



## INVENTIVE STEP IN AUSTRALIA

### **LOCKWOOD SECURITY PRODUCTS PTY LTD v DORIC PRODUCTS PTY LTD [No2] [2007] HCA 21 (23 May 2007)**

#### **INTRODUCTION**

On 23 May 2007, the Australian High Court handed down its second decision in relation to the patent dispute between the above parties.

The first High Court decision, handed down in November 2004, was significant because it was the first time in many years that the High Court had considered in detail the ground of invalidity known in Australia as "fair basis". That first decision has shaped Australian law and practice on the issue of "fair basis" in recent years.

This second decision is significant because it provides a detailed commentary on the law of "inventive step" in Australia under the Patents Act 1990. It is predicted that this landmark Australian decision will shape future patent office practice and court decisions on the issue of inventive step for many years to come.

#### **BACKGROUND OF THE INVENTION**

The invention related to rim-mounted deadlocks of the type mounted in the doors of many residential homes.

In the first generation of rim-mounted deadlocks, the latch of the deadlock could be withdrawn into its casing to enable opening of the door via operation of either one of two independently-operating actuators. The first actuator was a handle provided on the inside of the door. The second actuator was operated with a key from the outside of the door. Thus, a key was required to enter the home, but no key was required to exit the home. A problem with this first generation of deadlocks resided in the fact that a burglar who managed to obtain access to the home could then easily open the door from the inside and escape with large stolen objects.

A second generation of deadlocks was designed to overcome this problem. The second generation of deadlocks included a key-operated lock mechanism for selectively locking the internal handle against use. Whilst addressing the "easy-exit" problem of the original deadlocks, this second generation of deadlocks created a new problem. Specifically, if the home-owner forgot to unlock the internal handle when they returned home, then they were effectively locked inside and could not easily exit the home in the event of an emergency, such as a fire. Thus, the "easy-exit" problem of the first generation of deadlocks turned into a "locked-in" problem in the second generation of deadlocks.

#### **THE INVENTION**

The invention was a third generation deadlock designed to overcome the "locked-in" problem associated with the second generation of deadlocks. It overcame the problem by ensuring that key-operation of the external actuator to open the door also simultaneously disabled the locking of the internal handle actuator.

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## THE CLAIMS

Claim 1 read as follows:-

A latch assembly (1) including,

(i) a casing (5),

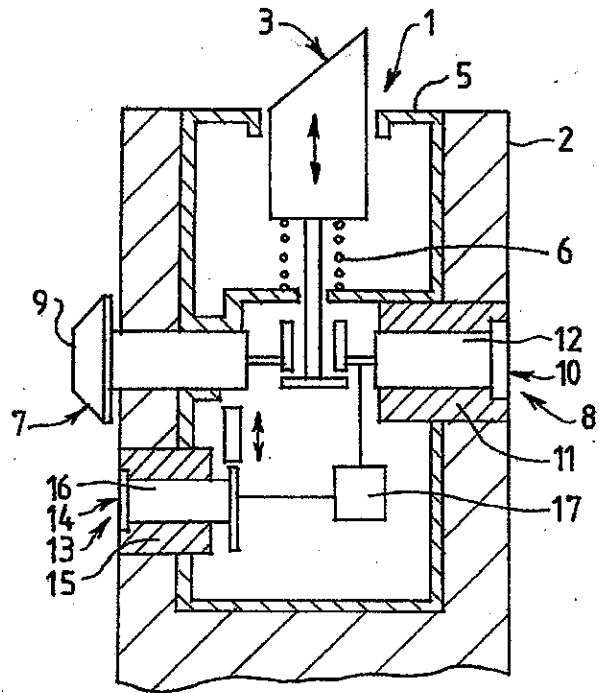
(ii) a latch bolt (3) mounted on the casing so as to be movable relative thereto between an extended latching position and a retracted release position,

(iii) a first actuator (9) operable from an inner side of the assembly to cause movement of the latch bolt to said release position,

(iv) locking means (13, 14) operable from said inner side of the assembly to adopt an active condition and thereby render said first actuator inoperable,

(v) a second actuator (12) operable from an outer side of the assembly to cause movement of the latch bolt to the release position, and

(vi) lock release means (17) which is responsive to said operation of the second actuator so as to thereby render said locking means inactive. (underlining added)



It is important to make several observations about claim 1. Firstly, the difference between the second generation of deadlocks (i.e. the known prior art) and the invention resided solely in the addition of feature (vi). Secondly, feature (vi) was drafted in "means-plus-function" language which is construed broadly under Australian law as covering all means capable of fulfilling the claimed function. Thirdly, claim 1 was not limited, either expressly or implicitly, to rim-mounted deadlocks of the type used in residential homes and which suffered from the "locked-in" problem. This seemingly-minor third point became very important during the litigation.

