PATENTS

What is a patent?

A patent is an exclusive statutory right to exploit an invention. There is no precise definition of what is an 'invention'. It can be a product or a process or a business method. It cannot be a mere discovery or a bare principle. The inventor "must use his knowledge and ingenuity to produce a new and useful thing or result, or a new method of producing an old thing or result" (*Lane-Fox v Kensington & anor*, (1892) 9 RPC 413. The invention must be for a useful art as distinct to a fine art, so artistic or musical works are **not** patentable even if new and original.

To be patented, the invention must meet the threshold requirements of 'novelty' and 'inventiveness' in that it must be new when compared with the previous state of knowledge in the relevant area and it must also demonstrate the exercise of inventive ingenuity when judged against that state of knowledge. Something may be novel but still lack inventiveness if it is the obvious next step in a particular field of knowledge. For example, synthetic paint brushes may be new but not inventive given that most articles previously made from natural materials are logically now made from artificial materials.

The patent system is based on the policy of encouraging innovation by granting limited monopoly rights of commercial exploitation to inventors in return for which the inventor must fully disclose details of the invention. Disclosure of the invention encourages further research and gives the public access to the invention once the monopoly expires.

It is not possible to patent artistic creations, mathematical models, mere schemes or mental processes. This means that patent protection is generally **not** relevant to artists; however, it may be relevant to an arts organisation or individual seeking to protect a new business method.

Types of patents

There are two main types of patent:

1. a ***standard patent*** is granted after a rigorous examination process and gives protection for up to twenty years for a device, substance, method or process found to be novel, inventive and useful; and

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2. an ***innovation patent*** is a less expensive form of protection lasting up to eight years. Applications are processed more quickly and the threshold for registrability is lower than for a standard patent in that an applicant must merely demonstrate an innovative step.

An innovation patent is appropriate for something that is not sufficiently inventive to meet the inventive threshold required for standard patents. An innovation patent exhibits something that is different to existing knowledge and the difference makes a substantial contribution to the working of the invention.

Patentable inventions

Patent protection is not automatic and only exists after an application has been made and is accepted by IP Australia. For a patent to be granted, the application must satisfy the legal requirements set out in the *Patents Act* 1990 (Cth).

Any demonstration, discussion, sale or use of the invention in public before a patent application is filed may prevent successful patenting. This is because once the invention has been disclosed to the public, it will no longer be 'new'. Although there are some exceptions to this rule, it is important that inventors do not disclose their creations to third parties (for example commercial partners) except on a confidential basis pursuant to written confidentiality agreements. For further information and a sample confidentiality agreement see Arts Law's information sheet Protecting Your Ideas.

Prior to filing a patent application, it is advisable to retain a Patent Attorney to carry out a comprehensive search to assess whether there are existing inventions or technologies which could be obstacles to registration. Patent registration is a costly process and particularly frustrating if unsuccessful because of the existence of an earlier patent or publication which could have been identified prior to lodging the application. However, even if the invention is not able to meet the requirement of 'inventiveness' for a standard patent, it may still meet the lower threshold required for an innovation patent.

Software patents & patenting a business method

There is no precise definition of what is an “invention”. It can be a device, substance, method or a process. It is possible to obtain a patent for a computer software related invention. With the application of technological innovation and particularly information and communication technology to the methods and systems used in commerce, there has been a growing number of applications for software patents, including patents that cover methods of doing business using software.

What is a business system or method?

A business system is a method of operating an enterprise, or of processing financial or management data, in a field of economic endeavour. A business system or method will typically involve a method of resource management, advertising, marketing and customer service. It includes but is not limited to the use of the internet and e-commerce in business. Business methods are focussed on the way business information is obtained and used and whether the scheme can be put into effect, rather than the development of new technologies. A patentable business method must achieve an end result which is an artificially created state of affairs in the field of economic endeavour; it must be a process which 'belongs to a useful art as distinct from a fine art'.

Since 2001 in Australia it has generally been accepted that a business method may be patentable, provided the ordinary legal requirements for patentability are satisfied. It must be something new, inventive and useful. This may mean the interacting of a technological process with a method. For example, a process for operating a 'smart card' containing a computer chip which allowed reward points

offered by traders to be recorded, according to different loyalty schemes, was patentable. So was an internet auction system for purchasing airline tickets. Conversely, a method for commercialising inventions that includes the storage of data in an electronic data file was found not to be patentable.

