

Australian Full Court sets new test for software patents - It's all about the substance

November 14, 2014

by Connie Merlino and Manuel Schmidt of FB Rice

The Full Court of Australia recently decided that a claim for generating a weighted index of assets did not constitute patentable subject matter ([Research Affiliates LLC v Commissioner of Patents \[2014\] FCAFC 150](#)).

While it is uncontroversial that an index by itself is not patentable, the Full Court had to determine whether the implementation on a computer would be patentable. In determining this question the Judges set a new test that is based on the “substance of the invention” rather than assessing only the claims.

Although this “substance of the invention” test is new, it does not significantly change what is patentable under Australian law. In particular, since the exclusion set out by the Full Court is narrow and very specific to the particular facts, we consider that many computer-implemented business methods remain patentable.

Our overseas associates will be pleased to read that arguments under 35 U.S.C §101 or the European test of technical contribution should also be suitable under the new Australian “substance of the invention” test.

Practical implications - prosecution

We expect that IP Australia will base their future objections to software related patent applications on this decision. Based on this new “substance of the invention” test, these objections will likely import notions of novelty and inventiveness into the assessment of patentable subject matter.

A response to such an objection should contain, as much as possible, references to the actual computer implementation and the advantages arising from implementing the invention on a computer. We expect that it will be possible to overcome lack of patentable subject matter objections with a solid response along those lines.

While this decision introduces the new “substance of the invention” test, the Judges left patent applicants in the dark on how this substance is to be determined.

Since the decision discusses several cases from Europe, the United Kingdom and the United States of America (US), inspiration can be found by looking to those jurisdictions.

According to the recent *Alice* case (*Alice Corp. v. CLS Bank International*) in the US, patent applicants need to show that the use of a computer to implement an abstract idea adds “significantly more” to render the abstract idea patent eligible within the meaning of 35 U.S.C §101. In Australia, such a significant feature that is added to an abstract idea can also be argued to form the substance of the invention. Therefore, US-style *Alice* submissions should also get traction in Australia under the new “substance of the invention” test.

According to European and UK practice, inventiveness is argued based on a technical contribution. In our view, a technical contribution considered inventive in Europe should show technicality in the “substance of the invention” in Australia. Therefore, European or UK-style inventive step submissions should also be helpful in proving patentable subject matter in Australia.

Practical implications - drafting applications

One question that remains open is: If we were to retrospectively draft a patent specification for Research Affiliate’s invention now, would it be possible to do so in a way that the application meets the new “substance of the invention” test?

What is missing from the specification in suit is our best practice of describing the specific computer implementation in detail.

We generally find that a discussion with the inventors before drafting the application is the best way to distill not only the inventive concept but also the advantages that arise from a particular implementation of the invention on a computer. In other words, “it is a question of understanding what has been the work of, the output of, and the result of, human ingenuity” [at 116]. Including clear advantages into the specification in anticipation of objections for lack of patentable subject matter should significantly strengthen a patent application under the new test.

In the case of Research Affiliate's invention, we would point out that the computer implementation allows the calculation of the asset weights in an improved manner. In particular, if trading decisions needed to be made frequently and new data on the assets becomes available at short time intervals, the use of a computer leads to a real practical advantage that cannot be achieved otherwise.

Of course, every case is different and if you are wondering whether your business software is patentable, please do not hesitate to ask FB Rice. For our broad range of local clients with software-related inventions we have already developed a best practice for drafting new applications that would also satisfy the new "substance of the invention" test. This makes us your Australian software patents specialists.