



Via email

June 18, 2010

The Honorable Simon Power, MP
Minister of Commerce
Parliament Office
Private Bag 18888
Parliament Buildings
Wellington 6160
New Zealand

RE: Patents Bill: Proposed Exclusion of Computer Programs from Patentability

Dear Minister Power:

I am writing on behalf of Intellectual Property Owners Association (IPO) to comment on the draft Patents Bill with regard to the proposed broad exclusion of computer programs from patentability.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and more than 11,000 individuals who are involved in the association either through their companies or as IPO inventor, author, executive, law firm or attorney members.

We understand that a Patents Bill was introduced into the New Zealand Parliament in July 2008, with the stated purpose to replace the "Patents Act 1953 and update the New Zealand patent regime to ensure that it continues to provide an appropriate balance between providing adequate incentives for innovation and technology transfer while ensuring that the interests of the public and the interests of Māori in their traditional knowledge are protected." IPO supports New Zealand's efforts to reform and update its patent system.

We understand, however, that a Parliamentary Select Committee on March 20, 2010, reported out the Patents Bill with a new broad and unqualified exclusion from patentability of "a computer program." We believe that such an exclusion runs counter to the Bill's goal of providing incentives for innovation and technology transfer, is out of step with the approach to the patentability of computer-implemented inventions taken by New Zealand's major trading partners, and is inconsistent with New Zealand's international obligations.

In that regard, IPO's Board of Directors has adopted the following resolution:

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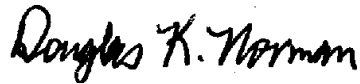
Executive Director
Herbert C. Wamsley

INTELLECTUAL PROPERTY OWNERS ASSOCIATION

RESOLVED, while IPO generally supports the effort to improve and modernize the New Zealand Patents Act 1953, the IPO *opposes* the broad and unqualified exclusion from patentability of computer programs as proposed in the Patents Bill now pending before New Zealand parliament.

Attached is a copy of a report prepared by IPO's Patent Law and Practice (International) Committee with additional explanation and reasons for our Petition. We hope these comments will be helpful as you revise the proposed Bill and we offer our continued assistance in any way you deem helpful or appropriate.

Sincerely,

A handwritten signature in black ink that reads "Douglas K. Norman". The signature is written in a cursive, slightly slanted style.

Douglas K. Norman
President

cc:

Under Secretary David Kappos, Director, United States Patent & Trademark Office
Ambassador Ronald Kirk, United States Trade Representative

Enclosure

**RESOLUTION OPPOSING PROPOSED AMENDMENT TO THE NEW ZEALAND PATENTS ACT
1953 TO PROVIDE FOR AN UNQUALIFIED EXCLUSION OF A "COMPUTER PROGRAM"
FROM PATENTABILITY**

Prepared for the June 11, 2010 IPO Board Meeting

Chair: Larry Welch, Eli Lilly

Vice-Chair: Sam Helfgott, Katten Muchin

Sub-Committee on New Zealand Patent Reform Chair: Dick Wilder, Microsoft

Board Liaison: Dan Staudt, Siemens

ACTION PROPOSED

New Zealand is in the process of amending its Patents Act 1953 and is proposing to include a broad and unqualified exclusion from patentability of computer programs. This is of concern to IPO because of the effect on patent protection in New Zealand as well the precedent it might set for other countries considering taking such a step.

PROPOSED IPO BOARD RESOLUTION

RESOLVED, while IPO generally supports the effort to improve and modernize the New Zealand Patents Act 1953, IPO *opposes* the broad and unqualified exclusion from patentability of computer programs as proposed in the Patents Bill now pending before the New Zealand Parliament.

PAST ACTIONS

None.

BACKGROUND & PROPOSAL

Executive Summary

The Patents Bill was introduced into the New Zealand Parliament in July 2008 with the stated purpose to replace the "Patents Act 1953 and update the New Zealand patent regime to ensure that it continues to provide an appropriate balance between providing adequate incentives for innovation and technology transfer while ensuring that the interests of the public and the interests of Māori in their traditional knowledge are protected."

Late in the process of legislative action (on March 30, 2010), a Parliamentary Select Committee reported out the Patents Bill with a new, broad and unqualified exclusion from patentability of “a computer program.” Such an exclusion runs counter to the Bill’s goal of providing incentives for innovation and technology transfer, is out of step with the approach to the patentability of computer-implemented inventions taken by New Zealand’s major trading partners, and is inconsistent with New Zealand’s international obligations.

