

Via email: brendan.bourke@ipaaustralia.gov.au

Mr Brendan Bourke
Secretariat
Advisory Council on Intellectual Property
IP Australia
P O Box 200
Woden ACT 2606

Dear Mr Bourke,

ACIP Patentable Subject Matter Issues Paper, July 2008

I have pleasure in enclosing a submission which has been prepared by the Intellectual Property Committee of the Business Law Section of the Law Council of Australia in response to the ACIP's Issues Paper on Patentable Subject Matter of July 2008.

The submission has been endorsed by the Business Law Section. Owing to time constraints, the submission has not been reviewed by the Directors of the Law Council of Australia Limited.

If you have any questions regarding the submission, in the first instance please contact the Committee Chair, Ian Pascard, on [03] 9254 2567.

Yours sincerely,



Bill Grant
Secretary-General

2 October 2008

Enc.

*Law Council of Australia, Business Law Section,
Intellectual Property Committee,*

Submissions in Response

to

**The Advisory Council on Intellectual Property Patentable Subject
Matter Issues Paper, July 2008**

General Comment

Prior to responding directly to the questions posed in the Advisory Council on Intellectual Property (ACIP) Patentable Subject Matter Issues Paper of July 2008 (issues paper), the Intellectual Property Committee of the Business Law Section of the Law Council of Australia (IPC) would like to make some general comments about the questions posed in the issues paper.

The IPC's response will primarily be confined to purely legal issues rather than issues of policy, ethics, and economics which are the preserve of the legislature, ethicists and economists. However, in relation to some issues where IPC is aware of empirical evidence of consequences or developments, other than of a purely legal nature, it will offer comment.

Question 1 – Economic objective of limiting patentable subject matter (Part 3)

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 an assessment be done for entire fields of technology?

The IPC is not qualified to answer the question posed in the first sentence. However, IPC notes that those whose training does qualify them to express views on this subject emphasise that patents are not monopolies because in practice alternatives and substitutes usually exist for patented products and processes¹. It is therefore incorrect to suggest, as is done in the final paragraph of section 11.1, that patents stifle markets and dampen free competition.

IPC also notes that previous reviews² by committees composed of experts qualified in a broad range of economic, legal and business disciplines, and who received voluminous submissions

¹ Review of Intellectual Property Legislation under the Competition Principles Agreement, September 2000.

² Report to the Intellectual Property Advisory Committee by Monash University Law School February 1983, Intellectual Property Advisory Committee Report entitled "Patents Innovation and Competition in Australia" dated 29th August 1984, Advisory Council on Intellectual Property "Review of the Petty Patent System" dated 28th August 1995, Review of Intellectual Property Legislation under the Competition Principles Agreement dated September 2000, and Australian Law Reform Commission report entitled "Genes and Ingenuity, Gene Patenting and Human Health", report 99 dated June 2004.

from a very broad range of interests, recommended retaining the existing legal tests, at least partly on economic grounds.

IPC is of the strong view that neither the Patent Office, nor the Courts, are qualified, nor should they be requested, to make an assessment as to whether individual inventions or entire fields of technology are necessary to encourage innovation.

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?

IPC is not qualified to answer this question and is not in any event aware of any well researched, objective and non controversial empirical or other data that is relevant to the issue.

Question 3 – Ethical reasons for limiting patentable subject matter (Part 4)

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?

Ethical standards are dynamic, often change quickly, vary from country to country, and vary within countries depending upon ethnicity, religion, age group and other factors.

IPC considers patent law is inappropriate for dealing with ethical issues. Any limitations imposed on patentable subject matter should be determined by the Patent Office and the Courts, as now, on a case by case basis, according to current Australian Law.

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?

It is impossible to provide a meaningful answer to this question without identifying the limits that might be imposed or removed on patentable subject matter. IPC is not aware of what might have been the ethical consequences, if any, of decisions such as *National Research Development Corporation v The Commissioner of Patents* (NRDC case)³, which arguably extended patentable subject matter, or *Grant v the Commissioner of Patents*⁴, and *the Commissioner of Patents v Microcell*⁵, that arguably limited patentable subject matter.

³ (1959) 102 CLR 252

⁴ (2006) 154 FRC 62

⁵ (1959) 102 CLR 232

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?

We are not aware of any social, economic, ethical or political need that is not adequately dealt with by the current law.

Question 6 – Content and structure of current Australian law (Part 7)

Does the content of current Australian law meet the objective 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?

In answering this question IPC assumes that the reference to "decision makers" is to the Patent Office and the Courts.

