

Regulatory Impact Statement

TRADE MARKS AMENDMENT REGULATIONS 2012

AGENCY DISCLOSURE STATEMENT

This Regulatory Impact Statement (RIS) has been prepared by the Ministry of Business, Innovation and Employment.

It analyses proposals to amend the Trade Marks Regulations 2003 in order to:

- Prescribe new fees for trade mark services;
- Prescribe the regulations necessary for accession to three international trade mark treaties;
- Prescribe regulations to mandate that the only method of communication and filing documents with IPONZ is electronic, via the IPONZ website; and
- Prescribe various technical amendments to improve the operation of the regulations, including clarification of any regulations that have caused uncertainty – these predominantly relate to the regulations applying to hearings before IPONZ's Hearings Office.

The proposed fees assessed in this RIS do not necessarily reflect the cost of providing each service for which a fee is prescribed, rather the fees as a whole reflect the cost of delivering all the trade mark services that IPONZ provides. This approach has been adopted, in consultation with Deloitte, because it offers the ability to set fees at levels which are generally closely related to the costs of delivering services, but which are also economically efficient in that they avoid setting some fees at levels that would deter the use of IPONZ's services. This methodology is efficient and equitable as the level of fees for services which do not have high volumes but which contribute to the integrity of the register, such as hearings office processes, do not penalise users.

This RIS does not discuss the options for all regulations that are necessary in order to accede to the international treaties. The reason for this is that the majority of the regulations required are mandatory, that is, the terms of the international treaties require member countries to enact specific rules. The regulatory impact of these mandatory regulations was assessed at the time that the decision to accede to the international treaties was made. Where the international treaties provide options for the regulations that may be made by member countries those options are assessed in this RIS.

None of the proposed changes will likely have effects that the government has said will require a particularly strong case before regulation is considered.

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Date

Executive Summary

1. The legislative framework for the protection of registered trade marks consists of the Trade Marks Act 2002 (**the Act**) and the Trade Marks Regulations 2003 (**the Regulations**). The Regulations prescribe procedures and requirements for various matters including:
 - a) the registration of trade marks;
 - b) proceedings under the Act;
 - c) access to the trade marks register; and
 - d) the fees payable under the Act.
2. There are four main drivers for proposed amendments to the Regulations which are analysed separately in this RIS:
 - a) a review of prescribed trade mark fees;
 - b) New Zealand's accession to three international trade mark treaties;
 - c) the mandating of electronic communications with the Commissioner of Trade Marks through the Intellectual Property Office of New Zealand (**IPONZ**); and
 - d) the need to improve and clarify certain Regulations particularly in relation to the processes prescribed for proceedings before the IPONZ Hearings Office.

Trade Mark Fees – Status Quo and Problem Definition

3. Most of the fees currently prescribed in the Regulations have remained static for some 13 years¹. IPONZ currently provides a number of trade mark services to clients, and the Regulations prescribe consolidated fees for bundles of services, payable at certain key stages of the trade mark registration process. This approach benefits all users of the trade mark system by allowing the register to operate properly, providing an accurate and reliable public record of registered trade marks and applications.
4. Since 1999, when the last significant amendments to the fees were made, IPONZ has managed and contained its costs by implementing changes to the way it delivers its services, and has built up a surplus in its memorandum account in anticipation of reduced revenue resulting from changes to the legislative environment.
5. IPONZ is now facing a shortfall between its fees revenue and the cost of providing its statutory services, primarily as the result of two factors:
 - a) The Act increased the initial renewal period from 7 to 10 years, which has led to an expected lull in renewal activity from 2010 that is expected to continue until the end of 2013. Since the 2011 financial year revenue from renewals dropped from \$3 million in the 2010 financial year to \$1 million in the 2011 financial year; and
 - b) The global economic crisis has seen a reduction in the number of trade mark applications received from approximately 35,000 applications in the 2009 financial year down to approximately 32,000 in the 2011 financial year. IPONZ's current forecasts anticipate a further 22% decline in volumes from the 2012 to the 2013 financial year.

¹ The exception is the renewal fee which was decreased from \$310 to \$250 (excluding GST) in 2003 to take account of the change to the initial renewal period introduced with the Act from 14 years to 10 years.

6. IPONZ has looked, and continues to look, at all other options for meeting the forecast deficit through reducing costs while maintaining excellent service to clients. This includes the regulation amendments proposed and the removal of back-office administrative functions to focus on core examination services. In this regard IPONZ's change management programme, including the removal of paper-based processes and moving to operating exclusively online, has resulted in a reduction of administrative staff by 8.5 FTEs, equating to a reduction of more than 10% of total staff.
7. In anticipation of its reduced revenue, IPONZ used costs savings arising from increased efficiencies in its operations to build a surplus in its Memorandum Account of approximately \$9.4m. It was able to achieve these surpluses even as it improved the level of its service to clients and while retaining fees at their 1999 level. So far as the reduction in renewal income is concerned, the Memorandum Account has worked as expected by providing a buffer against the significant reduction in income.
8. The Madrid Protocol may impact on trade mark application volumes due to making it easier to register international trade marks in New Zealand, but there is considerable uncertainty about the extent of that impact. When Australian and Singapore joined the Madrid Protocol, both experienced increases in trade mark applications and renewals. But the current global economic conditions, particularly in Europe, are likely to mean that New Zealand does not experience the same level of increased application volumes.
9. Accordingly, without some revision and re-balancing of the fees charged by IPONZ the Memorandum Account is forecast to decline into significant deficit. On current fees, recent projections show that this will occur in the 2014/15 financial year, with a \$13.2m deficit expected by the end of the 2016/17 year.

OBJECTIVES

10. The objectives of the proposed fees amendments are:
 - a) To recover the full cost of delivering IPONZ's trade mark services through setting user-pays fees for those services which will recover the cost of these services;
 - b) To avoid the projected IPONZ memorandum account deficit;
 - c) To put in place a fee structure that is economically efficient and avoids undesirable incentives or disincentives to the use of trade marks services; and
 - d) To put in place a fee structure that is administratively efficient and avoids a plethora of small fees for individual steps in the trade marks registration process.

