

Comments submitted by Brian Kahin, University of Maryland, concerning discussion of institutional roles during October 25 roundtable

During the discussion of institutional roles on October 25, I expressed concern about the position that the U.S. Government has taken in the WIPO negotiations over the proposed Substantive Patent Law Treaty. Not only is the US Government asserting that patents should be available for any activities, not just fields of technology, but it is threatening to walk of the process if the rest of the world does not accede to this standard. This position is documented the September 18 draft report on the meeting of the Standing Committee on Patent Law held in Geneva from May 6 to 10, 2002, which contains the principal discussion on subject matter. See especially 159. to 161. and 170. to 173. in the attached excerpt.

If this position were incorporated in an international treaty, it would become practically to undo the State Street decision by legislative action should patents on business methods continue to be problematic. This is especially disturbing given the extraordinary deficiencies of the State Street decision, the lack of any expressed need for business method patents prior to the decision, the widespread controversy around business method patents, and the lack of transparency in the PTO's development and assertion of this position.

The sole public process for developing this position was the "Request for Comments on the International Effort to Harmonize the Substantive Requirements of Patent Laws" published by the USPTO on Federal Register on March 19, 2001 at pages 15409-15411. Here is presented as one of 17 technical patent issues, not in terms of "business methods" as commonly understood but in terms of the "technical contribution" requirement of European patent law:

(2) As to what inventions may be considered patentable subject matter, the United States currently provides a test of whether the invention is within one of the statutory categories of 35 U.S.C. 101 and within the "useful arts" as expressed in the United States Constitution. The "useful arts" test requires that the claimed invention have a practical application providing a "useful, concrete and tangible result," see *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998). In contrast, the patent laws of some countries require that the invention provide a "technical contribution" in order to be eligible to be patented. The "technical contribution" requirement is generally considered to be more restrictive in determining what inventions may be patented.

Note that there is nothing in this statement that suggests that the U.S. might take a position demanding that other countries drop the requirement of a technical contribution – let alone, as the draft shows the delegation arguing, that there is no room in the SPLT negotiations for reasonable disagreement on the issue.

34 comments were filed in response to the entire set of questions in the Request for Comments, predominately from law firms and small inventors. Comments were filed by four national trade associations (AIPPLA, IPO, BIO, and NAM) and only one major company, IBM. These comments can be seen at <http://www.uspto.gov/web/offices/dcom/olia/harmonization/>; however, this posting is not publicly visible from the PTO website. These five comments span a spectrum of opinion on the field of technology limitation/technical contribution issue ranging from IBM (favoring a technical requirement) to NAM to IPO to AIPPLA to BIO at the other extreme. As of this writing, neither the comments nor the original Request for Comments can be found using the search function on the site. In fact, there is virtually nothing on the subject except for a brief reference in the PTO's portion of the President's Budget.

The US Government has in fact taken an extreme position in an international venue where its actions are all but invisible to everyone but the patent community. There is no record of the PTO formulating a position on the subject, and therefore no rationale to be critiqued or disputed. The WIPO draft report, while a public document as of mid-October, is still not posted on the Web ten days before the next meeting to discussing the Substantive Patent Law Treaty.

This covert, aggressively expansionist policy making, is clearly driven by the parties whose interests are most directly at stake (pharmaceuticals and patent professionals). It illustrates the continuing capture of the PTO and the need for institutional balance to ensure that policy development in this area is public, explicit, and grounded in economic reality. The FTC is uniquely situated to help provide that balance -- by virtue of its insulation from political influence, its capacity for economic analysis, its organic and historic concern for competition and innovation, and its commitment to developing policy on a public record that integrates legal and economic perspectives.

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STANDING COMMITTEE ON THE LAW OF PATENTS

Seventh Session

Geneva, May 6 to 10, 2002

DRAFT REPORT

prepared by the Secretariat

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Draft Article 12(1), (4) and (5) and draft Rule 13

159. The Delegation of Spain, speaking on behalf of the Member States of the European Union, and supported by the Delegations of the Dominican Republic, Egypt, Ireland, Morocco, Norway, Peru and the Republic of Korea and the Representative of the EPO, expressed a strong preference for the deletion of the square brackets in Article 12(1) so that the criterion “in all fields of technology” became an integral part of that Article, since an invention should involve a “technical character” and patents should not be extended to all subject matter, such as business methods, unless such a technical character was shown. The Delegation appreciated the reintegration of the condition of the industrial applicability requirement in the main body of the SPLT, which was of fundamental importance to the European position in relation to the conditions of patentability, particularly with regard to European policy in the field of biotechnology inventions. It emphasized that this approach was fully in line with Article 27.1 of the TRIPS Agreement. The Delegation reiterated their proposal to consider the inclusion of the substance of Articles 27.2 and 27.3 of the TRIPS Agreement in the Treaty itself. As regards the expression “in all fields of

technology”, the Delegations of Brazil, Cuba, Indonesia, Japan, Mexico and the Russian Federation and the Representatives of AIPPI and GRUR also suggested the retention of the text “in all field of technology” and the deletion of the square brackets. The Delegation of the Russian Federation stated that draft Article 12(1) should provide a minimum standard for conditions of patentability.