Patent eligibility of software and business methods

There has been controversy over whether software and business method patents should be granted. In 2014, court decisions in the United States and Australia have provided some clarity as to the circumstances in which innovations related to software and business methods are patentable. In *Alice Corporation Pty Ltd v CLS Bank International,* 134 S Ct 2347 (2014), the U.S. Supreme Court rejected a claim for a patent for handling documents and managing escrow accounts on a computer. In *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150, the Federal Court of Australia - Full Court found that a method of creating a securities index (related to trading shares, stocks and bonds) by means of a computer was not patentable. These decisions give support to the following propositions:

- Business, commercial and financial schemes as such are not considered patentable. That is, there is a distinction between a technological innovation (which is patentable) and the implementation of an abstract idea, scheme or method that is a business, commercial or financial innovation (which is not patentable).
- There is also a distinction between, on the one hand, the application and operation of an inventive method in a physical device involving components of a computer or machine (which is patentable) and, on the other, an abstract, intangible situation which is a mere scheme, an abstract idea and mere intellectual information (which is not patentable).
- In relation to software or computer based innovation, there is a distinction between the implementation of an abstract idea that creates an improvement in a computer (which is patentable) and the mere implementation of an abstract idea in a computer (which is not patentable).

In summary, the Alice and Research Associate decisions say that simply 'doing it on a computer' is an abstract idea that is not patentable. To work out if an innovation can be patentable will usually require advice from a Patent Attorney or a lawyer with experience in patent law.

How to apply for a patent

IP Australia is the government body responsible for registering and administering patents. The IP Australia website contains information on the application process. However, it is important to note that applying for a patent can be a complicated process and IP Australia advises seeking **the professional assistance of a Patent Attorney** when applying for a patent. Many patent applications filed without professional assistance fail due to a lack of knowledge or experience with the law, technology or the procedural requirements associated with lodging an application. It is generally not possible to try again following such rejection as details of the patent application have then been published so that the invention lacks novelty. The IP Australia website provides information on the patent application process and also links to IP Professionals and other IP websites.

Who can apply

The appropriate applicant for the patent is the owner of the invention. This may be the inventor or co-inventors, the company that employed the inventors or another third party to whom rights to the invention have been assigned by contract.

Overview of the application process

The patent application procedure for a standard patent is very technical but basically involves the following steps.

- Filing an application with the Patent Office of IP Australia (this can be done online). The application must include a written specification describing the invention and how it works, a set of claims defining the invention, a completed patent request form and the relevant filing fee.
- The completed application will be given a priority date which is normally the date of filing unless the application is based on an earlier application in Australia or overseas in which case the priority date will be the date of that earlier filing. The Patent Office assesses whether the invention meets the statutory criteria for a valid patent as at the priority date.
- The application will be published by the Patent Office approximately 18 months after filing.
- The application will be examined by the Patent Office usually no earlier than about 3 years from the filing date. Examination involves a comparison of the invention claimed with the 'prior art base', in other words with what was known in the relevant industry at the priority date about the problem solved by the invention. This enables the Patent Office to determine if the invention is new and not obvious, ie, inventive. The Patent Office may issue reports seeking clarification or raising objections and the application will not proceed until these are satisfactorily addressed by the applicant.
- If the examination process does not reveal any deficiencies or these are successfully overcome, the patent application is accepted. Following publication of the acceptance of a patent application you must wait a period of three months in which other people can oppose your patent application on the basis that it is invalid. Less than 2% of accepted applications are opposed; however opposition proceedings can take several years to resolve and can result in the application being rejected.
- Following payment of the acceptance fee, the patent is granted with effect from the date of filing.

A standard patent can be used as a basis for seeking equivalent protection in other countries. This is not possible with an innovation patent.

How long does a patent last?

Standard patents last for a maximum term of 20 years (or 25 years for a standard patent relating to a pharmaceutical substance). Innovation patents are initially granted for 2 years and the maximum term is 8 years. Maintenance fees must be paid for both standard patents, innovation patents and patent applications. For further information on maintenance fees contact IP Australia or check the Patent fees section on the IP Australia website.

Risk of infringement

If you are starting a new business in which you will use software programs, e-commerce systems or other artificially implemented business methods, it is prudent to ascertain whether the programs, methods or systems you intend to use are protected by patents and, if so, to ensure you have obtained all necessary licences. Otherwise you may be at risk of claims for patent infringement. If you have developed those programs and methods yourself then consider whether you should seek patent protection. It is worth discussing your plans with a Patent Attorney or an intellectual property lawyer.

Need more help?

Contact Arts Law if you have questions about any of the topics discussed above.

Telephone: (02) 9356 2566 or toll-free outside Sydney 1800 221 457

Also visit the Arts Law website for more articles and information sheets or contact IP Australia (telephone 1300 651 010) or its website (www.ipaustralia.gov.au).

Disclaimer

The information in this information sheet is general. It does not constitute, and should be not relied on as, legal advice. The Arts Law Centre of Australia (**Arts Law**) recommends seeking advice from a qualified lawyer on the legal issues affecting you before acting on any legal matter.

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