ww&p Walder Wyss & Partners
Attorneys at Law

NewsLetter

No 33 April 2002

Patentability of Business Methods

It is crucial to make a distinction between business methods as such and business methods implemented by computers. In the United States one can obtain patents for both kinds of business methods, whereas in Europe, including Switzerland, business methods as such are seen as instructions to the human intellect which are not patentable. Business methods implemented by computers, however, can be patented under certain circumstances. This newsletter intends to give an overview of the legal situation and of possible further developments.

European Patent Convention

Patents valid in Switzerland and Liechtenstein can be Swiss or European patents. Both types of patent are equivalent and, in principle, the requirements for patents subject to the Swiss Patent Law and to the European Patent Convention are substantially the same. The Swiss Patent Law does not explicitly exclude business methods from patentability. The requirements of the European Patent Convention ("EPC"), to which Switzerland is a signatory, are, however, taken into consideration when assessing patentability of intellectual and abstract methods.

by Bettina Bentele
+41 1 265 75 94
bbentele@wwp.ch

General Requirements for Patentability

The EPC sets out four criteria in Art. 52 (1) which must be met if a patent application is to be successful:

1. there must be an invention;
2. the invention must be susceptible of industrial application;
3. the invention must be new;
4. the invention must involve an inventive step.

The concept of a patentable "invention" has always been notoriously difficult to define and the EPC does not make any attempt to do so. There is only a non-exhaustive list of things which shall not be regarded as inventions in terms of Art. 52 (2) EPC. The excluded categories have in common that they refer to activities which do not aim at any direct technical result but are rather of an abstract and intellectual character. In order to be patentable, the claimed subject matter must have a technical character and thus, in principle, be industrially applicable. Furthermore, when considering patentability, it is necessary to think of the claimed invention as a whole. It is decisive what technical contribution the invention, when considered as a whole, makes to the prior art. If a claimed invention makes use of both technical and non-technical means, the use of non-technical means does not detract from the technical character of the overall teaching. The EPC allows the patenting of inventions consisting of a mix of technical and non-technical elements.

Doctrine of Technical Effect

Schemes, rules and methods for performing mental acts, playing games or doing business as well as programs for computers shall in accordance with Art. 52 (2c) EPC not be regarded as patentable inventions. These are examples of the principle that purely abstract or intellectual methods are not patentable. However, if the claimed subject matter specifies an apparatus or technical process for carrying out at least some part of the scheme, the European Patent Office (EPO) will examine that scheme and the apparatus or process as a whole. In particular, if the claim specifies computers, computer networks or other conventional programmable apparatus or a program for carrying out at least some steps of a scheme, it is to be considered as a "computer-implemented invention".

If for example a computer program is capable of creating a further technical effect going beyond normal physical effects, it is not excluded from patentability. This further technical effect, which lends technical character to a computer program, is decisive for the question of patentability. The requirement for technical character is satisfied if technical considerations are

required to carry out the invention. Such technical considerations must be reflected in the claimed subject matter.

Actual Legal Situation

Over the years, the EPO as well as the European Courts have developed a common understanding that, as long as inventions can be used for solving a specific technical problem, they are – in this context – patentable in principle. In the United States, in contrast, the criteria of technical character are unknown and therefore business methods as such and business methods implemented by computers are patentable. Thus, at first glance, it seems that the European legal provisions are quite different from the U.S. provisions. Nevertheless, the EPO Boards of Appeal and the national practices in Europe have steadily developed an increasingly narrow interpretation of Art. 52 (2) EPC and greater flexibility for the technical character requirement. In fact, patents for more than 5,000 software-related IT inventions have been granted by the EPO in 2000. Compared with 1999, there is a total growth of nearly 28 %. This trend is ongoing.

Patent Applications for Business Methods

As there is still little experience with patents granted for business methods, the validity and scope of protection of such patents is difficult to evaluate. Nevertheless, it is recommended that patent applications be filed for important Internet, financial, or banking software programs, and that a patent search be conducted in order to avoid infringing competitors' patents. In practice, it has become customary to file a patent application before the use of the business method. Even though filing a claim provides no protection, the psychological impact on the market cannot be underestimated. As the EPO is overloaded by patent applications, the patent can be used during several years with the notion of a "patent pending". Furthermore, it is most important to watch patents granted to competitors. The European patent system offers the possibility of filing an opposition to a patent for nine months after the grant of patent publication. This allows, at relatively low cost, a means to invalidate the patent at an early stage for all designated countries.

Future Developments

In view of the practise in the United States and in order to harmonize legislation, there are strong attempts within the EU to revise Art. 52 (2) EPC. Even though it is doubtful that, in the foreseeable future, there would be a complete elimination of the requirement for a technical character, all parties involved are interested in the fact that a revised Art.52 would give more flexibility to the EPO and the European national courts. In Switzerland, the prevailing opinion amongst experts is that business methods as such can constitute inventions. Indeed, it could be argued that patentability should be accepted for all business methods without distinction, provided that they are new, inventive and enable a reproducible practical or commercial result. However, practical implementation of the patentability of business methods should be carried out in a gradual and controlled way in order to allow proper examination of the new patent applications concerning such methods and to ensure legal certainty.

Conclusion

Although it appears today that the European and the Swiss Patent Offices are excluding fewer software-related patent applications and that even applications related to e-commerce or business methods are allowable under certain conditions, these applications do not necessarily end up in granted patents. The additional requirements for patentability – novelty and inventive steps – still have to be satisfied. In future, for a software-related invention for example, questions will focus not so much on whether the invention is technical, but rather on whether it is new and inventive.

ww&p **Walder Wyss & Partners**
Attorneys at Law

Münstergasse 2
P.O. Box 2990
CH-8022 Zurich
Phone +41 1 265 75 11
Fax +41 1 265 75 50
reception@wwp.ch
www.wwp.ch

London Office
9 Gray's Inn Square
London WC1R 5JQ
Phone +41 20 7405 2043
Fax +41 20 7405 0605