

# The End of the "Wild West" for Software Patents—Does the Patents Act 2013 Change New Zealand's Treatment of Software Patents From Permissive to Restrictive?

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**THE END OF THE “WILD WEST” FOR SOFTWARE  
PATENTS—DOES THE PATENTS ACT 2013  
CHANGE NEW ZEALAND’S TREATMENT OF  
SOFTWARE PATENTS FROM PERMISSIVE TO  
RESTRICTIVE?**

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In her spare time Erin likes to garden, crochet, and develops new recipes for family and friends.



## INTRODUCTION

New Zealand, like many former English colonies, is a common law jurisdiction, and therefore, draws its basic doctrinal tradition in intellectual property from that of the United Kingdom.<sup>1</sup> However, New Zealand does not recognize the right to a patent under common law; therefore, the right to a patent in New Zealand is statutory-based.<sup>2</sup> The New Zealand Parliament enacted a statutory right to a patent through the Patents Act 1953 (the “1953 Act”).<sup>3</sup> The 1953 Act is based off of the Patents Act 1949 of the United Kingdom,<sup>4</sup> which was repealed in the United Kingdom by the Patents Act 1977.<sup>5</sup>

While the 1953 Act has undergone minor revisions,<sup>6</sup> it has served as the primary basis for patent law in New Zealand since its inception.<sup>7</sup> New Zealand

1. Gregory Francis Arthur, *New Zealand (NZ)*, in *INTERNATIONAL PATENT LITIGATION: A COUNTRY-BY-COUNTRY ANALYSIS*, NZ:1 (Michael N. Meller ed., Supp. 2004), available at <http://www.bloomberglaw.com/document/2757254184>; Susy Frankel, *Towards a Sound New Zealand Intellectual Property Law*, 32 *VICTORIA U. WELLINGTON L. REV.* 47, 47–48 (2001).

2. David Moorman, *New Zealand*, in *INTERNATIONAL LICENSING: NEW ZEALAND*, NZ 9 (Dennis Campbell eds., Supp. 2001) (N.Z.).

3. *See id.*; *see also* Arthur, *supra* note 1.

4. Arthur, *supra* note 1; [2009] 654 NZPD 2883, 2883–85 (N.Z.) (statement of Attorney Gen. Christopher Finlayson).

5. WIPO-Lex, *United Kingdom: The Patents Act 1949 (Chapter 87)*, GB003 (last visited Jan. 5, 2014), <http://www.wipo.int/wipolex/en/details.jsp?id=1625>.

6. *See* PAUL SWAIN & LAILA HARRÉ, *Foreword* to *REVIEW OF THE PATENTS ACT 1953: BOUNDARIES TO PATENTABILITY*, 1 (2002), *MINISTRY OF ECON. DEV.*, available at <http://www.med.govt.nz/business/intellectual-property/pdf-docs-library/patents/review-of-patents-act/boundaries-to-patentability/review-of-the-patents-act-1953-boundaries-to-patentability-pdf/view>; *see also* [2009] 654 NZPD 2883, 2883–85 (N.Z.) (statement of Attorney Gen. Christopher Finlayson indicating that while the 1953 Act has been updated over the years by “various statutory provisions, and . . . by the leading decisions of senior appellate courts,” that an overhaul is past due).

7. In addition to the 1953 Act, New Zealand has entered into international treaties and belongs to international organizations that contribute to the regulation of the issuance of patents to foreign nationals. *See* *REVIEW OF THE PATENTS ACT 1953: BOUNDARIES TO PATENTABILITY*, 7–8 (2002), [hereinafter *Discussion Paper*] *MINISTRY OF ECON. DEV.*, available at <http://www.med.govt.nz/business/intellectual-property/pdf-docs-library/patents/review-of-patents-act/boundaries-to-patentability/review-of-the-patents-act-1953-boundaries-to-patentability-pdf/view> (indicating that New Zealand is a member of the Paris Convention for the Protection of Industrial Property, the World Trade Organization’s Agreement on Trade Related Aspects of Intellectual Property Rights, the World Intellectual Property Organization, and “has signed a Memorandum of Understanding with Australia on Business Law Co-ordination.”); *see also* Moorman, in *INTERNATIONAL LICENSING*, *supra* note 2, at NZ/10–11 (further enumerating international treaties and organizations New Zealand is party to). In general, the treaties require New Zealand to treat patent applications from foreign nationals as it would treat applications from its own citizens, and offer foreign nationals with patents the same protection and rights as patent holders from New Zealand. *See* *REVIEW OF THE PATENTS ACT 1953: BOUNDARIES TO PATENTABILITY*, 7–8 (2002), [hereinafter *Discussion Paper*] *MINISTRY OF ECON. DEV.*, available at <http://www.med.govt.nz/business/intellectual-property/pdf-docs-library/patents/review-of-patents-act/boundaries-to-patentability/review-of-the-patents-act-1953-boundaries-to-patentability/review-of-the-patents-act-1953-boundaries-to-patentability-pdf/view>

has been contemplating significant changes to the 1953 Act for over a decade,<sup>8</sup> which commenced with a review of the 1953 Act by the Office of the Associate Minister of Commerce.<sup>9</sup> After significant time to consider the review of the 1953 Act and the public submissions received in response to *Review of the Patents Act 1953: Boundaries to Patentability A Discussion Paper* (the “Discussion Paper”),<sup>10</sup> Patents Bill 235-1<sup>11</sup> was introduced<sup>12</sup> as a government bill<sup>13</sup> on July 9, 2008.<sup>14</sup> After proceeding through the proper legislative process,<sup>15</sup> Patents Bill 235-2<sup>16</sup> received Royal Assent from the Governor-

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patentability-pdf/view; *see, e.g.*, Paris Convention for the Protection of Industrial Property art. 2, Mar. 20, 1883, 828 U.N.T.S. 107; Agreement on Trade-Related Aspects of Intellectual Property Rights art. 41, § 5, Apr. 15, 1994, 1869 U.N.T.S. 299. Therefore, any change to New Zealand patent law must still uphold New Zealand’s obligations and requirements under the treaties it is party to.

