson, N. J. | Patent Office Examiner. |
| Bagnall, A. G. | National Library Service. |
| Ball, Dr. A. O. | Imperial Chemical Industries, Ltd. |
| Browne, C. J. | British United Shoe Machinery Co., Ltd. |
| Bruce, R. M. | Patent Office Examiner. |
| Burbury, E. A. | Australian Radio Technical Services and Patents Co. Pty., Ltd. |
| Cameron, V. McK. | Colgate-Palmolive, Ltd. |
| Carey, E. W. B. | Institute of Patent Attorneys. |
| Collier, P. C. | New Zealand Radio Manufacturers' Federation. |
| Cooke, W. D. | Patent Office Examiner. |
| Cunninghame, W. I. | New Zealand Radio Manufacturers' Federation. |
| Currie, A. E. | Crown Solicitor. |
| Curtis, N. C. | New Zealand Radio Manufacturers' Federation. |
| Dallard, B. L. | Under-Secretary for Justice. |
| Davies, V. C. | Nurseryman. |
| Embree, Dr. N. D. | Distillation Products, Incorporated. |
| Field, R. C. | Colgate-Palmolive, Ltd. |
| Filmer, Dr. J. F. | Agriculture Department. |
| Firth, H. A. | Inventor. |
| Gifford, J. M. | New Zealand Radio Manufacturers' Federation. |
| Greig, A. M. W. | Agriculture Department. |
| Holt, A. | Inventors' Club. |
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