

Response to ACIP Issues Paper on the Patenting of Business Systems

Summary

We believe that “business systems” should not be distinguished from any other patentable inventions. We believe that novel and inventive business systems which fall within the test for patentability set out by the 1959 High Court of Australia decision of National Research and Development Corporation the Commissioner of Patents (NRDC), should be allowed.

We believe that an attempt to distinguish business systems from other types of inventions and in particular to frame such a distinction in legislation, is fraught with danger and could even lead to a restrictive approach which would deny patentability to business systems inventions and inventions in other areas of technology which are “close to” business systems, such as computer software.

We believe that, contrary to some assertions, protection of business systems promotes business activity, particularly small business activity.

We have no evidence that protection of business systems restricts competition or prevents technology development. The case “for and against” patent protection is, we believe, no different for business systems inventions than inventions in any other areas of technology.

We believe that some problems may have been caused by the grant of patents for business systems which are not novel or inventive. There is a case for increasing the stringency of examination and search to ensure that patents are not granted for non-novel or non-inventive business systems. This may, of course, require further resources be allocated.

Issues

8.1 Economic and IP Significance of Business Systems

It is difficult for Griffith Hack to comment directly on these issues, but we can perhaps extrapolate some implications from our knowledge of client activity in the business system area. Over the past two years Griffith Hack has filed approximately 100 Australian originating patent applications in Australia for inventions falling within the government definition of business systems. While not a large number relative to the total number of applications that Griffith Hack has filed, the number is not insignificant.

Analysis also suggests that by far the majority of these applications (in the order of 95%) were for applicants that would be classified as “start-ups” or small to medium enterprises.

As far as we can ascertain, the number of business system related applications has not grown in recent years, and this may possibly be due to the recent shrinkage in the IT sector (the majority of the business system applications we have dealt with are

computer implemented, particularly in the e-commerce area). Presently all that we can say is that we expect this number to be maintained, and perhaps to boom if and when there is significant further growth in the IT sector. (8.1.1)

Contrary to the submissions that business system patents are likely to have a restricting affect on the growth of Australian businesses, the indications from our client records are that business system patents in fact promote the growth of Australian businesses. Many of the clients that have lodged business system patent applications are start-ups and therefore are new businesses, implying that availability of protection in this area does in fact promote the growth of new business. We see no reason why the affect on the research sector of business system patents should be any different from the affect of patents in other technology areas. (8.1.2)

By far the majority of clients that have filed business system applications with us express a desire to or have filed applications overseas, at least in the US and often in the UK and Japan. They are seeking to export or at least to establish markets in the countries where they protect their technology. This implies a potential growth in export market and increase in international competitiveness. (8.1.3)

It should be noted that over the past 10 years we have seen an increase in patent applications in virtually all technology areas. This perhaps implies that grant of patents for business systems are not having a deleterious affect on research and development in other areas.

It should also be pointed out that by far the majority of the clients that file business systems patents with us consider that the protection of their IP is critical to their being able to proceed with the business competitively and/or to obtain funding to proceed with the business. Clients often express the concern that if they are not able to obtain strong protection for their IP then they would be unable to proceed in the face of competition from large, well resourced enterprises.

8.2 Encouragement of Innovation and Dissemination of Knowledge

It would appear that the availability of protection for business systems does encourage innovation. Inventions developed by our clients in the business system area are “new”. It is unlikely, we believe, that these innovations would have been developed without business system protection. As discussed above, the majority of our clients in this area are small businesses or start-ups and many, we believe, would not have commenced the new business without the availability of protection.

The patent system is designed to encourage the dissemination of knowledge, by requiring a “sufficient description” of an invention in return for a monopoly reward, and by way of early publication of patent application specifications. This applies to business systems as much as it does to patents for other technologies. We believe that denial of protection for business systems is likely to result in less dissemination of knowledge. Without protection we believe that small businesses are unlikely to proceed with developing a business innovation.

We believe that it is dangerous to isolate business system patents from other technology areas. The debate over whether patent protection restricts or promotes innovation and dissemination of knowledge is decades old and applies generally to all technical areas. Although there has been this debate, the prevailing attitude is that patents do promote innovation and dissemination of knowledge. TRIPS in fact required that all countries provide strong IP protection in order to foster innovation. We do not see business systems as being any different to any other technologies in this respect. The principles of patentability discussed in the NRDC case are applicable to every area of technology. There will be some business system inventions that fall within the principles and are patentable, and some that do not. We believe that it is important that these principles continue to be applied generally, and that no attempt is made to isolate a particular technology area, such as business systems, and apply different principles. (8.2.1).

We cannot envisage that there are “fundamental business processes which, if patented, could inhibit innovation or impose significant costs on third parties”. Patents should only be granted for inventions which are novel and inventive. Patents cannot (or should not) be granted which prevent a person from carrying on a business process which already exists. As patents are therefore only granted for innovation, they cannot possibly prevent people from doing what they are already able to do. If a patent is granted for a significant invention (whether in a business process area or otherwise), innovation to design around the patent or to provide an alternative to the new innovation is stimulated. It is fundamental to the patent system that if a ground breaking innovation is made, then appropriate protection should be provided as a reward for making the ground breaking innovation. Again, this applies to all technology areas and we do not see that business systems should be treated as any differently. If a “fundamental” business process that is ground breaking is made, therefore, patent protection is deserved. People will still be able to carry on with prior art business processes. (8.2.2).