Analysis

The Intellectual Property Office of New Zealand (IPONZ) has granted patents for computer program inventions for over a decade. In 2002 and 2005 the Ministry of Economic Development (MED) consulted widely with ICT companies with a discussion paper on the Patents Act 1953 and a three-stage review of the ACT. Most submitters that commented on software protection wanted to retain patent protection for software. Following the first stage of the review, in 2005, the Minister for Economic Development who was then in office stated that “[t]here are, then, no strong arguments for specifically excluding business methods and software from patent protection. In light of this, I consider that business methods and software should continue to be patentable as long as they meet the requirements for patentability.”¹ In June 2009, the Ministry of Economic Development (the New Zealand Ministry responsible for the New Zealand Intellectual Property Office) stated the Bill that was introduced into the Parliament “incorporates the outcomes of all three stages of the review. The issue of software patents was considered as part of the third stage, but a decision was taken not to exclude software from patentability.”² The conclusion, then, was to retain the current approach to the issue in New Zealand, under which claims to inventions deemed patentable by IPONZ have included:

- the flow of the software on execution;
- computer systems in which the software is executed;
- the software code either when stored on a storage medium or carried in a data signal; and
- related data structures either when stored on storage medium or carried in a data signal.³

Against that backdrop of the current situation, the Patents Bill was introduced into the New Zealand Parliament on July 9, 2008⁴ with the stated purpose to replace the “Patents Act 1953 and update the New Zealand patent regime to ensure that it continues to provide an appropriate balance between providing adequate incentives for innovation and technology transfer while ensuring that the interests of the public and the interests of Māori in their traditional knowledge are protected.” These are laudable goals and supported by IPO.

Written submissions to the Parliament commenting on the Bill were received from over 60 individuals, New Zealand companies, IP firms and industry associations – and written submissions on the Bill closed on July 2, 2009. And over July and August 2009, the Commerce

¹ http://www.med.govt.nz/templates/MultipageDocumentPage____1324.aspx

² <http://computerworld.co.nz/news.nsf/devt/84239C76EEE24D1BCC2575DC006BFFC1>

³ See Adams, Matt, *Out with the Old*, Patent World Issue #192, p. 29 (May 2007)

⁴ <http://www.legislation.govt.nz/bill/government/2008/0235/latest/versions.aspx>

Committee in the New Zealand Parliament heard oral presentations from around half of the submitters. Certainly some of the submissions and presentations urged amending the Patents Act to provide a broad and unqualified exclusion of computer programs. But given the history of the debate in New Zealand and in light of the positive approach taken by New Zealand's major trading partners for the patentability of computer-implemented inventions, it was a surprise when the Parliamentary Commerce Select Committee issued its report on the Patents Bill on March 20, 2010 and included a new paragraph 3A to Article 15 to provide that "a computer program is not a patentable invention."⁵

The report of the Parliamentary Select Committee⁶ is troubling not only as to the recommendation of such a broad and unqualified exclusion from patentability, but their rationale for doing so. For example, the Committee stated that "software patents can stifle innovation and competition." They did express a desire to ensure that "embedded software" should continue to be protectable under the patent system and would leave it to IPONZ to develop adequate guidelines to do so. As to this point, the language in the Bill to exclude "a computer program" would appear to exclude software whether "embedded" or not. It is not clear what guidelines IPONZ could draft to overcome the clear language of the statute. Perhaps more fundamentally, statements by members of the Committee and the NZ Government suggest they believed that the exception was equivalent to that found in the European Patent Convention. Before turning to this point specifically, however, it is important to consider the limits on exclusions from patentability the TRIPS Agreement provides for.

Article 27(1) of the TRIPS Agreement provides that "patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application." This requirement places significant restrictions on what subject matter may be excluded from patentability, generally limiting the allowable exclusions to those explicitly enumerated in Article 27(2) and (3). Computer programs are not among the allowed exceptions to this general rule prohibiting discrimination based on field of technology. However, because technology has traditionally been understood to involve the use of physical tools and the manipulation of physical materials, some have argued that "pure" software falls outside the scope of "technology" under TRIPS (and thus may be excluded). This is the primary argument that has been used to justify the software exclusions contained in various national patent laws.

