



**THE AUSTRALIAN FEDERATION OF INTELLECTUAL PROPERTY ATTORNEYS
FICPI AUSTRALIA**

30 September, 2008

Brendan Bourke
Secretariat
Advisory Council on Intellectual Property
PO Box 200
WODEN ACT 2606

Dear Brendan,

ACIP Review of Patentable Subject Matter

I refer to your email of 21 July 2008 inviting FICPI Australia to comment on ACIP's Issues Paper of July 2008, and apologise for our delay in providing those comments.

FICPI Australia is an organisation drawing its members from registered patent and trade marks attorneys in Australia that are proprietors or partners in patent and trade mark attorney firms conducting business in Australia. FICPI Australia does not directly represent intellectual property owners, but its members work directly and closely with such persons. The comments that follow are therefore based on some of our members' experience in representing users of the Patents Act 1990, as well as those who may infringe rights granted under that Act.

FICPI Australia is also an Australian association of a parent international body – FICPI (Fédération Internationale Des Conseils En Propriété Industrielle). FICPI members internationally are Intellectual Property attorneys and practitioners who work in private practice for many clients. Thus, FICPI represents the "free" profession. FICPI works with international bodies and various IP offices to monitor and enhance the intellectual property system and IP protection and enforcement procedures generally.

FICPI Australia has previously responded to ACIP's Issues Paper of July 2002 on Patenting of Business Systems. A copy of our submission dated 30 September 2002 is attached, since many of the issues discussed there are relevant to the topic of the present Issues Paper.

In that submission we argued that developments in the fields of software, e-commerce and business methods should not be treated, from the patentability perspective, any differently to other forms of 'manner of manufacture', in

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accordance with the principles established by the High Court in *National Research and Development Corporation v Commissioner of Patents*, (1959) 102 CLR 252 (NRDC). Since then, we have not changed our view on the applicability of the principles set out in NRDC to resolving issues of inherent patentability of business systems developments and all other innovations.

Turning now to the Issues Paper, FICPI Australia notes that it raises interesting economic and ethical issues on which the organisation has neither detailed knowledge nor the capability of readily gaining that knowledge. With this limitation in mind, we have answered below ACIP's specific questions to the best of our ability based on our members' extensive experience as patent attorneys.

Overlying our answers to the specific questions is a belief that the principles of the NRDC decision do meet the appropriate objectives and constraints of the patent system in Australia and are generally being applied correctly by the Courts and IP Australia (see 7.2.1 of the Issues Paper), and that changing the definition of *invention* in Schedule 1 of the Patents Act and/or section 18(1)(a) in any way could result, inadvertently or otherwise, in the NRDC principles no longer being applicable.

We are also aware of the submissions made in response to the Patentable Subject Matter Issues Paper by the Institute of Patent and Trade Mark Attorneys of Australia on 19 September 2008, and are fully supportive of those submissions.

Question 1 - Economic objectives of limiting patentable subject matter

Can placing limits on inherently patentable subject matter be justified on economic grounds? Should the subject matter of each individual invention be assessed to determine whether a patent is necessary to encourage innovation, or should such an assessment be done for entire fields of technology?

We are not aware of any economic justification for placing limits on inherently patentable subject matter.

ACIP's 2003 Report on Patenting of Business Systems concluded that there was no need to change the existing law for deciding whether or not developments in the field of software, e-commerce and business methods are patentable. Similar conclusions were reached on a more general basis in the 1984 report on *Patents, Innovation & Competition in Australia* by the Industrial Property Advisory Committee (IPAC) and in the Intellectual Property and Competition Review Committee (IPCRC) 2000 report *Review of Intellectual Property Legislation under the Competition Principles Agreement*.

FICPI Australia also provided submissions in 2002 in response to ACIP's review on the Exclusion of Plant and Animal Subject Matter from Innovation Patents, supporting the removal of the exclusion. In its 2004 report on this topic, ACIP concluded that the case for removing the exclusion had not been made out. However, FICPI Australia questions any suggestion that the exclusion is present on economic grounds, given that

up to 20 years of patent protection is available for the excluded matter by way of standard patents.

With regard to the second part of the question, no other country or region assesses the subject matter of individual inventions to determine whether a patent is necessary to encourage innovation, and we cannot see any basis for Australia adopting such a test. Any test established to conduct such an assessment, whether at the level of individual inventions or across entire fields of technology, is likely to be subjective and difficult to apply.

