

New Zealand Draft Computer Program Examination Guidelines Unclear

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In March last year, the Commerce Select Committee reported back to parliament on the Patents Bill 2008, a long-awaited update to New Zealand's patent law. The Select Committee recommended that computer programs be specifically excluded from patentability.

The exclusion has the support of both the leading and opposition political parties and it is inevitable it will come into force following enactment of the new Patents Act.

The exclusion is particularly surprising given New Zealand's previous stance which held a broad range of technologies, including business methods, to be eligible for patent protection. It therefore appears that New Zealand might become among the first countries to reverse their position and exclude previously-patentable software-related inventions from patentability by statute.

In its report, the Select Committee acknowledged the difficulty in drafting an exclusion which would exclude computer programs from patentability but allow patents for

“worthy” inventions, such as those involving “embedded software”. The Select Committee opted for drafting a broad statutory exclusion, stating simply that “a computer program is not a patentable invention”. This was on the basis of questionable advice that this wording “would be unlikely to prevent the granting of patents for inventions involving embedded software”.

The Select Committee declined the opportunity to provide at least some degree of limitation and clarity of the scope of the exclusion by adopting wording similar to that of the European Patent Convention (EPC) or the United Kingdom’s Patents Act 1977 (namely that the exclusion only applies to inventions relating to computer programs “as such”). Instead, the Select Committee recommended that the Intellectual Property Office of New Zealand (IPONZ) develop examination guidelines for inventions containing embedded software.

On 20 December 2010, IPONZ released draft examination guidelines for inventions involving computer programs, seeking feedback and providing a glimpse at the potential future patentability requirements for computer-implemented inventions in New Zealand. Submissions on the draft guidelines close on 11 March 2011. This does not provide an opportunity to debate the proposed wording of the exclusion in the Act.

Scope of the Exclusion

Given that the Select Committee’s intention for the guidelines was to clarify the continued patentability of inventions involving embedded software, it is peculiar that the

draft guidelines do not mention at all this area of particular interest. Rather, the guidelines seek to provide a more general approach which may be applied to all manner of computer-implemented inventions.

In preparing the draft guidelines, IPONZ has looked to other jurisdictions for guidance.

The Australian Patents Act 1990 does not contain any exclusion for computer programs, but the draft guidelines correctly note that the patentability requirements are otherwise very similar. This is due to the judicially-developed interpretation of the “manner of manufacture” requirement common to both countries, with the seminal Australian NRDC decision followed by the New Zealand courts.

The EPC exclusion for “programs for computers... as such” is briefly addressed (despite having been dismissed by the Select Committee), but disregarded due to “differences in the way the patentability requirements are interpreted and applied”. It is not entirely clear to what those “differences” relate.

A footnote states that European “decisions around the term ‘technical effect’ are relatively unsettled and have been a source of division between the English courts and the EPO [European Patent Office] tribunals”. However, the Enlarged Board of Appeal of the EPO in 2010² found that while case law had developed on the issue over time, the EPO’s stance was now well established and was being consistently applied. Consequently, there was no divergence in case law under the EPC. Recent decisions of the UK courts have also attempted to reconcile the difference in approach to

patentability between the UK and Europe.

The European approach to patentability specifies that patent eligibility should be determined independently of any consideration of prior art, as such considerations are “more appropriate for the purpose of examining novelty and inventive step than for deciding on possible exclusion” . The guidelines make no mention of this, let alone the 2010 opinion of the Enlarged Board of Appeal² regarding patentability of programs for computers which provides an excellent summary and guidance regarding the European approach.

UK case law on the issue of the patentability of computer programs finds greater favour in the draft guidelines, apparently due to “substantial similarities” between the patentability requirements of the UK Patents Act 1977 and the Patents Bill 2008 (again despite the Select Committee’s rejection of such an approach). In particular, the UK *Aerotel* test from the English Court of Appeal is considered in detail in the draft guidelines with approval of the “broad principles”, if not the “specific elements of the test itself”.

The draft guidelines propose that New Zealand adopt a marriage of Australian, New Zealand, and UK case law based upon the first three steps of the *Aerotel* test of:

- (1) construing the claims;
- (2) identifying the actual contribution; and
- (3) determining whether the contribution falls solely within the excluded area.

The fourth step, checking whether the contribution is “technical” in nature, is considered unnecessary in view of the “manner of manufacture” requirement which the guidelines incorporate in the second step.

In essence, the draft guidelines specify that the inventive concept or contribution over the prior art must not fall solely within the excluded area, whether that be the specific exclusion for computer programs or existing common law exclusions from the “manner of manufacture” definition, such as a “mere scheme or plan” or “presentation of information”. This signifies a departure from existing law, which defines an invention as including “an alleged invention”, which was deleted from the Patents Bill by the Select Committee. This definition has been interpreted by the Courts to mean that the issue of whether the claimed invention is new (i.e. makes a contribution to the prior art) is not to be considered when determining whether the claims relate to an invention (i.e. a “manner of manufacture”), similar to the European approach to patent eligibility.

The guidelines surprisingly make no reference to the *Symbian* case, a significant UK decision which narrowed the scope of subject-matter excluded from patentability under the *Aerotel* test. In *Symbian*, the Court of Appeal rejected the position of the UK Intellectual Property Office that the exclusion from patentability for “programs for computers... as such” had the effect of excluding any computer program unless it had a novel effect outside a computer. The court instead held that “a technical innovation, whether within...or outside the computer will normally suffice to ensure patentability”, allowing a patent for software for mapping functions in a Dynamic Link Library (DLL)

that improved reliability and performance in a computing device. Thereafter, the UK Intellectual Property Office was obliged to take a broader view on what is patentable.