As discussed above, it would appear that business system patents are likely to encourage growth in the market. Our experience suggests that new businesses rely on business system patents. (8.2.3)

8.3 Australian Patent Laws and Practices

We believe that the current approach of Australian patent law is the correct one, but there is a case for improving the stringency of the search and examination process. (8.3.1)

Inventions, including business systems, should be patentable as long as they are novel and inventive and “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”. The NRDC principles have proved themselves over the years to be flexible and to allow for the protection of new technologies, which may have been difficult to achieve under rigid statutory provisions for patentable subject matter. One example of this is the patentability of computer programs. We believe that the computer software industry has generally benefited from patent protection. We agree that patent

protection should not be allowed for mental schemes or plans, as these are abstract and patent protection is unsuitable. There are many applied business systems which are not mental schemes and plans, however, and, if innovative, merit patent protection. We therefore do not believe that anything would be achieved by adding a statutory definition of “technical implementation” as a requirement for patentability (8.3.2). The present common law test for patentability is sufficient and has proved itself to be versatile. We believe that patentable business systems according to the NRDC principles should be considered to be within a “field of technology” as referred to in section 27 of the TRIPS agreement. There is no reason why they should not be. (8.3.6)

We do not agree that most business methods would fail the standard test of patentability. There are many business methods which fall within the NRDC principles. (8.3.4)

We see no case for special patent procedures for processing business systems patents. As discussed above, we do not believe that business systems should be distinguished from any other area of technology. (8.3.5)

(8.3.3) (8.3.9)

Of some concern, however, is the granting of patents for business systems which do not merit protection because they lack novelty or inventive step. We believe there is a case for a more stringent examination procedure (to be applied across the broad range of technologies and not just restricted to business system patents) in order to ensure as much as possible that when patents are granted they are in fact innovative and add to the public knowledge and do not present a hurdle for a person to carry out a process that was already available in the art or is obvious from what was already available in the art. We believe that the April 2002 amendments to the Patents Act assist, although there has been insufficient time since the amendments came into force to properly assess this. There is also a case for more resources to ensure that Australian Patent Examiners are appropriately trained and have the appropriate expertise in the business system area. In particular, more use of non-patent literature would be useful. Of the business systems that we have seen that have been examined, we very rarely see anything other than prior published patent specifications being cited. As there is likely to be a wealth of prior art in the non-patent literature, we believe that it would be very useful if resources could be allocated enabling a good search of non-patent literature relating to business systems. We agree that active sharing of information with other offices can only be beneficial, as it likely to lead to a more stringent examination process. (8.3.10) (8.3.10)

Of potential danger we believe it is the protection of known business ideas when are applied in another medium eg. already known business ideas being applied via computer networks, such as the Internet. The present patent principles should deal with this situation, however, as applying a known idea in another area in an obvious manner is not patentable. This is perhaps an area where Examiners can concentrate, particularly as much of the business system patent applications relate to applications in the computer area. (8.3.9)

Note that care must be taken, however, in applying this principle. In some cases, even where the business idea is known, there may be a non-obvious invention in the “clever” way it is implemented in the other medium.

We do not see any argument for reducing the patent term. A business system should not be treated any differently from any other innovation. Where an invention is one that has a short lifetime, the Australian patent system already deals with this via the Innovation patent system. We do not believe that there is a case for any change. Some business system patents will merit the 20 year award. If they have a small commercial lifetime, the 20 year lifetime will not be fully exploited anyway, or an Innovation patent will be applied for. (8.3.7)

8.4 Public Awareness and Confidence

We would suggest that patent strategies are underdeveloped in many small businesses in all technology areas, and not just in industries based on software and e-commerce. In fact, as many start-ups in recent years are based on software and e-commerce, lack of sophistication in patent and other IP strategies in this area may merely be a symptom of the fact that many of these business are new and often started by relatively inexperienced people. As discussed above, we do not see that business method patents cause a problem for small businesses, as much as they provide support for small businesses. Our experience is that small businesses require strong IP protection for their ideas so that they can a) compete with large businesses and b) obtain funding for their ventures. Without patent protection (and this is the same notwithstanding the technology) small businesses and start-ups find it difficult if not impossible to compete. (8.4.1)

We agree that it is questionable whether a user friendly and practical system exists for potential applicants and infringers to check whether business system concepts are novel or already patented. More information has become available over the Internet in recent years, however (eg. the USPTO being available on-line), as discussed above, it would be useful if the Australian Patent Office were provided with a search system which enabled them to undertake a useful search of non-patent literature. It may also be useful to make such a search system available to the public. (8.4.2)

With regard to jurisdiction, this is a difficult question and there is some potential for legislature to look at this area. This is not just a question for business method patents, however. It is also a question for software patent applications and many other technology areas. The world is essentially becoming much more of a world market with country and region barriers not being what they were before. (8.4.3)

Further Issues

We have to be very careful in considering business patents to not fall foul of the Trips agreement and in particular 27(1). As stated in the issues paper this section prohibits discrimination according to technology. Business systems, we believe, are legitimate technology and fall within 27(1). In Europe, there is restriction on patentability against business methods “per se”. This does not extend to technically applied business systems, however.

If we deny that business systems are a field of technology, we may well be denying other technologies (either future technologies or present technologies, such as computer software related inventions) from patentability. We do not believe that it is possible to adequately define business systems so as to isolate them from any other technologies.