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Dr Steven Barker
Assistant GM Oppositions and Examination Practice
IP Australia
PO Box 200
WODEN ACT 2606

By email: steven.barker@ipaaustralia.gov.au

Dear Dr Barker

PROPOSED AMENDMENTS TO SECTION 2.9.2.2 OF THE MANUAL OF PRACTICE AND PROCEDURE

A. Introduction

1. The Intellectual Property Committee (**IPC**) of the Business Law Section of the Law Council of Australia is grateful for the opportunity to comment upon the proposed amendments to section 2.9.2.2 of the Manual of Practice and Procedure (the **Manual**) concerning examination procedure on the ground of manner of manufacture. The IPC wishes to make observations concerning proposed references to the prior art (Section B below); references to unpatentable “schemes” (Section C below); and some further matters (section D below).

B. “Prior art”

2. Statements in the Manual to the effect that the question whether an application defines patent eligible subject matter is to be determined by reference to “relevant prior art” are problematic.
3. A specification is not to be construed in a vacuum but in the context of the art in the relevant field.
4. As explained below, however, it is incorrect to consider information or publications other than relevant prior art forming part of the common general knowledge for that purpose. The issue is of particular concern because it appears examiners have taken the reference in the existing manual as permitting consideration of documents which are not part of the common general knowledge for the purposes of determining whether the claimed invention is a manner of manufacture. This existing problem is exacerbated by the proposed addition of the expression “relevant” in a context which is likely to be construed by examiners as requiring

them to consider prior art which appears to them to be relevant, irrespective of whether they consider it to form part of the common general knowledge.

5. Secondly, the purpose of considering the art in the relevant field as set out by the court is to provide a context to construe the specification, not to determine questions of quasi-novelty or quasi-obviousness under the heading of manner of manufacture.
6. The manual should clarify that
 - (a) the relevant art is limited to matter forming part of the common general knowledge; and
 - (b) the purpose of taking common general knowledge into account in relation to manner of manufacture is to provide a context to construe the specification and no more.

Detail

7. It is well established that each of the requirements for a valid patent set out in, respectively, sections 18(1) and (1A) – such as manner of manufacture, novelty, inventive step or innovative step and secret use – are separate and independent requirements of validity: *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* [2019] 145 IPR 1 at [112]; *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260 at 291. The IPC is gravely concerned that the proposed amendments convert the “manner of manufacture” inquiry into a substitute for the “inventive step” and “innovative step” inquiries, but without their particular safeguards and requirements.
8. The Manual refers to *Myriad*¹ in support of the proposition that prior art is to be considered for the purposes of the manner of manufacture inquiry. However, in the IPC’s view *Myriad* provides no such support.
9. The reference in paragraphs 12 and 39 of *Myriad*², quoted in the “Examination Practice” section of the manual, refers to “the scientific background, presumably comprising common general knowledge, or at least relevant prior art against which the specification, including the claims is to be read”.
10. It is notable from that passage that the reference to the “at least relevant prior art” is expressed as a subset of “common general knowledge”. It is also notable that the purpose of making the reference is to *read*, or *construe*, the specification. That is what the court in fact did in that case, by reading the specification in the context of agreed primer “embodying the scientific background”³, and in the context that there was no “prior art”, other than the scientific background primer, before the court.
11. Importantly in the context of the Manual, nothing in *Myriad* suggests that the Court was intending to permit prior art which was not part of the common general knowledge to be considered for the purpose of reading the specification nor that

¹ *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334.

² *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334.

³ *Myriad* at [39].

the purpose of considering the scientific knowledge, in the context of manner of manufacture, was other than as a background to read and understand the specification.

12. Specifically in support of the quoted proposition, *Myriad* cites *Kimberly-Clark*⁴ at [24] which states:

It is well settled that the complete specification is not to be read in the abstract; here it is to be construed in the light of the common general knowledge and the art before 2 July 1984, the priority date [56]; the court is to place itself "in the position of some person acquainted with the surrounding circumstances as to the state of [the] art and manufacture at the time [57]".

13. Footnotes 56 and 57 of the above passage in turn cite the cases below, each one referring to **common general knowledge** in the art.

