

Trans-Tasman Regulatory Framework for Patent Attorneys

Regulatory Impact Statement

STATUS QUO AND PROBLEM DEFINITION

National registration regimes

Patent attorneys are a small profession providing specialist advice on obtaining, protecting and exploiting intellectual property rights (IPRs), particularly for patents and trade marks. Patent attorneys are required to blend scientific knowledge with legal expertise. Many patent attorneys therefore hold, in addition to their patent attorney qualification, scientific and law qualifications. The small size of the profession and qualifications patent attorneys hold contribute to the high cost to business for receiving advice from patent attorneys. It can cost a business from \$4,000 to \$100,000 and more in patent attorney fees to protect an invention as a patent. The cost depends on the nature and complexity of the invention and on whether protection is required overseas.

The New Zealand register of patent attorneys, which is maintained by the Intellectual Property Office of New Zealand (IPONZ) under the Patents Act 1953, comprises 194 New Zealanders and 413 Australians.

There is potential for significant irrevocable financial harm to occur to a business from either not seeking specialist advice from a patent attorney or receiving advice from an unskilled person. There can be high costs for breaching another's intellectual property right and for not adequately protecting the investment made in developing new and innovative products and services. The principle beneficiaries of the registration regime are, therefore, intended to be businesses, not patent attorneys.

The Patent Attorneys Bill 2008, currently before Parliament, will repeal and replace the existing framework under the Patents Act in order to provide a modern occupational regulatory framework for patent attorneys. The regulatory framework will be closely aligned with the existing registration regime in Australia. The Bill creates a Patent Attorneys' Standards Board to be responsible for education and discipline for the profession. IPONZ is to be responsible for administering the register of patent attorneys and for providing secretarial services to the Board, including administering the Board's finances. The costs of the Board and IPONZ are to be fully recovered from fees payable for a person to register and practice as a patent attorney. The registration and renewal fees (currently each fee is \$67 under the Patents Act) are expected to increase significantly under the Patent Attorneys Bill to at least \$244 for registration and \$427¹ to renew a registration.

Patent attorneys are similarly regulated in Australia under the Patents Act 1990. The Australian register comprises 675 Australians and 105 New Zealanders. The Professional Standards Board (PSB) is responsible for education and discipline, whilst IP Australia administers the register of patent attorneys and provides secretarial services to the PSB, including administering its finances. The costs of the PSB and IP Australia are fully recovered from the fees payable for a person to register and practise as a patent attorney. The registration fee is AU\$200 and the annual registration renewal fee is AU\$350.

While the two registration regimes are similar, there are a number of differences between the Patent Attorneys Bill and the Australian Patents Act that reflect different domestic approaches to occupational regulation. For example, patent attorneys in Australia must complete 10 hours per annum of continuing professional education in order to renew their registrations, whereas there are no continuing professional education requirements in New Zealand.

¹ Based on 2003 estimates to implement the Patent Attorneys Bill and adjusted for CPI since then. The estimates assumed that there would be no change in number of Australian patent attorneys registering to practise in New Zealand.

Trans-Tasman Mutual Recognition Arrangements

Since 1998 New Zealand and Australian patent attorneys have been able to register and practise across the Tasman pursuant to the Trans-Tasman Mutual Recognition Arrangements (TTMRA). The effect of the TTMRA was to create a trans-Tasman market for patent attorney services. The majority of Australian and New Zealand domiciled patent attorneys, pursuant to the TTMRA, are now registered to practise in both countries.

Single Economic Market Agenda

In August 2009, Prime Ministers Key and Rudd issued a joint statement of intent in which outcomes for the Single Economic Market (SEM) agenda between Australia and New Zealand were agreed. One of the key objectives of the SEM is to improve the productivity and innovation of Australian and New Zealand businesses by deepening the level of economic integration between the two countries and providing a trans-Tasman market and improved institutions. For intellectual property, Prime Ministers endorsed a range of outcomes being developed, including a single trans-Tasman regulatory framework for patent attorneys. Patent attorneys would become the first occupational group to be regulated under a single trans-Tasman regulatory framework.

