1. Background

The Institute of Patent and Trade Mark Attorneys of Australia (IPTA) welcomes the opportunity to make submissions to the Advisory Council on Intellectual Property in respect of the Patenting of Business Systems Issues Paper.

IPTA represents patent and trade mark attorneys registered in Australia, both in private and corporate practice. Although membership of IPTA is voluntary, over 90% of patent attorneys registered in Australia are members of IPTA, either as Fellows or as Ordinary Members of the Institute. Most of these members are also registered as trade mark attorneys in Australia. In addition, the membership of IPTA includes other registered trade marks attorneys who are not also registered as patent attorneys. Accordingly, it is considered that the views of IPTA are representative of the views of a large proportion of patent and trade marks attorneys registered in Australia.

As is recognised in various reviews, IPTA has for many years had a very important and ongoing role in relation to the development and administration of the IP system in Australia, and is regularly consulted for its views in connection with development of the system both at the legislative and at the administrative levels.

Overview

The overall view of IPTA is that the existing legislation and case law provide an appropriate framework for the protection of business system patents in Australia. There is no evidence that business system patents should be treated differently to other areas of technology. The Australian patent system and case law has demonstrated an ability to appropriately adjust to protect previously emerging new technologies and at this time there appears to be no justification for any form of special treatment.

The emergence of business system patents has however fostered the generation of an entire new industry in the area of business engineering and business application developments. The availability of patent protection for these industries is essential in order that they can raise capital to commercialise the technology. A strong policy commitment to the protection of this type of technology will considerably improve the business environment in this new industry. Such a commitment could assist in slowing the trend for emerging technologies in the business systems area to migrate off shore.

Response to Individual Issues:

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

There has been significant interest in business system patents in Australia. Many of the clients for whom our members act are starting up new business in Australia to exploit their invention. It has been suggested by our members that an entire new industry in the area of business engineering and business applications development is flourishing because of the availability of patent protection in Australia. The importance of this industry is significant because its saleable products are largely deliverable by Internet. Thus the industry represents

a field of commercial endeavour in which a small company in Australia can compete on equal terms with a large overseas corporation.

The expected future growth trends are difficult to predict. Anecdotal evidence suggests that currently the amount of enquiry is static.

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

As mentioned in the comments on the preceding issue the availability of patent protection has resulted in an entirely new industry in Australia. The existence of patent protection has enabled these embryonic businesses to raise capital and proceed to commercialisation. Current experience indicates that in common with other successful inventions the commercial development moves off shore usually to the United States where greater access to funding is available. It has been suggested that a strong policy commitment to protection of this technology in Australia may well slow the trend of migration off shore and assist in keeping valuable enterprises in Australia even after commercialisation. Clearly the converse approach will at most certainly ensure that this industry will move to operate in an environment where patent protection is available.

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

It follows from the foregoing comments that the availability of patent protection of business systems has contributed to the Australian export market and consequently international competitiveness. Experience to date appears to be that applications for patent is first filed in Australia during early development. The availability of patent protection in Australia and the opportunity to proceed internationally claiming priority from that application is used as a basis to raise capital. Initial development and in some cases test marketing is undertaken in Australia and this provides basis for the move into overseas markets and in particular the United States.

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

The availability of business system patents does encourage innovation and the dissemination of knowledge. Innovation is encouraged because the developers of appropriate protectable technology have the ability to secure protection and obtain a financial return. In the traditional way the availability of patent protection allows the inventor to disclose the invention for the purposes of commercialisation without jeopardising his potential return. Additionally the very mechanism of the patent system ensures that there is publication of the information subject to the patent application. In the absence of availability of patent protection inventors would be forced to attempt to retain confidentiality to the maximum possible extent in order to prevent imitation of their product. This would inhibit dissemination and hinder further development from the base line set by the invention.

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?

There is no available evidence that business system patents have inhibited innovation or imposed any significant cost on third parties. In common with other patentable subject matter, valid patents are only granted for innovations and the very least business has the option of not adopting the innovation. If the innovation is one of significant commercial significance then inherent competitiveness will result in significant efforts to develop alternative approaches.