8. *See* SWAIN & HARRÉ, *supra* note 6.

9. *See generally* OFFICE OF THE ASSOC. MINISTER OF COMMERCE, REVIEW OF THE PATENTS ACT 1953 STAGE 3: - PART 1, *available at* <http://www.med.govt.nz/business/intellectual-property/pdf-docs-library/patents/review-of-patents-act/boundaries-to-patentability/patents-act-review-stage3-pt1-cabinet-paper-ris-pdf>; OFFICE OF THE ASSOC. MINISTER OF COMMERCE, REVIEW OF THE PATENTS ACT 1953 STAGE 3: - PART 2, *available at* <http://www.med.govt.nz/business/intellectual-property/pdf-docs-library/patents/review-of-patents-act/boundaries-to-patentability/patents-act-review-stage3-pt2-cabinet-paper-ris-pdf>; OFFICE OF THE ASSOC. MINISTER OF COMMERCE, REVIEW OF THE PATENTS ACT 1953 STAGE 3: - PART 3, *available at* <http://www.med.govt.nz/business/intellectual-property/pdf-docs-library/patents/review-of-patents-act/boundaries-to-patentability/patents-act-review-stage3-pt3-cabinet-paper-ris-pdf>.

10. *See generally* MINISTRY OF ECON. DEV., *Summary of Submissions Received on the Patents Act Review* [hereinafter *Summary of Submissions*] (Discussion Paper Nov. 2002), *available at* <http://www.med.govt.nz/business/intellectual-property/pdf-docs-library/patents/review-of-patents-act/boundaries-to-patentability/summary-of-submissions-pa-review-discussion-paper-pdf>.

11. Patents Bill (2008) 235-1 (N.Z.), *available at* <http://www.legislation.govt.nz/bill/government/2008/0235/6.0/whole.html#DLM1419043>.

12. Introduction is the first step in the process of a bill becoming a law in New Zealand. It is an administrative process that brings the bill into existence. OFFICE OF THE CLERK OF THE HOUSE OF REPRESENTATIVES, *How Parliament Works—How a Bill Becomes Law* (Aug. 4, 2006), *available at* <http://www.parliament.nz/en-nz/about-parliament/how-parliament-works/laws/00CLOOCHowPWorksLawsHow1/how-a-bill-becomes-law>.

13. There are several types of bills that can be introduced to the House in New Zealand. A government bill is one that is part of the government’s lawmaking program and “is prepared for Ministers to introduce to the House.” OFFICE OF THE CLERK OF THE HOUSE OF REPRESENTATIVES, *How Parliament Works—Types of Bill* (Aug. 4, 2006), *available at* <http://www.parliament.nz/en-nz/about-parliament/how-parliament-works/laws/00CLOOCHowPWorksLawsTypes1/types-of-bill>.

14. *Patents Bill*, NEW ZEALAND PARLIAMENT (Sept. 13, 2013), [http://www.parliament.nz/en-nz/pb/legislation/bills/00DBHOH\\_BILL8651\\_1/patents-bill](http://www.parliament.nz/en-nz/pb/legislation/bills/00DBHOH_BILL8651_1/patents-bill); *see also*, Parliamentary Counsel Office, *Patents Bill*, NEW ZEALAND LEGISLATION, <http://www.legislation.govt.nz/bill/government/2008/0235/6.0/versions.aspx> (last viewed Aug. 27, 2014) (indicating that the introduction of Patents Bill 235-1 was on July 9, 2008).

15. *How Parliament Works—Type of Bill*, *supra* note 13; *Patents Bill*, NEW ZEALAND PARLIAMENT, *supra* note 14.

16. Patents Bill (2008) 235-2 (N.Z.), *available at* <http://legislation.govt.nz/bill/government/2008/0235/latest/whole.html#DLM2843003>.

General<sup>17</sup> on September 13, 2013 and was enacted as the Patents Act 2013 (the “2013 Act”), repealing the 1953 Act.<sup>18</sup> The 2013 Act came into full effect on September 13, 2014.<sup>19</sup>

The 2013 Act is significantly different from the 1953 Act. This Comment focuses on one significant change: the 2013 Act’s treatment of patentable subject matter. This Comment focuses on the differences between the 1953 Act and the 2013 Act as it pertains to patentable subject matter. In particular, this Comment examines how this change affects the patentability of computer programs and computer software (collectively “computer programs”). While commentators, such as Rob O’Neill from ZD Net<sup>20</sup> and Christopher Mims from Quartz,<sup>21</sup> believe that the 2013 Act contains an outright ban on the patenting of computer programs, I will argue that the 2013 Act is consistent with the European treatment of the patentability of computer programs.

