



FÉDÉRATION INTERNATIONALE DES CONSEILS
EN PROPRIÉTÉ INTELLECTUELLE

INTERNATIONAL FEDERATION OF
INTELLECTUAL PROPERTY ATTORNEYS

INTERNATIONALE FEDERATION
VON PATENTANWÄLTEN

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17 March 2011

patentsbill@med.govt.nz

Computer Program Examination Guidelines
Ministry of Economic Development
P O Box 1473
Wellington
NEW ZEALAND

Attention: Warren Hassett
Competition, Trade and Investment Branch

RE \\
Submission on the Draft Examination Guidelines on Patent Protection of Computer Programs

Dear Sir,

On behalf of the Bureau of FICPI, Fédération Internationale des Conseils en Propriété Intellectuelle, I am pleased to submit comments in relation to the above.

Respectfully submitted,

Julian Crump,
FICPI Secretary General

Enc.



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Submission on the Draft Examination Guidelines on Patent Protection of Computer Programs

FICPI is unique. It is the only international NGO whose membership consists exclusively of IP attorneys in private practice. **FICPI** therefore represents a key constituency of the international IP system.

Founded more than 100 years ago, in 1906, **FICPI** now has almost 5,000 members in 86 countries, including the US and Japan, Australia and New Zealand, a strong European membership and newly established national sections in India and PR China.

Before being admitted, an applicant for membership of **FICPI** must satisfy prescribed criteria as to their character, experience and international reputation.

FICPI's members represent their clients in patent, trade mark and design matters, and related forms of IP, at the national, regional and international levels. Clients of **FICPI** members range from individuals and SMEs to multi-national industries, as well as universities, governmental and non-governmental organisations and other institutions, who are applicants and non-applicants alike. **FICPI** members have assisted in the drafting of IP laws and treaties. **FICPI** is therefore able to offer well balanced opinions with regard to newly proposed international, regional or national legislation or practice guidelines on the basis of a wide range of different levels of client knowledge, experience and business needs of the IP system.

FICPI aims to enhance international cooperation within the profession of IP attorneys in private practice and to promote the training and continuing education of its members and others interested in IP protection.

FICPI herewith submits comments on the suggested examination guidelines relating to clause 15(3A) of the amended Patents Bill:

According to new clause 15(3A) of the Patents Bill computer programs should not be regarded as patentable inventions.



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This clause needs to be read in the context of new clause 13:

“An invention is a **patentable invention** if the invention, so far as claimed in a claim:

- (a) is a manner of manufacture within the meaning of section 6 of the Statute of Monopolies; and
- (b) when compared with the prior art base –
 - (i) is novel; and
 - (ii) involves an inventive step; and
- (c) is useful; and
- (d) is not excluded from being a patentable invention under **section 14 or 15.**”

Paragraph 2 of the proposed guidelines, having regard to clause 13, states that “for something to be patentable it must meet four primary requirements (clause 13): it must be new, inventive (non-obvious), be capable of industrial application (manner of manufacture) and be an invention”.

By way of contrast to paragraph 2 of the proposed guidelines, clause 13 makes no mention of “capable of industrial application” which is a different requirement from manner of manufacture.

In addition, the reference to a patentable invention being “an invention” in paragraph 2 is circular.

On the other hand, it is noted that most of the words used in paragraph 2 are imported from Section 1(1) of the UK Patents Act 1977, presumably in an attempt to draw a parallel between the proposed Patents Bill and the Patents Act 1977 - where no such parallel exists.

As indicated in the Commentary accompanying the Bill, this Bill seeks to repeal and replace the NZ Patents Act 1953. The NZ Patents Act 1953 is modelled on the now repealed United Kingdom Patents Act 1949.



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Notwithstanding that the present Bill seeks to repeal the NZ Patents Act 1953, the requirement that an invention is, amongst other things, a manner of manufacture, for it to be patentable has been retained from the 1953 Act and thus is still consistent with the repeal of the United Kingdom Patents Act 1949.

Pursant to the repeal of the United Kingdom Patents Act 1949, the subsequent United Kingdom Patents Act 1977 does not retain the requirement that a patentable invention be for a manner of manufacture. Instead it adopted the following provision:

- “1. (1) A patent may be granted only for an invention in respect of which the following conditions are satisfied, that is to say -
- (a) the invention is new;
 - (b) it involves an inventive step;
 - (c) it is capable of industrial application;
 - (d) the grant of a patent for it is not excluded by subsections (2) and (3) or section 4A below;
- and references in this Act to a patentable invention shall be construed accordingly.
- (2) It is hereby declared that the following (among other things) are not inventions for the purposes of this Act, that is to say, anything which consists of -
- (a) a discovery, scientific theory or mathematical method;
 - (b) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever;
 - (c) a scheme, rule or method for performing a mental act, playing a game or doing business, or a program for a computer;
 - (d) the presentation of information;
- but the foregoing provision shall prevent anything from being treated as an invention for the purposes of this Act only to the extent that a patent or application for a patent relates to that thing as such.