- (a) *Samuel Taylor Pty Ltd v SA Brush Co Ltd* (1950) 83 CLR 617 at 625:

... In complying with the first condition, i.e., in describing the nature of his invention, the Patentee does all that is necessary, if he makes the nature of his invention plain to persons having a reasonably competent knowledge of the subject, although from want of skill they could not themselves practically carry out the invention.

- (b) *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588 at 610, on construction:

*It must be construed in the light of the common knowledge **in the art** before the priority date. (emphasis added)*

- (c) *Sunbeam Corporation v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98 at 102:

*The specification is to be read as addressed to persons having a **knowledge of the art**, which, I take it, in this case means persons having a sufficient understanding of the mechanism of electrical appliances generally, and in particular of those in which electricity is used for the generation of heat. It will be convenient, therefore, to **consider what meanings the various phrases in the claim would at the relevant date have had for such persons in the light of the then common general knowledge.** (emphasis added)*

- (d) *Populin v HB Nominees Pty Ltd* (1982) 59 FLR 37 at 42-43:

*The complete specification must not be read in the abstract but in the light of common knowledge **in the art** before the priority date bearing in mind that what is being construed is a public instrument which must, if it is to be valid, define a monopoly in such a way that it is not reasonably capable of being misunderstood. (emphasis added)*

- (e) *British Dynamite Company v Krebs* (1879) 13 RPC 190 at 192:

In determining whether the Complete Specification is sufficient, the first thing is to ascertain what the invention is. This is a question of construction, and the construction of the Specification is for the Court,

⁴ *Kimberly-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1.

*to be determined like the construction of any other written instrument, the Court placing itself in the position of some person **acquainted with the surrounding circumstances as to the state of art and manufacture at the time**, and making itself acquainted with the technical meaning in art or manufactures which any particular word or words may have. ...When the nature of the invention is thus ascertained by the Court, as a matter of construction, the Court has then to inquire whether the manner in which the same is to be performed is sufficiently described in the Specification to the comprehension of any **workman of ordinary skill in the particular art or manufacture**. (emphasis added)*

In this case, the House of Lords was clearly using the term “art” as meaning the relevant field, as opposed to “prior art”.

- (f) *Gold Ore Treatment Company of Western Australia Ltd (In Liquidation) v Golden Horseshoe Estates Co Ltd* (1919) 36 RPC 95 at 109, 134:

In order to determine whether this process constitutes an invention, regard must be had to the state of knowledge at the time when it was taken out. The Patent is a Patent in connection with the process of gold extraction; it is, therefore, necessary to relate some of the steps in the development of this industry.

The Privy Council in considering the appeal from the Supreme Court of Western Australia, was referring to the common general knowledge and not to any specific prior art document.

14. Accordingly, the IPC considers it plain that the plurality of the Court in *Myriad* were using the composite phrase 'common general knowledge or at least relevant prior art' to refer to the common general knowledge, including relevant art forming part of the common general knowledge, in the relevant field. It is express that they were referring to the knowledge as providing a framework in which to read the specification.
15. In this context, the IPC further submits the reference in the MPP to the “primer” in *Myriad* at [39] is misplaced and, perhaps, based on a misunderstanding about the role of technical primers in the Courts. A technical primer is usually an information tool or source informing the Court of uncontroversial background matters necessary to enable the non-expert tribunal to understand the context underlying the more detailed and specific evidence directed to the issues before the Court.
16. Having cited well established principles of construction reflected in the cases above with approval, the Court in *Myriad* should not be understood as overturning these long accepted principles without a clear statement to that effect. Rather, when the passage is properly understood it was simply applying a line of well-established cases.
17. This interpretation is consistent with Beach J's comments in *Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd* [2014] FCA 1366 at [67]:

The Court is to place itself in the position of a person acquainted with the state of the art and manufacture prior to the priority date. ... the skilled

addressee comes to a reading of the specification with the common general knowledge of persons skilled in the relevant art, they read it knowing that its purpose is to describe and demarcate an invention.

