Public Consultation Response: Papers 1 and 2
Aspects of the Australian Patent Regime
Submission prepared by Aristocrat Technologies Australia Pty Ltd
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Aristocrat appreciates the opportunity to consult on these key issues that fundamentally affect the patent system in Australia.

1. Introduction and background to Aristocrat

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 800 staff in Australia as part of a 3,000 strong 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 (EGM), casino management systems and digital gaming which utilises game intellectual property (IP) for non-gambling social games. Aristocrat is proudly headquartered in Australia, with a market capitalisation of approximately $15bn.

1.1 Aristocrat's engagement with the IP system in Australia

A key reason for the success of Aristocrat is its continual quest for innovation and its very significant investment in developing IP. Reliance on a robust IP regime in Australia has been critical. The company has a particular focus on patents, although trademarks, copyright and registered designs are also important as these prevent the use of company branding and trade dress without permission. A prime example of this successful utilisation of IP rights is the "Hyperlink" family of patents (AU Patent 81994/98), which is the most frequently cited patent in Australia in terms of citations in other patents. This Australian invention utilises a unique technology linking together EGMs to allow for a more equitable prize structure to ensure fairness to players of the linked EGMs. Hyperlink has been a key product differentiator for
Aristocrat and subsequent improvements have all been developed domestically. Aristocrat is consistently one of the highest ranked Australian companies for patents granted and in 2012 was ranked 4th among companies to be granted the most patents in Australia.¹

Aristocrat has been involved in a significant number of patent disputes and legal proceedings. These include a substantial number of patent oppositions and other hearings before IP Australia and over 15 Federal Court patent litigation cases. Importantly, Aristocrat has been engaged in these matters not only as a patentee but also as an alleged infringing party and/or a party seeking to challenge or revoke patents. Therefore, Aristocrat submits it is uniquely placed as an Australian stakeholder to understand and address both sides of the equation in terms of the balance that the patent system needs to maintain between innovators and users of technology.

1.2 IP as a driver of Research & Development (R&D) and employment

Aristocrat's IP strategy has directly contributed to an increased spend in R&D which has led to greater employment opportunities at Aristocrat. Aristocrat invested $131.8m in 2014 towards Group R&D, much of which has been spent in Australia. The Australian Financial Review cites Aristocrat, based on a PwC's annual Global Innovation 1000 report, as one of the top 5 R&D spenders in Australia in 2016, among Telstra, CSL, Cochlear and Atlassian². Of the 800 people employed in Australia, more than two-thirds are highly-skilled university graduates. Aristocrat also has a Global Graduate Program that aims to employ and mentor graduates from a range of backgrounds including mathematics, engineering, finance, IT and creative design in areas that include software, hardware, systems and advanced platform development. A number of our current executive leadership team commenced their careers through the company's graduate program in Australia. Moreover, as Aristocrat is an Australian headquartered company, the majority of the IP rights are owned by the Australian entity, Aristocrat Technologies Australia Pty Ltd, which sits under the parent company Aristocrat Leisure Limited (ALL). Aristocrat uses this

intercompany IP to bring revenue back to Australia where it is deployed in domestic R&D and other areas of the business.

2. The importance of a robust IP system to Australia’s economy and wellbeing

As a leading Australian innovator, Aristocrat believes patent protection is an important mechanism underpinning innovation. Patents provide an incentive for innovation and encourage the exploration of new ways of doing things, which in turn enhance economic and social prosperity. Intellectual property is a critical enabler for commercialising ideas. This view is not unique to Aristocrat and a number of other leading Australian entities in the technology, digital and life sciences fields have relied heavily on the patent system to protect and leverage their innovations in achieving success not only in Australia but in overseas markets.

As Australia transitions from an economy that is heavily reliant on natural resources and primary industry to an economy focussed on services, technology and digital industries, robust IP laws become even more critical. Australians, at both a public and private level, are investing heavily in this transition including a significant focus and investment in “STEM”. The output of this substantial investment will largely be intangible innovation. To enable this public and private investment to be successfully commercialised, leveraged and exported, it must be underpinned by a sound IP regime. Otherwise, Australia will become an economy where low cost imitators will thrive at the expense of those entities that have committed investment.