Question 2 – Economic effect of inherent patentability test

What would be the consequences on innovation of imposing or removing limits on patentable subject matter? Are you aware of any empirical data on such consequences?

FICPI Australia is not aware of any empirical data on the consequences on innovation of imposing or removing limits on patentable subject matter. We also note that no such data was identified in any of the reviews of patentable subject matter referred to in Chapter 9 of ACIP's July 2008 Issues Paper.

Placing limits on patentable subject matter risks innovation and/or investment in the fields of the excluded subject matter drying up or being kept secret. On the other hand, the relatively short term monopoly provided by a patent can give the innovators some protection for their investment, but also guarantees that the innovation will be made public.

In the international arena, local enterprises without the benefit of patent protection in their field of endeavour, due to a restriction on patentable subject matter in Australia, are likely to be at a commercial disadvantage, both in Australia and overseas, to overseas enterprises that have developed technology in the field of endeavour under the umbrella of patent protection in the overseas country.

Question 3 – Ethical reasons for limiting patentable subject matter

Can placing limits on inherently patentable subject matter be justified on ethical grounds? Is it appropriate for legislation to predetermine ethical limitations on patentable subject matter, or is it more appropriate for courts to determine such limitations on a case-by-case basis? Is patent law an appropriate avenue for dealing with ethical issues? If not, what is an appropriate avenue?

FICPI Australia agrees with the Courts that it is for Parliament, not the Courts or the Patent Office, to decide on ethical aspects of patentable subject matter. However, from a more general perspective, we have not seen any evidence that placing limits on patentable subject matter for ethical reasons affects the conduct of the public. This is perhaps not surprising, since a patent merely gives an exclusive right to the patentee and makes information about the invention available to the public.

We note with approval the statement (referred to on page 4 of ACIP's Issues Paper) in a study dated November 2007 prepared by the Board of the Administrative Council of the European Patent Office under Article 28 EPC that "*the role of the patent system (in ethical and moral issues) is limited as a patent does not imply an official approval of the innovation, but only grants an exclusive right vis-à-vis competitors. Whether the invention may be exploited at all is dependent on laws and regulations outside the patent field.*"

For this reason, it is questionable whether there is any justification for limiting patentable subject matter on ethical grounds by way of exclusions in patent legislation.

Question 4 – Ethical effect of inherent patentability test

What would be the ethical consequences of imposing or removing limits on patentable subject matter? Are you aware of any examples of such consequences?

These questions are beyond the general experience of members of FICPI Australia, and we have no evidence of any ethical consequences of imposing or removing limits on patentable subject matter. However, for the reasons outlined in our submission on Question 3, it seems unlikely that removing such limits will have any major ethical consequences given that the patent system is not usually a primary factor in driving public activity. Likewise, while imposing limits on patentable subject matter may have economic consequences, it is not clear to us what the ethical consequences may be.

Question 5 – Other reasons for limiting patentable subject matter

Other than economics, ethics and national security, can placing limits on inherently patentable subject matter be justified on any other grounds?

FICPI Australia is not aware of any other grounds that would justify the placing of limits on patentable subject matter.

Question 6 – Content and structure of current Australian law

Does the content of current Australian law meet the objectives of the system? Are decision makers focusing on the appropriate principles? Is the legislative structure of current law appropriate for the content? Is the current law clear to decision makers and users of the system? Does the content or structure of the current test cause you any significant problems?

Bearing in mind the NRDC decision, in our submission the current Australian law on patentable subject matter maintains the correct degree of flexibility to accommodate future innovation and adequate clarity. NRDC makes a clear distinction between industrial, commercial or trading developments that are part of the useful arts, and therefore susceptible of patent protection, and developments that belong to the fine arts. Such industrial, commercial or trading developments are required by NRDC to have economic significance and provide a new or useful effect to be patentable subject matter. This contrasts with the law in other jurisdictions, such as Europe, where the

same flexibility is not available. Thus, in the view of FICPI Australia, current Australian law "does meet the objectives of the system".

As with all legislation, occasional misadventures occur with the necessary interpretation, but these are invariably realigned or resolved after a short period. In our view the full Federal Court decision in *Grant v Commissioner of Patents* [2006] FCAFC 120 establishes an appropriate balance in the question of inherent patentability of business systems. Overall, therefore, we are of the view that the content or structure of the current test does not cause significant problems.

