SUBMISSION TO IP AUSTRALIA

Consultation on Exposure Draft Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2018

31 August 2018

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1. INTRODUCTION AND SUMMARY

This submission is made in response to the invitation from IP Australia to provide comments on the Exposure Draft of the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Bill 2018.

The submission addresses only the proposed amendments to subsection 7(2), and proposed new subsection 7B(2), of the Patents Act 1990 (‘the Act’). The stated purpose of these amendments is to further raise the inventive step threshold, and in particular to achieve parity with the highest threshold among Australia’s major technology trading partners. I am concerned that the draft provisions will not achieve this objective in their present form.

In particular, it is my view that the proposed provisions include at least two elements that are absent from the laws in jurisdictions with the highest inventive step thresholds, and which are likely to perpetuate a lower threshold in Australia. These are:

- a requirement to establish (in practice, by evidence) that a skilled person could ‘be reasonably expected to have combined’ information from two or more sources of prior art information, before such a combination can be considered for the purpose of assessing obviousness; and
- a special status for prior art information that can (again, in practice, by evidence) be shown to form part of the ‘common general knowledge’ that continues a problematic approach to assessing obviousness that predates the 1990 Act.

I believe that a better approach would be to adopt a simpler and more flexible definition of ‘prior art base’ in proposed subsection 7B(2) based, for example, upon the definition in Article 54(2) of the European Patent Convention.

2. PREVIOUS SUBMISSION

I previously made an extensive submission (dated 17 November 2017) in response to the earlier invitation from IP Australia to provide feedback on options for implementing the Australian Government’s response to Recommendations 7.2 and 7.3 of the Productivity Commission (PC) Inquiry into Australia’s intellectual property arrangements that relate to the inventive step for patents.

It is unnecessary to repeat the reasoning and evidence presented in my previous submission. However, I do wish to reiterate, in relevant part, the conclusion at which I arrived in Section 7 of that submission, under the heading ‘Inventive Step Summary: Principles for Reform’:
Amendment of the *Patents Act 1990* to raise the standard of inventive step, in the spirit of the PC’s Recommendation 7.2, should take account of the experience in Australia and elsewhere, and embody the principle that ‘less is more’. In particular, where specific approaches have been enshrined in legislation, or imposed by courts or rule-making authorities, the result has invariably been that a lower, rather than higher, standard of inventiveness is required for a valid patent.

3. **PURPOSE OF PROPOSED AMENDMENT**

The express purpose of the proposed subsections 7(2) and 7B(2) of the Act is to implement Recommendation 7.2 of the Productivity Commission’s 2016 *Intellectual Property Arrangements* report (‘PC Report’). This recommendation, which was accepted by the Government, and the reasoning behind it, is characterised in the Draft Explanatory Memorandum as follows:

The PC considered that the inventive step threshold, at a minimum, should meet the highest threshold set by any country with which Australia conducts substantial technology trade. The PC noted that the inventive step threshold adopted by the European Patent Office (EPO) is more effective at filtering out low-value patents than the thresholds used by other patent offices in other large markets for technology. The PC recommended that Australia raise its inventive step threshold by adopting the EPO approach. (Citations omitted.)

4. **COMPARISON OF PROPOSED PROVISIONS WITH THE EPC**

For the reasons set out in my previous submissions, and summarised in the passage from those submissions quoted above, I am concerned that the proposed amendments to the Act will not achieve the objective of meeting the highest threshold for inventive step set by any country with which Australia conducts substantial technology trade, or the European standard specifically. In my view, the primary problem is that the proposed subsection 7B(2) retains a number of problematic prescriptive features of the existing legislation. Specifically, the subsection defines ‘prior art base’, for the purposes of subsection 7(2), in the following terms:

(2) In relation to deciding whether an invention does or does not involve an inventive step, *prior art base* means:

(a) information in a document that is publicly available, whether in or out of the patent area; and

(b) information made publicly available through doing an act, whether in or out of the patent area; and

(c) a combination of any 2 or more pieces of information mentioned in paragraph (a) or (b) that a person skilled in
the relevant art could, before the priority date of the relevant claim, be reasonably expected to have combined; and

(d) information that is common general knowledge (whether in or out of the patent area), whether that information is considered separately or together with the information mentioned in paragraph (a), (b) or (c).

By way of comparison, the analogous provision of the European Patent Convention (EPC) is Article 54(2), which states that:

The state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application.

