



18 March 2011

Competition, Trade and Investment Branch
Computer Program Examination Guidelines
Ministry of Economic Development
PO Box 1473
Wellington 6140

Attention: Warren Hassett

By email: patentsbill@med.govt.nz

Dear Mr Hassett

Draft Guidelines for the Examination of Patent Applications involving Computer Programs

The New Zealand Law Society (Society) welcomes the opportunity to comment on the Draft Guidelines for the Examination of Patent Applications Involving Computer Programs (Draft Guidelines) issued by the Intellectual Property Office of New Zealand (IPONZ).

The Draft Guidelines were issued following the 30 March 2010 report back by the Commerce Select Committee on the Patents Bill (Bill). The Committee's report contained a recommendation that the Bill incorporate a provision (clause 15(3A)) that provides that computer programs are not patentable inventions. The Committee noted that, while computer programs in general should not be patentable, inventions involving "embedded" computer programs should continue to be patentable. The report recommended that IPONZ develop guidelines for examining patent applications for inventions involving embedded computer programs.

In the Society's view, it is premature to publish draft guidelines for interpreting a clause in a Bill that has not yet had its second reading. It is odd for a select committee to report a Bill back to Parliament, while also delegating – to the government agency that is to administer the new Act – the task of determining what a provision in the Bill means. It is up to Parliament to enact its intention through legislation.

It is not clear what is to happen at the end of this submission process. The Ministry of Economic Development has stated that the purpose of the consultation is "to ensure that IPONZ gives proper effect to the provisions of the legislation, taking into account the intentions of the Commerce Select Committee, in a manner that is likely to find support from a New Zealand court."¹ However, section 5 of the Interpretation Act 1999 requires a court to determine the meaning of an Act by its text and in the light of its purpose, if necessary by

¹ Ministry of Economic Development media release, 8 March 2011.

reference to the “indications provided in the enactment”. Draft guidelines issued by a government agency on the interpretation of an Act passed by Parliament are not indications of the kind a court usually has regard to. The Draft Guidelines on a provision of a Bill that has not had its second reading are even less so.

It is up to Parliament to decide whether to proceed with the clause excluding computer programs. If Parliament believes the meaning of the clause is clear then it should pass it through the remaining stages without amendment. If Parliament has doubts that the meaning is clear then it should follow the usual procedure and amend the Bill by supplementary order paper. Alternatively, it could refer the matter back to the select committee if it considers more advice is needed. But the issuing of Draft Guidelines at this stage simply adds more uncertainty to an uncertain provision.

The Problem

In the commentary to the reported Bill on pages 5 and 6, the Commerce Select Committee stated that its intention was to exclude computer programs from patentable subject matter, but not to exclude embedded software. The commentary also stated:

“We sought advice on the approach taken in other jurisdictions such as the United Kingdom and the United States, and whether legislation that would enable ‘embedded software’ to be patentable might be practicable. After careful consideration we concluded that developing a clear and definitive distinction between embedded and other types of software is not a simple matter; and that for the sake of clarity, a simple approach would be best. We received advice that our recommendation to include computer programs among inventions that may not be patented would be unlikely to prevent the granting of patents for inventions involving embedded software.”

There will not be any dispute with the observation that developing a distinction between embedded and other types of software is not a simple matter. But the next sentence, that the exclusion in the Bill “would be unlikely to prevent” the patenting of inventions involving embedded software, indicates the Committee had some doubt that the present wording is the “simple approach” that will provide “clarity” and thus achieve the result that it is seeking. That indication is reinforced by the call for submissions on the Draft Guidelines.

The situation in the United Kingdom is that the Patents Act 1977 is modelled on and meant to be interpreted in the same way as the European Patent Convention. Both exclude patents for computer programs “as such”. However, the approach to the interpretation of this exclusion is different in the United Kingdom Intellectual Property Office (UKIPO) from the approach of the European Patent Office (EPO). In *Symbian v Comptroller General of Patents*, ([2008] EWCA Civ 1066) the English Court of Appeal tried to reconcile the differences and seek out a common thread. But the examination practices of the EPO and the UKIPO still reflect different approaches.

The United Kingdom/European experiences show that if the clause 15(3A) computer software exclusion is left as it is, there will be uncertainty as to what it means. That uncertainty will not be reduced by the Draft Guidelines so long as the exclusion is as expressed in the Bill. Parliament should not delegate to IPONZ, or even to the courts, the task of determining how far the vague expression “computer program” extends. It should make it clear in the legislation.

