

**IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY**

**I TE KŌTI MATUA O AOTEAROA
TE WHANGANUI-Ā-TARA ROHE**

**CIV 2017-485-478
[2017] NZHC 2918**

UNDER	the Patents Act 2013
IN THE MATTER	of an appeal from the decision [2017] NZIPOPAT 12 of the Assistant Commissioner dated 15 May 2017
BETWEEN	MERIAL INC Appellant
AND	INTERVET INTERNATIONAL B.V. Respondent

Hearing: 7 November 2017

Counsel: C L Elliott QC for Appellant
G F Arthur for Respondent

Judgment: 27 November 2017

JUDGMENT OF SIMON FRANCE J

Introduction

[1] At issue in this proceeding is the meaning to be given to the term “extraordinary circumstances” in reg 103(3) of the Patents Regulations 2014. Regulation 103 is a procedural provision which sets out the time frame for filing a counter-statement in response to an application for revocation of a patent. Subclause (3) empowers the Commissioner of Patents to extend the initial period of two months for a further two months if exceptional circumstances justify it.

[2] “Exceptional” is a term that can have various meanings along a spectrum – unusual, out of the ordinary, quite out of the ordinary, special and “perhaps something more than special and less than extraordinary”.¹ In the present case, the Assistant Commissioner has settled on “unusual, outside the common run”.² The appellant submits that interpretation is an error that sets the bar too low. A second issue on the appeal will be assessing the facts against the correct interpretation.

[3] It will be necessary to consider the facts in more detail at that second stage. For now, it is sufficient to record that the respondent Intervet International B.V. (Intervet) applied in June 2011 for a patent. It was advertised in January 2015, and granted without opposition in May 2015. On 14 September 2015, the appellant Merial Inc (Merial) filed an application for revocation of the patent.

[4] In accordance with reg 103, IPONZ identified 23 November 2015 as the date for filing a counter-statement. By that date A J Park, the local patent attorneys for Intervet, despite having sought them had not received instructions concerning the matter. Accordingly, on that last day A J Park filed an application for an extension of time within which to file the counter-statement. The following day it filed a “bare” counter-statement, it being possible to later amend this to a fuller more informative document.

[5] Merial opposed the extension. Intervet filed further evidence setting out why the initial deadline had been missed. An oral hearing took place and in a reserved decision the Assistant Commissioner determined the meaning of exceptional circumstances and held that on the facts they were present.³ The extension of time was granted and Merial now appeals.

[6] By way of background context, it can be observed that the consequence of not allowing the extension would be that Intervet loses the ability to file a defence and evidence in support of its patent. There will still be a hearing on Merial’s application at which Intervet can participate.

¹ *Wilkins & Field Ltd v Fortune* [1998] 2 ERNZ 70 (CA) as cited in *Creedy v Commissioner of Police* [2008] NZSC 31, [2008] 3 NZLR 7 at [31].

² *Intervet International BV v Merial Inc* [2017] NZ1POPAT 12 at [29].

³ *Intervet*, above n 2.

Meaning of exceptional circumstance

[7] The correct approach to interpretation is that set out by Tipping J in *Commerce Commission v Fonterra Co-operative Group Ltd*.⁴

It is necessary to bear in mind that s 5 of the Interpretation Act 1999 makes text and purpose the key drivers of statutory interpretation. The meaning of an enactment must be ascertained from its text and in light of its purpose. Even if the meaning of the text may appear plain in isolation of purpose, that meaning should always be cross checked against purpose in order to observe the dual requirements of s 5. In determining purpose the court must obviously have regard to both the immediate and the general legislative context. Of relevance too may be the social, commercial or other objective of the enactment.

[8] While it can be accepted that “exceptional” has several potential meanings, the ordinary meaning of the word is “unusual”. That is established by the Supreme Court in *Creedy v Commissioner of Police*.⁵ In that case the Court was considering s 114 of the Employment Relations Act 2000 which sets the timeframe for raising a personal grievance. There the initial 90 day period could be extended by consent, or by the Authority if satisfied the delay was occasioned by exceptional circumstances. Section 115 then provided examples of exceptional circumstances.

