Dear Ms Bailey,

We refer to the consultation Paper 1, Amending inventive step requirements for Australian patents, in particular Parts 1 and 2 and thank you for the opportunity to comment. On behalf of FPA Patent Attorneys Pty Ltd, we make the following submissions.

While the submissions focus on this paper, to the extent that the proposed introduction of an objects clause (Paper 2) affects the approach to the inquiries into inventive step and manner of manufacture, then the submissions below apply to Paper 2 as well – an objects clause should not undo or substantially disturb a more focused decision on the best approach to inventive step and patentable subject matter.

Summary

1. The inquiry into what advance over the state of the art is sufficient to support patentability should be flexible, to reflect the many different fields in which inventive development may occur. The appropriate inquiry is what is and is not obvious to the relevant skilled person. Best practice involves not placing any fetter on that inquiry.

2. If a clarification to the prior art base is to be implemented, it should be made clear that the amendment is a clarification only and that no substantive change to what is and is not present in the state of the art for the inquiry into inventive step is intended.

3. If amendment is to be made, items 1 and 2 above can be achieved via a form of option IS-2 from the Consultation Paper. The explanatory materials should identify that a purpose of any amendment is to confirm that the only correct inquiry is obviousness and to the extent any other "test" put forward in the cases has supplanted that inquiry (at least without evidence to show that the test is reflective of what is and is not obvious), then it is incorrect.

4. The best approach to commencing any inquiry into the technical features of an invention is by an examiner requesting information, rather than implementing any mandatory requirement for all patent applications. Examiners already have the ability to request, and do request, clarification from the applicant as to what makes the invention technical in relation to patentable subject matter.

5. Best practice is to maintain a clear distinction between inventive step and manner of manufacture. The inquiry into technical features is best made in the context of the inquiry into manner of manufacture, not inventive step. The already implemented and continuing development of the inquiry into patentable subject matter is evident from the numerous decisions on the issue of manner of manufacture over recent years.

6. Flexibility is also important for the inquiry into patent eligibility. This also indicates that introduction of any new requirement for technicality, whether in section 40 or otherwise, would not be in line with best practice.
Background – the objective of the amendment

The Government supported a recommendation by the Productivity Commission (PC) to amend sections 7(2) and 7(3) of the Patents Act 1990. As stated in the reasons for support, the objectives of the amendment include:

- To ensure Australia’s patent standards are consistent with international best practice, in accordance with the stated objectives of the Intellectual Property Laws Amendment (Raising the Bar) Act 2012.

- To put beyond doubt that the assessment of inventive step in Australia is consistent with the European Patent Office.

It is understood that the amendment is focused on the dividing line between what constitutes an obvious development and what constitutes an inventive development. It is also understood that the amendment does not intend to change the definitions or bounds of common general knowledge and the prior art, although it seems to have been left open whether or not an amendment should be made to simplify section 7.

It is further understood that the amendment does not intend to disturb the current definition of what is patentable subject matter, namely a “manner of manufacture” within the meaning of section 18(1)(a). In particular, there is no intention to revisit the possible exclusions to patentability to align with Europe, including exclusions for diagnostic, therapeutic and surgical methods for the treatment of humans or animals and the specific exclusions to patentability in Article 52 of the European Patent Convention.

The assessment of inventive step in Europe

While any in-depth consideration of European Patent Law is a matter for European attorneys and academics, a few matters appear to be readily apparent. The Attachment A to the options paper provides some useful guidance. Further comments on this topic are below.

The legislation

Article 56 of the European Patent Convention provides:

An invention shall be considered as involving an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art. If the state of the art also includes documents within the meaning of Article 54, paragraph 3, these documents shall not be considered in deciding whether there has been an inventive step.

Article 54 defines the state the art:

(2) 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.

(3) Additionally, the content of European patent applications as filed, the dates of filing of which are prior to the date referred to in paragraph 2 and which were published on or after that date, shall be considered as comprised in the state of the art.