This Paper is organized into three sections. Section I discusses patentable subject matter under the 1953 Act, patentable subject matter under the 2013 Act, and compares how each act treated the patentability of computer programs. In order to provide a basis for the comparison, Section I further discusses the reasons behind the change to patentable subject matter and the patentability of computer programs. Section II discusses the effect these changes may have on patenting computer programs in New Zealand. Finally, Section III examines the patentability of computer programs in the United States and in Europe, and argues that New Zealand’s treatment has simply switched from being similar to the treatment in the United States to being similar to the treatment in Europe.

## I. NEW ZEALAND AND PATENTABLE SUBJECT MATTER

New Zealand has made significant changes between the 1953 Act and the 2013 Act to patentable subject matter and the way in which New Zealand views the patentability of computer programs. This section considers three subjects. Part A of this section considers why New Zealand has reformed its patentable subject matter requirements. To understand the significances of these changes, Part B will examine patentable subject matter under the 1953 Act and how it

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17. Royal Assent is the last step in the process of a bill becoming a law. It occurs when the Governor-General signs the bill. *How Parliament Works—How a Bill Becomes Law*, *supra* note 12.

18. *Patents Bill*, NEW ZEALAND PARLIAMENT, *supra* note 14.

19. INTELLECTUAL PROP. OFFICE OF N.Z., *Patents Act 2013* (Sept. 13, 2014) [hereinafter IPONZ Patents Act 2013], <http://www.iponz.govt.nz/cms/patents/patents-act-2013>.

20. Rob O’Neill, *New Zealand Bans Software Patents*, ZDNET (Aug. 28, 2013), *available at* <http://www.zdnet.com/new-zealand-bans-software-patents-7000019955/>.

21. Christopher Mims, *How New Zealand Banned Software Patents Without Violating International Law*, QUARTZ (Aug. 28, 2013) *available at* <http://qz.com/119419/how-new-zealand-banned-software-patents-without-violating-international-law/>.

was applied to the patentability of computer programs. Finally, Part C of this Section considers how the 2013 Act substantially amends the requirements for patentable subject matter and how it affects the patentability of computer programs.

#### A. *Impetus for Reform in New Zealand*

New Zealand had a number of reasons to repeal the 1953 Act and change what constituted patentable subject matter. The requirements to receive a patent in New Zealand were low compared to many other countries,<sup>22</sup> and thus, New Zealand has historically issued disproportionate numbers of patents to foreign nationals,<sup>23</sup> as indicated by The Ministry.<sup>24</sup> According to the Discussion Paper, the purpose for allowing patents in New Zealand is to promote invention while still benefiting New Zealand society.<sup>25</sup> However, the Discussion Paper did not make an affirmative recommendation eliminating the patentability of computer programs in the discussion paper.<sup>26</sup>

Why make a significant change to the manner in which patents are issued for computer programs then? Many of the same arguments for the general reform of patentable subject matter also apply to the argument to reform the ability to receive a patent for a computer program, especially since the development of law in New Zealand lead to a very permissive allowance for the patenting of computer programs.<sup>27</sup> Further, a number of additional factors contributed to the desire to limit the ability to patent computer programs in New Zealand.

First, foreign nationals are able to take advantage of New Zealand's permissive laws<sup>28</sup> due to its adherence to a range of international treaties.<sup>29</sup> As the Discussion Paper indicates and some proponents for New Zealand patent reform, such as Paul Matthews, chief executive for the Institute of IT

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22. Discussion Paper, *supra* note 7, at 10; [2009] 654 NZPD 2883, 2883–85 (N.Z.) (statement of Attorney Gen. Christopher Finlayson).

23. Discussion Paper, *supra* note 7, at 6.

24. *Id.* at 9–13.

25. *Id.* at 5–7.

26. *See id.* at 45–52.

27. *See* Patents Bill (2008) 235-2 (N.Z.), at Commentary, Pat 2, n.3; *see* Discussion Paper, *supra* note 7, at 46; INTELLECTUAL PROP. OFFICE OF N.Z., *Information for Clients No. 8* (1999) [hereinafter IPONZ Information for Clients], available at <http://www.iponz.govt.nz/cms/patents/patents-act-1953/historic-practice-guidelines/1998-2004-information-for-clients/information-for-clients-3/no-08-september-1999-information-for-clients/view> (last visited Dec. 4, 2014); 4 THOMAS T. MOGA, PATENT PRACTICE AND POLICY IN THE PACIFIC RIM § 23.15 (2012).

28. Discussion Paper, *supra* note 7, at 10; [2009] 654 NZPD 2883, 2883–85 (N.Z.) (statement of Attorney Gen. Christopher Finlayson).

