

# Patenting of Business Systems

## Comments on the Advisory Council on Intellectual Property ("ACIP") Issues Paper from the Australian Computer Society

### 1 Australian Computer Society

The Australian Computer Society ("ACS") is the recognised association for Information & Communication Technology ("ICT") professionals, attracting a large and active membership over 16,000 from all levels of the ICT industry. A member of the Australian Council of Professions, the ACS is the public voice of the ICT profession and the guardian of professional ethics and standards in the ICT industry, with a commitment to the wider community to ensure the beneficial use of ICT.

The society was founded in 1966. Its objectives are to further the study, science and application of Information & Communication Technology; promote, develop and monitor competence in the practice of ICT by people and organisations; maintain and promote a Code of Ethics for members of the Society; define and promote standards of knowledge of ICT for members, promote the formulation of effective policies on ICT and related matters; and to extend the knowledge and understanding of ICT in the community.

### 2 ACS's position

ACS supports patents, and other forms of intellectual property, as they are important for the encouragement of research and innovation. However, unjustifiably broad intellectual property rights act as a fetter on fair competition.

ACS sees no reason to treat technology which may be the subject of a "business system" patent any differently from other potentially patentable inventions. Each invention should be dealt with on a case by case basis in accordance with the ordinary principles of patent law. ACS submits that a proper application of these principles will strike a fair balance between the incentive to innovate without stifling competition.

The working definition of "business systems" described on page 5 of the ACIP Issues Paper is workable but the last sentence in section 4.1 ("Business systems are directed to the way business information is obtained and used, rather than the development of new 'technologies'") is potentially misleading. It is not realistic to isolate the claimed business system from the manner in which it will be implemented. Most new patents are not for "new technologies" as such anyway. Rather, they claim developments and improvements over the prior art. In the case of business systems, without disclosure of how the system is to be implemented, for example by computer, a patent application will be unlikely to comply with the legislative requirements of sufficiency, fair basis and utility.

### 3 Issues

These broad points are developed further with reference to some of the issues raised in the ACIP Issues Paper, adopting the same numbering:

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

Assuming that the current tests for patentability apply, business system patents are likely to stimulate innovation in the same manner as any other patent. This will lead to artificially inflated prices for use of the patented business system for the term of the patent but should lead to great efficiencies in the longer term because of the encouragement to innovate and the disclosure of the best method of the business system.

The current numbers of business system patents suggest that their significance in isolation is minimal and future growth trends will depend upon the extent of innovation which depends upon a multitude of factors. It is almost impossible to predict what these trends might be in the same way it was very difficult to predict the extent of the IT revolution before it occurred.

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

All patents encourage innovation and the dissemination of knowledge. There is an argument that businesses are always looking for areas in which to improve their systems which means that further encouragement to innovate is unnecessary. First, this ignores the dissemination point - without a patent, an innovator may keep its new idea to itself rather than disclose it to the community. Secondly, capturing value in intellectual property has become a major business strategy and patents can be big balance sheet items. The ability to use patents to attract investors and trade for profit creates an added incentive to innovate in addition to the prospect of simply improving the way business is done.

### **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?**

Such a fundamental business process should struggle to pass the novelty and inventive step hurdles. A business process that has not yet been disclosed and is beyond the skill of the hypothetical worker in the field is unlikely to be “fundamental”.

The greatest danger is the failure of the current checks and balances as to what is patentable. Access by patent examiners to adequate prior art databases and suitable search engines is critical if the grant of patents for business processes which are obvious and not novel is to be avoided.

Provided a patent is truly for a novel and inventive process, market forces should provide an adequate check on the costs imposed on third parties. If there are substitute (or partially substitute) processes then the price will be moderated. If there are no substitute processes then third parties will only pay for what they perceive to be valuable.

### **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?**

Business system patents are unlikely to inhibit growth in the market place any more than any other patent.

### **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?**

Yes, provided that appropriate prior art searches are conducted and an appropriate standard of what is obvious is used. There is a serious difficulty in that many pre-existing business processes are not published. This could lead to more numerous opposition proceedings where much of the evidence about the common general knowledge is given by opponents who use allegedly similar (or the same) processes.

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

Yes, but it does already. Patents will only be granted for an artificially created state of affairs “of utility”, following the NRDC decision, and must also disclose the best method known to the inventor of performing the invention. In this context, this should be interpreted as requiring the patent applicant to reduce the business system to a tangible implementation. Further, the fair basis requirements can limit the system to those implementations which the inventor has described, rather than all possible implementations, some of which might not yet have been considered.

**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?**

There will be more scrutiny of patent applications prior to publication. That will be partly due to the requirement that the applicant inform the Commissioner of the results of any documentary searches conducted for the purpose of assessing the patentability of an invention.

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

That would need to be assessed on a case by case basis.

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

Since the commencement on 1 April 2002 of Schedule 1 of the Patents Amendment Act 2001, the current patent procedures for processing business system patents should be adequate (provided that the current patent procedures are rigorously applied).

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

This question illustrates the difficulty of the approach taken on page 5 of the ACIP Issues Paper. It is unrealistic to consider a business system independently from the technology which will implement it. Applications for patents for business systems should be considered on their merits and not by reference to *sui generis* rules .

**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?**

As it is not appropriate to create special rules for business systems patents, this question misses the point. It is up to the patent applicant to choose whether he or she wants a standard patent or an innovation patent.

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

No, but no patents are being assessed within an appropriate timeframe. There is no reason that a business system patent should jump the queue because of the category within which it falls. The timeframe for patent assessment is a resource issue at the Patents Office.

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

It is too early to tell in Australia. The United States of America is a concern, however. The patent for a method of pushing a swing suggests that there are some quality issues.

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

Whether Australian patent examiners have appropriate training and expertise to assess business system patents will depend on the particular patent being examined and the particular examiner chosen to conduct the examination.

More resources are always warranted when the average delay between application and examination is 1-3 years.

Monitoring the trend in the types of business system patents being applied for overseas and in Australia should give some warning about whether there are sufficient numbers of examiners with appropriate expertise in any particular area. An efficient monitoring system should allow the Patent Office to respond quickly if it is deficient in examiners with skills in a particular area.

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

No, IP Australia is not making appropriate use of non-patent literature and yes, more active sharing of information with other offices should be implemented.

The amount of information generated in and about any particular area is usually increasing exponentially. Synergy through active sharing of information with other offices will help the patent office to combat the difficulty of staying abreast of the increasingly generated amounts of information.

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

No. Most Australian businesses, particularly smaller businesses, would not commit the resources that would be required to conduct reasonably thorough searches of the Australian and foreign Patent Offices to determine if any of their business systems were infringing another entity's patents for those systems.

**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?**

There are sufficient information and search facilities available. The problem is the cost of access and use, particularly in the case of avoiding infringement. For example, the

costs are often prohibitive if a business merely wants to know if one of its processes infringes a patent owned by another entity.

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

Consistently with the current principles.

Section 12 defines the application of the Patents Act. If a patent for a business system is granted in Australia and a person infringes that patent in the patent area, then that person should be liable to have proceedings taken against them. The difficulty arising in cross-jurisdictional infringement, for example on the Internet, may be addressed by developing patent drafting techniques which focus on the Australian participant in the system, rather than the various individual integers which may be located in different countries.

The difficulty of enforcing an order against a party located out of the jurisdiction is a separate problem.

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