Claim 13 included all of the limitations of claim 1, plus the following:-

(vii) said locking means includes detent means which is movable between an actuator locking position and an actuator release position which correspond to said active and inactive conditions respectively of said locking means

(viii) cam means which is operable to control which of said positions is adopted by said detent means.

(ix) said cam means includes a cam of [sic] which is movable about an axis of rotation between first and second positions of rotation so as to thereby control said detent means, and

(x) said detent means includes at least one detent which moves substantially radially of said cam axis when moving between said actuator locking and release positions."

It is important to note that the recitation, in feature (x), of radial movement of the detent implied that claim 13 was limited to rim-mounted deadlocks of the type which suffered from the "locked-in" problem. Put differently, the structural feature expressly recited in claim 13 created an implied field-of-use limitation. This was ultimately critical to the survival of claim 13.

## **THE PRIOR ART**

Whilst the closest prior art known to the patentee during prosecution of the patent was the second generation of deadlocks discussed above, the defendant produced a new piece of prior art which became known as the "storeroom lock". The storeroom lock was not a rim-mounted deadlock, and did not suffer from the "locked-in" problem of the known second generation of rim-mounted deadlocks. However, it did embody features (i) – (vi), and accordingly claim 1 was anticipated by the storeroom lock.

Notably, the detent in the storeroom lock moved axially rather than radially. Therefore it did not anticipate claim 13 which expressly required that the detent move radially. Thus, the validity of claim 13 turned on the issue of inventive step.

## **LITIGATION HISTORY & FAIR BASIS**

Before delving into the detail of the second High Court decision on the subject of inventive step, it is worthwhile briefly reviewing the overall course of the litigation.

The trial judge found that although some of the claims were infringed by the defendant, all claims were invalid because they were not "fairly based" on the description. The trial judge found that the disclosure of a single embodiment by the patentee was insufficient to support the broad means-plus-function language used by the patentee in respect of feature (vi) in claim 1.

The patentee appealed the finding of invalidity for want of "fair basis" to the appeal court. However, the appeal court agreed with the findings of the trial judge in relation to the invalidity of all claims for want of fair basis, and did not go on to consider the other grounds of the appeal.

The patentee obtained special leave to appeal to the High Court and the High Court allowed the appeal in November 2004 overturning the finding of invalidity for want of fair basis. The High Court observed that, in this case, the invention resided in the idea of providing a "lock release means" that was operated upon key-actuation of the external actuator. Once the idea of the "lock release means" was conceived, then a person of ordinary skill could readily design any number of embodiments which achieved the desired function. Accordingly, the High Court found that the patentee was entitled to the broad claim based on the disclosure of the idea and the supporting disclosure of a single preferred embodiment.

Having decided the fair basis issue in favour of the patentee, the matter was remitted back to the appeal court to determine the remaining issues of the appeal, including the issue of inventive step.

The appeal court's second decision concluded that various claims, including both claim 1 and claim 13, lacked an inventive step in view of the storeroom lock.

Once again, the patentee was successful in obtaining special leave to appeal to the High Court. On 23 May 2007, the High Court allowed the appeal, finding claim 13 to be both valid and infringed.

The remainder of this article will focus on the newly clarified law of inventive step in Australia.

## **INVENTIVE STEP – THE PRIOR ART BASE**

At the outset, it is very important that readers understand that, whilst the prior art base for the purposes of novelty includes all public knowledge at the priority date of the claim in question, the prior art base for the purpose of determining inventive step is much more restricted under Australian law.

The applicable sub-sections of Section 7, as in force at the relevant time, provided:

(2) For the purposes of this Act, an invention is to be taken to involve an inventive step when compared with the prior art base unless the invention would have been obvious to a person skilled in the relevant art in the light of the common general knowledge as it existed in the patent area before the priority date of the relevant claim, whether that knowledge is considered separately or together with either of the kinds of information mentioned in subsection (3)...

(3) For the purposes of subsection (2), the kinds of information are:

(a) prior art information made publicly available in a single document or through doing a single act, and

(b) [omitted for clarity];

being information that the skilled person mentioned in subsection (2) could, before the priority date of the relevant claim, be reasonably expected to have ascertained, understood and regarded as relevant to work in the relevant art in the patent area.

Hence, in order to be eligible as prior art for the purpose of assessing inventive step, the prior art information must be information which the skilled person could "be reasonably expected to have ascertained, understood and regarded as relevant to work in the relevant art".

The analogy here is that there is a "relevance filter" through which all prior art must pass before it can be considered. The primary significance of the present case resides in the fact that the High Court gave extensive consideration to the question of exactly how restrictive this "relevance filter" is.