REGULATORY IMPACT ANALYSIS

11. As noted above, the reduction in trade mark renewal fee revenue was anticipated from the time that the renewal period was changed in 2003, and trade mark application revenue has been in decline since the onset of the global economic crisis in 2008. In that time IPONZ has explored all options for reducing its costs without sacrificing the levels of service it provides. On their own the cost-reduction measures undertaken by IPONZ outlined above are not sufficient to avoid the decline in the IPONZ Memorandum Account. Under the current fee structure, it is necessary for both trade mark applications and renewal volumes to return to much higher levels than is currently forecast in order to recover costs. If IPONZ is to meet its statutory obligations under the Act and Regulations, the only remaining option is to adjust the fees that IPONZ charges for those services in order to increase the revenue it receives to meet its costs.
12. IPONZ has therefore conducted a review of the operational model of its services and associated fees it charges, overseen by Deloitte, in light of the forecast gap in revenues, the further changes to the legislative environment as a result of acceding to the Madrid Protocol and the proposed mandating of electronic communications.

13. The fees review considered whether it was appropriate to continue the approach by which the current fees were prescribed (as described in the status quo section above). In evaluating the current approach against other possibilities, the review used the following criteria:
- a) Efficiency – both in terms of the way in which costs were allocated to services, and in terms of ensuring administrative simplicity and low transaction costs in collecting fees;
 - b) Equity – so that those benefiting from the services provided by IPONZ bear the costs of those services; and
 - c) Effectiveness – in terms of the accurate collection of the cost of delivering trade mark services from users of these services.
14. Three alternative approaches were evaluated:

a) *Cost-to-serve per service*

This approach involves setting a fee for each individual service, reflecting the cost of delivering that service. The primary advantage of this approach is the fees will be entirely transparent.

However, this approach also results in an inefficient economic allocation of costs. Charging the cost-to-serve fee would have a significant impact on the users of trade mark services, and would be likely to discourage the use of these services and potentially undermine the integrity of the trade mark register. This most clearly occurs in relation to services such as search and preliminary advice, examination of trade mark applications and Hearings Office processes. These processes support the proper operation of the register by encouraging new users to take steps to protect their intellectual property and resolving disputes over trade marks. A cost-to-serve approach would lead to significantly higher fees for these services. The cost-to-serve of search advice and preliminary advice is \$118 and \$117 respectively². The actual cost of examining a trade mark application is approximately \$186, and the cost-to-serve of a hearing before an Assistant Commissioner is almost \$2,250.

Other services have a relatively low cost-to serve, e.g. renewal cost-to-serve is only \$93. Charging such a low fee for the renewal of a trade mark registration would potentially encourage trade mark owners to renew their trade marks even where they no longer used those trade marks. This in turn could prevent the registration of similar or identical trade marks by others who do intend to make use of them.

b) *CPI adjustment*

Adjusting the fees by the CPI – This approach takes the current fees and adjusts them for inflation since they were set in 1999. The advantage of this approach is simplicity and consistency. However, this option does not provide any transparency because the change in fees bears no relation to the costs of delivering the services, and nor does it take into account changes in the way that IPONZ delivers its services.

c) *Cost to serve entire Register*

This is the Ministry's preferred approach. It involves taking a broad and even view across all the trade mark services provided by IPONZ and setting fees to recover the cost of providing these services at an aggregate level. This methodology is efficient and equitable because it allows fees to be set at levels which are generally close to the costs of the delivering services, but does not result in unfairly high fees

² The current and proposed fees are set out in a table at paragraph 15 below.

for low volume services. Although it does result in a degree of reduced transparency (i.e. it is not clear from the fee amounts what the actual cost of providing the services is), there are significant benefits, including that:

- (i) It is equitable in that it does not deter the use of some of the key IPONZ services. For example, trade mark applications provide a direct economic benefit to the applicant but a high application fee could create a disincentive for first-time users to register their trade mark, exposing them to risks of infringement and an inability to fully realise the value of their intellectual property. A relatively low application fee encourages users into the system. Conversely, Hearings Office processes, which are by their nature low in volume and thus high in cost, should not be discouraged through the imposition of a high fee because these processes provide a means of resolving certain disputes over trade marks without the need to resort to court proceedings and also assist with the wider integrity of the register by ensuring that infringing trade marks are not registered. It is important to price these services at a level that encourages trade mark owners to use these services where needed to allow for the cost effective resolution of disputes and ensure integrity of the register, which is of value to all parties who interact with IPONZ. This is particularly so as the average cost of a hearing is significant. This approach is also in line with Act's purposes, which includes simplifying procedures for registering a trade mark in order to reduce costs to applicants and to reduce business compliance costs generally.
- (ii) It is efficient in that it allows costs to be recovered through a relatively small number of fees, and does not result in an increase in the number of fees which would result in an increase in administrative costs to collect and thus result in an increase in the level of the fees themselves.

