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Higher Regional Court of Dusseldorf decides on further use of advertising after product modification

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If advertising material that was originally used for a patent-infringing product continues to be used without modification, this may constitute an independent act of patent infringement, even if the advertised products were technically modified in a way that excludes patent infringement. A judgment as well as a follow-up decision in penalty payment proceedings of the Higher Regional Court of Dusseldorf provides useful information for the handling of this problem in practice.

Legal starting position

The German Federal Supreme Court already held in the decisions “Kupplung für optische Geräte” (GRUR 2003, 1031) as well as “Radschützer” (GRUR 2005, 667) that the unaltered further use of advertising material originally used for a patent-infringing product can constitute an independent act of patent infringement, even if the advertised products have in the meantime been modified in a way that excludes a patent infringement. A judgement of the Higher Regional Court of Dusseldorf dated November 14, 2019 (case no. 15 U 71/18, available under BeckRS 2019, 31329) and a subsequent decision in the penalty payment proceedings of September 14, 2020 (unpublished) develop this case law further.

Constellation in the decision of the Higher Regional Court of Dusseldorf

Typically, the problem of the patent-infringing further use of advertising arises in the context of whether the cease-and-desist order of an already issued judgement, or a contractual obligation to cease and desist, has been violated. For the question whether a first-time patent infringement can trigger an injunction claim, the further use of advertisement is usually irrelevant, since the original infringing act (i.e., the offer of the patent-infringing product itself) is already sufficient to justify the required so called “risk of repetition”. The decision of the Higher Regional Court of Dusseldorf concerns a specific constellation in which the plaintiff had acquired the patent only after the modification of the patent-infringing products. Hence, the question arose whether the “risk of repetition” established with regard to the previous owner was void. The Court left this question open, since it found that in the present case the further use of the advertisement after the change of patent ownership still justified an independent “risk of repetition” (OLG Düsseldorf, *ibid.*, marginal no. 84).

Important Aspects of the Decision

In its decision, the Court first clarified that the fact that the earlier case law was based on an already existing obligation to cease and desist should be found irrelevant for the legal assessment of whether a patent-infringing further use exists (OLG Düsseldorf, *ibid.*, marginal no. 67). Thus, not only is the earlier case

law applicable also in these circumstances; this decision should conversely be found applicable also to the typical constellations of the further use of advertisement after an obligation to cease and desist.

The Court then rejected the view that the further use of advertising in a way that infringes the patent would be out of question in the case of products for which the properties that led to the patent infringement could not be deduced from their external appearance and consequently also not from the advertising material (OLG Düsseldorf, *ibid.*, marginal no. 72f.). It therefore ruled in favour of continued infringement.

Continuation in the penalty payment proceedings

Subsequently, the defendant changed the product name and added a disclaimer to the website, which pointed to the modification of the product (but without indicating that the product was patent infringing before the modification). The product name was modified by adding the letter “N” at the end of the product name.

The plaintiff considered these modifications to be insufficient and filed a penalty payment proceeding. The Dusseldorf Regional Court, however, decided in the first instance that there now was no patent-infringing further use of advertising due to the modifications (decision of April 30, 2020, case No. 4a O 22/17 OV, unpublished).

In particular, it considered the addition of the suffix “N” to be sufficient, provided, however, that the product name consisted of only a few numbers and that the products in dispute were intended for industrial applications and therefore for particularly attentive customers. The Court found that the disclaimer further reinforced the impression conveyed by the change in the product designation. The Higher Regional Court of Dusseldorf concurred with this legal opinion in the appeal proceedings (decision of 14 September 2020).

Consequences for the practice of advertisement

If a product is modified because it is suspected of infringing a patent, or if there is even already an obligation to cease and desist with regard to this product, the product labeling should, in most instances, be modified and a disclaimer attached to the advertising in order to avoid a possible further use that infringes the patent. The ruling provides useful information for the practical implementation. Exactly which changes are to be made is a question of the respective individual case and can be determined with professional legal advice.