(4) Paragraphs 2 and 3 shall not exclude the patentability of any substance or composition, comprised in the state of the art, for use in a method referred to in Article 53(c), provided that its use for any such method is not comprised in the state of the art.

(5) Paragraphs 2 and 3 shall also not exclude the patentability of any substance or composition referred to in paragraph 4 for any specific use in a method referred to in Article 53(c), provided that such use is not comprised in the state of the art.
The test applied

There is no suitable substitute for applying the words of Article 56 (or its relevant national implementation).

For example in MedImmune Limited v Novartis Pharmaceuticals UK Limited [2012] EWCA Civ 1234, at paragraphs 90 to 93 and 177 to 182 Lord Justice Kitchen and Lord Justice Lewison explained with reference to judgments of the courts in England and Wales and of the Boards of Appeal of the EPO:

The question is simply whether the invention is obvious. The question is not “was it obvious to try?”. It is undesirable to coin phrases for the purposes of paraphrasing the words of the Act.

In answering the statutory question, it may be appropriate to take into account whether it was obvious to try a particular route. On the other hand, there are areas of technology in which denial of patent protection through application of that test would act as a significant deterrent to research. To fetter this deterrent an enquiry by the tribunal of fact is often whether it was obvious to pursue a particular approach with a reasonable or fair expectation of success. How much of an expectation is needed depends on the particular facts of the case.

Whether a route is obvious to try is only one of potentially many relevant considerations. The question of obviousness is to be considered on the facts of each case.

The European Patent Office often applies a problem-solution approach to the question of obviousness, but it is not required to do so. For example in the Case Law of the Boards of Appeal of the European Patent Office¹ it is stated at page 162:

Although the problem and solution approach is not mandatory, its correct application facilitates the objective assessment of inventive step. The correct use of the problem and solution approach rules out an ex post facto analysis which inadmissibly makes use of knowledge of the invention (T 564/89, T 645/92, T 795/93, T 730/96 and T 631/00). In principle, therefore, the problem and solution approach is to be used; however, if exceptionally some other method is adopted, the reasons for departing from this generally approved approach should be stated.

In Generics v. Daiichi [2009] RPC 23 at [17] to [21] it is explained that the problem/solution and “obvious to try” approaches are tools, which may be useful for determining the statutory test. The English Court of Appeal also elaborated that “obvious to try” requires a fair expectation of success:

17. There is at bottom only one test, namely that posed by Art 56. of the EPC transposed into UK law by s.3 of the Patents Act 1977. Was the invention obvious to a person skilled in the art having regard to any matter which forms part of the state of the art? Judicial or patent office attempts to formulate the test in other words or to provide a formula, can be helpful, provided that one does not lose sight of the statutory question. One must not take any such other test or formula as if it were the statute – they are only tools for answering the statutory question. Adherence to any rigid formula can be a mistake.

18. In our courts we have found it helpful to approach the problem via what are now known as the Windsurfing/Pozzoli questions. They are:

(1) (a) Identify the notional “person skilled in the art”.

(b) Identify the relevant common general knowledge of that person.

(2) Identify the inventive concept of the claim in question or, if that cannot readily be done, construe it.

(3) Identify what, if any, differences exist between the matter cited as forming part of the “state of the art“ and the inventive concept of the claim or the claim as construed.

(4) Ask whether, when viewed without any knowledge of the alleged invention as claimed; do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?

19. Some have seen this as a peculiarly English test. But I do not think it is. It is no more than a structure by which the question, obvious or not, is to be approached. The first three steps do no more than put the court in the right state to answer that question. They are necessary inherent preliminary matters to be determined before one can properly set about answering the fourth question. Implicitly I think all courts (and patent offices) do and must do the same. The approach in the Windsurfing/Pozzoli way merely makes explicit that which is implicit. The value of doing this is that it makes one focus on each key element properly – just what are the attributes and knowledge of the notional skilled person, what exactly are the differences between the prior art and the invention and so on? In this case for instance it helps direct attention at the common general knowledge of the notional person skilled in the art – see below.