Question 7– Issues with current Australian law

Do you have any comments on issues A to H identified in Part 11.3.1?

- Combination of flexible and proscriptive tests

In a general sense, we believe the combination of the flexible NRDC test and proscriptive tests for specific subject matter can work well. However, such a combination of tests is only effective if there is a considered and proper basis for excluding the proscribed subject matter. It is not clear there is such a considered and proper basis for all of the currently proscribed subject matter, for example mere admixtures of food and medicine, applications containing a person's name, the exclusion of plant and animal subject matter from innovation patents.

- Value of existing body of case law

The value of the existing body of case law on patentable subject matter is considered immeasurable, particularly the NRDC decision but also subsequent decisions relating to specific subject matter. As noted above, the occasional misadventures in interpretation of the law are usually resolved without undue delay.

- General inconvenience, mischievous to the state and hurt of trade

The existence of *Anaesthetic Supplies Pty Ltd v Rescare Ltd* (1994)28 IPR 383 suggests to us that the "general inconvenience" element of the manner of manufacture test is not dormant, although we agree that it is rarely used. It would seem to be appropriate that this element of the test is rarely used since its application by the courts must invariably be a relatively subjective consideration of whether the grant of the patent in suit will create a burden that is not in the public interest. In general, we accept that the "general inconvenience" element of the manner of manufacture test should be retained for use by the judiciary as a tool of last resort.

- Archaic language

There is little doubt that the manner of manufacture test does use archaic language, and it is possible that this language "may impede all users of the system from properly understanding and correctly applying" the test. Nevertheless, the test in combination with NRDC has resulted in relatively few instances in which the issue of manner of

manufacture has arisen. Thus, overall, in our view the archaic language has not hindered the application of the test.

It is not necessary for all users of the system to understand and correctly apply the test. The Patents Act 1990 was allegedly written using plain English, but this has not resulted in all users of the system being able to understand it and has not removed ambiguities that need to be resolved by the courts.

Changing the language would result in the existing important body of case law being made redundant and would risk introducing new ambiguities for which there is no case law. We believe this is to be avoided at all costs.

- *Threshold of inventiveness*

Threshold of inventiveness appears to have been a perceived anomaly that arose inadvertently from past legislative change, and perhaps illustrates the dangers that can arise in amending legislation. The perception of there being a threshold of inventiveness test reached its zenith in the High Court decision in *Philips v Mirabella – NV Philips Gloelampenfabrieken and Another v Mirabella International Pty Ltd (1995) 132 ALR 117*. The test was based on the disclosure by the patentee in the specification in suit.

As noted in our submission on Question 6, occasional misadventures do occur in the interpretation of the law, but these are invariably realigned. In our view, the misadventure on threshold of inventiveness has clearly been realigned by the High Court in *Lockwood v Doric – Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (2007) 235 ALR 202*. *Lockwood v Doric* affirmed that the court is entitled to take account of statements in the patent specification in suit in determining inventive step issues, but only in the context of all of the evidence before it. Thus, following *Lockwood v Doric*, we believe it is now clear that there is no separate threshold of inventiveness test, at least based on the disclosure in the specification in suit.

- *Threshold of utility*

It is interesting that this issue is identified as "threshold of utility". As noted at 7.2.6 of ACIP's Issues Paper, "*the criteria of 'usefulness' in s18(1)(c) has been found by the courts to be equivalent to the previous ground of invalidity in common and statute law of lack of utility. That is, an invention lacks usefulness if it does not fulfil its promise*". The 'useful' test in section 18(1)(c) is therefore the purely internal one of whether the embodiments of the invention, or some of them, described in the patent specification satisfy any promise made for them in the specification. FICPI Australia does not consider this utility test, as it is usually known, to be one of the issues properly under review by the Issues Paper, and would not support any change.

The discussion of this issue under 11.3.1 of the Issues Paper, while also referring to 'utility', directs attention to Part 9.6. That Part repeats the ALRC recommendations on 'usefulness', that, *inter alia*:

- IP Australia examine and report on the usefulness of an invention as a separate requirement;
- such use must be specific, substantial and credible.

FICPI Australia does not support the ALRC proposal. 'Usefulness' in the sense intended by the ALRC is already covered by the manner of manufacture/NRDC requirement for a patentable invention to be in the useful arts, and this is considered to be sufficient for the purpose of section 18.

