

Still in Business

Business methods not excluded from patentability



The ability to secure patent protection for business methods was recently considered by the Full Bench of the Federal Court (*Grant v Commissioner of Patents* [2006] FCAFC 120), with the Court stating that an invention is not excluded from patentability merely because the invention relates to a business method. In order for any invention to be patentable, the invention must be, inter alia, a manner of manufacture. The Court determined that an invention relating to a business method would be suitable subject matter for the grant of a patent, provided that the well established principles for determining whether an invention is a manner of manufacture are satisfied.

The case related to an innovation patent filed by Steven John Grant in respect of a method of structuring a financial transaction to protect an individual's assets from legal liability or financial risk. The innovation patent was revoked after examination by the Deputy Commissioner of Patents for, amongst other things, not involving the application of science or technology in some material manner to perform the claimed method.

On appeal (*Grant v Commissioner of Patents* [2005] FCA 1100), a single judge of the Federal Court upheld revocation of the innovation patent for reason of the claimed invention possessing inadequate economic utility to benefit Australian society as a whole. This was a somewhat controversial ruling, as it appeared to impart a threshold of public interest into the law of patentability. This notion was dismissed as irrelevant by the Full Bench, as discussed below.

On further appeal, the Full Bench of the Federal Court also upheld revocation of the innovation patent, but for different reasons. The Full Court explicitly stated that Mr Grant's claimed asset protection scheme was not unpatentable because it related to a business method. Rather, the Full Court stated that the established principles for determining whether a method is a manner of manufacture are to be applied, irrespective of the field of activity to which the method relates.

The Full Court relied upon the principles established in the Australian High Court's decision in *NRDC (National Research Development Corporation v Commissioner of Patents)* (1959) 102 CLR 252) relating to manner of manufacture, and held that the claimed invention failed to produce the required "artificial state of affairs, in the sense of a concrete, tangible, physical or observable effect".

In reaching their judgment, the Full Court referred to a number of earlier Australian decisions relating to the patentability of computer software, along with the United States Court of Appeals' decisions in *State Street* and *AT&T*. In each of these cases, the common element in assessing patentable subject matter was the production of a physical effect. In contrast, the claimed invention was deemed to relate to intellectual information, mere working directions and a scheme that had no resultant physical effect or consequence.

In the judgment, some interesting observations were made in relation to the findings of the Deputy Commissioner and the first instance judge. In particular, their Honours disagreed with the Deputy Commissioner's insistence that "the application of science or technology in some material manner" is an essential requirement for patentability. This

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appears to remove the constraints imposed on patentable subject matter in *Re Peter Szabo and Associates Pty Ltd* (2006) 66 IPR 370, and

renders the law relating to patents more flexible in respect of future developments in the realm of patentable subject matter. Furthermore, the Court dismissed as irrelevant the notion that a patentable method or product must advance the public interest. The Full Court stated that it was not in a position to "determine the balance between social cost and public benefit", and indicated that such a determination was properly the role of Parliament.

Although the case involves an innovation patent, the observations and findings apply equally to standard Australian patents and patent applications.

In summary, the Full Bench of the Federal Court determined that an invention is not unpatentable merely on account of being a business method. While it has long been accepted that mere working directions and schemes (i.e., having no physical effect) are not patentable, it appears that Australian patents may now more readily be granted for novel and inventive business methods, the working of which result in a useful product, or a physical effect or phenomenon.



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