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TMPDF Comments on Patent Office Practice Note of 2nd November 2006 entitled "Patents Act 1977: Patentable Subject Matter"

We agree that a new practice note concerning examination of applications for the presence of statutorily patentable subject matter was appropriate following the Court of Appeal decision in *Aerotel/Macrossan*. While we note that it is clearly necessary for examiners to apply the test set out in *Aerotel/Macrossan*, we consider that there are several points in the practice note that appear to be inconsistent with *Aerotel/Macrossan* and *Merrill Lynch*.

Moreover we believe, and are seeing some signs, that the practice note and in particular the sample cases published separately, may encourage examiners to issue rejections for non-patentable subject matter without providing fully-reasoned arguments why claims fail the *Aerotel/Macrossan* tests.

Also the note fails to capture the distinction that whereas patentable subject matter is a point of law where the applicant need not be given the benefit of the doubt, the facts which underlie the tests are just that, facts not law. In this context we note the statement in *Aerotel/Macrossan* at paragraph 44 that at the application stage "the Office must generally perforce accept what the inventor says is his contribution."

The following numbered comments apply to the same-numbered paragraphs in the practice note.

4 - We note the principle in *Colchester Estates (Cardiff) v. Carlton Industries*, but it is not clear to us that it has application in this case. The principle in *Colchester Estates (Cardiff) v. Carlton Industries* relates to whether an earlier High Court decision needs to be considered when it has been considered, and not followed, in a later High Court decision. Nothing in this case suggests that this principle should be applied to decisions of the Court of Appeal, where the principle of *stare decisis* applies. Previous decisions of the Court of Appeal (such as *Merrill Lynch*) must therefore be both followed and considered. Even were this not the case, we do not think that it is correct to state that in the light of *Aerotel/Macrossan* it will rarely be necessary to refer back to previous UK or EPO case law for consideration of patentable subject matter issues. This is because although *Aerotel/Macrossan* provided an extensive review of previous High Court and Court of Appeal decisions on this issue under the 1977 Act and of EPO Technical Board of Appeal decisions under the EPC, this review was focussed on assessing basic tests for determining whether claimed inventions are statutorily excluded. *Aerotel/Macrossan* provides a new four step test (set out in section 5 of this note) for determining whether there is patentable subject matter, guidance on whether exclusions from patentability should be interpreted narrowly or broadly (neither, but "without bias in favour of or against exclusion") and guidance on interpretation of the scope of the business method exclusion (as set out in section 12 of this note). *Aerotel/Macrossan* does not provide clear guidance on interpretation of any other exclusion, so reference back to other binding precedents which do provide such guidance is clearly not only reasonable but necessary.

Fifth Floor, 63-66 Hatton Garden, London EC1N 8LE

Tel: 020 7242 3923 Fax: 020 7242 3924

admin@tmpdf.org.uk www.tmpdf.org.uk

8 - We note that the Office proposes to continue the issuance of reports indicating that a search would serve no useful purpose even under the new *Aerotel/Macrossan* test. The reason given is that “at the application stage, it is quite in order to consider the third and fourth steps on the basis of the alleged contribution. Thus it will not always be necessary to conduct a search to identify the actual contribution.” We would submit that only quite exceptional cases would qualify for “no search” letters on this ground, such cases being those for which the claims were utterly devoid of technical character. Under the *Aerotel/Macrossan* test, it is not until the prior art is identified in the search that questions of contribution can properly be considered unless there is manifestly no possibility of there being a technical contribution. The issue of “alleged contribution” should therefore not be of any real relevance to the “no search” issue - as questions of alleged contribution are dependent on the prior art context - but this is directly relevant to section 15 of this note, as is discussed below.

10 - We consider the second sentence of this section to be simply wrong, and likely to leave any decision taken on this basis open to challenge. The fourth step of the *Aerotel/Macrossan* test is a necessary check, or the test is not consistent with *Merrill Lynch*, which, as is clearly set out in *Aerotel/Macrossan*, is binding precedent. The view was expressed in *Aerotel/Macrossan* that issues of technical contribution would generally be settled in practice by the third step of the *Aerotel/Macrossan* test, but this is not the same as saying that the fourth step of the test could be disregarded (in fact, the judgement in *Aerotel/Macrossan* explicitly states that it is a necessary check). If the fourth step is ignored, the test is accepted in *Aerotel/Macrossan* to be no longer consistent with the binding authority of *Merrill Lynch*.

