



**THE AUSTRALIAN FEDERATION OF INTELLECTUAL PROPERTY ATTORNEYS
FICPI AUSTRALIA**

Ms Kay Collins
Secretary
ACIP
PO Box 200
WODEN ACT 2606

By E-mail
Kay.collins@ipaaustralia.gov.au

30 September 2002

Dear Ms Collins

**FICPI's response to ACIP's - Patent Protection of Software,
e-Commerce and Business Methods**
Our Ref: NTB:PD:GF39273:GM39471

We refer to the above paper and now provide FICPI Australia's response. We wish to confirm that should there be any open discussions in relation to this matter, such as the anticipated consultations, then FICPI Australia (The Australian Federation of Intellectual Property Attorneys) would be able to participate.

FICPI Australia is an Australian association of a parent international body – FICPI (Fédération Internationale Des Conseils En Propriété Industrielle). FICPI membership is comprised of intellectual property advisers who work in private practice for many clients. FICPI membership does NOT include persons or attorneys who work for only one client. Accordingly, FICPI members represent the "free" profession. FICPI members therefore have exposure to the needs of many different clients. FICPI works with international bodies and various patent offices to monitor and enhance the intellectual property system and protection and enforcement procedures generally.

FICPI has already, of its own initiative, conducted a review of patent protection for software, e-commerce and business methods. A paper was published in 2001 providing the results of a survey conducted through a number of countries. A copy of that publication is attached. Of particular interest is the finding that business methods are patentable in a large number of major developed countries. Consequent on this finding is the conclusion that business method patents are an important area of intellectual property protection.

The ACIP Issues Paper of July 2002 raises a number of issues which are outside of the scope of immediate informed comment by FICPI Australia. Some of the issues would require FICPI Australia to conduct surveys of members/clients in order to provide answers. FICPI Australia proposes to provide comment where appropriate, based on the experiences of FICPI members in Australia in relation to this area of patent protection.

PRESIDENT:
NOEL T BRETT

3RD Floor
509 St Kilda Road
Melbourne 3004
Australia

Telephone
(03) 9243 8300
International
+613 9243 8300
Facsimile
(03) 9243 8333
International Facsimile
+613 9243 8333

E-Mail
noel.brett@griffithhack.com.au

SECRETARY:
PETER HUNTSMAN

1 Little Collins Street
Melbourne 3000
Australia

Telephone
(03) 9254 2777
International
+613 9254 2777
Facsimile
(03) 9254 2770
International Facsimile
+613 9254 2770

E-Mail
phuntsman@davies.com.au

TREASURER:
GREG CHAMBERS

21st Floor
367 Collins Street
Melbourne 3000
Australia

Telephone
(03) 9614 1944
International
+613 9614 1944
Facsimile
(03) 9614 1867
International Facsimile
+613 9614 1867

E-Mail
greg.chambers@pof.com.au

At the outset, FICPI Australia wishes to advise that it is of the view that the granting of patents directed to business systems is in the interest of Australia. Excluding business systems could have a serious financial and commercial impact, and cause investment in new business enterprises to be curtailed or reduced.

ISSUES

8.1.1 What is the significance of business system patents to the Australian economy and what are the expected future growth trends?

It is considered that the financial impact to the economy of Australia would be very serious if business system patents were not available. Members of FICPI Australia act for local and foreign clients in Australia who have filed Australian patent applications, and in some cases obtained granted patents (for business systems). Some of these business systems are directed to on-line Internet processes for the sale of goods and/or services. The investment in the necessary hardware resources to develop this technology is enormous. The costs associated with developing the software are considerable. The advantages to be gained by business methods directed to on-line activity and commerce already exist, and are not projections. Financial and government institutions have sought patents for on-line banking and bill payments. Underpinning the protection afforded by patents is the manpower structure that needs to be in place, and the necessary resources to provide the backup customer inquiries and other related activities for the ensuing business methods. Failure to provide intellectual property protection for such business systems is seen by FICPI Australia as a disincentive to investment in the necessary hardware, software, manpower and subsequent training and implementation procedures and the day to day practice of using such methods and systems. Failure to grant patents for this technology would mean that once the software is released and the functionality disclosed to the world, competitors could copy the functionality, and the look and feel, without fear of infringement. It is considered that investment and development would be prejudiced if patents were not possible for business systems.

Many businesses and organisations such as government instrumentalities have sought patent protection for their on-line technology – see for example Australia Post bill payment systems – International patent application no. PCT/AU01/00605. The functionality of this software provides the applicant with the ability to invest in the necessary resources and personnel associated with payment of bills. Without the security of knowing that the technology can be patented, investment would be risky. An IP owner could not guarantee exclusivity of the functionality of the software without the necessary potential for valid patent grants, and therefore the technology would be unlikely to be commercialised, and the economy of Australia would suffer.