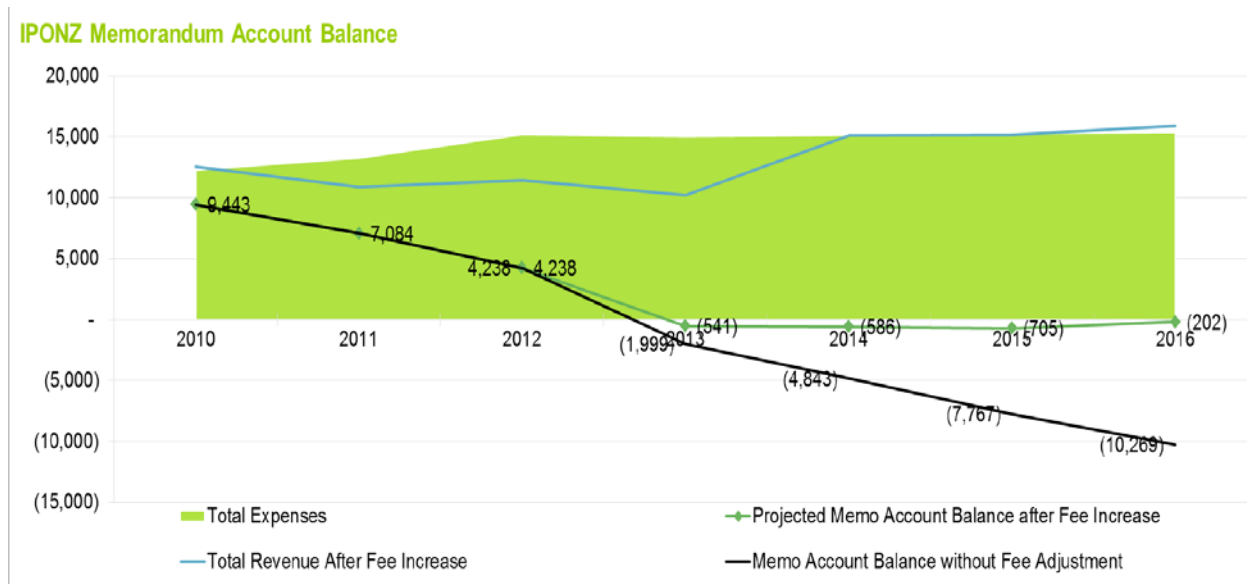
15. The Cost to Serve entire Register approach was considered to best meet the goals of efficiency, equity and effectiveness. Using these criteria, Deloitte rated each of the above three alternative options as shown in the following summary table:

	Efficiency	Equity	Effectiveness	Overall Rating
Cost to Serve per unit	●	●	●	●
Cost to Serve entire Register	●	●	●	●
Increase Fees by CPI	●	●	●	●

16. The Cost to serve entire Register model results in the following proposed fee changes:

Proposed Trademark Fees (GST exclusive)										
	Search (\$)	Preliminary Advice (PA)	S&PA	Application	Renewal	Opposition	Hearing	Revocation	Declaration of Invalidity	Copies
Current Fee	\$20	\$20	\$40	\$100	\$250	\$300	\$750	\$-	\$300	\$30
Proposed Fee	\$40	\$40	\$80	\$150	\$350	\$350	\$850	\$350	\$350	Nil
Percentage change	200	200	200	150	140	116	113	New fee	116	Fee removed

17. It is worth noting that the proposed fees broadly reflect what those fees would be if they had been adjusted for inflation over the intervening 13 years.
18. The proposed fees are less than the fees charged in both Australia and Singapore. A comparison of the most relevant fees demonstrates that the proposed IPONZ fees are generally lower than both those proposed by those countries. By way of example, the proposed IPONZ fee for a trade mark application is \$150. A similar application in Australia will cost \$AU420–\$AU500 (\$540–\$650) and in Singapore costs \$SG341–\$SG374 (\$345–\$380).
19. The overall impact of the fees is represented in the graph below which illustrates the anticipated value of the memorandum account, assuming the proposed fee increase for the trade mark activities is agreed to and if the fee increase is not agreed to.



Consultation on the proposed fees structure

20. Submitters to the May discussion document accepted that fee increases for trade mark services were necessary, with some submitters suggesting that higher fees would have been justified.
21. While most submitters were supportive of the proposed fee model, others submitted that fees should be charged according to the cost-to-serve model discussed above. There were also submissions suggesting alternative methods for setting fees, for example reducing the trade mark application fee but introducing a new registration fee. This suggestion was not accepted because almost all of the cost recovered through the trade mark application fee relates to the examination of trade marks. The cost of registration is such a small component of the application fee that:
 - a) Separating out the registration fee from the application fee would not result in significant savings for applicants whose trade marks do not reach registration; and
 - b) It would not be administratively efficient to collect the registration fee separately.

22. The trade mark fees will be reviewed again in 2015/16, 3 years after the implementation of the Madrid Protocol, to ensure that fees are appropriately matched to costs. By that time IPONZ expects to have a clearer view on the impact of accession to the Madrid Protocol as well as long-term economic trends, as the world more fully emerges from the recession.

International Treaties Amendments – Status Quo and Problem Definition

23. In 2006 the Government agreed to pursue accession to three treaties administered by the World Intellectual Property Organization (WIPO). These are:
 - a) the Singapore Treaty on the Law of Trademarks (the **Singapore Treaty**);
 - b) the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (the **Nice Agreement**); and
 - c) the Madrid Protocol Relating to the Madrid Agreement (the **Madrid Protocol**).(Collectively the **International Treaties**).
24. While each treaty has its own particular objectives, their collective aim is to reduce business compliance costs associated with protecting trade marks. This is achieved through the simplification and international harmonisation of the procedures for registering trade marks.
25. Joining these treaties also assists to move New Zealand's trade mark registration procedures into closer alignment with Australia and, therefore, represents a further step towards the government's objective of creating a single economic market with Australia.
26. Most of these regulatory changes for the implementation of the International Treaties are mandatory and therefore no public input was required on this. However, there are some areas where options exist concerning the nature of the regulatory measures that are put in place.

Nice Agreement

27. The Act requires that any registration of a trade mark must include a specification of goods and/or services to which the registration relates. The key obligation arising from joining the Nice Agreement is the need to ensure that those goods and services are classified in accordance with the most recent edition of the Nice Classification.
28. Currently there are a small number of trade marks on the register which were registered prior to the use of the Nice Classification. These registrations are classified according to the third and fourth schedules of the Trade Marks Regulations 1954.
29. Part 15 of the Regulations currently sets out procedures for the owner of a trade mark registered with a specification classified under Schedule 3 or Schedule 4 of the Trade Marks Regulations 1954 or any previous edition of the Nice Classification to apply for conversion of the specification to a classification under the current edition of the Nice Classification. Amendments to the regulations will be required to enable the Commissioner to commence the reclassification process for trade marks registered prior to the Nice Classification without the need for an application by the trade mark owner. This process will be beneficial to the trade mark owner because it will ensure that the registration has a correct and valid classification schedule, which also provide greater certainty that the registration will be found when searches of the trade mark register are conducted.

Objectives

30. To ensure that all remaining trade mark registrations with specifications classified under the Schedule 3 or 4 of the Trade Marks Regulations are converted into the Nice Agreement in a timely manner.