The patentee argued that the storeroom lock, which was not a rim-mounted lock with a radially moving detent, and which did not suffer from the "locked-in" problem that the subject invention was seeking to overcome, should not be admitted to the prior art base for the purposes of assessing inventive step because it was not relevant to the problem being addressed by the patentee.

The patentee failed with this argument insofar as it related to claim 1, because claim 1 was not expressly or implicitly limited to rim-mounted locks having radially moving detents.

However, the patentee succeeded with this argument insofar as it related to claim 13 which was expressly limited to radially moving detents, and was thereby implicitly limited to rim-mounted locks which suffered from the "locked-in" problem of the known prior art.

At paragraph 152, the High Court stated:-

Given the history, context, purpose and specific words of limitation in s 7(3), all of which were addressed by this Court in *Firebelt*, the phrase "relevant to work in the relevant art" should not be construed as meaning relevant to any work in the relevant art, including work irrelevant to the particular problem or long-felt want or need, in respect of which the invention constitutes an advance in the art. The phrase can only be construed as being directed to prior disclosures, that is publicly available information...which a person skilled in the relevant art could be expected to have regarded as relevant to solving a particular problem or meeting a long-felt want or need as the patentee claims to have done. Otherwise the words of limitation in the last 40 words of s 7(3) would have no role to play. Any piece of public information in the relevant art would be included, as is the case with the much broader and quite different formulation in the cognate provisions in the United Kingdom, which do not depend on the standard of a skilled person's opinion of the relevance of the information.

The importance of this statement is that it effectively eliminates from the inventive step prior art base any prior art information that is not directed to solving the same problem (or an analogous problem) as that being faced by the patentee. Readers will appreciate that this will have the effect of eliminating from consideration a majority of prior art in the relevant field, as the majority of prior art in the relevant field will not be directed to solving the same problem (or an analogous problem) as that being solved by the patentee.

It is also worth noting that the question of what prior art would be regarded as relevant by the hypothetical skilled question is determined on the evidence. Specifically, at paragraph 153 the High Court stated:-

The question of what a person skilled in the relevant art would regard as relevant, when faced with the same problem as the patentee, is to be determined on the evidence. The starting point is the subject matter of the invention to be considered together with evidence in respect of prior art, common general knowledge, the way in which the invention is an advance in the art, and any related matters.

This arguably leaves patent examiners in an untenable position when raising inventive step rejections, as they can do no more than speculate about what the hypothetical skilled person may have considered relevant to the problem at hand. Such speculation by examiners has already been severely criticised by the Federal Court in *Emperor Sports Pty Ltd v Commissioner of Patents* [2005] FCA 996 (25 July 2005). In that case, the Commissioner of Patents relied upon several prior art references in the absence of evidence showing that the prior art references would have been reasonably ascertained, understood and regarded as relevant. The Federal Court allowed the patentee's appeal, saying that it was inappropriate for the Commissioner to "speculate" about the scope of the inventive step prior art base in the absence of evidence from persons skilled in the art.

In summary, the prior art base for the purpose of assessing inventive step is much more restricted than the prior art base used for assessing novelty. Further, examiners are likely placed in an untenable position when raising inventive step rejections, as they must do so in the absence of evidence from skilled persons.

#### **INVENTIVE STEP – WHAT IS OBVIOUS?**

Assuming that the prior art reference manages to pass the "relevance filter" and enter the inventive step prior art base, it still remains to be determined whether the claimed invention is actually obvious in view of the prior art reference.

Whilst inventive step considerations in Australia are usually addressed within the "problem-solution" framework employed in Europe, the High Court made it clear that the "problem-solution" approach can be unduly harsh on patentees, particularly where combination patents are involved. The High Court rejected the "problem-solution" approach as the sole approach to inventive step and stated at paragraph 65:-

This Court rejected confining the question of obviousness to a "problem and solution" approach, particularly with a combination patent. This should not be misconstrued. The "problem and solution" approach may overcome the difficulties of an *ex post facto* analysis of an invention, which may be unhelpful in resolving the question of obviousness. However, it is worth repeating that the "problem and solution" approach may be particularly unfair to an inventor of a combination, or to an inventor of a simple solution, especially as a small amount of ingenuity can sustain a patent in Australia.

Having provided cautionary words about the dangers of the problem-solution approach to inventive step, the High Court went on to re-affirm that the step over the prior art need not be large in Australia.

Specifically, at paragraph 51 the High Court stated:-

In *Alphapharm*, this Court reiterated that "obvious" means "very plain", as stated by the English Court of Appeal in *General Tire & Rubber Co v Firestone Tyre and Rubber Co Ltd*.

Further, at paragraph 52 the High Court stated:-

A "scintilla of invention" remains sufficient in Australian law to support the validity of a patent.