[9] The Supreme Court observed:⁶

In *Wilkins & Field*, the Court of Appeal treated “exceptional circumstances” as those which are “unusual, outside the common run, perhaps something more than special and less than extraordinary”. This formulation appears to combine two different meanings, the first that of being unusual (the “exception to the rule”) and a second and more stringent interpretation of somewhere between special and extraordinary. For a number of reasons, we prefer the first meaning.

First, it accords with ordinary English usage. As Lord Bingham of Cornhill said in *R v Kelly* [1992] 2 All-ER13 (CA), when construing a reference to “exceptional circumstances”:

⁴ *Commerce Commission v Fonterra Co-operative Group Ltd* [2007] NZSC 36, [2007] 3 NZLR 767 at [22] (footnotes omitted).

⁵ *Creedy*, above n 1.

⁶ At [31]–[33] (footnotes omitted).

We must construe “exceptional” as an ordinary, familiar English adjective, and not as a term of art. It describes a circumstance which is such as to form an exception, which is out of the ordinary course, or unusual, or special, or uncommon. To be exceptional, a circumstance need not be unique, or unprecedented, or very rare, but it cannot be one that is regularly, or routinely, or normally encountered.

Secondly, it will be easier to apply. The very language of *Wilkins & Field* implies both uncertainty (“perhaps”) and lack of precision (“something more than special and less than extraordinary”). Thirdly, the short limit of 90 days, and the potentially serious consequences for employees of not being able to bring a grievance, support an interpretation which does not limit unduly the power to extend time. The prohibition in s 113 on challenging a dismissal otherwise than by a personal grievance reinforces this point.

Having said that, we also emphasise that Parliament has imposed a 90 day limit to ensure that employers are notified promptly of alleged grievances. Time should therefore be extended only if exceptional circumstances are truly established and, in addition, the overall justice of the case (which includes taking account of the position of an employer facing a late claim) so requires.

[10] It was this case that the Assistant Commissioner followed, although it appears the Assistant Commissioner may have slightly misread it. The Assistant Commissioner distilled these principles:⁷

... This interpretation, as I understand it, may be summarised as follows:

- (a) “unusual, outside the common run, perhaps something more than special and less than extraordinary” see (paragraph 31 of *Creedy*).
- (b) “Exceptional” should be construed as according with ordinary English usage; to be exceptional a circumstance need not be unique, or unprecedented, or very rare, but it cannot be one that is regularly, or routinely, or normally, encountered (see paragraph 32 of *Creedy*).
- (c) It must be easy to apply and must not unduly limit the power to extend time (see paragraph 32 of *Creedy*).
- (d) Notwithstanding (c) above time should only be extended if “exceptional circumstances have been truly established (see paragraph 33 of *Creedy*).
- (e) Notwithstanding any of the above, the overall justice of the case to the parties must be considered.

⁷ *Intervet*, above n 2, at [29].

[11] The first point, (a), is not correct in that it adopts the full *Wilkins & Field* formulation rejected by the Supreme Court which identified “unusual (the exception to the rule)” as the ordinary meaning.

[12] Mr Elliott QC advances several reasons why a different more stringent meaning than the ordinary meaning should be adopted for reg 103(3). The first plank to his argument is that a purpose of the Patents Act 2013 was to improve the efficiency of the patents system, which had in his submission become bogged down. Parliament changing this provision from the old test of “if the Commissioner thinks fit” to the now test of “exceptional circumstances” is submitted to be an example of giving effect to that purpose. It is submitted the Commissioner’s approach is to, in effect, take the test back to where it was.

