

NEWSLETTER

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*** This paper was created by the authors for the Intellectual Property Owners Association all of whom are members of the Patent Law and Practice (International) Committee to provide background to IPO members. It should not be construed as providing legal advice or as representing the views of IPO. ***

THE CURRENT PROPOSALS FOR A EUROPEAN PATENT COURT

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Introduction

The latest version of the Presidency's draft Agreement on the European and Community Patents Court was published on 23 March of this year. The Intellectual Property (Patents) Working Party is due to meet on 2 April to discuss this latest version of the draft Agreement.

Previous attempts to reach agreement on the judicial arrangements for a European and Community Patents Court have floundered for a variety of different reasons including but not limited to (1) concern over a non-sophisticated court making decisions with pan-European effect on the infringement and validity of patents covering highly technical subject matter; (2) the role of the ECJ in the court system and (3) the language in which the proceedings are conducted.

We consider below some of the key aspects of the latest version of the draft Agreement which have been designed to deal with these various concerns.

Jurisdiction

The draft Agreement establishes a European Patent Court which has exclusive jurisdiction to decide on the infringement and validity of European Patents as well as Community Patents (as and when they are granted). The Court would also have exclusive jurisdiction over various ancillary matters such as Supplementary Protection Certificates and compulsory licences.

The Court itself would comprise Courts of First Instance with a central division as well

as various local or regional divisions and a centrally based Court of Appeal. As presently drafted, if a question of interpretation of the EU Treaty or the validity or interpretation of acts of EU institutions is raised in a pending action then the Court of First Instance may and the Court of Appeal must refer the question to the ECJ for an opinion.

The need for the ECJ to have a role arises because the jurisdiction of the European Patents Court is intended to cover not only European Patents but also, in the fullness of time, Community Patents which will obviously be governed by Community law albeit that the substantive law on infringement, validity and remedies will obviously be the same for both European Patents and Community Patents.

The concern with the ECJ having a role in the actions brought before the European Patents Court remain that it is slow to render opinions and the opinions which it does render are often difficult to interpret in practice.

Whilst the present draft has moved away from there being a right of appeal from the Court of Appeal to the ECJ on points of law, the extent of the ECJ's role is still not clear on the present wording.

Judges

The Courts of First Instance comprise both a central division and various local or regional divisions. The concern about an unsophisticated court making decisions with pan-European effect on the infringement and validity of patents has been addressed in numerous ways.

First, the tripartite panel of Judges hearing the action whether in the central or a local or regional division is to be multinational. Second, the Judges from the Pool of Judges who are used to staff the central division and also supply the multinational element to the local and regional divisions are to include technically as well as legally qualified Judges. Third, the panels for the central division will always

comprise two legally qualified Judges and one technically qualified Judge. Fourth, the local and regional divisions are given the power to request that a technically qualified Judge is appointed as the multinational Judge element from the Pool of Judges. Fifth, the local or regional divisions are given the power to transfer an action in which there is a revocation counterclaim to the central division (instead of requesting the appointment of a technical Judge from the Pool of Judges). Sixth, all revocation only actions will be heard by the central division. Seventh, there is provision for the setting up of a training programme for Judges so as to improve the patent litigation expertise of the existing as well as the future Judges.

Whilst many of these proposals have been well received, one which is causing some disquiet is the jurisdiction given to the central division over revocation actions –forcing litigants to start revocation actions in the central division and giving local and regional divisions the power to transfer revocation counterclaims to the central division whilst the infringement action is stayed will in both cases have the potential to cause delay and thereby also increase costs.

Language

The provisions regarding language are intended to enable the Contracting States or failing that the court or failing that the parties to opt for the language of the proceedings to be that in which the patent was granted or failing that one of the three official languages of the EPO i.e., in both cases English, French or German.

Thus, (1) the language of the proceedings at the central division shall be the language in which the patent was granted, or (2) the parties can agree to the language of the proceedings being that in which the patent was granted and if the local or regional division does not agree with that decision, the case can be transferred to the central division, or (3) the local or regional division can themselves decide on the language of the proceedings being that in which the patent was granted on grounds of fairness and convenience, or (4) the Contracting

States may designate one or more of the official languages of the EPO as the language of proceedings of their local or regional division. Failing that, the language of the proceedings before a local or regional division is the official language of the Contracting State or States hosting the local or regional division or the official language designated by the Contracting States sharing a regional division.

In practice, the language of most proceedings is likely to be English, French or German. There is however the possibility that it will be another less widely spoken official language of a Contracting State in which translations and interpretation would be required throughout for at least one of the parties to the proceedings.

Fees/Costs

The draft Agreement specifies that the Court fees shall be fixed at such a level to ensure the right balance between the principle of fair access to justice and an adequate contribution of the parties for the costs incurred by the Court. It remains to be seen how much users will be charged for using the new European Patents Court.

The economic rationale for establishing the European Patents Court would appear to be based on the assumption that it would be able to deliver litigation for roughly the same cost as the three largest low-cost European national systems namely Germany, France and The Netherlands.

