
Evolution of “inventive step”-like elements in Australian patent laws

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“Inventive step”-like elements (ISLEs) may arise in the assessment of “invention” and “novelty” in the Patents Act 1990 (Cth). This article questions the efficiency and effectiveness of leaving these elements in place and whether the issues might be better determined solely as a question of “inventive step”. The article concludes, in the context of promoting regulatory quality and performance, that these ISLEs add unnecessary costs and complexity to Australia’s patent laws.

INTRODUCTION

In addressing the question whether the “manner of manufacture” was new (from s 6 of the *Statute of Monopolies* in 1624), early Australian courts determined whether the alleged invention was an advance on existing knowledge (now principally, though not exclusively, called “novelty”), and then whether this advance was sufficient to constitute an invention worthy of reward (now principally, though not exclusively, called “inventive step”).¹ Unfortunately the distinctions between “novelty” (sometimes said to be “lack of novelty”, “prior publication”, “anticipation”, “prior use” and so on) and “inventive step” (sometimes said to be “ingenuity”, “inventive faculty”, “subject-matter”, “inventive step”, and so on) were not always made clear.² The *Patents Act 1990* (Cth) has maintained the reference to a “manner of new manufacture” found in the earlier *Patents Act 1903* (Cth)³ and the *Patents Act 1952* (Cth),⁴ and separated out the grounds of “novelty” and “inventive step”.⁵ The purpose of this article is to examine the evolution of “inventive step”-like (or obviousness-like) elements (ISLEs) through the *Patents Act 1903*, the *Patents Act 1952* and into the *Patents Act 1990* outside the formal threshold of “inventive step”, now separately proscribed by the *Patents Act 1990*.⁶

These ISLEs may arise in the *Patents Act 1990* in the assessment of “invention”⁷ and “novelty”.⁸ The article questions the efficiency and effectiveness of leaving these ISLEs in place and whether the issues might better be determined solely as a question of “inventive step” on examination.⁹

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¹ See, eg *Edison-Bell Phonograph Corp Ltd v Smith and Young* (1894) 11 RPC 389 at 398 (Lord Fisher MR); *Lancashire Explosive Co Ltd v Roburite Explosives Co Ltd* (1895) 12 RPC 470 at 477 (Herschell LJ) and 480 (Smith LJ).

² See *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 595-598 (Gunnmo J). For an historical overview of the origins of obviousness see, eg Beier FK, “The Inventive Step in its Historical Development” (1986) 17 IIC 301; Pila J, “Inherent Patentability in Anglo-Australian Law: A History” (2003) 14 AIPJ 109.

³ See, eg *Patents Act 1903* (Cth), s 4.

⁴ See, eg *Patents Act 1952* (Cth), s 35(1).

⁵ *Patents Act 1990* (Cth), s 18(1)(b)(i) (“novelty”), (ii) (“inventive step”).

⁶ *Patents Act 1990* (Cth), s 18(1)(b)(ii).

⁷ *Patents Act 1990* (Cth), s 18(1). Importantly, the term “invention” is defined to mean “any manner of new manufacture the subject of letters patent and grant of privilege within s 6 of the *Statute of Monopolies*, and includes an alleged invention” (Sch 1). This may arise on examination (s 45(1)(b), (c)) including a “modified examination” (s 48(1)(a), (b)), opposition (s 59(b)), re-examination (s 98(1)) (pre-grant (s 97(1)), post-grant (s 97(2), (3))), and revocation proceedings including as a cross-claim to infringement (s 138(3)(b) (revocation)), (s 121(1) (cross-claim to infringement)).

⁸ *Patents Act 1990* (Cth), s 18(1)(b)(i). This may arise on examination (s 45(1)(c)) including a “modified examination” (s 48(1)(b)), opposition (s 59(b)), re-examination (s 98(1)) (pre-grant (s 97(1)), post-grant (s 97(2), (3))), and revocation proceedings, including as a cross-claim to infringement (s 138(3)(b) (revocation)), (s 121(1) (cross-claim to infringement)).

⁹ *Patents Act 1990* (Cth), s 45(1)(c). Notably including a “modified examination”: s 48(1)(b).

opposition,¹⁰ re-examination¹¹ and revocation proceedings, including as a cross-claim to infringement.¹² The following parts examine the evolution of these ISLEs through the *Patents Act 1903*, the *Patents Act 1952* and into the *Patents Act 1990*. The article's conclusion that these ISLEs add unnecessary costs and complexity to Australia's patent laws are then presented in the context of promoting regulatory quality and performance.

PATENTS ACT 1903 (Cth)

The *Patents Act 1903* required the Commissioner of Patents (Commissioner, and includes a delegate of the Commissioner) to refer an application¹³ to an examiner for report¹⁴ on various matters,¹⁵ including for the "complete specification",¹⁶ as to "whether to the best of his knowledge the invention is or is not novel".¹⁷ The term "invention" meant:

any manner of new manufacture the subject of letters patent and grant of privilege within s 6 of the *Statute of Monopolies* (that is the Act of the twenty-first year of the reign of King James the First, chapter three, entitled "an Act concerning monopolies and dispensations, with penal laws and the forfeiture thereof"), and including an alleged invention.¹⁸

The Commissioner could "refuse to accept the application and specification"¹⁹ with an appeal open in the High Court and State Supreme Courts.²⁰ Once an application and specification had been accepted by the Commissioner,²¹ opposition (before grant)²² and revocation (after grant)²³ proceedings were available,²⁴ with avenues of appeal open to the High Court and State Supreme Courts.²⁵ The grounds of opposition included: "[t]hat the invention is not novel or has been already in possession of the public with the consent or allowance of the inventor".²⁶ The grounds of revocation were: "[e]very ground on which a patent might at common law be repealed by scire facias shall be available".²⁷

¹⁰ *Patents Act 1990* (Cth), s 59(b).

¹¹ *Patents Act 1990* (Cth), s 98(1)(b) (pre-grant, s 97(1) and post-grant, s 97(2), (3)).

¹² *Patents Act 1990* (Cth), s 121(1) (cross-claim to infringement), s 138(3)(b) (revocation).

¹³ In the form prescribed: *Patents Act 1903* (Cth), s 33(1), (2).

¹⁴ Noting that these reports were not made publicly available, including in court proceedings, unless "desirable in the interests of justice and ought to be allowed": *Patents Act 1903* (Cth), s 51.

¹⁵ *Patents Act 1903* (Cth), s 39 (every application), s 40 (complete specifications after a provisional specification), s 41 (all complete specifications).

¹⁶ *Patents Act 1903* (Cth), s 36 provides "[a] complete specification must fully describe and ascertain the invention and the manner in which it is to be performed, and must end with a distinct statement of the invention claimed".

¹⁷ *Patents Act 1903* (Cth), s 41(b). This was an amendment made during the passage of the Bill, but reflecting the uncertainty about whether the examiner was capable of making a useful finding about novelty. See Commonwealth, *Senate Hansard* (16 October 1903) pp 6246-7 (Senator James Drake, Postmaster-General).

¹⁸ *Patents Act 1903* (Cth), s 4.

¹⁹ *Patents Act 1903* (Cth), s 46(b). Noting that there was provision to allow amendments to comply with the application and specification requirements (ss 42, 45).

²⁰ *Patents Act 1903* (Cth), s 47(1). Noting the definitions of "State" and "Supreme Court" (s 4) and that decisions of the State Supreme Court were subject to appeal to the High Court: *Judiciary Act 1903* (Cth), s 35.

²¹ *Patents Act 1903* (Cth), ss 49, 50.

²² *Patents Act 1903* (Cth), ss 66, 67.

²³ *Patents Act 1903* (Cth), s 86(1).

²⁴ *Patents Act 1903* (Cth), ss 56 (opposition), 86 (revocation).

²⁵ *Patents Act 1903* (Cth), s 58 (opposition). A revocation was commenced in the High Court or State Supreme Court (s 86(2)) and decisions of the State Supreme Court were subject to appeal to the High Court: *Judiciary Act 1903* (Cth), s 35.

²⁶ *Patents Act 1903* (Cth), s 56(e).

²⁷ *Patents Act 1903* (Cth), s 86(3).

The *Patents Act 1903* established some important foundations for ISLEs in the concepts of “is or is not novel” and suitable patentable subject matter. This was primarily as a consequence of interpreting the opposition provisions, although these foundations were also readily apparent in the examination and revocation decisions.

“Is or is not novel”

The *Patents Act 1903* only provided very limited grounds of opposition, including that “the invention is or is not novel” (and prior publication),²⁸ but leaving the more traditional challenge of want of subject matter (that the alleged invention is not a “manner of manufacture” and that it is not a “manner of new manufacture”) as part of the examination²⁹ and revocation³⁰ arrangements. The consequence was that the High Court recognised an element of inventiveness (sometimes referred to as “inventive faculty”) in the conception of “is or is not novel”.

The “is or is not novel” issue first came before the High Court in *Linotype Co Ltd v Mounsey* (1909) 9 CLR 194.³¹ There the device involved two or more sets of cleaning brushes put in distinct places in a linotype machine with the specification expressly acknowledging an earlier patented device with only one set of cleaning brushes placed anywhere (at 198-202). The objection raised in opposition was, in part, that the device was “not novel” following on from the earlier single cleaning brush device (at 196).

Griffith CJ accepted that the term “novel” in patent law meant that “the alleged invention is substantially identical with a process or ‘manner of manufacture’ already known to the public” (at 202), and then cited various authorities for the proposition that some skill and ingenuity was required for a “manner of new manufacture” (at 202-205). Based on comparing the alleged invention and the prior patent, Griffith CJ concluded (at 206):

It is not, therefore, necessary in the present case to decide whether the absence of invention or ingenuity, as distinguished from substantial identity (if it can be distinguished), can be set up under an objection of want of novelty. I am strongly disposed to think that it can, at any rate where the absence is manifest. However that may be, the question of substantial identity is one of fact, which I think we are bound to determine for ourselves. I think the substantial identity is proved. That is sufficient to decide this case.