Successive Australian governments in the last 10–15 years have emphasised the need for Australia to focus on and accelerate its transition from a resources based economy to one that is fit for 2020 and beyond. A commitment to the innovation boom and becoming an “ideas economy” in order to drive future growth and employment goes hand in hand with an IP system that will protect today’s innovations:

“The key to our future success is innovation; to drive productivity and competitiveness”.3

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“Innovation and science are critical for Australia to deliver new sources of growth, maintain high-wage jobs and seize the next wave of economic prosperity. Innovation is about new and existing businesses creating new products, processes and business models. It is also about creating a culture that backs good ideas and learns from taking risks and making mistakes. Innovation is important to every sector of the economy – from ICT to healthcare, education to agriculture, and defence to transport”.4

“New ideas in innovation and science will be major drivers of Australia’s future economic prosperity”.5

“The Federal Government will…promote business-based research, development and innovation.

Our innovation agenda is going to help create the modern, dynamic 21st century economy Australia needs.

Unlike a mining boom, it is a boom that can continue forever, it is limited only by our imagination, and I know that Australians believe in themselves, I know that we are a creative and imaginative nation”.6

Innovation “is an absolutely critical theme of our administration”.7

“The policy sphere is an important component of enabling, encouraging and supporting innovation. In order for this to occur… a sound intellectual property regime, and an open and encouraging approach towards goods and services trade and investment, among other supportive policies, need to be in place”.8

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8 Department of Foreign Affairs and Trade and Australian Trade Commission, Australian Government, ‘Innovation as driver of trade and investment: Submission by the Department of Foreign Affairs and Trade and Austrade to the Parliamentary Joint Select Committee on Trade and Investment Growth’ (February 2016).
Answers to Questions for Consultation

Part 1: Inventive Step

In this section, in relation to inventive step, Aristocrat addresses the consultation paper questions:

P1 Which options under Parts 1, 2 and 3 do you prefer and why?

P2 What are other possible benefits and disadvantages of options under each part, including any unintended consequences?

P3 Are there any other better options that have not been considered?

It is critical that the patent system balances the rights of patentees, technology users and the public in general. It must be kept in mind that a fundamental tenant of the patent system is to incentivise and reward those that take the substantial risks of investing in and developing new and inventive technologies. Without the protection provided by the patent system, there is little incentive for such investment and risk taking, particularly with technological advances enabling very rapid reproduction and distribution of low cost imitations in many fields. If the scales are unfairly tipped against patentees, innovation and commercialisation will be stifled. In Aristocrat’s view, the proposed amendments to the inventive step test in the pursuit of “good quality patents” will in fact result in this outcome.

Aristocrat’s position is that none of the options put forward by the Productivity Commission achieve the necessary balance for an effective patent system. As one of the leading stakeholders in Australia in relation to the patent system, it is not apparent to Aristocrat why further reform to the concept of inventive step is required in light of numerous other recent amendments to the patents regime and recent judicial authority. Further, if any amendment is required, it is not apparent why the European model is to be adopted. For the reasons set out in detail below, there are numerous unintended and negative consequences arising from each of the options.

Aristocrat’s view is that preservation of the current patents regime is preferable in order to enable stakeholders to assess the impact of the recent substantial changes introduced by the “Raising the Bar” amendments and of judicial authority in relation to
manner of manufacture. In view of these recent developments, further change can only result in uncertainty and imbalance in the system.

1. **A fix without a problem?**

The following paragraph from the Consultation Paper at page 4 is telling:

> While the Government recognises that the differences between assessment of inventive step in the EPO and in Australia will in many cases not result in a material difference to the patent claims that are ultimately granted, there could be some cases where the standard in Australia is lower than in Europe. Furthermore, due to the language of Australian statute and case law there is a perception that Australian law on inventive step is weaker than other jurisdictions.

Therefore, the proposed substantial overhaul of a fundamental aspect of Australian patent law, inventive step, is motivated by:

(a) the “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.

Aristocrat submits neither of these concerns justify the fundamental amendments to inventive step proposed in the consultation papers. In relation to (a) above, there is no sound, evidentiary basis for the conclusion that in some instances standards in Australia are inferior to that of our overseas trading partners. Further, it is unsound to assess the viability of the overriding inventive step requirements based on the outcomes of only a small number of unidentified cases.

