

ACIP Issues Paper
Patenting of Business Systems
Comments on behalf of Spruson & Ferguson

Introduction

1. These comments are made on behalf of the firm Spruson & Ferguson, Patent and Trade Mark Attorneys. The author is a patent attorney who practises in the electrical arts, and has specific experience in drafting and prosecuting patent applications for business systems falling within the definition of the Issues Paper.
2. I draw the Council's attention to a recent draft EC Directive on the patentability of computer-implemented inventions, dated 20 February, 2002, that was not mentioned in the Issues Paper. It has some discussion directly on point, and is available at: http://europa.eu.int/comm/internal_market/en/indprop/comp/com02-92en.pdf. This document makes reference, at pages 5 and 6, to a commissioned study that found the patentability of computer program related inventions to be *helpful* to the economic growth of SMEs.
3. I am of the view that there is no compelling reason to propose a change in the law directed specifically to business systems. The view expressed that patents "of dubious quality" are being granted is overstated, and if there are instances of this happening, then it is not the fault of the legislation or case law.

Manner of manufacture properly understood

4. Manner of manufacture must be understood from two viewpoints: its historical entanglement with obviousness, and its role in expanding the boundaries of allowable subject matter.

5. The case law has developed a number of exclusions under the heading manner of manufacture, but these are all quite old. They also come from a time when non-obviousness/inventive step and manner of manufacture were not distinct requirements for the grant of a patent:

- discoveries – *Lane Fox v Kensington and Knightsbridge Electric Lighting Co* (1892) and *Reynolds v Herbert Smith* (1903)
- mere collocations – *Williams v Nye* (1890)
- mere schemes or plans - *Cooper's Application* (1902)
- mere ideas – *Hickton's Patent Syndicate v Patents and Machine Improvements Co. Ltd.* (1909)
- mere working directions – *Commissioner of Patents v Lee* (1913)
- presentations of information – *Virginia-Carolina Chemical Corp's Application* (1958).

6. The use of the word “mere” amongst these exclusions is a strong indication that ideas of inventive merit were being taken into account.

7. By way of analogy, I refer also to the High Court decision of *Griffin v Isaacs* [1938] 12 ALJ 169. This case demonstrates how novelty and obviousness were similarly intertwined. This case was, until around 1988, the primary authority for novelty, and the Patent Office went to remarkable lengths to tease apart novelty and obviousness – see Patent Examiner's Manual (1952 Act) section 48.123 (December 1988). The High Court (Dixon J) said:

“Where variations from a device previously published consist in matters which make no substantial contribution to the working of thing or involve no ingenuity or inventive step and the merit if any of the two things considered as inventions is the same, it is, I think, impossible to treat the differences as giving novelty.”

8. The *Patents Act 1952* separated the requirements of manner of manufacture and obviousness, however the restrictions on prior art base for obviousness purposes (limited to the common general knowledge, following *3M*) meant that even in 1995, in *Philips v Mirabella* (considering a patent to which the 1952 Act applied), the High Court was concerning itself with the presence of a threshold inventive merit. The *Patents Act 1990* has cured this problem, in that the prior art base for inventive step encompasses (in broad terms) one, or the combination of two prior art documents, whether or not combined with the common general knowledge. The Full Federal Court confirmed in 1998 that the concept of inventive merit is misplaced, or at least an inapplicable doctrine under the 1990 Act: *Advanced Building Supplies v Ramset Fasteners*.
9. The relevant statement of law that best fits the business systems field (as defined by the Issues Paper) is that of *CCOM v Jiejing*, following *NRDC* and *IBM*, such that patentable subject matter exists if:
- “a mode or manner of achieving an end result which is an artificially created state of affairs of utility in the field of economic endeavour.”
10. A review of the cases dealing with manner of manufacture shows an expansion of subject matter over time. *G.E.C's Application* (1943) (eg. Morton's rules directed to vendible products) opened the way for many methods to be patented. A line of 'methods' cases followed, including: *Cementation* (1945), *Elton and Leda* (1957), *NRDC* (1959) and *University of Sydney* (1970). Living organisms were considered patentable (subject to certain conditions) in *Ranks Hovis McDougall Ltd's Application* (1976). Next followed computer program related inventions, notably *IBM v Commissioner of Patents* (1991). More recently, methods of treatment of humans were considered patentable: *Anaesthetic Supplies v Rescare* (1994).
11. The result is that manner of manufacture has become the domain of whether particular subject matter is proper for the grant of letters patent. So far as business

systems are concerned, I believe the issue of technical contribution falls to be considered under inventive step. The law of inventive step is well placed to fulfil this purpose. In other words, one should ask the question what is the worth of the (novel) advance over the prior art?

12. As mentioned above, there has been a recent change to the *Patents Act 1990* to enlarge the prior art base. A further complementary change was recently made, in that patent examiners now must be satisfied that an inventive step is present on the balance of probabilities. This too should mean that patents of dubious quality are not being granted in Australia.
13. Consider a claim that reads onto manual actions performed by persons or as pen and paper solutions. It is possible to apply the older manner of manufacture doctrines or *NRDC* to find unpatentability. Equally, however, inventive step could be brought to bear. Consider the further case of a known business method being performed by some form of computational apparatus. In such a situation want of manner of manufacture does not apply, in my opinion, if a commercially useful effect can be demonstrated. But that does not preclude there being a lack of inventive step if the claim is truly nothing more than mere automation (ie. no particular problem solved, new or unexpected result or advantage gained in performing the automation). Reference can be had to *British United Shoe Machinery Company Ltd v Simon Collier Ltd* (1909) 26 RPC 21, and *Hitachi Ltd v Byrne & Davidson Industries Limited* [1986] APO 13.

Other reasons to preserve the status quo

14. It is undesirable for Australia to go against international trends. Article 2 of the Paris Convention embodies the idea of equal treatment regardless of residence or nationality. That is not to say that foreign applicants for Australian patents are in any worse position than Australians, but to require a technical effect in the European manner would mean Australia was offering *less* by way of the monopoly right than is available to its nationals in the United States, for example.

15. The definition of Article 27(1) TRIPS does *not* import an additional criterion that the subject matter have a technical contribution (i.e. beyond newness, inventive step and industrial application). The phrase “in all fields of technology” merely connotes that the field is wholly open, except so far as Article 27(2) and (3) admit of exceptions. The position under Article 52(2) EPC is anomalous, I believe. The exceptions there listed were introduced in 1977, well before TRIPS came into existence. The idea that the EPC exceptions are justified and not at odds with TRIPS on the basis that they are not inventions *per se* is really an attempted justification after the fact. It would be unfortunate for Australia to deviate from its obligations under TRIPS by introducing a new specific technical contribution requirement going to patentability.

Conclusion

16. There is no good reason to recommend to the Government that there be a legislative change to the Patents Act directed to Business Systems.

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