## COMBINING MULTIPLE REFERENCES

It is worth briefly noting that it has only been possible to combine multiple prior art references in an inventive step rejection since 1 April 2002. Where multiple references are cited, it is necessary to establish that each of the references passes the "relevancy filter" test discussed above. Only after each reference has passed through the filter is it possible to consider whether it would have been obvious to combine those references to arrive at the claimed invention.

## IMPLICIT ADMISSIONS & SECONDARY INDICATORS OF INVENTION

Another aspect of the decision that warrants comment is the issue of "implicit admissions" in the discussion of the prior art in the patent specification.

In this case, the patentee discussed the second generation deadlocks, which suffered from the "locked-in" problem, in the following terms:-

Such locks are typically arranged so as to be operated from the inside of the door and are not operable from the outside of the door. In particular, key operation of the latch from the outside of the door will not release the lock. That can lead to serious problems in circumstances where the door needs to be opened urgently from the inside, particularly if the lock key has been misplaced or is not conveniently accessible.

The appeal court seized upon this passage and labelled the fact that key operation of the latch from the outside of the door would not release the lock as a recognised "deficiency" in the second generation deadlock. Specifically, the appeal court said at paragraph 96:-

"[T]he deficiency the invention was designed to overcome was that inherent in the conventional assembly, namely that the key operation of the latch from the outside of the door did not release the inside lock. It is true that the specification refers to 'serious problems' arising from the configuration of the conventional assembly, but that is a mere consequence of a deficiency in the assembly. In the context of construing a patent specification, the invention was not to solve the consequential problem, but to overcome an inadequacy in the existing art by remedying the deficiency in the assembly."

Having laid that groundwork, the appeal court readily accepted the defendant's submission that there was no inventive step in simply conceiving of a "remedy" for the "deficiency". However, the High Court rejected the appeal courts reasoning, stating at paragraph 105:-

Admissions may be made in a specification, particularly about prior art and common general knowledge. This is consistent with conventional methods of drafting patent specifications intended and recognised as a way of clearly articulating the advance over prior art made by the invention. Such an approach also facilitates an understanding of the relevant inventive step, irrespective of whether the inventive step is identified with any precision in the specification, a task which may be difficult. While not every invention constitutes a solution to a problem, it is commonplace so to describe an invention where it is appropriate to do so. Admissions in a specification about any problem said to be overcome by an invention are made from the vantage point of knowing the solution. When used as evidence, they would always need to be weighed with evidence, if it exists, from persons skilled in the relevant art of their perception of any problem at the time before the priority date, before their exposure to any solution contained in the invention.

In this case, the evidence clearly pointed towards there being a long-felt need which had not previously been met by lock designers. The High Court was much more ready to rely on such secondary indicators of invention than the appeal court which readily seized upon the patentee's unfortunate choice of words when discussing the known prior art.

## DRAFTING HINTS

There seem to be several significant lessons for draftspersons in this protracted litigation.

Firstly, by clearly disclosing the problem being addressed by the invention, the patentee managed to exclude from the inventive step prior art base any prior art information which was not directed to solving the same problem. This was critical to the survival of claim 13.

Of course, there will be instances where the invention resides in the identification of a previously unappreciated problem, rather than in the provision of a solution to a recognised problem. In those cases it would, of course, be inappropriate to present the problem as part of the background discussion. However, in most cases, the patentee will benefit from a detailed and accurate assessment of the problem of the prior art, as this will likely have the effect of restricting the inventive step prior art base.

The patentee should be particularly careful in the language they use in disclosing the problem of the prior art. They should be careful to avoid making any statements that might be read as implying that it is recognised in the art that "the prior art does not have <the solution>", as this may be regarded as an implicit admission that the solution is obvious. The unfortunate language used by the patentee in the present case led at least one court to conclude that such an admission had been made.

Related to the suggestion that the problem should be clearly identified is the fact that the patentee crucially benefited from claim 13 which, via its express structural limitations, implicitly limited the claim to the field-of-use which was relevant to the problem being addressed. Absent this field-of-use limitation, claim 13 would have fallen.

As a general rule, it is often good practice to include a claim which has a narrow field-of-use limitation, but which has few structural limitations. In this case, the field of economic importance to the patentee was rim-mounted deadlocks. However, there was no claim which was expressly limited to this field of use. It may be that claim 13 was included as an afterthought by the draftsperson as a minor subsidiary claim providing more structural detail of the lock mechanism. However, its ultimate effect was to implicitly introduce a field-of-use limitation which ultimately saved the claim and the patentee.

With the benefit of hindsight, the draftsperson would have been better off expressly including the field-of-use limitation without any of the express structural limitations. For example, the preamble of claim 1 may have been amended to read:-

[A latch assembly] A rim-mounted deadlock including features (i) to (vi).

Such a claim would have likely survived for exactly the same reasons as claim 13, but would have benefited the patentee by not including the un-necessary structural limitations of claim 13.