

• Patent issues

NEWS

House of Lords and President of EPO *decline to review Patentability of Software*

In November, the Court of Appeal handed down its judgment in the combined case of *Aerotel v. Telco Holdings* and *Macrossan's Patent Application*. Since then, the House of Lords has rejected an application to appeal the

ruling, and the President of the European Patent Office has also declined to refer to the Enlarged Board of Appeal certain questions posed by the Court of Appeal.

Accordingly, for the foreseeable future,

the Court of Appeal's judgment is likely to be the last word on patentability of software in the UK. The EPC 2000 comes into force in December 2007, but for reasons we set out here, it is unlikely to change the situation.



A petition posted on Tony Blair's "No 10" website asks the government to "make software patents clearly unenforcible [sic]."

But for every signature, there are two on another petition calling for the prime minister to stand on his head and juggle ice cream.

The Prime Minister has posted a reply: *The Government remains committed to its policy that no patents should exist for inventions which make advances lying solely in the field of software.*

No. 10 endorses the Court of Appeal's decision in *Aerotel/Macrossan*, discussed in this edition of Patent issues. How neat. The wisdom of their Lordships is Government policy!

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NEWS

EPC 2000 *an overview*

The revised EPC (called "EPC 2000" after the revision conference of that year) comes into force no later than 13 December 2007. To list all the changes large and small would be too tedious to contemplate.

On the administrative front, the content of certain Articles of the Convention has been moved to the Implementing Regulations, allowing greater flexibility for future changes in these areas. There are also a number of significant substantive changes, which we summarize on page 9.

Progress on London agreement

The London Agreement offers a significant reduction in the translation costs required to bring a European Patent into force in several European countries. As readers of this newsletter may recall, ratification by France is all that is required to bring the Agreement into effect. On this front, there has been progress with the French Constitutional Court having ruled that the agreement is not contrary to the French Constitution. The Agreement must now be approved by the French parliament and president. However, with presidential elections, it is highly unlikely that parliamentary time will be found for such approval in the immediate future.

The London Agreement is a voluntary agreement to reduce, or dispense with entirely, translation requirements to bring a granted European Patent into effect in a contracting state. In particular:

- countries having English, French or German as a national language agree to **waive translation requirements entirely**; and
- other countries must prescribe one of English, French or German which will be accepted, although these countries may **require translation of the claims** into their national language.

The Agreement does not prevent countries from requiring a translation into their national language in the event of a dispute. Further, countries which are not parties to the Agreement will not be

bound by its terms.

So far **Denmark, Germany, Iceland, Latvia, Liechtenstein, Monaco, the Netherlands, Slovenia, Sweden, Switzerland** and the **UK** are parties to the Agreement.

Denmark, Iceland, the Netherlands and Sweden have all selected **English** as their prescribed language and require translation of the claims into their respective national languages. Latvia and Slovenia already merely require translation of the claims.



Patentability of Software in the UK

The Court of Appeal concluded that Aerotel's patent falls on one side of the line of patentable subject matter, and Macrossan's application falls on the other. Does this help us find that elusive bright line between technical and non-technical subject matter? The Court of Appeal conducted a wide-ranging review of UK and EPO case law, and even considered US case law, but onlookers expecting a clear new direction on determining patentability of computer-implemented inventions in the UK may be disappointed. The effect of the judgment will merely be to maintain the status quo exemplified by the earlier Court of Appeal decision in *Merrill Lynch [1989] RPC 561*.

Overleaf we set out the facts of the combined cases. Here we look at the "test" now to be applied when analyzing the issue, and we look at the subsequent practice note published by the Patent Office.

The Court felt obliged to follow its own precedent, which requires one to ask

whether the invention as defined in the claim makes a technical contribution to the known art,

with the rider that

novel or inventive purely excluded matter does not count as a technical contribution.

The Court has expressly rejected recent

EPO case law that has been rather more lenient to the patentee, partly because the judges found the EPO's case law to be inconsistent and to have the potential to give rise to anomalous findings of patentability.

The Court held that the exclusion on computer programs should be given a broad scope, stating:

the framers of the EPC really meant to exclude computer programs in a practical and operable form... to exclude real computer programs, not just an abstract series of instructions.

On the mental act exclusion, the Court of Appeal expressed doubt as to whether the exclusion extends to electronic means of doing what could otherwise have been done mentally. There is no particular reason to suppose that "mental act" was intended to exclude things wider than, for instance, methods of doing mental arithmetic (every now and then someone comes up with a trick for this, for instance Trachtenberg's system) or remembering things (e.g., in its day, Pelmanism).

Turning to the business method exclusion, this exclusion does not require any degree of abstraction of a business method. The exclusion can apply even to a tool or facility which might be used in a business.

The judgment sets out a new **four part test** for assessing patentability, which now supersedes the test set out in *CFPH's Application* (which was adopted by the UKPO):

(1) properly construe the claim;

(2) identify the actual contribution [vis-à-vis the known prior art];

(3) ask whether it falls solely within the excluded subject matter; and

(4) check whether the actual (or alleged)* contribution is actually technical in nature

* *During the application stage, the Office can consider the alleged contribution. Before the Court, however, the actual contribution must be assessed.*

Unfortunately, the judgment is rather unhelpful in that it provides little clear guidance on how one can distinguish inventions that are patentable by virtue of a technical contribution from those whose technical contribution is insufficient to confer patentability. The UK Patent Office has consequently issued a new Practice Note (see below) with a view to explaining how the Office interprets the Decision and will fill in the gaps.

Rejection of *PENSION BENEFITS* and *HITACHI*

Notable in this judgment is a rejection of the approach in EPO Board of Appeal Decisions T0931/95 *PENSION BENEFITS* and T258/03 *HITACHI*, that a claim passes muster under Article 52(2) EPC if it calls for any kind of hardware, but fails for obviousness if there is no inventive contribution outside an excluded field. In his judgment, Lord Justice Jacob said:

Consider for instance the following:

i) a claim to a book, e.g. to a book containing a new story the key elements

of which are set out in the claim;

- ii) a claim to a standard CD player or iPod loaded with a new piece of music.