In paragraph 10 of the proposed guidelines, comment is made that “the statutory framework of the UK Patents Act 1977 is very similar to that proposed in the Patents Bill in that it sets



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out four mandatory requirements for patentability: novelty, inventiveness, industrial applicability and not be excluded.”

As can be seen above and having regard to clause 13 of the proposed Bill, the statement in paragraph 10 of the proposed guidelines that “the UK Patents Act 1977 is very similar to that proposed in the Patents Bill” is incorrect because the fundamental and seminal requirement that an invention is a manner of manufacture, has been omitted from the UK Patents Act 1977.

In view of this, it is inappropriate to import UK case law decided under the UK Patents Act 1977 into framing the guidelines.

At paragraph 8, the proposed guidelines compare the requirements of a patentable invention under the Patents Bill with s 18(1) of the Australian Patents Act 1990, but comment that the Australian Act does not contain any exclusions and the Australian courts have not developed a test for addressing exclusions. This is incorrect.

Section 18 of the Australian Act is in fact subject to two express exclusions¹ and several exclusions that form part of the original Section 6 of the Statute of Monopolies. The latter have been judicially considered down the ages by the courts in both the UK and Australia². Clause 13 of the proposed NZ provisions and Section 18 of the Australian provisions concerning patentable inventions are virtually identical, especially with respect to the requirement for a patentable invention to be a manner of manufacture, and only differ by virtue of the fact that the proposed NZ Patents Bill has an express list of exclusions at clauses 14 and 15 and includes an additional exclusion at clause 13A, whereas the Australian Patents Act lists its two exclusions in sections 18 (2) and (3) and relies upon case law to indicate other exclusions.

¹ s 18 (2) and (3)

² *National Research Development Corporation v Commissioner of Patents* (1959) 102 CLR 252, [1961] RPC 134; *Commissioner of Patents v Microcell Limited* (1959) 102 CLR 232; *Joos v Commissioner of Patents* (1972) 126 CLR 252; *International Business Machines Corporation v Commissioner of Patents* (1991) 22 IPR 417; *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* 32 IPR 449; *Grant v Commissioner of Patents* [2006] FCAFC 120 etc



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In addition, the previous Australian Patents Act 1952, which contained a very similar provision defining a patentable invention in terms of a manner of manufacture, included many express exclusions and was the underlying legislation to many seminal decisions that have been applied in considering the patentability of computer related inventions³ since.

Contrary to what is expressly stated in the proposed guidelines, the UK case law decided under the UK Patents Act 1949 and Australian case law to date, insofar as it is concerned with what constitutes patent eligible subject matter, is far more relevant to framing the guidelines than is the UK Patents Act 1977.

With regard to the UK Patents Act 1949, the *Burroughs Corporation (Perkin's) Application*⁴ and *International Business Machines Corporation Application*⁵ are relevant to interpretation of *NRDC* and were useful in considering what type of interaction constituted a physical effect in a computer related invention and software context.

Given the outcome of *NRDC*, the courts both in UK and Australia considered it unnecessary and inappropriate to provide a test on how to apply the exclusion provisions according to a codified process of the type prescribed in the *Aerotel* decision.

Indeed, similar views are now being realised in many major jurisdictions that do not have the body of case law based on the “manner of manufacture” consideration of patentability. In the US *Bilski* decision⁶, the Supreme Court considered it to be inappropriate to restrict considerations of patentability to one or the other prescriptive tests, such as the transformation test that was prescribed in the lower Federal Circuit Court of Appeals decision in that case. Under the EPC, the Enlarged Board of Appeal of the EPO in an opinion⁷

³ *NRDC, Commissioner of Patents v Microcell Limited* see Note 2

⁴ (1974) RPC 147

⁵ (1991) 33 FCR 218

⁶ US Supreme Court in *Bilski v Kappos* 561 US (2010) Case No 08-864

⁷ Opinion of Enlarged Board of Appeal EPO G3/08



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provided in response to several questions from the President of the EPO, in the light of a possible divergence of UK and EPO case law having specific regard to the *Aerotel* decision, considered it appropriate to allow the case law to develop and not impose any restrictive or preferential view on issues of perceived divergency.

This is entirely consistent with the approach propounded by the High Court in the *NRDC* case.

As expressed in the EPO opinion and by the Supreme Court in *Bilski*, it was considered that the prescriptive tests under consideration were not necessarily incorrect, but were not exclusive approaches to adopt and that there may be other approaches or tests that are equally applicable.

Under UK and Australian laws of claim interpretation, there is clear precedent indicating that the inclusion of an unpatentable integer in a claim, such as a statutory exclusion from patentability, does not make the entire claim unpatentable, and that the claim needs to be considered in its entirety. In *Catnic*⁸, Lord Diplock opined that there is a danger in considering the integers of a claim individually and in isolation. This could yield a literal rather than a purposive construction. This approach was supported by the Australian courts in more recent decisions⁹

Consistent with the principles propounded by *NRDC* and subsequent authorities, it is undesirable therefore to fetter what can be patented by an exact verbal formula or dissect the claim to individual consideration of its elements in isolation of their working relationship with other elements. The tests propounded in *Aerotel* and *Bilski* (Federal Circuit Court of Appeals decision) have been criticised for this very reason by subsequent authorities, as is also the case in the recent *Amazon* decision in Canada¹⁰.

