



# **IP Australia's Public Consultation Papers**

**August 2017**

**Submissions by AIPPI Australia  
(IP Australia Paper 1)**

## Contents

- 1.** Background
- 2.** About AIPPI
- 3.** PART 1 - INVENTIVE STEP
- 4.** AIPPI Resolution
- 5.** Existing status of inventive step law in Australia
- 6.** Response to Part 1 questions P1 to P3
  - 6.1** P1 Which options under Part 1 do you prefer and why?
  - 6.2** P2 What are other possible benefits and disadvantages of options under each part, including any unintended consequences?
  - 6.3** P3 Are there any other better options that have not been considered?
- 7.** Part 2: TECHNICAL FEATURES
- 8.** Questions for consultation
  - 8.1** P1 Which options under Part 2 do you prefer and why?
  - 8.2** P2 What are other possible benefits and disadvantages of options under each part, including any unintended consequences
  - 8.3** P3 Are there any other better options that have not been considered?
  - 8.4** P4 Should Option IS-3 as proposed under Part 1 (inventive step) also include amendments to the grounds to re-examine or to oppose grant of standard patents? Are there any other implications not considered?
  - 8.5** P5 Does your preferred option under Part 2 (technical features) depend on the option that is chosen for Part 1 (inventive step)? If so, please explain

- 8.6** P6 As noted above, for the purposes of novelty, the Commissioner already disregards features that do not materially affect the way the invention works. Do you foresee any problems with maintaining this approach?

### **Acknowledgement**

AIPPI is grateful for the assistance of Peter Franke, Clare Cunliffe and Damon Henshaw for their contributions to the preparation of Part 1 of this submission.

AIPPI is grateful for the assistance of John Dower, Manuel Schmidt, Richard Brown and Damon Henshaw for their contributions to the preparation of Part 2 of this submission.

## **1. BACKGROUND**

We write in response to the public consultation document dated August 2017. We are writing to comment upon the options presented.

## **2. ABOUT AIPPI**

AIPPI is the world's leading international organisation dedicated to the development and improvement of intellectual property, formed 120 years ago. It is a politically neutral, non-profit organisation, with its headquarters in Switzerland, having more than 9000 members in more than 100 countries. The members of AIPPI are actively interested in the intellectual property protection on a national or international level. They include lawyers, patent attorneys, trade mark attorneys, judges, academics, scientists and engineers.

The objective of AIPPI is to improve and promote the protection of intellectual property on an international and national basis. AIPPI pursues this objective by working for the development, expansion and improvement of international and regional treaties and agreements and by reviewing national laws relating to intellectual property. AIPPI operates by conducting studies of existing national laws and proposing measures to achieve harmonisation of these laws on an international basis. These measures are embodied in resolutions approved by the Executive Committee, after consultation and debate within our membership.

## **3. PART 1 - INVENTIVE STEP**

IP Australia has presented three options for comment, namely IS-1, IS-2 and IS-3. In considering which option is preferred, it is appropriate to note AIPPI has already adopted a resolution relating to a definition and various tests for inventive step.

## **4. AIPPI RESOLUTION**

In 2011, AIPPI undertook a program of study relating specifically to 'The patentability criterion of inventive step / non-obviousness'. This study posed a series of common questions to each national group, in order to understand their existing law, and to elicit proposals for harmonisation. Reports were received from 41 national groups, representing a wide variety of national approaches to inventive step.

The summary report (including the resolution) is available at:

<http://aippi.org/wp-content/uploads/committees/217/SR217English.pdf>.

In view of those Reports, AIPPI adopted the following resolution on the patentability criterion of inventive step:

*1) There should be a common definition of inventive step / non-obviousness accepted across all jurisdictions worldwide.*

*2) A claimed invention shall be considered to involve an inventive step ("be nonobvious"), if, having regard to the differences between the claimed invention and the prior art, the claimed invention as a whole would not have been obvious to a person skilled in the art at the filing date or, where priority is claimed, the priority date, of the application claiming the invention.*

*3) In all administrative and judicial proceedings within a relevant jurisdiction, the definition of inventive step / non-obviousness should be applied in a consistent and uniform manner.*

*4) For evaluating inventive step / non-obviousness, the following framework is useful:*