Regulatory Impact Analysis

31. The preferred option is to amend the Regulations to introduce provisions that would:
 - a) Require the Commissioner to notify the trade mark owner of the need to reclassify their registration, and of the form of the Commissioner's proposed conversion;
 - b) Require the trade mark owner to respond to the Commissioner's proposed form of conversion within a prescribed period of time;
 - c) Provide a trade mark owner with a right to make submissions to the Commissioner and to be heard in relation to the Commissioner's proposed form of conversion;
 - d) Empower the Commissioner, where no response is received from the trade mark to the notice of proposed conversion, to proceed to convert the trade mark to a classification under the Nice Classification.
32. There are limited alternative options available which are compliant with the Nice Agreement. One alternative option was considered which would have enabled the Commissioner to update all specifications to the current edition of the Nice Classification without notice or the opportunity for trade mark owners to have input in the process.
33. The proposed process is preferred because it is designed to ensure that the impacts to business are small, and to ensure that trade mark owners have the ability to make submissions and be heard in relation to any proposed conversion which affects their intellectual property rights.

Consultation on the proposed reclassification process

34. Six of the 8 submitters on the May discussion document supported the preferred option.
35. One submitter suggested that as an initial step IPONZ should notify the owners of affected trade mark registrations so that the owners are able to review their registrations and initiate the conversion process themselves. It was also suggested that IPONZ should convert registrations on an owner-by-owner basis and not registration-by-registration. We agree with both of these suggestions, and consider they can be accommodated within the preferred option. IPONZ has already taken steps in line with this suggestion.
36. Those likely to be affected by the proposed conversion will be aware of the issues as IPONZ has already been in contact with the owners of all affected registrations, or their agents, in relation to the conversion of those registrations. No submitters indicated that there would be significant impacts for them or their clients from the preferred option.

Singapore Treaty

37. The Singapore Treaty aims to make national trade mark registration systems more user-friendly and to reduce business compliance costs for trade mark owners. It does this through the simplification and international harmonisation of national registration procedures, and making clear what national trade marks offices can and cannot require from applicants.
38. In most cases the Singapore Treaty does not give any discretion about how the requirements are implemented. However, Article 14(2) of the Singapore Treaty requires that Contracting Parties provide one or more of three possible 'relief measures' for applicants or owners who have not complied with a specified time limit in respect of an application or registration. The chosen relief measure applies only once.
39. The options are listed below:
 - a) Allowing an applicant or owner to apply for an extension of the time limit concerned for a 'reasonable period';

- b) Allowing an applicant or owner to apply for continued processing – this differs from an extension of time in that it requires the next required action to be taken at the time relief is sought;
- c) Allowing an applicant or owner to apply for reinstatement of any rights that were extinguished on the expiry of the specified time limit, provided the failure to comply with the time limit occurred in spite of due care having been taken, or that the failure was unintentional.

Objectives

40. To regulate to provide a relief measure that is compliant with the Singapore Treaty and which:
- a) provides maximum flexibility to users of IPONZ trade mark services where a time frame has expired;
 - b) ensures certainty on the register;
 - c) encourages the timely completion of trade mark applications; and
 - d) is administratively efficient.

Regulatory Impact Analysis

41. IPONZ has considered the possible relief measures and it is considered that options (a) and (b) both offer benefits in terms of ease of administration and ensuring a short timeframe after expiry of the specified deadline within which a request for relief may be received. A short time frame is desirable in order to have increased certainty as to the status of applications where the specified time limit has expired.
42. Option (c) has the benefit of putting the onus on applicants or owners who have missed a deadline to prove that the failure to meet the deadline was not due to a lack of care. However, this option requires that this relief measure must be available for a minimum of 6 months from the expiry of the specified time limit. Such a long time frame will potentially impact on the integrity of the register, because it means that there is a relatively long period of uncertainty after the deemed abandonment of a trade mark application and the expiry of the availability of the relief measure.
43. The Ministry's preferred option is (b). The reason for this is that this relief measure best incentivises applicants to resolve outstanding matters at the time that they request relief. It is proposed that this relief measure will be available for a period of 2 months after the expiry of the time limit concerned.

Consultation on the proposed relief measures

44. Submitters on the May discussion document were split in relation to which of the available relief measures were favoured. Three submitters supported the preferred option of continued processing with a 2 month time limit.
45. Two submitters were in favour of allowing applications for an extension of time within 2 months of the expiry of the relevant time limit (option a). This option is not favoured because it would result in time limits that were too uncertain and open-ended. It would also mean that current time frames for progressing a trade mark application could be extended by more than 2 months.
46. One submitter suggested that allowing applicants to apply for reinstatement of extinguished rights (option c) was preferable, and that a longer period than 2 months should be allowed to make such an application. These options were rejected on the basis that reinstatement of extinguished rights would result in considerable uncertainty on the register, and that allowing a period in excess of 2 months for a relief measure to be granted could result in undesirably protracted application proceedings.