The result was that Griffith CJ found the invention was not “novel”, as the points of difference between the alleged invention and the earlier patent was “quite immaterial”, albeit that there were differences (at 206).³²

O’Connor J formulated the issue as if there were differences between the alleged invention and “the common stock of knowledge”, “whether the difference involved such an exercise of the inventive faculty as is necessary to constitute ‘a manner of new manufacture’ within the meaning of the *Patents Act 1903*” (at 206). However, O’Connor J concluded that the “alleged invention adds nothing to the common stock of knowledge respecting linotypes in existence at the date of his application, and that his alleged invention is therefore ‘not novel’”, and did not address the issue further (at 208).

Isaacs J cited various English and United States authorities, and concluded (at 213):

²⁸ *Patents Act 1903* (Cth), ss 56(e) and 56(f) respectively.

²⁹ *Patents Act 1903* (Cth), ss 39 – 41. See, eg *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232 (Dixon CJ, McTiernan, Fullagar, Taylor and Windeyer JJ); *Rogers v Commissioner of Patents* (1910) 10 CLR 701 (Griffith CJ, O’Connor and Isaacs JJ); *McDonald v Commissioner of Patents* (1912) 15 CLR 713 (Griffith CJ, Barton, Isaacs and Gavan Duffy JJ); *Millard v Commissioner of Patents* (1918) 24 CLR 331 (Barton, Gavan Duffy and Rich JJ).

³⁰ *Patents Act 1903* (Cth), s 86. See, eg *Acme Bedstead Co Ltd v Newlands Bros Ltd* (1937) 58 CLR 689 (Latham CJ, Starke and Dixon JJ); *Broken Hill South Silver Mining Co v N Guthridge Ltd* (1908) 8 CLR 187 (Isaacs J).

³¹ Notably there was some earlier discussion about this issue. See, eg, *Moore and Hesketh v Phillips* (1907) 4 CLR 1411 at 1415 (Griffith CJ).

³² Griffith CJ stating: “The only points of difference are (1) that by the applicant’s invention the intaglio of the type upon the matrix is cleaned as well as the indicating letter; (2) that both edges are cleaned at once; (3) that they are cleaned twice instead of once only; and (4) that the places chosen for the cleaning and the shape of the brush are different” (*Linotype Co Ltd v Mounsey* (1909) 9 CLR 194 at 205).

If he were the first in Australia to devise it, undoubtedly it would be new; but in view of Lock's patent and the common knowledge previously existing, I come to the conclusion clearly and without hesitation that in fact the invention is old. There is no substantial difference between the invention comprised in previously existing knowledge and that comprised in the applicant's invention. The essence of it all is old; its substance was already included within the bounds of public knowledge, and nothing was added to the old device except a mechanical arrangement which not only persons highly versed in the trade would be expected to employ where the necessity called for it, but would be suggested by commonsense to any person acquainted with Lock's mechanism and using the ordinary experience of life.

In contrast, Higgins J considered the opposition was crafted by Parliament to prevent patent grants that were "obviously and hopelessly bad, and which put the public at expense and annoyance" (at 216). The issue for Higgins J was, therefore, whether there was "a substantial margin in fact between the [prior published patented] device and the applicant's; and if there is, there is novelty, whether the novelty shows sufficient inventiveness or not" (at 217). On the facts, Higgins J considered that it was "simply unthinkable" that the single brush device was "substantially identical" to the two or more brush device of the applicant's, thus finding there was novelty (at 222).

Later, in *McGlashan v Rabett* (1909) 9 CLR 223, the High Court considered an opposition for a combination patent for an improved ballast spreader used in railway construction. Griffith CJ considered the opposition ground of "not novel" included that the invention was "substantially anticipated", "substantially the same" and that "there is no substantial inventive faculty involved in such differences as there are between the new appliance and others already existing" (at 226). O'Connor J considered that it was not enough to show that the device was new compared to the "existing knowledge"; there was a requirement to show "the patent has sufficient novelty to enable the specification to be good" (at 228-229). The matter was, however, decided on the basis that the objector had not provided sufficient evidence to satisfy the court that there was no novelty, and that in those circumstances the court should not refuse a patent grant.³³

The outcome from both *Linotype* and *McGlashan* was to leave open speculation about the nature and character of "is or is not novel". This uncertainty persisted in a number of subsequent High Court decisions.³⁴ The uncertainty was then authoritatively addressed by the High Court in *Gum v Stevens* (1923) 33 CLR 267.³⁵ This was significant as the Patent Office appeared to have adopted the practice of excluding on opposition, and presumably also as part of the "novelty" report on examination,³⁶ that "is or is not novel" included any aspect of an ISLE.³⁷

In *Gum v Stevens*, a patent application addressing an improved lubricating device for vehicles was opposed, in part, on the grounds of "not novel". The Commissioner, in deciding the opposition proceedings, had accepted the application on the basis that (at 268):

The invention of the applicants consists in a combination, and it differs from the inventions cited by the opponents in that the duct is formed in a particular way with a valve or nipple which is adapted to pass grease or lubricating material from a grease-gun, syringe, or pump. It is a combination which, according to the evidence, is new, and was unknown to the opponent at the date of the application for the patent. For these reasons, and acting upon the principle that the grant of a patent should not be refused unless it is quite clear that the patent, if granted, would be obviously bad ... I am of the opinion that the patent should be granted.

³³ *McGlashan v Rabett* (1909) 9 CLR 223 at 228 (Griffith CJ), 229 (O'Connor J), 229-230 (Isaacs J).

³⁴ See, eg *Griffith v Neilson* (1911) 13 CLR 131 (Griffith CJ and O'Connor J); *May v Higgins* (1916) 21 CLR 119 (Griffith CJ, Barton, Isaacs and Rich JJ); *Stamp v WJ Powell Pty Ltd* (1918) 24 CLR 339 (Barton, Gavan Duffy and Rich JJ).

³⁵ See also *Acme Bedstead Co Ltd v Newlands Bros Ltd* (1937) 58 CLR 689 (Latham CJ, Starke and Dixon JJ); *Palmer v Dunlop Peruvian Rubber Co Ltd* (1937) 59 CLR 30 (Latham CJ, Rich, Dixon and McTiernan JJ); *Murray Deodorisers Ltd v James Bell Machinery Pty Ltd* (1939) 13 ALJ 89 (Latham CJ, Starke and Evatt JJ); *Hume Pipe Co (Aust) Ltd v Monier Industries Ltd* (1943) 13 AOPJ 575 (Dixon J).

³⁶ See *Patents Act 1903* (Cth), s 41(b).

³⁷ The phrase "inventive faculty" was used by the High Court. See, eg *Gum v Stevens* (1923) 33 CLR 267 at 270 (Isaacs J); *McGlashan v Rabett* (1909) 9 CLR 223 at 226 (Griffith CJ); *Linotype Co Ltd v Mounsey* (1909) 9 CLR 194 at 206 (O'Connor J).

On appeal in the Victorian Supreme Court, Mann J in *Gum v Stevens* [1924] VLR 1 had allowed the opposition finding that there was neither “novelty” in the idea nor “novelty” in the means of invention (at 2-4). In the High Court, the appellants contended that the requirement for the exercise of an “inventive faculty” was “entirely foreign to the question of novelty”.³⁸ The High Court dismissed the appeal confirming the decision of the Victorian Supreme Court.³⁹ Knox CJ agreed with the conclusions of Mann J, and so also his reasoning. Both Isaacs and Starke JJ also agreed, although expressing slightly different reasons.⁴⁰

Isaacs J referred only to the earlier High Court decision in *McGlashan*, pointing out that “it is quite easy to see how misunderstanding can arise” in considering the terms “novel” and “invention”.⁴¹ He then considered the various senses in which the term “invention” had “flexible” and “variable” meanings:

In *British United Shoe Machinery Co v Fussell & Sons Ltd* [(1908) 25 RPC 631 at 651] Fletcher Moulton LJ says: “The word invention is used in at least three senses in connection with these subjects, and ... these three senses are quite distinct. First of all we say that to support a patent there must be invention. There it means an inventive act. Then we talk about a person getting a monopoly for an invention. There it means a thing which is new and that has required an inventive act to produce it. There is also an intermediate sense in which it is used, that is to say, you sometimes speak of a patentee’s invention, meaning the particular inventive act which this inventor has performed”. Now, there it must not be taken that *McGlashan v Rabett* decides that, when “novelty” is under consideration, there must be an absolute exclusion of “invention” in all its senses.⁴²

Following recourse to earlier United Kingdom authority supporting his contention that “novelty” includes some element of invention, Isaacs J then concluded that the decision in *McGlashan* did not exclude a consideration of “‘invention’ in the relevant sense” when considering the “‘novelty’ of a new application of an old device”, where the relevant sense of “invention” means “a thing which is new and that has required an inventive act to produce it”.⁴³

Meanwhile, Starke J considered that the decisions in *McGlashan* and *Linotype* had been misunderstood as there was “no clear line of demarcation between subject matter and novelty”. He then referred to the three questions identified by Fletcher Moulton LJ: “Firstly, is it a manufacture? Secondly, is it new? Thirdly, is it a new manufacture or, in other words, does it involve invention?”. In his opinion, the alleged invention was lacking in “novelty” because at the date of the application there was another similar device, so that the “substitution of the valve or nipple ... for the cup, was therefore an obvious method of carrying out the same object, and by means of a device perfectly well known for lubricating purposes”. Starke J’s decision clarified that a want of “novelty” resulted in a want of subject matter, and that facts supporting a want of “novelty” may also support an objection to want of subject matter.⁴⁴ This distinction followed from the construction of the opposition provision that only addressed want of “novelty”, confirming that the same facts might address both want of “novelty” and subject matter. However, his decision also clarified that want of “novelty” included an ISLE, albeit not clearly delineated.⁴⁵

Thus, Knox CJ’s and Isaacs and Starke JJ’s decisions confirmed that the ground of opposition of “is or is not novel” had a broad meaning, reflecting the contention of Mann J in the Victorian Supreme Court:

³⁸ *Gum v Stevens* (1923) 33 CLR 267 at 269 (Isaacs J).

