Q 158
Patentability of Business Methods

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II Legal Situation in Singapore

Patents in Singapore are governed by the Patents Act ("the Act"). The Act has its roots in the United Kingdom Patents Act of 1997 ("the UK Act"). UK case law dealing with the UK Act is highly relevant and of great persuasive value and is invariably cited in the Singapore Courts. Singapore is a signatory to the Patents Cooperative Treaty, the Paris Convention, and TRIPS.

The Act came into force only as recently as 1995. There is a paucity of Singapore case law therefore. The Act defines a patentable invention to be one that satisfies the following conditions:

(a) the invention is new;
(b) it involves an inventive step; and
(c) it is capable of industrial application.

If this trinity requirement is met, there does not appear to be any obstacle to patentability save for the following statutory exclusions.

II.1 Statutory Exclusions to Patentability

Section 13(3) of the Act excludes from patentability an invention the publication or exploitation of which would be generally expected to encourage offensive, immoral or anti-social behaviour.
Section 16(2) states that an invention of a method of treatment of the human or animal body by surgery or therapy or of diagnosis practised on the human or animal body shall not be taken to be capable of industrial application.
For the avoidance of doubt, the Act was amended in December 1995 to expressly delete the previous statutory prohibition which, inter alia, exclude from patentability ...."a scheme, rule or method for ... doing business...".
It is very likely also, that the Singapore Courts would follow the UK Courts in asserting, as was done by the UK Court of Appeals in Genetech's Patent [1998] RPC 147, that the new definition pertaining to a patentable invention displaced any residual element of common law in the application and grant of a patent and its revocation.
In the Merck v. Pharmaforte (Judgement delivered by the Court of Appeal on 28 July 2000), the Singapore Court of Appeal did consider the concept of utility even though such a concept was not mentioned in the Singapore Act. The Court of Appeal concluded that UK case law relating to want of utility merely meant that there was insufficient disclosure and that this defect (or want of utility) made the patent invalid.

II.2 Business Methods

Consequent upon the deletion in December 1995 of the previous statutory prohibition on the patentability of a scheme, rule or method for doing business, it can be very forcibly argued that business method patents are now patentable.

Singapore practises a “self-assessing” regime of patents. The Intellectual Property Office of Singapore (“IPOS”) will grant a patent regardless of the outcome of the search and examination process. The validity of the patent will only be put to the test in any subsequent Court proceedings for infringement/revocation. The Court will then have regard to the examination report for a prima facie view of validity.

Thus, a major factor in its validity is whether the patent is supported by a favourable examination report. IPOS has no examiners of its own but upon a request for search and examination, sends patent specifications for examination in either Austria or Australia.

An alternative would be to conform the specifications of the Singapore application to those of a corresponding granted US patent. In subsequent Court proceedings, the granted US patent would serve as evidence of patentability. The Court may also be inclined to treat such a “conformed” patent favourably if it can be persuaded that the whole point of Parliament’s deletion of section 13(2) was precisely to allow business method patents.

Notwithstanding the unclear position, the potential benefits of filing an application clearly outweigh the potential loss from failure to file an application. It is likely to be in potential patentees’ own interests to file an application in any event, if only to preserve their position whilst the dust of legal uncertainty settles.

II.3 Not applicable.

II.4 Distinction in the Grant

There does not appear in law to be any distinction in the grant of protection between business methods used in the context of traditional business and business methods used in the context of the internet. Please see the “self-assessing” comment referred to above. Also, there does not appear to be any logical reason to invoke such a distinction as the requirement for patentability is the satisfactory compliance of the requirements of a patentable invention outlined at the very beginning of this paper.

It was pointed out above that the Singapore patent regulations allow for a Singapore patent application to proceed to grant by conforming the specifications of the Singapore application to those of the corresponding granted US patent and use the granted US patent as prima facie evidence of patentability. US case law on patentability of business methods would then become relevant. The US Court of Appeals for the Federal Circuit decision in States Street Bank & Trust Co. v. Signature Financial Group Inc. would be of persuasive value and its findings that a business method patent should be subject to the same legal requirements for patentability as applied to other processes or methods, would probably be adopted in Singapore. The holding of the US Court of Appeals in that case that ...”the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces “a useful, concrete and tangible result”....”would be in all probability similarly adopted by the Singapore Courts with respect to the patentability of business methods in Singapore.

II.5 Not applicable.

II.6 National Courts' Decision

There has been no opportunity for the Singapore Courts to rule on a business method patent. However, in this context, please see our comments in the immediate paragraph above.

III Opinion of the Groups

III.1 Business Methods Constitutes Invention?

Business methods ought not to be considered as a patentable invention for the following reasons:

(a) Business method is not technology. Business methods can be generated as swiftly as ideas. The implementation of such ideas using computer systems and software, with or without access to the internet does not translate that idea or method of doing business to a technological process. This is especially so if the use of the computer and software is merely to speed up calculations. The result of these calculations, whilst may be "useful, concrete and tangible", are nevertheless merely accelerated calculations that may be duplicated more laboriously by the human mind. It is therefore not new technology but merely making use of existing technology i.e., the speed of calculation using computers and its related software.