29. Discussion Paper, *supra* note 7, at 7–8; Moorman, *in* INTERNATIONAL LICENSING, *supra* note 2, at NZ/10–11.

Professionals, argue, the disproportionate number of patents issued to foreign nationals may be stifling innovation in New Zealand.<sup>30</sup> Further, other scholars, such as Richard Stallman, argue that the issuance of patents for computer programs stifles innovation in general.<sup>31</sup> Together, these arguments appear to have been a prevailing force when the Patents Bill had its first reading in Parliament in 2009.<sup>32</sup> Additionally, New Zealand has a strong open source contingency that successfully lobbied and promoted the idea that computer programs should not be included as patentable subject matter.<sup>33</sup> This contingency was supported by a majority of New Zealand citizens in the programming field.<sup>34</sup> Finally, as pointed out by the Ministry and by Parliament, the change brings New Zealand more in line with how Europe treats the patentability of computer programs.<sup>35</sup>

*B. Patentable Subject Matter Under the Patents Act 1953 and the Treatment of the Patentability of Computer Programs.*

Under the 1953 Act what constitutes patentable subject matter was defined in a broad manner, while the exclusions to patentable subject matter were narrow and limited. The 1953 Act was drafted in a permissive positive manner, which allowed for any invention<sup>36</sup> that is novel, industrially applicable, and non-obvious to be patented.<sup>37</sup> This definition created two primary requirements

30. Discussion Paper, *supra* note 7, at 50; *see* O’Neill, *supra* note 20 (quoting Commerce Minister Craig Foss indicating that the 2013 Act will enable innovation in New Zealand and quoting Institute of IT Professionals chief executive Paul Matthews indicating that the way the old law was interpreted made it too difficult for innovation in New Zealand).

31. Richard Stallman has committed his life to promoting free and open-source software on the idea that restricting software inhibits innovation. *See* RICHARD STALLMAN’S PERSONAL SITE, <http://stallman.org/> (last visited Sept. 22, 2014); *see also* ADAM B. JAFFE & JOSH LERNER, INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT, 200–02 (2007) (indicating that the ease of receiving a patent in the US and the increased ability to sue for large sums of money based on infringement “threatens and hinders the innovative process,” which includes the issuance of patents for computer programs).

32. *See generally* [2009] 654 NZPD 2883 (N.Z.).

33. Patents Bill (2008) 235-2 (N.Z.), at Commentary, Part 2; Summary of Submissions, *supra* note 10, at 4 (demonstrating New Zealand’s open source contingency).

34. *See* O’Neill, *supra* note 20.

35. *See* Discussion Paper, *supra* note 7, at 47–51; [2013] 693 NZPD 12948, 12976–78 (statement of Minister of Comm. Craig Foss).

36. Invention is defined as “any manner of new manufacture the subject of letters patent and grant of privilege within section 6 of the Statute of Monopolies and any new method or process of testing applicable to the improvement or control of manufacture; and includes an alleged invention.” Patents Act 1953, § 2(1) (N.Z.), *available at* <http://www.legislation.govt.nz/act/public/1953/0064/latest/whole.html#DLM280036>.

37. Moorman, *in* INTERNATIONAL LICENSING, *supra* note 2, at NZ/20; *see* Discussion Paper, *supra* note 7, at 5.

for an invention to be patentable subject matter: (1) that it be “new,” and (2) “that it be a ‘manner of manufacture.’”<sup>38</sup> Further, the 1953 Act only requires the examination of these criteria in relationship to information publicly available in New Zealand.<sup>39</sup>

The 1953 Act did not specify categories of manufacture that are excluded or excepted from patentability. A patent application is not considered to have a patentable invention if the examiner decides the subject matter of the application does not fall under the definition of invention.<sup>40</sup> This leaves the decision of what is patentable subject matter open to interpretation by the examiner and the patent office. However, the New Zealand courts have ruled “the Commissioner of Patents may only refuse to grant a patent if it was ‘practically certain’ that if a patent was granted it would be held to be invalid. If there is any dispute, the applicant is to be given the benefit of any doubt.”<sup>41</sup> Therefore, the 1953 Act establishes a generally low requirement for patentable subject matter in New Zealand.

The patent law of New Zealand traditionally determined that computer programs were not suitable subject matter eligible for patent protection.<sup>42</sup> However, in an unreported decision in 1994, computer programs were recognized as patentable,<sup>43</sup> which was further publicly approved by the Commissioner of the Intellectual Property Office of New Zealand in 1999.<sup>44</sup> Therefore, computer programs were determined to be eligible for patent protection under an interpretation of the 1953 Act.<sup>45</sup> The Intellectual Property Office of New Zealand had determined that mathematical algorithms themselves ineligible for a patent; however, “they may be patented under the Patents Act when used in a computer, so long as they produce a commercially useful effect.”<sup>46</sup> The minimal requirements to receive a patent and permissive definition of invention made it relatively easy to receive a patent on a computer program in New Zealand.

### *C. Patentable Subject Matter Under the Patents Act 2013 and the Treatment*

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38. Discussion Paper, *supra* note 7, at 9.

39. *Id.*

40. Patents Act 1953, §§ 2(1), 12(2) (N.Z.).

41. Discussion Paper, *supra* note 7, at 9.

42. *See id.* at 45 (indicating that computer software was considered unpatentable until 1993).

43. *Id.* (citing to a decision by the Commissioner to allow issuance of patent no. 193718 which provided for the use of a computer in making a shoe pattern).

44. *See* IPONZ Information for Clients, *supra* note 27, at 3.

45. Discussion Paper, *supra* note 7 at 46; MOGA, *supra* note 27, at §23.15.

46. Patents Bill (2008) 235-2, at Commentary, Part 2, n.3 (N.Z.).

*of the Patentability of Computer Programs.*

Under the 2013 Act, patentable subject matter is still construed in a permissive manner, but now the Act recognizes statutory exclusions from patentability. These exclusions particularly affect the patentability of computer programs.

