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EXECUTIVE SUMMARY

Traditionally patent protection has been restricted to the technical domain. In recent years, however, patent offices in some countries have granted patents for inventions which no longer belong to a field of technology, most notably for business methods. Such patents are subject to an ongoing public debate. In this discussion FICPI intends (probably at the ExCo in Seville in October 2007) to pass a resolution defining the federation's standpoint on the matter. This paper gives a short overview of the topic as a starting point for further discussion.

FICPI so far has taken a cautious position to leave the decision on patentable subject-matter to the respective countries but to urge a minimum standard based on a broad and flexible interpretation of technology taking into account technological progress.

The economic justification of the exclusive right conferred by a patent is broadly based on the following three arguments:

- i) Reward for disclosing the invention and not keeping it secret;
- ii) Protection of the investment for developing, testing and marketing the invention; and
- iii) Incentive to stimulate inventive activity and innovation.

All three aspects apply more or less to technical as well as to non-technical inventions. Is there any justification beyond tradition that the patent system is restricted to the technical domain ?

On the other hand, it has to be taken into account how a pledge to globally extend the applicability of patents would influence the public debate ?

And would a growing number of non-technical patents amplify a trend that IP matters are handled mainly by the legal profession organised in big law firms and that patent and trade mark attorneys/agents more and more assume the role as mere technical experts ?



FICPI Discussion Paper on the Patentability of non-technical Inventions

Traditionally patent protection has been restricted to the technical domain, which, however, is not static but constantly evolving as new fields of technology appear. In recent years patent offices in some countries have granted patents for inventions which no longer belong to a field of technology, most notably for business methods. Such patents are not undisputed and subject to an ongoing public debate. In this discussion FICPI intends soon (probably at the ExCo in Seville in October 2007) to pass a resolution defining the federation's standpoint on the matter. For the preparation of the planned resolution this paper gives a short overview of the topic as a starting point for further discussion.

The various countries have developed different definitions of subject-matter eligible for patent protection, as for example the concept of utility in the United States on the one hand and the concept of technical contribution in Europe on the other hand (see paper EXCO/PT05/CET/1701). Other countries like Japan, Canada, Australia, China, South Korea, Taiwan etc. apply approaches which lie between these two extremes. More detailed information should be gained by a corresponding questionnaire (see paper EXCO/NL07/CET/1701). Dependent on these definitions the extent of patent protection of non-technical subject-matter is different in the respective jurisdictions.

The concept of utility in the USA

According to 35 U.S.C. §101 any new and useful process, machine, manufacture, or composition of matter can be patented, if the requirements including novelty and non-obviousness are fulfilled. There exists no explicit restriction to the area of technology. Practical utility is sufficient. This became most apparent with the famous "State street"-decision of the CAFC in 1998 which confirmed the patentability of a computer system implementing a particular investment fund design by a general purpose computer, and the following boom of patent applications for business methods in the United States. According to "State street" and the case law and practice based thereon an invention is eligible for patent protection if it produces a "useful, concrete and tangible result". This result may be a dollar amount at the bottom line. After much public criticism the examination standards, in particular for business method applications, have been raised considerably and the acceptance rates have dropped to about ten percent for business method applications. In principle, however, patents on non-technical subject-matter are still obtainable in

the USA. This has more recently been confirmed by the USPTO Appeal Board decision "Lundgren" relating to a method of compensating a manager (with one dissenting and one partly dissenting opinion within the board of five judges), which stated that a "technological arts" test for statutory subject matter does not exist. The US Supreme Court, which has recently been more willing to accept patent cases, however, has not yet decided on the patentability of non-technical subject-matter.

The concept of "utilising a law of nature" of the Japanese Patent Office

According to § 2 (1) of the Japanese patent law an invention is defined as the "highly advanced creation of technical ideas by which a law of nature is utilised."

In contrast to the US law both expressions "technical" as well as "law of nature" are explicitly mentioned in the law. According to Japanese case law and practice this provision is interpreted in such a way that pure abstract concepts as e. g. business methods having no relation to technical means are not patentable. The claims have to include the hardware means necessary for performing the invention. For the assessment of novelty and inventive step, all features of a claim including non-technical ones are taken into account.

The technical contribution concept of the European Patent Office

In the European Patent Convention the subject-matter eligible for patent protection is negatively defined by the "as such" exclusion list of Art. 52 (2) EPC, including inter alia mathematical methods, presentations of information, methods for doing business and programs for computers. The term "technology" or "technical" is only indirectly mentioned as a requirement for patentability in Art. 54 (state of the art; Stand der Technik; l'état de la technique) and in Rule 29 (1) (technical features). According to the established case law of the EPO as well as national courts in the EPC contracting states patents are restricted to the technological arts. According to the now established case law of the boards of appeal, in particular after T 0258/03 (HITACHI) a two-step test is applied.

- i) In a first step it is decided whether or not a patent application relates to an invention within the meaning of Art. 52 (1) EPC. In order to take this hurdle, it is sufficient if a claimed apparatus simply comprises technical features and a claimed method involves technical means.

- ii) In a second step it is judged whether or not the invention makes a technical contribution to the state of the art, i.e. whether or not it solves a technical problem with technical means. For the assessment of inventive step of a claim comprising technical and non-technical features the latter are therefore taken into account only with respect to their technical implementation.

Of the above-described concepts only the US approach allows the grant of patents for business and other methods not even involving a computer or other technical means, the Japanese approach allows computer-implemented business method patents and the EPO only the particular computer-implementation of business and other methods.

FICPI so far has taken a cautious position to leave the decision on patentable subject-matter to the respective countries but to urge a minimum standard based on a broad and flexible interpretation of technology taking into account the ongoing technological progress. As the public dispute on the patent system in general and patents in the field of software and business methods in particular continues, FICPI intends to pass a resolution taking a clearer standpoint to what extent non-technical subject-matter should be protectable by patents.

The patent system, which grants an inventor or his/her assignee a temporary exclusive right of exploitation of the invention in exchange for the disclosure of the same via the patent specification. The economic justification of this exclusive right, which of course brings with it economic costs, is broadly based on the following three arguments:

- iv) Reward for disclosing the invention and not keeping it secret;
- v) Protection of the investment for developing, testing and marketing the invention; and
- vi) Incentive to stimulate inventive activity and innovation.

All three aspects apply more or less to technical as well as to non-technical inventions depending on the particular type of invention, amount of investment necessary and market circumstances. Is there any justification beyond tradition that the patent system is restricted to the technical domain ? Do we want to have patents for inventions as, for example

Self service grocery stores,
prepaid telephone cards
online auction method, where buyers and sellers are evaluated (ebay)

executive payment scheme
child education method (as e.g. Montessori)
shipping goods in standardised containers
medical and surgical treatment methods
trading certificates reflecting future prices of goods (used in the US since the 1860's)
matrix organisation of company boards.

In addition, it has to be taken into account how a pledge to globally extend the applicability of patents with their rather strong legal sanctions including permanent injunction influences the public discussion which questions the justification of the patent system in general. Are restrictions of enforcement and injunctive relieve along the lines of the US Supreme Court's Ebay-decision justified under particular conditions ? How would a broad extension of patentable subject-matter affect our profession, which in most countries is still based on a technical qualification ? Would a growing number of non-technical patents amplify a trend that IP matters are handled mainly by the legal profession organised in big law firms and that patent and trade mark attorneys/agents more and more assume the role as mere technical experts ?

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