20. Some have suggested that Pozzoli/Windsurfing is different from the EPO’s problem/solution approach. It is not. The problem/solution approach only applies at stage four. The first three stages must be carried out at least implicitly as much for the problem/solution approach as for any other.

21. As far as the fourth question is concerned, no formula (“obvious to try” or “problem/solution”) can be a perfect substitute for the statutory test. Nonetheless a formula can sometimes be useful. Here reliance is placed on “obvious to try”. This has been considered recently by the House of Lords. In Conor v Angiotech [2008] UKHL 49. Lord Hoffmann said at [42]:

“In the Court of Appeal, Jacob LJ dealt comprehensively with the question of when an invention could be considered obvious on the ground that it was obvious to try. He correctly summarised the authorities, starting with the judgment of Diplock LJ in Johns-Manville Corporation’s Patent [1967] RPC 479, by saying that the notion of something being obvious to try was useful only in a case in which there was a fair expectation of success. How much of an expectation would be needed depended upon the particular facts of the case. As Kitchin J said in Generics (UK) Ltd v H Lundbeck A/S [2007] RPC 32, para 72:

“The question of obviousness must be considered on the facts of each case. The court must consider the weight to be attached to any particular factor in the light of all the relevant circumstances. These may include such matters as the motive to find a solution to the problem the patent addresses, the number and extent of the possible avenues of research, the effort involved in pursuing them and the expectation of success.”

The assessment of inventive step in Australia

The legislation

Section 7(2) provides:

An invention is to be taken to involve an inventive step when compared with the prior art base unless the invention would have been obvious to a person skilled in the relevant art...

Thus, both Europe and Australia provide a legislative standard of a development not being obvious to the relevant skilled person.

The test applied

Despite the substantially identical legislative test of obviousness, the PC asserted that Australia’s dividing line between obvious and inventive development was different (lower) than in Europe. The PC asserted that this was due to application of the standard.

The PC asserted that in Australia the standard of obviousness is determined based on considerations whether there is “a scintilla of invention” or whether “the skilled person would be led directly as a matter of course to try a particular approach” (see pages 222-223 of the PC Report). To the extent the PC is correct that these have been adopted as

---

2 Section 7(2) continues to define the state of the art in terms of common general knowledge and that it can be combined with prior art information as set out in Section 7(3). The dictionary provides a definition for prior art base and prior art information.
The PC interpreted *Aktiebolaget Hässle v Alphapharm Pty Limited* [2002] HCA 59 as an indication by the High Court that the UK may require more than a scintilla of invention. However, these comments were made with reference to differences as to what information is included in the state of the art in the UK as opposed to under the Australian *Patents Act* 1952. In particular, at paragraph 47 the Australian High Court notes the definition of the state of the art in the UK Act as comprising “All matter… which has at any time before the priority date of that invention been made available to the public…”. This was clearly different for the purposes of the patent the High Court was considering, which was a patent granted under the *Patents Act* 1952 (see [2002] HCA 59, paras 1, 15, 42). These are acknowledged by the High Court as being a lesser standard than under the 1990 Act (see [2002] HCA 59, para 16) and that was before the recent Raising the Bar Act changes.

With the Raising the Bar changes, there is little difference between the state of the art in Europe and the prior art base in Australia. If anything, Australia applies a broader overall prior art base, as all PCT applications are prior art for “whole of contents” novelty, but in Europe a PCT application only becomes relevant if it enters the national/regional phase.

Against that background, the following comments are made on each of the options. While each option was presented with its own guidance, in this submission the guidance is treated separately from the options.

**Option IS-1**

The intent of taking the more complex wording out of the *Patents Act* 1990 would not appear to be met simply by adopting some of the wording of the European Patent Convention for section 7(2) and repealing section 7(3).

The relevant comparison between the two pieces of legislation is the combined definition of inventive step and the prior art base considered for the purposes of the inquiry. As option IS-1 does not include a proposal to introduce a provision mirroring Article 54, it would not implement a mirror of the EPC.