As an example of a possible consequence of the current uncertain wording, suppose that a hypothetical New Zealand company, *Satnav*, has created and sells automobile satellite navigation systems. The devices consist of electronics that receive satellite signals, an integrated computer program that compares the satellite information to coordinates on maps in its memory and produces sound outputs and screen images that guide the driver of a car to a desired destination. The engineers that developed that product would regard the software as being embedded. It is hardwired into the device as it is manufactured and is an integral part of how it works. Now if *Satnav* developed a more sophisticated version of its device that allowed for inputs (such as traffic reports) from sources other than satellites, and for continual upgrading of maps and the additions of other ubiquitous “apps”, would the invention claimed in a patent application for the upgraded device be rejected as unpatentable because the upgrade consisted of excluded “computer software”? *Satnav* might have to find out the hard way. An overseas competitor might oppose a patent application for the improvement and succeed in having the *Satnav* patent application refused. *Satnav* might be put to the expense of appealing ultimately to the Supreme Court to determine what Parliament meant by the exclusion. And if it lost, the overseas competitor would be able to sell in New Zealand the improved device copied from *Satnav* without having to bear the costs incurred by *Satnav* in creating the more sophisticated device. The “hard way” would have been a direct result of the uncertainty of the current wording.

The Commerce Select Committee has, with respect, helped to create uncertainty by not exploring the adverse social consequences of allowing patents for computer programs on the one hand, and the beneficial social consequences of allowing patents for inventions involving embedded software on the other. The *Satnav* example illustrates how uncertain the dividing line between computer programs and embedded software is. Without any guidance from the Committee as to what it regards as the opposing adverse and beneficial consequences of the inclusion/exclusion choices, the interpretations of these choices are going to be subjective and this will lead to uncertainty.

The Draft Guidelines are founded on adapting a test based on the United Kingdom interpretation of the exclusion of patents for programs for computers “as such”. The Commerce Select Committee did not add the words “as such” to the exclusion in the Bill reported back. This means that there are potentially three grounds of uncertainty in the IPONZ approach as to the meaning of the computer program exclusion:

- (a) Are the words “as such” to be implied?
- (b) If the words “as such” are to be read into the meaning, does IPONZ follow the UKIPO approach, or the EPO approach?
- (c) If the words “as such” are not to be implied how do you distinguish patentable embedded software from unpatentable computer programs?

Alternative Approaches

Parliament still has the opportunity to clarify the meaning of the clause 15(3A) exclusion. It could do this by referring the Bill back to the Commerce Select Committee to clarify what it believes to be the adverse and beneficial consequences of the inclusion/exclusion choices. Alternatively, it could introduce amendments by supplementary order paper, for instance:

- (a) to add the “as such” qualification, if that is really what is intended; or

- (b) to insert an example² demonstrating how an invention is about computer programming, and how an invention is about using a computer program as a tool³ (again, if that is the distinction intended by the Committee); or
- (c) to add a proviso to the exclusion along the following lines: “Provided that an invention shall not be excluded from patentability solely because it has a computer program embedded within it, or (in the case of a process) a computer program is used in the process”.

If Parliament were to add the words “as such” then it would open up a debate in New Zealand as to which of the alternative EPO or UKIPO approaches is to be followed.

Parliament’s intention would be clearer if an example were added to the Bill, to illustrate that if an invention is about computer programming, then it is an excluded computer program, whereas if an invention is about using a computer program as a tool it is a permitted manner of manufacture. In the hypothetical example given above, the “apps” that could be loaded onto the operating system of the device could serve as an example of an excluded computer program. Subject to considerations of novelty and obviousness, the improved *Satnav* device itself would be an example of what is a patentable manner of manufacture.

If Parliament were to add the proviso that inventions containing embedded software are deemed (subject to considerations of novelty, obviousness, and usefulness) to be patentable inventions, then any guidelines and judicial interpretation would shift to construing the words “embedded software”.

Conclusion

For the reasons outlined above the Society believes that to pass the Bill through its remaining stages unamended would create uncertainty as to what is meant by the words “a computer program is not a patentable invention”.

Continuing with the preparation of Guidelines by IPONZ before the Bill is passed would compound that uncertainty. The fact that the Commerce Select Committee asked IPONZ to draft the Guidelines suggests that the Committee was uncertain that the words clearly conveyed Parliament’s intention. The absence of any analysis of why it wanted to exclude patents for computer programs on the one hand, but allow patents for inventions involving embedded software on the other, suggests that the Committee might not have been able to agree on what the words should mean.

The Society submits that officials should advise the Minister that to leave the Bill as it is, and continue to finalise guidelines (no matter what those guidelines say), would create ongoing uncertainty because Parliament’s intention will not be able to be discerned from the legislation.

² There is already an example of the application of the exclusion under clause 14(1) of the Bill as reported back.

³ See *CFPH LLC*, [2005] EWHC 1589, paragraph 104, where this approach was suggested. The question asked by the judge was whether the invention could be put into practice by a little man at a control panel operating under the same rules. ‘Yes’ indicates the software was a tool and patentable.

In the Society's view, the Draft Guidelines should not proceed until there is further guidance available from Parliament.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jonathan Temm', enclosed in a thin black rectangular border.

Jonathan Temm
President