³⁹ *Gum v Stevens* (1923) 33 CLR 267 at 269 (Knox CJ), 269 (Isaacs J), 272 (Starke J).

⁴⁰ *Gum v Stevens* (1923) 33 CLR 267 at 269, 272.

⁴¹ *Gum v Stevens* (1923) 33 CLR 267 at 269-270.

⁴² *Gum v Stevens* (1923) 33 CLR 267 at 270.

⁴³ See *Gum v Stevens* (1923) 33 CLR 267 at 270-271.

⁴⁴ *Gum v Stevens* (1923) 33 CLR 267 at 272, this included citing *Linotype Co v Mounsey* (1909) 9 CLR 194 at 202 (Griffith CJ) in support of this contention.

⁴⁵ See *Gum v Stevens* (1923) 33 CLR 267 at 271-272.

This familiar argument rests, as has been often pointed out, upon the assumption that the defence of “want of subject-matter”, as loosely used in patent actions to express want of invention, in some way limits the meaning of novelty as used in the *Patents Act*. The requirement of novelty is the foundation of the grant, and it is not to be reduced to a mere shadowy requirement by first assigning a meaning to “subject-matter”, an expression not found in the Act, and then limiting the meaning of “novelty” to that which falls outside “subject-matter”.⁴⁶

Subsequent opposition decisions of the High Court clarified the scope and operation of want of “novelty”, although failing to provide a definitive demarcations or clear statements about the necessary ISLE.⁴⁷ These opposition decisions had, however, definitively established an ISLE as part of the “is or is not novel” inquiry.

“Invention”

In contrast to opposition proceedings, in revocation proceedings (where “[e]very ground on which a patent might at common law be repealed by scire facias shall be available”)⁴⁸ ISLEs were readily apparent. A case that perhaps best illustrates this was *Acme Bedstead Co Ltd v Newlands Bros Ltd* (1937) 58 CLR 689. There, the High Court considered a revocation cross-claim to infringement that the alleged invention was not proper subject matter “having regard to general common knowledge in the art in which said invention belongs” (at 700 per Latham CJ). The alleged invention combined previously known elements for an improved hospital bed. The elements were a ratchet and pawl device (a jack) in a non-rotatable (rectangular) telescopic post to raise a bed, and attached to an inverted “U-tube” to prevent tipping at one end of the bed allowing the bed to be operated by a single person (at 693). The difference between the disputed claim(s) and the earlier published invention was the substitution of a well-known ratchet and pawl mechanism for “the obviously defective and analogous elevating mechanism”.⁴⁹

In earlier proceedings of the New South Wales Supreme Court in *Acme Bedstead Co Ltd v Newlands Bros Ltd* (1937) 37 SR (NSW) 234, the grounds of defence against the challenge of infringement were that the patent claims lacked “novelty” and did not possess subject matter (at 235). In allowing the appeal, the Supreme Court articulated that “novelty” was an essential element of patentability both in the broad sense – “simply different from anything previously published or used in the relevant area” (at 240) – and in the narrow sense – “not only that it should be different from what has gone before, but that the difference should be one which involves invention” (at 240). Where an alleged invention possessed both broad and narrow “novelty”, then “the device is said to possess subject matter” (at 240). The test to be applied (at 240),

for determining whether a difference involves invention is whether the idea introducing the difference, and also of making it in the form in question, are ideas which would have been obvious to any person skilled in the relevant art at the date of the application for the patent, if he had had the alleged anticipation before him.

In determining “novelty” the relevant evidence was considered to be either prior publications or common knowledge, or a combination of both. As in the present case, where the difference between the alleged invention and the prior publications was common knowledge, this required more than “what would naturally have suggested itself to anyone possessing common knowledge” (at 240). On the facts in the Supreme Court, there was found to be no “inventive faculty” in substituting the well-known ratchet and pawl mechanism and so a want of subject matter was established (at 242).

In the High Court, Latham CJ found there was no subject matter because there was a need to show an “inventive step” and this was not satisfied as the alleged invention was a combination of

⁴⁶ *Gun v Stevens* [1924] VLR 1 at 4.

⁴⁷ See, eg, *Griffin v Isaacs* (1942) 12 AOJP 739 (Latham CJ, Starke, Dixon and McTeirman JJ); *William Arnott Ltd v Peak Frean & Co Ltd* (1935) 9 ALJ 73 (Rich, Strake, Dixon, Evatt and McTeirman JJ); *Hume Pipe Co (Aust) Ltd v Monier Industries Ltd* (1943) 13 AOJP 575 (Dixon J); *Murray Deodorisers Ltd v James Bell Machinery Pty Ltd* (1939) 13 ALJ 89 (Latham CJ, Starke and Evatt JJ).

⁴⁸ *Patents Act 1903* (Cth), s 86(3).

⁴⁹ *Acme Bedstead Co Ltd v Newlands Bros Ltd* (1937) 37 SR (NSW) 234 at 242 (Jordan CJ, Long Innes CJ in Eq and Davidson J).

“well-known mechanical integers and ... used each of them for its natural and well known purpose” – there was “no inventive ingenuity”.⁵⁰ For Starke J, all the elements of the alleged invention were “old” and the question was “whether the aggregation or combination of them involved the exercise of inventive genius or only a mechanical adaptation”.⁵¹ Starke J concluded the alleged invention lacked subject matter because it did “not involve the exercise of any inventive faculty but only mechanical skill in adapting an old contrivance to an analogous use”.⁵² For Dixon J the question was whether the device “amounts to an invention forming subject matter for a patent”.⁵³ He concluded that “[n]o evidence is needed to show that very familiar and very old expedients are employed”.⁵⁴ The outcome in each judgment was to find an ISLE in the subject matter inquiry.⁵⁵

Latham CJ and Starke and Dixon JJ also considered the anticipation of the alleged invention from prior publications.⁵⁶ The contention was that a paper anticipation must precisely show the whole claimed invention and how to make and use it, and that the earlier patent specification relevant to this alleged invention did not make the necessary disclosures. Latham CJ and Starke J rejected this contention, finding that the difference between what was disclosed in the prior specification and the alleged invention was “an obvious course to adopt for the attainment of the desired objective”⁵⁷ and “no room is left for the exercise of any inventive faculty”.⁵⁸ Dixon J was more circumspect, noting the various approaches in earlier decisions, but concluding that the device was simply the application of well-known mechanisms to achieve an obvious advantage and this was not proper subject matter.⁵⁹

Like the revocation proceedings, ISLEs were also readily apparent in the examination proceedings. For example, in *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232, the High Court considered whether a tube of synthetic resinous plastic material reinforced with mineral fibres used for self-propelled-rocket projectors satisfied the examiner as to “whether to the best of his knowledge the invention is or is not novel”.⁶⁰ This requirement was separated into inquires of whether the complete specification discloses an “invention” within the meaning of the *Patents Act 1903* and whether that invention was “is or is not novel” (at 243). The High Court, comprising Dixon CJ and McTiernan, Fullagar, Taylor and Windeyer JJ, only addressed “invention”, recognising that on examination “the Commissioner ought not to refuse acceptance of an application and specification unless it appears practically certain that letters patent granted on the specification would be held invalid” (at 245).⁶¹ The High Court found that the complete specification did not disclose an “invention”⁶² because it was merely a claim for a known and used substance, and used for a purpose

⁵⁰ *Acme v Newlands* (1937) 58 CLR 689 at 700.

⁵¹ *Acme v Newlands* (1937) 58 CLR 689 at 702.

⁵² *Acme v Newlands* (1937) 58 CLR 689 at 703.

⁵³ *Acme v Newlands* (1937) 58 CLR 689 at 705.

⁵⁴ *Acme v Newlands* (1937) 58 CLR 689 at 706.

⁵⁵ *Acme v Newlands* (1937) 58 CLR 689 at 701-702, 704, 709.

⁵⁶ *Acme v Newlands* (1937) 58 CLR 689 at 700-701, 703-704, 706-708.

⁵⁷ *Acme v Newlands* (1937) 58 CLR 689 at 701 per Latham CJ.

⁵⁸ *Acme v Newlands* (1937) 58 CLR 689 at 704 per Starke J.

⁵⁹ *Acme v Newlands* (1937) 58 CLR 689 at 707, 709 citing *Adelman and Ham Boiler Corp v Llanrwst Foundry Co* (1928) 45 RPC 413 at 420 (Maugham J).

⁶⁰ *Patents Act 1903* (Cth), s 41(b). See *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232 at 243-244 (Dixon CJ, McTiernan, Fullagar, Taylor and Windeyer JJ).

⁶¹ Noting that a later High Court majority in *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655 at 665 (Brennan, Deane and Toohey JJ) rejected an argument that this was a case of “newness” as opposed to “manner of new manufacture”.

⁶² Applying the “appears practically certain” standard that “it should be clear on its face that the specification discloses no inventive step”: *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232 at 246 (Dixon CJ, McTiernan, Fullagar, Taylor and Windeyer JJ).

for which its properties made it suitable (analogous use).⁶³

If stainless steel and its properties were known, and many kinds of articles had been made of it, it would not be possible for a man to claim a monopoly for making kitchen sinks of stainless steel merely because he was the first man who ever thought of doing this.⁶⁴

Applying this reasoning, the High Court unanimously concluded (at 250):

we do not think it can be said, merely because it does not seem previously to have occurred to anyone to make a rocket projector out of reinforced plastic, that any inventive idea is disclosed by the specification.