In relation to (b) above, this appears to be an acknowledgement that there is no actual problem, it is merely a matter of perception. Any such perception of weakness in the Australian system is readily addressed by IP Australia in examination of patent applications and in subsequent opposition and revocation processes. Further, as discussed below, Australia has just implemented substantial amendments to its patent regime in order to “Raise the Bar” of patentability. Those amendments
received widespread publicity and comment both domestically and internationally and any perception of weakness has been addressed as part of that process.

The Consultation Paper states at page 4 that “(l)ike most legal tests, the assessment of inventive step needs to strike a balance between predictability of outcomes, and the adaptability to consider principles rather than rigid formulae”. In Aristocrat’s opinion, the proposed options do not provide adequate balance and will simply create further uncertainty. The existing regime has only recently been the subject of amendment and the amended regime has yet to be the subject of substantive judicial consideration.

Aristocrat’s view is that further change is unwarranted, unjustified and premature at this stage. Under the Patents Act 1990 and amendments already in force, granted and pending patent applications are presently subject to three different inventive step tests. It is already a complex exercise for patentees and those searching the register to ascertain which inventive step regime applies to a particular patent. The proposed amendments would result in the introduction of a fourth inventive step test. Aristocrat considers this will just compound the uncertainty for patentees, IP Australia, Courts and other stakeholders.

It is unclear how any of the proposed options will be implemented within the established jurisprudence in Australia in relation to obviousness and the inventive step test. Where a “starting point” is to be identified (e.g. a known product or a known problem), the law is reasonably settled and recently confirmed by the High Court in AstraZeneca AB v Apotex Pty Ltd (2015) 257 CLR 356. The proposed amendments ignore the existing body of authority in relation to inventive step and do not offer any guidance on the proposed application of those authorities, further contributing to uncertainty.

2. The Significance of Asia and Uncertainty arising from the future of Europe

Australia’s patent system is essentially aligned with those of our key trading partners and compliant with our international obligations. Australia’s top four two-way trading partners in goods and services in 2016 were China, Japan, USA and the Republic of
Korea. The Productivity Commission’s (PC) Inquiry Report into Intellectual Property Arrangements dated 23 September 2016 (Inquiry Report) noted we should be giving more consideration to the patent systems of our direct trading partners. That is, not Europe. Based on evidence from trade statistics the current position and trends for the future indicate our focus should be on Asia. In view of this, it is not at all clear why Australia should adopt a European style inventive step test.

Since the PC issued its first report, the context of international trade and jurisprudence has changed radically. In June 2016 the UK voted to leave the European Union and that transition is underway. Consequently, there is massive geopolitical and legal upheaval in the UK and Europe. While there is substantial uncertainty, a very likely outcome is that the IP laws of the UK and Europe will further diverge and take their own courses, in addition to existing divergence influenced by inventive step that is considered problematic and is not part of Australian law. Australian Patent legislation and jurisprudence is heavily based on the UK patent regime and judicial authority. Until quite recently, very little reference was made to European law. Given these developments, it is not at all clear to Aristocrat why Australia would be adopting a European regime, which may ultimately lead to a divergence from established precedent and significant future uncertainty.

3. **How much higher? The bar for inventiveness has very recently been raised**

Aristocrat submits that the proposed amendments are unjustified. 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. IP Australia noted this in its submission to the PC. These amendments included enhancing the requirements for supporting the claims defining the invention, expansion of the common general knowledge possessed by the skilled person beyond Australia, the definition of the invention itself, and expanding the prior
art base by removing the need for the prior art to be ascertained, understood and regarded as relevant by the person skilled in the art.

Due to the recent nature of these changes, they apply only to a small proportion of granted patents. Consequently, there has been no judicial consideration including at appellate level of the degree to which these changes “raised the bar”. The only certainty is that they did so. Aristocrat submits it is completely premature and would impose undue burden and uncertainty on all stakeholders and users of this patent system to implement yet another change to inventive step until the effect and application of the “Raising the Bar” amendments have been properly assessed. A failure to do so would otherwise lead to unnecessary uncertainty, ambiguity and instability in the law. Notably, the PC’s draft report issued in April 2016, shortly after the “Raising the Bar” amendments had been implemented. Any evidentiary analysis undertaken by the PC could not have taken into account the significant impact of these amendments.

