

THE PATENTABILITY OF A METHOD OF DOING BUSINESS AND SOFTWARE-RELATED INVENTIONS IN ISRAEL

Intellectual Property

A year and a half after issuing a decision by the Commissioner of Patents in Israel on the patentability of a method of doing business and software-related inventions, a new practice relating to such inventions is shaping up. The decision itself marked a big step-back in the policy of the Israeli Patent Office relating to such inventions. However, following a debate in a public forum, the Israeli Patent Office appears to be adopting a more lenient approach in patenting of software-related inventions. However, it seems that inventions that are directed to business methods *per se* are still not allowed in Israel.

This newsletter summarizes these recent developments in these important fields of innovation

In a September 2006 decision by the Commissioner of Patents, the patentability of business-related methods and software-related inventions was at issue. In this decision, which was within the framework of an *Ex Parte* proceeding, the Commissioner rejected claims directed to a method of doing business. The Commissioner maintained that the claims were not related to a technology field, and thus were non-statutory under Section 3 of the Israeli Patents Law.

The subject of the decision was a patent application entitled: **“Method of Promoting the Sales of Goods and/or Services”**, which disclosed a method for promoting sales of goods and services by selling coupons to suppliers at a lower price than their market value, for them to pass on at a later stage to customers. In fact, in such a sale, the product itself was a means for payment and the applicant and the Commissioner agreed that the claims were directed to a method of doing business.

Section 3 of the Patents Law defines a patentable invention and reads as follows:

“3. An invention, whether a product or a process in any field of technology, which is new and useful and capable of industrial application and which involves an inventive step - is a patentable invention.”

Section 3 and other sections of the Law do not explicitly exclude methods of doing business (*per se*) from

patentability. However, it may be noted that Section 3 stipulates that for an invention to be patentable, it needs to be in a *“field of technology”*. The question that was posed by the Commissioner was whether a method of doing business (*per se*) meets the requirements for a patentable invention, as stipulated by Section 3 and in particular whether it falls in a *“field of technology”*.

The Commissioner noted in the decision that a method of doing business is considered a business idea which is useful and applicable, [apparently meeting the *“useful”* and *“capable of industrial application”* requirements of Section 3, E.H., S.B.]. The Commissioner further noted that a method of doing business even may be qualified as *“a process”* within the meaning of Section 3. However, he nonetheless concluded that **a method of doing business is not in a “field of technology” as required by Section 3 of the Law**, since it relates to trading and financial markets.

Despite the fact that the claims were directed to a method of doing business, the Commissioner extended his analysis also to software-related inventions. In this regard the Commissioner concluded that in distinction from business methods (*per se*), software, undoubtedly, qualifies as being within a *“field of technology”*. However, in order for a software-related invention to be patentable according to the provisions of Section 3, it should constitute an integral part of a computerized system, which comprises hardware as well as software.

The Commissioner expressed his opinion that a method which makes technological use of new software, in order to provide a new and useful result and which involves an inventive step, is in certain cases patentable. He thus concluded that software may be patentable if it is an integral part of a hybrid invention, where the hybrid invention includes **a combination** of a patentable hardware component and a non-patentable software component, which give rise to a new result, rather than **a mere aggregation** of components.

It therefore appears that according to the decision, unless a claim that includes software element(s) also includes hardware elements whose functionality is controlled or adjusted as a result of the software in a way leading to a new result, then the claim would be considered as directed to a computer program *per se* and thus would be inadmissible under Section 3 of the Law.

Reverting to methods of doing business, the Commissioner held in his decision that a hybrid invention in the field of business method is patentable only when the essence of the invention is in a technological (physical) system and not in the method of doing business itself.

The end result was that the Commissioner rejected the application.

Following this September 2006 decision, we have seen an almost automatic rejection of any software-related claims by the Israeli Patent Office (IPO).

The decision of the Commissioner was controversial and most of the practitioners shared the opinion that it was too radical, placing Israel as one of the most conservative countries, insofar as granting patents for software related inventions is concerned. According to the criterion set forth by the Commissioner, many applications which may have been patented in Europe, for example, would not, in light of this decision, be patentable in Israel.

Not only is this approach somewhat extreme, bearing in mind that Israel has one of the most developed software industries in the world, it also appears to deviate drastically from a 1994 decision of the Jerusalem District Court, *C.A. 23/94 (Jerusalem) United Technologies Corporation v. The Registrar of Patents, Designs and Trademarks, District Court Decisions, Vol. 26 (8), 729*. The District Court was of the opinion that the language of Section 3 of the Patent Law is similar to that of the counterpart US Section 101, with regard to patentability of software-related inventions. Incidentally, the District Court stated that if patents for software-related inventions were granted in US and Europe, then a patent should also be allowed in Israel. It is to be noted that Section 3 at that time was different than it is today- the current wording (including the

requirement “*in any field of technology*”) being a result of a TRIPS-related amendment of the Israeli Patents Law, that came into effect on January 1, 2000. In this connection, it should be noted that this amendment of the language of the Law, according to TRIPS, aimed at broadening the scope of protection, rather than narrowing it.

Following the Commissioner’s decision, the local AIPPI group took steps to clarify these issues and organized a national meeting. The speakers were the Commissioner himself, who introduced the decision, and the Head of the High-Tech Group at Reinhold Cohn & Partners, Ehud Hausman, who thoroughly discussed the interpretation of the Israeli Patents Law, as well as that of other jurisdictions, and further raised practical and economic issues which justified, in his opinion, adoption of a more liberal approach insofar as granting patents to software-related inventions is concerned.

In the meeting, the Commissioner provided an important clarifying comment in saying that this decision is not **necessarily** a general guideline and was decided based on the case that was at issue there. He added that future rulings will be on a case-by-case basis.

Since the above-mentioned AIPPI meeting, we have noticed that a more lenient approach has been taken by the Examiners with regard to software-related applications. **Under the current, new approach**, it is possible to overcome objections raised by Examiners concerning software-related claims, if essentially similar claims were approved, or at least were not rejected, under Article 52(2) EPC. **In certain cases, Examiners seem to be willing to consider also allowing claims, even when there is no counterpart European patent. However, the more lenient approach that is now being taken, will not extend to methods of doing business as such.**

We are hopeful that this more lenient policy with regard to software-related applications, which has already been applied, will continue in the future.

It should be noted that the Commissioner’s decision was not appealed to the District Court, and it remains to be seen whether the District Court or the Supreme Court will adopt the Commissioner’s stance in future decisions, if and when it is brought forward to them.

Please note that the contents of this Newsletter are provided as general information, and should not be regarded as an opinion or legal advice, nor should they be relied upon as such.

Should you wish to consult us regarding these issues, or to receive further information in this regard (including an English translation of the decision), please contact Ehud Hausman ehhausman@rcip.co.il or Saleit Berdugo saberdugo@rcip.co.il.