While definitive statements of principle about the place of obviousness under the *Patents Act 1903* are difficult to make, it was clear that ISLEs were apparent in the examination, opposition and revocation decisions in determining "novelty" and subject matter. Following a number of reviews and changes to the British Patents Acts,⁶⁵ an Australian committee (the Knowles Committee) was appointed in 1935 to review the operation and performance of the *Patents Act 1903*.⁶⁶ The outbreak of war prevented enactment of its recommendations and a subsequent committee (the Spicer Committee) was appointed to undertake a similar task and reported in 1950.⁶⁷ The Spicer Committee, following the lead of the British *Patents Act 1932* (UK), the *Patents Act 1949* (UK) and the earlier Knowles Committee,⁶⁸ expanded and set out the grounds of opposition and revocation.⁶⁹ In dealing with opposition, the Spicer Committee stated:

[The new clause] broadens the grounds of opposition and states them in language consistent with the language of the corresponding grounds of revocation. Want of invention, or the fact that an invention is obvious, is now made a ground of opposition; this gives legislative effect to the view taken by the High Court of the position under the existing Act.⁷⁰

The *Patents Act 1952* was subsequently enacted, replaced the *Patents Act 1903* and introduced "obviousness" as an explicit ground of opposition and revocation.⁷¹ However, the *Patents Act 1952* did not finally determine the modern conception of "inventive step" and maintained ISLEs in the "novelty" and "invention" (or "manner of new manufacture") inquiries.

⁶³ Citing *Re AF's Application* (1913) 31 RPC 58 (Sir Stanley Buckmaster), *Re BA's Application* (1915) 32 RPC 348 (Sir Stanley Buckmaster), *Re D Co's Application* (1921) 38 RPC 397 (Sir Ernest Pollock), *Re CGR's Application* (1924) 42 RPC 320 (Sir Thomas Inskip) and *Re L & G's Application* (1940) 58 RPC 21 (Morton J).

⁶⁴ *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232 at 248. Notably, *Re Application of Compagnies Reunies des Glaces* (1930) 48 RPC 185 at 189 (Sir Stafford Cripps) might provide a useful contrasting decision, as there, the known qualities of hardened glass and glazing were applied to vehicle windshields was not sufficient to deny a patent as there were no prior publications and no prior claims. For a similar and more recent Australian example, see *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524 (Black CJ, Lehane and Finkelstein JJ), finding that a claim to a dosage regime of a known chemical compound (Taxol) for a known therapeutic use based upon known properties and involving no new method of administration was patentable.

⁶⁵ See, eg Board of Trade, *Report of the Departmental Committee on the Patents and Designs Acts and Practice of the Patent Office* (HMSO, 1931).

⁶⁶ Commonwealth of Australia, *Report of the Committee Appointed by the Attorney-General of the Commonwealth to Consider What Alterations are Desirable in the Patent Law of the Commonwealth* (Spicer Committee) (AGPS, 1952) pp 19-58, being the *Report and Supplementary Reports of the Committee Appointed during 1935 by the then Attorney-General to Consider What Alterations Were Desirable in the Patent Law of the Commonwealth* (Knowles Committee).

⁶⁷ Spicer Committee, n 66, p 1.

⁶⁸ See Knowles Committee, n 66, p 27.

⁶⁹ Spicer Committee, n 66, pp 14, 16.

⁷⁰ Spicer Committee, n 66, p 14.

⁷¹ *Patents Act 1952* (Cth), s 59(g) (opposition), s 100(e) (revocation).

PATENTS ACT 1952 (Cth)

Under the *Patents Act 1952* the Commissioner could “refuse to accept the application and complete specification”⁷² if it did not “comply with the requirements of the Act”,⁷³ with an appeal open through the courts.⁷⁴ Once an application and specification had been accepted,⁷⁵ opposition (before grant)⁷⁶ and revocation (after grant)⁷⁷ proceedings were available,⁷⁸ with avenues of appeal open through the courts.⁷⁹ The *Patents Act 1952* expressly separated out the requirements of novelty and obviousness as grounds of opposition⁸⁰ and revocation,⁸¹ but not as part of the report of examination.⁸² There the necessary ISLE was considered to be part of the existing requirement conveyed by the term “manner of new manufacture” in s 6 of the *Statute of Monopolies*, and as a consequence, was a part of the examination requirements.⁸³ The effect was stated to be to establish a “fundamental difference” between novelty and obviousness and deal with each specifically and exhaustively.⁸⁴ However, even the grounds of opposition and revocation that the invention was “otherwise not novel in Australia”⁸⁵ and “was not novel in Australia”,⁸⁶ respectively, maintained ISLEs.

“Invention”

Under the *Patents Act 1952* the examination of a patent specification did not expressly require the Commissioner to consider “novelty” or “obviousness”, but rather, whether the application and complete specification “comply with the requirements of the Act”.⁸⁷ In *National Research Development Corp v Commissioner of Patents* (1959) 102 CLR 252 the High Court, comprising Dixon CJ and Kitto and Windeyer JJ, considered a challenge against a decision of the Deputy Commissioner of Patents directing that a number of claims to a method of selectively eradicating weeds with chemical compounds be removed. The High Court unanimously considered that the phrase “comply with the requirements of the Act” included determining whether there was a patent being “letters patent for an invention”, where the term “invention” was the s 6 of the *Statute of Monopolies* “any manner of new manufacture” (at 260). In applying the standard, the Deputy Commissioner considered the method claims were not a “manner of manufacture” because “they are claims to the mere use of known substances – which use also does not result in any vendible product” (at 261). The

⁷² *Patents Act 1952* (Cth), s 52(2). Noting that there was provision to allow amendments to comply with the application and complete specification requirements: s 49.

⁷³ *Patents Act 1952* (Cth), s 48(2)(a).

⁷⁴ *Patents Act 1952* (Cth), ss 52(8), 146. This appeal was originally to the High Court.

⁷⁵ *Patents Act 1952* (Cth), s 52(1).

⁷⁶ *Patents Act 1952* (Cth), s 62.

⁷⁷ *Patents Act 1952* (Cth), s 99.

⁷⁸ *Patents Act 1952* (Cth), s 59 (opposition), s 99 (revocation).

⁷⁹ *Patents Act 1952* (Cth), s 60(5) and s 146 (opposition). A revocation was commenced in the Federal Court (originally in the High Court or State Supreme Court (s 86(2)) and decisions of the State Supreme Court were subject to appeal to the High Court: *Judiciary Act 1903* (Cth), s 35.

⁸⁰ *Patents Act 1952* (Cth), s 59(1)(g).

⁸¹ *Patents Act 1952* (Cth), s 100(1)(e).

⁸² See *Patents Act 1952* (Cth), s 48(2).

⁸³ *Patents Act 1952* (Cth), s 35(1) (examination). See *Commissioner of Patents v Microcell* (1959) 102 CLR 232 at 245-246 (Dixon CJ, McTeirnan, Fullagar, Taylor and Windeyer JJ).

⁸⁴ See *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 at 181-182, 189-190 (Brennan CJ, Gaudron, McHugh and Gummow JJ); *Wellcome Foundation Ltd v VR Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262 at 270 (Aickin J); *Sunbeam Corp v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98 at 111 (Windeyer J); *Graham Hart (1971) Pty Ltd v SW Hart & Co Pty Ltd* (1978) 141 CLR 305 at 330 (Aickin J).

⁸⁵ *Patents Act 1952* (Cth), s 59(1).

⁸⁶ *Patents Act 1952* (Cth), s 100(1).

⁸⁷ *Patents Act 1952* (Cth), s 48(2)(a).

High Court, however, recited its then recent decision in *Microcell* (under the *Patents Act 1903*) for the proposition that "new" in "manner of new manufacture" meant that the Commissioner could, when considering the complete specification as a whole, reject claims for a mere "new use of an old substance" (at 262),⁸⁸ saying (at 264):

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 High Court then distinguished the present matter on the basis that the complete specification did disclose something more than a mere new use of an old substance (at 265):

It is irrelevant, even if true, that once the discovery was made that the chemicals produce a lethal reaction when applied to the weeds and produce no such reaction when applied to the crops there was no more ingenuity required in order to show how the process might be performed. The point that matters is that a weed-killing process is claimed which is distinguished from previously known processes by a feature the suggestion of which for such a process involved a step plainly inventive.

In other words, the decision in *National Research* maintained an element of inventive step in the assessment of "manner of new manufacture". It is not clear whether this same standard was then subsumed by the considerations of "novelty" and "obviousness" in opposition and revocation proceedings. Notably, the grounds of opposition under the *Patents Act 1952* included "that the invention, so far as claimed in any claim, is not a manner of manufacture within the meaning of s 6 of the *Statute of Monopolies*".⁸⁹ By expressly excluding "new" in the statement of "manner of manufacture" there may arguably have been an attempt to limit the scope of inquiry to expressly exclude considerations of "novelty" and "obviousness"⁹⁰ (albeit that "invention" meant "any manner of new manufacture").⁹¹ However, another ground was "that the invention, so far as claimed in any claim, was, before the priority date of that claim, otherwise not novel in Australia"⁹² that bears a resemblance to the *Patents Act 1903* "that the invention is not novel".⁹³ In interpreting the *Patents Act 1903* provision the High Court had first to determine that there was an "invention" and this included an assessment of whether there was a *Statute of Monopolies* "manner of new manufacture".⁹⁴ In contrast, the grounds of revocation under the *Patents Act 1952* included "that the invention, so far as claimed in any claim of the complete specification ... is not an invention within the meaning of this Act".⁹⁵ There seems little doubt that this assessment would include an element of "inventive step" in the assessment of "manner of new manufacture".

In *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 the High Court, comprising Brennan CJ and Gaudron, McHugh and Gummow JJ (Kirby J dissenting), considered a cross-claim of revocation for alleged infringement of a patent claiming "the provision of an elongated lever arm to which a remote release cable was attached, for use in face-lift tilt-up

⁸⁸ Citing *Re BA's Application* (1915) 32 RPC 348 at 349 (Buckmaster LJ).

⁸⁹ *Patents Act 1952* (Cth), s 59(1)(f).

⁹⁰ This seems at least likely as even the very early decisions of the High Court considered that "manner of new manufacture" involved two questions; "whether it is a 'manner of manufacture' and whether it is 'new'". See, eg *Linotype Co Ltd v Mounsey* (1909) 9 CLR 194 at 202 (Griffith CJ); see also *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655 at 670-671 (Dawson and McHugh JJ).

⁹¹ *Patents Act 1952* (Cth), s 6.

⁹² *Patents Act 1952* (Cth), s 59(1)(h).

