

Advisory Council on Intellectual Property – Patentable Subject Matter Issues Paper

IP Australia welcomes the opportunity to provide comments on the Advisory Council on Intellectual Property (ACIP) Patentable Subject Matter Issues Paper. Our interest in these matters arises from the fact that we are the Australian Government agency responsible for administering intellectual property (IP) rights covering Patents, Trade Marks, Designs and Plant Breeder's Rights. IP Australia is a prescribed agency within the Department of Innovation, Industry, Science and Research (DIISR) but operates independently and reports directly to the Minister.

Manner of Manufacture

Section 18 of the *Patents Act 1990* (the Act) sets out the requirements for patentability of an invention. These include *inter alia* that the invention is a manner of manufacture within the meaning of s 6 of the *Statute of Monopolies 1623*.

Arguably, the manner of manufacture test provides a degree of flexibility in the Australian patent system which allows for the inclusion of new technologies as patentable subject matter without the need for legislative change. Such flexibility potentially allows the system to quickly adapt as new; non-traditional types of innovations are conceived, thereby helping promote growth of newly emerging industries in Australia.

However, this flexibility and adaptability has alternatively been viewed as disadvantageous as:

- Court decisions have carried over matters of novelty and inventive step into the manner of manufacture consideration, which has introduced a degree of uncertainty and confusion around the concept;
- Determination of manner of manufacture includes a consideration of whether an invention is generally inconvenient. This concept is outdated and unclear in meaning.
- As new technologies develop the determination of whether or not such subject matter is patentable initially falls to examiners, and there may be a considerable time before the courts determine the matter to provide clear guidance. This lack of clear guidance has the potential for inconsistencies in practice to occur, and furthermore parties may incur additional costs in opposition and court matters as a result of protracted arguments over the patentability of an invention.
- Issues of public policy may be involved in the development of patentable subject matter which are better dealt with by legislators rather than administrators.

Accordingly, while IP Australia believes that manner of manufacture has served the patents system well for over 100 years it has become outdated and no longer is capable of keeping pace with recent and future advances in technology. IP Australia believes by clearly set out exclusions, greater clarity and certainty in the decision-making process will be achieved. Some specific issues are detailed below.

Lack of Clarity in Precedent and Practice

Certain subject matters have traditionally been considered clearly non-patentable, including fine arts, discoveries, ideas scientific theories, schemes and plans, and laws of nature, while some others may be patentable depending on the facts of the case. As a consequence the interpretation of what constitutes a manner of manufacture to the courts and as a consequence a large body of case law has developed. Much of this case law is specific to the case at hand.

A “watershed” decision, *National Research Development Corporation v Commissioner of Patents*,¹ found that it is wrong to focus on whether something is a ‘manufacture’, as this term was not intended to impose limitations through definition, nor to preclude new ways of doing things from patent protection. Rather, it was held that the correct question to ask is ‘is this a proper subject of letters patent according to the principles which have been developed for the application of s 6 of the “*Statute of Monopolies*?”’ This approach has arguably contributed to the prosecution of cases being delayed by protracted arguments of whether or not an invention is a manner of manufacture. Furthermore the open-endedness of the definition and the case law that has subsequently developed has led to categories of patentable subject² that are not patentable in other jurisdictions. This has resulted in a lack of consistency between the Australian IP system and other IP systems as to what may be considered patentable subject matter.

Furthermore, s 18(1)(a) of the Act, s 18(b) and s 18(c) create additional requirements for applicants applying for patents protection. Specifically the invention must be;

- novel;
- inventive step; and
- useful.

The Dictionary of Schedule 1 of the 1990 Act defines "invention" as:

"any manner of new manufacture the subject of letters patent and grant of privilege within section 6 of the Statute of Monopolies, and includes an alleged invention."

Section 18(1)(a) of the 1990 Act states:

"a patentable invention is an invention that, so far as claimed in any claim is a manner of manufacture within the meaning of section 6 of the Statute of Monopolies."

The definition of "invention" in schedule 1 therefore incorporates both the aspect of newness and the aspect of manner of manufacture, whereas sec 18(1)(a) omits reference to the aspect of newness.

Nevertheless, in a majority decision of the High Court it was concluded that "newness" was imported into sec 18(1)(a) to the extent that that sec 18(1)(a) should be interpreted as retaining the threshold requirement of "an invention" and excluding from a "patentable invention" any claimed process, method or use which was not, on the face of the specification, a proper subject of letters patent according to traditional principles.³

The overlap in these considerations under Act leads to confusion with stakeholders and adds to the complexity of administration and litigation of patents.

General Inconvenience

General inconvenience is a test that dates back to the *Statute of Monopolies 1623* and currently survives in case law.⁴ IP Australia believes that this test has now become outdated and irrelevant as patents that are found to be of ‘general inconvenience’ generally fail to meet the requirements of other provisions in the Act.⁵ In this regard it should be noted that little

¹ (1959) 1a IPR 63.

² See *Ranks Hovis McDougall Ltd Application* (1976) 46 AOJP 3915, and *Grant v Commissioner of Patents* (2005) 67 IPR 1.

³ See *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (No.2) (2007) 235 ALR 202 and *Phillips v Mirabella* (1995) 132 ALR 117.

⁴ See *Rolls-Royce Ltd's Application* [1963] RPC 251.

