CONSULTATION ON EXPOSURE DRAFT OF THE INTELLECTUAL PROPERTY LAWS AMENDMENT (PRODUCTIVITY COMMISSION RESPONSE PART 2 AND OTHER MEASURES) BILL 2018

Dear sir or madam,

Thank you for the opportunity to provide a submission on the Exposure Draft of the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 And Other Measures) Bill 2018.

About Aristocrat

Aristocrat Leisure Limited (Aristocrat) is an ASX-listed company and a leading global designer, developer and distributor of gaming solutions. Founded in 1953 the company is licensed by over 240 regulators, employs nearly 1000 staff in Australia as part of a 5,000 plus global team and its products are available in over 90 countries around the world. Aristocrat offers a diverse range of products and services including Class II and Class III Electronic Gaming Machines (EGMs), casino management systems and digital gaming which utilises game IP for non-gambling social games. Aristocrat is proudly headquartered in Australia, with a market capitalisation of over $19bn.

Aristocrat consistently spends upwards of $200 million annually on Research and Development (R & D) and is consistently ranked among the top 5 R & D spenders in Australia. For example, in 2017, Aristocrat invested $268.4m towards R & D across the company’s global operations, much of which is spent in Australia. This placed it in the top 3 R&D spenders in Australia – behind only Telstra and CSL. The robust regulatory regime for Intellectual Property has provided a level of certainty to allow Aristocrat to invest in R & D. This also allows Aristocrat to employ highly skilled individuals with backgrounds including mathematics, engineering, finance, IT and creative design in areas that include software, hardware, systems and advanced platform development.

Changes to “Inventive Step” Schedule 1 Part 1

On this provision Aristocrat relies on its position from its submission from on Papers 1 and 2 aspects of the Australian Patent Regime from 17 November 2017. In that submission, Aristocrat made the following points:

1 According to Price Waterhouse Coopers Strategy’s 2017 Global Innovation 1000 report.
The proposed substantial overhaul of inventive step is (a) motivated by “some cases” where the standard in Australia may be lower than in Europe, while disregarding the “many cases” which would not result in a material difference; and, (b) remedying a “perceived” rather than actual problem. We thus submitted that the changes to inventive step appear to be attempting a fix to something which is not a problem.  

Aligning patent reform with European practices is out of step when considering that our key trading partners are China, Japan, USA and the Republic of Korea. Australian legislation and jurisprudence is also heavily based on UK precedents. The UK’s looming exit from the European Union is likely to lead to divergent IP laws which will undermine Australia’s shift towards European practices.  

The Intellectual Property Laws Amendment (Raising the Bar) Act 2012 only came into effect in April 2013 and amended the Patents Act 1990 in order to raise the standard for inventive step in Australia to a level that is more consistent with standards set by our major trading partners. The Productivity Commission said that the Raising the Bar changes are yet to fully play out and on this basis Aristocrat submitted that the proposed amendments were premature and unjustified.  

Criticism of the requirement of “scintilla of inventiveness” as being a quantitative consideration disregards the qualitative considerations under the “obviousness test”. Any perception of inadequacy of the inventive step test could instead be addressed in the Patents Manual of Practice and Procedure.  

The issue with the European “problem and solution” approach is that it relies strongly on hindsight reasoning by identifying the closest prior art to the claimed invention and assessing inventive step from that point. This disregards the fact that many inventions are created without the inventor having a specific problem in mind when they develop a solution.  

The proposed amendments to identify technical features of the invention for the purpose of assessing inventive step would further blur the lines between the issues of inventive step and patentable subject matter. Australian authority has considered the concepts of “technology” and “technical contribution” in relation to the “manner of manufacture” test for patentable subject matter.  

The Draft Explanatory Memorandum states that the European problem and solution approach “complements the existing requirement in Australia that an invention be for a ‘manner of manufacture’. Yet it then goes on to state that “there may be situations where there is a degree of overlap between the assessment of inventive step and the assessment of manner of manufacture”. We believe that the introduction of this requirement will unnecessarily increase “red tape” and uncertainty for users of...
Australia's IP system, for no visible public benefit. Introducing the requirement to identify technical features for the purpose of assessing inventive step will introduce an additional burden and "a doubling up" in light of the assessment of 'manner of manufacture'.

In relation to consultation question 1, it is Aristocrat's view that the term 'having regard to' the prior art base is preferable to 'in comparison with' the prior art base. The term 'having regard to' the prior art base is more suitable to situations where inventions are created without the inventor having a specific problem in mind. It is difficult to envisage how a comparison can be made with a prior art base when there is none that have been contemplated by the inventor.

**Schedule 1 Part 2 Object of the Act**

Aristocrat has previously submitted that it supports the introduction of an objects clause to the Patents Act 1990. Aristocrat previously held the concern that introduction of the clause for the "wellbeing of society" was unclear and could impose a moral test over technological inventions put forward under the regulatory regime. We welcome the fact that Exposure Draft contains a revised objects clause which no longer refers to the "wellbeing of society".

We note in consultation question 2 that there is concern over the term 'technological innovation' as opposed to the term 'innovation'. If there is any doubt over whether the word 'technological' restricts the term innovation, then we would support its omission from the objects clause. Further, the Full Court in *Grant* recognised a danger, and cautioned against any attempts, in limiting patentable subject matter to only fields of "science or technology". Introducing the same kind of limitation in the objects clause instead would create unnecessary inconsistency and tension with the manner of manufacture requirement.

**Schedule 1 Part 3 Innovation Patents System**

Aristocrat has been engaged in numerous inquiries in recent years in relation to the Innovation Patents System and its suggested abolition. This includes:

1) Its submission to the Productivity Commission Inquiry into Intellectual Property Arrangements dated 18 December 2015
2) Its submission to the Australian Government on its response to the Productivity Commission Report dated 14 February 2017

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7 See page 21-23 of submission from on Papers 1 and 2 aspects of the Australian Patent Regime from 17 November 2017.
4) Its submission to the consultation on Commercialisation of Business Ideas by the Department of Industry, Innovation and Science dated 3 August 2018.

It relies on these submissions to argue for the maintenance of the status quo in relation to the innovation patents system. These submissions make the following points about the innovation patent system and its proposed abolition:

- The innovation patent system was designed to fill a gap in the system that failed to encourage and protect incremental innovation. The abolition of innovation patents will simply re-introduce an already identified gap in the system.
- There is insufficient empirical data collected over the short lifetime of the innovation patent system to justify its wholesale abolition.
- One strong advantage of the innovation patent system over the standard patent system is that innovation patents provide significantly more certainty in terms of subjective matters such as inventive step.
- It is Aristocrat's view that if abolition should occur this should only occur after an alternative system is developed and implemented. Further, a review of the effect of the abolition should take place within a few years of the legislation taking effect.

We note that there is a 12 month period after Royal Assent for Schedule 1 Part 1 and Schedule 1 Part 3 to take effect. Aristocrat re-iterates its previously stated position that the date of the legislation coming into effect (for Schedule 1 Part 3) should be 3 years after royal assent to allow businesses time to implement these significant changes to their business and investment strategies in relation to new technologies.9

Should you require further information, please do not hesitate in contacting our offices on the details provided below.

Yours sincerely,

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