160. With regard to paragraph (1), the Delegation of the United States of America stated that, in line with comments it had made at past SCP meetings, it strongly supported the provision of broad patent protection for any new and useful invention, and supported the language “be made and used in any field of activity” currently contained in Article 12(1). It therefore proposed deletion of the phrase “in all fields of technology.” The Delegation viewed that phrase in the same manner as it was used in Article 27.1 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement”), that is, to broadly refer to all fields of innovation, and that such a phrase could not, and should not, be restricted to inventions having “technical” character. To the extent that other delegations may have a different view of this phrase, the SPLT was not the proper forum to attempt to resolve or discuss any of these differences, since the goal of the SPLT was to determine clearly-defined best practices as to patentability. The Delegation was of the view that, if the SCP could not agree on the goal of harmonization and best practices, then the entire purpose of the discussions may be called into question.

161. The Representative of ABA opposed the inclusion of a requirement of “technical” character in paragraph (1)(a), noting that, in the United States of America, business methods and biotechnological inventions had long been patentable, to good effect. He emphasized that, like all inventions, in order to be patentable, a business method must meet the standards of novelty and inventiveness. The Representative of the AIPLA stated its support for the interventions of the Delegation of the United States of America and of the Representative of ABA. In particular, he supported the grant of patents for inventions in any field of activity, including biotechnology, business methods and computer programs. The Representative of IIPS, supporting the views of the Delegation of the United States of America, stated that there should be no requirement for technical content and that the aim should be to broaden the concept of invention to cover all useful arts, including inventions in “precursor activities.” The Representative of FICPI stated that his organization had no position on the requirement for technical character but favored as few exceptions as possible. The Representative of MPI suggested that the words “made and used” in paragraph (1)(a) should be changed to “made or used.”

162. The Delegation of Peru stated that it considered the list contained in paragraph (1)(b) to be illustrative so that Contracting Parties would be free to exclude protection from other subjects. The Delegation of the Dominican Republic expressed a similar view and emphasized the need to make a distinction between matters that are inherently not patentable and inventions that

may not be patented as a matter of policy. The Delegation of Ireland suggested that the words “in particular” be added to cover subject matter similar to those areas listed in paragraph (1)(b), and that the words “Notwithstanding paragraph (a),” be deleted. The Delegation of the Republic of Korea suggested that a survey of exceptions provided under existing national laws might assist the preparation of revised proposals.

163. With regard to paragraph (5), the Delegation of Brazil, supported by the Delegations of Egypt and Peru, suggested that the exceptions to patentability permitted under Articles 27.2 and 27.3 of the TRIPS Agreement be included by reference. The Delegation of Mexico, however, stated that it did not support the inclusion by reference of the TRIPS exceptions into paragraph (5), since this would cause difficulties if Articles 27.2 and 27.3 of the TRIPS Agreement were amended. The Delegations of China and Indonesia stated that the exceptions provided under paragraph (5) should be based on the TRIPS Agreement. In connection with exceptions under paragraph (5), the Delegation of Ireland observed that Member States of the European Union were bound by the Directive of the European Commission on the protection of biotechnological inventions.
164. The Delegation of the United States of America expressed its opposition to the optional exceptions suggested by the International Bureau for paragraph (5) which resulted in the blanket inclusion of the exceptions provided for under Articles 27.2 and 27.3 of the TRIPS Agreement into the SPLT because of the different nature of the SPLT and the TRIPS Agreement. The TRIPS Agreement was a result of a complex negotiation which involved many other global trade issues and trade-offs, not only within intellectual property, including many issues that were beyond the issues concerning patents being discussed by the Committee. A specific example that did not fit within the confines of the SPLT was the exclusion of plants and animals that were currently allowed under Article 27.3(b) of the TRIPS Agreement, because these were examples of important subject matters in developing fields of innovation, such as biotechnology.
165. The Representative of AIPPI suggested that, although the exceptions should be based on Articles 27.2 and 27.3 of the TRIPS Agreement, it was not necessary to include all of the exceptions provided for under those Articles. In his view, if the exceptions were placed in the Regulations, the amendment of the Rule concerned should require unanimity. The Representative of ABA stated that the Treaty should not include all of the exceptions permitted under the TRIPS Agreement nor attempt to re-interpret that Agreement. The Representative of MPI expressed the personal view that exceptions to patentability in the field of biotechnology were not in the interests of European industry and that Contacting Parties should adopt a broader approach than that taken under the TRIPS Agreement. The Representative of GRUR noted the

need to take a fresh look at the provisions of Article 27.2 and 27.3 of the TRIPS Agreement in view of their ambiguity.