⁹³ *Patents Act 1903* (Cth), s 56(e).

⁹⁴ See, eg, *McGlashan v Rabett* (1909) 9 CLR 223 (Griffith CJ, O'Connor and Isaacs JJ).

⁹⁵ *Patents Act 1952* (Cth), s 100(1)(d).

applications".⁹⁶ "Novelty" was not determined in the Full Federal Court decision and "obviousness" had been abandoned (at 180-181).⁹⁷ The question for the High Court was therefore limited to whether the Full Federal Court had inappropriately included assessments of "novelty" and "obviousness" in assessing "invention" and its meaning. The Full Federal Court, in *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1996) 66 FCR 151; 34 IPR 256 at 272, had concluded that the patent claims lacked the necessary "inventive merit" required for an "invention" within the meaning of the Act referring (at 271) to earlier Full Federal Court decisions in *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 and *WR Grace & Co v Asahi Kasei Kogyo Kabushiki Kaisha* (1993) 25 IPR 481.

The High Court majority in *Advanced Building Systems*, however, considered that the phrase "inventive merit" had "led the Full [Federal] Court into an assumed construction of s 100(1)(d), which was at odds with the structure of s 100 and diverted it from consideration of the question (obviousness having been abandoned) of whether any other prior publications destroyed the novelty of either or both of the claims of the Patent".⁹⁸ The majority referred the matter back to the Full Federal Court to consider the "novelty" issues that had been addressed by the trial judge, but had not been considered by the Full Federal Court.⁹⁹ The majority clearly stated: "[n]ovelty and obviousness are dealt with specifically and exhaustively in pars (e) and (g)".¹⁰⁰ Meanwhile Kirby J considered the Full Federal Court had reached the correct decision as the combination was a "mere collocation of well-known integers" and this assessment was not confined to the face of the specification.¹⁰¹

"Not novel"

The remaining question is whether the specific and separate grounds of "novelty" in the *Patents Act 1952* retained any ISLE, or whether this had been entirely incorporated in the ground of "obviousness". Notably the *Patents Act 1932* (UK) had used the phrase "not new"¹⁰² while the *Patents Act 1952* used the phrase "not novel".¹⁰³ Arguably, the use of the term "novelty" in the *Patents Act 1903* and the phrase "not novel" in the *Patents Act 1952* means that the "novelty" concepts in the *Patents Act 1903* may have carried over to the *Patents Act 1952*. In other words, did some ISLE remain in the assessment of "novelty" under the *Patents Act 1952*? This assessment is made more difficult because the *Patents Act 1952* also included as grounds of opposition that the invention as claimed was "published in Australia" before the priority date,¹⁰⁴ perhaps suggesting that "novelty" included more than just prior "publishing". The High Court in *Aktiebolaget Hässle v Alphapharm Pty Ltd* (2003) 212 CLR 411 comprising Gleeson CJ and Gaudron, Gummow and Hayne JJ, however, while not expressly excluding an ISLE from the ground of "novelty" appeared to consider that the

⁹⁶ See *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1996) 66 FCR 151 at 166 (Lockhart, Beazley and Sackville JJ).

⁹⁷ Notably, similar arguments were addressed in *Sunbeam Corp v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98 at 111 per Windeyer J, but not addressed further because both "novelty" and "obviousness" were also addressed so that it was not necessary to deal with whether "the alleged invention 'did not involve any inventive ingenuity in the light of the prior art as disclosed by prior publications'"; see also *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588 at 622 (Dixon CJ, Kitto and Windeyer JJ).

⁹⁸ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 at 190-191.

⁹⁹ Notably, the majority in *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 at 191-192 distinguished the decision of the majority in *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655 at 663, 666 (Brennan, Deane and Toohey JJ) on the basis that the revocation provisions of the *Patents Act 1990* (Cth), s 138 were "significantly different in structure from s 100 of the *Patents Act 1952* (Cth)", and that the lack of an inventive step there appeared on the face of the specification.

¹⁰⁰ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 at 190.

¹⁰¹ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 at 197.

¹⁰² *Patents Act 1932* (UK), s 25(1)(e).

¹⁰³ *Patents Act 1952* (Cth), s 59(1)(h) (opposition), s 100(1)(g) (revocation).

¹⁰⁴ *Patents Act 1952* (Cth), s 59(1)(e) (opposition).

distinction has been drawn in the separate heads of "novelty" and "inventive step" (at 422-423).¹⁰⁵

The use of terms such as "obviousness", and lack or absence of "ingenuity", "subject-matter" and "inventive step", to distinguish a ground of revocation from that involved with "lack of novelty", "prior publication", "anticipation" and "prior use", has a fairly lengthy and evolving history in the decisions on patent law before the embodiment of the distinction in modern legislation.

However, there is some clear High Court authority for the proposition that the *Patents Act 1952* conception of "novelty"¹⁰⁶ was an unaltered representation of the common law conception of "novelty".¹⁰⁷ There is also some distinct authority in the Full Federal Court expressly addressing this matter.¹⁰⁸ For example, in *Werner*, only "novelty" was in issue and the contention was "that inventiveness or ingenuity is a necessary element in novelty so that an objection to the grant of a patent on the ground of want of novelty necessarily involves an inquiry as to inventiveness",¹⁰⁹ or an "exertion of the mind that could properly be called invention".¹¹⁰ Lockhart J considered that the earlier High Court decisions were only authority for the proposition that lack of inventiveness was part of the ground of want of "novelty" if "it is a very clear case of absence of invention, or of something which obviously possesses no inventive merit whatsoever".¹¹¹ However, he clearly accepts that these grounds are not totally separate reflecting their historical origins.¹¹² Meanwhile, Gummow J, with whom Jenkinson J agreed,¹¹³ after tracing through earlier High Court decisions, stated (but did not conclude) that the *Patents Act 1952* avoided the "difficulties" by distinguishing between "novelty" and "obviousness":

The present legislation [the *Patents Act 1952*] is properly to be regarded as meeting what was a somewhat anomalous situation that evolved in the interpretation of the [*Patents Act 1903*]. In my view, in construing the grounds of opposition under the present Act it is not an element in the objection on the ground of lack of novelty that whilst there was no anticipation in the necessary sense, nevertheless the difference in the two is to be disregarded because to come from the alleged anticipation to the alleged invention would not have involved the exercise of inventive ingenuity in the light of common general knowledge. It follows that I agree with the approach taken by King J to this issue.¹¹⁴

The approach adopted by King J in the Supreme Court of Victoria in *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1987) 8 IPR 339 as the trial judge preceding the Full Federal Court decision, was to accept that the line of earlier High Court cases meant that an alleged anticipation was not avoided by differences that might be characterised as "a mere mechanical equivalent or a mere workshop variant" (at 347).¹¹⁵ For both Lockhart and Gummow JJ in the Full

¹⁰⁵ Citing *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 569-584 (Lockhart J) and 591-601 (Gummow J); see also *Sunbeam Corp v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98 at 114 (Windeyer J).

¹⁰⁶ See *Patents Act 1952* (Cth), s 100(g).

¹⁰⁷ See, eg *Rose Holdings Pty Ltd v Carlton Shuttlecocks Ltd* (1957) 98 CLR 444 at 450 (Williams J); *HPM Industries Pty Ltd v Gerard Industries Ltd* (1957) 98 CLR 424 at 437 (Williams J).

¹⁰⁸ See, eg *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 581-583 (Lockhart J, with whom Gummow and Jenkinson JJ agreed); *Denison Manufacturing Co v Monarch Marking Systems Inc* (1983) 76 FLR 200 at 211 (Fox J), 221 (Franki J); *WR Grace & Co v Asahi Kasei Kogyo Kabushiki Kaisha* (1993) 25 IPR 481 at 497-498 (Northrop, Lockhart and Cooper JJ).

¹⁰⁹ *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 569 per Lockhart J.

¹¹⁰ *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 582 per Gummow J.

¹¹¹ In *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 582-583 Lockhart J later suggests "a mere workshop improvement" is such a circumstance.

¹¹² *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 584-585.

¹¹³ *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 586.

¹¹⁴ *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 601-602.

¹¹⁵ See also *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 594 (Gummow J). Notably, this terminology of "workshop improvements" arose in *Denison Manufacturing Co v Monarch Marking Systems Inc* (1983) 76 FLR 200 at 209-210 (Fox J) citing *Griffin v Isaacs* (1938) 12 *Official Journal of Patents Trade Marks and Designs* 739 at 740 (Dixon J) as support for the proposition.

Federal Court, the question was whether the additional integer not disclosed in the prior patent specification was more than a workshop improvement or mechanical variation.¹¹⁶ Lockhart J, with whom Gummow and Jenkinson JJ agreed,¹¹⁷ concluded:

In my opinion the evidence does not prove that the Bailey patent quite obviously possessed no inventive merit whatever. The essential difference between the disclosures in the Greenman and Bailey specifications discloses some inventive step; something more than a mere workshop variation or mechanical equivalent.¹¹⁸

In other words, a challenge of want of “novelty” may be supported by asserting (with relevant evidence) that the invention is merely a workshop variation or mechanical equivalent disclosing an insufficient inventive step,¹¹⁹ and recognising that under the *Patents Act 1952* an ISLE remained in the determination of “novelty”.¹²⁰

A review of the Australian patent scheme in 1984, taking into account a “predominantly economic perspective”, recommended that the threshold for patentability remain the expression “manner of new manufacture”¹²¹ and that the prior art base be expanded.¹²² The review did not address the form and content of the “obviousness” requirement or consider whether the ISLEs should remain in the “novelty” and “invention” inquiries. The *Patents Act 1952* was subsequently repealed and replaced by the *Patents Act 1990* that adopted the term “inventive step” in place of obviousness. The *Patents Act 1990* also standardised the patent requirements across examination, opposition and revocation that was a significant change from the *Patents Act 1903* and *Patents Act 1952*, even though the content of these requirements is not necessarily the same at each challenge.¹²³

PATENTS ACT 1990 (Cth)

Under the *Patents Act 1990* the Commissioner can refuse to accept “a patent request and complete specification” that does not address an “invention”, is not “novel” and does not involve an “inventive step”,¹²⁴ with an appeal open through the courts.¹²⁵ Following acceptance, opposition and revocation proceedings are available,¹²⁶ including the grounds “that the invention is not a patentable invention” and this will include that there is no “invention”, it is not “novel” and it does not involve an “inventive step”,¹²⁷ again with an appeal open through the courts.¹²⁸ The substance of the “inventive step” requirement is the same on examination, opposition and revocation,¹²⁹ except that on examination the “prior art base” does not include information made publicly available only through the doing of an

¹¹⁶ *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 584 (Lockhart J), 587-588 (Gummow J).