In the 2013 Act, the original term invention is changed to patentable invention. A patentable invention is defined by the 2013 Act as an invention that is a “manner of manufacture within the meaning of section 6 of the Statute of Monopolies; and [] when compared to prior art . . . is novel; . . . involves an inventive step; . . . is useful; and [] is not excluded from being a patentable invention. . . .”<sup>47</sup> This new definition increases the requirements for an application to be considered patentable subject matter and aligns New Zealand “to the criteria applied in most other countries.”<sup>48</sup>

Further, the 2013 Act is written in restrictive manner, since the 2013 Act now includes statutory exclusions of patentable subject matter. These exclusions fall into two general categories: (1) inventions that would be contrary to moral or public order, and (2) other specific exclusions, which include the patenting of human beings and plant varieties.<sup>49</sup> The category of other exclusions was included because it was seen that there “is no benefit to the nation in allowing these inventions to be patented.”<sup>50</sup> However, computer programs were not included in section 15 or 16 of the 2013 Act.

The patentability of computer programs is contained under Interpretation in its own special section.<sup>51</sup> Section 11 states that a computer program “as such” “is not an invention and not a manner of manufacture for the purposes of this Act.”<sup>52</sup> Section 11 further provides clarification and examples of what “as such” means. “A claim in a patent or an application relates to a computer program *as such* if the actual contribution made by the alleged invention lies solely in it being a computer program.”<sup>53</sup> This wording appears to have been implemented in order to preserve New Zealand’s interest in providing patent protection for what it terms embedded computer programs.<sup>54</sup>

47. Patents Act 2013, § 14 (N.Z.), available at <http://legislation.govt.nz/act/public/2013/0068/latest/whole.html#DLM1419225>.

48. [2009] 654 NZPD 2883, 2883–85 (N.Z.) (statement of Attorney Gen. Christopher Finlayson).

49. Patents Act 2013, §§ 15–16 (N.Z.).

50. See [2009] 654 NZPD 2883, 2883–85 (N.Z.) (statement of Attorney Gen. Christopher Finlayson).

51. Patents Act 2013, § 11 (N.Z.).

52. *Id.*

53. *Id.* at § 11(3) (emphasis added).

54. See Patents Bill (2008) 235-2, at Commentary, Part 2 (N.Z.); see generally [2013] 693

To further explain the statutory term “computer program as such,” two examples are provided in section 11(3).<sup>55</sup> In the first example, the invention is a washing machine that washes clothes better through the use of a computer program that provides instructions to the washing machine.<sup>56</sup> This invention would likely be considered a patentable invention because the invention is the washing machine that washes clothes better, and the computer program is dependent on the washing machine it is physically contained in.<sup>57</sup> In the second example, the invention is a method for completing computerized legal documents using a computer program that contains the documents, asks the user questions pertaining to the documents, and fills in the provided information on the legal document.<sup>58</sup> This invention would likely not be considered a patentable invention because the computer program is the invention and it is not dependant on specific hardware that it is contained in.<sup>59</sup>

Finally, section 11(4)–(5) calls for the Commissioner to consider a number of issues relating to the invention as a whole when determining whether the patent application involves a computer program “as such”, and, when in doubt, the Commissioner should disfavor issuance of a patent.<sup>60</sup> This position is the exact opposite to the holdings under the 1953 Act that the Commissioner should give the applicant the benefit of the doubt.<sup>61</sup> While section 11 is not a complete ban on the patentability of computer programs, the Patents Bill 235-2 contemplated it.<sup>62</sup> However, the changes made in the 2013 Act do appear to treat the patentability of computer programs rather differently than they were treated under the 1953 Act.

#### *D. What Affect Will the Changes Have?*

New Zealand had been considering a major overhaul since at least 2002 when the Ministry of Economic Development (Ministry) compiled the Discussion Paper.<sup>63</sup> What effect will these changes have on how New Zealand treats the patentability of computer programs? Since the 2013 Act has just recently gone into effect, there is little administrative or judicial commentary

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NZPD 12948, 12948–55 (discussing how the phrase “as such” is meant to preserve receiving a patent “where you have some computer software that is intrinsic to the working of a mechanical device”).

55. Patents Act 2013, § 11(3) (N.Z.).

56. *Id.*

57. *See id.*

58. *Id.*

59. *Id.*

60. *Id.* at § 11(4)–(5).

61. Discussion Paper, *supra* note 7, at 9.

62. Patents Bill (2008) 235-2, § 15(3A) (N.Z.).

63. *See generally* Discussion Paper, *supra* note 7.

on the new law.<sup>64</sup> This lack of administrative and judicial commentary, however, has not stopped other commentators from addressing the impact of the 2013 Act.

On its face, the treatment of computer programs under the 2013 Act appears to be a strong departure from the way computer programs were treated under the 1953 Act. However, it must be remembered that any already issued patents and any completed patent applications filed before September 13, 2014 will be examined under the 1953 Act.<sup>65</sup> Therefore, the 2013 Act only applies to new patent applications and does not invalidate previously patented computer programs in New Zealand.