Everyone would agree that the claims must be bad – yet in each case as a whole they are novel, non-obvious and enabling. To deem the new music or story part of the prior art (the device of Pension

Benefits and Hitachi) is simply not intellectually honest.

TRIPS and EPC 2000

TRIPS (the Agreement on Trade Related Intellectual Property Rights) says that (subject to certain exceptions roughly relating to “ordre public”/morality, plant or animal varieties, methods for treatment of the human or animal body, and diagnostic methods, all corresponding to Article 53 EPC) patents shall be available for any inventions . . .

in all fields of technology (provided always that they are new, involve an inventive step and are capable of industrial application) and that patents shall be available and patent rights enjoyable **without discrimination as to ... the field of technology.** These treaty obligations will be implemented in EPC 2000 coming into force in December this year, which has a revised Article 52(1), which reads

European patents shall be granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application

Might this mean that in December the law will change? Perhaps not. The computer program exception of Article 52(2) will remain unchanged. The Court of Appeal

noted the TRIPS angle but appears satisfied that if computer programs are indeed “technology”, nevertheless computer programs *per se* are positively excluded from patent protection.

Questions to the Enlarged Board of Appeal

The Court of Appeal took the extraordinary step of formulating questions for consideration by the EPO Enlarged Board of Appeal. The Enlarged Board of Appeal is the EPO’s highest appeal instance, and it was the Court’s hope that a decision by the Enlarged Board would bring into conformity the disparate practices of the EPO and the national courts and patent offices of EPC contracting states. By letter of March 2007 to Jacob LJ, the President of the EPO, Alain Pompidou, ruled out a referral of the subject to the Enlarged Board, saying

I believe there are insufficient differences between current Board of Appeal decisions dealing with Article 52 EPC exclusions on important points of law that would justify a referral at this stage.

UK Patent Office Practice Note

The Patent Office practice note considers how to apply the four steps of the Court of Appeal’s test.

It notes that the Court saw the first step (properly construing the claim), as something that always has to be done and involves deciding what the monopoly is before going on to the question of whether it is excluded.

The second step amounts to identifying what the inventor has really added to the stock of human knowledge. The substance of the invention is important rather than the form of the claim adopted. (E.g. the presence of conventional hardware elements in the claim does not change the

contribution.) What the applicant alleges he/she has contributed is not conclusive and ultimately it is the actual contribution that counts, but at the application stage, it is quite in order to consider the third and fourth steps on the basis of the **alleged** contribution.

The Patent Office will continue the practice of issuing a report under Section 17(5)(b) Patents Act 1977 that a search would not serve any useful purpose if the application seems to have little prospect of maturing into a valid patent and a search is not necessary for the purposes of the second step.

The third step comprises deciding whether the contribution is solely unpatentable subject matter (i.e. matter excluded under Article 52(2) EPC). “Solely” is merely an expression of the “as such” qualification of Article 52(3). If the contribution falls wholly within one of the listed categories, the invention is not patentable. If the contribution falls partly within one or more of those categories and partly outside, it passes the third step.

This leads to the fourth step (often redundant), which is whether the contribution is technical in nature. The Patent Office has published reviews of four earlier decisions of its hearing officers in the light of the Court of Appeal’s decision, and in each case concludes that the cases would have been decided the same way under the new approach. Two of the examples given were held unpatentable, and one (an application by ARM Limited for a compiler) was held to be patentable. The fourth example had claims (to a system which takes an action based on an assessment of a number of possible actions) that were not patentable and claims (to the system and method restricted to a robotic operating system)



Aerotel v. Telco Holdings and Macrossan's Patent Application.

There were two combined appeals. One fell on the patentable side of the line and the other on the unpatentable side. Between them we would hope to devise where the line is drawn. Unfortunately it is not a bright line. Indeed, from the manner in which the two cases were analyzed by the Court, neither of them appears to be particularly close to the line. We still have a large gap of uncertainty.

The Aerotel Appeal

This part of the combined case fell on the patentable side of the line. Let us look at the system claim (claim 9).

A telephone system for facilitating a telephone call from any available telephone station, comprising:

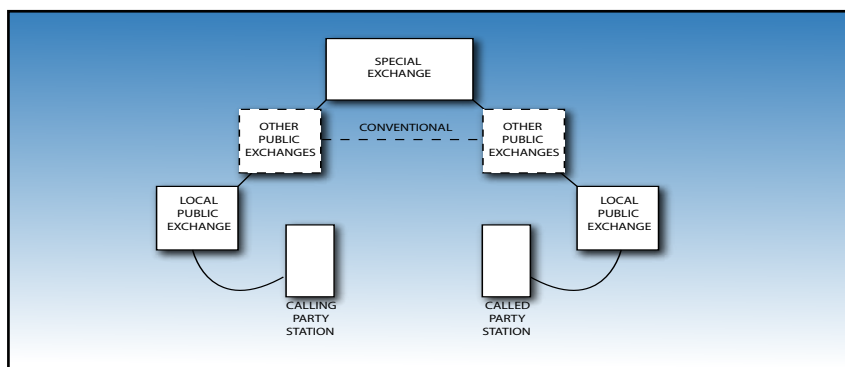
means for coupling a calling party station to a special exchange;

memory means in the special exchange for storing customer special codes and prepayment information individual to each customer;

means for verifying the calling party responsive to a code transmitted from the calling party station to the special exchange so as to verify that the code matches the special customer code in the memory means and the calling party has unused credit; and

means for connecting said calling party station to a called station responsive to the verification.

The Court of Appeal incorporated this diagram into the judgement.



A conventional method of making a phone call involves the caller dialling the number of a called party. Conventionally, the call goes through a number of public exchanges along the route shown in dotted lines. A system of measuring call duration applied to appropriate rates computes the cost. If the caller has no account running from his station (e.g. is in a call box) he will have to pre-pay. The patentee's idea is to have an extra piece of equipment which he calls a "special exchange". The caller has an account with the owner of that equipment and deposits a credit with him. The caller has a code. To make a call he calls the number of the special exchange and inputs his code and then the called party's number. If the code is verified and there is enough credit he is put through: the call will be terminated if his credit runs out.