⁵ For example See s 50(1)(a) *Patents Act 1990*.

clear guidance for Patent Examiners as to when an invention may or may not be regarded as “generally inconvenient”.⁶

Public Policy and Ethical Considerations

In *Anaesthetic Supplies Pty Ltd v Rescare Ltd*,⁷ the Court was asked to determine if a process for the treatment of humans constituted patentable subject matter. In making its decision the court noted that it was a job for Parliament, not the courts (or indeed the Patent Office) to decide whether matters of ethic and social policy are to have any impact on human beings and process for their generations from patents.

In this regard IP Australia believes the Parliament should be responsible for placing limits on any patents dealing with ethical issues by incorporating these exclusions into the Act. As an Australian Government Agency, it is not appropriate for IP Australia to be making these decisions administratively. Moreover, it should be noted that excluding particular subject matter from patentability does not restrict the public from using inventions of that nature. If restrictions are to be placed on these activities, IP Australia believes that this should be done under other laws rather than the Patents Act.

Utility

IP Australia does not assess patents for usefulness during examination, but this is a ground of opposition. Nevertheless examiners do have regard to the use to which an invention is put, and a manner of manufacture objection may obtain as it is essential that the specification indicate an area of use, where such use is not self evident. This illustrates another area of overlap between the different patentability considerations.

We further note that the Australian Law Reform Commission (ALRC) made a recommendation that the *Patents Act 1990* should be amended to:

- (a) include ‘usefulness’ as a requirement in the examination of an application for a standard patent and in the certification of an innovation patent;
- (b) provide that an invention will satisfy the requirement of ‘usefulness’ only if the patent application discloses a specific, substantial and credible use;
- (c) require the Commissioner of Patents to be satisfied on the balance of probabilities that the requirement of ‘usefulness’ is made out in order to accept an application for a standard patent or to certify an innovation patent; and
- (d) include ‘lack of usefulness’ as a basis upon which an accepted application for a standard patent may be opposed, in addition to its current role as a ground for revocation.

Additionally it was also recommended that IP Australia should develop guidelines, consistent with the Patents Act, the Patents Regulations 1991 and existing case law, to assist patent examiners in applying the ‘usefulness’ requirement. The guidelines should outline factors relevant to determining whether a use disclosed in a patent application is specific, substantial and credible to a person skilled in the relevant art.

The Australian Government is yet to respond to this report.

Future

IP Australia considers that it is important that the patent system provides clarity, consistency and transparency for all stakeholders. To this end, any changes to the patentability requirement should enhance the system by increasing clarity regarding what is patentable

⁶ Patent Manual of Practice and Procedure 2.9.3.

⁷ (1994) 122 ALR 141.

subject matter, and reducing ambiguity for applicants and assessors. Moreover, changes should aim to reduce the need for applications to be taken to court for judicial determination.

IP Australia believes this can be achieved in two alternative ways. Firstly, the system could be changed from the current manner of manufacture test to one that specifies particular fields of technology that are not patentable. This change would stop some of the unintended consequences of the current manner of manufacture test, for example the lack of clarity and the requirement for courts rather than the Parliament to make decisions regarding patentable subject matters.

We note that few other jurisdictions have retained “manner of manufacture” test in their patent law (Australia and New Zealand are two of these jurisdictions). In contrast, the approach taken by the European Patent Convention (EPC) for the granting of European Patents lists the following areas as not eligible for patents;

- discoveries, scientific theories and mathematical methods;
- aesthetic creations;
- schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;
- presentations of information.

Limitations also exist for the granting of patents that relate to biological discoveries and inventions.

This approach has reduced flexibility but is offset by an increase in clarity of decision making. However, the clear articulation of patentable subject matter allows for this aspect of examination to be more of an administrative decision, thereby allowing greater emphasis to be given to the substantive aspects of patentability such as novelty and inventive step.

Admittedly the European system still encounters problems with determining whether or not some innovations are patentable, but this approach does remove some of the ‘grey’ areas of patentability. Whilst this approach may lack flexibility and adaptiveness it allows the government set guidelines within established public policy. Moreover, adoption of a similar approach in Australia will increase consistency with other international patent offices.

Secondly, IP Australia believes that if manner of manufacture is maintained, clarity, consistency and transparency may still be able to be achieved if the overlap with novelty, inventive step and usefulness are removed. In *NV Philips Gloeilampenfabrieken and Another v Mirabella International Pty Ltd*⁸ the High Court held that ‘manner of manufacture’ as found in the *Patents Act 1990* has effectively the same meaning as ‘manner of new manufacture’. As a result of this case, two tests for both novelty and inventiveness have been created. One based only on the information in the specification and the other based in what is known from the prior art.

IP Australia is of the view that this decision has created confusion for patent examiners and applicants. IP Australia believes that clarity, consistency and transparency maybe partly restored by amending the current *Patents Act 1990* so it can be applied the way it was intended before the High Court decision in *Philips v Mirabella*⁹.

It should be noted that the first option is IP Australia’s preferred option.

⁸ (1995) 132 ALR 117.

⁹ *NV Philips Gloeilampenfabrieken and Another v Mirabella International Pty Ltd* (1995) 132 ALR 117.

Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)

As a signatory of the TRIPS agreement IP Australia has to ensure that any changes to the patent system are compliant with this agreement.

IP Australia believes that the aforementioned options would continue to be within the guidelines set by the TRIPS agreement. We note that under the TRIPS agreement it is accepted that differences in patent law will occur between jurisdictions. This is acceptable providing that the main terms and objectives of the agreement are met. It is also noted that the issue of patentable subject matter is generally acknowledged as one of the last areas where harmonisation between jurisdictions needs to occur.