It is critical, however, to recognize that this rationale is capable of justifying only a very narrow exclusion that is limited to purely abstract, disembodied software. Once software is embodied in physical form or executed on a computer, it is no longer purely abstract or non-technical and cannot be excluded from patentability under TRIPS. For example, both the actual language and the European Patent Office's interpretation of the EPC take this into account by excluding only software in a purely abstract or conceptual form, while extending patent protection to computer programs that employ technical means, have technical effects, or possess a technical character.

⁵<http://www.legislation.govt.nz/bill/government/2008/0235/latest/DLM1419230.html>

⁶http://www.parliament.nz/NR/rdonlyres/B6E4F834-C47A-426A-86B8-F573ED4F5E04/133805/DBSCH_SCR_4679_PatentsBill2352_7434_3.pdf

The language in the New Zealand Patents Bill is not a narrow exemption of the type found in the EPC. It differs from the European Patent Convention in at least two very significant ways:

- First, the exclusion does not contain a limitation similar to the one found in Article 52(3) that limits the effect of the exclusion to applications and patents relating to the excluded subject matter “as such.”
- Second, unlike the EPC provision, which provides an illustrative and non-exclusive list of the types of non-technical subject matter that shall not be regarded as an invention, the provision adopted by the Committee specifies only computer programs for exclusion.⁷ Because it contains an illustrative list of subject matter categories that share similar characteristics, the EPC exclusion has been interpreted as standing for the general principle that non-technical, purely abstract subject matter is ineligible. However, because the proposed New Zealand exclusion specifies only computer programs, it would not likely be susceptible to such an interpretation.

Absent the same structure and an explicit statement that the exclusion covers only the specified subject matter “as such,” the proposed language is not amenable to the limited interpretation and application that prevails under the EPC.

Conclusion and Proposed Solution

The Patents Bill was introduced into the New Zealand Parliament in July 2008 and has been the subject of comment and debate in New Zealand. IPO has the greatest admiration for the integrity of the legislative process in New Zealand and the thoroughness with which it was conducted. We are very concerned, however, with the proposed amendment to Article 15(3A) – as reported out by the Parliamentary Commerce Select Committee on March 20, 2010 – that would provide for a broad and unqualified exception from patentability of “a computer program.” We strongly disagree with the view expressed by that Committee that patents in this field of technology “stifle innovation and competition.”

As currently worded, the proposed exclusion is out of step with the approach taken in New Zealand’s major trading partners and not consistent with obligations under international law, notably the TRIPS Agreement.

While IPO should and does support efforts to repeal and replace the New Zealand Patents Act 1953 to improve and modernize its provisions, it should explicitly oppose the proposed exclusion relating to computer programs. This position is consistent with the approach taken by IPO in its brief to the U.S. Supreme Court in *In re Bilski*.⁸ There IPO stated that a flexible approach was necessary in “interpreting the statutory framework of the 1952 Patent Act . . . in distinguishing abstract ideas from practical applications of ideas in constantly changing and rapidly evolving areas of human endeavor.” In that brief, IPO emphasized the need to focus on the difference

⁷ On May 12, 2010, the Enlarged Board of Appeals of the EPO that confirmed the approach of the EPO regarding the patentability of computer programs under the EPC.
[http://documents.epo.org/projects/babylon/eponet.nsf/0/DC6171F182D8B65AC125772100426656/\\$File/G3_08_opinion_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/DC6171F182D8B65AC125772100426656/$File/G3_08_opinion_en.pdf)

⁸<http://www.patentlyo.com/08-964acintellectualproperty.pdf>

between patentable subject matter and “laws of nature, natural phenomena, and abstract ideas.”

Defending that broad principle is the approach that should be taken with the Government of New Zealand. Taking such a position is not intended, however, to involve IPO in the sovereign right of New Zealand to determine how best to resolve the matter – whether by dropping the proposed exclusion, amending the exclusion to comply with TRIPS and international norms, or some other appropriate course of action. Accordingly, the proposed resolution, reproduced below, indicates only opposition to the approach currently included in the Patents Bill in New Zealand, but leaves open the specific approach to address the problem:

RESOLVED, while IPO generally supports the effort to improve and modernize the New Zealand Patents Act 1953, IPO *opposes* the broad and unqualified exclusion from patentability of computer programs as proposed in the Patents Bill now pending before the New Zealand Parliament.