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## **Guernsey gets 'IT': Ditching the domino and the Bilski bonus**

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In this article we will look at a key opportunity offered by Guernsey's new patent regime to international patent portfolios: the ditching of the domino effect and the potential 'Bilski bonus'.

Across the world, countries offer different levels of legal protection for developments in technology. For example, software developers in the USA can often obtain patent protection for their new software, whereas such protection is unlikely to be available within the UK and Europe.

Guernsey is leading the way in developing a range of cutting-edge intellectual property ("IP") legislation. Its latest offering will be of particular interest to all those involved in ownership and exploitation of software and related information technology

### **Background information on Guernsey**

Guernsey is a self-governing Crown Dependency, situated in the English Channel and close to the coast of France. Although Guernsey has certain links with the European Union, she is not a full member state and, as such, remains broadly independent of the EU. In 2009 Guernsey was recognised by the OECD as having achieved 'White List' status in the OECD's list of tax-compliant jurisdictions.

### **Guernsey's new IP regime**

In 2002 Guernsey's legislature decided to introduce legislation to transform Guernsey into a modern, cutting-edge IP jurisdiction. Guernsey has now updated its legislation in relation to key IP rights and of particular interest for this article is Guernsey's new patent legislation.

In January 2009 Guernsey passed legislation in relation to registered patents and biotechnological inventions. Although an implementation date is awaited, Guernsey's Intellectual Property Office has opened a post-box service accepting advance applications.

Under the new legislation, Guernsey is a jurisdiction of secondary registration, accepting applications for re-registration of patents from: the European Patent Office, Australia, Austria, Canada, China, France, Germany, India, Ireland, Israel, Japan, New Zealand, Norway, Russian Federation, Sweden, the United Kingdom and the United States of America.

The legislation allows re-registration of a wide range of inventions, including patents in respect of any inventions (products or processes) which are new, involve an inventive step and are capable of industrial application. Crucially, computer programs are likely to be eligible for patent protection. This was a deliberate choice – Guernsey was keen to offer protection to computer programs, in contrast to the position in the UK and Europe where computer programs are excluded from patent protection.

## **Ditching the domino**

Traditionally, where a patent is challenged and falls in its home territory, this will result in the patent falling in any other territory in which it has been re-registered: the 'domino' effect. When re-drafting its patent legislation, Guernsey decided to ditch the domino effect for inventions which have been established without challenge for a substantial period of time. The result is that the domino effect only applies to patents which have been registered for less than 5 years in their home territory.

Once the patent has been registered for more than 5 years, the patent will continue in existence in Guernsey notwithstanding its revocation in the home territory, save for certain limited exceptions. In short, the Guernsey registration takes on a life of its own.

## **The Bilski bonus**

So what's the big deal about Guernsey having ditched the domino? The big deal is the opportunity this offers to holders of certain US patents for software and business methods.

As readers may be aware, one of the items of 'hot gossip' in the patent world is the Bilski litigation in the American Supreme Court. Put simply, Bilski involves a challenge to the patentability of software and business method patents. In October 2009 the US Federal Circuit confirmed that business methods were patentable but rejected the previous test for patentability. That test had required that a method should achieve a 'useful, concrete and tangible result', so that the focus was on the outcome derived from the process. The Federal Circuit's new test required that a business method must either be tied to a particular machine or bit of equipment, or transform an article or thing into something different. This requirement for a link between the method and a machine or a transformation has caused concern, not least because of the clear wording of the relevant legislation, which allows patents for a 'method of doing or conducting business'.

The Supreme Court's decision is expected in June 2010. As you might imagine, since so many modern inventions are tied to computers the issue is of significance importance to the US economy. If the Supreme Court upholds the restrictive test applied by the Federal Circuit this could have significant implications for existing patent-holders. A negative decision could render many patents vulnerable to challenge.

It is in this area that Guernsey's domino-ditching offers a unique advantage – patent-holders could breathe new life into existing patents by re-registering them here in Guernsey. This could offer valuable scope for protecting and extending patents.

## **Future developments**

Guernsey already offers key advantages for international patent holders, especially those looking to expand internationally.

In addition, Guernsey has power to pass legislation in relation to innovation patents, offering early protection for inventions which do not meet the higher threshold of full patent protection, with a streamlined application process which cuts down substantially on the length of time to obtain protection. It will also increase the scope for incremental protection of inventions. Readers interested in tracking progress in Guernsey's IP regime can find news on [www.guernseyregistry.com/ipo](http://www.guernseyregistry.com/ipo).

On a broader level, Guernsey's sophisticated infrastructure includes a suite of corporate vehicles which offer enhanced business flexibility as compared to other jurisdictions, including trusts, protected cell companies and incorporated cell companies. Guernsey also offers a benign corporate tax regime.

## **Conclusion**

The message for US patent holders is clear: don't dawdle with your dominoes. Grab your Bilski bonus now.