The Court of Appeal considered it important to note that the system as a whole is new in itself, not merely because it is to be used for the business of selling phone calls. The Court acknowledged that the system could be implemented using conventional computers, but said the key to it is a new physical combination of hardware. Is the Court being

disingenuous? There is nothing new in the hardware of the special exchange:

A skilled reader of the Patent in 1985 would have been able to implement the described special exchange using an electronic control exchange of the kind that was available in the UK and elsewhere at that time.

The Court appears to see a novel hardware combination in the extra exchange in place of the dotted line. But how is this different from the conventional route by which "the call goes through a number of public exchanges" (with the "special exchange" being just another exchange in the route)? Is it novel hardware because two end-to-end connections are set up to and from the "special exchange"? Or is the dotted line slight-of-hand? Surely the only novelty of the hardware lies in the "special" nature of the special exchange (plus the fact that it is not a public exchange), in which case the novelty lies in the software within the box? It is difficult for patent applicants to invoke *Aerotel* as a precedent with such a flaw in the explanation. Or can one merely show the patent examiner a "special" box and aver that this shows that the system is new and should pass the third test?

Since the Court viewed the system as a novel combination of hardware, the Court saw no doubt in the fourth step and said “the system is clearly technical in nature”. If indeed there was a novel technical combination (aside from the mere “special” nature of one of the boxes along the route of the call), one could agree that there is no need to question whether it is “technical”. It is just a pity the Court did not consider novelty from a different starting point. If the Court had done so, the reader might be able to share the Court’s clarity on this crucial issue.

Macrossan’s Application

This application claimed a patent for an automated method of acquiring the documents necessary to incorporate a company. It involved a user sitting at a computer and communicating with a remote server, answering questions. By posing questions to the user in a number of stages, enough information is gleaned from the user’s answers to produce the required documents. Questions posed in second and subsequent stages are determined from previous answers provided, and the user’s answers are stored in a database structure. This process is repeated until the user has provided enough information to allow the documents legally required to create the corporate entity to be generated. A number of document templates are also stored, and the data processor is configured to merge at least one of these templates with the user’s answers to generate the required legal documents. The documents may then be sent in an electronic form to the user for the user to print out and mail to the end user or submit to the appropriate registration authority on behalf of the end user.

In the Patents Court, Mr. Justice Mann refused the application, holding that it:

was for a method of performing a mental act as such; **was not** for a method of doing business; and **was** for a computer program as such. The Court of Appeal upheld the refusal, but for different reasons.

Step 1 of the structured approach (construing the claim) required no discussion in the judgement. Step 2 calls for an assessment of the inventor’s contribution. That again presented little difficulty because the Applicant made no suggestion that he had invented any new kind of hardware. The inventive contribution was an interactive system which will do the job which otherwise would have been done by a solicitor or company formation agent. The method was described by the Court of Appeal as “for the very business itself, the business of advising upon and creating appropriate company formation documents”.

Step 3 asks “is the contribution solely excluded matter?” and, upon considering the scope of the business method exclusion, the Court of Appeal concluded it was.

While the 4-step structured approach does not require consideration of the 4th step if the 3rd step fails, the Court of Appeal considered it anyway and concluded there obviously is nothing technical about the contribution beyond the mere fact of the running of a computer program.

Turning to the “computer program as such” objection, the Court of Appeal summarily upheld the refusal by the Patent Office and the Patents Court.

Applying the structured test, again there is no difficulty over step 1. Step 2 – what is the contribution? – is again straightforward. It is to provide a computer program (in practice probably

an interactive website) which can be used to carry out the method. The hardware used is standard and is not part of the contribution. Step 3 – is the contribution solely of excluded matter? – is again easy. The contribution is just the devised program up and running. Step 4 – is that contribution technical? – is again easy. No. So the exclusion applies.

Patents Court applies *Aerotel/Macrossan*

Since *Aerotel/Macrossan*, two appeals from the Patent Office have been heard by the Patents Court. These are *Bloomberg's Application* and *Cappellini's Application*. Mr Justice Pumfrey issued a combined judgment on 13 March 2007. Both refusals were upheld.

The *Bloomberg* application was for a program installed on a network of traders' terminals. The data transmitted to a user is mapped (using a record relating to the applications to which the user has access) to a form suitable for the application to be used by the user in question. The hardware specified could be met by a conventional general-purpose computer programmed to operate in a suitable networked environment. There was no matching of the format of the transmitted data to any deficiency or advantageous feature of any item of hardware: it was purely to format the data so as to render it suitable to cooperate with particular software. Passages in the description indicated a lack of importance that the physical aspects of the system might have to the claimed invention. The application failed on the third *Aerotel/Macrossan* question. Pumfrey J. held that the advance made was a computer program *as such*.

The fourth question ("is there a technical effect") is almost redundant. It is included because it is required by precedent (*Merrill Lynch* [1989] RPC 561). Pumfrey J. nevertheless considered the question and found there to be no technical effect.

The second appeal (*Cappellini*) related to a novel algorithm for the "notoriously difficult problem" of determining the routes to be taken by a carrier when delivering packages. The permitted routes were variable to allow carriers to deviate, meet and transfer packages. The invention was claimed in terms of (i) a relay detection and coordination system, (ii) various methods and (iii) a transportation system.

Pumfrey J. dismissed most of the claims as

the pure manipulation of data without the production of any physical or real-world effect. At best . . . it results in the presentation of information . . . It is equally, I am satisfied, a mathematical method alone.

The claims to a method of coordinating a transportation process were given a little more scrutiny.

The problem, it seems to me, is that the physical effect that is produced is essentially the movement of known items (viz. lorries, vans, taxis, etc.) over known and existing routes, but equipped with instructions to deviate so as to meet other carriers at

the points determined by the algorithmic analysis. The contribution therefore lies in the instructions given to the drivers as to where and when to begin, break and end their journeys, together with instructions, as appropriate, as to the goods to be transhipped at the breaks. The result is therefore a method of performing a set of journeys, and this I consider to be a method of doing business.