Ineffective trans-Tasman market for patent attorney services

It has been nearly 13 years since the TTMRA came into force and there is little evidence to show that a vibrant and competitive trans-Tasman market has developed for patent attorney services over this time. Despite there being a significant overlap between the Australian and New Zealand registers, and in this regard a high number of Australians registered to practise in New Zealand, local and overseas businesses continue to primarily use Australian patent attorneys for services in Australia and New Zealand patent attorneys in New Zealand. The absence of effective competition within a small profession may be contributing to the high cost of patent attorney service in Australia and New Zealand.

There appear to be several barriers discouraging businesses from using a patent attorney on a trans-Tasman basis. These are:

- Many businesses believe that their local patent attorneys are not sufficiently qualified to represent them across the Tasman. The TTMRA does not require an Australian patent attorney demonstrate his or her competence in the knowledge of New Zealand law and practice to be able to register and practice in New Zealand, and vice versa for New Zealand patent attorneys in Australia. Australian registered patent attorneys are required to undertake continuing professional education to keep their skills and knowledge up to date, but there is no such requirement in New Zealand.
- Differing standards of service for patent attorneys and disciplinary regimes in Australia and New Zealand. This makes it difficult for businesses to determine which patent attorneys are providing the “best value for money”.

The TTMRA is not about professions in Australia and New Zealand being equally qualified to provide advice on a trans-Tasman basis, providing consistent standards of service or ensuring businesses are serviced by an up-to-date profession.

Inefficient institutional arrangements

While the TTMRA means that an Australian patent attorney can more readily become registered and practice in New Zealand and vice versa, it still requires each country to provide and maintain separate registration regimes for patent attorney services. This means that it does not allow the governments to take advantage of economies of scale in regulating patent attorneys.

The cost of operating two independent regimes is inherently inefficient. Each country must maintain independent registration regimes in order to govern largely the same group of individuals registered as patent attorneys in both countries. Two independent registration regimes means there are two registers of patent attorneys to be maintained and two boards to govern the patent attorneys essentially performing the same roles, while each board in turn is supported by different government agencies.

Existing arrangements are also inconvenient and inefficient for patent attorneys. The two registration regimes require separate applications to be made and fees to be paid in each country to enable a person to practise as a patent attorney on a trans-Tasman basis. Both IP Australia and IPONZ are required to fully recover the costs for administering the registrations regimes from the registration and renewal fees. Those Australian patent attorneys registered to also practise in New Zealand and who are not actually providing services in New Zealand are effectively subsidising the New Zealand registration regime, and vice versa. If Patent Attorneys Bill was to be implemented, the increase in registration and renewal fees (which are \$67 under the Patents Act 1953) may deter a large number of Australians from renewing their New Zealand registrations. This in turn would require IPONZ to seek an increase in the registration and renewal fees that New Zealand patent attorneys would have to pay to maintain the regime under the Patent Attorneys Bill.

The existing arrangements for regulating patent attorneys services do not support the SEM agenda.

OBJECTIVES

The objective is to improve the regulatory environment for the delivery of affordable, high quality patent attorney services to businesses in Australia and New Zealand.

In accordance with the SEM agenda, the outcomes sought include:

- Providing a larger market for patent attorneys services to encourage patent attorneys to innovate and increase their productivity;
- Providing a joint regulatory environment for patent attorneys to register and operate seamlessly between each country;
- Allowing economies of scale to be achieved in the regulatory design and implementation of the institutional arrangements for regulating patent attorneys services;
- Reducing the regulatory and business compliances costs for patent attorneys to practise on a trans-Tasman basis;
- Facilitating conditions for the development of a more vibrant and competitive market for patent attorney services;
- Increasing business confidence in the quality and standards of service provided by patent attorneys, especially when patent attorneys provide services on a trans-Tasman basis; and
- Optimising a net Trans-Tasman benefit for Australia and New Zealand.