We also note that the proposed amendments in the Consultation Paper should not be considered in isolation when assessing the balance the patent system seeks to address. A patent applicant has to satisfy numerous criteria over and above the inventive step test in order to obtain a grant. As all stakeholders are aware, in view of substantial recent case law including the High Court decision in *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334, the test for patentable subject matter, “manner of manufacture”, is increasingly difficult to satisfy. This is reflected in the significant number of applications in particular subject matter categories which are being rejected by IP Australia. Additional amendments were made to the *Patents Act* under the “Raising the Bar” amendments in respect of utility, sufficiency and best method, thereby further raising the bar for a patentee to obtain a protected right. Therefore, any of the proposed amendments to the inventive step test would unduly tip the balance against rights holders.

Importantly, a separate recommendation the subject of consultation is the abolition of the second tier innovation patent. In conjunction with any amendment to “raise the bar” even higher on inventive step, this amendment
will deprive many Australian innovators, particularly SMEs, of access to the patent system.

As set out above, Aristocrat invests a very substantial amount in R&D and technology development. In an advanced, digitally based industry, while difficult and expensive to develop and implement, some of these innovations are only incremental advances. It is exactly these sorts of developments that the government and lawmakers should be encouraging in Australia’s transition to a “knowledge economy”. The proposed amendments to inventive step in conjunction with the numerous other recent amendments would leave many meritorious and commercially significant innovations void of protection.

4. **The adequacy of the current inventive step test**

The current concept of inventive step has unfairly been the subject of criticism due to the perception that all that is required to fulfil the requirement is a “scintilla” of inventiveness. With respect, this demonstrates a misunderstanding by the PC of the hurdles required to meet the existing inventive step test. Most stakeholders will be well aware of the plethora of patent applications and granted patents that have been rejected or revoked by IP Australia during examination or opposition, and by the courts during revocation proceedings, on the grounds of lack of inventive step.

Rather than amending the legislation, the “perception” of inadequacy could instead be addressed in the Patents Manual of Practice and Procedure (MPP). The PC believes that the recommended changes to the inventive step test “would shift the focus of the test away from the quantitative ‘scintilla of invention’ concept toward more qualitative considerations and thus better quality patents”. However, Aristocrat submits this reference suggests the PC has misunderstood the principles. It is well established that the test for obviousness is a qualitative consideration, and not one that can be measured against some hypothetical rule.

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Australia is fortunate to have a very robust judicial system with a number of highly skilled and experienced judges presiding over patent disputes. Both domestic and international perceptions are that patent litigation in Australia provides robust, certain and effective outcomes. Courts have readily been able to discern and apply the inventive step regime to a broad range of patents in a diverse range of technical fields.

The Consultation Paper options seeks to specify a single “simple” test to be applied when assessing inventive step. In order to achieve the required flexibility and adaptability of the test to evolving technologies, courts have justifiably avoided devising a prescriptive test for inventive step. As courts have long noted, there is no formula that is appropriate to all classes of claims.

It is unclear how adopting a European style test for inventive step would have a positive impact on Australian patent “value”. A robust patent system inherently requires flexibility. Implementation of a rigid and overly prescriptive system may ultimately lead to particular classes of patents being rejected, notwithstanding they may be of immense value, rather than achieving the goal of eliminating “low value patents”.

5. **The problem with the European ‘problem-and-solution’ approach**

Aristocrat considers that the European standard is an artificial creation that relies strongly on hindsight reasoning by identifying the closest prior art to the claimed invention and assessing inventive step from that point. The issues with the European Patent Office (EPO) problem-and-solution approach have been well documented. In particular, the EPO approach has been criticised for its use of hindsight and as unnecessarily artificial because many inventions are created without the inventor having a specific problem in mind when they develop a solution.