If that assumption is correct (which obviously would remain to be seen in practice) and also assuming that litigation of European Patents before the European Patents Court becomes compulsory (which as explained below is what is envisaged in the draft Agreement), then for those companies that can afford to litigate in only one of those low costs national systems, litigation would no longer be an option because they could not afford it and for those companies that can bear the costs of litigating in many jurisdictions, they would lose the tactical advantage of so doing. For those companies that can afford to litigate in a few jurisdictions but do

not wish to obtain any tactical advantage from litigating in many jurisdictions, litigation before the European Patents Court would have the potential to offer a costs advantage.

Whether in practice however litigation before the European Patents Court would offer users an advantage over the current national litigation systems would seem to depend upon the circumstances of the parties to the action being litigated and the nature of that action.

Transitional Provisions

Although the transitional provisions come at the end of the draft Agreement, in many respects, they represent the starting point of a consideration by user as to whether the new European Patents Court will be a good thing.

There are two aspects to the transitional provisions. The first is that for a period of seven years after the Agreement comes into force infringement and revocation actions can be initiated as now before the national courts of the Contracting States. The second is that, provided that they notify the Court's Registry more than one month before the expiry of the seven year transitional period, patentees have the right to opt out of the Agreement in relation to those patents and patent applications which were granted or pending as at the end of the seven year transitional period.

After the end of the seven year transitional period therefore (subject to the right to opt out in relation to their then granted patents or pending patent applications) patentees will be obliged to litigate their European Patents before the new European Patents Court. Although as explained above, it is envisaged that there will be several if not many first instance courts or divisions, the rules under which they will be operating will essentially be the same.

For the reasons explained above, there are likely to be a significant number of patentees who, given the choice, might not necessarily choose to litigate their European Patents before the new European Patents Court but would prefer the flexibility offered by the current

national litigation systems. The problem from the point of view of the Commission (and indeed the Contracting States) however is one of cost. It makes no economic sense to run two legal systems for enforcing European Patents in parallel with each other. The answer therefore is to oblige users to litigate their European Patents before the new European Patents Court and by so doing, ensure that they contribute towards the costs of establishing and running it.

Future Progress

On 20 March 2009, the Commission issued a recommendation that the Council authorise the Commission to open negotiations for the adoption of an Agreement creating a Unified Patent Litigation System. If the recommendation is accepted then discussions concerning the Community Patent and European/Community Patents Court will commence in earnest again.

It obviously remains to be seen whether the Commission can persuade the users that the latest set of proposals will deal with their historical concerns and provide a litigation regime which is as, if not more, fair, efficient and cost effective than the existing national litigation system.

PATENT PROSECUTION HIGHWAY SAMSON HELFGOTT Katten Muchin Rosenman LLP

The Patent Prosecution Highway is a program that has been established bilaterally between patent offices around the world. The purpose is to facilitate an applicant's ability to obtain a patent at an early stage in one patent office, by permitting that patent office to utilize the search and examination results from another patent office in order to reduce the burden of examination, enhance the quality of examination and expedite the prosecution time.

It enables an application with claims determined to be patentable in an Office of First Filing (OFF) to undergo an accelerated examination in an Office of Second Filing (OSF) with a simple procedure upon request by the applicant for accelerated examination in the OSF based on the PPH.

In order to make use of the PPH, an application must be filed in the OFF and a corresponding application must be filed in the OSF. Once the application in the OFF has been found to have at least one claim that is determined to be patentable, the applicant can then request accelerated examination in the OSF based upon the determination in the OFF. This is only applicable if the examination has not yet started on the application in the OSF.

The applicant must conform the claims in the OSF to those that have been determined to be patentable in the OFF. He must provide a copy of the claims, copies of the office action, copies of the references and show the correspondence between the claims he is requesting in the OSF and those that were allowed in the OFF. The OSF will then make use of the work completed in the OFF as much as possible and provide accelerated examination on that application.

The two applications, namely the one in the OFF and the one in the OSF must relate to each other either through Paris Convention filings or through PCT related filings, but they must show common filing origination.

The current statistics on utilization of the PPH show only limited use. By way of example, since the inception of the program between US and Japan in July 2006, and until November 2008, there have only been 711 applicants using Japan as the OFF who have then applied for accelerated examination in the US as the OSF. Cumulatively, as of November 2008, a total of 858 applications have requested accelerated examination under the PPH in the USPTO from all the countries in which such bilateral arrangements exist.

It should also be remembered that applicants filing in the US as the OFF, can make use of an early allowance in the United States Patent Office for claiming accelerated examination in other offices, such as Japan as the OSF. Even this availability is hardly used. During the same period of time, from July 2006 to March 2008, only 227 applicants using the US as the OFF have applied for accelerated examination in Japan as the OSF.