(b) No Technological Benefit

The traditional reasoning for awarding a patent is that without such a reward there would be no incentive to an inventor to incur the substantial outlay with respect to time, effort and expense involved in research and development. The patent incentive therefore is a tremendous shot in the arm to boost technological research and development. Business method patents on the other hand do not seem to involve the same amount of time, effort and expense in research and development. A comparison with the research and development in technology or pharmaceutical based industries will quickly highlight the vast difference with respect to the high cost of innovation in those fields and hence, the need for the patent incentive. There does not appear to be any vast sums of money being allocated to the development of business methods yet the US patent office has received 2,600 business method applications, according to Mr Robert Stall's article delivered at the CIPR Conference in Moscow in June 2000. (Mr Stall is the USPTO administrator for external affairs in Arlington VA).

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Again, the grant of a patent is the exchange given by the State to the inventor for disclosure by the inventor of his invention. If a patent system did not exist, an inventor would not disclose his invention and the general growth of scientific knowledge would be impeded to this extent. The scientific community would then have to reverse engineer the invention in order to build on it. A business method patent on the other hand would be readily apparent. It would be very difficult to conceal the method of doing business. The rationale for disclosure appears missing in the case of a business method patent.

(d) Business Environment

Business method patent by its very definition exist to facilitate transactions in the field of commerce. Hence, its impact is felt in the service and distribution industries. These industries have grown and prospered and added value to the economy for centuries, if not millenia, without the aid of patents to boost ideas. There does not appear any evidence that a lack of patenting system in business methods impedes growth in these fields.

(e) Conclusion

The only incentive for a State to issue business patents seems to be the caveat that should they fail to do so, they would be exposing their national interest in the face of the increased number of business method patents emanating from the US and therefore tie the hands of their national and business enterprises.

III.2 Compliance with TRIPS

The amendment made in December 1995 to the Act i.e. the deletion of the previous prohibition on patentability of, inter alia, business methods, discovery, scientific theory or mathematical method program for computer etc. appears to be TRIP related. Prima facie the exclusion of patentability of business methods would seem therefore to be contrary to the provisions of article 27. However, a close reading of article 27 provides that ..."patents shall be available for any invention whether products or processes in all fields of technology provided they are new, involved an inventive step and are capable of industrial application...". Article 27 can be said therefore to touch on the field technology, an area in which business method patents seem to be out of place. Exclusion of business methods accordingly does not seem to be contrary to Article 27.

III.3 Not applicable.

III.4 Business method patents, if acceptable as such, should be available to cover all business methods and not confine to methods used on the internet as there does not appear any logical reason to so restrict such patents. To confine such patents to internet use would create a distinction between e-commerce that can be availed without access to the net, for example a local and domestic network, and one where the inventor seeks to avail himself of a bigger market. No useful purpose seems to be served by such a distinction as it would only achieve the objective of compartmentalising markets. It would be a disincentive.

III.5 Not applicable.

III.6 Scope of Protection

The protection should be limited to the method itself. It should not be extended to provide for additional protection and should not follow the example of the process patent. This is because the protection conferred is in respect of the method and not the end product. Process patent necessarily results in an end product. Such an inevitability is missing in a business method patent. Also, in a process patent, if the end product is patented through process other than the patented one, such an end product is not caught by the process patent.

III.7 Rules for Assessment of Scope

It is submitted that the same rule should apply if a business patent satisfies the requirement of patentability. It would appear unfair to a business method inventor for his invention, having satisfied the universal requirements as to patentability, to be subject to a different rule of assessment. Any such distinction would appear discriminatory.

III.8 Adapting Known Method to New Means of Communication

There does not appear to be any added incentive necessarily be given to a businessman to adapt a known method to new means of communication. A business person in order to expand his market, would invariably adapt. Failure to do so would ultimately lead to the collapse of the business. There are many historical examples of adaptability without need for a business method patent. Consider the use of a horse, train, ships, aeroplanes, telephone and now e-commerce, all of which have been readily adapted by the business community to promote their own business activity and growth. The incentive to make profits is a more powerful impetus. The incentive of maximising profits will result in adaptability with or without a business method patent.

III.9 Infringement

Clearly the infringement should be restricted to direct methods. The scope of protection should not be extended. Incidentally, there is no indirect infringement provision even of process patents in the Singapore Act.

III.10 Compensation

Again, to avoid discriminatory practice, the same rule of compensation should apply (as with traditional as patents) when considering infringement of business methods. However, to prevent damages from being enlarged unduly, the Court should require damages to be more stringently proved as a matter of policy i.e. the burden should be on the party seeking damages to satisfy the Court that the amount claimed is a result of the infringement and not a hypothetical assessment of potential loss.

III.11 Rules of Evidence

The normal rules should apply. The burden should be on the party alleging infringement to so prove. This is because a business method patent is not identical in principle to a process patent where all that is readily apparent is the manufacture of an end product. It would not be any more difficult than in the normal product patent situation for the owner of a business method patent to show infringement of his methods patent.