5. ADDITIONAL ‘HURDLE’ TO COMBINING DOCUMENTS

As an initial matter, I note that the ‘prior art base’, as defined by proposed subsection 7B(2), appears to be less extensive than the ‘state of the art’, as defined by Article 54(2) EPC. While paragraphs 7B(2)(a) and (b) broadly cover anything made available to the public by way of a written description, or by use, there is no general equivalent in the proposed provision of information made available ‘by means of … oral description, … or in any other way’, except to the extent that these may be encompassed by ‘doing an act’.

More substantively, however, paragraph 7B(2)(c) establishes an additional ‘hurdle’ to combining information within the prior art base that is simply not present in the European legislation. Specifically, the proposed provision requires a decision-maker to follow a two-step process, first assessing whether or not it would be reasonable to expect the skilled person to have combined the information, as a prerequisite to considering, under proposed subsection 7(2), whether or not the invention involves an inventive step when compared with the combination. As under paragraph 7(3)(b) of the existing legislation, the question of whether or not the skilled person could ‘be reasonably expected to have combined’ the information will remain a factual enquiry, subject to evidence adduced by the parties to any dispute.

This is a qualitatively different approach to that taken in most other jurisdictions including, as I pointed out in my earlier submissions, the UK, US, and New Zealand, where the question of whether, and in what manner, the skilled person would combine information from different prior art sources is generally subsumed into the obviousness analysis.

As a basic matter of interpretation, ‘reasonable’ is not a synonym for ‘obvious’. Expert evidence on ‘reasonableness’ of an alleged combination could well differ
from, and thus be additional to, expert evidence on matters relating to ‘obviousness’. As a result, the standard for combining information is likely to be different, as it is under the existing legislation, from the standard of obviousness. Certainly, the ‘reasonableness’ test will remain a distinct and additional requirement that is simply not present in the laws of other jurisdictions.

6. PERPETUATING A UNIQUE ROLE FOR CGK

I am also concerned about the proposed displacement of the role of common general knowledge (CGK) from subsection 7(2) of the existing legislation to proposed paragraph 7B(2)(d).

Section 7(2) currently addresses the question of whether the claimed invention ‘would have been obvious to a person skilled in the relevant art in the light of the common general knowledge ... whether that knowledge is considered separately or together with the information mentioned in subsection (3)’. The role of CGK in this provision is twofold. Firstly, it provides the common background knowledge that the skilled person brings to the obviousness inquiry (i.e. ‘in the light of the common general knowledge’), including in relation to such matters as construction of the patent specification and relevant prior art documents. Secondly, it provides a notionally ‘additional’ source of prior art information that may be ‘considered separately or together with’ other sources of information.

As section 7 was originally enacted in the 1990 Act, the second role of CGK noted above was the more important of the two, because subsection 7(3) permitted the addition of only a single further source of prior art information. Consequently, it was common shorthand for IP practitioners to refer to ‘CGK’ and ‘CGK+1’ as the two distinct bases for assessing obviousness.

However, with the ability to combine information from multiple prior art sources, this function of the CGK is significantly reduced in importance. As a general proposition, there should be no information available as CGK that is not also available within the prior art base in the form of publicly available documents and/or acts. Indeed, it is common for information to be established as CGK through provision of evidence of its presence in standard textbooks, commonly-read technical journals or other trade publications, course contents or teaching materials of tertiary or other training courses commonly required of persons skilled in the relevant art, and/or other similarly widely-used sources. There will, accordingly, be no information brought into consideration by the proposed paragraph 7B(2)(d) that is not, in any event, available under paragraphs 7B(2)(a) and/or (b).

The primary distinction between proposed paragraphs 7B(2)(c) and 7B(2)(d), therefore, is the absence in the latter of any requirement to establish a ‘reasonable expectation’ that information in the CGK would be combined by the
skilled person. In practice, however, the case law from 3M\textsuperscript{1} onwards clearly shows that to establish the status of multiple elements of prior art information as CGK, and hence to prove obviousness over their combination, is difficult and highly evidence-intensive. This process has no equivalent in other major jurisdictions, where reliance is placed primarily upon establishing the presence of relevant information in one or more sources of prior art information, and then assessing whether the invention would be obvious to the skilled person in view of that information.

The proposed paragraph 7B(2)(d) thus reflects the most burdensome and ineffective aspect of the existing Australian law. If the reforms are to achieve their objective of aligning the test for obviousness with other major jurisdictions, and with Europe in particular, further codification of this unique element of Australian law is, in my view, precisely the wrong step to take.