REGULATORY IMPACT ANALYSIS

Options for regulating patent attorneys services

Option 1 (identical, but independent, registration regimes in both countries)

Under this option the Patent Attorneys Bill would be amended to replicate the registration regime currently provided under the Australian Patents Acts. Each country would therefore provide:

- a register of patent attorneys administered in Australia by IP Australia and in New Zealand by IPONZ;
- a local patent attorney standards board responsible for education and discipline;
- the same qualification requirements for registration and renewal as patent attorneys, including minimum prescribed continuing professional education requirements;
- a code of conduct and disciplinary regime;
- separate registration and renewal procedures, including registration and renewal fees, for a person to practice as a patent attorney; and
- allow a person to register in both countries, pursuant to the TTRMA, in order to be able to practice on a trans-Tasman basis.

Option 2 (Trans-Tasman Regulatory Framework) – Preferred Option

Under this option the national registration regimes would be merged into a single trans-Tasman registration regime (the “trans-Tasman framework”). The Australian and New Zealand professions would effectively become a trans-Tasman patent attorney profession.

The resulting trans-Tasman regulatory framework would comprise the following key elements:

- a single definition of the functions and services which would only be performed by a registered patent attorney and who would be allowed to hold themselves out as providing patent attorney services in Australia and New Zealand;
- a trans-Tasman Governance Body responsible for education, discipline and registration of patent attorneys in Australia and New Zealand;
- one set of qualification requirements for registration and renewal as a patent attorney;
- a trans-Tasman register of patent attorneys, with one registration and renewal process;
- one set of registration and renewal fees, payable to IP Australia, to fully recover the costs associated with regulating patent attorneys across Australia and New Zealand, which would initially be set at the existing Australian fees - currently AU\$200 (NZ\$244) to register and AU\$350 (NZ\$427) to renew registration;
- a single trans-Tasman code of conduct and disciplinary regime; and
- IP Australia would be primarily responsible for providing secretarial and administrative support to the trans-Tasman Governance Body and, with some assistance from IPONZ.

Analysis of the options

Below is a table outlining our assessment of how each of the options would impacts on the delivery of patent attorney services in Australia, New Zealand and on a trans-Tasman basis. Because no occupational group has been regulated previously on a trans-Tasman basis, our assessment of the impact of Option 2 is largely qualitative.

	Status quo	Option 1	Option 2
NZ registration fee	NZ\$244	NZ\$244	NZ\$244 (AU\$200)
NZ renewal fee	NZ\$412	At least NZ\$412	NZ\$427 (AU\$350)
Au registration fee	AU\$200 (NZ\$244)	AU\$200 (NZ\$244)	AU\$200 (NZ\$244)
Au renewal fee	AU\$350 (NZ\$427)	AU\$350 (NZ\$427)	AU\$350 (NZ\$427)
Trans-Tasman registration fee	NZ\$488	NZ\$488	NZ\$244 (AU\$200)
Trans-Tasman renewal fee	NZ\$839	NZ\$839	NZ\$427 (AU\$350)
NZ domiciled patent attorneys	194	194	Not known, may increase or decrease in the short term
Australian domiciled patent attorneys	675	675	Not known, may increase or decrease in the short term
Total number of trans-Tasman registered patent attorneys ²	<518 (105 in NZ plus 413 in AU)	<518 (105 in NZ plus 413 in AU)	869
Meets SEM objective	No	Partly	Yes
Increase the size of the market for patent attorney services	No	No	Yes
Patent attorneys able to operate seamlessly in both countries	No	No	Yes
Achieve economies of scale in institutional arrangements	No	No	Yes
Facilitate competitive market	No change	Partly	Yes
Business confidence in patent attorney services provided in NZ	No change	Small positive increase	Small positive increase
Business confidence in patent attorney services provided in Australia	No change	No change	No change

² The number of Australian patent attorneys registered to practise in New Zealand is based on the number currently registered under the Patents Act 1953, were the registration and renewal fees are NZ\$67. The number of Australian registered to practice in New Zealand under the Patent Attorneys Bill may reduce because of the increase in the registration and renewal fees.