Articles 54 and 56 should not be implemented in Australian law. First, Articles 54 and 56 have substantial complexity, and they cannot be read in isolation. Second, the language and terms of Article 54 are substantially different from section 7 and the definitions of prior art base and prior art information. This risks unintended change, beyond confirmation of the threshold between what is obvious and what is inventive. In particular and for example, the concerns regarding loss of clarity in the change of the law from the 1952 Act to the present provisions, which provide a higher threshold for patentability in terms of the state of the art/prior art base limb of the inquiry voiced in the options paper, appear to be valid. Also, as is apparent from the discussion above, the concern regarding the PC’s use of ‘scintilla’ also appear to be valid.

**Option IS-2**

For at least the reasons above it is far from clear whether there is a need to indicate a change in the law with respect to the test for obviousness. However, if a change is deemed necessary Option IS-2 appears the most appropriate. The explanatory materials should identify that a purpose of any amendment is to confirm the only correct inquiry is obviousness. The explanatory materials can also explain that to the extent any other “test” has supplanted that inquiry, then that approach is incorrect. In particular, if a question such the Cripps question is to be asked, the decider of fact should first decide, on balance, whether that question is relevant to considering what is and is not obvious.

While the existing legislative provisions on the bounds of the state of the art relevant for determining inventive step are well understood by Australian Patent attorneys and others with experience of the Australian patent system, the dual terms prior art base and prior art information may be unnecessary and create some complexity. This may make an understanding of the legislation less accessible to the public, including for example self-represented patent applicants. The proposed amendment to simplify this into a single wider definition of prior art base appears to be beneficial for that reason. To avoid...
uncertainty any implementation should make it clear that no change is intended to what is considered prior art and what is not.

Option IS-3

Option IS-3 proposes in effect that for at least some inventions or technical fields, a different standard for patentability is to be applied by the Patent Office in comparison to the standard applied by the Court. It is submitted that any difference is highly undesirable, for example due to:

- Imposing an additional burden on some applicants, who have developed an invention or are in a field where the technical problem and solution approach is inapplicable, such as when recognition of the problem forms part of the inventive step.

- Creating a lack of clarity on whether or not Court decisions considering inventive step are binding on the Patent Office for the purposes of examination.

- Creating a potential divergence between Court decisions and examination, with a resulting increase in legislative complexity, as recognised in the options paper.

In addition, codification of the technical problem and solution approach would elevate the technical problem and solution approach to a mandatory requirement, which is not best practice. As discussed above, it is not mandatory in Europe and should not be made mandatory in Australia.

Further, the Patent Office can readily adopt the problem and solution approach under options that do not codify this approach, leaving it to the applicant to persuade the examiner, on the balance of probabilities, that the approach is not applicable to the present invention.

The options paper identifies that option IS-3 provides the Commissioner with a more structured approach. However, the problem of inventive step is already a structured problem, as explained by the Windsurfing/Pozzoli approach discussed herein. The problem/solution approach is simply one optional element of that structured approach, which can assist in answering the question of obviousness, but cannot and should not supplant it.

Option IS-4

Option IS-4 does not achieve the objective of best practice. Nor will it serve to bring the approach in Australia closer to that of Europe, which recognizes there is no substitute for the test of ‘obvious’.

In particular, it is unclear that everything that is obvious can be defined with reference to an objective technical problem. For instance consider technical equivalents – it seems that making these is unconnected with a technical problem. Additionally, consider inventive research or thinking that identifies a previously unidentified problem – should the invention be barred from patentability simply because the solution was obvious once the non-obvious problem had been identified?

Further, requiring a start from the closest prior art information may be more limiting on the inquiry into inventive step than enabling. While it will often make sense to do so, putting such a constraint on an examiner, an opponent, or a party seeking revocation of a patent is likely to be antithetical to the objective of requiring a robust inventive step to support a patent.

If a more structured approach is desired, then as indicated above the Windsurfing/Pozzoli guidance can be adopted. Adopting such a structured approach does not require codification in the legislation.