⁸ *Catnic Components Ltd v Hill and Smith Ltd* [1982] RPC 183 at 243 (Lord Diplock)

⁹ *Nesbit Evans Group Australia Pty Ltd v Impro Ltd* (1997) 39 IPR 56; *Pfizer Overseas Pharmaceuticals v Eli Lilly* [2005] FCAFC 224

¹⁰ *Amazon.com, Inc. v. The Attorney General of Canada and the Commissioner of Patents*, 2010 F.C. 1011



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The exclusion provision proposed in the NZ Patents Bill can therefore be simply dealt with by interpreting a claim making reference to a computer program as a whole and then applying principles of law to determine whether the invention is patentable or not having regard to the body of case law that has evolved with respect to “manner of manufacture” such as in *Grant*¹¹.

Whilst it is regrettable that the computer program exclusion from patent eligible subject matter has been included in the Patents Bill, as the precise wording of the exclusion actually sets the patent law of New Zealand apart from the patent laws of many other countries including all of the European countries, the US and Canada as well as Australia, Japan and Korea, amongst others, **FICPI** considers it inappropriate to attempt to remedy the problem by creating guidelines that tend to “cobble together” very selective case law from one or other jurisdictions where that case law has itself been superseded in that jurisdiction, especially where no commonality exists between the base statutory provisions of that jurisdiction and New Zealand.

Inventions involving computer programs are patentable rather broadly in accordance with the inclusive language of Article 27 Paragraph 1 of the TRIPS Agreement, to which New Zealand is party. This article defines the scope of patentable subject matter and states that “patents shall be available in all fields of technology and patent rights shall be enjoyable without discrimination as to the field of technology”.

As an international federation, FICPI in general supports any progress towards further harmonization of substantive and procedural patent laws throughout the world and thus considers new clause 15(3A) a serious setback to such attempts towards international harmonization of the requirements defining the scope of patentable subject matter. It also sees the clause, if construed more broadly than a very limited exclusion of the “*as such*” type prescribed in the UK law and the EPC, as a potential disadvantage for domestic industry in New Zealand, especially in the field of electronics and telecommunications which heavily rely on intellectual property embodied in computer programs.

¹¹ See Note 2



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FICPI firmly believes that in order to account for the unpredictable nature of innovation in technology and science, and to avoid excluding from patent protection important developments in new and developing technological areas, patentable subject matter should be considered broadly, avoiding unduly rigid requirements.

Under the circumstances described in the letter of the Ministry of Economic Development inviting comments on the draft examination guidelines, **FICPI** welcomes the opinion as expressed that at least inventions involving “embedded” computer programs should continue to be patentable, and also supports the proposal to clarify the legal situation by issuing examination guidelines for the interpretation of the amended regulation.

However, with the *Aerotel* decision of the Court of Appeal of England and Wales, the UK courts in their more recent decisions (*Symbian*¹², *AT&T*¹³) appear, as far as possible, to be clarifying the reasoning of the *Aerotel* judgment that is particularly referred to in the draft guidelines in a way that allows greater harmony with the European Patent Office approach of allowing broader patent protection for computer-implemented inventions. **FICPI** thus wishes to express its concerns that following an outdated legal approach in the guidelines by virtue of its reliance on the *Aerotel* decision, New Zealand risks isolation in the worldwide intellectual property community.

FICPI thus encourages the Ministry to update the draft guidelines to:

- (i) correct errors made in the guidelines in drawing parallels between the law proposed in the NZ Patent Bill and the laws of other countries that are wholly inconsistent with principles established under a considerable body of case law that affords guidance on what constitutes a manner of manufacture with regard to computer related inventions;

¹² EWCA [2008] CIV 1066

¹³ AT&T [2009] EWHC 343 (Pat)



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- (ii) refrain from attempting to determine a prescriptive or codified test on how to apply the computer program exclusion that is inconsistent with how exclusions are presently dealt with under the substantial body of case law concerning ‘manner of manufacture’ in Australia, and in the UK prior to the UK Patents Act 1977; and

FICPI further observes that the IPONZ guidelines are unlikely to have any judicial weight in view of the recent High Court case relating to IPONZ extensions of time¹⁴ in which the judge stated that categorically.

Finally **FICPI** encourages the relevant authorities in New Zealand to consider reversing new clause 15(3A) of the Patents Bill at the earliest possible moment in order to realign and reharmonise patent law in New Zealand with the laws of other jurisdictions.

Submitted by:

Respectfully submitted,

Julian Crump,
FICPI Secretary General

¹⁴ *The Muir Electrical Company Pty Limited v The Good Guys Group Limited*, HC Auckland CIV-2009-404-4965