While the results are very limited, for foreign applicants requesting accelerated examination in the US as the OSF, there has been a 93-94% allowance rate and first action allowances are three times as many as compared to non-PPH cases. This is to be compared with the normal 44% allowance rate now in the USPTO. Japanese applicants using US as the OSF have found that a first action on the merits has issued in as little as 3 months after requesting accelerated examination. US applicants using Japan as the OSF are not as successful. Only a 70% allowance rate has been found, with very few first action allowances.

Currently, PPH agreements bilaterally between patent offices are increasing. US currently has agreements either in place or being negotiated with Australia, Canada, EPO, Germany, Japan, Korea, and Denmark. Japan currently has agreements in place or being negotiated with Germany, Korea, UK, Denmark, Russia, Australia, Canada, and EPO. Other bilateral discussions are going on between UK and Australia, as well as UK and Canada. Discussions are also underway to make this into a plurilateral treaty rather than keep it as bilateral between countries.

One of the problems in making use of the PPH is that you must complete the prosecution in the OFF before the OSF has begun examination. In some countries, like Europe and Japan, it is relative easy to request early examination and the possibility of applicants in those countries making use of their filing in that OFF to accelerate examination in the US as OSF may be feasible. However, with the delays in the USPTO, and with the difficulties of requesting Accelerated

Examination in the USPTO it may be rare that prosecution will be completed in the US (as the OFF) before an examiner will have begun examination in other countries as the OSF.

Making use of a circuitous route, some applicants have found a way to use the PPH to really fast track applications in the United States. Specifically, rather than file their application first in the US as the OFF, they obtain an expedited foreign filing license from the USPTO and then file their application first in countries such as England or Australia. Such filing can be in the English language and both of these countries will expedite examination. It might be possible to get an allowance in England or Australia even within one year. Then, the application is filed under the Paris Convention in the United States as the OSF claiming the priority of the Australian or England application, and as soon as allowable claims are granted in the UK or Australia, expediting US prosecution under the PPH with US being the OSF.

Another strategic approach is to file the application PCT first. Thereafter, at the end of the 30/31 months, entry is made into the national phase of the various designated countries. The first country to allow the case can be deemed as the OFF and, the results used in all other countries who are members of the PPH requesting accelerated examination in those countries as the OSF (so long as they have not started their own national prosecution by that time).

PPH, while having limited use, has provided excellent opportunity for patent offices to gain confidence in the work of another patent office. This has considerably served to promote the concept of work sharing. Numerous discussions are under way to make use of this confidence and extend it to the PCT to permit countries to make better use of the International Search and Examination done by another patent office.

**JAPAN SUPER-
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Since 1986, it has been possible to request accelerated examination of a Japanese patent application. While the number of requests has increased significantly since the initiation of the program, there was still a need for an even faster examination. Therefore, on October 1, 2008, the Japanese Patent Office (“JPO”) began a pilot program of “Super Accelerated Examination” (“SAE”).

For an application to be eligible for SAE, the following requirements must be met:

- (1) The application must be a direct national filing. An application which is a national phase entry of a PCT application, while eligible to request accelerated examination under the current system, is not eligible for SAE;
- (2) The invention must be in use or will be used within two years from the date of filing a request for SAE;
- (3) A corresponding application has been filed with at least one non-Japanese patent office;
- (4) A request for examination has been filed, but the application has not yet been examined; and
- (5) All filings must be conducted through the JPO online filing system.

In addition to these requirements, the applicant must conduct its own prior art search and comment on the differences between the prior art and the invention.

It is estimated that about 100 requests for SAE have been filed since October 1 and that examination has taken place promptly after the

request has been made. However, it is unclear how widely the system will be used by non-Japanese applicants. Most applications filed by non-Japanese applicants are national phase entries which are not eligible for this system. In addition, many U.S. applicants are hesitant to make statements about prior art that could be used against them in patent litigation in the future.

SOFTWARE PATENTS IN EUROPE

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The position of the European Patent Office (EPO) on the patentability of business methods and computer programs is that the subject matter must be “technical”. Whilst this term remains undefined, the case law gives some indication of what is non-technical, such as business and economic concepts. The EPO’s approach to inventive step using the “problem and solution” approach involves the identification of a technical solution to a technical problem. Case law indicates that the technical problem is set for a “technical professional” and that the problem posed to him may contain novel non-technical features of the claimed invention. In cases where the technical implementation on a computer system of an innovative non-technical scheme is routine, the EPO will find the application to lack an inventive step and refusal should be expected.

Background

The European Patent Office (EPO) is responsible for granting patents in various European countries. If a patent becomes the subject of national court proceedings, the validity will be tested in accordance with the law of the particular nation. This article sets out the approach of the EPO, but does not discuss any differences in approach at the national level.

The law applied by the EPO includes a list of certain things which are excluded from patent protection. This list of exclusions includes mathematical methods, methods for performing mental acts, business methods and computer programs. Patent protection is not available for these exclusions “*as such*”, but it is important to note that patent protection is not precluded by the mere fact that to implement an invention modern technical means are used, for example in the form of a computer program. The EPO has developed an approach to the question of whether an application relates to one or more of the exclusions. This exclusion question is most often encountered when a patent application is concerned with a software or computer-implemented invention.