[13] It is next submitted that a more stringent test for the same expression was already established in the trade marks area, and Parliament must be taken to have had that line of authority in mind when adopting the same wording here. The relevant authority is *Muir Electrical Co Pty Ltd v The Cool Guys Group Ltd* where the Court was considering reg 32 of the Trade Marks Regulations 2003.⁸ Regulation 32 is a general power to enlarge timeframes and the test was whether the Commissioner was satisfied there were “genuine and exceptional circumstances that justify the extension”. That wording was, like here, a shift from the terms of the previous provision towards a more restricted power to grant extensions. Lang J adopted a passage from *Awa v Independent News Auckland Ltd*:⁹

As to such, the term ‘exceptional circumstances’ when used in a statute is never free from difficulty. As a matter of general approach it is usually construed as meaning something like ‘quite out of the ordinary’. And obviously the onus must be on the applicant to establish entitlement in face of the statutory language.

⁸ *Muir Electrical Co Pty Ltd v The Cool Guys Group Ltd* HC Auckland CIV-2009-404-4965, 18 December 2009.

⁹ *Awa v Independent News Auckland Ltd* [1996] 2 NZLR 184 (HC) at 186, as cited in *Muir*, above n 6, at [84].

[14] The test espoused adopted by Lang J for reg 32, “quite out of the ordinary”, has subsequently been applied by several decisions of the Intellectual Property Office of New Zealand and Mr Eliot submits it is settled law of which Parliament can be taken to have been aware.

[15] More generally, Merial submits patent law is a specialist area known for its strict timeframes. Here, the relevant application is to revoke a patent. A patent is the conferment of a monopoly and there is a strong public interest in the efficient determination of challenges to the validity of patents. It is noted one of the purposes of the Patents Act is to ensure a patent is granted only in appropriate circumstances by:¹⁰

providing for procedures that allow the validity of a patent to be tested ...

[16] Related to this Mr Eliot notes the Australian approach is that exceptions are rarely given, and it is submitted harmonisation suggests a similar approach is appropriate here.

[17] It is appropriate to start first with the purpose provision of the Patents Act itself which provides:

3 Purposes

The purposes of this Act are to—

- (a) provide an efficient and effective patent system that—
 - (i) promotes innovation and economic growth while providing an appropriate balance between the interests of inventors and patent owners and the interests of society as a whole; and
 - (ii) complies with New Zealand’s international obligations; and
- (b) ensure that a patent is granted for an invention only in appropriate circumstances by—
 - (i) establishing appropriate criteria for the granting of a patent; and
 - (ii) providing for procedures that allow the validity of a patent to be tested; and
- (c) provide greater certainty for patent owners and the users of patented inventions that patents will be valid after they are granted; and

¹⁰ Patents Act 2013, s 3(b)(ii).

- (d) address Māori concerns relating to the granting of patents for inventions derived from indigenous plants and animals or from Māori traditional knowledge; and
- (e) ensure that New Zealand's patent legislation takes account of developments in the patent systems of other countries; and
- (f) regulate the provision of patent attorney services by giving effect to the joint registration regime with Australia.

[18] I was provided with the Attorney-General's introduction speech made on behalf of the Minister of Commerce.¹¹ It is consistent with the purpose provision as set out above and does not in my view require separate consideration. However, I acknowledge that a specific point addressed in the speech was the public cost of bad patents, and the aim of introducing simplified procedures that will reduce the cost and complexity involved in challenging bad patents. I doubt, however, that this purpose is particularly advanced or hindered by how the power to extend a filing date for a counter-statement is interpreted.

[19] The Act otherwise itself says little about timeframes other than to state that they will be prescribed in the Regulations. The Regulations are authorised by s 243 of the Act, of which s 243(1)(f)(i) provides:

- (1) The Governor-General may, by Order in Council, make regulations for all or any of the following purposes:

...

Matters under Commissioner's direction or control ...

- (f) providing for all matters placed under the direction or control of the Commissioner by this Act or the regulations, including—
 - (i) providing for the Commissioner to extend time limits under the regulations or waive requirements of the regulations ...

It is a broadly worded regulation making provision that does not of itself suggest a restrictive approach to the granting of extensions is contemplated or required.

¹¹ (5 May 2009) 654 NZPD 2873.