A number of media and legal commentators have speculated what impact the new restrictions on patentable subject matter will have on innovation in New Zealand. Some of the media headlines and articles have suggested that the changes have gone so far as to abolish software patents.<sup>66</sup> These headlines, however, are overstated. Further, some commentators do not believe that the impact will have much, if any, affect on the patentability of computer programs.<sup>67</sup> Both of these views are opposing extremes. Most commentators appear to agree that the change in the patentability of computer programs under the 2013 Act brings New Zealand more in line with the European view of the patentability of computer programs.<sup>68</sup>

By requiring that a patentable invention involve an inventive step and be

64. IPONZ Patents Act 2013, *supra* note 19.

65. David Macaskill, *New Dawn for the New Zealand Patent Landscape—the New Patents Act*, JAMES & WELLS (Sept. 12, 2013), <http://www.jaws.co.nz/media-center/article/new-dawn-for-the-new-zealand-patent-landscape-the-new-patents-act>.

66. *See, e.g.*, Mims, *supra* note 21 (indicating that in order to ban the patenting of computer programs, New Zealand got around international law by declaring software is not an invention); Timothy B. Lee, *New Zealand Just Abolished Software Patents. Here’s why we Should, too*, WASH. POST (Aug 29, 2013) <http://www.washingtonpost.com/blogs/the-switch/wp/2013/08/29/new-zealand-just-abolished-software-patents-heres-why-we-should-too/>; O’Neill, *supra* note 20.

67. *See, e.g.*, *New Zealand Bans Patents for Software*, PATENTBUFF (Sept. 16, 2013), <http://www.patentbuff.com/2013/09/new-zealand-bans-patents-for-software.html> (indicating that “[i]t is the underlying technical function of the code that is patentable, rather than the code itself. That was always the case with the old law. That will continue to be the case with the new law. New Zealand will continue to allow patents for technical functions that software code causes a processor to perform. We will continue to grant patents for computer-implemented inventions.”); *see also* Florian Mueller, *New Zealand Parliament Adopts UK Approach to Software Patents, Allows Broad Swaths of Them*, FOSS PATENTS BLOG (Aug. 28, 2013), <http://www.fosspatents.com/2013/08/new-zealand-parliament-adopts-uk.html>.

68. Alistair Smith & Katherine Rock, *New NZ Patents Act: How Will it Affect Software Patents in NZ?*, DAVIES, COLLISON, & CAVE (Sept, 20, 2013), <http://www.davies.com.au/pub/detail/722/new-nz-patents-act-how-will-it-affect-software-patents-in-nz>; Virginia Beniac-Brooks & Matt Pini, *A New Patents Act for New Zealand*, MARKS & CLERK (Sept 3, 2013), <http://www.marks-clerk.com/uk/attorneys/news/newsitem.aspx?item=473>.

useful,<sup>69</sup> along with expanding the prior art criteria to the world (as opposed to looking only to New Zealand)<sup>70</sup> the changes should make a significant difference in the ease of receiving a patent from New Zealand in general based on patentable subject matter. This may have the effect of encouraging greater collaboration among computer software developers to the benefit of society. Further, the exclusion of computer programs as such from patentable subject matter appears to make it more difficult to receive a patent on a new innovation for a computer program, which should encourage open source development. These changes appear to bring New Zealand's treatment of the patentability of computer programs in line with Europe, rather than being an outright ban.

## II. HAS THE PATENTS ACT 2013 BROUGHT NEW ZEALAND'S TREATMENT OF THE PATENTABILITY OF COMPUTER PROGRAMS IN LINE WITH EUROPE?

This Section considers the relationship of section 11 of the 2013 Act to other patent regimes in order to determine its ultimate meaning. From a simple reading, section 11 of the 2013 Act appears to ban the patenting of computer programs, which is exactly what was suggested in the Patents Bill 235-2.<sup>71</sup> This ban would be a significant reversal of how computer programs came to be treated under the 1953 Act. However, due to the change in language between the Patents Bill 235-2 and the 2013 Act, it appears that New Zealand decided against an outright ban and has moved to a treatment more similar to that in Europe. The patentability of computer programs under the 1953 Act has been comparable to how the United States treats the patentability of computer programs. Now it appears that the treatment of the patentability of computer programs under the 2013 Act is comparable to how the European Patent Convention treats the patentability of computer programs.

### *A. Compare the Treatment of Computer Program Patentability Under 1953 Act to the United States.*

Whether computer programs are patentable subject matter in New Zealand under an interpretation of the 1953 Act is similar to the way in which the United States views the patentability of computer programs.<sup>72</sup> In the United States, the power to establish a patent system is found in the Constitution.<sup>73</sup> The primary

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69. [2009] 654 NZPD 2883, 2883–85 (N.Z.) (statement of Attorney Gen. Christopher Finlayson).

70. [2009] 654 NZPD 2883, 2886–87 (N.Z.) (statement of David Parker).

71. Patents Bill (2008) 235-2, §15(3A) (N.Z.).

72. It should be noted that this comment does not take into consideration the Supreme Court decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014) when discussing the stance the United States has taken regarding the patentability of computer programs.