The test of the use being 'specific, substantial and credible' proposed by the ALRC is a subjective one, and we do not believe it is appropriate for Patent Office Examiners, skilled and capable as they are, to be instructed to examine for this requirement, even with guidelines.

We do not believe there is any acceptable more stringent test for 'usefulness' in the sense intended by the ALRC than the current (NRDC) one that can be readily applied across all innovations, and we do not support singling out particular classes of innovation to be subject to patentability tests that are not applied to other classes. Even if such a generic test could be developed, its application may require evidence to be presented in individual cases, which would not be viable at least during the examination stage of a patent application. In our view, the primary tests of patentability at the examination stage should continue to be novelty and inventiveness (or the level of innovation in the case of an innovation patent).

- Scope of rights awarded

The issue of the scope of monopoly provided for a particular invention does not in our view fall within the test of patentable subject matter. It is properly dealt with elsewhere in the patent legislation.

- Requirement for grant

FICPI Australia does not support the proposal for an expert panel to assess patentable subject matter on an as-needs basis, either pre- or post-grant. Such a body cannot be warranted in our view given that 'the great majority of patent applications clearly concern patentable subject matter' and a different expert panel would be required according to the field of each invention on the very few occasions when the issue of patentable subject matter does arise.

We are not aware of the adoption of such an expert panel in any other jurisdiction, and we believe that on the few occasions when the issue does arise it is better left to the courts, or the Patent Office in opposition proceedings, when appropriate expert evidence can be presented.

Question 8 – International integration

Is it more important to achieve best practice or to harmonise with a major jurisdiction? Are any jurisdictions preferable over others?

Australia's test for patentable subject matter must satisfy all international obligations. Subject to this, we do not see a need to adopt any other country's or region's less than perfect test for patentable subject matter. Australia's test sits somewhere between the relative freedom of the US test and the restricted, proscriptive approach of Europe. If consideration were given to harmonising our test, which of these vastly different approaches should be adopted? We would argue strongly against the unsatisfactory European approach, but adopting either would clearly lead us away from the other approach, and the aim of harmonising would therefore not be achieved.

FICPI Australia has not seen any evidence that adopting US law, for example, on patentable subject matter may benefit trade and investment for Australia. Furthermore, reducing costs for patent applicants, if that is the outcome (or even a desirable outcome) of harmonisation, does not necessarily increase public access to new technologies. Rather, if reducing costs increases the level of patenting, physical access to the patented technology may be temporarily restricted more, by the patent monopoly. Information on the new technology will be available to the public whether or not the technology is patented in Australia, by way of the publication of patent applications elsewhere.

We are therefore of the view that Australia should continue to aim for world's best practice with a system that is as unique as it needs to be to achieve this. If harmonisation of the test for patentable subject matter is seen as a desirable outcome, Australia should push other countries and regions to adopt its own world's best middle-ground practice.

Question 9 – International compliance of current Australian law

Is current Australian law compliant with our international obligations?

FICPI Australia has no additional comments to those in IPTA's submissions of 19 September 2008.

Question 10 – Preferred patentable subject matter

According to what you believe are the appropriate objectives and constraints of the patent system, what sorts of subject matters do you think should be inherently patentable and what should not? Would your preferred content be compliant with Australia's international obligations?

FICPI Australia does not have a single view on particular sorts of subject matter that should and should not be inherently patentable. It would need to survey its members to acquire such information, which would then by necessity be presented as personal opinions. At a general level, as noted above, the manner of manufacture test as construed in NRDC satisfactorily identifies the content of patentable subject matter.

Question 11 – Legislative structure

What sort of legislative structure would be appropriate to achieve your preferred content identified in Question 10? Are any foreign structures preferred? In principle, when should statutory provisions excluding specific subject matters be used? Should such provisions be expanded, such as by including the exceptions from patentability allowed under TRIPS?

This question is answered in our submissions on Question 10 and earlier questions. We believe that there should be no additional exceptions to patentability in Australian patent law.

Question 12

Do you have any other comments?

No

I trust you will find this submission to be of value. We would be happy to answer any questions you may have and to attend further discussions if these would be useful.

Yours sincerely,
FICPI AUSTRALIA

A handwritten signature in black ink, appearing to read 'P. Huntsman', with a long horizontal flourish extending to the right.

PETER HUNTSMAN
President