18. The *Patents Act 1990 (Cth)* removed “new” from the test for manner of manufacture, which had previously been part of the definition of “invention” under the 1952 Act. It has long been accepted that the requirement of manner of manufacture should not involve an inquiry of “newness” over “prior art”.⁵ Consideration of 'prior art' inherently will cause the examiner to consider newness.
19. The Manual's proposed reference to construing claims in light of “relevant prior art”, without qualification, is likely to be misconstrued as permitting the examiner to refer to any prior art document that the examiner considers to be relevant, and further to refer to the document for purposes other than reading the specification.
20. To extend consideration of prior art in that manner invites the question, by what criteria are the contents of the “prior art” to be determined? In marked contrast to the tests for “novelty” and “inventive step”, Parliament has not specified the requirement that the claimed invention be a “manner of manufacture” by reference to “prior art information” or what the content of the “prior art base” is for the purposes of this inquiry. See *e.g. Bristol-Myers Squibb Co v F H Faulding & Co Ltd* [2000] FCA 316; 97 FCR 524 at [27] – [31] (Black CJ and Lehane J).
21. The reason for that is that, in the IPC's view, the inquiry at the stage of “manner of manufacture” is not an inquiry into “inventiveness” or “innovative step” – which are the subject of the specific requirements of, respectively s 18(1)(b)(ii) and s 18(1A)(b)(ii). Rather, the inquiry is to ascertain whether the contribution or advance claimed by the applicant / inventor is in substance technical in nature: *e.g. RPL Central* 238 FCR 27 at [99].
22. The “cricket game” example set out in the Manual illustrates the danger of the proposed approach. The example accepts that a claim having the features described qualifies as a manner of manufacture *unless* some citation discloses the existence of “rotating stumps”. The prior art base used to identify the citation is unascertained and necessarily undefined. Whether something is patentable subject matter (apart from novelty, inventive step etc.) cannot turn on what some unascertained prior art discloses. That is the territory of novelty and inventive step. The nature of the subject matter has not changed.
23. This matter should be clarified as set out above.

C. Mere scheme

24. In the section of the Manual titled “Schemes and plans”, the manual overstates the effect of *Research Affiliates*⁶, *RPL Central*⁷ and *Encompass*⁸. The manual should

⁵ See *eg, Ccom Pty Ltd and Ronald Howard Thomas v Jiejing Pty Ltd, Paravet Instruments Pty Ltd and anors* [1994] FCA 1168.

⁶ *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150.

⁷ *Commissioner of Patents v RPL Central Pty Ltd* [2015] FCAFC 177.

⁸ *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* [2019] FCAFC 161.

clarify that schemes which produce a physical product, or which involve the creation of an artificial state of affairs, are not “mere” schemes and are potentially patentable subject matter.

Detail

25. Mere, or “abstract”, schemes are not patentable. However, that does not mean all schemes are not patentable subject matter: *Commissioner of Patents v RPL Central Pty Ltd* (2015) 238 FCR 27 at [96]. Schemes that produce a physical result are, and have long been patentable subject matter. In *Technological Resources Pty Limited v Tettman* [2019] FCA 1889, the Court considered a patent for methods and apparatus for identifying and separating mined material on a bulk basis (i.e. using bulk sorting). Jagot J held at [154] that the Delegate had erred in finding that the claimed invention was a mere process:

The claimed invention is not analogous to those considered to be mere schemes. Accordingly, the reasoning in the mere scheme cases is inapt. The delegate’s reasoning, in my view, involves a mischaracterisation of the claimed invention. As the appellant said, the invention involves physical steps carried out on a physical product using physical apparatus, to produce a physical and tangible result. It does not bear a resemblance to the cases on which the delegate relied. No meaningful analogy to those cases may be drawn.

26. Similarly, in *Sequenom*, the Court had to decide the patentability of a method for detecting the presence of a nucleic acid of fetal origin in a maternal serum or plasma sample. Beach J rejected the respondent's submissions that the invention was not patentable subject matter because information about the DNA of the fetus is just mere information.⁹ Beach J held that the method had several 'artificial' elements, at [466]:

Now the present invention as defined, for example, by claims 6 and 9, when dependent on claims 2, 3 and 5, takes advantage of a previously unknown or unsuspected property of an artificially produced serum or plasma sample extracted and isolated from a pregnant female. The invention is undoubtedly an artificial non-invasive detection method involving artificial DNA amplification methods and synthetic probes deriving from the presence of cfDNA in the maternal circulation from both the mother and developing fetus.