Comment

The *Bloomberg/Cappellini* decision clarifies the mental act exclusion. In *Aerotel/Macrossan*, the Court of Appeal did not come to a conclusion as to whether the mental act exclusion could be avoided by introducing a feature into the claim that could not be performed purely mentally, and the Patent Office's practice note expressed this doubt about the scope of the mental act exclusion. In *Bloomberg/Cappellini*, Pumfrey J. decided that the mental act exclusion could be avoided by "tethering" the claim to a physical article (confirming his earlier decision in *Halliburton v. Smith* [2006] RPC 653).

The decision also underlines the difficulty in passing the third *Aerotel/Macrossan* question if all the elements of hardware are admitted to be conventional elements communicating in a conventional manner below the application layer. For a computer implemented invention Pumfrey J. **has upheld as patentable**, reference can be made to *RIM v. Inpro* [2006] RPC 20. His reasoning in that case appears unchanged in the light of the new precedent.

UK Courts have broader discretion *in awarding damages for patent infringement prior to amendment*

When a patent is amended after grant, the amendment is deemed to have taken effect from the date of grant. Where does an infringer stand with regards to back damages during the period when the claims were not valid? Until recently, it was an all-or-nothing decision on the part of the Court based on limited criteria. Two events have brought a need for change. One is the EU Enforcement Directive (with which the UK may not have been in full compliance) and the other is the EPC 2000 (with its provisions for central post-grant amendment regardless of good faith).

Changes to the criteria for limiting damages for acts committed prior to amendment of a patent have been brought into effect in the Intellectual Property (Enforcement, etc.) Regulations 2006.

Sections 62(3) and 63(2) of the Patents Act 1977, used to state that **no damages would be awarded** in cases where a patent as published was not **“framed in good faith and with reasonable skill and knowledge”**. This was partly intended to prevent patentees maintaining claims which they knew to be invalid, and subsequently restricting the claims just before or during a suit. Asserting overly-broad claims, or claims known to be invalid is sometimes referred to as “covetous” behaviour.

Amended Sections 62(3) and 63(2) now provide that assessment of damages for infringement of amended patents and partially valid patents will take into account **three factors**. In addition to the “good faith and reasonable skill and knowledge” criterion, the court must consider whether:

- **the defendant knew he was infringing, and**
- **the proceedings are brought in good faith.**

The concern that the previous “no damages” provision might eviscerate a patentee’s rights was raised in *Unilin Beheer v. Berry Floor* [2006] FSR 26, in which a defendant attempted to avoid paying damages by arguing that the specification was inconsistent, and hence not framed with reasonable skill (the court did not agree).

Comment

Now that central post-grant amendment of a European patent will be possible under EPC 2000, with no discretion on the part of the EPO (e.g. no discretion to refuse amendment on grounds of bad faith), a patentee can potentially act covetously by delaying restriction of claims before the EPO as long as he wishes, and then suing nationally. It appears that the last factor of the new Regulations may be intended to address this eventuality. However, there remains the question of whether the proceedings themselves

are brought in bad faith, if only the amendment itself can be demonstrated to lack good faith.

The second factor above (knowledge of infringement) is presumably a positive, rather than negative factor. It does not introduce into UK law the concept of wilful infringement familiar in the US. The subsection in question is still concerned only with the extent to which damages are mitigated on account of the patent having been infringed while it was unduly broad (and therefore invalid), but it goes well beyond the existing mitigation of damages under Section 62(1). Under that section, damages are mitigated if the infringer had no reason for supposing that the patent existed. Now, if one becomes aware of the existence of a patent, it is all the more important to seek an opinion from a patent attorney. If the opinion is that there is no infringement, this could be a mitigating factor later if the patent is amended.

Incidentally, it is frequently said that one cannot infringe an invalid patent, so one might ask “how can one knowingly infringe if one also knows the patent is invalid”? If the question arises, it may be of assistance to bear in mind that when it comes to interpretation of statutes in the UK, “infringing” is understood to mean “falling within the scope of a claim”. It is therefore unwise to rely on the invalidity of the patent. Better to challenge the patent.

...continued from page 1.

1. Central Limitation (Post-Grant Amendment)

Perhaps the most important development is the introduction of provisions allowing a patent proprietor to limit the scope of a patent by amendment of its claims or to revoke it completely. Previously, a European patent could only be limited or revoked centrally in opposition (and then amendment was permitted only if required to overcome the grounds of opposition).

Limiting amendments at this time will not re-open examination.

Interestingly, the Convention provides for no discretion for the EPO to refuse any such limitation or revocation on grounds of undue delay or bad faith. By contrast, in the UK, the Comptroller retains discretion over amendment of the patent, and may refuse to allow an amendment where it is demonstrated that the patentee knew or ought to have known the claims were not valid. Such behaviour is sometimes referred to as “covetous” (see our article in this newsletter “UK Courts have broader discretion in awarding damages for patent infringement prior to amendment”).

The new provisions of EPC 2000 may therefore open the door for a variety of tactical post-grant manoeuvres which would not previously have been possible.

2. Equivalents

Another potentially important change is an addition to the provisions for interpretation of patent claims. New Article 2 of the Protocol on Interpretation of Article 69 states

for the purpose of determining the extent of protection conferred by a European patent, due account shall be taken of any element which is equivalent to an element specified in the claims.

What does this mean? There is no definition of “equivalents” in the EPC; the intention appears to have been to leave

the interpretation of this term to the national courts. Does it mean we will have a Doctrine of Equivalents? This is not anticipated. The explanatory remarks from the EPO put the aims of the new provision at improving uniformity of interpretation among courts of Europe. It has been perceived that German courts, for example, permit some scope for including equivalents within the scope of the claims, whereas UK courts do not. *Epilady* is the frequently cited example, in which infringement was found in Germany but not in the UK.

But already the new provision holds out the possibility of greater divergence. In *Kirin-Amgen v Hoechst* [2005] RPC 9, Lord Hoffman said that Article 69 **prevents** equivalence from extending protection outside the scope of the claims. Equivalence is merely part of the background facts known to the skilled man, which would affect what he understands the claims to mean. Lord Hoffman commented that the new Article 2 of the Protocol confirms rather than changes this view. Does this simply mean that if the equivalent was not known or could not have been known (as in *Amgen*) then the claim could not have been intended to encompass it? Or does this mean that if the “equivalent” was within the background known to the skilled man and is not claimed, then it is disclaimed? Does Lord Hoffmann present a Catch-22, in which the equivalent is excluded either way?

