European Commission proposal on software patents

EU Law Development: "the proposal provides for some new defences to infringement, but only in relation to computer implemented inventions"

Without much fanfare, on 20 February the European Commission published a proposal for a Directive setting out rules on the patentability of software inventions (COM (2002) 92 final). The Commission's proposal is for a Directive to be adopted using the co-decision procedure which gives a role to both the European Council and the European Parliament. The same procedure was used in relation to the Biotech Directive. The proposal is not a final draft, but is being put forward for discussion. If approved, the Directive may be adopted as is or in amended form. Neither event is likely to occur before 2003.

The proposal comes at a time of uncertainty as to where the laws on European software patents are heading. A proposal in the summer of 2000 to reform the European Patent Convention (EPC) to remove the express prohibition on inventions for computer programs "as such" was rejected in a Diplomatic Conference in November 2000. Although debate on that issue has continued, the Boards of Appeal of the European Patent Office (EPO) have meanwhile further developed their own thinking on the patentability of software and business method inventions.

The Commission's proposal defines a new class of inventions entitled "computer-implemented inventions" and goes on to define the conditions under which they are patentable. The main focus is on whether an invention involves a technical inventive step or, in other words, makes a technical contribution to the art. The contribution is assessed by comparing the invention as a whole against the state of the art. Therefore, if the contribution has a purely economic character - as in some business method inventions - the invention is not patentable. This aspect of the proposal accords with the case law of the Boards of Appeal of the EPO.

However, certain other aspects of the proposal appear not to follow the EPO's approach. In particular, the EPO maintains a clear distinction between inventions that are potentially patentable (patentable subject-matter) and the tests for novelty and inventive step (eg *Pension Benefit Systems* (T931/95)). In contrast, the definition of computer-implemented invention in the proposal appears to combine the concepts of patentable subject-matter and novelty. The proposal disapproves of the notion of "potential technical character" as developed in the EPO decisions in *IBM/Computer Program Product I and II* (T935/97 and T1173/97). According to the Commission, and again in contrast to recent EPO decisions, programs in isolation from the computer on which they are to be run or even programs recorded on a carrier should *not* be patentable.

This conflict could be significant, as it is possible to envisage the EPO (which is not bound by the Directive) granting a European patent under the EPC which might later be held to be invalid in national courts, under the Directive. One way around this would be to amend the EPC to conform with the Directive; although as there are EPC contracting states which are not EU Member States (and therefore not bound by directives), further political steps are needed to achieve convergence.

The proposal provides for some new defences to infringement, but only in relation to computer-implemented inventions: all those acts permitted under the Software Directive (91/250/EEC) are proposed to be permitted in relation to computer-implemented inventions. They include decompilation and taking back-ups in certain circumstances.

The acts exempted under the Software Directive also include the right for a licensee to observe, study or test the functioning of the software to determine the ideals and principles which underlie any element of it. This right is similar - but not identical - to the existing defence of "experimental use" to patent infringement. WTO Panel and Member State case law has addressed the question of whether clinical trials of pharmaceutical inventions qualify as experimental use. It was recently proposed that the experimental use defence in the proposed, but as yet unagreed, Community Patent Regulation specifically cover such clinical trials. The solution proposed by the Commission now as regards software has the benefit of harmonising the rules on what unlicensed experimental acts are authorised in relation to software, but does not add to the debate in relation to pharmaceuticals.

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