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Federal Court of Justice redefines requirements for injunction in SEP litigation

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In our May edition we reported a decision by the Federal Court of Justice (KZB 36/17 of May 5, 2020) on the application of the criteria established by the European Court of Justice in its decision C 170/13 – Huawei vs. ZTE, which is likely to set the standards for granting injunctions to owners of standard essential patents in Germany in the coming years. At the time of our report, the reasons of the decision were not yet available. Meanwhile, the court has handed down its decision in writing, which provides more insights into the thinking of the court and the rationale of its decision, as well as subsequent case law by the lower courts.

The question under which conditions the owner of a standard essential patent (SEP) is entitled to an injunction if this owner has made a declaration of its readiness to license the patent at fair, reasonable and non-discriminatory conditions (so-called FRAND declaration) is still an ongoing issue before the courts and far from being settled. In its decision C 170/13 – Huawei vs. ZTE of July 16, 2015, the European Court of Justice (ECJ) held that the owner of a standard essential patent does not abuse its dominant position in the sense of Art. 102 TFEU if there was a clear notification of the infringement issue by the patent owner and, after the alleged infringer had expressed its willingness to conclude a license agreement at FRAND conditions, the patentee made a licensing offer which meets the FRAND criteria, to which the alleged infringer did not respond in a diligent manner. The subsequent case law of the lower courts in Germany dealt with the question how the criteria established by the European Court of Justice are to be applied and in which order and whether certain criteria are to be given priority over others. In its decision 15 U 66/15 (Sisvel vs. Haier) of March 30, 2017, the Court of Appeal Düsseldorf established a fairly low standard both for the notice of infringement by the plaintiff and the declaration of willingness by the alleged infringer. It rather put the focus of its decision on the licensing offer by the SEP owner and established as a precondition for an injunction that there be a positive finding that the licensing offer of the patentee indeed meets the FRAND criteria. Reasoning that the potential licensee usually does not have detailed knowledge about the licensing practice of the patentee, it considered the patentee obliged to provide information about which companies with which share of the relevant market had taken a license at which conditions. Based on the information provided by the patentee on existing license agreements the court found that in the decided case the licensing offer did not meet the FRAND criteria and therefore rejected the request for an injunction as well the request for recall and destruction.

The Federal Court of Justice, which so far had not rendered a decision on the issue of standard essential patents following the decision C 170/13 – Huawei vs. ZTE of the ECJ, set the decision by the Court of Appeal aside by its decision KZR 36/17 of May 5, 2020. It found that the defendant did not have a claim to a license,

because, according to the opinion of the court, it did not declare its serious and unconditional willingness to take a license under FRAND conditions. This being the case, it did not matter for the court whether the license offered by the plaintiff indeed met the FRAND criteria.

The Federal Court of Justice initially confirmed the finding of the Court of Appeal that the plaintiff had sufficiently clearly notified the defendant of the alleged infringement. It held it sufficient that the notice of infringement enables the alleged infringer to assess the merits of the allegation of infringement under technical and legal aspects. To this end, the defendant has to be notified of the patent that is allegedly infringed, of the allegedly infringing product or process and of the way in which the patent is allegedly infringed. Claim charts will usually be sufficient, but are not mandatory. The court also held that it was sufficient that the notice of infringement was sent to the parent company of the defendant. The alleged infringer, once having been made aware of a possible infringement, is obliged, according to the court, to clarify the matter and to obtain further information from the patentee in case the notice of infringement is not sufficiently detailed.

The Federal Court of Justice furthermore confirmed that it is not objectionable if the patentee only offers a worldwide license, provided that the defendant will not come under an obligation to pay a royalty for the use of patents which are not essential to the standard or in countries where there is no patent protection.

As to the main findings of the decision, the Federal Court of Justice considered the defendant not to be willing to take a license already because, in the view of the court, one has to assume a lack of willingness to take a license under FRAND conditions, if an alleged infringer does not respond to the notice of infringement for several months. In the decided case, the defendant had only declared its readiness for licensing negotiations more than a year after the notice of infringement.