[20] Turning to the Regulations themselves, a notable feature is that there does not appear to be any timeframe that cannot be extended. As well as specific extensions such as reg 103(3), there are two broadly worded general powers of extension.

[21] Regulation 147 allows most time limits to be extended in exceptional circumstances, and this power may be exercised after the time limit has expired and more than once. It provides:

147 General power of Commissioner to extend time limits in exceptional circumstances

- (1) The Commissioner may, in exceptional circumstances, extend a time limit prescribed by these regulations for filing information or a document or for taking a step in respect of a matter.
- (2) However, this regulation does not apply—
 - (a) to a time limit prescribed for filing a notice of opposition of a kind referred to in regulation 152(1)(a); or
 - (b) to a time limit prescribed for filing information or a document or taking a step in respect of a proceeding prescribed in regulation 152(1); or
 - (c) to the time prescribed by regulation 154(3) for filing a request for a hearing under section 208 of the Act; or
 - (d) if the Act precludes an extension being granted under these regulations (*see*, for example, sections 21(1), 37(2)(b), and 71(2) of the Act).
- (3) The Commissioner may grant the extension even if either or both of the following apply:
 - (a) the time limit has expired for doing the thing;
 - (b) the Commissioner has already granted an extension under these regulations.
- (4) An extension is granted by giving notice to the person filing the information or document or taking the step and to any other parties to the proceeding, and may be on any terms that the Commissioner thinks fit.

[22] Regulation 161 is a similar provision which seems to overlap reg 147.¹² It again contains exclusions, and a general power for repeated extensions of time. It provides:

161 Commissioner may extend time limits in proceedings

- (1) The Commissioner may extend a time limit prescribed by these regulations for filing information or a document, or taking a step, in a proceeding—
 - (a) for a period not exceeding 3 months if the Commissioner is satisfied that the extension is reasonable in the circumstances; or
 - (b) for a period longer than 3 months, as specified by the Commissioner, if the Commissioner is satisfied that there are genuine and exceptional circumstances that justify the extension.
- (2) However, subclause (1) does not apply in any of the following circumstances:
 - (a) if a regulation that provides for the filing of a counter-statement already provides for the granting of an extension of the same period:
 - (b) in respect of the time limit prescribed for filing a notice of opposition of a kind referred to in regulation 152(1)(a):
 - (c) in respect of the time limit prescribed in regulation 154(3) for filing a request for a hearing under section 208 of the Act before the exercise of the Commissioner's discretion:
 - (d) if the time limit for filing the information or document or taking the step has already expired before the extension request is filed.
- (3) An extension is granted by giving notice to the person filing the information or document or taking the step and to any other parties to the proceeding, and may be on any terms that the Commissioner thinks fit.
- (4) More than 1 extension may be granted under subclause (1)(a) provided that the total period of those extensions does not exceed 3 months.
- (5) An extension may be granted under subclause (1)(b) even if the period has already been extended under subclause (1)(a).

¹² It may be that reg 161 is intended to apply only to the smaller group of proceedings identified in reg 152, which would limit the overlap.

[23] Finally, it can be noted that exceptional circumstances appears several times in the regulations. In addition to regs 103(3), 147 and 161, it is the test in reg 16 for when the Commissioner may allow delivery by an alternative method, in reg 78 for when the Commissioner may extend the deadline for a response to a Commissioner's notice indicating dissatisfaction with a patent application, and in reg 165 for when the Commissioner may extend the time for filing evidence.

[24] Of this scheme several points can be noted. First, the scheme is not on its face one where deadlines are absolute, nor are punitive consequences the norm for a failure to meet a deadline. There is almost always a power, albeit usually circumscribed, to extend deadlines. Second, the regulations generally have two standards for extensions – where it is reasonable to grant an extension (in reality little different to a “if the Commissioner thinks fit” test) and the elevated exceptional circumstances test. Third, the regulatory scheme itself draws distinctions. Whereas generally reasonableness is the test for an initial extension, reg 103(3) attaches the higher standard of exceptional circumstances to the first extension.