The “[d]ifferences between the EPO and Australian problem and solution approach” set out on page 21 of the Consultation Paper evidence why the
current Australian inventive step test is a workable, sensible standard that provides certainty. The Australian test requires that the problem is determined from a reading of the specification and on the basis of the invention as claimed, construed as a whole by the person skilled in the art armed with the common general knowledge. This approach accords with substantial Australian precedent developed over decades in relation to claim construction and inventive step.

This highlights another significant issue with the proposed approach. The Australian Patents Act and the substantial body of jurisprudence that has developed around it incorporates a number of concepts and principles relating to interpretation of specifications, claim construction and grounds of validity that are highly interdependent and interrelated. The laws on claim construction, section 40 requirements and inventive step cannot each be considered in isolation. Aristocrat submits the proposal to take one aspect of European law and incorporate it into our patent regime without considering the implications and consequences for other aspects of the law would result in incoherence and uncertainty in the law.

Further, the problem-and-solution approach is unsuitable in circumstances where the invention involves the creation of a new application/product that has satisfied a latent need that had never been expressed. For example, where the invention lies in the identification of the problem, the latent need may be a non-technical need, and thus the solution becomes apparent once the problem has been formulated and/or where there is no single piece of closest prior art. The EPO itself recognises that this approach is not the only way of determining whether or not an invention involves an inventive step, and it has been observed that the problem-and-solution approach may be too rigid. Therefore the problem and solution approach to inventive step can be

14 Patent Manual of Practice & Procedure, s 2.5.3.6 (Invention in Identifying the “Real Nature” of the Problem).
inapt if the problem is not formulated correctly and may arbitrarily exclude certain types of invention that do not strictly answer the very prescriptive test.

As acknowledged in the Consultation Paper, the “problem-solution” approach is insufficient to cover all cases. This will ultimately lead to uncertainty in the law and an increase in litigation.

In respect of option IS-4 which codifies the EPO problem-and-solution approach, no one-size-fits-all formula should be codified in statute. There is no measure of inventiveness that is applicable to all patents and thus codifying the EPO problem-solution approach is not a straightforward solution.

The PC considers and the Consultation Paper appears to concur that Australia’s definition of inventive step is more complex than that of other jurisdictions, in part because it divides background information into common general knowledge and prior art information.

However, the PC and the Consultation Paper ignore the reference in Article 56 of the European Patent Convention (EPC) to Article 54, which sets out the definition of the “state of the art”, and adds significant complexity.

Furthermore, there is no evidence to support the contention that Australia’s current legislation is less adaptable than the wording proposed by the PC. Indeed, by seeking to limit the tests to be applied in Australia, the proposal arguably reduces the flexibility and adaptability of Australia’s inventive step provisions.

6. **Aristocrat’s preferred fall back option – IS-1**

Aristocrat submits that of the 4 options, the option to amend section 7(2) of the Patents Act as proposed in IS-1 is preferred. This option does not introduce substantial, complex changes to the existing regime that would have the effect of creating further uncertainty. The preservation of concepts of obviousness, which are well understood and have a lengthy history of judicial consideration, would be preferable.
For the reasons detailed above, Aristocrat considers that of the options proposed, IS-1 will maintain the requisite balance in the patent system. However, Aristocrat notes that it does not overcome the problems set out above.

IS-1 will see the definition of “prior art base” in section 7(3) of the *Patents Act* repealed with guidance on the term to be found in the MP. Aristocrat submits that if this is pursued the MP should make reference to the extensive judicial authority on the meaning of the prior art base. This illustrates that while the PC seeks to “reduce legislative complexity”, fundamental aspects of patent law, including the definition of the prior art base, need to be part of the regime in some form.

The concept of the inventive step test under the current and the proposed section 7(2), formulated based on Article 56 of the EPC differ in practice. Therefore, the Explanatory Memorandum would need to make it clear that, as stated in the Consultation Paper, the European ‘problem-and-solution’ approach is not a suitable approach to satisfying inventive step in all circumstances. Option IS-1 is Aristocrat’s preference as it leaves our experienced patent Courts, to interpret the section in a way that is consistent with existing Australian jurisprudence.