The Court of Appeal, having seen this point, had held that the defendant could still make up for this deficiency by a later declaration of willingness prior to the complaint to the court. The Federal Court of Justice left this issue undecided, reasoning that none of the consequent declarations rendered by the defendant showed a serious and unconditional willingness to take a FRAND license. In particular, the court did not consider it sufficient that in a first declaration the defendant had uttered the hope of formal licensing negotiations and enquired the specific licensing conditions and possible rebates on the royalties, even in view of the fact that the plaintiff had forwarded further details regarding a possible license on the same day and a personal meeting took place two months later in which the plaintiff provided a specific licensing offer and the defendant promised to provide details on its sales and to make a proposal of its own. The court reasoned that from the objectified view of the plaintiff as the recipient of the declaration by the defendant it was not unambiguously clear that the defendant was prepared to conclude a licensing agreement under FRAND conditions. Further declarations by the defendant were discarded on the grounds that they contained a condition (conclusion of the licensing agreement only after a finding of infringement by the courts) that was deemed to be inadmissible and that a later declaration in which the defendant maintained that it was willing to take a license

under FRAND conditions and that its own offer was FRAND compliant could only be considered as maintaining the aforementioned inadmissible condition of a court decision prior to the conclusion of a licensing agreement.

For the decided case, the Federal Court of Justice did not see any obligation of the patentee to indicate how the requested royalties are to be calculated. According to the court, such an obligation only arises when the alleged infringer has declared its unconditional willingness to take a FRAND license. Providing details on how the royalties are to be calculated was one of the criteria of the ECJ for a proper licensing offer by the patentee. It can therefore be assumed that the Federal Court of Justice generally does not recognize any obligation of the patentee to make a specific licensing offer of any kind as long as the unconditional willingness to take a FRAND license has not been declared by the defendant.

Accordingly, it did not matter for the Federal Court of Justice whether the conditions offered by the plaintiff were discriminating. The court nevertheless answered this question in the negative in an obiter dictum. The court in particular reasoned that the fact that a competitor of the defendant had received considerably more favorable licensing conditions could have a justification in that a government agency had exerted pressure on the patentee to privilege this competitor.

In its decision, the Federal Court of Justice also decided that the claim for damages of the owner of an SEP patent is not limited to a reasonable royalty, even if it has abused its dominant position by requesting an injunction. The ECJ had already held that a claim for damages is generally not an abuse of a dominant position in the market. The Federal Court of Justice concluded that this implies that a patentee is generally not limited to a specific way of calculating damages.

Generally, an infringer can counter a claim for damages of the patentee by a claim for damages of its own, which is directed to the unfulfilled claim to a licensing contract at reasonable and non-discriminatory conditions. According to the court, this counterclaim however only arises if in spite of the unconditional willingness of the defendant to take a license under FRAND conditions, the patentee refuses to grant a license or makes an offer that does not meet the FRAND criteria.

According to the decision now rendered by the Federal Court of Justice, it is the alleged infringer that is obliged in the first place to take care that a license comes about. The patentee (only) abuses its dominant position if it obstructs the efforts of the alleged infringer to obtain a license or if it does not undertake sufficient efforts to provide a willing licensee with a license. This consideration is at the bottom of the interpretation of the decision C 170/13 – Huawei vs. ZTE by the Federal Court of Justice. According to the Federal Court of Justice the notice of infringement required by the ECJ is to provide the user of the patented subject matter with an opportunity to seek a license and thus to avert an injunction. Similarly, the licensing offer to which the patentee is obliged, albeit only in the second place, is to enable a willing licensee to assess whether the licensing conditions offered by the patentee constitute an abuse of a dominant position. Otherwise, the court did not recognize any obligation of the patentee to undertake efforts towards a license under FRAND conditions. As the Federal Court of Justice put it, even a patentee with a dominant market position does not have to force a license on people.

The present decision complements the earlier decision by the Federal Court of Justice KZR 39/06 – Orange Book Standard of 2009 and simultaneously brings this decision in line with the decision C 170/13 – Huawei vs. ZTE by the ECJ. In its earlier decision, the Federal Court of Justice had held that the patentee only abuses its dominant position if the defendant made an unconditional and binding offer which the patentee cannot refuse without violating the prohibition of discriminating or obstructing practices. In the present decision, the Federal Court of Justice once more confirmed this requirement as to its principles, but added the finding that a patentee not only abuses its dominant position if it refuses to conclude a licensing agreement under FRAND conditions offered by the alleged infringer, but also where the alleged infringer has declared its willingness to take a FRAND license without having made a specific offer and the patentee does not undertake sufficient efforts to enable the alleged infringer to conclude a licensing agreement.