[25] The use of two standards plainly points to “exceptional circumstances” being a sterner test than “if it is reasonable”. However, there is little in the scheme to suggest exceptional circumstances was intended to have a different meaning from its ordinary meaning of “unusual” or “out of common run”. If given its ordinary meaning, a decision-maker is still made aware that extensions are not to be routine, and that something different from the norm must exist in order to justify an extension. The purposes of the scheme are met by the ordinary meaning, and a heightened test is not pointed to, or required.

[26] There is in my view no basis to consider that Parliament must have had the test in *Muir Electrical* in mind when using the term exceptional circumstances.¹³ *Muir Electrical* is a single decision of the High Court on a different set of regulations, albeit regulations operating in an analogous area. Nothing can be read into the fact that decisions of the Intellectual Property Office of New Zealand have applied it, since precedent bound them to do so.

¹³ *Muir*, above n 6.

[27] The key issue in *Muir Electrical* was whether the power to extend time in reg 32(1) of the Trade Mark Regulations 2003 could be exercised after the expiry of the initial timeframe. The conclusion was that it could not, and that was determinative of the proceeding. However, as a matter of caution, the Court went on to consider the exercise of the power that had occurred. In that context the meaning of exceptional circumstance in reg 32(1) was considered. The test from *Awa* was adopted, understandably given the context, without further analysis. It does not appear that the Court was referred to *Creedy*.¹⁴

[28] The short point is that the context in which *Muir Electrical* was decided, and the level of the Court does not support the proposition that in enacting the Patents Regulations the intention was to adopt the same test. I was not referred to other decisions of this Court or higher that have applied *Muir Electrical*. If this type of interpretation point is applied to the Patents Regulations, the more orthodox argument would be that the drafter had in mind the decision of our highest court in *Creedy* on the meaning of the expression.

[29] Mr Arthur also notes that at least for revocation applications, adopting a stricter test would create different parallel processes. A revocation application may instead be filed in the High Court, where of course the High Court Rules 2016 will apply.¹⁵ While there is some merit in the point, it has to be observed that regardless of the meaning given to exceptional circumstances, the tests for granting an extension of time will not be aligned. Further, the High Court in exercising its discretion is likely to have regard to the regulatory scheme.

[30] It appears on the limited information provided that the approach in Australia is that the deadlines are generally enforced with such rigour that extensions are rare, but for the reasons given that cannot be said to be the legislative purpose here. There are powers to extend in most situations, and for many deadlines the test is not at all exacting. There has been no attempt to expressly define exceptional circumstances to mean other than its ordinary meaning. For these reasons, I conclude that the

¹⁴ *Creedy*, above n 1.

¹⁵ Patents Act 2013, s 112.

meaning of exceptional circumstances is that adopted by the Assistant Commissioner here, namely “unusual, out of the common run”.

Have exceptional circumstances correctly been found to be present?

[31] Prior to the hearing before the Assistant Commissioner, Intervet were permitted to file further evidence concerning the circumstances in which it came to be necessary to seek an extension. That material forms the basis for analysis. Intervet through their lawyers explained:

- (a) contrary to normal practice a new file was not opened by the lawyers immediately upon receipt of the application for revocation. Despite other opportunities this deficit was not remedied. A consequence was that the usual “flags” concerning dates were not electronically created, nor entered into the relevant lawyer’s hard copy diary;
- (b) the firm became aware of the relevant date for filing a counter-statement in plenty of time and sought instructions from the client but they were not provided. The lawyers were aware settlement discussions were occurring;
- (c) by the time on deadline day that it was realised instructions had not been received, time zones (the client is European) made it impossible to get instructions. Hence the application for an extension;
- (d) the unusual matters were the failure to open a file, the failure of a client such as this to give instructions, and the absence of flags due to the file not being opened. Had they been in place the timing of things would have seen the push for instructions done in time to avoid the situation that arose;
- (e) in terms of what action was taken, the lawyers were influenced by their knowledge that settlement discussions had been occurring, without knowing where matters had got to. It was decided that

seeking an extension would be the step least likely to interfere with discussions if they were still on-going; and

- (f) also influencing the step taken was a mistake by the lawyer in terms of the applicable regulations. The extension application was made under the old regulations with the easier test. Had it been appreciated the sterner test applied, consideration may have been given to instead filing a bare counter-statement.

