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Business Methods and Computer Programs: Patentable?

In the last couple of years the U.S., the U.K., and Europe have been considering whether business methods and computer programs can be patentable. A patent typically protects an invention that is new, not obvious, and capable of industrial application. So why is there controversy surrounding business methods and computer programs? A recent U.K. court decision of October 5, 2011, *In re Halliburton Energy Services Inc*, helps us to understand the current direction of the world's lawmakers.

The Position in the U.S. and Canada

For business methods, the argument against patentability is that the method itself does not produce any protectable product nor any process that results in such. It is therefore little more than a theory or an abstract idea, neither of which is actually patentable.

However, in the U.S., business methods constitute a patentable subject matter. Recent guidance was provided in the U.S. Supreme Court decision *Bilski v. Kappos* (130 S. Ct. 3218 (2010)), in which the Court followed U.S. court precedents' guidance for assessing patentability. While not the sole test, this involves assessing whether the business method uses a "machine-or-transformation" and has a "useful, tangible and concrete result." It is important to remember here that patents can cover both products and processes. Therefore a business method would seem to fall under a "process" but at the same time, it must produce a result, just like an inventive and new process to manufacture a pharmaceutical. It is difficult to conceive that a business method could be a "machine" if the method itself is not embodied in any "hardware" or physical machine. It is perhaps better to look to "transformation": according to U.S. case law, "transformation and reduction of an article 'to a different state or thing' is the clue to the patentability of a process claim . . ." (*Gottschalk v. Benson*, 409 U.S. 63 (1972)) and the U.S. courts seem to consider that an article could be, for example, an electronic signal representative of a physical parameter, such as an electrocardiograph signal which is produced as a result of human cardiac activity.

Compared to the rather vague law on business methods, the law on computer programs is a little clearer, but still not without variations across different jurisdictions. The issue with computer programs is that most jurisdictions consider that the program, itself a source code, is protected by the law of copyright as it is essentially "work." It is undoubtedly performing a function and perhaps even overcoming a problem as well. These characteristics point toward a computer program also being an invention of sorts and therefore patentable. U.S. law agrees and it is possible to protect computer programs as patents because patentees necessarily link the source code to "hardware" which must perform this function, overall creating a new "machine" or because the program itself achieves a technical function or

result. It is also worth noting that following the recent new U.S. legislation contained within the America Invents Act signed on September 16 this year, the U.S. Patent Office now provides an eight-year period within which a petitioner or party being sued on that patent may request a review of that particular patent.

As recently as November 24, 2011, the Canadian Federal Court of Appeal has decided that there is no rule per se that excludes business methods from being patented. This case involved Amazon's "one-click" patent. The court stated that patentable subject matter must be something with "physical existence or something that manifests a discernible effect or change." At the same time, the court warned that it did not necessarily follow that a business method that was also an abstract idea and therefore not patentable would become patentable merely because it had a practical embodiment or application. Therefore, the court ordered the Commissioner for Patents to reexamine the application in the light of its decision.

The U.K. and Europe

On October 5, 2011, the U.K. High Court handed down a judgment *In re Halliburton Energy Services Inc* [2011] EWHC 2508 (*Pat*). This judgment attempts to tackle where the boundary between patentability and non-patentability of computer software should lie. The U.K. Patent Act states that "programs for computers" are not to be treated as inventions (Section 1(2)(c)). However, U.K. patent law has to follow the European Patent Convention (EPC), which states that while computer programs are not regarded as inventions, this is only to the extent to which that patent application, or part of it, relates to a computer program as such. Therefore, not all patents that deal with computer programs are non-patentable in Europe. If the program is a technical method overcoming a technical problem executed on a computer, then it is likely to be patentable (Enlarged Board of Appeal decision on Microsoft Clipboard formats case T 0424/03). Therefore, the court in the *Halliburton Energy* case had to consider the EPC position.

"In future, claims which specify that the invention is implemented using a computer will not be considered to be excluded from patentability as a mental act."

U.K. Intellectual Property Office,
 October 17, 2011

In giving his judgment, Judge Birss explained that there is an exclusion to patentability where the invention was simply a "mental act" and that if "the claim cannot be performed by purely mental means then the exclusion is irrelevant . . . the exclusion will not apply if there are appropriate non-mental limitations in the claims." These "non-mental limitations" seem to be rather close to the U.S.'s "machine-or-transformation" test where there is a "useful, tangible and concrete result." In summary, Judge Birss stated that the question of patentability "is decided by considering what task it is that the program (or the programmed computer) actually performs. A computer programmed to perform a task which makes a contribution to the art which is technical in nature, is a patentable invention and may be claimed as such." Therefore, the fact that the software in Halliburton's patent created a better way of making a drill bit showed that there was a technical contribution.

Continued on page 10