In contrast, the ECJ based its decision C 170/13 – Huawei vs. ZTE on the notion of an obligation of the patentee to grant licenses under FRAND conditions if it has rendered a FRAND declaration. The ECJ reasoned that a FRAND declaration establishes legitimate expectations of third parties that the patentee will indeed grant licenses under FRAND conditions. Following this line of thought, a refusal of a patentee to grant a license under FRAND conditions can, in principle, constitute an abuse in the sense of Art. 120 TFEU. In order for a request for an injunction, recall or destruction not to be found an abuse, the patentee has to meet certain conditions as established by the ECJ so as to ensure a reasonable balance between the interests of the parties.

This difference in the basic approach leads to different results if both parties did not meet their obligations according to the decision by the ECJ, e.g. if all licensing offers of the patentee did not meet the FRAND criteria and the alleged infringer is playing for time. If one sees the primary obligation to enable a license with the patentee, one will find an abuse of a dominant position, because there was not just a single and isolated offer that did not meet the FRAND criteria, but the entire conduct of the patentee has shown that it does not seriously intend to grant a license under FRAND conditions. If, on the other hand, one sees the primary obligation with the alleged infringer, one will come to the conclusion that the conduct of the patentee does not matter, as did the Federal Court of Justice. Considering this latent inconsistency, it would be desirable if by way of a further referral the ECJ were provided an opportunity to further explain and detail the concepts of the decision C 170/13 – Huawei vs. ZTE.

In its decision the Federal Court of Justice expressly did not decide whether a declaration of willingness to take a license could still avert an injunction after the expiry of the time period during which, according to the court, a willing licensee has to react to a notice of infringement. Reportedly, it became apparent in oral proceedings before the Federal Court of Justice that the court is inclined to consider such a declaration as sufficient to assume a basic willingness to take a license if it is rendered before the complaint is raised with the court. This is, however, only likely to apply to the extent to which the defendant consequently confirms its unconditional intention to take a license under FRAND conditions in word and deed and this unconditional intention cannot be reasonably doubted from the objectified point of view of the patentee.

It is apparent that in the present case the Federal Court of Justice assumed a so-called patent holdout where the defendant had delayed the negotiations to the utmost extent, and indeed the patent had already expired at the time of the decision of the Court of Appeal. To a certain extent, this explains the high requirements on the willingness to license. The Federal Court of Justice requires that from the objectified point of view of the plaintiff the unconditional willingness of the alleged infringer to take a license under FRAND conditions has to be clearly and unambiguously apparent. It is to be expected that this criterion will be used in the case law of the lower courts also in cases where the intention of the defendant to delay the process is less clear or not clear at all. Whereas in the case law of the lower courts the standards applied to a declaration of willingness to take a license were so far equally low as those for the notice of infringement – the Court of Appeal considered a plain and simple declaration to this effect or even only activities consistent with such willingness sufficient – the present decision opens up new ways for the plaintiff to avoid the claim to a license of the defendant by questioning the general willingness of the defendant to take a license. As the point of view of the patentee is decisive, a willingness to take a license will probably only be assumed if the patentee is unable to raise any doubts in this regard.

Subsequent case law

In fact, as of now this is already more than just an anticipation. On August 18, 2020, the District Court Mannheim handed down a subsequent decision (2 O 34/19 – Nokia vs. Daimler) which explicitly referred to the decision KZB 36/17 by the Federal Court of Justice. The court held, based on the principles outlined in the decision by the Federal Court of Justice, that although the parties had been in FRAND license negotiations, the defendant was nevertheless not a willing licensee and for this reason the plaintiff was entitled to an injunction.