Madrid Protocol

47. The Madrid Protocol offers a trade mark owner the possibility of having a trade mark protected in one or more member countries by filing an application for International Registration (an international application) directly with a local trade marks office (which is referred to under the Madrid Protocol as the Office of Origin) and designating one or more overseas countries where protection is sought. A New Zealand national trade mark application or registration must be used as a basis for an international application when New Zealand is the Office of Origin, this national trade mark application or registration is known as the basic mark. The Office of Origin forwards the international application to the International Bureau which is administered by the World Intellectual Property Organization (WIPO), who assuming formalities are met, “register” the mark and forward the mark on to the designated Contracting Parties (international registration).
48. An international application is equivalent to an application for registration of the same trade mark being made directly in each of the countries designated by the applicant. The trade mark office of a designated country has a limited period of time (either 12 months or 18 months) in which to refuse to register the trade mark. If the trade marks office does not refuse protection of the trade mark within this period the trade mark is deemed to be registered in that country. The Madrid system also simplifies greatly the subsequent management of the trade mark, since it is possible to record subsequent changes or to renew the trade mark registration in each country through a single procedural step through the International Bureau.
49. In order to fully implement the Madrid Protocol new regulations are required in relation to prescribe various machinery-type requirements for the registration process.
50. Most of the regulation changes required for accession to the Madrid Protocol are mandatory for all acceding countries. However there are some areas where parties have some discretion as to what rules apply, namely:
- a) The length of the period for refusal of international registrations – The Madrid Protocol provides that the default period for Contracting Parties to notify WIPO of a possible refusal of an international trade mark registration is 12 months. Contracting Parties are, however, able to opt to declare a longer 18-month refusal period. Declaring an 18-month time refusal period also allows for a further declaration that would allow IPONZ to notify WIPO of a possible notification of refusal to register based on an opposition after the expiry of the 18-month time limit.
 - b) The fees that can be charged in respect of international registrations filed with IPONZ as a designated Contracting Party. The Madrid Protocol allows a Contracting Party to either fix its own fees for applications for international registrations, or instead to opt to receive a share of the WIPO fees. Where a Contracting Party opts to fix its own fees, these fees cannot be higher than the equivalent of the amount which that Office would be entitled to receive from an applicant for a ten–year registration. The Madrid Protocol also gives the option for a Contracting Party to charge a handling fee for certifying international applications.
 - c) Declarations of intended use of a trade mark by applicants - Under the Madrid Protocol, a Contracting Party can opt whether or not to require a declaration of intention to use a trade mark when it is designated under the Madrid system.

Objectives

51. To make regulations necessary for compliance with the Madrid Protocol that are within the scope of regulations allowed under the Protocol and which:

- a) minimise costs for the Commissioner, international applicants and owners, and third parties.
- b) ensure certainty on the register; and
- c) are administratively efficient.

Analysis

Refusal period

52. IPONZ proposes to exercise the option under the Madrid Protocol to extend the declaration of refusal period to 18 months. Although IPONZ will usually be in a position to notify WIPO of a decision to refuse more quickly, an 18-month period would ensure that New Zealand's processes under the Madrid Protocol are consistent with our major trading partners, most notably Australia, which has opted for this timeframe.
53. The 18-month timeframe will also enable IPONZ to make a further declaration under the Madrid Protocol, which allows IPONZ to notify WIPO of a possible notification of refusal to register based on an opposition after the expiry of the 18-month time limit. This option is preferred because it is possible for opposition proceedings to be initiated after the expiry of the 18-month time limit, and a refusal to register based on a successful opposition may not occur until well after the expiry of the 18-month time limit.

Consultation on the proposed refusal period

54. Five submitters made submissions on the proposed refusal period. All those submissions were in support of the 18 month period for notifying refusal and the further declaration in relation to possible notification of refusal to register based on an opposition after the expiry of the 18-month time limit.

Fees

55. It is proposed that IPONZ will opt to retain the ability to fix fees for international registrations. This ensures that IPONZ retains the flexibility to recover any costs associated with its functions as a designated Contracting Party, and is consistent with the approach taken by New Zealand's major trading partners (e.g. Australia, Singapore, United Kingdom, United States, Japan and China). IPONZ proposes that the fee for an international registration will not be higher than an application for registration in New Zealand (the proposed fee for a New Zealand application is \$150).
56. As the Office of Origin, IPONZ will be required to check certain formality requirements before certifying and forwarding the international application to WIPO. IPONZ is investing in technology and reviewing processes which will make the certification process simple, timely and cost effective for New Zealand businesses that wish to use the Madrid system. Users of the system will be able to populate their international application with the same information provided in respect of their New Zealand basic mark, and tailor their specifications for different countries. These features will significantly reduce the data entry and potential for errors from the applicant and the office, and speed up the certifying process. New Zealand will communicate electronically with WIPO, which increases certainty and timeliness in the international application process.
57. Because of the system and processes IPONZ will implement, it is envisaged that a handling fee will not be required. This is because the actual costs incurred in handling each application will be so low that they would not justify the cost of collecting a fee. It is considered that not charging a fee will encourage New Zealand businesses to enter into the Madrid system by reducing compliance costs.

58. It should be noted that applicants will still have to pay WIPO and country fees, depending on the countries in which they wish to seek protection. IPONZ does not propose to collect and forward these fees to WIPO. Applicants will be notified by IPONZ when their international application has been certified and sent to WIPO. The Applicant can then pay the required fees directly to WIPO.
59. IPONZ will review the need for a handling fee for certifying international applications as part of a review of fees in 2015.

Consultation on the proposed fees for international applications

60. Five submissions were received on the proposed fees for international applications and registrations. All those submissions were in support of IPONZ adopting a fixed fee which is no greater than for national applications for international registrations, and of the proposal not to charge a handling fee for international applications.

Declaration of intention to use

61. IPONZ proposes to prescribe such a requirement, which would be consistent with the provision for registration of New Zealand applications. This would mean that an international registration that designates New Zealand as a country in which protection is sought would need to include a declaration that the applicant intends to use the trade mark in New Zealand.
62. Not requiring such a declaration would mean that the information supplied with international registrations would be inconsistent with New Zealand applications. It may also result in the registration of trade marks in New Zealand which the owner has no intention to use. Such registrations could unfairly prevent registration of similar or identical trade marks that other parties may legitimately wish to protect.

Consultation on the proposals for declaration of use

63. All submissions received on this proposal were in support of requiring a declaration of intention to use.

Mandating Electronic Communication – Status Quo and Problem Definition

64. IPONZ currently operates with both an internet-based and paper-based system for receiving and issuing correspondence and other documents necessary for trade mark applications, registrations and proceedings.
65. In 2009 PricewaterhouseCoopers (PwC) was engaged to conduct an independent business evaluation to look primarily at the challenges that IPONZ will face over the forthcoming years and to help determine the operational, funding and revenue impacts that the changes might present. The report found, amongst other things, that:
 - a) There is an opportunity to simplify IPONZ's activities and reduce customers' transaction costs through accelerating the move to on-line channels as the method of interaction and using IT to automate many tasks through electronic self-service functionality.
 - b) There are opportunities to simplify IPONZ's operations through eliminating paper-based applications, creating lean processes and eliminating duplicative data entry or scanning work.
66. Since that report one of IPONZ's primary focuses has been building its capability to deliver its services to customers exclusively through electronic means. This has led to changes to processes, and the provision of information technology infrastructure to support new service delivery methods.
67. The resulting new IT infrastructure has been implemented in line with Government's stated goals for modern public services to reduce compliance costs and aim to build a stronger and more competitive New Zealand economy.