*a) Identify the relevant prior art bearing in mind the nature of the invention;*

*b) Identify the difference(s) that distinguish the claimed invention from the relevant prior art; and*

*c) Consider whether or not it would have been obvious for a person skilled in the art to have modified the relevant prior art to obtain the invention as a whole based on factors such as, but not limited to, common general knowledge, disclosures in the prior art, the technical problem to be solved and/or technical effects.*

*5) When evaluating inventive step / non-obviousness of the claimed invention:*

*a) the prior art should be interpreted as understood by the person skilled in the art; and*

*b) a prior art reference should be interpreted in the context of the reference as a whole.*

*6.a) Lack of inventive step / obviousness of a claimed invention may be shown over a single prior art reference missing one or more elements of the claimed invention, if such one or more elements were within the common general knowledge of a person skilled in the art.*

*6. b) Two or more prior art references may be combined to prove lack of inventive step/obviousness. A reason to combine the references is required, but does not need to be explicit or implicit in the references. The reason to combine the references may come, for instance, from the common general knowledge of the person skilled in the art, from consideration of the problem to be solved by the invention, or from the closeness of the art.*

*7) Hindsight should not be used in evaluating whether it would have been obvious for a person skilled in the art to have modified the relevant prior art to obtain the invention.*

*8) The closeness of the technical field of the invention and the technical field of the prior art is relevant to the inventive step / non-obviousness inquiry.*

*The nature of the invention may permit consideration of prior art in fields not as close to the invention or not as close to the other prior art references.*

*9) Technical effects or advantageous results may be considered in determining inventive step / non-obviousness. The effects or results relied upon should be included in, or at least derivable from, the application as filed.*

*Data submitted later as well as data included in the application as filed should be considered as evidence of such technical effects or advantageous results during the inventive step / non-obviousness inquiry.*

*10) Evidence of secondary considerations may be considered to support the inventive step / non-obviousness of an invention.*

*Such secondary considerations may include unexpected / surprising or advantageous technical effects or results, evidence of commercial success, satisfaction of a long-felt need or unsolved problem, failure of others, copying by competitors, wide-spread licensing and overcoming technical skepticism.*

*A close connection between the claimed invention and the secondary considerations is required.*

*11) Examination guidelines for determining inventive step / non-obviousness should be established by national and regional patent offices. The guidelines may be helpful to examiners and applicants in order that examinations may be conducted in a fair, consistent, reasonable and efficient manner.*

*Such guidelines should be publicly available and explain the application of relevant laws and the procedural and analytical framework under which the inventions are examined.*

We submit that the final resolution provides solid international consensus on the elements that should be analysed in assessing inventive step, the matters which should be taken into account, and a very clear and simple test expressed in clause 2 of the resolution of the summary report (on pages 2-3):

*'A claimed invention shall be considered to involve an inventive step ("be nonobvious"), if, having regard to the differences between the claimed invention and the prior art, the claimed invention as a whole would not have been obvious to a person skilled in the art at the filing date or, where priority is claimed, the priority date, of the application claiming the invention.'*

## **5. EXISTING STATUS OF INVENTIVE STEP LAW IN AUSTRALIA**

As practitioners, some of whom are confronted with assessing inventive step prospectively on a daily basis, we are acutely aware of the present state of inventive step law.

We are conscious that IP Australia's proposals are in response to the Productivity Commission(PC) report and the Australian Government's response to that report.

However, we would like to note at the outset that, in our view, further amendment of substantive patent law at this stage is premature. The Raising the Bar (RTB) amendments were effected after a very extensive program of public consultation, and indeed specifically included reforms to bring Australian law closer to the EPC/EPO approach to inventive step.

The RTB amendments made significant changes to the law of inventive step and are in force, but have yet to be considered by the Federal Court. In light of those facts, AIPPI submits that it is impossible to conclude with any certainty how these amendments will affect assessment of inventive step. Certainly, the consensus of commentary is that the RTB amendments will make it easier to establish a lack of inventive step (and therefore to invalidate a patent), which is also the intention of the PC recommendations.

It is also worth noting that this provision has been the subject of serial amendments, so that the law of inventive step relating to current Australian patents already has several tests which will apply, depending on the age of the patents. The proposal would add another test.