The question thus remains as to whether the New Zealand Patent Office will follow Symbian and other more recent and future UK decisions, or whether the different wording of the New Zealand exclusion and adoption of the guidelines will result in strict adherence to the approach of Aerotel. However, in view of the omission of the “as such” limitation in the Patents Bill 2008, it is likely that UK decisions since Aerotel will be given little weight.

Manner of Manufacture

While it is not surprising those drafting the guidelines would review foreign precedents regarding the application and extent of exclusions from patentability for computer programs, it is concerning that the guidelines also seek to apply several Australian decisions on the more general and largely unchanged patentability requirements of the Patents Bill 2008, in particular the “manner of manufacture” requirement which has long been a requirement for patentability in New Zealand.

The guidelines suggest that the “physical effect” requirement for a “manner of manufacture” from the Federal Court of Australia decision in *Grant v Commissioner of Patents* applies in New Zealand, in addition to the well-established requirements of the NRDC case adopted by the New Zealand courts.

Also cited are the Australian Patent Office decisions of Peter Szabo and Associates and Invention Pathways Pty Ltd in support of the statement that “The performance of a method on or with physical apparatus, even where physical changes in the apparatus occur have been held not to be a manner of manufacture. The physical changes must be of consequence in that they are central to the contribution (invention) and not peripheral.”

Until these cases are applied by the New Zealand courts, they are persuasive rather than binding. However, their inclusion in the guidelines suggests that IPONZ is trying to further limit the “manner of manufacture” requirement which may be applied during examination.

Business Methods

Under the present law, claims directed to “pure” business methods have been rejected on the basis of case law which excludes a “mere scheme or plan” from the definition of an invention as a manner of manufacture.

However, such methods are at present generally patentable when clearly linked to some mode of carrying out the invention. Claims to computer-implemented methods and systems for doing business are therefore common in New Zealand.

Under the proposed adaptation of the Aerotel test, it appears likely that IPONZ would object to any business method claims regardless of their form because only method

claims which result in an “artificially created state of affairs”¹ and a “physical effect”⁵ would be allowable according to the draft guidelines. However, since the legislators have not adopted any specific exclusion of business methods to date, such practice by IPONZ may be open to challenge.

Software claims allowable in theory?

While the Patents Bill and draft guidelines appear to be bad news for software and business method patent applicants, the door to software patents is left ajar, albeit only slightly. Referring to the UK decision in *Astron Clinica*, the draft guidelines note that claims to computer programs may be granted in principle, provided the claimed invention clearly consists in a patentable method which the program is intended to carry out.

This appears to be an attempt to confirm the patentability of “embedded software” itself, which the Select Committee stressed should remain patentable despite the exclusion of computer programs from patentability.

It also appears to address the potential concern that claims to novel and inventive methods would be granted while claims directed specifically towards computer programs performing the same method would be rejected.

However, given the difference in wording between the UK and New Zealand exclusions, it remains to be seen whether the New Zealand courts will follow this decision and allow

logic to prevail.

Conclusion

It is currently expected that the Patents Bill will be enacted in late 2011, to commence in 2012.

While the draft guidelines have been issued for comment from interested parties and are likely to be amended as a result of that feedback, the gist of the guidelines has been revealed and is unlikely to change significantly.

It is not clear whether the New Zealand approach will take into account recent and future developments in UK case law due to the clear difference in law arising from the omission of the “as such” wording in the proposed New Zealand legislation.

The likely impact of the guidelines in their final form is unclear - they are, at the end of the day, merely examination guidelines which may or may not prevail in the New Zealand courts. Significant uncertainty will remain until the issue is tested in that venue, which may take some time given the size of the New Zealand market. That said, it is likely that IPONZ will interpret the exclusion broadly, and it remains to be seen whether, in view of the conflict with the clear and express wording of the proposed legislation, patent protection will remain available for any invention relating to a computer program (including “embedded software”) or whether the courts will follow UK case law since *Aerotel* and potentially narrow the exclusion.

In the meantime, there are likely to be significant grey areas and resulting uncertainty not only for patent applicants, but also any third parties hoping to rely upon the computer program exclusion for freedom-to-operate reasons.

Transitional provisions in the Patents Bill mean that applications made under the Patents Act 1953 will "generally continue to be dealt with under that Act". To avoid the uncertainty regarding the scope of the proposed computer program exclusion, it would be prudent for applicants to consider filing any patent applications for computer-implemented inventions in New Zealand before commencement of the Patents Act 2008, if possible.

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[1] *N.R.D.C.'s Application* [1961] RPC 134

[1] G 3/08 - Patentability of programs for computers, Enlarged Board of Appeal of the European Patent Office

[1] *Aerotel/Macrossan* [2006] EWCA Civ 1371

[1] *Symbian Ltd v Comptroller General of Patents* [2008] EWCA Civ 1066

[1] *Grant v Commissioner of Patents* [2006] 69 IPR 221

[1] *Peter Szabo and Associates Pty Ltd* [2005] APO 24 at [38]

[1] *Invention Pathways Pty Ltd* [2010] APO 10

[1] *Astron Clinica Ltd & Ors v The Comptroller General of Patents, Designs and Trade Marks* [2008] EWHC 84 (Pat)