68. IPONZ has recently improved its internet-based services through the development and implementation of a case management system which went live in February 2012. Uptake of services through the electronic internet-based system has increased dramatically over the last few years with March 2012 figures reflecting that 99.3% of new trade mark applications, 100% of trade mark renewals and approximately 92.8% of other communication, equating to 97.3% overall, are filed with the Commissioner using the case management system on the IPONZ website (www.iponz.govt.nz). This has seen a significant reduction in paper-based processes and moving to operating exclusively online resulted in a reduction of administrative staff by 8.5 FTEs, equating to a reduction of more than 10% of total staff.
69. Despite the high uptake of electronic services through the IPONZ case management system, a small minority of clients still choose to file documents in paper or email form, and to accommodate this small number of transactions and communications IPONZ must currently retain support staff to handle essentially three avenues for incoming correspondence - paper, email and through the case management system. This comes at a cost to IPONZ which must be recovered from all clients through trade mark fees.
70. Accordingly, IPONZ proposes amendments to the Regulations necessary to require that all communications to and from IPONZ and filing of documents with IPONZ must be via an electronic facility on the IPONZ website.

Objectives

71. To:
- a) simplify IPONZ's activities and reduce customers' transaction costs through delivering trade mark services to customers exclusively by electronic means, and
 - b) reduce costs in delivering trade mark services by providing services online, thereby reducing the level of fees for those services.

Regulatory Impact Assessment

72. The mandating of IPONZ's new case management system will enable it to automate its processes and maintain online services to clients, and will change the operational model for IPONZ. The new system focuses on reducing administration across the whole intellectual property registration process, from application, through examination and in maintaining the intellectual property post registration. It will also improve the quality and efficiency of IPONZ by shifting to a 100% electronic client interface. The business transformation project that underpins the system development will affect staff resourcing, and will shift the personnel focus from back office administrative tasks to its core business of providing quality examination services. This will, in the medium term, change the resource make-up of the office and will enable it to efficiently respond to the increased resource requirements of the new legislation, while at the same time increase examiner capability.
73. IPONZ considers that mandating electronic filing and electronic communication will reduce the compliance and administrative costs of clients by:
- (a) Ensuring that clients have easy access to information relating to their trade mark, including their previous communications to and from IPONZ, via a web link that takes the client directly into the case management system. This means that clients will no longer need to keep their own case files, or incur costs associated with receiving and creating paper-based communications and case files, including personnel costs associated with receiving and sorting communications, and scanning and storage costs.
 - (b) Providing a means by which clients can immediately and easily respond to communications from IPONZ resulting in saved time and associated cost that

would otherwise be necessary when using paper-based forms of communication and file keeping, e.g. stationery, printing, postage or courier costs. In some cases, where the client has a portfolio of trade marks, the reduction in business compliance costs, particularly for self-represented clients and SMEs, could be significant.

- (c) Reducing the amount of re-keying for larger clients such as law firms and patent attorney firms because data can be entered into both the IPONZ system and clients' internal systems at the same time. This can save significant time but will also reduce instances of data entry error and transmission loss.
74. With a small minority of clients still filing paper and email documentation IPONZ is required to maintain infrastructure, processes and staff in place to receive the documentation, review the documentation, identify the nature of the documents, and ensure that they are directed to the appropriate area within IPONZ. Paper documents must also be scanned and uploaded into the case management system. IPONZ is also obliged to provide infrastructure and processes for sending paper correspondence to those that are not registered with its case management system. The new case management system requires IT infrastructure but does not require manual processes and staff to upload and direct the documents to the appropriate people/team in IPONZ, nor to send paper correspondence to clients; all these processes are automated and dealt with through electronic means.
75. Mandating electronic communications through the IPONZ website for trade mark matters will remove the need for IPONZ to maintain support staff to deal with paper and email based trade mark correspondence. Accordingly, there will be significant cost savings to IPONZ through mandating electronic transactions and communications through the IPONZ website. It is intended that this will ultimately be mandated for all intellectual property types that IPONZ deals with (patents, designs and plant variety rights), resulting in even more substantial savings.
76. If IPONZ is required to retain support staff for manual filings, the costs of the very small amount of mail processing will be borne by all clients, leading to an increase in fees for all clients. It is worth reiterating the comment above that the proposed fees are based on IPONZ not having this type of support staff. It should be noted that the costs associated with maintaining this level of support do not decrease in proportion to the increase in uptake of IPONZ's online services as there are certain fixed costs associated with maintaining it.
77. While the uptake of electronic correspondence has been high, without mandating that communication to and from the Commissioner be exclusively through electronic means, IPONZ is not able to internally structure itself to deal with only one form of delivery mechanism because the legal position precludes this. As such, IPONZ is not able to fully derive the efficiencies and benefits that exclusive electronic communication provides.
78. In an environment where IPONZ's clients mount legal challenges as part of business as usual, it is not viable for IPONZ to operate exclusively through electronic means without the legislation acting as a vehicle to support, drive and entrench this approach. The impacts to clients through taking this approach are considered to be minor whereas the impacts and costs to IPONZ of retaining the status quo are significant because it is required to keep a level of infrastructure, capacity and capability to deal with multiple avenues of communication.

79. By using government standard authentication the case management system provides an additional level of protection and security to the user that is not available for paper and email communication. It is also notable that the case management system provides clients with a secure platform to interact with IPONZ that avoids the limitations inherent with email such as file size restrictions and spam filters that prevent legitimate emails from reaching their intended recipient because the emails are perceived to contain 'inappropriate' material.
80. It is considered that any negative impacts on users of the trade mark registration system will be minimal. A small number of users without a home or business internet connection may be inconvenienced in that they will need some form of internet access to file applications and/or communicate with the Commissioner. This is viewed as a very small risk affecting very few clients in light of the statistics showing that almost 100% of transactions and communications to and from IPONZ are conducted electronically through the new case management system. Additionally, the very small number of clients without personal internet connections can utilise public internet facilities at places such as public libraries. Alternatively, clients could appoint an agent to conduct transactions on their behalf.
81. We note finally that the proposed mandating of electronic filing and electronic communication is in line with other registers which also operate on an electronic basis, e.g. Land Information New Zealand's Landonline service and the Personal Property Securities Register.