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?

There is no evidence of business system patents inhibiting growth in the market place. Indeed, as indicated in the comments on preceding issues the effect of business system patents has been to stimulate and foster a new industry in Australia.

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?

IPTA is of the view that the current Australian legislation and practice in relation to business system patents does provide an appropriate balance to an innovation, access to technology and economic growth. The Australian patent system generally has shown a considerable deal of flexibility and resilience in dealing with emerging technologies. Whilst there are inevitably some teething problems, history has shown that other technologies such as biotechnology and software have achieved the appropriate balance under existing laws. It is true that there is sometimes an initial period required for the development of appropriate systems and practice but on balance these tend to evolve fairly quickly. In this regard any new field of technology requires appropriate classification systems and initially searching and information retrieval can be difficult. Similarly in areas of practice such as claim drafting, identification of inventive step, and determination of the amount of information required to support claims, can take some time to be clearly established. It is considered however that such problems are inevitable and can be solved with sufficient experience.

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

Australia should not include a technical implementation as a requirement for patentability. Such a requirement is not necessary under current Australian practice and will only lead to difficulty of the kind that has been encountered in other jurisdictions and in particular Europe. The current test as set down in NRDC is appropriate and has stood the test of some time in catering for developments in technology without imposing artificial feters.

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?

The legislative changes introduced in April 2002 will considerably assist in regulating the grant of business method patents. In particular the removal of the benefit of the doubt in relation to patentability will improve the ability of the Australian Patent Office to take a more regressive approach to the establishment of inventive step. Additionally, the availability of combinations of prior art documents, in the appropriate circumstances, will assist in the application of test for inventive step.

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

The statement in the Ergas report is with respect a generalisation insofar as it uses the word "most". A number of business systems will clearly meet the standards for patentability. If the intention was to distinguish between "real" inventions and trivial variations will could cause concern if patented then there may be some substance in the statement. The application of the existing patent law will ensure that valid patents are only granted for appropriate subject matter.

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

In general it does not seem necessary that different processes are applied for the processing of business system patents. This is not to say that as in the case of any other field of technology appropriate consideration should be given to the nature and type of searching conducted in order to assess the inventive step.

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

On a broad view of the definition of technology it would seem that business systems are within a field of technology. If this interpretation is considered in conjunction with the test for patentability then it would seem sensible that anything that meets the test for patentability under the existing law is considered a field of technology.

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?

There appears to be no valid reason to distinguish between the term available in respect of any other patentable subject matter and that of business system patents.

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

There is no evidence that the existing patent system is not processing business patents within an appropriate timeframe. In line with the answer to 8.3.5 there appears to be no justification for adopting a different processing regime for business system patents.

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

Current experience indicates that the business system patents are of comparable quality to patents granted in other fields of technology. The more rigorous regime in relation to inventive step following the April 2002 amendments is expected to improve this quality.

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

There is a strong case that additional resources should be devoted to the examination of business method patents. Recruitment of staff with an appropriate level of experience and refinement of examination processes, and in particular searching processes would benefit the system.

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

Any step that can be taken to widen the amount of search information available to examiners to assess inventive step must inherently improve the validity of patents granted. In the case of emerging technologies it is fundamental that appropriate use is made of non-patent literature.

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

There is no evidence to suggest that Australian businesses are any less properly equipped to deal with business system patents than patents in any other technological field.

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?

In general search facilities available to the Australian public could be significantly improved. In particular full text searching of all published patent specifications (including innovation patents) is seen as a highly desirable objective.

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

Again there appears to be no indication that business system patents should be treated any differently to patents in other fields of technology. Issues of jurisdiction are more frequently a consequence of the facts of particular cases and no justification is seen for a different approach in respect of business system patents.

PATENTING OF BUSINESS SYSTEMS

ISSUES PAPER

SUBMISSION

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