Aristocrat submits that for the reasons detailed above, IS-2, IS-3 and IS-4 are inappropriate. IS-2 and IS-3 require a greater degree of change to the existing legislative regime with the requirement of extensive guidance to be set out in extrinsic materials such as the Explanatory Memorandum. Aristocrat’s view is that, in the context of a patent regime where recent substantial changes have been introduced and significant developments implemented in case law, these approaches would result in considerable uncertainty and ambiguity.

In relation to IS-4, Aristocrat submits that the very prescriptive approach would rob the inventive step regime of its flexibility and adaptability, which are critical to enable IP Australia, and judicial officers to apply it to the specific
circumstances they are dealing with. This rigid approach could have the unintended consequence of rendering highly innovative and commercially significant developments unpatentable because they arbitrarily fall outside the rigid boundaries imposed by this option.

**Part 2: Technical Features**

In this section, in relation to “Technical Features”, Aristocrat addresses the following questions:

P1 Which options under Parts 1, 2 and 3 do you prefer and why:

P2 What are other possible benefits and disadvantages of options under each part, including any unintended consequences?

P3 Are there any other better options that have not been considered?

Aristocrat is of the view that the PC’s recommendation that patent applicants be required to identify the technical features of the invention for the purpose of assessing inventive step is likely to create significant issues for patent applicants, examiners at IP Australia, technology users and other stakeholders:

1 Such a change does not appear to be necessary under the existing Australian regime. Section 40 adequately codifies the requirement for the claims in a specification to clearly define the invention. Aristocrat is unaware of any evidence based on its extensive dealings with IP Australia in relation to a very substantial portfolio to suggest that patent examiners are grappling with the perceived problem.

2 In Aristocrat’s experience, IP Australia examiners are experienced, understand the technical aspects of the particular field of technology they are dealing with and are adept at applying and relying on section 40 to address any potential concerns.

3 In relation to other stakeholders who are trying to determine the bounds of a particular invention, again there is scant evidence that any issue exists.
Critically, section 40 places the onus on the patent applicant to clearly define their invention. A failure to do so renders the patent vulnerable to invalidity. The low rate of successful revocation actions for “lack of clarity” under section 40 is evidence that patent applicants are clearly defining their inventions, including the technical aspects. Again, section 40 was amended in the “Raising the Bar” legislation and for the reasons set out above, the impact of those changes has yet to be ascertained.

4 The proposed amendments 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. Certain “non-technical” subject matter is currently excluded and judicial consideration of this issue has occurred predominantly in the context of the “manner of manufacture” test in respect of patentable subject matter. However, this authority appears to have created an unintended divergence between the courts (which consider technical contribution to the invention\textsuperscript{16} or to the claimed invention\textsuperscript{17}) and the Patent Office (which consider technical contribution to the art\textsuperscript{18}).

5 It is unclear whether the proposed emphasis on “technical features” in raising the inventive step threshold would have any unintended effects or confuse the “manner of manufacture” test.

6 Importing a concept and practice from another jurisdiction, namely the European concept of “technical features”, into Australian law where issues of claim construction are considered and applied quite differently will render the Australian law incoherent and unpredictable. Aristocrat refers to its discussion in Part 1 above regarding issues arising in European law.

7 There is extensive Australian authority that patent claims are not construed in isolation. They are construed in light of the specification read as a whole and the common general knowledge, which can often import particular meaning to the language used in the claims. Therefore, attempts to define “technical

\textsuperscript{16} Research Affiliates LLC v Commissioner of Patents [2014] FCAFC 150 at 33 and 114
\textsuperscript{17} Commissioner of Patents v RPL Central Pty Ltd [2015] FCAFC 177 at 99
\textsuperscript{18} Elot, Inc. [2017] APO 55 at 54
features” either within the claims or in some extrinsic document would create uncertainty in any subsequent construction of the claims. There is clear recent authority that Australian courts do not consider the IP Australia file wrapper in construing claims.

8 As with the discussion regarding inventive step above, the proposed changes are likely to create internal inconsistencies within the Australian patent regime. The regime has developed over decades with a substantial body of case law addressing issues of claim construction and validity, which are highly interdependent. Introducing a concept from an overseas jurisdiction such as the requirement for “technical features” to be identified does not sit well with the existing regime including the specific requirements of section 40.