8.1.2 What are the likely implications of business system patents on the growth of Australian business and the research sector?

FICPI Australia cannot accurately answer this question without conducting a survey itself. It is perceived however, that without business system patents, Australian businesses and research groups would be at a disadvantage and their growth inhibited. Further, FICPI Australia is of the view that many new businesses would not be set up in Australia if patent protection for business systems in Australia were not available. FICPI Australia is of the view that negative opinions on the value of business system patents may have been spread by misinformed or misguided enterprises who have been surprised by the existence of certain business method patents. Those enterprises are wishing to use the technology covered by the patents, and believe this wish should not be hampered by patents. This shows a total disrespect for the monopoly needs of the IP owner to protect its investment. FICPI Australia is of the view that such enterprises have formed the negative view because some of the early accepted patent applications for business systems were inappropriately very broad. In reality, it is likely that some of these patents would be held invalid on traditional

grounds of invalidity. A business method should therefore have the same rights to patent protection as any other technology and should not be judged by those early inappropriate cases.

8.1.3 What are the likely implications of business system patents on Australia's export market growth and international competitiveness?

This question would also require FICPI Australia to conduct a survey before answering completely. It is perceived that Australia's export market growth has been and could further be enhanced by licensing patent technology directed to business methods in foreign countries. As to international competitiveness, business system patents, particularly on-line Internet related business system patents have the potential to channel work and investment into Australia. Practicing the technology from outside Australia in conjunction with business within Australia means that work is being directed to Australia which might not otherwise occur.

8.2.1 Do business system patents encourage innovation and the dissemination of knowledge?

A primary part of the purpose of a patent specification is to provide information to the public about the relevant subject matter. It would appear that patent specifications have met this requirement in Australia, and that there would be no difference for business system patent specifications. If patents for business methods were not possible it would encourage the technology to be kept secret and this would affect any possible springboard effect for newer technology. As to encouraging innovation, the possibility of patent protection is an incentive to business investment as discussed under 8.1.1.

8.2.2 Are there fundamental business processes which, if patented, could inhibit innovation or impose significant costs on third parties, or is it likely that the development of alternative business systems would be encouraged?

This question can be levelled at patents in all technology areas. In relation to business system patents, we would refer to the comments under 8.1.2 above. FICPI Australia is of the view that business system patents should be possible in Australia, provided the subject matter passes the traditional tests for patentability including those resulting from the NRDC case (1959) 102 CLR 252.

8.2.3 What are the implications of business system patents on Australian industry generally? Are business system patents likely to inhibit growth in the market place?

FICPI has no survey evidence in relation to this, but from anecdotal evidence FICPI Australia suggests there is no evidence that business system patents would inhibit growth in the market place. To the contrary, as stated in 8.1.2 and 8.2.1 it is believed they will encourage growth.

8.3.1 Does current Australian patent legislation and practice in relation to business system patents provide an appropriate balance between innovation, access to technology and economic growth?

Australian legislation and practice in relation to business system patents is on par with that for other technology areas and on this basis is considered to provide the appropriate balance.

It is clear that emerging business and technology has the potential to be regarded as day-to-day technology in several years. This is borne out in history by looking at technology that is now commonplace. Business systems and in particular Internet business systems, all have the potential to become day-to-day technology. There is no justification for excluding such from patent protection and the broad principles for patentability decided in the NRDC case *supra* should not be disregarded for this field of endeavour.

8.3.2 Should Australia include technical implementation as a requirement for patentability?

In Europe, it is believed that the technical implementation requirement has arisen through case law primarily because of the specific exclusion to patentability of computer programs (it is not in the statutory law). This exclusion has been generally avoided in Europe by including some "technical implementation" in patent claims covering programs, but the result has ongoing uncertainty and argument before the patent office and the courts in Europe as to the degree of technical implementation that is required to bestow patentability. FICPI Australia is strongly of the view that Australia should avoid going down this uncertain and expensive path.

FICPI Australia is not aware of any change in requirements for patentability in Australia that require technical implementation as an essential requirement. Whilst IP Australia's practice in relation to granting claims has been broadened, as it is now possible to obtain claims directed to a broader class of subject matter without the addition of some artificial means or artificial created state of affairs directed to technical features or technical content, there nevertheless is a requirement that an applicant shall disclose the best method. There is also a further requirement that the best method shall be described in such detail that a person skilled in the art would be able to read the specification and then reproduce the invention without further invention. Accordingly, provided the applicant has complied with the requirement to disclose the best method, and also a method that can result in the invention being implemented, then all the requirements have been satisfied.