The EPO’s approach to inventive step

As a general rule, a patent will be granted by the EPO if the invention is a non-obvious technical solution to a technical problem and the EPO has developed the problem-and-solution approach as a way of determining the presence of non-obviousness (inventive step). This approach requires (i) the closest prior art to be identified, (ii) the identification of one or more distinguishing features between the invention and the closest prior art, (iii) the technical problem solved (i.e. the advance or advantage achieved) by the distinguishing features to be defined, and (iv) an explanation of why it would not be obvious to arrive at the invention when set the technical problem in view of the closest prior art.

The EPO’s approach to the exclusion question

In 1986, *Vicom* (T0208/84), a landmark piece of EPO case law concerning the exclusion question reasoned that “*decisive is what technical contribution the invention as defined in the claim when considered as a whole makes to the known art*”. In this case an invention defined in terms of a mathematical method was not allowed, but a re-phrasing of invention in terms of a method of digitally processing images using the mathematical method was allowable.

Built on this foundation and following two later significant EPO decisions – *PBS Partnership* (T 0931/95) in 2000 and *Comvik* (T0641/00) in 2002 - a methodology which incorporates the exclusion question into the assessment of non-obviousness has been developed at the EPO. This methodology has been followed in one form or another in various EPO decisions and prohibits non-technical features of the invention from contributing to inventive step, often by relocating the non-technical features of the invention into the phrasing of the technical problem for part (iii) of the problem-and-solution approach.

For example, in *PBS Partnership*, which related to a new pension benefit scheme, it was found that *“the regime of patentable subject matter is only entered with the programming of a computer system for carrying out the invention. The inventive step thus has to be carried out from the point of view of a software developer or application programmer...having the knowledge of the concept and structure of the improved pension benefits system and the underlying schemes of information processing”*. With no invention at the software developer level, the programmed computer system was found lacking in inventive step.

The subject matter of *Comvik* related to the concept of allocating two user-selectable identities to the subscriber identity module of a mobile telephone system so that costs could be conveniently distributed between business and personal use. It was found that *“selectively distributing the costs for service or private calls ... does not make a contribution to the technical character of the invention.”* Although the application indicated that an object of the invention was to eliminate inconveniences caused by distributing costs for service and private calls, it was decided that this was not considered to be a technical problem and that *“to arrive at the technical problem this object needs to be reformulated as being to implement the GSM system in such a way as to allow user-selectable discrimination between calls for different purposes... .In fact the technical professional would, in a realistic situation, receive knowledge of the cost distribution*

concept as part of the task information given to him.” The invention was found to lack an inventive step.

The EPO have not formally defined the term “technical” and are unlikely to do so. However, there is guidance from the EPO case law that certain areas are non-technical (e.g. economic concepts and practices, and business, actuarial and accountancy systems), but in the absence of a positive definition there is scope for arguing on a case-by-case basis that a particular feature categorises as “technical”.

Thus, at present as far as the EPO is concerned, to ensure that an invention possesses an inventive step and is not in an excluded category, a non-obvious technical solution to a technical problem by a (fictitious) technical professional must be identified. Where non-technical innovation is concerned, such as with an innovative economic concept, a technical problem set may be “how to implement a computer system to perform the innovative economic concept” where the technical professional has knowledge of the new concept. If implementing the system involves no invention by the technical professional – for example if the implementation of the system is routine – then the application will be found to lack an inventive step. In other words, if there is only innovation at a non-technical level then refusal of the patent application by the EPO should be expected.

However, the President of the EPO, Alison Brimelow, has now opined that there is a conflict in the Board of Appeal’s decisions in this matter and has sought clarity and certainty in the EPO’s approach by referring several questions to the Enlarged Board of Appeal in order to seek their judgment. This has been given Appeal number G03/08. The questions are:

1. Can a computer program only be excluded as a computer program as such if it is explicitly claimed as a computer program?

2(A). Can a claim in the area of computer programs avoid exclusion under Art. 52(2)(C) and (3) merely by explicitly mentioning the use of a computer or a computer-readable data storage medium?

2(B). If question 2(A) is answered in the negative, is a further technical effect necessary to avoid exclusion, said effect going beyond those effects inherent in the use of a computer or data storage medium to respectively execute or store a computer program?

3(A). Must a claimed feature cause a technical effect on a physical entity in the real world in order to contribute to the technical character of the claim?

3(B). If question 3(A) is answered in the positive, is it sufficient that the physical entity be an unspecified computer? 3(C). If question 3(A) is answered in the negative, can features contribute to the technical character of the claim if the only effects to which they contribute are independent of any particular hardware that may be used?

4(A). Does the activity of programming a computer necessarily involve technical considerations?