Business confidence in patent attorney services provided on a trans-Tasman basis	No change	Small positive increase	Positive increase
Long term impact on supply of patent attorney services in New Zealand	None	Minimal, slight increase in the quality of services	Minimal, slight increase in the quality of services
Long term impact on supply of patent attorney services in Australia	None	None	Increase in supply of patent attorney services into Australia from New Zealand domiciled patent attorneys leading to a lowering of the cost of patent attorney services in Australia.
Net trans-Tasman benefit	No	No	Yes

Compared to the status quo and Option 1, the trans-Tasman framework under Option 2 would provide an improved regulatory environment for business in Australia and New Zealand to receive patent attorney services and better facilitate the provision of patent attorney services across Australia and New Zealand whilst allowing both governments to achieve economies in scale in regulating patent attorneys services. Importantly the trans-Tasman framework would contribute a small, but significant, first step towards economic integration between Australia and New Zealand in the provision of services by regulated occupations.

Australian impact

Because the trans-Tasman framework is closely aligned to the existing Australian registration regime, the changes in Australia to implement the trans-Tasman framework have been assessed by the Office of Best Practice Regulation as “minor and machinery in nature”. The trans-Tasman framework would not, therefore, substantially alter the existing regulatory regimes under which patent attorneys are permitted to practise in Australia.

Australian patent attorneys who are also registered to practise in New Zealand would see a significant reduction in their regulatory and business compliance costs to practice on a trans-Tasman basis. For the remainder of Australian patent attorneys, their regulatory and business compliance costs to continue to practise in Australia would not change.

For businesses in Australia the trans-Tasman framework would facilitate increased competition from New Zealand patent attorneys. The trans-Tasman framework would reduce barriers preventing businesses from reducing their costs for patent attorney services by using the same patent attorney in both Australia and New Zealand. Because New Zealand patent attorneys are generally 20-50% cheaper than their Australian counterparts, increased competition from New Zealand patent attorneys may have the effect of reducing the overall costs to businesses to receive patent attorney services in Australia.

New Zealand impact

Because the trans-Tasman framework would be broadly similar, but not identical, to the registration regime to be provided under the Patent Attorneys Bill, the trans-Tasman framework would have more of an impact on New Zealand patent attorneys compared to their Australian counterparts. Any impact is not likely to be significant, because the majority of New Zealand patent attorneys are already registered to practice in Australia and, therefore, already subject to the Australian regime.

For New Zealand patent attorneys already registered to practice in Australia, their regulatory and business compliance costs to practice on a trans-Tasman basis would be substantially reduced. For the remainder of the New Zealand patent attorneys, their regulatory and business compliances would be similar to those they would experience under the Patent Attorneys Bill.

It is not entirely clear, however, how facilitating the conditions for increased competition between Australian and New Zealand domiciled patent attorneys would impact supply and price of patent attorneys services in either country. A supply and demand model framework would suggest some possible scenarios. Because New Zealand patent attorneys are generally cheaper than Australian patent attorneys, an increase in competition is likely to lower the price of patent attorney services in Australia. If New Zealand patent attorneys are able to work in Australia for higher prices, this may also lead to an increase in the cost of patent attorney services in New Zealand, if New Zealand patent attorneys move across the Tasman to chase higher incomes available in Australia.

While there is a short term risk that increased competition may result in a reallocation of patent attorneys between Australia and New Zealand, there is no empirically provable ideal size for the patent attorney profession to support innovation and economic development. Generally competitive forces should be left to determine the size of the profession. In the long term, it is likely that the single trans-Tasman model would have a net impact of levelling out supply, demand and prices on a trans-Tasman basis.

CONSULTATION

The following departments were consulted on the trans-Tasman framework: Te Puni Kokiri; Ministry of Consumer Affairs; the New Zealand Customs Service; Ministry of Education; Ministry of Foreign Affairs and Trade; Ministry of Justice; Ministry of Science and Innovation; the New Zealand Qualifications Authority; and the Treasury. The Department of Prime Minister and Cabinet was also informed.

The Ministry of Justice and Treasury raised concerns about how the trans-Tasman framework would be implemented; noting that there are a number of implementation issues that are still to be addressed. It is also concerned about risks arising from the precedent setting nature for other work surrounding the creation of joint trans-Tasman institutions. This issue has been acknowledged and will need to be addressed as part of the work to implement the trans-Tasman framework.

