

Course Name- B.A.LL.B 4th sem/ LL.B 2nd sem

Subject- Cyber law

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Concept- International Context of patents

1. Introduction

Patent is granted by state as a reward for one's own invention. It is viewed as a bargain between inventor and the state where state provides 20 years monopoly to patent holders in exchange of complete disclosure of his invention. Matter of business method patent is a debatable subject matter as many of the countries do not allow business method patent while some countries allow it. Traditionally, patents for computer software for business methods were rejected by patent offices. However, as the computer age progressed, computers and computer software took on an increasingly central role. Today, computers and computer software are at the forefront of technology. Although Patent Law has been slow to adapt, there have been rapid advances in the law in this area recently. Different countries and regional offices have different standards for granting patents, particularly for software or computer-implemented inventions, especially where the software is implementing a business method.

2. Patentability Criteria

Patent has to be granted by any state for any invention based on certain criteria. These are comparatively standardized after implementation of Trade Related aspects of Intellectual Property Rights (TRIPS) by World Trade Organization (WTO). Initial check is for the patentable subject matter and in most of the countries inventions related to business method are denoted as non-patentable subject matter. If the subject matter of invention found to be patentable then state patent office check whether three patentability criteria has been met, namely novelty, inventive step and industrial applicability.

These core elements present some unique challenges in this field of innovation. Software development and innovation has started long before than software patenting so, to meet the novelty criteria is difficult. As a result, prior-art in this field is a great challenge for patent examination. The requirement of inventiveness has a close link with that of novelty. Still it is the fact that most software development is simply the modification of existing prior art – an endless degeneration of ideas built upon other idea. As a result, to fulfil the criteria of legislative, practical and judicial requirements of patent laws in case of business method is really difficult to reach on one point.

3. Definition of Business Method

It is an extremely difficult job to define business method. The term 'business method' has a very large economic perspective, as it comprised of various economic activities. Those various economic activities includes sell and purchase of items, marketing of various items and financial methods, schemes and techniques. But it is difficult to find a proper legal definition of 'business method', hardly any country provided the same. In one of its publication European Patent Office (EPO) suggested a probable definition which is as follows, "business method is concerned more with interpersonal, societal and financial relationships, than with the stuff of engineering – thus for example, valuation of assets, advertising, teaching, choosing among candidates for a job, etc.

However it is very crude in nature and is not included in the legal system. US made an attempt to define 'business method' in the Business Method Patent Improvement Act, 2000,² which was initially proposed by two Congressmen, Mr. Berman and Mr. Boucher. The proposal defines a business method as "(1) a method of - (A) administering, managing, or otherwise operating an enterprise or organization, including a technique used in doing or conducting business; or (B) processing financial data; (2) any technique used in athletics, instruction, or personal skills; and (3) any computer-assisted implementation of a method described in paragraph (1) or a technique described in paragraph (2)".³ The US congress did not accept the proposed bill. The USPTO defines a business method patent narrowly, as a patent classified in US patent class 705, defined as "data processing financial, business practice, management, or cost/price determination."

4. Stand of EU regarding Business Method Patent

There is a list of patentable inventions in Article 52(2) of European Patent Convention (EPC), but 'invention' is not defined in EPC, nor any definition available in TRIPS Article 27. When analysis of the ordinary meaning of 'invention' is done, it is found that software is neither included nor excluded as a 'field of technology'.

According to European Patent Office understanding, though computer programs are excluded by EPC, still software is not an excluded subject matter if it brings a 'technical effect'. Situation is different in case of business method patent. Article 52(2) clearly rejects the business method from patentable subject matter by excluding "schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers" from patentable subject matter.⁴ However, according to Art. 52 (3) of the EPC the provisions of paragraph (2) only exclude inventions from patentability "to the extent to which a European patent application or European patent relates to such subject-matter or activities as such". Complicating the situation, there is no legal definition of "as such" phrase and leaving it open for interpretation. Because of the unclear meaning of the EPC's "as such"- phrase, the Board of Appeal finally ruled that this condition cannot be important for the distinction between patentable and not-patentable business methods. European Commission proposed to consider software and computer program as patentable inventions and also pursued to grant a patent on an algorithm or business method. Currently EPO grants patent for inventions in many fields of technology in which computer programs make a technical contribution. Such fields include medical devices, the automotive sector, aerospace, industrial control, communication/media technology such as automated natural language translation, voice recognition and video compression, and also the computer/processor.

4.1 Case study in Europe on Business Method Patent

One landmark case in this regard is the Viacom case⁵ which has highlighted the EPO Guideline, the invention was related with the method and apparatus for improving the quality and speed of digital image processing. To get the technical result in this invention, algorithm has been used and hence the question was raised regarding use of mathematical algorithm and implementation of the methods by technical means. Technical Board of Appeal considered these effects as technical effects and held this invention within the scope of patentability. The following guideline has been emerged from the judgement of this case:

- An invention which is technical in nature can be considered as patentable;
- Mathematical algorithm can be patentable subject to condition that it is incorporated within a technical process;
- Any process giving technical result is a technical process;

- Technical result will come when there is a change in a physical entity.