4(B). If question 4(A) is answered in the positive, do all features resulting from programming thus contribute to the technical character of a claim?

4(C). If question 4(A) is answered in the negative, can features resulting from a programming contribute to the technical character of a claim only when they contribute to a further technical effect when the program is executed?

It is generally thought by many practitioners having experience with borderline cases that there already exists a reasonably well established canon of case law that the EPO

follow, as discussed above, and which provides much insight to the EPO's approach to assessing the patentability of borderline applications. The requirement that an invention provide a technical effect, namely a technical solution to a technical problem, is now pretty firmly entrenched in EPO doctrine. However, the President's questions probe the oft used but little understood term "technical" by asking whether a technical effect is able to exist merely within a programmed computer or if there must be a real world effect on some other (e.g. external of the computer) physical entity? The questions go on to ask whether or not the act of programming a computer can be thought of itself as a technical act.

Also, the questions seek clarification as to whether or not the current practice of effectively assessing the exclusion from patentability under the guise of inventive step (under Article 56 EPC) is appropriate or if such an assessment should be carried out with a separate determination of inherent patentability (under Article 52 EPC).

With regards to how this will affect currently pending applications, it is our experience that EPO Examiners are endeavouring to 'carry on regardless' with the approach they currently apply rather than putting prosecution of all of the possibly many thousands of potentially affected applications on hold since the eventual outcome may very well likely be a validation of the current approach thus maintaining the *status quo ante*.

We await the Enlarged Board of Appeal's judgement with much anticipation and hope that it will formally clarify the EPO's approach to assessing the patentability of computer implemented inventions and enable such an approach to be followed in Europe's national courts and patent offices.

THE CURRENT STATUS OF SOFTWARE PATENTABILITY IN ARGENTINA

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In Argentina, the protection of software through patent rights was first addressed in the local Patent Law (PL) No. 24,481 enacted in 1996, which sets forth that software (the law uses the term “computer programs”) should not be considered as an invention in article 6(C) in fine¹. The same occurs regarding “means for presenting information”, according to article 6(d) of the PL.

Therefore, most local scholars and practitioners point out that software is not patentable subject matter². Instead, software has been locally protected through the local version of the common law copyright legal system, as the French tradition has been followed in Argentina so the current existing system is called “authorial rights, which it is a kind of protection having very well known shortcomings³ and has not resulted in more than around 1,700 registrations a year during the last 5 years⁴.

¹ The term “invention” is described in article 4 of Argentine Patent Law as “..any creation of by man permitting the transformation of any matter or energy for the advantage of mankind”.

² In this area the drafter of Argentine Patent Law were following the legislative mechanism of article 52(1) of the EPC.

³ In order to assess the current situation, it should be taken into account that even that legal protection was established as recently as in last 1998 when the local “copyright law” of 1933 was amended to comply with TRIPs as well as with the Berne Convention and the two WIPO Digital Treaties enacted in the middle of the 90s.

⁴ According to the numbers provided by the local chamber of software and computer services

However, the local Patent Guidelines issued by the Argentine Patent Office in 2003 approached the issue of software patentability following the more flexible standard (at last when compared with the one of article 6(c) PL) developed in Europe under which only software “per se” is not patentable so the test is whether the software related invention has a “technical contribution” or a “technical effect”⁵. Therefore, according to the local Guidelines if an object (device, apparatus, machine) that complies with all other patentability requirement (in particular it has technical application) and operates through particular software, then the invention should be patentable.

In our personal opinion, this local standard for eligibility of patent protection for software is closer to the current U.S. standards after the Bilski decision of 2008 (in particular the “machine or transformation” test. Overall, given the lack of judicial decisions and that the Argentine Patent Office does not seem to follow a clear practice in this area, there is no adequate level of legal certainty regarding the patentability of software.

In any event, the production of software as well as the provision of services related to information technology are industries that have been rapidly expanding in Argentina and also gaining governmental support in terms of tax-breaks for business, promotion of educational programs and others. Yet, most local companies seem to be against the idea of protecting software and related subject matter through patent rights. Nevertheless, this has not prevented international companies dedicated to software and related industries from filing patent applications in Argentina⁶ so it is very likely

(CESSI), which were informed in a recent publication of the magazine “Mercado”.

⁵ In this why the patentable subject matter is differentiated from the algorithm itself and the way it is expressed while at the same time complies with the patent requirement of industrial application

⁶ Different factors seem to explain that during 2008 the whole number of patent application filed

that in the near future there will be administrative and judicial decisions regarding the scope of software patentability. Mariano Municoy, 10 March, 2009.

THE PATENTABILITY OF SOFTWARE RELATED INVENTIONS IN AUSTRALIA

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Generally, computer software related inventions constitute patentable subject matter in Australia. Australia has adopted a more liberal application of the requirements for patentability of computer software related inventions. A recent decision in *Re Bilski*⁷ has seen the U.S.A. become more aligned with Australia's requirements. Conversely, the trend in Europe has been to preclude the patentability of computer software related inventions.