A special feature of this case was that the defendant had requested that the license be granted to its suppliers in the first place, in line with common practice in the automotive industry. The parties further disagreed about the basis for the calculation of the license fee. The plaintiff essentially argued that the basis of the calculation should be the end product, i.e. a car, and the licensing fee should be determined on the basis of the additional price customers are willing to pay for connectivity of their car. The defendant essentially argued that the basis for the calculation of the license fee should be the purchase price of the components implementing the technology of the patent. The court held that the request of the defendant to license the suppliers already showed a lack of willingness to take a license under FRAND conditions itself. Agreeing with the plaintiff that the end product should be the basis for the calculation of the licensing fee, the court furthermore held the approach of the defendant to be a priori non-compliant with FRAND. This perceived lack of compliance of the defendant's approach with FRAND was decisive for the court to find the defendant an unwilling licensee. The court held in this regard that it would have been up to the defendant to demonstrate that the result of its approach could result in a licensing fee that was compliant with what the court perceived as FRAND. The court discarded the consideration that suppliers of the defendant are entitled to a FRAND license, which would result in the components purchased by the defendant to be non-

infringing, already on the grounds that the suppliers also based their licensing offers on the price of the components sold to their customers and hence are not willing licensees either. It explicitly left the question undecided whether a claim to a license by suppliers could be invoked by their customers with regard to products supplied to them. The court also rejected the consideration that the alleged additional price customers are willing to pay for connectivity resulted from innovations of the defendant at least to a certain extent. In an obiter dictum, it furthermore held that an initial response to a notice of infringement to the effect that prior to a license it needs to be established whether the asserted patents are actually used by the objected products can be considered as a sign of not being willing to take a license.

In its decision, the District Court Mannheim went beyond the considerations of the Federal Court of Justice. The Federal Court of Justice assumed a lack of willingness of the defendant primarily because of the delay in responding to the notice of infringement and considered later declarations as not sufficient because they were perceived to be tied to the inadmissible condition of a court decision on infringement prior to the conclusion of a licensing agreement. The district court already considered the different approach to the calculation of the licensing fee applied by the defendant as an indication of not being willing to agree to FRAND conditions.

One may conclude from this decision that in the future case law of the lower courts, a defendant may be found not to be a willing licensee not only if its declaration of willingness to take a license under FRAND conditions leaves room for doubt, but also if its licensing offer, made in response to a licensing offer of the patentee, does not a priori appear to be FRAND compliant. In other terms, the offer by the patentee may not be assessed for compliance with the FRAND criteria if a subsequent counter-offer by the defendant is held not to be FRAND compliant. Furthermore, in case of a dispute, the defendant may have to establish to the satisfaction of the court that its offer is FRAND compliant, regardless of whether the offer by the plaintiff meets the FRAND criteria. One may also expect that doubts regarding validity or infringement will be interpreted as an indication of not being willing to take a license. In many regards, this means a return to the principles of the earlier decision KZR 39/06 – Orange Book Standard by the Federal Court of Justice, according to which the defendant had to make a FRAND offer and establish that its offer was indeed FRAND compliant.

Take-aways

Users of a standard essential patent will therefore be well advised to declare their willingness to take a license at FRAND conditions immediately, explicitly and expressly and, if the situation requires, even prior to an internal assessment whether the patent is indeed infringed and valid. According to the decision C 170/13 – Huawei vs. ZTE, which was confirmed by the Federal Court of Justice in this point, an alleged infringer is not prohibited to have a court decide on the question of infringement and/or validity of the patent later on, as long as it has unconditionally declared its willingness to take a license under FRAND conditions and this is not a precondition for a license. If, however, the assessment of the alleged infringement or of the validity of the asserted patent takes too much

time, the alleged infringer will run the risk that a later declaration of willingness will be precluded. Worse, if it makes a court decision on infringement and/or on validity a condition for concluding a licensing agreement, and be it only because it is convinced that the allegation of infringement is not justified or the patent is invalid, this will almost certainly be construed as unwillingness to take a license and void its claim to a license.