166. The Representative of BIO, supported by the Representative of AIPLA, agreed that not all exceptions under the TRIPS Agreement should be included in draft Article 12. In particular, the patenting of biotechnological inventions, including transgenic plants and animals, should be permitted. Emphasizing the need to be forward looking and to take a global view, the Representative stated that the Treaty should provide for the patentability of as broad range of subject matter as possible.
167. With regard to paragraph (4), the Delegations of Cuba and Mexico also expressed their support for the inclusion of that paragraph. The Delegation of the United States of America also welcomed the reintroduction of the industrial applicability/utility requirement into the Treaty, since utility was an important requirement for the United States of America. The Delegation, however, was of the view that the industrial applicability standards in certain systems might require a claimed invention to have a technical character or technical effect. The Delegation was also concerned that such a provision might also be used to refuse the patenting of inventions that were considered to be private in nature. The Delegation saw no reason to limit patentability in such a manner; the criteria should be that the invention has utility, is novel and involves an inventive step. The Delegation expressed further concern that an "industrial applicability" standard could stifle the development of new areas of innovation, such as software, biotechnology, or other newly developing areas that could not be foreseen now and that might defy definition according to the current understanding of what is meant by "industrial."
168. As regards the alternative words presented in square brackets in paragraph (4), the Delegations of Brazil and Morocco and the Representative of the AIPPI were in favor of the second alternative, "can be made or used in any kind of industry." The Delegation of the Russian Federation expressed a preference for the first alternative without the word "commercial." The Representative of ABA expressed a preference for the third alternative, or the first alternative without the word "commercial." The Delegation of the United States of America and the Representatives of AIPLA and FICPI supported the third alternative.
169. The Representative of the EPO expressed the view that the requirement for industrial applicability would not have a great effect in practice. The Representative of MPI stated that the requirement for industrial applicability did not constitute a barrier to granting patents for business methods. The Representative of GRUR drew the attention of the Committee to the fact that Article 1(3) of the Paris Convention required that industrial property "shall be considered in the broadest sense and shall apply not only to industry and commerce proper." The Representative of BIO observed that it was not always

possible to determine industrial applicability at the time that ground-breaking inventions were made, as exemplified by invention of the expression of DNA fragments, and that the standard presently applied in the United States of America would be a good standard for the Treaty.

170. The Representative of the EPO observed that, in deciding the conditions of patentability, it was necessary to take account of what was politically possible. She stated that the Treaty should not force a Contracting Party to adopt a stricter standard of patentability than it had at present. She therefore suggested that, as regards patentable subject matter and exceptions, the SPLT should reflect the current international consensus, which was the TRIPS Agreement standard, and provide an express provision allowing a Contracting Party to protect a broader range of subject matter. As regards the requirement concerning “technical character,” the Representative suggested that this concept be confined to those provisions in which it was really necessary and that a Contracting Party be allowed not to require the “technical character” of the invention. These suggestions received preliminary support by the Delegation of Sweden.
171. The Delegation of the United States of America stated that it could support neither a “technical” requirement in the SPLT nor the importation of the very minimal standards of protection that were found in the TRIPS Agreement, nor an “industry” or “industrial-based” standard on the issue of industrial applicability or utility. The Delegation expressed the view that the inclusion of a “technical” or “industrial” requirement would result in the standards for protection for inventions throughout the world to slip backwards, eroding the level of protection for inventors and inventions everywhere. The Delegation was of the opinion that the end result of the discussions, if it were based in part on any of those elements, would not be acceptable to the United States of America, and accordingly, the Delegation might well have to reconsider its participation in those discussions. The Delegation stated that it had come to the negotiations in good faith in that many provisions in the draft SPLT would require fundamental changes to the United States patent system. However, the Delegation stated that its continued participation was contingent on similar good faith from all members of the Committee.
172. In response to the intervention by the Delegation of the United States of America, which raised the possibility of questioning the exercise of patent harmonization in the SCP, the Delegation of Brazil observed that it would submit such a proposal to its own authorities, for consideration in further discussions related to the Standing Committee.
173. The Chair summarized the discussion on draft Article 12(1) as follows: A large number of delegations strongly requested the retention of the words “in all fields of technology” and made reference to Articles 27.2 and 27.3 of the TRIPS Agreement, in particular, in the context of paragraph (5). One delegation and a number of representatives of non-governmental organizations expressed the

strong view that no reference to the words “in all fields of technology” should be made and that this Treaty should not be bound by the wording of the TRIPS Agreement. The views of delegations were also divided concerning the three alternatives placed within square brackets in paragraph (4). The Chair concluded that, in view of the importance of the issues involved, two alternative provisions would need to be included in the next draft.