¹¹⁷ *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 602 (Gummow J), 586 (Jenkinson J).

¹¹⁸ *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 585.

¹¹⁹ See, eg *Nicaro Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545 (Lockhart, Jenkinson and Gummow JJ). As to what might constitute a workshop variation or mechanical equivalent, see, eg *Non-Drip Measure Co Ltd v Strangers Ltd* (1943) 60 RPC 135 at 142 (Russell of Killowen LJ); *Cincinnati Grinders (Inc) v BSA Tools Ltd* (1931) 48 RPC 33 at 75 (Lawrence LJ); *Samuel Parkes & Co Ltd v Cocker Bros Ltd* (1929) 46 RPC 241 at 252 (Hanworth MR).

¹²⁰ In contrast to this conclusion, some commentators have speculated that *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 might have succeeded in removing an assessment of “inventive ingenuity” from the “novelty” assessment. See, eg Padbury M, “Inventiveness Apart from Novelty and Inventive Step – The High Court’s Decisions on Manner of Manufacture in Philips and Mirabella” (1998) 9 AIPJ 161 at 164.

¹²¹ Industrial Property Advisory Committee, *Patents, Innovation and Competition in Australia* (AGPS, 1984) p 41.

¹²² Industrial Property Advisory Committee, n 121, p 46.

¹²³ For example, on examination, the Commissioner constructs a problem/solution approach that might not be accepted by a court. See IP Australia, *Patent Manual of Practice and Procedures* (IP Australia, 2007) at [2.5.1.6].

¹²⁴ *Patents Act 1990* (Cth), s 49(1).

¹²⁵ *Patents Act 1990* (Cth), s 51. With subsequent appeals available to the Full Federal Court and High Court (s 158).

¹²⁶ *Patents Act 1990* (Cth), s 59 (opposition), s 138 (revocation).

¹²⁷ *Patents Act 1990* (Cth), s 59(b) (opposition), s 138(3)(b) (revocation).

¹²⁸ *Patents Act 1990* (Cth), s 154(1). With subsequent appeals available to the Full Federal Court and High Court (s 158).

¹²⁹ See *Patents Act 1990* (Cth), s 45(1)(c)(ii) (examination), s 59(b) (opposition), s 138(3)(b) (revocation).

act.¹³⁰ While a robust threshold requirement has arguably developed for the "inventive step" requirement,¹³¹ ISLEs remain to some extent in both the "novelty" and "invention" inquiries.

"Novelty"

There is some clear High Court authority for the proposition that the conception of "novelty" under the *Patents Act 1952*¹³² was a statutory formulation of the common law conception of "novelty" and had retained an ISLE.¹³³ How much of that common law carried into the "novelty" threshold under the *Patents Act 1990* is unclear, although the Full Federal Court has certainly accepted that some element remains.¹³⁴ The High Court has not addressed this issue under the *Patents Act 1990*, although the weight of Full Federal Court authority suggests that where the invention is merely a mechanical equivalent (or a workshop variation),¹³⁵ then "novelty" will not be satisfied.¹³⁶ Perhaps significantly, the Federal Court has tried to clarify that the necessary element of mechanical equivalence in assessing "novelty" should avoid a "coalescence between considerations of novelty and obviousness".¹³⁷ As a consequence the threshold of a mechanical equivalent (or a workshop variation) remains uncertain, albeit still a real ISLE.

"Invention"

One remaining question is the fate and consequence of the element of "new" in "manner of new manufacture". Under the *Patents Act 1990* the threshold criteria for examination is that "the invention, so far as claimed" is "a manner of manufacture within the meaning of s 6 of the *Statute of Monopolies*",¹³⁸ and for opposition and revocation "that the invention is not a patentable invention" that includes that it be "a manner of manufacture within the meaning of s 6 of the *Statute of Monopolies*".¹³⁹ In contrast, the term "invention" is defined to mean "any manner of new manufacture the subject of letters patent and grant of privilege within s 6 of the *Statute of Monopolies*, and includes

¹³⁰ *Patents Act 1990* (Cth), s 45(1A). Further, the potential for the examination (and re-examination) to challenge the content of the prior art base is limited by the ability to receive relevant evidence. See *Emperor Sports Pty Ltd v Commissioner of Patents* (2005) 146 FCR 159 at 180-181 (Lindgren J).

¹³¹ The High Court majority in *Aktiebolaget Hässle v Alphapharm Pty Ltd* (2003) 212 CLR 411 at 434 (Gleeson CJ, Gaudron, Gummow and Hayne JJ) advocated, albeit under the *Patents Act 1952* (Cth), a threshold of whether the inventor would have been led directly as a matter of course to pursue one avenue in the expectation that it might well produce the claimed invention, that appears to have been favorably adopted by the Federal Court under the *Patents Act 1990* (Cth). See, eg *JMVB Enterprises Pty Ltd v Camoflag Pty Ltd* (2006) 154 FCR 348 at 364 (Emmett, Stone and Bennett JJ); *NSI Dental Pty Ltd v University of Melbourne* (2006) 69 IPR 542 at 569-570 (Tamberlin J); *Commissioner of Patents v Emperor Sports Pty Ltd* (2006) 149 FCR 386 at 393 (Heerey, Kiefel and Bennett JJ); *Pfizer Overseas Pharmaceuticals v Eli Lilly and Co* (2005) 68 IPR 1 at 60-61 (French and Lindgren JJ), 83 (Crennan J); *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230 at 253-257 (Wilcox, Branson and Bennett JJ); *NutraSweet Australia Pty Ltd v Ajinomoto Co Inc* (2005) 67 IPR 381 at 392-394 (Finkelstein J). However, this favourable adoption has not been universal. See, eg *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2005) 68 IPR 459 at 499 (Heerey, Sundberg, Bennett JJ); *Neurizon Pty Ltd v LTH Consulting & Marketing Services Pty Ltd* (2004) 58 IPR 93 at 135-136 (Dowsett J).

¹³² See *Patents Act 1952* (Cth), s 100(g).

¹³³ See, eg *Simbeam Corp v Morphy-Richards (Australia) Pty Ltd* (1961) 180 CLR 98 at 112 (Windeyer J); *Rose Holdings Pty Ltd v Carlton Shuttlecocks Ltd* (1957) 98 CLR 444 at 450 (Williams J); *HPM Industries Pty Ltd v Gerard Industries Ltd* (1957) 98 CLR 424 at 437 (Williams J).

¹³⁴ See, eg *Nicaro Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545 (Lockhart, Jenkinson and Gummow JJ).

¹³⁵ Although the language of "a workshop variation" is probably more properly used in cases of obviousness: *Nicaro Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545 at 549 (Lockhart J).

¹³⁶ See, eg *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 584 (Lockhart J) and 588 (Gummow J); *Nicaro Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545 (Lockhart, Jenkinson and Gummow JJ). For a contrary view see Padbury, n 120 at 164.

¹³⁷ See, eg *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 44 IPR 481 at 493 (Burchett, Sackville and Lehane JJ); *Aktiebolaget Hässle v Alphapharm Pty Ltd* (1999) 44 IPR 593 at 631 (Lehane J).

¹³⁸ *Patents Act 1990* (Cth), ss 18(1)(a), 45(1)(b).

¹³⁹ *Patents Act 1990* (Cth), s 59(b) (opposition), s 138(3)(b) (revocation). Note that the term "patentable invention" means "an invention of the kind mentioned in s 18": *Patents Act 1990* (Cth), Sch 1.

an alleged invention" (emphasis added).¹⁴⁰ Based on this drafting it was unclear what significance the "new" in "manner of new manufacture" had, and how the authority, such as *Microcell*¹⁴¹ and *National Research*,¹⁴² in support of the proposition that a mere new use of a known product was not patentable might be applied under the *Patents Act 1990*. In *Advanced Building Systems*, a majority of the High Court (Brennan CJ and Gaudron, McHugh and Gummow JJ; Kirby J dissenting) had decided that the construction of the *Patents Act 1952* revocation provision dealt "specifically and exhaustively" with every aspect of "novelty" and "obviousness" leaving no avenue for any conceptions of "inventive merit" or "appreciable merit" within the meaning of "manner of new manufacture".¹⁴³ However, that case was distinguished from the earlier decision in *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655 under the *Patents Act 1990* revocation provisions on the basis that the construction of the *Patents Act 1952* was importantly different, and that the lack of an inventive step did not appear on the face of the specification.¹⁴⁴

In *NV Philips*, the High Court (comprising Brennan, Deane and Toohey JJ; Dawson and McHugh JJ dissenting) considered an infringement and a cross-claim for revocation about whether an alleged new use of long life compact fluorescent lamps was a known product that did not satisfy the threshold of a "manner of manufacture" (at 659, 668-669). While this was a patent claim made under the *Patents Act 1952*, the *Patents Act 1990* transition provisions applied so that the grounds of revocation that needed to be satisfied were those under the *Patents Act 1990* that retained the element set out in the *Patents Act 1952*.¹⁴⁵ The trial judge and Full Federal Court majority held that the claims were not an invention or a manner of new manufacture, because on the face of the specification they were merely a use of known materials to manufacture known articles for which the materials were known to be suitable (analogous use).¹⁴⁶ Notably the claims were found to be novel by the trial judge and a lack of an inventive step had been abandoned at trial (at 668-669),¹⁴⁷ so the only question for the High Court was whether the analogous use cases continued to apply as a ground within the revocation wording of the *Patents Act 1990* that "the invention is not a patentable invention" (at 659, 668-669 (emphasis added)).