[32] The Assistant Commissioner set out these reasons and declared himself satisfied that in combination they justified an extension. The Assistant Commissioner said he was particularly influenced by the fact that this was the first application under s 103(3) and the counter-statement was only a day late, and probably would have been filed in time but for the time zone issue. The Assistant Commissioner noted, however, that many of the problems were avoidable with greater care.

[33] On appeal Mr Elliot challenges the factors relied on. It is submitted that overall there is nothing unusual – it is just a series of errors by a legal adviser which is not an uncommon reason for deadlines being missed. On the Assistant Commissioner’s specific reasons, it is submitted both are irrelevant to the issue of exceptional circumstances. The newness of the regulations does not matter at all since the procedural structure was the same as before. As for one day late it is submitted this is relevant to the discretion that arises once exceptional circumstances are established, but is not relevant to whether those circumstances exist.

[34] The latter point reflects an approach that draws a sharp line between the qualifying grounds and the discretion a decision-maker has once the qualifying grounds are established. With this sort of routine procedural decision, there are dangers in unduly limiting the factors that inform the assessment of exceptional circumstances. To remove matters such as the fact that the application is only one day late from the analysis of whether exceptional circumstances exist would be to require the decision maker to ignore matters that go directly to the underlying policy. The policy, as the appellant submits, is to promote the speedy and efficient resolution

of challenges to patents. The present circumstances are an illustration of no prejudice arising to that policy since the counter-statement is only a matter of hours late, and does not delay anything. Further, allowing the extension benefits the public interest as the substantive decision making will be that much better when assisted by a properly defended case. Equally, it must be relevant to the exceptional circumstances that at the time the application for an extension was made, the applicant could instead have filed a bare counter-statement that would have met the deadline and everyone would have been in exactly the same position as they were a few hours later.

[35] Another aspect telling against unduly restricting the factors relevant to exceptional circumstances is the limited role the discretion plays. Given the significant consequences that flow from an unsuccessful application, it is difficult to imagine the discretion being exercised against an extension once exceptional circumstances are established.

[36] It follows that I do not agree that the matters the Assistant Commissioner had regard to were irrelevant. In terms of the appeal I do not consider it has been established that the Assistant Commissioner was wrong in his decision. I would perhaps emphasise more the unusual circumstances where the necessary document could have been filed in time instead of filing the application for an extension, but the outcome is the same. Mr Elliot was critical of what he submitted was a lack of reasoning by the Assistant Commissioner, and this present paragraph would no doubt merit the same critique. However, with matters such as these it is not particularly easy or helpful to seek to elaborate. The Assistant Commissioner's reason was that in combination the factors were unusual and then he identified the two on which most weight was placed. I agree on the cumulative effect but have noted a different factor that most influences me. I do not consider more is needed in relation to this type of decision.

[37] I conclude with a general comment on this aspect of the appeal. I recognise it is a general appeal and the Court is to form its own assessment. But the test is still whether the decision under appeal has been shown to be wrong, and I consider on a procedural matter like this the appellate court's assessment will rightly be influenced

by recognition of the advantages enjoyed by the decision maker. It is difficult to imagine in the area of procedure relating to patent applications and patent proceedings that anyone is better placed to assess what is “unusual” than the experienced Commissioner or Assistant Commissioner.¹⁶

[38] The appeal is dismissed. The respondent is entitled to a standard award of costs.



Simon France J

¹⁶ The observations of the Supreme Court in *Crocodile International Pte Ltd v Lacoste* [2017] NZSC 14, [2017] 1 NZLR 679 at [66] would seem consistent with this, especially when what is in issue here is what is “unusual” in a procedural context.