73. JANICE M. MUELLER, *PATENT LAW* 36 (4<sup>th</sup> ed. 2013).

source of codified patent law in the United States is found in the Patent Act of 1952, as amended by the America Invents Act of 2011.<sup>74</sup> Under the Patent Act of 1952, an invention is patentable subject matter if it is a “process, machine, manufacture, or composition of matter.”<sup>75</sup> With the legislative history for the Patent Act of 1952 indicating that “anything under the sun that is made by man” is patent eligible,<sup>76</sup> what qualifies as patentable subject matter under Section 101 has generally been interpreted very broadly.<sup>77</sup>

Similar to New Zealand’s 1953 Act, the United States’ Patent Act of 1952 states what is patentable subject matter positively by indicating what is patentable.<sup>78</sup> In the United States (like in New Zealand), case law is a primary form of interpretation for how codified law will be applied and what is and is not patentable subject matter.<sup>79</sup> Case law in the United States has established that laws of nature, natural phenomena, abstract ideas, unapplied mathematical algorithms, and products of nature are not patentable subject matter.<sup>80</sup>

Like New Zealand, the United States does not specifically discuss whether computer programs fall under patentable subject matter. However, it was traditionally considered that computer programs were not patentable subject matter because it would be the same as patenting a mathematical algorithm.<sup>81</sup> However, in 1995, the USPTO informed the court in *In Re Beauregard* that it was of the opinion that “computer programs embodied in a tangible medium, such as floppy diskettes, are patentable subject matter.”<sup>82</sup> Therefore, while a mathematical formula cannot be patented,<sup>83</sup> “the physical embodiment of that algorithm . . . may nevertheless be patentable so long as it does not recite merely an abstract idea.”<sup>84</sup> The Supreme Court has held that what qualifies as patentable subject matter is dynamic and changes with technology, and putting a ban on computer programs being patentable subject matter would be contrary to the purpose of patent law.<sup>85</sup> Further, the USPTO guidelines seem to favor allowing a patent for a computer program when it is a question of subject matter

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74. *Id.* at 38–40.

75. 35 U.S.C. § 101 (2013).

76. S. REP., NO. 82-1979, 5 (1952); H.R. REP., NO. 82-1923, 6 (1952).

77. MUELLER, *supra* note 73, at 344–45.

78. *Id.* at 388.

79. *Id.*

80. *Id.*

81. 49 ELGA A. GOODMAN ET AL., N.J. PRAC., BUSINESS LAW DESKBOOK § 14:11 (2013–14 ed.).

82. *In re Beauregard*, 53 F.3d 1583, 1584 (Fed. Cir. 1995).

83. MUELLER, *supra* note 73, at 388.

84. *Id.* at 386.

85. GOODMAN, *supra* note 81, at § 14:11.

that may potentially defeat the issuance of a patent.<sup>86</sup> Therefore, a patent for a computer program will generally be allowed by the USPTO if the question of allowance rests on patentable subject matter.

While neither the 1953 Act nor the United States' Patent Act of 1952 directly addresses whether computer programs are patentable subject matter, the results have been the same. Both countries' acts are worded such that what is considered patentable subject matter is positive in saying what is patent eligible, as opposed to what is not patent eligible.<sup>87</sup> Further, since both countries have a broad interpretation of patentable subject matter under the opinions of their respective courts and patent offices, this has resulted in both countries broadly allowing patents on computer programs. This view is in contrast to the European view, which the 2013 Act appears to be much more similar to.

*B. Compare the Treatment of Computer Program Patentability Under 2013 Act to the European Patent Convention.*

The difficulty in comparing the 2013 Act to the way the European Patent Convention (EPC) treats the patentability of computer programs is that the EPC is interpreted by the European Patent Office (EPO) and each of the individual member states, each of which do not necessarily hold the same interpretation of the EPC.<sup>88</sup> Since the 2013 Act has not come into effect yet,<sup>89</sup> this comment is primarily concerned with how the 2013 Act is worded in comparison to the wording of the EPC and how the EPO has interpreted it. Therefore, discrepancies between the different interpretations should not be of great concern.

The EPC was first enacted in 1973 by a number of European countries desiring to create a European patent system. The EPC created a central authority to grant European patents, the EPO. Once granted, the patent rights

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86. Robert A. Kreiss, *Patent Protection for Computer Programs and Mathematical Algorithms: The Constitutional Limitations on Patentable Subject Matter*, 29 N.M. L. REV. 31, 54 (1999); Examination Guidelines for Computer-Related Inventions, 61 Fed. Reg. 7478, (published Feb. 28, 1996) (the USPTO released the final version of the Examination Guidelines for Computer-Related Inventions in 2013, which is the same as the guidelines from 1996), available at <http://www.thecre.com/fedlaw/legal23/computer.htm>.

87. See 35 U.S.C. § 101 (2013); see also Patents Act 1953 § 2(1) (N.Z.) (“[I]nvention means any manner of new manufacture the subject of letters patent and grant of privilege within section 6 of the Statute of Monopolies and any new method or process of testing applicable to the improvement or control of manufacture; and includes an alleged invention.”).

88. Susan J. Marsnik & Robert E. Thomas, *Drawing A Line in the Patent Subject-Matter Sands: Does Europe Provide A Solution to the Software and Business Method Patent Problem?*, 34 B.C. INT'L & COMP. L. REV. 227, 267–69 (2011).