27. The IPC submits that the Manual should include reference to the above cases to clarify limits on what constitutes a “mere scheme”. It is clear in light of *Sequenom* (unless it is overturned on appeal) and *Technological Resources* (which is not on appeal) that methods that produce a physical product, or which involve the creation of an artificial state of affairs, are not mere schemes and are patentable subject matter.
28. In this respect, the IPC emphasises that the cases recognize that “manner of manufacture” is a “widening conception”: *Myriad* 258 CLR 334 at [18]. It is

⁹ *Sequenom Inc v Ariosa Diagnostics Inc* [2019] FCA 1011 [526].

important, therefore, to be flexible to allow for the development of new technologies presently unknown: *e.g. Research Affiliates Pty Ltd v Commissioner of Patents* at [116]. The need for flexibility is particularly significant in this context when new technologies such as machine learning and artificial intelligence are such crucial areas of development. Accordingly, the cases establish that no one criterion or rule is necessarily or can be decisive. Hence, the Courts have assessed the content or directive of the claim as a matter of substance and, in doing so, have indicated a number of signposts or guidelines may be of assistance. These are, however, signposts or guidelines only. No one, nor any particular individual, criterion is necessarily decisive in any case.

29. Guidelines the Court has accepted include:
 - (a) whether the claim is in substance directed to an improvement in the computer itself: *e.g. Research Affiliates* at [94], [101];
 - (b) whether the claim is in substance directed to some technical problem outside the computer: *e.g. RPL Central* at [99]; and
 - (c) whether the substance of the inventor's contribution is directed to a business method only: *e.g. Research Affiliates* at [114] – [115].
30. Other considerations are indicated at *e.g. Research Affiliates* 109 IPR 364 [42] – [43]; [96]; *Encompass* at [101].
31. As to “identifying the substance of the claim”, the Manual equates the substance of the invention with the “alleged or actual contribution” or the “contribution, inventiveness or ingenuity” of the claimed invention (see pages 1 and 2, under the section “Examination Practice”).
32. The Manual states that *Myriad* at [39] supports the idea that the substance of the invention may be identified through an understanding of the actual or alleged contribution made to the art. However, *Myriad* at [39] does not say this. It simply refers to the fact that the parties in that case had agreed on a primer which explained the scientific background to the invention.
33. Under the heading “Identify the substance of the invention”, the Manual directs examiners to identify the “contribution the claimed invention makes to the art”. However, the substance of the invention is not the same as the “technical contribution” or the “advance in the art”, and considering whether an invention is ‘in substance directed to’ a technical problem does not have the logical corollary that the substance of the invention **is** the technical contribution. The Full Court in *Encompass* held that “*technical contribution*” and *suchlike expressions, as used by the High Court in NRDC ... was doing no more than explaining that the claimed method in that case did not transcend, as a matter of substance, what remained an abstract idea or mere information of a kind that has never been considered to be patentable subject matter under Australian law.*”
34. In *Research Affiliates*, the Court described two different distinctions between patentable computer implemented inventions and abstract schemes [103]:

*As Thomas J said in Alice Corporation, there is a distinction, between mere implementation of an abstract idea in a computer and implementation of an abstract idea in a computer that creates an improvement in the computer. There is also a distinction between, on the one hand, a method involving components of a computer or machine and an application of an inventive method where part of the invention is the application and operation of the method in a physical device **and**, on the other, an abstract, intangible situation which is a mere scheme, an abstract idea and mere intellectual information.*

In context, the “technical contribution” referred to in the Manual appears to be a reference to the 'improvement in the computer' limb of the passage from *Research Affiliates*, ignoring the second limb, where the computer program is not an improvement but is used to implement an inventive method in a physical device.

