



Comments on the September 2009 Patentable Subject Matter Options Paper
of the Australian Advisory Council on Intellectual Property

November 13, 2009

Microsoft is grateful for the opportunity to provide comments on the September 2009 Patentable Subject Matter Options Paper (the "Options Paper") produced by the Australian Advisory Council on Intellectual Property (ACIP). Our response today is part of an important and ongoing dialog with the ACIP these issues and carries forward the comments we provided to the ACIP on the July 2008 Patentable Subject Matter Issues Paper (the "Issues Paper").

The Options Paper invites comment on certain identified economic tests and social filters, to define the field of patentable subject matter, and certain changes that could enhance the operation and administration of the law. These tests and options were earlier largely identified in the Issues Paper, to which we provided comments on September 19, 2008. Our comments on these tests and options raised in the Options Paper mirror those we made earlier.

In respect of the "economic test" discussed in the Options Paper, we continue to believe overall that the present Australian law satisfactorily meets the fundamental objectives of IP law. As to the "social filters" we reiterate our position made in response to the Issues Paper that

we consider some broad, concept-based (as opposed to technology-based) limitations as being relatively effective for screening out inappropriate subject matter. For example, the widely-adopted exclusions relating to "mere discoveries" appear to be efficacious with respect to excluding subject matter that is inappropriately vague or abstract. Similarly, a variety of positive requirements – such as industrial applicability, practical utility, inventive step, and reduction to practice – also appear to effectively limit the scope of patent-eligible subject matter.

Moreover, we continue to believe that that "[n]arrower, technology-specific exclusions will – at a minimum – increase cost of patenting or restrict scope of protection, distorting the incentive structure in ways that typically will decrease patenting and inventive investments in the affected field of technology."

And as to the "enhancements" question, we would draw attention to the position we took in response to the Issues Paper on the "threshold of inventiveness," in which we stated that we

believe that the current threshold for inventiveness with respect to traditional utility patents is appropriate in most instances. However, we have become concerned that the "innovative step" test for innovation patents is too low a threshold to allow such patents to serve the public welfare. Too often, innovation patents appear to be directed to inventions that are sufficiently obvious or predictable extensions of the prior art that the innovation would have occurred in the normal course of commercialization. In such instances, granting an exclusive right does not increase innovative activities, but rather has the potential to decrease them.

We also draw attention to processes ongoing in Europe and the United States that will also address questions surrounding the scope of patent eligible subject matter. In Europe the process is the Referral by the President of the European Patent Office ("EPO") of October 22, 2008 on points of law concerning the limits of patentability of programs for computers within the meaning of Article

52(2)(c) and (3) of the European Patent Convention. That process is ongoing and one in which Microsoft has made a written statement.

In the United States, the US Supreme Court has granted a writ of certiorari to hear the case of *Bilski v. David Kappos*, which also raises questions regarding the scope of patent eligible subject matter, notably “business methods.” That case was argued before the US Supreme Court on November 9, 2009. Microsoft filed a brief in that case as amicus curiae.

We recognize that the legal requirements and legal history regarding patent eligible subject matter differs as between Australia and Europe and the United States. That said, it is worth noting these parallel processes having in mind the statement in the Options Paper regarding international harmonization that “Australia should strive for best practice taking into account our national interest.”