Additionally, shifting the role of CGK from section 7(2) to section 7B(2)(d) arguably eliminates the first role noted above, as the common background knowledge that the skilled person brings to the obviousness inquiry. In other jurisdictions, it has not generally been necessary to refer explicitly to CGK in legislation, with this knowledge simply being inherent to the person skilled in the art (the EPC, for example, contains no reference to ‘common general knowledge’, although the case law of the Boards of Appeal clearly establish this as an important characteristic of the skilled person).

However, an express reference to CGK has been present in subsection 7(2) of the 1990 Act since its enactment. Accordingly, there is a risk that retaining this reference in proposed paragraph 7B(2)(d), while simultaneously removing it from subsection 7(2), might be seen to reflect an intention by the legislature to reduce the role of CGK, other than as a source of prior art information, such as in interpreting the prior art and assessing obviousness.

7. THE EFFECT OF EXPLANATORY MATERIALS ON STATUTORY CONSTRUCTION

The PC, in a number of its recommendations, appeared to place considerable weight on the role of explanatory materials (e.g. explanatory memoranda accompanying amendment bills).

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While I do not have any special expertise on the topic of statutory construction, I note that subsection 15AB(3) of the Acts Interpretation Act 1901 provides, inter alia, that:

(3) In determining whether consideration should be given to any material in accordance with subsection (1), or in considering the weight to be given to any such material, regard shall be had, in addition to any other relevant matters, to:
(a) the desirability of persons being able to rely on the ordinary meaning conveyed by the text of the provision taking into account its context in the Act and the purpose or object underlying the Act ...

As discussed above, I consider that the ‘ordinary meaning’ of proposed subsection 7B(2) requires an assessment of whether the skilled person could be ‘reasonably expected’ to combine prior art information that is distinct from, and potentially additional to, whether or not the combination is obvious, or renders a claimed invention obvious. Furthermore, by its plain terms the subsection encourages separate identification and special treatment of common general knowledge that perpetuates the unique and undesirable aspect of Australian law introduced by 3M, and runs directly counter to the stated intention of aligning the law of obviousness with the highest global standards, and in particular with that of the EPC.

In view of the common law approach to statutory construction, and the permissive nature of section 15AB of the Acts Interpretation Act 1901, I believe that it would be unwise to rely upon a discussion in the Explanatory Memorandum to the proposed bill to achieve a result that deviates in any significant manner from the prescriptive approach to the prior art base set out in plain terms in the proposed subsection 7B(2).

Certainly, when the provision comes up for consideration in future Federal Court proceedings it is to be expected that a patentee will argue forcefully that subsection 7B(2) should be construed according to its plain meaning, since such an approach is likely to be more favourable to a finding that a claimed invention is not obvious. The court in such a case could well be sympathetic to that argument, when the ordinary meaning conveyed by the text of the provision is weighed up against the content of the Explanatory Memorandum.

An alternative wording, based more closely upon Article 54(2) EPC, would be more consistent with the stated object of the amendment, and such a substantive

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change may also provide a greater justification for recourse to the Explanatory Memorandum as an aid to interpretation.

8. CONCLUSION

The law in jurisdictions having a high inventive step threshold, including Europe, permits the combination of information from multiple sources of information whenever it would have been obvious for the skilled person to do so. Whether the information forms part of the CGK, and/or whether it would be ‘reasonable’, (in addition to being ‘obvious’), for the skilled person to have made the combination, simply does not enter into the analysis.

I am concerned that the proposed provisions of subsection 7B(2) necessarily invoke both of these additional considerations and, as such, cannot and will not achieve the objective of meeting the highest threshold for inventive step set by any country with which Australia conducts substantial technology trade, or the European standard specifically. On the contrary, I am concerned that the provisions would retain key aspects of the overly-prescriptive approach to identifying and evaluating the relevant prior art base that have been the primary cause of Australia’s relatively low threshold of inventive step for over three decades.

Furthermore, I have little confidence that a discussion of the purpose of the amendments in explanatory materials would override the plain terms of proposed paragraphs 7B(2)(c) and (d) in particular, which expressly set out specific requirements that simply do not exist in the laws of other jurisdictions with high inventive step thresholds.

In my opinion, consideration should be given to replacing proposed subsection 7B(2) with a simple and flexible provision based upon Article 54(2) EPC.