

Hon. Mr. Parr.

PATENTS, DESIGNS, AND TRADE-MARKS AMENDMENT.

ANALYSIS.

Title.	3. Repeal. Provision for the prevention of abuse of monopoly rights.
1. Short Title and commencement.	4. Acceptance of complete specification after expiration of time prescribed by principal Act.
2. Repeal. Provision as to patents endorsed "licenses of right."	

A BILL INTITLED

AN ACT to amend the Patents, Designs, and Trade-marks Act, 1921-22.

BE IT ENACTED by the General Assembly of New Zealand
5 in Parliament assembled, and by the authority of the same, as follows :—

1. (1.) This Act may be cited as the Patents, Designs, and Trade-marks Amendment Act, 1924, and shall be read together with and deemed part of the Patents, Designs, and Trade-marks Act, 1921-22
10 (hereinafter referred to as the principal Act). Short Title.

(2.) Save as provided in section four hereof, this Act shall come into force on the first day of July, nineteen hundred and twenty-five.

2. Section twenty-six of the principal Act is hereby repealed, and Repeal. the following section substituted therefor :—

15 “ 26. (1.) At any time after the sealing of a patent the Registrar shall, if the patentee so requests, cause the patent to be endorsed with the words ‘ licenses of right,’ and a corresponding entry to be made in the Register, and thereupon— Provision as to
patents endorsed
“licenses of right.”
9 & 10 Geo. 5, c. 80,
sec. 2.

“ (a.) Any person shall at any time thereafter be entitled as of right to a license under the patent upon such terms as, in default of agreement, may be settled by the Registrar on the application of either the patentee or the applicant :

25 “ Provided that any license the terms of which are settled by agreement shall be deemed, unless otherwise expressly provided, to include the terms and conditions specified in paragraphs (c) and (d) of this subsection as if they had been imposed by the Registrar thereunder.

“(b.) In settling the terms of any such license the Registrar shall be guided by the following considerations—

30 “ (i.) He shall, on the one hand, endeavour to secure the widest possible user of the invention in New Zealand consistent with the patentee deriving a reasonable advantage from his patent rights :

“ (ii.) He shall, on the other hand, endeavour to secure to the patentee the maximum advantage consistent with the invention being worked by the licensee at a reasonable profit in New Zealand :

“ (iii.) He shall also endeavour to secure equality of advantage among the several licensees, and for this purpose may, on due cause being shown, reduce the royalties or other payments accruing to the patentee under any license previously granted : 5

“ Provided that, in considering the question of 10 equality of advantage, the Registrar shall take into account any work done or outlay incurred by any previous licensee with a view to testing the commercial value of the invention or to securing the working thereof on a commercial scale in New Zealand : 15

“ (c.) Any such license the terms of which are settled by the Registrar may be so framed as to preclude the licensee from importing into New Zealand any goods the importation of which, if made by persons other than the patentee or those claiming under him, would be an infringement 20 of the patent, and in such a case the patentee and all licensees under the patent shall be deemed to have mutually covenanted against such importation : 20

“ (d.) Every such licensee shall be entitled to call upon a patentee to take proceedings to prevent the infringement of the 25 patent, and if the patentee refuses or neglects to do so, within two months after being so called upon, the licensee may institute proceedings for the infringement in his own name as though he were patentee, making the patentee a defendant. A patentee so added as defendant shall not 30 be liable for any costs unless he enters an appearance and takes part in the proceedings. Service on him may be effected by leaving the writ at his address for service given on the Register : 30

“ (e.) If in any action for infringement of a patent so endorsed the 35 infringing defendant is ready and willing to take a license upon terms to be settled by the Registrar, no injunction against him shall be awarded, and the amount recoverable against him by way of damages (if any) shall not exceed double the amount which would have been recoverable 40 against him as licensee if the license had been dated prior to the earliest infringement : 40

“ Provided that this paragraph shall not apply where the infringement consists of the importation of infringing goods : 45

“ (f.) The renewal fees payable by the patentee of a patent so endorsed shall, as from the date of the endorsement, be one moiety only of the fees which would otherwise have been payable.