The Federal Court of Justice did not decide the question whether the counter offer of the defendant in the decided case indeed matched the FRAND criteria and thus also left the question undecided what will happen if both the plaintiff and the defendant make a FRAND offer. There are good reasons to assume that in this case the offer of the plaintiff is decisive. But even if the defendant does not consider the offer of the plaintiff to be compliant with FRAND, it will be well advised not to insist on its own offer. Leaving aside the fact that ultimately the compliance of the patentee's offer with FRAND will be decided by the infringement court, which may have different views about FRAND conditions, the alleged infringer will run the risk that its willingness to take a license will be doubted, and accordingly the offer of the plaintiff will not be assessed as to whether it actually meets the FRAND criteria. Rather, an injunction will be granted.

The present decision puts the patentee in a clearly better position both in licensing negotiations and in court proceedings, because the defendant runs a higher risk that its declarations and its conduct in licensing negotiations will be construed as a lack of willingness to take a license, which in turn will preclude a claim to a license. A tough stance in negotiations may already be sufficient to trigger this effect. Both declarations and the conduct in negotiations should therefore be assessed by an attorney as to potential consequences in litigation so as not to open up additional lines of attack for the patentee. One may doubt whether this is a wholesome development. It is certainly not needed to prevent a patent holdout, which a patentee can always stop by starting litigation before the courts.



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Software related inventions are not always “computer programs per se”: Lessons from the Allani case by the Indian Intellectual Property Appellate Board

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The Allani case sheds lights on an appropriate approach for examining Computer Related Inventions (CRIs) in India. Particularly, the courts addressed questions on the significant hurdles faced by CRIs in view of what would constitute “technical effect” and “technical advancement” referring to examination guidelines.

Patentability of Computer Related Inventions (CRIs) have always been a subject of international attention. The provision that deals with patentability of CRIs in India is Section 3(k) of the Patents Act, 1970 (“the act”). Section 3(k) was introduced in the act in 2002 to principally bar the patentability of “a mathematical or business method or a computer programme per se or algorithms”. The act however does not define the terms “software” or “computer programmes *per se*”. In the same year, a French inventor, Ferrid Allani filed a national phase application in India titled “Method and device for accessing information sources and services of the web” which was accorded patent application number IN/PCT/2002/00705/DEL. The application consisted of both method and device claims and was based on the PCT application PCT/FR2000/003759, which in turn claimed priority from the French patent application numbered 99/16704.

During prosecution before the Indian Patent Office (IPO), the device claims were objected to as lacking novelty and inventive step, while the method claims were objected for being directed to a computer programme per se under Section 3(k). However, as was the case then, there was no clear understanding on what would constitute a ‘computer program *per se*’ or an ‘algorithm’ for software related inventions – as there were no guidelines issued for examination of CRIs by the IPO at that time. This is perhaps what led to the fall and rise of Allani’s invention before the Indian legal system.

The application was rejected by the IPO and the subsequent appeal was also dismissed by the IPAB, stating that the patent application failed to disclose any technical effect or technical advancement. The applicant then filed a writ petition before the Delhi High court challenging this decision of the IPAB. By the time the matter was brought up for hearing before the court, the IPO had already issued a set of draft guidelines for Examination of Computer Related Inventions. While advancing his arguments before the court, the applicant made reference to the guidelines and pointed out all the paragraphs of the patent specification which disclosed technical effect and technical advancement, in accordance with the CRI guidelines. It was held that CRIs should be examined in accordance with judicial

pronouncements on Section 3(k) and the Guidelines issued with respect to the same. Some important observations made by the court on patenting of CRIs are as follows:

- *“the bar on patenting is in respect of ‘computer programmes per se ...’ and not all inventions based on computer programs. In today’s digital world, when most inventions are based on computer programs, it would be retrograde to argue that all such inventions would not be patentable. Innovation in the field of artificial intelligence, blockchain technologies and other digital products would be based on computer programs, however the same would not become non-patentable inventions – simply for that reason it is rare to see a product which is not based on a computer program. Whether they are cars and other automobiles, microwave ovens, washing machines, refrigerators, they all have some sort of computer programs in-built in them. Thus, the effect that such programs produce including in digital and electronic products is crucial in determining the test of patentability.”*
- *The addition of the terms ‘per se’ in Section 3(k) was a conscious step ... because sometime the computer programme may include certain other things, ancillary thereto or developed thereon. The intention here is not to reject them for grant of patent if they are inventions. However, the computer programmes ‘as such’ are not intended to be granted patent ...*

The court directed the IPO to re-examine the patent application based on the fact that computer programs embedded in digital or electronic devices must be tested for technical effect, and that inventions relating to computer programs must be examined in the context of modern technology. The IPO however once again refused the patent application under Section 3(k) on February 7, 2020 and Allani yet again filed an appeal against the order before the IPAB.

