



## Developments in the Patentability of Computer Software and Business Method Inventions

Recent years have seen the patentability of software and business methods hotly debated, and not just in academic circles. With protests in the streets of Munich and over a hundred personal and professional opinions on the subject filed by *amicus curiae*, there can be little doubt as to the public interest in this evolving and controversial issue. With judicial opinions on developments in the laws of Europe and the United States having been published in 2010, it is timely to explore the perspectives and most significant effects.

Software patentability in Europe, being somewhat burdened by the untidy nature of the interaction between Europe's patent laws, has been allowed to evolve organically and somewhat differently in different nation states. Some national courts have struggled to reconcile differing approaches of the European Patent Office (EPO) while being fundamentally obliged to harmonise with those approaches. Taking the *stare decisis* courts of England and Wales, the changing European Board of Appeal case law adopting different approaches to applying essentially the same criteria left some judges frustrated. The failure of any European Union directive to avoid such issues appears to be an honest basis for the otherwise somewhat contrived referral G3/08 to the EPO Enlarged Board of Appeal in October 2008 by the then EPO President.

With both the quality of the questions referred and the overt basis for the referral being speculative, the response of the Enlarged Board was only to be expected. Overall, the issue was not with EPO case law, opined the Enlarged Board. The progressive evolution of EPO board of appeal cases towards a straightforward *hardware* oriented approach to testing the exclusion from patentability does not constitute a divergence from earlier decisions depending on an assessment of *technical contribution*. There being no divergence, the referral was deemed inadmissible. That concluded (for each and every question referred), the Enlarged Board nonetheless provided useful insights that will help practitioners.

Firstly, the *hardware oriented* approach (applied to good effect in *T424/03 Microsoft*) is the approach to use - mere inclusion of a technical feature in a claim avoids the exclusion of Article 52(2)(c) EPC. Secondly, the use of inventive step to prevent non-technical inventions being patented was confirmed, along with the exclusion of non-technical features in a claim from consideration when undertaking such assessments. Tempering this, the Enlarged Board helpfully acknowledged that claim features should not necessarily be considered in isolation - sometimes the claim should be considered as a whole. This is something of a life-line for applicants struggling with inventive step objections against software inventions with important features being disregarded during the assessment. Additionally, the Enlarged Board confirmed that programming is a technical activity, so further

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bolstering the applicant's armoury when arguing inventive step based on technical considerations of the software engineer.

Just six weeks after the publication of the EPO Enlarged Board opinion, and on the very last day of the 2010 court term, the US Supreme Court handed down its decision *in re Bilski*. With a 5-4 majority, the Supreme Court confirmed that Business Methods are not necessarily excluded from patent protection but that the *machine-or-transformation* test adopted by the Federal Circuit is not the sole test for determining patent eligible subject matter under 35 USC section 101. Since departing from the prospect of patenting *anything under the sun*, the Supreme Court has stood by its early decision in *Diamond v. Diehr* in excluding laws of nature, natural phenomena and abstract ideas from patentability. It is the Supreme Court's finding that the claims in *Bilski* are abstract ideas and are therefore excluded. However, the general prospect for patenting (and maintaining patents for) business methods (and, by implication, software) is improved. Nonetheless, on the same day as the Supreme Court decision, the USPTO confirmed that examiners will continue to use the *machine-or-transformation* test as a tool for assessing patent applications.

And so it is that, in a nation lacking explicit legislative exclusion to patentability for software and business methods, the application of the law is such as to introduce such an exclusion. And in contrast, on a continent where there is such an explicit exclusion, the application of the law is such as to temper that exclusion. In both cases, with an effective search of the state of the art and a rigorous examination in respect of novelty and inventive step, it should be possible to settle on an appropriate threshold balancing the public interest with the interests of applicants.

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