“ (2.) The Registrar shall, before acting on any request to endorse 50 a patent made by the patentee under this section, advertise such request in the *Patent Office Journal*, and shall satisfy himself that

the patentee is not precluded by contract from making such request, and for that purpose shall require from the patentee such evidence, by statutory declaration or otherwise, as he may deem necessary :

“ Provided that a patentee shall not be deemed to be so precluded 5 by reason only of his having granted a license under the patent where the license does not limit his right to grant other licenses.

“ (3.) Any person alleging that a request under this section has been made contrary to some contract in which he is interested may apply to the Registrar within the prescribed time and in the prescribed 10 manner, and the Registrar, if satisfied of the truth of such allegation, shall refuse to endorse the patent pursuant to the request or shall cause the endorsement, if already made, to be cancelled.

“ (4.) All endorsements of patents under this section shall be entered on the Register of Patents, and shall be published in the *Patent 15 Office Journal* and in such other manner as to the Registrar may seem desirable for the purpose of bringing the invention to the notice of manufacturers.

“ (5.) If at any time it appears that in the case of a patent so endorsed there is no existing license the Registrar may, if he thinks 20 fit, on the application of the patentee and on payment by him of the unpaid moiety of all renewal fees which have become due since the endorsement, after due notice cancel the endorsement, and in that case the patentee's rights and liabilities shall be the same as if no such endorsement had been made.

25 “ (6.) Any order or decision of the Registrar under this section shall be subject to appeal to the Court.”

3. Section twenty-nine of the principal Act is hereby repealed, and **Repeal.**
the following section substituted therefor :—

“ 29. (1) Any person interested may at any time apply to the 30 Registrar alleging in the case of any patent that there has been an abuse of the monopoly rights thereunder and asking for relief under this section.

“ (2.) The monopoly rights under a patent shall be deemed to have been abused in any of the following circumstances :—

35 “ (a.) If at any time after the expiration of four years from the date of the patent the patented invention (being one capable of being worked in New Zealand) is not being worked within New Zealand on a commercial scale, and no satisfactory reason can be given for such non-working :

40 “ Provided that if an application is presented to the Registrar on this ground, and the Registrar is of opinion that the time which has elapsed since the date of the patent has by reason of the nature of the invention or for any other cause been insufficient to enable the invention to be worked within New Zealand on a commercial scale, the Registrar may adjourn the application for such period as will in his opinion be sufficient for that purpose :

45 “ (b.) If the working of the invention within New Zealand on a commercial scale is being prevented or hindered by the importation from abroad of the patented article by the patentee or persons claiming under him, or by persons directly or indirectly purchasing from him, or by other persons against whom the patentee is not taking or has not taken any proceedings for infringement :

Provision for the
prevention of abuse
of monopoly rights.
9 & 10 Geo. 5,
c. 80, sec. 1.

- “ (c.) If the demand for the patented article in New Zealand is not being met to an adequate extent and on reasonable terms :
 “ (d.) If, by reason of the refusal of the patentee to grant a license or licenses upon reasonable terms, the trade or industry of New Zealand or the trade of any person or class of persons trading in New Zealand, or the establishment of any new trade or industry in New Zealand, is prejudiced, and it is in the public interest that a license or licenses should be granted :
 “ (e.) If any trade or industry in New Zealand, or any person or class of persons engaged therein, is unfairly prejudiced by the conditions attached by the patentee (whether before or after the passing of this Act) to the purchase, hire, license, or use of the patented article, or to the using or working of the patented process : 10
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“ Provided that, for the purpose of determining whether there has been any abuse of the monopoly rights under a patent, it shall be taken that patents for new inventions are granted not only to encourage invention but to secure that new inventions shall so far as possible be worked on a commercial scale in New Zealand without undue delay. 20

“ (3.) On being satisfied that a case of abuse of the monopoly rights under a patent has been established, the Registrar may exercise any of the following powers as he may deem expedient in the circumstances :—