The test for patentability in the context of computer software related inventions in Australia was most recently reformulated in *CCOM v Jeijing*⁸. In this case, the Full Federal Court followed the guidelines of the *NRDC*⁹ decision, referring to it as the "watershed" case on this issue. Their honours considered the High Court's interpretation of "manner of

in Argentina was smaller than during previous years. However, it is worth pointing out that Argentina is not a member of the PCT and that the current backlog for performing substantive examinations continues to grow reaching commonly more than 7 years.

⁷ In *re Bilski*, 545 F.3d 943, 88 U.S.P.Q.2d 1385 (2008).

⁸ *CCOM v Jeijing*, [1994] FCA 1168 (CCOM).

⁹ *National Research Development Corporation v Commissioner of Patents*, (1959) 102 CLR 252 (NRDC).

manufacture" and held that the question of what is a manner of manufacture is:

*"a decision as to what properly and currently falls within the scope of the patent system."*¹⁰

In formulating the test for the patentability of computer software related inventions, the Full Federal Court reiterated a fundamental requirement from the *NRDC* decision of whether there is:

*"a mode or manner of achieving an end result which is an artificially created state of affairs of utility in the field of economic endeavour."*¹¹

Thus, the criteria for patentability are (a) an artificially created state of affairs, and (b) utility in the field of economic endeavour¹².

Consequently, the following are regarded as patentable subject matter:

- source code for patentable computer software;
- executable code for patentable computer software, which is in machine readable form; and
- a computer, when programmed to achieve any result which has utility in the field of economic endeavour.¹³

There is a wide range of software claim formats that is acceptable under Australian law. Most typically, computer software related inventions are defined in the form of:

- methods that can be performed by the application of software;

¹⁰ *CCOM*, at paragraph 113.

¹¹ *NRDC*, at paragraph 128.

¹² A Reference Guide to The Australian Patent System, Bill Bennett, Pizzeys, 2008, Part 2.1.2.2

¹³ Patent Manual of Practice and Procedures, *IP Australia*, Part 2.9.2.7 (1 November 2006).

- o a physical system, such as a machine or a computer, that provides the functionality of software; or
- o a computer readable medium carrying software where execution of the software results in the carrying out of a method.

It would seem incomplete to discuss the issue of the patentability of computer software related inventions without taking into consideration that of business methods. In the *Grant*¹⁴ case in 2006, in addressing the issue of the patentability of business, commercial and financial schemes, the Full Federal Court concluded that:

*“A physical effect in the sense of a concrete effect or phenomenon or manifestation or translation is required. In NRDC, an artificial effect was physically created on the land. In Catuity and CCOM as in State Street and AT&T, there was a component that was physically affected or a change in state or information in a part of a machine.”*¹⁵

Thus, the Full Federal Court found that a “physical effect” is a pre-requisite for the patentability of business method related inventions. The link between computer software related inventions and business methods comes from the fact that the Full Federal Court expressly approved of earlier cases where the business method was implemented in a computer environment such that performance of the patented method results in a “change of state or information” in a part of the computer.

Therefore, business methods which are implemented in a computer or other physical environment remain patentable, and it is methods which exist only in an abstract or intangible form which are excluded from patentability.

¹⁴ *Grant v Commissioner of Patents*, [2006] FCAFC 120 (Grant).

¹⁵ *Grant*, at paragraph 32.

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For further information, please see the following publications:
 Patent Manual of Practice and Procedures Part 2.9.2.7, *IP Australia*;
 A Reference Guide to The Australian Patent System, *Bill Bennett, Pizeys*, 2008.

SOFTWARE AND BUSINESS METHOD INVENTIONS IN BRAZIL

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1. In Brazil the scope of patentable subject matter includes anything that is not limited to the statutory exceptions to patentability which are defined in Art 10 of the Patent Law (Industrial Property Law) provided that the subject matter as claimed fulfills the non-obviousness criteria and is susceptible to industrial application as provided for in Art. 15.

2. The issue is that the Information Technology (IT) field is an inexhaustible source of computerized and data processing systems that are inventive and render useful, concrete and tangible results from which the society and government of Brazil benefit while Art 10 exceptions to the current Patent Law of 1997 (Industrial Property Law) are basically date back to 1970 i.e. they are too obsolete. Art. 10 exceptions against inventions in new technologies resemble the “Codex of the Inquisition of the Middle Age” against Galileo’s publications. Arguments have to be made by patent practitioners skilled in these new technologies when presenting applications related to software and business methods inventions to patent examiners

3. Article 10 states that the following creations are not considered to be inventions or utility models:

I - discoveries, scientific theories and mathematical methods;

II - purely abstract concepts;

III - schemes, plans, principles or methods of a commercial, accounting, financial, educational, publishing, lottery or fiscal nature;

IV - literary, architectural, artistic and scientific works or any aesthetic creation;

V - computer programs *per se*;

VI - the presentation of information;

VII - rules of games;

VIII - operating or surgical techniques and therapeutic or diagnostic methods, for use on the human or animal body; and

IX - natural living beings, in whole or in part, and biological material, including the genome or germ plasma of any natural living being, when found in nature or isolated from it and natural biological processes.