In light of these matters, we do not consider that it is good policy to effect a further amendment to the law of inventive step, and add another inventive step test before the RTB amendments have received judicial consideration.

## **6. RESPONSE TO PART 1 QUESTIONS P1 TO P3**

### **6.1.**

#### **P1 WHICH OPTIONS UNDER PART 1 DO YOU PREFER AND WHY?**

Our preference is for option IS-1 in relation to inventive step. This proposal results in a minimum of changes to the legislation, and is clearer than the existing convoluted language.

We do not favour rejecting the 'scintilla' of invention concept. As explained in the paper, this is merely a way of expressing that inventiveness is a threshold. Once it is passed, it is passed, and the extent by which it is exceeded is not material. If the claims do not meet the test, that is enough. We consider that it is undesirable to seek to specify the measure of the inventiveness of a claim. We note that this approach has been comprehensively rejected by case law here and internationally.

Rather than elaborate statements in the explanatory memorandum, we would suggest that guidelines for examination, which reflect the range of factors relevant to assessment of inventive step, be established in consultation with stakeholders, and be published in the Patent Examiner's Manual. These can more effectively address issues such as the process for assessing prior art, the appropriateness of combining prior art, considerations for the decision maker in determining whether or not a claim is obvious, and related matters. These factors can be seen from, for example, the resolution referenced above.

We think that it is preferable that factors are reflected in the guidelines which will be persuasive in court proceedings, but not a formal set of rules binding the courts. We note that this is the case in Europe – national courts are not bound to apply the EPO guidelines, but they provide them with a degree of deference.

### **6.2**

#### **P2 What are other possible benefits and disadvantages of options under each part, including any unintended consequences?**

Given that there is no intention to change the scope of the prior art base, we consider that Option 2 is undesirable. We consider that practitioners in the field understand the meaning of the existing sections, and amending the definition runs the risk of inadvertently introducing a change in the meaning.

We also consider that it is very undesirable to introduce language into the explanatory memorandum that mandates or attempts to mandate the problem and solution approach. As the High Court explained in Lockwood



Security Products Pty Ltd v Doric Products Pty Ltd [2007] HCA 21; 235 CLR 173 at [65], although the problem and solution approach is generally helpful, there are circumstances in which it is inappropriate, particularly where the circumstances are that no skilled person in the art called to give evidence had thought of a general idea or general method of solving a known difficulty with respect to a known product, as at the priority date.

We consider it is appropriate for the Courts and the examiners manual to have discretion in this regard.

We consider that Option 3 is undesirable. We refer to and repeat our submissions in relation to the technical problem issue. We note that Option 3 will also have the (highly undesirable) effect that the Courts and the Patent Office are applying different criteria in assessing inventive step.

We consider Option 4 is very undesirable. As we have explained in relation to Option 2, we consider (and many Courts, including the High Court, have recognised) that it is not always appropriate to apply a problem-solution approach to assessing inventive step. It should certainly not be adopted at the legislative test.

### **6.3**

#### **P3 Are there any other better options that have not been considered?**

As explained above, our preference would be not to amend the Patents Act 1990 (Cth) in relation to inventive step until the RTB amendments have received judicial consideration. Once we have judicial consideration of the new provisions (preferably from an appellate court or higher), it will be possible to make an assessment of whether these amendments have succeeded in bringing Australia closer to the European approach without the need for further amendment.

## **7**

### **Part 2: Technical Features**

IP Australia has presented three options for comment:

- Option TF-1: Assessment by examiner through modified claim requirements
- Option TF-2: Assessment by examiner through inventive step requirements
- Option TF-3: Assessment by examiner through a separate document requirement

AIPPI is resistant to any requirement for technical features to be separately

identified.

With reference to the above AIPPI resolution on inventive step, it is noted paragraph 2 refers to an assessment of inventive step being made "...having regard to the *differences* between the claimed invention and the prior art..." [emphasis added].

Those differences may not necessarily be technical features, as such.

It is also noted the European Patent Office (EPO) guidelines acknowledge non-technical features can contribute to the technical character of the invention. In particular:

"When assessing the inventive step of such a mixed-type invention, all those features which contribute to the technical character of the invention are taken into account. These also include the **features which, when taken in isolation, are non-technical, but do, in the context of the invention, contribute to producing a technical effect** serving a technical purpose, thereby contributing to the technical character of the invention."