“ (a.) He may order the patent to be endorsed with the words ‘licenses of right,’ and thereupon the same rules shall 25 apply as are provided in this Act in respect of patents so endorsed, and an exercise by the Registrar of this power shall entitle every existing licensee to apply to the Registrar for an order entitling him to surrender his license in exchange for a license to be settled by the Registrar in 30 like manner as if the patent had been so endorsed at the request of the patentee, and the Registrar may make such order ; and an order that a patent be so endorsed may be made notwithstanding that there may be an agreement subsisting which would have precluded the endorsement 35 of the patent at the request of the patentee :

“ (b.) He may order the grant to the applicant of a license on such terms as the Registrar may think expedient, including a term precluding the licensee from importing into New Zealand any goods the importation of which, if made 40 by persons other than the patentee or persons claiming under him, would be an infringement of the patent, and in such case the patentee and all licensees for the time being shall be deemed to have mutually covenanted against such importation. A licensee under this paragraph shall 45 be entitled to call upon the patentee to take proceedings to prevent infringement of the patent, and if the patentee refuses, or neglects to do so within two months after being so called upon, the licensee may institute proceedings for infringement in his own name as though he were the 50 patentee, making the patentee a defendant. A patentee so added as defendant shall not be liable for any costs

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unless he enters an appearance and takes part in the proceedings. Service on him may be effected by leaving the writ at his address for service given on the Register. In settling the terms of a license under this paragraph the Registrar shall be guided as far as may be by the same considerations as are specified in section twenty-six of this Act for his guidance in settling licenses under that section :

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“ (c.) If the Registrar is satisfied that the invention is not being worked on a commercial scale within New Zealand, and is such that it cannot be so worked without the expenditure of capital for the raising of which it will be necessary to rely on the patent monopoly, he may, unless the patentee or those claiming under him will undertake to find such capital, order the grant to the applicant, or any other person, or to the applicant and any other person or persons jointly, if able and willing to provide such capital, of an exclusive license on such terms as the Registrar may think just, but subject as hereinafter provided :

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“ (d.) If the Registrar is satisfied that the objects of this section cannot be attained by the exercise of any of the foregoing powers, he may order the patent to be revoked, either forthwith or after such reasonable interval as may be specified in the order, unless in the meantime such conditions as may be prescribed in the order with a view to attaining the objects of this section are fulfilled, and the Registrar may, on reasonable cause shown in any case, by subsequent order extend the interval so specified :

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“ Provided that the Registrar shall make no order for revocation which is at variance with any treaty, convention, arrangement, or engagement with any foreign country or British possession :

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“ (e.) If the Registrar is of opinion that the objects of this section will be best attained by making no order under the above provisions of this section, he may make an order refusing the application, and dispose of any question as to costs thereon as he thinks just.

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“ (4.) In settling the terms of any such exclusive license as is provided in paragraph (c) of the *last preceding* subsection, due regard shall be had to the risks undertaken by the licensee in providing the capital and working the invention, but, subject thereto, the license shall be so framed as—

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“ (a.) To secure to the patentee the maximum royalty compatible with the licensee working the invention within New Zealand on a commercial scale and at a reasonable profit ;

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“ (b.) To guarantee to the patentee a minimum yearly sum by way of royalty, if and so far as it is reasonable so to do, having regard to the capital requisite for the proper working of the invention and all the circumstances of the case ;

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and, in addition to any other powers expressed in the license or order, the license and the order granting the license shall be made revocable at the discretion of the Registrar if the licensee fails to expend the amount specified in the license as being the amount which he is able

and willing to provide for the purpose of working the invention on a commercial scale within New Zealand, or if he fails so to work the invention within the time specified in the order.