In a eloquent and amusing article in [2006] GRUR, Heft 9, 720, reproduced at CIPA [2006] No.11, 727, Lord Hoffmann states his view that there is no difference between UK and German interpretation, there are merely different approaches to the analysis. He says:

[In the English approach] the question of equivalence is taken into account as part of the process of interpretation.



But equivalence is not a principle which operates outside the claims and gives protection to something which upon a fair construction would not be understood by the skilled man as falling within the claims. This approach gives effect to both the old and new parts of the Protocol to Article 69

In the diplomatic negotiations leading to this somewhat banal new provision, various proposals were put forward that would indeed have extended the scope of the words of claims to equivalents. These proposals were rejected. Lord Hoffmann writes that neither the present English approach nor the German approach is a full-blooded doctrine of equivalents.

Note that, unlike Article 69, which addresses interpretation of claims of patents and patent applications, the Protocol addresses only the interpretation of **patents**. The addition to the Protocol will have **no effect on pre-grant** prosecution. The possibility opens up, however, that in opposition proceedings before the EPO, questions concerning equivalents may creep into claim interpretation. It may, for example, be open for an opponent to argue that a claim lacks novelty over an equivalent means in the prior art.

3. Privilege

Attorney-client privilege has existed in UK law for some time. However, no such

provision has until now been laid down in European patent law.

In the US, attorney-client privilege exists for non-US patent attorneys, but apparently only where they have it in their own jurisdiction. This has resulted in parties in US court proceedings being forced to disclose the entire contents of the files of the European patent attorney on the case in question, including those documents which would have been privileged under US or UK law.

Because of this, new Article 134a and Rule 153 have been introduced, enshrining specific privilege provisions into the EPC. The privilege applies only to European patent prosecution. UK and German patent attorneys already enjoy privilege in national proceedings. Many other European countries have yet to introduce privilege for patent attorneys.

4. Time limits

The provisions on further processing have been broadened, so that further processing of an application (not a granted patent) is applicable to more time limits. Further processing can be requested on failure to meet most deadlines set either by the EPC or by the EPO, rather than as before only those set by the EPO which would result in refusal or withdrawal of the application.

Further processing becomes applicable on missing the time limits for requesting examination, and for payment of the filing, search, designation, national basic and examination fees.

However, there are important exceptions. Among the time limits for which further processing cannot be requested, are:

- i) *the twelve month deadline from the first application for claiming priority;*
- ii) *the time limit for filing an appeal or petition for review;*
- iii) *other than the usual annual payment deadline, most other time limits for*

payment of renewal fees (for example late payment with the further fee);

and, of course

- iv) *the time limit for requesting further processing.*

5. Petitions for review by the Enlarged Board of Appeal

Any party adversely affected by a decision of the Board of Appeal will be able to file a petition for review of the decision by the Enlarged Board. The grounds for review are limited to denial of due process and they do not simply allow review of any unfavourable decision. They extend to: fundamental procedural violations; criminal acts (e.g. fraud) that may have had an impact on the decision; and participation in the decision by a member of the Board of Appeal who is unqualified or inadmissible (e.g. on grounds of conflict of interest). Petitions are considered by the Enlarged Board of Appeals.

6. Prior art information – not quite a Duty of Disclosure

The EPO may now invite the applicant to provide not just details of patent applications in other jurisdictions, but also details of prior art taken into consideration in those jurisdictions. Failure to reply to such an invitation will result in the application being deemed withdrawn. It will remain for national courts to decide what effect the provision has if an applicant is not entirely candid in his reply.

In the meantime, outside the provisions of EPC 2000, the EPO has begun a pilot project in Germany aimed at using work done by national authorities on national priority applications (such as search reports) for the assessment of the later priority-claiming European application.

It appears from these two separate steps that the EPO is increasingly keen to promote efficiency by consulting information relating to European applications which has already been

processed on equivalent applications in other jurisdictions.

7. Language of applications on filing

European patent applications may now be filed in any language whatsoever, not simply one of the EPO official languages, or an official language of one of the European Contracting States. There is a period of at least four months after filing in which to file the translation into one of the EPO official languages.

8. Patents for “all fields of technology”

A new Article 52(1) provides that European patents shall be granted for any inventions, in all fields of **technology** (provided they are new, involve an inventive step and are susceptible of industrial application). This provision is in line with the TRIPs Agreement and enshrines the old requirement that an invention be “technical”.

The specific exclusions still apply under Article 52(2) as explained on page 4 of this newsletter.

9. Second medical use claims

The exclusion of methods of treatment or diagnosis has been moved and is now one of the exceptions to patentability. The qualifier that this exclusion does not apply to products (such as substances or compositions) remains. The change simply confirms that “second medical use” claims are patentable without having to resort to the convoluted “Swiss” form of claim language.

Comment

Of these changes, the opportunity for post-grant amendment is the most significant. Space does not permit us to explore tactical implications here, but the availability of central post-grant amendment is a powerful tool in preparation for pan-European litigation.

Bring on the European Patent

– ECJ rules that National Courts have no Jurisdiction over each other's Patents. National Patents must be Litigated Nationally

Suppose you have two German companies in dispute over infringement of a French patent? Can they fight it out in the German courts? The ECJ says “No – not if validity of the patent is at issue”.

BACKGROUND – THE RULES FOR JURISDICTION IN THE EU

The golden rule of jurisdiction is that persons shall be sued in the courts of the state in which they are domiciled (Article 2(1) of the Brussels Regulation). The exceptions to this rule are:

- (a) special jurisdiction in matters relating to tort, under which a person may be sued where the harmful event occurred – Article 5(3);
- (b) multiple defendant jurisdiction, whereby a person may be sued in the courts of the state of domicile of a co-defendant (provided the claims are so closely related that it is expedient to hear them together to avoid risk of irreconcilable judgements) - Article 6(1); and
- (c) exclusive jurisdiction, whereby proceedings concerning registration or validity of IP rights must be heard in the courts of the state where the right has been applied for - Article 22(4).