4. What basically underlie exceptions I to VII are the known “mental” context or lack of technical character and **the activity as such**, the latter being “the test” applied by the examiners when objecting to or rejecting an application claiming technical features that are intended exclusively to carry out the financial method, i.e. without application in any other field..

5. A reasonable argument against such a “test” seems to be the fact that the BPTO has always granted patents for scalpels, surgical scissors and whatever material is exclusively used during the operating and surgical techniques of exception VIII which is also contained in Art 10.

6. In addition, under TRIPS, Art. 27 patents must be granted in all “fields of technology,” although exceptions for certain public interests are allowed which is not the case when software related inventions and business methods inventions are considered.

7. Art. 10 Exception V regarding computer programs *per se* falls within the mental context and is TRIPS-compliant. Protection for computer programs *per se*, i.e. the kind of appearance of the computer program as an individual work is afforded by specific software law. Protection is afforded to the form of expression, to the mathematical algorithm but not to the application.

8. As in Europe and for many years, the Brazilian PTO grants patents to computer implemented inventions or software related inventions provided that the claims define new technical features which constitute the invention’s technical contribution to the state of the art, which means the solution to an objective technical problem.

9. The Brazilian PTO has granted patents to inventions referring to method or process controlled and implemented by a computer program and the corresponding apparatus carrying out the process. Such software related inventions are common in a broad range of activities. The specification should contain a description and a flow chart of the process and logic gate diagrams showing the logical components of the program that monitor the process which in the end are related to mathematical functions.

10. Another typical example which is often cited by BPTO examiners belongs to the field of electronic information technology: A method for encrypting/decrypting a numerical word by means of an encrypting algorithm destined to be used in electronic systems and is not excluded from patentability, even if an abstract algorithm is the basis of the invention.

11. Brazilian PTO practices are in line with EPO practices as can be concluded by comparing respective provisions contained in Art. 10 and Art. 52 of the European Convention.

12. In Brazil, business methods claims are not treated like any other process claim of a software related or computer based invention. Business method claims are related to financial

data processing and as such they are examined in a more restrictive way with regard to the exceptions in Art. 10.

13. Unfortunately, Art. 10 exceptions do not leave too much room for a trouble-free examination of applications related to business methods. Art. 10 exceptions of the 70's are incompatible with this and any other new technology and the increasing number of business and e-commerce inventions.

14. The present situation does not differ too much from the scenario we were faced with in the past when new software patents and software related inventions arose. In fact there is by now an uncertainty about the outcome of patent applications directed to financial methods. However considering the many years that a patent application takes in Brazil to pass to allowance and to finally be granted, the advice is, despite the aforesaid express patentability bar, to file applications in Brazil comprised by this technological field and in the meanwhile to learn about this field so that we, patent practitioners and patent examiners, can be prepared to provide solutions and arguments that will ensure acceptance.

15. Brazilian PTO examiners are receptive to claims that define physical hardware elements, new arrangements, new functions providing for unexpected results and supported by description and a flowchart showing their interconnections, functions, decisions and the process parameters being controlled.

16. One should bear in mind that a combination of features without a new technical effect cannot contribute in any manner to the "inventive step" and thus the claims are not to be considered in the evaluation of the inventive step. A mere interaction between a computer program and its hardware does not suffice for the acceptance as an invention because a technical effect must be identified, purposive or intentional, and must be controlled by the proposed invention.

17. Technical effects accepted by the BPTO examiners include: optimization of run

times, hardware resources, memory use, access to a data base, task automation, user interface improvements when not merely esthetic, memory use optimization, file management, data transmission, among others. However, never argue for commercial relevance results such as sales or commercial revenues.

18. In the opinion of the BPTO examiners, if the object as claimed defines a product or process to execute part of a commercial, accounting, financial, educational, publishing, lottery or fiscal nature, such product or process can be considered an invention provided that technical effects are present.

19. Claims directed to business methods that are implemented in a computer or on the internet may be patentable if the same *survive without the commercial, accounting, financial part*. Again an encrypting method applied to banking accounts may be patentable while an online purchasing method would not. Claims defining the physical features of devices that are novel and inventive are patentable even though the devices are used in the field referred to by Art 10 III.

20. Again, if the non-obviousness or inventive aspects focus on financial aspects, the invention will fall in the Art 10 exceptions.

21. In closing, this is a personal opinion and business method applications have been placed in abeyance for some years giving time to the Brazilian examiners to follow the changes in the US and EPO. However, despite the established exceptions to patentability by Art 10, the time frame for granting patents in Brazil and the answers given by the Brazilian Group to AIPPI Question 158 encourage the filing of computer based and business method inventions. The acceptance of such applications will be argued on a case-by-case basis. TRIPs does not pose a patentability bar to this field of invention resulting from the usual technological development which the Brazil authorities will have to accept in order for Brazil to be accepted as a market economy in a technological society.