The applicant stressed before the IPAB that the claims of the impugned patent application clearly exhibited technical effect by *delaying emitting of a “final” request to (web) internet by locally implementing preliminary selection steps and using said locally implemented selection to form a well-construed query* which is finally emitted to the Internet. The applicant listed the following technical advantages as a consequence of the aforestated features:

1. bandwidth (for emitting a request on web/ internet) is utilized only once (per request) [saving of network resources];
2. the mean time duration observed for accessing searched information is drastically reduced; and
3. likelihood of a successful access of information resource increases manifold.

In the arguments presented before the IPAB, the applicant referred to the ‘examples of technical effect’ as provided in the CRI guidelines of 2013, the excerpt of which is provided as under:

“It is defined for the purpose of these guidelines as solution to a technical problem, which the invention taken as a whole, tends to overcome. A few general examples of technical effect are as follows:

- *Higher speed;*
- *Reduced hard-disk access time;*
- *More economical use of memory;*
- *More efficient data base search strategy;*
- *More effective data compression techniques;*
- *Improved user interface;*
- *Better control of robotic arm;*
- *Improved reception / transmission of a radio signal.”*

Allani argued that his invention clearly demonstrated at least the underlined technical effect. While the hurdle of technical effect was crossed, Allani faced yet another hurdle. The same CRI guidelines which necessitated ‘technical effect’ also stated that technical effect alone was insufficient for granting a software patent in India and instead, like any other conventional invention, the technical effect should also result in **technical advancement** to the state of the art. The latest guidelines on examination of CRIs issued in 2017 reiterated this as follows:

“Since patents are granted to inventions, whether products or processes, in all fields of technology, it is important to ascertain from the nature of the claimed Computer-related invention whether it is of a technical nature involving technical advancement as compared to the existing knowledge or having economic significance or both, and is not subject to exclusion under Section 3 of the Patents Act.”

Allani was able to prove technical advancement of the present invention over the art, and the IPAB, while ruling in favor of the applicant, stated as follows:

In fact, as compared to D1, the present invention solves the aforesaid problem, thereby optimizing the mean time duration and bandwidth usage required in successfully accessing a remote resource. D1 does not achieve the ‘technical effect’ of present invention, i.e. saving of the internet bandwidth as well as the reduced time duration in receiving the desired search results. Rather in contrast, D1 remains only a method of selection, fetching data from either a local station or updated data from a central station. In D1, the internet bandwidth is used again and again since the user continuously hops from Location Station to a Central Server, irrespective of the fact that whether ultimately the data item is retrieved or not.

Conclusion

Although the High Court and IPAB only reiterated what was already available in the CRI guidelines, the decision gives unprecedented clarity on patentability of computer related inventions in the context of the CRI guidelines. The ruling clearly redefines the scope of granting patents to software related inventions in India, which was at times curtailed by the IPO. This signals a pro-patenting approach of the courts for CRIs in India. That said, it is important to note that the IPO did not file their representation before the IPAB in this matter defending their rejections, the IPAB in fact passed an *ex-parte* decision dated July 20, 2020.

One of the most important highlights of this entire case, which will be referred for all patent applications filed in the field of CRI and AI in India is as follows:

If the invention demonstrates a “technical effect” or a “technical contribution”, it is patentable even though it may be based on a computer program. Therefore, without appreciating the technical effect produced by the present invention, as elucidated above, the mere fact that a computer program is used for effectuating a part of the present invention, does not provide a bar to patentability. Thus, the invention MUST be examined as whole and the following factors are to be considered while deciding upon the patentability of such inventions – i.e. (i) technical effect achieved by it, and its (ii) technical contribution.

This article is a guest contribution by ‘The IP Press’, www.theippress.com.



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