GAT v. LuK

In *Gesellschaft für Antriebstechnik mbH & Co KG (GAT) v. Lamellen und Kupplungsbau Beteiligungs KG (LuK)* [2006] FSR 45, the ECJ held that Article 16(4) of the Brussels Convention (now Article 22(4) of the Regulation) is to be interpreted as providing exclusive jurisdiction to the courts of the territory of registration in

all matters concerning the validity of a patent, irrespective of how such issue is raised (e.g. by nullity action or declaration of non-infringement or by way of defence and counterclaim for invalidity). This means that, whereas a party can bring an action for infringement in the courts of state A for infringement of a patent granted or registered by state B (e.g. because the defendant is domiciled in state A), as soon as the defendant enters a defence of invalidity, the courts of state A must decline or relinquish jurisdiction in favour of the courts of state B. Indeed, unless the defendant is prepared at an early stage to agree not to raise invalidity, transfer of the proceedings may be unavoidable. The English Patents Court had earlier come to the same conclusion in *Coin Controls Ltd v. Suzo International Ltd* [1997] FSR 660 (as had the courts of the German state of Mannheim in other proceedings).

GAT, a German company, had tendered for a contract from Ford of Germany for the supply of shock absorbers. LuK, a German competitor, alleged that GAT's shock absorbers would infringe its French patents and applied to the Düsseldorf Court (Landsgericht) for a declaration of non-infringement and included in its grounds the allegation that the patents were invalid. At first instance, the Düsseldorf Court accepted subject matter jurisdiction, held the patents to be valid and dismissed GAT's action. GAT appealed to the Court of Appeal (the Düsseldorf Oberlandesgericht), which stayed the proceedings and referred the question of interpretation of Article 16(4) to the ECJ.

Comment

Whereas Dutch courts and the court of Düsseldorf (but, curiously, not the

court of Mannheim) have in the past been willing to accept jurisdiction over infringement outside their borders, following the ECJ's decision, the courts of all EU member states (other than the state of registration of the IP right) must now decline jurisdiction as soon as validity is put in issue. In the UK, it is rare in a patents dispute for validity not to be put at issue. In Germany it is less rare, as validity is heard by the courts in Munich, and infringement proceedings before regional courts are stayed pending judgement on validity.

A claimant will be hesitant to bring an infringement action in one state under the patents of another state if it is within the defendant's power to have the proceedings transferred simply by raising invalidity as a defence. There are few exceptions. Interlocutory proceedings are one.

- Dutch courts, for example, may continue to grant interlocutory relief under patents of other states pending resolution of validity in the state of registration of the patent (but they may become more concerned that the relief should be short-lived and require that the validity proceedings be brought quickly).

- The ECJ decision makes no mention of the prima facie strength of the invalidity proceedings. Commentators are speculating that a court might in effect strike out an invalidity defence if it is considered frivolous.

- Finally, how will a court handle a *Gillette* or *Formstein* – type defence? Under these defences, the defendant in effect argues that it doesn't matter whether the patent is invalid or not, because the infringement is equivalent to the prior art or is an obvious modification of the prior art.

End of the Spider-in-the-Web

The ECJ ruled that National courts of a contracting state do not have jurisdiction over other group company defendants merely because they belong to the same group acting with a common policy

Roche Nederland BV v. Primus

The ECJ's decision in *Roche Nederland BV v. Primus* (Case C-539/03) has virtually eliminated the so-called "spider in the web" doctrine established in the courts of the Netherlands. Under that doctrine, Dutch courts could grant injunctions against members of a group of companies incorporated in other EU countries, and the injunctions granted need not be limited to the Netherlands or to the states of incorporation of the defendants, if the parent company of the group has its seat in the Netherlands.

The "Spider in the web" doctrine grew out of *Expandable Graft Partnership v. Boston Scientific BV* (case 97/1296) [1999] F.S.R. 352, in which the Court of Appeal of The Hague held that cross-border injunctions should in general be granted only against a defendant domiciled in the Netherlands, but in the case of a group of companies, such relief could be granted if the parent company of the group has its seat in that country. The doctrine is based on Article 6(1) of the Regulation (Article 6(1) of the Convention - see background panel on page 11 of this newsletter).

The ECJ was asked to consider whether there is sufficient connection between the defendants for the purposes of

Article 6(1) where those companies, which belong to the same group, have acted in an identical or similar manner in accordance with a common policy conceived by one of them. It was held that the derogation from the domicile principle in Article 6(1) is to be construed narrowly. National courts of a contracting state do not have jurisdiction over other group company defendants in such circumstances. The Court noted that there might be some advantages in the consolidation of related actions before one court but that this might encourage forum shopping, which is one of the tactics the Brussels Convention was designed to avoid.

Comment

The ECJ has put the brakes on the forum shopping that has led to the Netherlands being a favoured venue for litigation against group companies operating across Europe. This decision eliminates the one-stop Dutch litigation in the case of groups headquartered or registered in the Netherlands. National Courts of Europe can still grant extra-territorial injunctions against defendants registered or headquarters in their national jurisdictions, but in the case of a patent or other national registered right, following *GAT v. LuK* (see above), only if validity is not put at issue. Of course, pan-European remedies are still available for infringement of Community Trade Marks and Community Designs, because these are pan-European rights.

Statement of potential utility in the treatment of rheumatoid arthritis, diabetes mellitus and multiple sclerosis is sufficient for **‘credible function’**

Gene sequences are patentable subject matter so long as they are isolated from the human body and are susceptible to industrial application. In *ZYMOGENETICS INC.’S* patent application (EPO Board of Appeal Decision T0898/05) a claim to the gene sequence of Zcytor1 protein was upheld as being subject matter susceptible of industrial application because data demonstrating an effect as well as a credible role in specific diseases was suggested in the specification. No mechanism of effect at the biochemical or cellular level is required.

A vast number of patent applications were filed around the world for gene sequences identified as a result of the Human Genome Project, and the resulting furore created a need to define exactly when a gene sequence is patentable. In 1998, the European Union issued Directive 98/44/EC on the legal protection of biotechnological inventions (the Biotechnology Directive), and in 1999 the US Patent and Trademark Office introduced its utility guidelines that call for a “specific, substantial and credible utility”.