FICPI Australia does not see that introducing a requirement for technical implementation features in patent claims directed to business methods is necessary, as required in Europe. The NRDC case *supra* provides precedent for this, and therefore Australian patent law does not need some statement as to what subject matter is or is not patentable. If a patent can be validly granted to a business method or system then it should be the method *per se* that is patentable and not whether it is implemented using some technically specified apparatus. Of course, this should not exclude a person attempting to obtain patents limited to a specific technical implementation procedure.

8.3.3 What is the anticipated impact of the patent legislative changes, introduced in April 2002, which aim to increase the presumption of validity of granted patents?

This change may give rise to an applicant experiencing more difficulty in obtaining a patent directed to a business system or any other invention than would have occurred prior to April 2002. An Examiner is now able to combine the disclosures in two or more documents for an inventive step attack. It can therefore only be assumed that if Examiners administer this new power correctly, there will be a high presumption of validity in relation to business system patents. Prosecution of patent applications to grant may be more protracted and costly than before, but there has been insufficient practice since April 2002 to form a final view on this question.

8.3.4 Is the Ergas report correct in stating that most business methods would fail the standard tests of patentability?

FICPI Australia does not have the necessary information or resources to conduct a survey in this area. FICPI Australia holds the view that some business method patents may fail the standard tests of patentability, but in general, most business system patent applications that are filed today are likely to pass these standards. FICPI Australia is of the view that overall, the validity of business method system patents is no different to that of patents in other fields.

8.3.5 Should there be special patent procedures for processing business system patents?

It would seem that patent Examiners are becoming more aware of business systems *per se*. Thus, with the new powers conferred on Examiners under the April 2002 Patents Act amendments, Examiners may be now better placed to raise objections to doubtful business methods. Under the

former practice of the Patent Office, an applicant was always given the benefit of doubt. It is perceived that with further training of Examiners in this technology, by prosecuting more and more patent applications in this area, Examiners will, over a period of time, acquire the necessary skills to properly examine business system patent applications. It is noted that in USA there is a review procedure after an allowance of a US business method such that if a panel considers the subject matter has potential problems, then allowance is withdrawn. Whilst such a system may be useful in Australia, it is perceived that it would be difficult to presently acquire the required persons with the necessary skill base to administer and practice such a system. FICPI Australia is of the view that the Examiners themselves will acquire the necessary skills with their day to day practice and that, in time, the Examiners will be able to properly assess business system patent applications. Thus, FICPI Australia is of the view that the same patenting procedures should be applied to business method system patents as to patents in other fields.

8.3.6 Should business systems be considered to be within a “field of technology” as referred to in s27 of the TRIPS agreement?

FICPI International has consistently maintained that all forms of technology should be patentable. Business systems are no exception. The requirement of TRIPS is only a minimum requirement. It does not act to prevent a signatory from having broader possibilities. Accordingly, Australia should still permit the granting of patents for this technology. The NRDC case *supra* in Australia generally confirms this view.

8.3.7 Is the 20 year term of a standard patent grant appropriate for business systems, or would the 8 year term of an innovation patent be more appropriate?

Whilst some business systems may not have a life expectancy greater than 8 years, there are many business systems that could benefit from a 20 year term. The maximum 20 year term is self governing, in any event, as it is subject to the patentee paying renewal fees. If the subject matter has been superseded and found no longer useful, the IP owner will be unlikely to renew. Accordingly, FICPI Australia does not see any reasoning for excluding business systems from the Standard Patent procedure and reverting them to the Innovation Patent procedures.

8.3.8 Are business system patents being assessed within an appropriate timeframe?

The timeframe for examination of business system patents appears to be substantially the same as that for other technology areas. If an applicant requires a quick grant, then the Innovation Patent can be pursued. Certification of an Innovation Patent usually occurs within a 3- 6 month period in any event. Thus, if an applicant requires a quick and early grant, then the Innovation patent route coupled with perhaps a corresponding parallel Standard Patent route might be appropriate.

8.3.9 Are granted business system patents of sufficient quality? Is the standard for inventive step being correctly applied?

We refer to our previous comments about some earlier patents being inappropriately broad. More recently filed cases appear not to be subject to the same criticism.

As to inventive step being correctly applied, FICPI Australia does not yet have sufficient experience following the April 2002 Patents Act amendments to make any informed comment. It is felt that with time, and with some Court decisions, the intellectual property profession, including examiners, will be able to understand the new requirements more fully, and that inventive step objections will then be applied appropriately.