35. Relevantly, the Court in *Research Affiliates* held at [117] that “*in examining whether a claimed invention is properly the subject of letters patent, it is necessary to look not only at the integers of that claimed invention but also at the substance of that invention.*” The Manual correctly instructs examiners that care must be taken not to determine the substance of the claimed invention merely on the basis of excluding known features in the claims, but the Manual then incorrectly directs examiners to consider which features of the claim confer **novelty** over the relevant prior art (see the discussion of relevant prior art above).
36. The current examination practice is not aligned with the Australian case authorities, and if the intention was to align with European practice – this has not been achieved either. European patent law has not been incorporated into Australian law in any case.
37. The IPC submits that the Manual should be amended to direct examiners to consider the correct question, namely whether the substance of the invention is patentable by reference to well recognised touchstones including technical problem (***Research Affiliates***), the improvement of a computer (***Encompass***), the production of a physical product (***Technological Resources***) or the creation of an artificial state of affairs (***NRDC, Sequenom***). To this end, the discussion of *Lantana* which focusses on “technical contribution” is misleading and should be removed.

D. Other matters

New classes of claim

38. The following passage appears under the sub-heading “Is the Claim for a “New Class of Subject Matter?” for guidance:

... whether the Courts have previously dealt with the subject matter of that type and whether that subject matter has been excluded in the context of manner of manufacture.

39. The plurality in *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 at [28] defines its conception of “new class of claim” as one that involves a **significant** new application or extension of the concept of ‘manner of manufacture’ ...”. The limitation that the word “significant” imposes on this concept of “new class of claim” does not appear expressly or by necessary implication in the current text. Accordingly, this omission has the potential to inflate the concept of a “new class of claim” beyond that which the plurality defined.
40. The IPC recommends that the requirement for the application or extension to be “substantial” appear in a redraft of this passage.

Encompass

41. The IPC further submits that the following proposed statement might be misleading in its current form:

The decision of Encompass Corporation Pty Ltd v InfoTrack Pty Ltd [2019] FCAFC 161 by an enlarged Full Court of the Federal Court of Australia did not dispute the correctness of the principles discussed in RPL and Research Affiliates.

42. It is more accurate to state that the Court refers to the parties as not disputing the principles expressed in *RPL* and *Research Affiliates*. The IPC understands that the enlarged Bench was assembled in the expectation that a challenge to the correctness or otherwise of the decisions in *Research Affiliates* and *RPL Central* was intended, but that they were not in the end challenged before the Court. Their Honours stated at 145 IPR 1 at [2]:

However, as the appeal came to be argued, the focus of the appellants’ argument was that Research Affiliates and RPL Central had been correctly decided and that the primary judge misapplied the principles articulated in those decisions.

43. See also 145 IPR 1 at [77].

Reference to pre-NRDC authorities

44. The IPC additionally submits that it is not appropriate for Examiners to refer to *GEC’s Application* or the “vendible product” test. The point of the High Court’s discussion in *NRDC* at 109 CLR 271 to 276 is to highlight the inadequacy of the so-called test which lead to inconsistent outcomes and great uncertainty.

45. The IPC is also concerned by the references to the *Virginia-Carolina Chemical Corp* case. It is true that the High Court in *NRDC* at 275 did cite *Virginia-Carolina Chemical Corp* in the development of the criterion that, to be patentable subject matter, the claim must “offer some advantage which material, in the sense that it belongs to a useful art as distinct from a fine art.” However, the case is one of the line of cases which the High Court in *NRDC* rejected given the inconsistent results and uncertainty arising from the so-called “vendible product” rules. Indeed at 109 CLR 276, the High Court in *NRDC* pointed out the *Virginia-Carolina Chemical Corp* case denied patentability and, if applied in *NRDC* would have led to the appellant, *NRDC*, losing the appeal. Accordingly, the IPC recommends that references to the *Virginia-Carolina Chemical Corp* case should be omitted as potentially misleading.

Thank you for your consideration.

If you would like to discuss this submission or if you have any questions or comments, please contact Matthew Swinn, Chair of the Intellectual Property Committee (matthew.swinn@au.kwm.com or 03 9643 4389).

Yours sincerely,



Greg Rodgers
Chair, Business Law Section