89. IPONZ Patents Act 2013, *supra* note 19.

are “treated as bundles of national patent rights, enforceable in national courts.”<sup>90</sup> The EPC is currently on its fifteenth edition, which was published in September 2013,<sup>91</sup> and has thirty-eight member states.<sup>92</sup>

The EPC is written in a negative matter, wherein it specifies what is not considered patentable subject matter.<sup>93</sup> The EPC specifically deals with the patentability of computer programs. It excludes “programs for computers” *as such* from the definition of invention.<sup>94</sup> The exclusion of computer programs *as such* from patentable subject matter is worded quite similarly between the EPC and the 2013 Act.<sup>95</sup> Further, according to the EPO, the patentability of a computer program depends on whether the invention “causes a further technical effect.”<sup>96</sup> The EPO goes on to explain, “further technical effect is where the program serves to control a technical process or governs the operation of a technical device.”<sup>97</sup> What constitutes a further technical effect is in line with the example of the improved washing machine provided in the 2013 Act.<sup>98</sup> The 2013 act is worded quite similarly to the EPC and its example of what would be considered a patentable invention involving a computer program is in line with the EPO’s technical effect requirement.

### *C. New Zealand has Shifted from a United States Style to a European Style in its Treatment of the Patentability of Computer Programs.*

Upon examination of the differences between the 1953 Act and the 2013 Act (particularly as they apply to whether computer programs are patentable subject matter), it appears that New Zealand has shifted from a treatment similar to that of the United States to a treatment similar to that of the EPC. This change moves New Zealand from being an extremely permissive country

90. WOLTERS KLUWER, IP AND ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW § 45.2 (2012), *available at* WL 5831724.

91. Benoît Battistelli, *Preface* to THE EUROPEAN PATENT CONVENTION (15<sup>th</sup> ed. 2013), *available at* [http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/\\$File/EPC\\_15th\\_edition\\_2013.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/$File/EPC_15th_edition_2013.pdf).

92. *Member States of the European Patent Organisation*, EUROPEAN PATENT OFFICE, <http://www.epo.org/about-us/organisation/member-states.html> (last updated Apr. 22, 2013).

93. *See* Convention on the Grant of European Patents, art. 52(2), Oct. 5, 1973, 1065 U.N.T.S. 199 (15<sup>th</sup> ed. 2013) (enumerating specifically a number of inventions that would not be considered patentable subject matter).

94. *Id.* at art. 52(2)(c)–(3).

95. Patents Act 2013, §§ 11(1)–(2) (N.Z.).

96. EUROPEAN PATENT OFFICE, HOW TO GET A EUROPEAN PATENT, GUIDE FOR APPLICANTS—PART 1, § (B)(I)(29) (14<sup>th</sup> ed. 2013), *available at* [http://documents.epo.org/projects/babylon/eponet.nsf/0/8266ED0366190630C12575E10051F40E/\\$File/guide\\_for\\_applicants\\_part1\\_10\\_13\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/8266ED0366190630C12575E10051F40E/$File/guide_for_applicants_part1_10_13_en.pdf).

97. *Id.*

98. Patents Act 2013, §§ 11(1)–(2) (N.Z.).

to receive a patent on a computer program towards a more restrictive country. However, it is not an outright ban on the ability to patent computer programs, as originally proposed.

The 1953 Act is written in a positive manner as it applies to patentable subject matter. Further, the interpretation of what constitutes patentable subject matter by the patent office and the courts has been broad with a mandate to err on the side of allowing a patent. This treatment is quite similar to the treatment of patentable subject matter under the United State's Patent Act of 1952 and its USPTO and court decisions.

In contrast, the 2013 Act is written in a negative manner as it applies to the patentable subject matter. It specifically prohibits the patentability of computer programs *as such*, and gives examples of what may and may not constitute an invention involving computer programs. This treatment is quite similar to the treatment given to the patentability of computer programs under the EPC, using wording that is extremely similar as well.

Since the 2013 Act has yet to go into effect, there are no interpretations from the patent office or the courts.<sup>99</sup> With New Zealand being a common law country the way the patent office and the courts interpret the 2013 Act will greatly shape the way the patentability of computer programs are treated in New Zealand's future. However, given the similarities between the treatment of computer programs as patentable subject matter under the 2013 Act and the EPC, it is reasonable to believe New Zealand will follow the EPC in this matter. Further, there is nothing in the 2013 Act that indicates New Zealand will treat the patentability of computer programs any more restrictively than how the EPC treats the patentability of computer programs.

#### CONCLUSION

The transformation of the way New Zealand treats patents has been in the making for over a decade.<sup>100</sup> At one point during the process it appeared that the 2013 Act would simply list computer programs as being unpatentable subject matter,<sup>101</sup> which would have been a fairly unique and clear solution. However, when the 2013 Act was passed by Parliament, the Act read that computer programs were not patentable subject matter *as such*.<sup>102</sup> This wording is much more similar to the wording in the EPC than to an outright ban. While this change is probably not as dramatic as originally contemplated, this change will certainly bring New Zealand more in line with a majority of countries and

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99. IPONZ Patents Act 2013, *supra* note 19

100. See SWAIN & HARRÉ, *supra* note 6.

101. Patents Bill (2008) 235-2, § 15(3A) (N.Z.).

102. Patents Act 2013, §§ 11(1)–(2) (N.Z.).

will provide stricter requirements for receiving a patent on a computer program in New Zealand. Finally, since the 2013 Act has yet to go into effect,<sup>103</sup> it is unknown how the patent office and the courts will interpret the Act.

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103. IPONZ Patents Act 2013, *supra* note 19.

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