This Guideline helped to resolve other similar cases like Kock & Sterzel, in which invention was related to a computer related X-ray apparatus. In this case the Board reaffirmed the Viacom Guideline. It was also ascertained that if an invention is a combination of technical and non-technical components, the use of both the components has to be considered separately and the use of non-technical elements should not overpower the technical character of the invention. The Viacom Guideline is also used in other cases, e.g. in Merrill Lynch's Application the invention was on computerized system of trading in securities where Court held that though the computer program as such would not be patentable but the technical effect of the program can be patented; in Gale's Application case the Court did not find any technical effect in the invention hence considered that as non-patentable.

5. Stand of US regarding Business Method Patent

Patent system as well as use of computer software had started early in USA, but historically US Patent and Trademark Office (USPTO) was reluctant to grant patent for inventions on computer software. In 1968 USPTO made a Guideline for computer related inventions and their reluctance was reflected in this Guideline. According to this Guideline any computer program is non-patentable with exception of the combination of computer program with other non-obvious elements producing physical results

6. Approach of India for Business Method Patent

India till date does not allow the patent for computer software and business methods. In 2005 amendment also India kept the same stand as it was decided that TRIPS Article 27. it does not mandate the extension of patentability to software or business methods. Section 3(k) of Indian Patents Act 1970 specified the excluded subject-matters as "a mathematical or business method or computer programme per se or algorithms." Regarding business method and software patents, following clause is introduced in the Patents (Amendment) Act 2002 in place of Section 3(k). New clauses are as follows: 3(k) "a computer programme per se other than its technical application to industry or a combination with hardware;" and 3(ka) "a mathematical method or business method or algorithm." So, it specifically declared that a mathematical or business method or a computer programme or algorithms, as not being an 'invention' within the meaning of the patent statute. The Patent Office considers a particular method to be a business method if it involves a monetary transaction or mere marketing or sale purchase methodology. Section 2 (j) as amended by the amending Act of 2002, defines an invention as meaning a new product or process involving an inventive step and capable of industrial application. Section 2 (ja) also inserted by that amendment, defines an inventive step as meaning a feature of an invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention not obvious to a person skilled in the art. The government tried to extend broader protection to software inventions: the Patents (Amendment) Ordinance 2004 was circulated in December 2004 and Section 3(k) was amended to exclude from patentability "a computer programme per se other than its technical application to industry or a combination with hardware".

The Patents (Amendment) Act 2005 revoked the ordinance and restored the earlier position. On March 23, 2005, the Indian Parliament declared the third post TRIPS amendment to its patent statute. This, the Patents (Amendment) Act, 2005 had created some possibility of amendment to create some kind of a window for business method patents – possibly just algorithms or methods having technical applications. Recently the Indian Patent Office has

published a New Draft Manual of Patent Practice and Procedure - Patent Office, India (2008) relating to the Patent Practice to be followed by the Indian Patent office. After its publication the government invited comments from interested parties, including legal practitioners and industry, and arrange stakeholder meetings across the country to develop a definitive approach. These meetings generated strong debate, with the opposition to the guidelines set out in the manual.

Patented software would inevitably create restrictions for which upcoming software developer might need to obtain clearance from predecessor developer to begin his work on it. But acquiring these clearance are costly and with that if there is any infringement of patent then the cost can be much higher. So this is a disincentive for an aspiring software developer and also for growth of Indian software industry. Further there are substantial cost involvements in verifying which patent one must obtain the clearance. Unfortunately, patent search is a very slow process which restricts software development and innovation. Nextly patent applications are confidential in nature, so there is no way for computer programmer to ensure that what they develop will not violate any patent. Whole scenario is a very important survival issue for smaller competitors in the market. Indian patent office is quite incapable to evaluate complicated and technically trivial claims. It is important to note that, to grant software patents or to tackle patent infringement India would need huge investment for expert personnel and well equipped maintenance of certain quality standard. On the contrary, that said investment can be utilized for new software development which can be beneficial for the software industry and the economy of the country in general.

7. Conclusion: Analysis of Business Method Patent

Economic analysis states that competition may suffer when we grant a monopoly right to the inventor of a business method, but it will also help if this right assists entry into the industry by new and innovative firms. Innovation in business methods will benefit from the incentive created by a patent but may suffer if patents discourage the combining and recombining of inventions to make new products and processes. Thus the relationship between patents, competition, and innovation is surely a complex one and it may fluctuate over time and across industries. There is no specific definition of a business method patents, and in reading the literature it becomes clear that many scholars make little distinction between business method patents, internet patents, and software patents, at least when making policy recommendations.

In present days many business method patents are in fact patents on the transfer of a known business method to a software and/or web-based implementation, so the distinction is hard to maintain.

Examples of business method patents are the well-known one-click patents assigned to Amazon.com, the Dutch auction patent of Priceline.com, and the Signature Financial patent on a system of managing multiple mutual funds in a single account. Many such patents are patents on methods of doing business on the internet. At the present time, business methods are patentable in the United States, Australia, Japan, and Korea, but not in Europe including the UK, and Canada. Therefore it would be fascinating to ask whether this difference in patenting systems has made any difference for business method and internet innovation in the two sets of countries. Along with the increase in patenting, especially one that establishes patents of less certain quality comes as an amplification of litigation and raises the costs of the system as a whole. We know that patents are not considered essential for capture the returns to innovation in most industries, and there seems no reason to think that this one is different. Casual observation suggests that business method patents are not being used to provide innovation

incentives as much as they are being used to extract rents ex post, but this evidence could be misleading. We do not know whether there would have been as much entry into internet businesses or new financial contributions in the absence of the patent system.