The relevant EPO guideline is here:

[http://www.epo.org/law-practice/legal-texts/html/guidelines/e/g\\_vii\\_5\\_4.htm](http://www.epo.org/law-practice/legal-texts/html/guidelines/e/g_vii_5_4.htm)

Nevertheless, if identification of technical features is to be a requirement, option TF-2 is preferred.

## **8. Questions for consultation**

### **8.1**

#### **P1 Which options under Part 2 do you prefer and why?**

Option TF-2 is preferred as no legislative change is needed. The Applicant is instead required to identify technical features of the invention only in the event the examiner is unable to do so under the inventive step test. However current practice already allows examiners to request identification of the technical features, as part of the long established manner of manufacture test. An extension to identification of technical features for assessing inventive step could be implemented, though as noted below this change is undesirable for a number of reasons.

Option TF-1 - amending section 40 under this option is highly undesirable. The legislative change is not reflected in Europe or any other jurisdiction and may be contrary to Australia's international obligations under TRIPS.

Option TF-3 - this option imposes a burdensome requirement on all

applicants for every application to provide a separate document identifying the technical features of the invention. A similar requirement does not exist in Europe or anywhere else in the world. This option would also be contrary to the expressed desire of the PC to impose a “smaller red tape burden on applicants”, and would be costly and inconvenient to patent applicants without any clear benefit.

## 8.2

### **P2 What are other possible benefits and disadvantages of options under each part, including any unintended consequences**

Option TF-1 would introduce a new requirement to Section 40, that the claims identify technical features. As a result, Section 40 would include an entirely new and untested potential ground of invalidity, out of step with other jurisdictions, leading to uncertainty in the patents system and possible loss of rights.

The relationship between the technical features requirement under TF-1 and the treatment of technical features used to assess manner of manufacture requirements under Section 18 would also be unclear.

The long line of case law, commencing with NRDC, could be disturbed along with the primary and clear role of manner of manufacture. The role of cases on manner of manufacture, include *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 and *Commissioner of Patents v RPL Central Pty Ltd* [2015] FCAFC 177.

The current lauded flexibility of the common law approach to patentable subject matter may be reduced by this option. It is quite likely that inventions that are high value and contribute to society (such as the weed killing method in NRDC) would likely not survive under the new statutory requirement. This would be seen as a highly negative outcome in our patent law, with an impact on local as well as foreign applicants.

Although preferred of the three, Option TF-2 has the affect of expanding the technical feature enquiry to inventive step considerations which may confuse the established doctrines of manner of manufacture and inventive step. As indicated above, non-technical features may in some instances contribute to inventive step or invention may reside in the technical nature of the invention, as opposed to specific technical features.

As such, an assessment of differences between a claimed invention and the prior art is potentially better suited to determining inventive step and identification of technical features might instead be confined to assessments of manner of manufacture.

Section 2.9.2.7 of the examiner's manual sets out a number of

considerations used when determining whether or not an invention is a manner of manufacture, including whether the contribution of the claimed invention is technical in nature, and whether the invention solves a technical problem within the computer or outside the computer or whether it results in an improvement in the functioning of the computer, irrespective of the data being processed.

Examiners ask these and similar questions of applicants, to assess whether as a matter of substance the invention is a manner of manufacture or not. This enquiry falls squarely under manner of manufacture and not as part of the enquiry into inventive step. Section 2.9.2.2 of the EM clearly sets out the distinction between novelty and inventive step on the one hand and the (technical) nature of the invention on the other hand.

“Put another way, manner of manufacture assesses whether the contribution of the invention is directed to the “type” or “nature” of subject matter that should attract patent protection, whereas novelty and inventive step assess whether the contribution is “significant enough” or “whether the degree of contribution sufficiently advances the art” when compared to the prior art. Similar understanding has been applied by UK authority in *Lantana Limited v The Comptroller General of Patents, Design and Trade Marks* [2014] EWCA Civ 1463 (*Lantana*), where it was noted by Kitchin L.J that:

‘There is no inconsistency between an acceptance that an invention embodied in a claim is new and inventive and a finding that the contribution it makes falls solely within excluded subject matter. The former requires a consideration of the claimed invention and an assessment of whether it forms part of the state of the art or is merely an obvious step. The latter requires consideration of whether the contribution made by the invention falls solely within one or more of the exceptions to patentability.’”