The position on patentability of gene sequences at the EPO has for some time been clear despite extensive controversy in the mainstream press and from various environmental groups regarding the idea of ‘patenting life’. The Opposition Division took the opportunity in *RELAXIN*

(OJ EPO 6/1995, 388) to point out that “...DNA is not life...Even if every gene in the (human) genome were patented, it would be impossible to reconstitute a human being from the sum of its genes”

A gene sequence as such is simply a discovery and as such is not patentable subject matter in the sense of Article 52(2)(a) EPC. Furthermore, a gene sequence *in situ* clearly is not novel or inventive and therefore as an element of the human body it will not be accepted. This is clearly stipulated in Rule 23 on the implementation of Article 53 Exceptions to Patentability (based on Article 5 of the Biotechnology Directive). However, biological material previously occurring in nature, which has been isolated using a technical process, may constitute patentable subject matter. This is limited by the requirement in Rule 23(e)(3) that the **industrial application** of a sequence or partial sequence of a gene **must be disclosed** in the patent application.

Board of Appeal decision T0898/05 has helped to define exactly what is required in order to satisfy the requirement of Article 52(1) that an invention must be “...susceptible of industrial application”. ZymoGenetics Inc.’s patent application contained claims to the sequence for the protein Zcytor1. The application had been rejected by the Examining Division on the grounds that no function at a cellular or biochemical level had been disclosed and so the invention could have no industrial application in the sense of Article 57 EPC

and Rule 23(e)(3) EPC.

The decision was reversed on appeal. The Board of Appeal recognised that the patent application contained data showing stimulation of cell-mediated immunity and lymphocyte proliferation and suppression of immune system when molecules known to respectively stimulate or reduce Zcytor1 function were applied to cells. The patent application also clearly stated the potential utility of these effects in the treatment of rheumatoid arthritis, diabetes mellitus and multiple sclerosis. On this basis the gene sequence for Zcytor1 was deemed susceptible of industrial application.

Comment

It is well established that an explanation of the mechanisms or theories underlying the way an invention works is not necessary in order to render subject matter patentable. This decision confirms that this is also applicable to gene sequences. So long as an Applicant clearly discloses a credible envisaged use for the sequence, the biochemical mechanisms required to achieve the effect are unlikely to be required in order to demonstrate industrial applicability. Concrete data which demonstrates the effect is not strictly necessary; computer assisted modelling will suffice.

Patentability of Diagnostic Methods

A recent decision **AUSTRALIAN NATIONAL UNIVERSITY'S APPLICATION (T1197/02)** demonstrates the practical application of the diagnostics method test set out in Enlarged Board of Appeal decision G1/04. A method will be excluded as diagnostic if it comprises all four phases of diagnosis set out in the Enlarged Board decision. But only the data gathering step is considered technical. To be patentable, this step must therefore be novel and inventive in isolation.

Medical methods of therapy, surgery and diagnosis are excluded from patentability in Europe under Article 52(4) and in the UK under Section 4 PA 1977 as incapable of industrial application. There are a number of reasons for this exclusion (which is not present in US law), relating to the central idea that medical practice, although commercial in nature, is not to be viewed as a branch of industry. The exclusion supports the unrestricted freedom of a medical practitioner to practice as he believes appropriate in order to preserve the health of his patient. A somewhat academic amendment in the EPC 2000 due to come into force no later than 13th December 2007 will exclude medical methods under Article 53 EPC rather than Article 57 EPC, and this will be reflected in UK law although the practical difference for applicants is likely to be minimal.

The question of what constitutes a method of diagnosis in particular has been a

difficult one. According to Article 52(4) the method must be practised on the human body in order to be excluded. For example, methods of analysis of blood or cell samples *in vitro* are patentable as they are conducted away from the body. Diagnosis is however a multi-step procedure combining technical and non-technical features which are practised on and away from the human body and it has therefore been difficult to identify what features will render a claim excluded as a diagnostic method claim.

In *BRUKER* (T 385/86), four steps were identified as necessary and sufficient for exclusion as a diagnostic method:

- i) *a first examination phase during which data is gathered*
- ii) *a further comparative phase, in which the data gathered is processed and compared with a normal value*
- iii) *the recording of a significant deviation from this normal value when a comparison is made*
- iv) *the attribution of the deviation to a particular clinical picture*

This narrow interpretation of what constitutes an excluded diagnostic method established that even if only one of these steps were missing, the method was not to be regarded as diagnostic, but rather a method for gathering data which could be used for a diagnostic method. Methods which produced interim results such as X-rays or MRI imaging would therefore be patentable.

In a later Technical Board of Appeal decision (*CYGNUS* T 964/99 referred

to in our Spring 2004 edition of Patent issues), a different approach was taken which suggested that step (i) alone could constitute an excluded diagnostic method. This very wide interpretation of 'diagnostic method' was contradictory to *BRUKER* but has been overruled in the Enlarged Board of Appeal decision G1/04. The Enlarged Board confirmed that *BRUKER*, with its narrow exclusion, was the correct approach.

In G1/04, steps (i)-(iii) were described as 'intermediate findings of diagnostic relevance'.

- *Step (i) is usually technical and practised on the body, usually using some kind of device to collect data.*
- *Steps (ii)-(iii) are preliminary processing of data.*
- *Step (iv) is a diagnosis for curative purposes and as such is an intellectual exercise.*

Only step (i) can be taken into account for the purposes of novelty and inventive step, although steps (ii) and (iii) will be allowable in a claim if essential to achieve the technical effect.

This approach was applied in July 2006 in *AUSTRALIAN NATIONAL UNIVERSITY'S APPLICATION (T 1197/02)*. A test for early detection of glaucoma by presenting 'zones' to a patient and measuring contrast thresholds was held to be excluded as a diagnostic method.