The High Court majority rejected the contention that every aspect of the quality of inventiveness was confined to the formal consideration of the separate grounds of "novelty" and "obviousness". Their favoured construction was that the opening words ("a patentable invention is an invention that")¹⁴⁸ imposed a threshold requirement that needed to be satisfied before the other elements were addressed, including "a manner of manufacture within the meaning of s 6 of the *Statute of Monopolies*", "novelty" and "inventive step" (at 663). That is, in determining whether there was an "invention" there was a requirement to assess whether it was a "manner of new manufacture", and this followed the position reflected in *Microcell* and *National Research*. The outcome for the majority was

¹⁴⁰ *Patents Act 1990* (Cth), Sch 1.

¹⁴¹ *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232.

¹⁴² *National Research Development Corp v Commissioner of Patents* (1959) 102 CLR 252; see also *Henry Berry & Co Pty Ltd v Potter* (1924) 35 CLR 132 at 138-140 (Isaacs ACJ and Gavan Duffy J), 141-142 (Starke J).

¹⁴³ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 at 190.

¹⁴⁴ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 at 191-192. Notably, the *Patents Act 1990* (Cth), s 138(3), does not distinguish between the different grounds of "invention"/"patentable invention", "novelty" and "inventive step" in the same way as the *Patents Act 1952* (Cth), s 100(1), (2).

¹⁴⁵ See *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1992) 24 IPR 1 at 4-5 (Wilcox J); *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1993) 44 FCR 239 at 250-256 (Lockhart J; with whom Northrop J agreed).

¹⁴⁶ See *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1992) 24 IPR 1 at 36 (Wilcox J); *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1993) 44 FCR 239 at 265-266 (Lockhart J; with whom Northrop J agreed).

¹⁴⁷ See also *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1992) 24 IPR 1 at 2, 36-40 (Wilcox J).

¹⁴⁸ The words "a patentable invention is an invention that" were omitted and replaced with the words "an invention is a patentable invention for the purposes of a standard patent if the invention" by the *Patents Amendment (Innovation Patents) Act 2000* (Cth), s 3 and Sch 1 (item 6) (commencing on 24 May 2001).

to find that the conclusions of the trial judge and majority of the Full Federal Court were that the evidence established that the threshold requirement of "an invention" was not satisfied, and this was sufficient to revoke the patent on the ground that the alleged invention was not a "patentable invention": "[i]f it is apparent on the face of the specification that the quality of inventiveness necessary for there to be a proper subject of letters patent under the *Statute of Monopolies* is absent, one need go no further" (at 666).¹⁴⁹ As this was not challenged before the High Court this appeal could only be dismissed (at 664).

The minority, however, considered that the omission of "new" in "manner of manufacture" was to signify that a "patentable invention" was to "exhibit certain qualities" of "novelty" and "inventive step" (non-obviousness) and that the analogous use authority was adequately addressed there (at 670). In other words, the authority, such as *Microcell* and *National Research*, in support of the proposition that a mere new use of a known product was not patentable, was properly addressed under the heads of "novelty" and "inventive step".

However, the majority observed, after setting out their conclusion that the matter be dismissed,¹⁵⁰ that in respect of the terms "manner of manufacture" (at 667):

It is true that ... the [*National Research Development Corp v Commissioner of Patents*] was decided under the [*Patents Act 1952*]. Nonetheless, it is to be assumed that it was the legislative intent that the phrase "manner of manufacture" in s 18(1)(a) should be construed in accordance with earlier judicial decisions about its content as used in the saving clause of s 6 of the *Statute of Monopolies*.

The majorities' observation was, therefore, that the trial judge and Full Federal Court majority were correct in their finding that the patent claim was no more than a new use of a particular known product and that it was not a "manner of manufacture" (at 668).¹⁵¹ This suggests that the phrase "manner of manufacture" in the revocation (and opposition) grounds of "a manner of manufacture within the meaning of s 6 of the *Statute of Monopolies*" may arguably also include the ISLEs from the analogous use cases, such as *Microcell* and *National Research*. The significance of this observation remains uncertain, albeit subject to considerable criticism.¹⁵² Perhaps its significance is not great as it is likely only to be determinative where "novelty" and "inventive step" have not been in issue.¹⁵³ However, the High Court authority clearly establishes that "nothing but a claim for a new use of an old substance"¹⁵⁴ is still a relevant threshold inquiry¹⁵⁵ and entails an element of an "inventive idea"¹⁵⁶ determined on the face of the specification. Perhaps significantly, the *Australia – US Free Trade Agreement* [2005] ATS 1, Art 17.9(1) expressly required that "[t]he Parties confirm that patents shall be available for any new uses or methods of using a known product". The effect of this

¹⁴⁹ Notably, what materials and information might contribute to understanding the specification (to establish "known") remains uncertain. See, eg Lawson C, "Patenting Genes and Gene Sequences and Competition: Patenting at the Expense of Competition" (2002) 30 Fed L Rev 97 at 107.

¹⁵⁰ Stating: "Strictly speaking, it is unnecessary to answer the question whether a process which could not be a proper subject matter for a patent according to traditional principle, for the reason that it is merely a new use of a known product, can nonetheless be a 'manner of manufacture within the meaning of s 6 of the *Statute of Monopolies*' for the purposes of s 18(1)(a)" (*NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655 at 666-667).

¹⁵¹ See also *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1992) 24 IPR 1 at 36 (Wilcox J); *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1993) 44 FCR 239 at 265-266 (Lockhart J; with whom Northrop J agreed).

¹⁵² See, eg Brennan D and Christie A, "Patent Claims for Analogous Use and the Threshold Requirement of Inventiveness" (1997) 25 Fed L Rev 237 at 248-262.

¹⁵³ See, eg *Merck and Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31 at 37-54 (Heerey, Kiefel and Dowsett JJ); *Grant v Commissioner of Patents* (2006) 154 FCR 62 at 69-71 (Heerey, Kiefel and Bennett JJ).

¹⁵⁴ *National Research Development Corp v Commissioner of Patents* (1959) 102 CLR 252 at 260-261 (Dixon CJ, Kitto and Windeyer JJ) citing *Re BA's Application* (1915) 32 RPC 348 at 349 (Buckmaster LJ).

¹⁵⁵ *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655 at 664 (Brennan, Deane and Toohey JJ). See also *Merck and Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31 at 38 (Heerey, Kiefel and Dowsett JJ); *Grant v Commissioner of Patents* (2006) 154 FCR 62 at 65 (Heerey, Kiefel and Bennett JJ).

¹⁵⁶ The term used in *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232 at 250 (Dixon CJ, McTiernan, Fullagar, Taylor and Windeyer JJ).

agreement is presently uncertain, although the presence of the ISLE does not appear to have been affected by the agreement so far, suggesting that the provision does not affect the existing law.¹⁵⁷

CONCLUSION

As the analysis in this article shows, the role of ISLEs has diminished over time. In the "invention" inquiry under the *Patents Act 1990*, ISLEs may only have a significant effect where "novelty" and "inventive step" are not in issue.¹⁵⁸ Meanwhile, the issue might only arise in the "novelty" inquiry where the invention is argued to be a mechanical equivalent (or a workshop variation).¹⁵⁹ However, these ISLEs remain, introducing further complexity to both the "invention" and "novelty" inquiries, and address conceptions of inventiveness that might, at least arguably, be better dealt with solely through the "inventive step" inquiry.

While vestiges of "inventive step" may be desirable in allowing judges to craft decisions that exclude inappropriate patents, there are costs in terms of regulation quality and performance by creating barriers to trade and commerce, impeding innovation and increasing business costs (including "red tape") and consumer prices.¹⁶⁰ This is significant as the *Patents Act 1990* should be drafted in a way that is "efficient" in terms of "minimizing compliance and other costs imposed on the community" and "effective" in "addressing an identified problem".¹⁶¹ And, if inappropriate patents are to be excluded, then the reasons for exclusion should be clearly stated and not disguised through uncertain interpretations of threshold standards.¹⁶² Arguably, ISLEs do impose additional financial and "red tape" costs by creating uncertainty in the thresholds necessary for patentability. This is significant both from the perspective of the patent holder obtaining and having confidence in their patent grant, and competitors avoiding infringement of granted patents.

Two cases provide an illustration of the likely problems.

First, the High Court decision in *NV Philips*, where the mere new use of known materials to manufacture long-life compact fluorescent lamps for which the materials were known to be suitable, would have been patentable unless an ISLE had been found, because the "inventive step" ground had been abandoned at trial.¹⁶³ The "inventive step" argument appears to have been abandoned because a key piece of prior art could not be shown to be part of the common general knowledge in Australia.¹⁶⁴ The effect of the decision was that the particular fluorescent lamps were unpatentable, and that may have been a desirable outcome in the circumstances. The cause of the concern, however, should have been to focus on the scope of the relevant common general knowledge in assessing "inventive

¹⁵⁷ See, eg *Grant v Commissioner of Patents* (2006) 154 FCR 62 at 69-71 (Heerey, Kiefel and Bennett JJ). This was certainly the stated position of the Australian Government. See Chesmond R, "Patent Evergreening in Australia after the Australia-US Free Trade Agreement: Floodgates or Fallacy?" (2006) 9 *Flinders Journal of Law Reform* 51 at 51-53 (and the references therein).

¹⁵⁸ See *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655 at 668-669 (Dawson and McHugh JJ); *Merck and Co Inc v Arrow Pharmaceuticals Ltd* (2006) 154 FCR 31 at 37-54 (Heerey, Kiefel and Dowsett JJ); *Grant v Commissioner of Patents* (2006) 154 FCR 62 at 69-71 (Heerey, Kiefel and Bennett JJ); see also Lawson, n 149 at 108. However, this is certainly not always the case. See, eg, *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524 at 541 (Black CJ and Lehane J); *Arrow Pharmaceuticals Ltd v Merck & Co Inc* (2004) 63 IPR 85 at 114 (Giles J).