13 - *Aerotel/Macrossan* makes important statements about the breadth of the mental act exclusion, noting the approach in *Halliburton v. Smith International* and suggesting that the breadth of the exclusion should be less extensive than that suggested in *Halliburton*. It is notable that in this respect the Court favoured the position taken in *Halliburton* over that taken in *CFPH's Application*. In comparing the reasoning in *Aerotel/Macrossan* with EPO practice in this area, it would appear that the Court's inclination is to a position as set out in T914/02, where a claim to what could have been a mental act became patentable once the claim was limited to the performance of the act on a computer, rather than the earlier T453/91, where patentability was only found when the claim was limited to include a manufacturing step. It appears that previous Patent Office treatment of the mental act exclusion, as exemplified by the decision in the *NMR Holdings* case, is clearly out of step with the approach advocated by the Court of Appeal, and it is therefore gratifying that the Patent Office has indicated an intention to follow *Aerotel/Macrossan*.

Apart from this, *Aerotel/Macrossan* only provides clear guidance on the business method exclusion, and some limited guidance on the computer program exception. No guidance at all is provided on any other exception. It will still be necessary to consider other case law to interpret other exclusions, possibly mediated by the general approach to interpretation of exclusions (no bias in favour of or against exclusion) found in *Aerotel/Macrossan*.

14 - We note that the Patent Office believes that claims directed to a carrier containing instructions adapted to program a computer to perform a method will generally not pass the third step of the *Aerotel/Macrossan* test. The Office acknowledges that *Aerotel/Macrossan* simply does not provide clear guidance on the acceptability of such claims referring to them only indirectly in the “Appendix”. We do not understand the reasoning of the Patent Office to the effect that the first step - properly construing the claim - leads to the inevitable result that such claims are excluded from protection because the actual contribution is a computer program “as such”. We do not understand how this is the case unless a particular definition of computer program is adopted, and we do not see why such a definition is required applying *Aerotel/Macrossan*. Our understanding is that good legal basis was provided for the Patent Office's change of practice in allowing carrier claims under section 130(7) of the 1977 Act following decision

T1173/97 of the Technical Board of Appeal of the European Patent Office. The EPO case law is settled on this point, and is consistently applied. This can thus readily be distinguished from the position taken in *Aerotel/Macrossan* to EPO case law on the assessment of whether claims for inventions relate to patentable subject matter - the Court in *Aerotel/Macrossan* declined to follow the EPO position, but this is because it was found that three mutually inconsistent tests were used, making compliance with the EPO position not practically possible. Significantly, the Court indicated that it may need to reconsider its position if the Enlarged Board of Appeal of the EPO were to rule on this point.

This issue is an important one, because the result of applying the *Aerotel/Macrossan* test is commercially incongruous. Inventions will result which are acknowledged to be protectable in the form of methods, often involving multiple parties, but for which no tangible commercial item will be protected directly by patent. A significant class of inventions protectable by law will only be allowed to be protected by claims which can only have contributory infringers, and not primary infringers. Contributory infringement requires both the supply (of the component) and putting into effect (of the invention) to occur in the UK. This means supply of a program product from outside the UK for use within the UK would escape infringement in the UK. It is not clear what public purpose this commercially absurd result can possibly serve.

15 - It is agreed that the judgement in *Aerotel/Macrossan* indicates that questions of law should be decided during prosecution without the application of a benefit of the doubt in favour of patentability, and that statutory exclusions from subject matter are a question of law. Nonetheless, the position set out in this section is not consistent with what is set out in *Aerotel/Macrossan*. In *Aerotel/Macrossan*, it is made clear that it is appropriate for "alleged contribution" rather than "actual contribution" to be considered during prosecution of the patent application, and for the steps of the *Aerotel/Macrossan* test to be evaluated on that basis. Once a search has issued and the prior art context is clear, it should therefore clearly be open to an applicant to advance its own interpretation of the contribution made by an invention which, if reasonable, should be accepted for the purposes of examination.

17, 18 - We note the beliefs expressed by the Office that the patentability boundary has been unchanged by *Aerotel/Macrossan* and that the fundamental difference in basis between the EPO and *Aerotel/Macrossan* tests has little practical significance, but we see little evidence to support these beliefs. Critical to this issue is the interpretation of individual exclusions. In the examples provided in the document "Applying the *Aerotel/Macrossan* Test", contributions are identified over the prior art in step two, but step three is applied for each exclusion in an entirely subjective manner without reference to any authority at all. Statements such as "selecting records and functions are simply computer program features" (from Case 1) and "whilst aspects of the invention are implemented in software, the overall contribution is not solely a program for a computer" (from Case 2) are arguable at best and impenetrable at worst - they give no objective standard for application of any test. It is submitted that using such analysis, the same answers can easily be found as those found earlier using the *CFPH* or "technical contribution" tests, but that no clear conclusions about the scope of the tests concerned can be drawn. Different subjective interpretations of individual exclusions could provide effective scope which is broader than that provided by a *Hitachi* test or could provide scope which is very much narrower. It should be made clear that existing decisions, rather than arbitrary assessments, should be used in determining whether or not particular claims pass the *Aerotel/Macrossan* test.