8.3.10 Do Australian patent Examiners have appropriate training and expertise to assess business system patents? Are more resources warranted?

FICPI Australia does not have any direct information to enable an informed answer to be provided. FICPI Australia, however, refers to the comments above about the examiners acquiring the necessary skills with their day to day practice over a period of time. Provided the examiners are appropriately trained and qualified, there should not be a problem with the skill base in due course. As more and more databases become available, examiners and the public should be made aware of the existence of these immediately so appropriate searching can be undertaken.

8.3.11 Is IP Australia making appropriate use of non-patent literature? Should more active sharing of information with other offices be explored?

FICPI Australia has no direct knowledge as to the extent of non-patent literature searched by examiners. Anecdotal evidence suggests that examiners are using the Internet more and more to locate relevant prior art in the non-patent literature fields. It would seem, that with the passage of time, examiners will become more highly skilled and will have necessary resources to locate non-patent literature that may be relevant. As to sharing information with other offices, FICPI Australia assumes that this means other foreign patent offices. If such can be implemented without a cost burden to patent applicants and/or the Patent Office, then this should be pursued. It is noted that the requirements under Section 45(3) and Section 101D of the Patents Act 1990 require the providing of search reports to the Patent Office. It is considered that this requirement already promotes active sharing of information from other Patent Offices.

8.4.1 Are Australian businesses properly equipped to deal with business system patents?

Anecdotal evidence suggests that many Australian businesses are not aware that business methods can be patented, and seem quite surprised when they are told that particular subject matter is patented. It would seem that Australian businesses need to be more thoroughly educated in relation to the possibility of business system patents.

8.4.2 Are there sufficient information and search facilities available to assist the Australian public seeking to protect their intellectual property or avoid infringement? If not, what facilities should be instituted?

This question is quite complicated. In so far as providing information to assist the Australian public seeking to protect their intellectual property, there would seem to be information concerning professional advisers available from the Patent Office. For example, the Patent Office has a list of patent attorneys. The Patent Office does not identify the special area of technical expertise of individual attorneys and perhaps this is something that should be considered provided it does not result in attorneys competing with each other with expansive descriptions of their technical skills.

As to searching, there are two criteria for searching. The first is to determine if the idea is new and patentable. The second is to determine if use of a particular business method or system will infringe a granted patent or a patent to be granted in due course. Unfortunately, in relation to computer technology cases, this searching is extremely difficult. Searching is undertaken by entering key words and particular classes into a database. A list of possible titles is then provided by the search engine in the database. A person is then required to read each of the titles and then print abstracts of cases having titles of interest. A problem with this searching is that titles can be misleading. Further, abstracts can also be misleading. A further problem is that the key words used in the database do not always correspond with those chosen by the person making the search. In general, searching electronic related business system methods has been difficult, expensive, and not reliable, and recommended to only those persons with special searching training skills. Providing a solution to the above problem will not be easy. Considerable financial resources will be needed to improve the searching databases themselves and the searching techniques. There is no easy answer in the short term.

8.4.3 How should issues of jurisdiction with respect to business system patents be dealt with?

This is perceived by FICPI Australia and FICPI International as a major problem. On the one hand, a member of the public in Australia could potentially innocently infringe a business method patent in Australia by accessing a website overseas and engaging in a simple goods purchase transaction. On the other hand, a person wishing to avoid infringement could deliberately set up to operate a patented business method through computers operating in a plurality of foreign countries. Section 117 of the Patents Act 1990 as currently worded does not assist the patentee in this respect.

This question has far reaching consequences and a dedicated study should be undertaken before FICPI Australia could provide any substantive comment. US patent attorneys regularly draft independent patent claims to many different aspects of the invention in order to attempt to avoid these problems. For example, rather than have patent claims directed only to a "business system" or a computer configured to perform a business system, the US attorneys have included additional claims directed to:

1. "A computer server performing a part of the total business system"
2. "An electrical signal resident on a computer, and being for part of the total business system"
3. "Software for performing a part of the total business system";

Such claims appear to avoid the problems of Section 117. However, in Australia they can give rise to formal objections of plurality of invention. In such cases many divisional applications are needed at a significant cost to the applicant. Careful consideration should be given as to whether the infringement provisions of Section 117 of the Patents Act 1990 might be broadened to catch a person performing only a part of the total business system in Australia, or whether some other approach, such as a relaxation of the requirements for Unity of Invention, can be invoked for such subject matter.

Yours sincerely

Noel T Brett
PRESIDENT

Enc