¹⁵⁹ See, eg *Ramsel Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 44 IPR 481 at 493 (Burchett, Sackville and Lehane JJ).

¹⁶⁰ See, eg Productivity Commission, *Regulation and its Review 2004-2005* (Annual Report Series, Productivity Commission, 2005) p 1.

¹⁶¹ Productivity Commission, *Regulation and its Review 2002-2003* (Annual Report Series, Productivity Commission, 2003) p 1.

¹⁶² For example, a re-invigorated "generally inconvenient" (from s 6 of the *Statute of Monopolies*) or clearly stated "public interest" exception might be appropriate to exclude inappropriate patents. See, eg Monotti A, "The Scope of 'Manner of Manufacture' under the *Patents Act 1990* (Cth) after *Grant v Commissioner of Patents*" (2006) 34 Fed L Rev 461; Lawson C, "Grant's Application: It's Time for a New Approach to a 'Public Interest' Exclusion from Patentability" (2005) 13 JLM 135.

¹⁶³ *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655 at 668-669; see also *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1992) 24 IPR 1 at 2, 36-40 (Wilcox J).

¹⁶⁴ See *NV Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1993) 44 FCR 239 at 265 (Lockhart J).

step".¹⁶⁵ Instead, the result of the decision was to introduce an additional element of uncertainty into all patent threshold inquiries,¹⁶⁶ opening up further cost and complexity in seeking a patent, having confidence that a patent grant remains valid, and competing against a patent holder while avoiding infringement.

Secondly, the Full Federal Court decision in *Grant v Commissioner of Patents* (2006) 154 FCR 62; 69 IPR 221 found a method for structuring a financial transaction so as to protect an individual's assets from a loss of ownership as a result of a legal liability was unpatentable, in part, because a trust, gift, loan and security were known products that were already known to be used to create a structure of financial rights and obligations, or even a change in the person's legal circumstances.¹⁶⁷ Before the Deputy Commissioner the threshold criteria of "novelty"¹⁶⁸ and "innovative step"¹⁶⁹ were not in issue.¹⁷⁰ While other grounds supporting the same consequences were also made,¹⁷¹ the effect of the decision was to introduce further uncertainty into the thresholds of "invention" for innovation patents. As the innovation patent scheme was intended to have a lower threshold than the standard patent's "inventive step",¹⁷² an additional requirement of inventiveness raises difficult questions about the quality of inventiveness on the face of the innovation patent specification, and how this is different to that required for a standard patent. Perhaps importantly, the (obvious) new use of a known product taking advantage of its known properties seems to be exactly the kinds of second tier inventions the innovation patent scheme was intended to address.¹⁷³ Again, the decision introduced an additional element of uncertainty into the patent threshold inquiries, opening up further grounds for both seeking a patent and having confidence in a patent grant, and that the patent remains valid either as a concerned patent holder or a competitor avoiding infringement.

Unfortunately, the authority curtailing the ISLEs in the "novelty" inquiry under the *Patents Act 1990* may not be decisive. The High Court has not specifically addressed the issue under the *Patents Act 1990* but might be persuaded by the earlier decisions under the *Patents Act 1952*, such as *Sunbeam Corp v Morphy-Richards (Australia) Pty Ltd* (1961) 180 CLR 98 and *Rose Holdings Pty Ltd v Carlton Shuttlecocks Ltd* (1957) 98 CLR 444. These cases are authority for the proposition that the *Patents Act*

¹⁶⁵ Notably, this has been addressed, to some extent, in amendment of the *Patents Act 1990* (Cth) by the *Patents Amendment Act 2001* (Cth) that implemented the recommendations of the Intellectual Property and Competition Review Committee that the prior art base be expanded to include "all information, including acts and common general knowledge, anywhere in the world which a person skilled in the art could have reasonably expected to find, understand and regard as relevant" and mosaicing the prior art where it "would be obvious to the person skilled in the art": Intellectual Property and Competition Review Committee, *Review of Intellectual Property Legislation under the Competition Principles Agreement* (IP Australia, 2000) p 156; *Patents Amendment Act 2001* (Cth), s 3 and Sch 1 (item 4).

¹⁶⁶ Further, the application of the resulting principle is also problematic, especially in determining what is "known". For example, contrast the different conclusions in the Full Federal Court in *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* (2000) 97 FCR 524 at 536-537 (Black CJ and Lehane J) and 573 (Finkelstein J), and *Arrow Pharmaceuticals Ltd v Merck & Co Inc* (2004) 63 IPR 85 at 114 (Giles J) finding a claim to a dosage regime of a known chemical compound (Taxol and Alendronate respectively) for a known therapeutic use based upon known properties and involving no new method of administration was patentable and unpatentable respectively. Notably the latter decision relied on the distinction that in *Bristol-Myers Squibb Co v FH Faulding & Co Ltd* Taxol was a naturally occurring substance with known beneficial properties that could not be utilised without the invention, albeit that the Full Federal Court had warned that courts "should be careful to avoid assuming a technical expertise it does not have" (at 541).

¹⁶⁷ *Grant v Commissioner of Patents* (2006) 154 FCR 62 at 71-72 (Heerey, Kiefel and Bennett JJ).

¹⁶⁸ *Patents Act 1990* (Cth), s 18(1A)(b)(i); the equivalent requirement for a "standard patent": s 18(1)(b)(i).

¹⁶⁹ *Patents Act 1990* (Cth), s 18(1A)(b)(ii); the equivalent requirement for a "standard patent" is "inventive step": s 18(1)(b)(ii).

¹⁷⁰ See *Grant's Application* [2004] APO 11 (26 May 2004) at [10]-[15].

¹⁷¹ The Full Federal Court that "[l]egal advices, schemes, arguments and the like are not a manner of manufacture" because they do not have the requisite "industrial or commercial or trading character" even though they might be "an area of economic importance (like the fine arts)": *Grant v Commissioner of Patents* (2006) 154 FCR 62 at 71 (Heerey, Kiefel and Bennett JJ).

¹⁷² See Commonwealth, *House of Representatives Hansard* (29 June 2000) p 18584 (Parliamentary Secretary to the Minister for Industry, Science and Resources).

¹⁷³ See Advisory Council on Industrial Property, *Review of the Petty Patent System* (Australian Industrial Property Organization, 1995) pp 29-32.

1952 conception of “novelty”¹⁷⁴ was an unaltered representation of the common law conception of “novelty”.¹⁷⁵ As the decisions under the *Patents Act 1903* show, this involves some conception of a necessary “inventive act”.¹⁷⁶ It seems possible that the High Court might be persuaded that the conception of “novelty” under the *Patents Act 1990* has maintained those common law origins, and that they are significantly broader than just requiring something more than a mechanical equivalent (or a workshop variation).¹⁷⁷ Until the High Court makes such a ruling the place and significance of ISLEs in “novelty” remains an uncertainty with costs in terms of compliance costs and complexity for patent applicants and holders, and competitors avoiding infringement.

In conclusion, while the decisions of the High Court and Federal Court under the *Patents Act 1990* have gone a long way to clarify and simplify the threshold requirements for patentability, ISLEs remain and add uncertainty to those applying for patents, those holding granted patents and those competing against existing patent holders. Clarifying and simplifying the standards by clearly separating “inventive step” from “invention” and “novelty” should remove unnecessary (being both inefficient and ineffective) uncertainty. Useful guidance about how this might be achieved through amendment of the *Patents Act 1990* has been provided by the High Court majority in *Advanced Building Systems*, distinguishing the construction of the revocation provisions in the *Patents Act 1990* and the *Patents Act 1952*.¹⁷⁸ As a consequence of the form of the drafting of the *Patents Act 1952*, the majority decided that the revocation provision dealt “specifically and exhaustively” with every aspect of “novelty” and “obviousness”, leaving no avenue for any conceptions of ISLEs within the meaning of “invention”/“manner of new manufacture”.¹⁷⁹ Such an amendment, together with a clear direction from the Parliament, may be all that is necessary so that in interpreting the *Patents Act 1990* courts assign every element of the ISLEs to the “inventive step” inquiry.¹⁸⁰ Such a change is necessarily desirable so as to avoid the costs in terms of regulation quality and performance by creating barriers to trade and commerce, impeding innovation and increasing business costs (including “red tape”) and consumer prices.

¹⁷⁴ See *Patents Act 1952* (Cth), s 100(g).

¹⁷⁵ See *Sunbeam Corp v Morphy-Richards (Australia) Pty Ltd* (1961) 180 CLR 98 at 112 (Windeyer J); *Rose Holdings Pty Ltd v Carlton Shuttlecocks Ltd* (1957) 98 CLR 444 at 450 (Williams J); see also *HPM Industries Pty Ltd v Gerard Industries Ltd* (1957) 98 CLR 424 at 437 (Williams J).

¹⁷⁶ See, eg *Gum v Stevens* (1923) 33 CLR 267 at 270 (Isaacs J), 272 (Starke J) citing *British United Shoe Machinery Co v Fussell & Sons Ltd* (1908) 25 RPC 631 at 651 (Fletcher Moulton LJ).

¹⁷⁷ Perhaps importantly, while Gummow J in the Full Federal Court decision in *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 at 600-601 concluded that the *Patents Act 1952* (Cth) avoided these “difficulties” by distinguishing between “novelty” and “obviousness”, he then agreed with Lockhart J who had concluded that “[i]n my opinion the evidence does not prove that the Bailey patent quite obviously possessed no inventive merit whatever. The essential difference between the disclosures in the Greenman and Bailey specifications discloses some inventive step; something more than a mere workshop variation or mechanical equivalent” (at 585).

¹⁷⁸ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 at 188-191.

¹⁷⁹ *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 at 190.

¹⁸⁰ Such an opportunity perhaps arose in May 2001 when the words “an invention is a patentable invention for the purposes of a standard patent if the invention” replaced the words “a patentable invention is an invention that” in the *Patents Act 1990* (Cth), s 18(1). See *Patents Amendment (Innovation Patents) Act 2000* (Cth), s 3 and Sch 1 (item 6).