Consultation on proposed mandating of electronic communications

82. Throughout the process of developing the new case management system, IPONZ has kept its clients updated on its proposal to remove paper based processes and communication to enable all transactions with IPONZ, and all communication to and from IPONZ, to be exclusively through electronic means via the IPONZ website. IPONZ has consulted with its clients in the following ways:
- a) Through the Trade Marks Technical Focus Group, which is a group comprising representatives from New Zealand legal firms and patent attorney firms that meets three or four times a year;
 - b) In external piloting sessions with representatives from the main patent attorney and legal firms that IPONZ transacts business with; In training sessions conducted with attendance from all the main patent attorney and legal firms that IPONZ transacts business with.
 - c) Since October 2011 IPONZ has provided information on its website about the new case management system including stating its new feature as the ability to: send and receive correspondence electronically..
83. Notwithstanding the extensive stakeholder engagement that has already taken place, further feedback was sought on the proposal to mandate electronic communications in the May Discussion Document. While some submitters accepted that electronic communication should be the preferred option for communicating with IPONZ, most submissions disagreed with mandating that all communications with IPONZ must be electronic. The submissions on that Discussion Document are summarised below:

Submission	Response
Mandating electronic communication is contrary to the Electronic Transactions Act 2002	The Electronic Transactions Act does not prevent the making of regulations which mandate electronic communications. The purpose of the Electronic Transactions Act is to facilitate the use of electronic technology, and to this end it contains provisions

<p>because that Act requires consent on the part of both parties to transactions occurring in electronic form</p>	<p>which clarify certain matters relating to information in electronic form and enable the use of electronic communications to satisfy paper-based legal requirements. None of the provisions in the Electronic Transactions Act apply to limit the effect of an enactment which requires information to be recorded, given, produced or retained, or a signature to be given by means of a particular kind of electronic communication. Regulations made under section 199 of the Trade Marks Act which mandate electronic communications would be such an enactment.</p>
<p>The IPONZ case management system is not robust enough to be relied on as the sole method of communicating with IPONZ. Submitters stated that there should be the ability for the Commissioner to allow alternative filing mechanisms such as email and fax in “extraordinary circumstances.”</p>	<p>While IPONZ is satisfied that the case management system is robust, there will inevitably be short periods when the system is not available, for instance due to maintenance requirements, or when new functionality is being introduced to the system. These outages will usually occur outside of normal business hours and the impact on clients will therefore be minimal.</p> <p>There is a risk that an unforeseen website or internet outage could have an effect on the ability of clients to file new applications and communicate with IPONZ electronically. However, as recent outages have shown, the risk and impacts of this are effectively mitigated and managed through the following means:</p> <p>a) The Commissioner of Trade Marks has the power and ability to declare a closed day at short notice which would mean that clients would not be required to meet the deadlines that fall on that day; and</p> <p>b) In extraordinary or emergency circumstances the Commissioner may allow alternative filing mechanisms such as email and fax.</p>
<p>The case management system has increased administrative costs for clients.</p>	<p>It is understandable and expected that some clients will experience some administrative impact while they adapt to the new case management system. IPONZ has taken considerable efforts to assist clients through this period. Once clients are familiar with the system it is considered that it will deliver efficiencies both to them and to IPONZ.</p>

General / Hearings Office Amendments

84. The Trade Marks Regulations 2003 have been in place for 9 years. IPONZ has administered the regulations over that time, and in doing so has identified several areas where changes to the regulations would:

- a) Improve IPONZ’s ability to efficiently administer the regulations; and
- b) Clarify regulations which have resulted in uncertainty.

85. The majority of these amendments relate to the processes that apply in the IPONZ Hearings Office, which is the part of IPONZ that administers proceedings such as oppositions to the registration or trade marks, applications to declare trade mark registrations invalid, and applications to revoke a trade mark registrations. These proceedings are usually inter partes and involve the Commissioner acting as a quasi-tribunal and making a determination after hearing submissions and considering evidence from the parties. These decisions are then appealable to the High Court.

86. These amendments are, for the most part, minor and technical and unlikely to have significant impacts on IPONZ clients because the total number of trade mark proceedings in progress at any one time is not large (less than 500), none of the proposed amendments are major, and the amendments will create greater clarity and certainty for parties involved in proceedings. The more substantial problems requiring amendments are summarised below:

Objectives

87. The objectives of these proposed amendments are to improve the efficiency, workability and clarity of the regulations in order to:

- a) Provide increased certainty for all parties in the conduct of hearings procedures; and
- b) minimise costs for the Commissioner, trade mark applicants and owners, and third parties.

Consequences for failure to comply with directions or orders of the Commissioner

88. Currently there are limited and uncertain consequences where a party fails to comply with a direction or order given by the Commissioner in a proceeding (such as orders for the production of documents). This has the potential to result in “gaming” by a party, and undermines the Commissioner’s ability to effectively manage proceedings in a timely manner.

89. It is proposed that regulations be introduced which provide that:

- a) if failure to comply with directions or an order given by the Commissioner is by the party initiating the proceedings to which the directions or order relates, the proceedings will be struck out with costs awarded to the other party; and
- b) if such failure is by the party responding to the proceedings in question, the initiating party be required to adduce prima facie proof of its case, and on providing such proof, appropriate relief as sought by such party should be granted and costs awarded to that party.

90. The impacts of such provisions are potentially significant but are limited to those parties who choose not to comply with directions or an order of the Commissioner. It should be noted that there is a general right of appeal available to the High Court if any party is aggrieved by a decision of the Commissioner.