There is no reason to disturb this long established distinction. In particular, developing the law in this way, by maintaining the separate lines of enquiry, will preserve the flexibility to recognize new fields of technology as patentable subject matter under section 6 of the Statute of Monopolies – see in particular to *D’Arcy v Myriad Genetics Inc* [2015] HCA 35. The merging of the two lines of enquiry will in contrast add to uncertainty, reduce flexibility and may compromise a well developed and clear line of case law which has adapted well to advances in technology.

Any concerns that the PC may have had in relation to low value patents being issued under the current patentability requirements may be answered by the 13 most recent decisions of the Patent Office on manner of manufacture; not one application has proceeded to allowance.

### 8.3

#### **P3 Are there any other better options that have not been considered?**

It is acknowledged the introduction of a requirement for applicants to identify technical features is aimed at adopting the approach taken by the European Patent Office.

However, the current practice of IP Australia in relation to patentable subject matter is based on the *Aerotel* decision (*Aerotel v Telco and Macrossan's Application* [2006] EWCA Civ 1371). It is important to note that the Board of Appeal of the EPO considers that "The "technical effect approach (with the rider)" applied in the *Aerotel/Macrossan* judgment is irreconcilable with the European Patent Convention" (T 154/04, at 13).

This clearly shows that there is a tension between the UK *Aerotel* test and the EPO test for inventive step. The suggested changes would result in both tests being used under Australian law which would readily import the tension between the UK Court of Appeals and the EPO Board of Appeals into a single jurisdiction. The outcome would be highly undesirable and create significant friction going forward. In particular, it would typically take more than five years for cases to reach the courts to clarify the matter and during those five years Australian applicants would be faced with significant insecurity and no trust in their patent system.

Adding to the confusion that such a change would elicit, it should further be noted that the Australian Full Court in *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150 (10 November 2014) recognised the divergence in approach at paragraph 33 below, and noted that the approach is not relevant to Australian law.

33. As an appendix to the decision in *Aerotel*, Jacob LJ analysed the case law in the UK and in Europe. Some of the divergence in approach between the Board and the UK courts seems to stem from the Board's consideration of inventive step in the context of patentability. That approach is not relevant to Australian law. However, that discussion shows the difficulty that courts have had in grappling with the patentability of computer programs, the use of computers and business methods.

It should also be noted that the most recent Raising the Bar amendments have not yet had the benefit of full consideration by the Courts, and the Patent Office has only just started issuing decisions under the new Raising the bar regime.

The introduction of new legislation when the most recent amendments have not had time to bed down and receive judicial consideration would it is submitted have the effect of increasing uncertainty and adding to the complexity of a legislative framework which is currently dealing with patents under three different regimes governing the already complex areas of patent validity, including inventive step and prior art base. This is yet another reason why still further major adjustments to the validity bar are undesirable, especially when the current height of the bar has not been fully determined. If adjustments are to be made before the effects of the previous amendments have worked their way through the system it is desirable that they such adjustments are relatively minor and not in the form of a major overhaul as currently proposed.

In light of the above and to avoid conflict between the separate consideration and treatment of technical features for manner of manufacture and inventive step requirements, a suggested alternative option is to make no changes to the current legislation or examiner's practice guidelines.

#### **8.4**

**P4 Should Option IS-3 as proposed under Part 1 (inventive step) also include amendments to the grounds to re-examine or to oppose grant of standard patents? Are there any other implications not considered?**

Option IS-3 is not AIPPI's preferred option.

#### **8.5**

**P5 Does your preferred option under Part 2 (technical features) depend on the option that is chosen for Part 1 (inventive step)? If so, please explain**

The preferred option under Part 2 does not depend on the option chosen for Part 1.

#### **8.6**

**P6 As noted above, for the purposes of novelty, the Commissioner already disregards features that do not materially affect the way the invention works. Do you foresee any problems with maintaining this approach?**

No.