In April 2011 the Ministry of Economic Development and IP Australia jointly published a discussion paper outlining a proposal for a trans-Tasman framework for regulating patent attorneys. 18 submissions were received in response to the discussion paper, five from Australian stakeholders and 13 from New Zealand stakeholders. On the whole the Australian submissions, which included submissions from the Australian patent attorney profession, were broadly supportive of the introduction of a trans-Tasman regulatory framework for patent attorneys. The submissions from Australian patent attorneys emphasised a need to ensure that the trans-Tasman framework did not result in a dilution in the quality of persons registering as patent attorneys nor in the standards of service required in Australia.

Of the 13 submissions received from New Zealand stakeholders, 11 were from patent attorneys. In contrast to the submissions received from Australian patent attorneys, New Zealand patent attorneys were not supportive of the introduction of a trans-Tasman framework.

While New Zealand patent attorneys acknowledged that the Trans-Tasman framework would facilitate increased levels of competition between Australian and New Zealand patent attorneys, one of their main concerns was that, overtime, overseas businesses may prefer to use Australian patent attorneys in New Zealand. This might lead to a loss of income for New Zealand patent attorney firms and an eventual decrease in the number of patent attorneys domiciled in New Zealand and, therefore, fewer patent attorneys available to support innovative local businesses. Fewer patent attorneys in New Zealand might also cause an increase in the cost of patent attorney services in New Zealand.

One of the objectives of the SEM work program is to establish a larger market into which Australian and New Zealand business can compete. The larger market should assist to encourage businesses, including patent attorneys, to innovate and increase their productivity. While there is a risk that increased competition may result in a reallocation of patent attorneys between Australia and New Zealand, the regulatory regime does not exist to guarantee patent attorneys a ready source of income. The regulatory regime exists for the benefit of businesses, so that they can have access to reliable, high quality advice on the protection and exploitation of intellectual property.

New Zealand patent attorneys were concerned that the Trans-Tasman framework would impact on the manner a person qualifies as a registered patent attorney and increase the associated costs when compared to the existing framework for regulating the profession under the Patents Act 1953. The existing patent attorney registration regime and scheme for qualifying for registration under the Patents Act 1953 is no longer appropriate nor sustainable in the 21st Century and issues associated with costs related to providing a modern regulatory framework for patent attorneys were addressed during Select Committee consideration of the Patent Attorneys Bill.

Some amendments to the details of the proposal have been made to address specific concerns with some of the key features. For example, the composition of the Governance Body has been modified so that emphasis is placed on the appointment of people with appropriate knowledge and skills to aid the overall performance of Governance Body, rather than on a person's residency.

CONCLUSIONS AND RECOMMENDATIONS

It is recommended that option 2, a trans-Tasman regulatory framework for patent attorneys, be pursued. A single trans-Tasman regulatory framework would both facilitate the broader objectives of the SEM as agreed by Prime Ministers, and create a more enabling business environment for the majority of patent attorneys to operate within New Zealand and Australia. While the framework's overall contribution to the development of the SEM is not likely to be significant, it is nevertheless an important step towards the overall goal of economic integration between Australia and New Zealand, especially in the area of services provided by regulated occupations. Even though the small size of the patent attorney profession means that the overall net benefit is likely to be small, the proposal should be seen in the context of wider trans-Tasman objectives and should be pursued in preference to either implementing the Patent Attorneys Bill or making further changes to the Bill to align it with the Australian registration regime.

IMPLEMENTATION

An overarching bilateral instrument between Australia and New Zealand would be required to provide the trans-Tasman framework. It is also anticipated that legislative changes would then need to be made simultaneously to the Australian Patents Act 1990 and New Zealand Patents Act 1953 to implement the trans-Tasman framework.

Taking these factors into account, it is anticipated that it will take at least two years to implement the trans-Tasman framework. During this period the current regulatory regime under the Patents Act 1953 would need to continue in New Zealand.

MONITORING, EVALUATION AND REVIEW

IP Australia is mandated to review all its fees every five years. A review of the registration and renewal fees under the trans-Tasman framework would, however, be undertaken "out of cycle" and within 2 – 3 years of implementation.

While the trans-Tasman framework would be monitored post-implementation by IP Australia and the Ministry of Economic Development to ensure that it is working as expected, a wider review of operation and effectiveness of the trans-Tasman framework would be initiated with five to six years following implementation.