91. There was general support in the submissions on the May Discussion Document for the introduction of sanctions for non-compliance with orders of the Commissioner. One submitter proposed an alternative option of awarding costs as a sanction for non-compliance. This option has been considered but is not the preferred option because it is possible that an award of costs may be perceived as an acceptable cost of doing business, and may not effectively encourage compliance with the Commissioner’s directions or orders.

Confidential evidence

92. There is no procedure currently prescribed for dealing with confidential evidence in proceedings. This can cause significant delays and can impact on the nature of evidence that is able to be filed in proceedings.

93. It is proposed that provisions modelled on the High Court Rules be introduced relating to the confidentiality of evidence filed in proceedings before the Commissioner. This would involve the Commissioner having the power to order that a document or part of a document is to be treated as confidential, including that a document or part of a document may be viewed only by the legal representative of the party(ies) and is only able to be used for the purposes of the proceeding to which it relates. Additionally, such a document would then not be open to public inspection.
94. Submissions on the discussion document were in support of this proposal. No alternative options were suggested.

Extensions of time

95. The current regulations provide that the Commissioner may only extend time in “genuine and exceptional circumstances”. Hearings Office and High Court decisions have revealed uncertainty as to what will constitute “genuine and exceptional” in relation to the Commissioner’s power to extend time limits. This uncertainty has potentially significant adverse consequences in relation to the conduct of proceedings before the Commissioner.
96. Initially the preferred option for amending the regulations was to provide that the Commissioner has the power to extend time whenever he is satisfied that there is genuine reason for doing so, up to a maximum of 3 months beyond the initial deadline. After considering submissions on the May Discussion Document the preferred option is now to introduce a two tier test for extensions of time. Under this proposal the Commissioner would have discretion to grant an initial extension of up to three months if he considers there are genuine reasons and it is reasonable to do so. Any further extension of time would then be subject to the “genuine and exceptional circumstances” test, as interpreted by High Court and Hearings Office decisions. It is considered that this approach best balances the need to enable extensions of time in appropriate circumstances while ensuring that excessive or unjustified extensions will not be available.

Attendance at Hearings

97. The Hearings Office has encountered situations where parties have repeatedly failed to attend a scheduled hearing date. This results in delay and cost to both the Commissioner and the parties involved in the hearing. Currently there is no effective incentive for parties to attend a hearing because the consequences of failing to attend are minor.
98. It is proposed that similar consequences to that proposed for a failure to comply with an order of the Commissioner be introduced for a failure, without sufficient notice, to attend a hearing. That is:
- a) if the party failing to attend is the party who initiated the proceedings to which the hearing relates, the proceedings may be struck out with costs awarded to the other party; and
 - b) if the failure is by the party responding to the proceedings in question, the initiating party will be required to adduce prima facie proof of its case, and on providing such proof, appropriate relief as sought by such party should be granted and costs awarded to that party.

99. This approach is preferred over other alternatives (such as imposing a cost penalty) because it is consistent with the High Court Rules and because it avoids the possibility that an award of costs may be perceived as an acceptable cost of doing business, and may not effectively encourage compliance with the Commissioner's directions or orders.

Time to file notice of opposition

100. The duration of extensions of time that are available to file a notice of opposition to registration of a trade mark, both with and without the consent of the applicant is uncertain. Currently the regulations provide an extension of 1 month is available without the consent of the applicant, and an extension of 2 months with the applicant's consent. Doubt has arisen as to whether the two months extension with consent is additional to the 1 month that is available without consent, which would result in a maximum extended time of 3 months, or whether it is concurrent, meaning that a maximum extension was only 2 months. This uncertainty has the potential to result in parties losing their opportunity to oppose the registration of a trade mark.

101. It is proposed that the regulations be amended to clarify that:
- a) the maximum period of extension of time for filing a notice of opposition is 3 months, that is 2 months with consent and a further one month without; and
 - b) A request for an extension of time must be received on or before the expiry of the deadline, but that the Commissioner may grant an extension after the deadline has passed.

Consultation on the proposed Hearings Office amendments

102. Six submissions commented on the proposed amendments to the regulations applying to the Hearings Office. These submissions were in general agreement with the package of proposed amendments.

Consultation

103. Officials have consulted with the Ministry of Foreign Affairs, the Department of the Prime Minister and Cabinet, and the Treasury on the implementation issues raised in this paper. No major objections were raised to the proposals in this paper.

104. A discussion document was issued in May 2012 on the proposed regulations. Eight submissions were received. The submitters included the New Zealand Law Society, the New Zealand Institute of Patent Attorneys and 6 from intellectual property law firms who regularly use IPONZ services on behalf of clients who are trade mark owners or applicants. The views of submitters on the various proposals are discussed above. The majority of submissions received were supportive of the proposed regulations, with the exception of the proposal to mandate electronic communications. IPONZ has also consulted separately with major users of the trade marks registration system on the proposed electronic case management system.

Conclusions and Recommendations

105. It is recommended that the Regulations be amended to:
- a) Prescribe new fees for trade mark services;
 - b) Prescribe the regulations necessary for accession to three international trade mark treaties;

- c) Prescribe regulations to mandate that the only method of communication and filing documents with IPONZ is electronic, via the IPONZ website; and
- d) Prescribe various technical amendments to improve the operation of the regulations, including clarification of any regulations that have caused uncertainty – these predominantly relate to the regulations applying to hearings before IPONZ’s Hearings Office.

Implementation

- 106. The proposals discussed in this RIS will require significant amendments to the Regulations to implement.
- 107. The amended regulations will come into force in December 2012 after the 28 day period has passed following public notification of the changes in the New Zealand Gazette.
- 108. In addition, IPONZ will publicise the changes to users via its website and appropriate press releases. It will also engage with users in the technical fora that it uses for consultation on such matters.

Monitoring, Evaluation and Review

- 109. IPONZ intends to review trade mark fees again in 2015/16. This will provide an opportunity to review more generally the operation of the amendments proposed and ensure they are being implemented efficiently and that IPONZ is minimising its internal costs in doing so. In addition, it is expected that the Patents Bill currently before Parliament will be enacted later in 2012. As that Bill requires extensive regulations to implement (including in relation to electronic communications), it will provide a further opportunity for the on-going monitoring and review of changes to the Trade Marks Regulations.