**KOREA AS INTERNATIONAL
SEARCH AUTHORITY UNDER
THE PCT**

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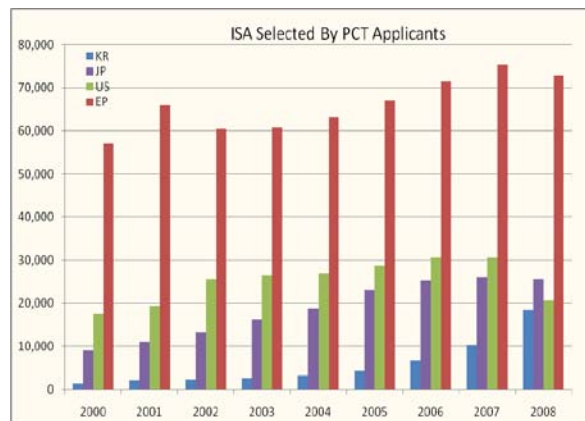
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Effective January 1, 2006, the United States Patent and Trademark Office (USPTO) in its capacity as receiving Office specified the Korean Intellectual Property Office (KIPO) as a competent International Searching and Preliminary Examining Authority. While extensive experience with KIPO as an International Search Authority (ISA) is limited, some trends are emerging. For certain technologies, the cost, timeliness, and relevant search results provided by KIPO, suggest that designating KIPO as the ISA should be strongly considered.

Since 2006, the number of PCT applications in which KIPO has been designated as the ISA has nearly tripled. As shown in the chart below, according to WIPO, the number of applications in which KIPO has been designated as the ISA increased from about 6,700 in 2006 to about 18,400 in 2008, while the number of applications in which the USPTO has been designated as the ISA has decreased from about 30,500 in 2006 to about 20,600. The other major ISAs, European Patent Office (EP) and Japanese Patent Office (JP), did not see a corresponding decrease (it is noted that U.S. applicants are not allowed to use the JP as a searching authority).

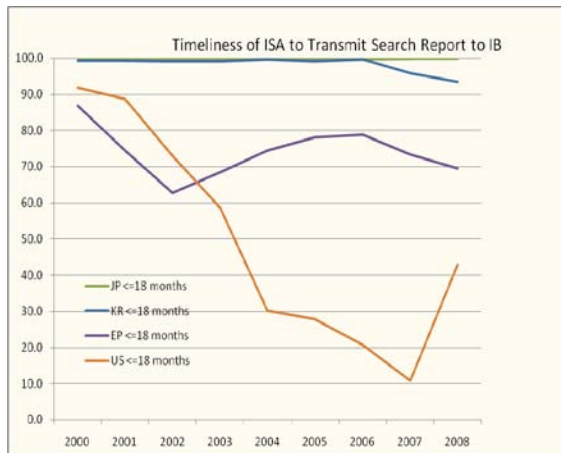
It is believed that there are two reasons for this shift. First, there exists a significant cost difference in selecting KIPO as the ISA. Second, KIPO could provide the search report to the International Bureau (IB) in a timely manner, particularly as compared to the USPTO.

When KIPO was first recognized as being a competent ISA for the USPTO, the search fee for KIPO was about five times less than the search fee for the USPTO and significantly less than the other major ISAs. Although the KIPO search fee has increased, it is still about three times less than the search fee for the USPTO.

ISA	2006 Search Fee (US\$)	2009 Search Fee (US\$)
EP	1,871	2,164
JP	810	1,084
KR	218	609
US	1,000	2,080

As for delivering the search report to the IB in a timely manner, *i.e.*, within 18 months of the priority date, in 2006, the USPTO met that goal only about 21% of the time. In contrast, KIPO met that goal nearly 100% of the time. Even faced with the significant increase in the number of applications in which KIPO has been designated as the ISA, KIPO has still managed to deliver the search report within 18 months over 90% of the time (about 94%). Although

the USPTO has seen a nearly 30% decrease in the number of applications in which it is designated as an ISA, it was able to deliver the search report to the IB within 18 months only about 42% of the time (with almost 10% of the searches taking longer than 30 months to complete, although this was down from over 24% in 2007).



The cost and timeliness advantages provided by KIPO may be of little value if the search results are incomplete or irrelevant. Anecdotally, it appears that the search results in the electrical, electrical/hardware and mechanical arts have been perceived to be as relevant as those obtained from other ISAs. In certain instances, claims of a particular form were examined by one ISA and claims of the same form were deemed to be unsearchable by KIPO (KIPO is required under the PCT regulations to search any claims that would contain patentable subject matter if filed in a national Korean patent application). Nevertheless, we are still in the early days of using the KIPO as an ISA and, in view of the cost and timeliness advantages, designation of KIPO as the ISA should be strongly considered.

END