Current Australian Law does meet the stated commonly accepted objective of the system which is to encourage innovation by offering a limited exclusive right (reward) in return for disclosure of the innovation, with the disclosure then added to the collective stock of knowledge of the national and international communities. Indeed from a legal perspective the current law is meeting the objectives of the patent system and in particular is sufficiently clearly expressed in the statute, and interpreted by the case law, to enable it to be understood by those whose activities are affected by it. It is also flexible and adaptive so that it may be easily and effectively applied in all circumstances by the decision makers.

Decision makers are correctly identifying, and effectively applying, the appropriate principles.

In particular the principles of Australian patent law as developed by the case law have proven to be inherently flexible and adaptive to deal with new developments in areas of human endeavour as diverse as mechanical innovation and bio-technology. In our view this sound, flexible, legal foundation will enable the law to continue to evolve, and provide the necessary flexibility and adaptability to deal with inevitable future developments in fields of human endeavour that are currently unknown.

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
- value of existing body of case law
- general inconvenience, mischievous to the state and hurt of trade
- archaic language
- threshold of inventiveness
- threshold of utility
- scope of rights awarded
- requirement for grant

Current Australian law as contained in the *Patents Act 1990 (the Act)* incorporates a reference to the Statute of Monopolies and its now archaic language. However, the Australian Courts have developed from that archaic language a formidable body of well analysed principles, expressed in modern, easy to understand language. These principles are flexible and consequently able to be adapted and effectively applied to all situations. As such, reference to the archaic language is simply used as a touchstone to invoke the application of these clearly expressed principles.

The interpretation of these words is so well developed that changing them would lead to the development of a whole different set of interpretations with attendant uncertainty in industry and commerce and increased litigation.

It is well settled and well understood that to be a manner of manufacture a product or process:

- Must belong to the useful arts rather than the fine arts (NRDC).
- Provide a material advantage (NRDC).
- Its value to the country must be in the field of economic endeavour (NRDC).
- Consistent with removal of the word "new" from sub-section 18(1)(a) of the *1990 Act*, there is probably no threshold requirement of inventiveness. *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2)*⁶.

If the subject-matter falls within these principles, patentability is determined by the well known and well honed tests for novelty and inventive step.

The threshold requirement of "useful" simply means the subject matter must be part of the useful arts.

In summary, IPC does not consider there are any substantial problems with the current language of the statute or the body of case law that has been developed.

IPC considers that the application of these principles and tests ensures that any rights awarded to an applicant fall within the policy underpinning the current Australian law. If a party considers that a grant is too broad or that otherwise mistakes have been made, there are

⁶ (2007) 235 ALR 202

mechanisms to mount a challenge, including upon the ground of fair basis, in the form of effective opposition and appeal processes.

Furthermore, we consider the Patent Office is best qualified to deal with these issues, pre-grant and the courts post-grant. To introduce other decision makers would in our view derail the legal purity, and effectiveness of the patenting process.

On the other hand, and as with all bodies of law, there is always room for fine tuning and improvement. However, any amendments must be undertaken with great caution to avoid irreparably damaging a well established, well understood, flexible and adaptive body of interpretative law.

In the case of the current law we consider there are some small matters that might benefit from reconsideration. These matters are:

- Re-examination under section 97 of the Act. The grounds for re-examination are arguably too narrow, given that the grounds are legislatively confined to novelty and obviousness and in reality essentially confined to novelty.
- Post-grant opposition on the terms recommended in IPC's submission dated the 13 April 2007.
- Removal of the reference to the Statute of Monopolies from the definition of "invention" in schedule 1 so as to remove any lingering basis for suggesting that there is a threshold test for inventiveness.

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?

We consider Australia should aim to achieve both best practice and to harmonise with the jurisdictions of our major trading partners, but only to the extent that it works to the benefit of Australian interests. It must be recognised that laws, and interpretation of laws, developed in the best interests of other countries' economies, and in line with the commercial and social culture of those countries, may not always be in Australia's best interests.

Question 9 – International compliance of current Australian law

Is current Australian law complying with our international obligations?

Although there are possible interpretations of articles of TRIPS and AUSFTA that might support arguments of non-compliance with Australia's international obligations, we consider the better view is that Australia is compliant. However, the introduction of any changes to the current system may cause non-compliance.

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?

Subject matters that should be inherently patentable are those falling within the principles expounded in the NRDC case and as further defined by subsequent case law, all of which are compliant with Australia's international obligations.

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?

Australia has been, and will continue to be, well served by its current flexible, adaptable, legislative structure and body of case law. No foreign structure is preferred nor should specific subject matter exclusions be used. The problems inherent in exclusions applied in Europe⁷ is evidence that the proscriptive approach is substantially inferior to the current Australian model.

Question 12

Do you have any other comments?

No

⁷ See for example "The trouble with legislating Exclusions from the concept of invention" by Dr David Brennan, Associate Professor, University of Melbourne Law School, (2008) 19 Australian Intellectual Property Journal 6.