In claim 1, various initial steps involved the examination of the patient and the collection of data. The court stated:

in most cases only ... the collection

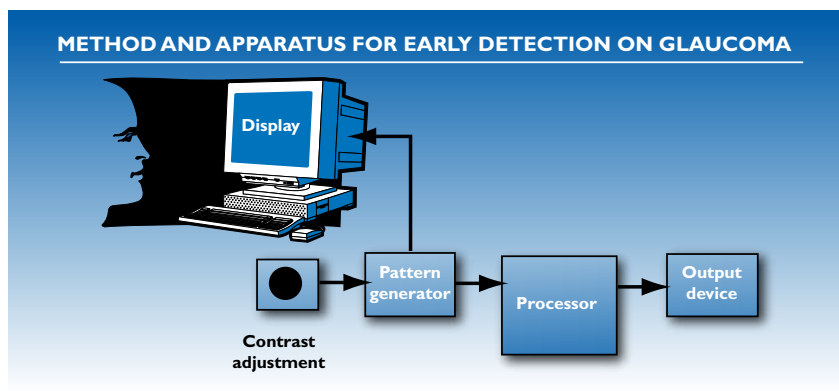
of data can actually be of a technical nature and therefore (is) concerned with the criterion 'practised on the...body.'

These steps were therefore held to constitute the "collection of data" phase - step (i) under G1/04).

Various further steps of claim 1 involved a calculation of a mean of the threshold values to determine which 'zone' produced the highest threshold level. This was regarded as preliminary processing in the sense of steps (ii)-(iii) of G1/04. The board held that these steps

are not part of making the comparison per se and thus are of no relevance for making the diagnosis. As a consequence, they are not to be considered, for the question whether or not the claim refers to a diagnostic method in the sense of Article 52(4) EPC.

A final step in the claim involved a comparison of the collected thresholds with standard values exhibited by subjects with normal vision. This constituted



the final diagnosis, or step (iv) under G1/04. All the elements required under the approach of G1/04 were therefore present and the method was excluded as being diagnostic.

Comment

Unless the method to be claimed has novelty and inventiveness in an initial examination phase during which data is gathered from the body, an applicant trying to claim a diagnostic method is stuck between a rock and a hard place. Steps (ii)-(iii) are considered non-technical,

so these cannot be relied upon for novelty and inventiveness. And if you throw in step (iv), you have completed the set and fall within the exclusion.

AUSTRALIAN NATIONAL UNIVERSITY'S APPLICATION illustrates how, under Enlarged Board of Appeal Decision G1/04, a claim relating to a diagnostic method will only constitute patentable subject matter if it constitutes a novel and inventive way of collecting interim data from a patient which does not lead directly to a diagnosis.

OBITUARY

Richard Jenkins 1935 - 2007



Friends and colleagues of Richard Jenkins will be saddened to learn that he passed away on Friday 26th January.

Richard was born in 1935, just two years before his father founded the firm that bears his name. Having read Politics, Philosophy and Economics at Oxford, he had originally intended to be an economist and his first job was with the Wool Secretariat. Later, he was on the point

of emigrating to Australia, having been offered a job at the World Bank. Instead, he entered the patent profession, joining his father to help run the practice from the London office.

Although he qualified as a patent agent, Richard found himself increasingly drawn to trade mark work and he was instrumental in establishing the firm as one of the UK's leading trade mark practices. Through extensive travel, often accompanied by his wife Kay, he built up a wide network of associates around the world, many of whom became close friends of the family.

With a keen intellect, Richard was a shrewd advocate. His manner was direct and decisive, but he had a knack of making people he spoke to feel important. His work brought him often into contact with members of the Bar, with whom he was particularly fond of lively debate.

Like his father, who had been a Corinthian

footballer, Richard was a gifted sportsman. He won a half blue at Oxford for gymnastics and for many years led the squash team at Surbiton, whom he also represented at tennis. He took up golf relatively late - allegedly aided by an apparatus that he patented for a client! - playing at Tyrrells Wood off a handicap of 11. With David Harriss of Bird & Bird and George Hamer of 8 New Square, he inaugurated the annual triangular tennis match between agents, solicitors and the bar, which is now in its 19th year.

In 1997 Richard retired from his position as senior partner of the firm in which he had served for most of his working life. In his last years, he had the misfortune to be afflicted by Alzheimer's disease, which deprived him of the pleasure of seeing his grandchildren growing up. Richard was greatly admired and will be fondly remembered by a wide circle of family, friends and colleagues.



European Patent Attorneys, Chartered Patent Attorneys, Trade Mark Attorneys

ABOUT OUR FIRM

JENKINS WIN COVETED AWARD

Since the last newsletter Jenkins have been awarded the World leaders IP award for best achievement in IP education and training. The award recognises our sister publication “**Make Your Mark**” as an outstanding contribution to awareness and understanding of IP issues internationally.

We are very pleased with this reflection of our work in trademarks and even more pleased by the results of a recent client research poll which so far indicates that 94% of clients find “**MakeYour Mark**” a highly effective and practical resource.

OPTOELECTRONICS SPECIALIST JOINS AS PARTNER

We are pleased to announce that Dr David Brinck has joined the Patent team as a Partner of the firm.



David has over 10 years experience working with organisations, from start-up companies to multinationals, involved in electrical and optical engineering including advising on protecting innovation, infringement issues and due diligence enquiries.

He is looking forward to meeting many of our clients over the coming months. Should you wish to organise a meeting with him please do not hesitate to call direct

PHIL TREEBY APPOINTED PARTNER

We are also pleased to announce the promotion of Phil Treeby to Partner. As some of you will know, Phil graduated from University College London with a first class Honours Degree in Physics in 1997, and entered the patent profession in that year. He joined Jenkins in 2001, having previously worked for a London based firm of solicitors and a leading Manchester based firm of patent attorneys.



His work concentrates around electronic and electromechanical inventions, with particular emphasis on semiconductor devices, image copying and surveillance systems.

MADLINE PICKER JOINS FROM PHILIPS

We are fortunate to have Madeline Picker join us as Senior Associate from her former position of Senior Patent Attorney and Head of IP Administration at Philips Intellectual Property and Standards. Madeline served the company’s semiconductor business, which was divested in 2006. She brings a wealth of experience from that



industry as well as from a diverse range of technologies from her prior years in private practice.

If we can offer you advice on either the topics discussed in this Bulletin or any other intellectual property matter, please contact us at:

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The information contained within this Newsletter is not intended to provide an exhaustive or comprehensive statement of current law or practice. No reliance should be placed upon it as a basis for any legal action or commercial decision and for any individual case specialist professional advice should always be sought in order to determine the applicability of any relevant legislation.

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