Guidance

In terms of the guidance, any statement of what is meant by obvious, either by way of a positive recitation of a suitable test, or a negative recitation of an unsuitable test would be contrary to best practice of setting the only standard as obviousness. This is consistent with the approach under European law that there is no substitute for the legislative inquiry into obviousness. Instead, the guidance should clarify that in Australia there is no substitute for the legislative of what is “obvious”. The world is complex and only becoming more complex with time, full of many different technical fields, with a corresponding wide range of skilled persons, who may approach the question of what is and is not obvious in different ways. Legislation should be sufficiently flexible to deal with this.
The guidance from option IS-2 appears to align the most with a clarification that the only test is what is and is not obvious. In particular, it makes it clear, as is the case in Europe, that there is no substitute for the legislative inquiry into obviousness. This will achieve the dual objectives of clarifying that the Cripps questions or any other approach adopted in particular cases by the Australian courts is not a substitute for the legislative inquiry and confirming that the inquiries made by the EPO may in some instances be relevant. As indicated above, if guidance on a structured approach is to be adopted, then suggest that of Windsurfing/Pozzoli, with a statement that the problem and solution approach may in some instances be suitable to apply at step 4.

If examples of particular questions are to be provided in the Explanatory Memorandum, they should be qualified. For instance, statements that a certain inquiry may in some instances be suitable as per the guidance in option IS-1, may be appropriately made, but statements of a mandatory nature should be avoided.

Further, discussion of the phrase “scintilla of invention” is with respect unhelpful. It is sourced from a more holistic discussion of inventive merit necessary to support a patent, which includes for example the definition of the prior art base. This brings it outside the scope of the currently contemplated amendments.

**Technical features**

The PC’s recommendation to require applicants to identify the technical features of the invention in the set of claims and how that may be beneficially used is unfortunately difficult to comprehend.

For example, on page 223 the PC refers to the examples in Box 7.1 as demonstrating that Australian inventive step fails to target technical innovations, unlike Europe. However, at least two of those examples have a corresponding European granted patent and least two others have pending European patent applications. Other examples in Box 7.1 either have no European counterpart or are very old patent applications, which are hardly indicative of the current Australian approach. In all cases, it is unclear how an additional inquiry into “technical” would have resulted in a better outcome.

Further, assessing the invention as a whole is best practice. Taking for example the invention in *National Research Development Corporation v Commissioner of Patents* 102 CLR 252, the PC is not understood to be suggesting that inventions of the type considered in that case should no longer be patentable. However, the inventive step resided in a discovery of new properties of known substances. For instance, in *NRDC* the High Court stated:

> There may indeed be a discovery without invention - either because the discovery is of some piece of abstract information without any suggestion of a practical application of it to a useful end, or because its application lies outside the realm of "manufacture". But where a person finds out that a useful result may be produced by doing something which has not been done by that procedure before, his claim for a patent is not validly answered by telling him that although there was ingenuity in his discovery that the materials used in the process would produce the useful result no ingenuity was involved in showing how the discovery, once it had been made, might be applied. The fallacy lies in dividing up the process that he puts forward as his invention. It is the whole process that must be considered; and he need not show more than one inventive step in the advance which he has made beyond the prior limits of the relevant art.

The invention of *NRDC* and many important inventions would not readily fit within the scope of “technical”, at least insofar as the PC’s use of that term can be understood.

**Option TF-1**

Any amendment to section 40 as proposed under option TF-1 would, by a side wind of an inquiry into inventive step, substantially disturb the long-celebrated result and reasoning in *NRDC*, including impinging into the inquiry into manner of manufacture. It would bring uncertainty as to the role of cases on patent eligibility, including *D'Arcy v Myriad Genetics Inc* [2015] HCA 35 and *Commissioner of Patents v RPL Central Pty Ltd* [2015] FCAFC 177. For instance, in *D'Arcy* the High Court confirmed at paragraph 5 that a common law methodology is applied and option TF-1 would make it entirely unclear whether an invention found to be patentable subject matter in accordance with this reasoning is now going to be at risk of not being patentable under a new statutory ground that is ill-defined.
Amending section 40 as proposed will likely have a result of reducing flexibility in the inquiry into patentable subject matter, an inquiry that has been designed to remain flexible (and widely applauded for remaining flexible). In particular, an invention may be found to not comply with section 40 and/or to lack inventive step purely for the applicant not being able to comply with the new technical requirement for patentability, despite the invention being a valuable contribution to society. This would represent a substantial negative development in Australia’s patent law, inconsistent with best practice.