"(5.) In deciding to whom such an exclusive license is to be granted the Registrar shall, unless good reason is shown to the contrary, prefer an existing licensee to a person having no registered interest in the patent. 5

"(6.) The order granting an exclusive license under this section shall operate to take away from the patentee any right which he may have as patentee to work or use the invention and to revoke all existing licenses, unless otherwise provided in the order; but on granting an exclusive license the Registrar may, if he thinks it fair and equitable, make it a condition that the licensee shall give proper compensation, to be fixed by the Registrar, for any money or labour expended by the patentee or any existing licensee in developing or exploiting the 15 invention. 10

"(7.) Every application presented to the Registrar under this section must set out fully the nature of the applicant's interest, and the facts upon which the applicant bases his case and the relief which he seeks. The application must be accompanied by statutory declarations 20 verifying the applicant's interest and the facts set out in the application. 20

"(8.) The Registrar shall consider the matters alleged in the application and declarations, and, if satisfied that the applicant has a *bona fide* interest and that a *prima facie* case for relief has been made out, he shall direct the applicant to serve copies of the application and 25 declarations upon the patentee and upon any other persons appearing from the Register to be interested in the patent, and shall advertise the application in the *Patent Office Journal*. 25

"(9.) If the patentee or any person is desirous of opposing the granting of any relief under this section, he shall, within such time as 30 may be prescribed, or within such extended time as the Registrar may on application further allow, deliver to the Registrar a counter statement, verified by a statutory declaration, fully setting out the grounds on which the application is to be opposed. 30

"(10.) The Registrar shall consider the counter statement and 35 declarations in support thereof, and may thereupon dismiss the application if satisfied that the allegations in the application have been adequately answered, unless any of the parties demands a hearing or unless the Registrar himself appoints a hearing. In any case the Registrar may require the attendance before him of any of the declarants to be cross-examined or further examined upon matters relevant to the issues raised in the application and counter statement, and he may, subject to due precautions against disclosure of information to rivals in trade, require the production before him of books and documents relating to the matter in issue. 40 45

"(11.) All orders of the Registrar under this section shall be subject to appeal to the Court. 45

"(12.) In any case where the Registrar does not dismiss an application as hereinbefore provided; and

"(a.) If the parties interested consent; or 50

"(b.) If the proceedings require any prolonged examination of documents or any scientific or local investigation which cannot in the opinion of the Registrar conveniently be made before him,—

the Registrar may at any time order the whole proceedings or any question or issue of fact arising thereunder to be referred to an arbitrator agreed on by the parties, or, in default of agreement, appointed by the Registrar; and where the whole proceedings are so referred

5 the award of such arbitrator shall, if all the parties consent, be final, but otherwise shall be subject to the same appeal as the decision of the Registrar under this section; and where a question or issue of fact is so referred the arbitrator shall report his findings to the Registrar.

“(13.) For the purposes of this section the expression ‘patented article’ includes articles made by a patented process.”

4. (1.) Where for any reason a complete specification has not been accepted within the time prescribed by section nine of the principal Act, or within any extension of time granted by the Registrar under that section, the applicant may apply to the Registrar in the prescribed manner for an order authorizing the acceptance of the complete specification within such time as may be specified in that behalf in the order.

(2.) Every such application shall contain a statement of the circumstances which led to the non-acceptance of the complete specification.

(3.) If it appears from that statement that any omission on the part of the applicant was unintentional, and that no undue delay has occurred in the making of the application, the Registrar shall advertise the application; and within such time as may be prescribed any person

25 may give notice of opposition at the Patent Office.

(4.) Where such notice is given the Registrar shall notify the applicant thereof.

(5.) After the expiration of the prescribed period the Registrar shall hear the case, and issue an order authorizing the acceptance of the complete specification within a time to be specified in that behalf in the order or dismissing the application.

(6.) In every order under this section such provisions as may be prescribed shall be inserted for the protection of persons who may have availed themselves of the subject-matter of the application for a patent.

35 (7.) An appeal shall lie from the decision of the Registrar under this section to the Court.

(8.) This section shall apply to any case notwithstanding that the time prescribed by the principal Act for the acceptance of a complete specification or any extension of that time may have expired before

40 the passing of this Act.

(9.) The period of one month allowed by the proviso to section seven of the principal Act for an extension of time for leaving a complete specification, and the period of three months allowed by the proviso to section nine of the principal Act for an extension of time for the

45 acceptance of a complete specification, shall have no application in proceedings under this section.

(10.) This section shall come into force on the date of the passing of this Act.

Acceptance of
complete
specification after
expiration of time
prescribed by
principal Act.