Further, amending section 40 as proposed may have far reaching effects, not contemplated by the PC. For instance, Australia has a large body of law developed by highly skilled judges in patent law over many years regarding the issue of infringement. The public relies on this to determine the risk of infringing existing patents. Introducing a “technical” requirement based on the European approach will create uncertainty as to the status of this law. A very recent example of judicial commentary on this point is *Seiko Epson Corporation v Calidad Pty Ltd* [2017] FCA 1403 at paragraphs 168 to 175.

**Option TF-2**

In contrast to option TF-1, option TF-2 does not introduce a substantive change to the law. Instead, it is understood to clarify that examiners may ask for the applicant’s input on what features are relevant for patentability. While this may be phrased as a request for “technical features”, for at least the reasons above there should not be any additional restriction on what is technical over the considerations of whether the invention is a manner of manufacture.

Examiners may already request identification of the technical features, due to the requirement to consider claims as a matter of substance and not form when considering whether the claims are directed to a manner of manufacture (see for example *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150 at paragraphs 30, 106, 113 and 114). In the examiner’s manual the considerations already include “how does the invention work?”, “what problem does it address?”, “what are the advantages of the invention?” and “what does the invention add to the state of the art as at the priority date?” (section 2.9.2.2 of the Patent Manual of Practice & Procedure). Examiners may therefore already ask these and other related questions of applicants, which will reveal whether as a matter of substance whether the invention is technical (as a suitable proxy for patentable subject matter in some instances) or not.

If not, it is respectfully submitted the proper objection would be an objection of lack of manner of manufacture, not an objection under inventive step. That this is a best practice approach is confirmed by the consideration that there can be ingenious (i.e. non-obvious) developments in areas that are not patentable subject matter.

Continuing to develop the law in this area with reference to manner of manufacture rather than inventive step will also maintain the flexibility to recognize new fields, as either patentable subject matter within the intent of section 6 of the Statute Of Monopolies, or not – see in particular the reasoning of the High Court in *D’Arcy v Myriad Genetics Inc* [2015] HCA 35. Introducing a requirement for “technicality” as part of inventive step will undesirably fetter that inquiry, which in turn risks the flexibility of the law.

In connection with this, in recommending change the PC does not appear to have regard to the many recent decisions of the Patent Office on manner of manufacture that have refused patents on applications, including on the basis that a non-obvious invention was not technical (for a recent example see *BGC Partners, Inc.* [2017] APO 49 at paragraphs 21, 22 and 43).

**Option TF-3**

It is unclear what advantage, if any option TF-3 provides over option TF-2. In particular it appears to impose a burdensome requirement on all applicants for every application to provide a separate document identifying the technical features of the invention. This would apply even when the technical features are plain on the face of the specification and claims of the application as originally filed.

The additional cost to applicants of TF-3 is therefore without benefit and unprecedented globally. In contrast option TF-2 may be deployed by examiners only when needed, reducing the cost to the body of applicants as a whole.
Conclusion

Another consideration is that the effect of the Raising the Bar amendments has not yet been fully revealed. Only now are Patent Office decisions on patents subject to the new higher thresholds for patentability starting to appear.

Making significant additional changes at an input before the preceding changes have had effect at the output risks creating an unstable system. This indicates another reason why further modifications at this time to the “bar” required for patentability should be limited. The suggestions made herein are believed to be consistent with that approach while maintaining consistency with the objective of improving the Australian patent system.

We would be pleased to answer any questions or requests for clarification of any of the matters addressed in this submission.

Yours faithfully
FPA Patent Attorneys Pty Ltd

Carl Harrap  
Principal

John Dower  
Principal