**Aristocrat’s fall back option – TF-2**

For the reasons set out above, all three proposed options carry with them legal and practical consequences that create uncertainty and ambiguity for patent applicants, tribunals, IP Australia, and the public generally. If one was to be implemented, Aristocrat’s reluctant preference is Option TF-2.

As set out in the Consultation Paper, this option requires less intervention in the existing regime. Given the role that section 40 has to play, that the impact of the “Raising the Bar” amendments have yet to be assessed and in light of significant recent case law on patentable subject matter, a lighter touch is highly desirable.

From Aristocrat’s extensive experience engaging with IP Australia, examiners rarely, if ever, raise the perceived issue with technical features. In the event they do, option TF-2 enables it to be addressed in an efficient and effective manner.

Option TF-1 requires specific references to technical features in the claims. This would result in the issues addressed above regarding conflict with the role of section 40 and the long-standing Australian authority that claims are construed in the context of the specification as a whole. This would also add complexity in the required claim language and structure, thus adding to stakeholders’ burden in formulating and construing claims.

TF-1 amendments may also conflict with the concepts of patentable subject matter. The Federal Court and High Court have recently considered the concepts of
“technology” and “technical” in relation to the “manner of manufacture test” for eligible subject matter and were reluctant to find that eligible subject matter requires an element of “technology” or the so-called concept of “technicality”.\textsuperscript{19} The reason for their reluctance arises from the lack of agreement on a clear and adaptable definition of such concepts. The fact that no such requirements have been included in the Patents Act reflects Parliament’s intention to leave this area of the law to be developed by the Courts to ensure flexibility.

Option TF-3, which requires the filing of a separate document setting out the technical feature, increases the burden on a patent examiner by expanding the nature of materials to be reviewed when examining a patent specification. Aristocrat repeats its submission regarding Australian Courts’ reluctance to take into account extrinsic materials in construing specifications.

Part 3: Transitional Arrangements

To take into account and recognise the rights of existing patent applicants, Aristocrat’s preference in relation to any transitional provisions is Option TA-3.

The Consultation Paper notes that there are 3 principles at play in implementing the changes. They should:

(a) take effect as soon as possible;

(b) not unduly prejudice users of the system; and

(c) give applicants control and certainty.

Aristocrat submits that, Option TA-3 achieves the best balance as it provides certainty without prejudicing existing applicants. Patent applicants who have taken advice on, prepared and filed applications based on the existing law should not be prejudiced by changes to the law post-filing. Those applicants may have made different decisions and prepared their applications differently had the proposed new laws applied. As IP Australia is aware, there are a very substantial number of filed

\textsuperscript{19} See the High Court in National Research Development Corporation v Commissioner of Patents (1959)102 CLR 252 and the Full Court of the Federal Court in Grant v Commissioner of Patents (2006) 154 FCR 62 at [38] in consideration of the concept of ‘technology’.
but unexamined applications pending before the Office.\textsuperscript{20} These applications have been filed by a substantial number of applicants from many different jurisdictions and their rights should not be prejudiced.

\textbf{Part 4: Should Option IS-3 as proposed under Part 1 (inventive step) also include amendments to grounds to re-examine or to oppose grant of standard patent? Are there any other implications not considered?}

As set out above, Aristocrat’s submission is that IS-3 should not be adopted.

The “problem-solution” approach is unwieldy and not readily applied in many circumstances. For example, where identification of the “real-nature” of the problem is acknowledged as the inventive step (see MPP 2.5.3.6). In such cases, once the problem is identified, the solution may be just a matter of following routine steps. This is common in the pharmaceutical industry, where often the invention lies in properly identifying the offending gene/cell/virus etc. Once identified, the solution is often straightforward. For the reasons set out, even if IS-3 is adopted, Aristocrat submits there shouldn’t be corresponding amendments to re-examination or opposition.

As such, the position of requiring a “technical problem”, which relies on the “problem-solution” approach, is inherently flawed. Accordingly, a “technical problem” requirement must not be codified into the legislation. It should not be part of examination practice and should not be grounds for re-examination or opposition.

\textsuperscript{20} In 2013, there were approximately 60,000 unexamined patent applications: IP Australia, ‘Report on patent backlogs, inventories and pendency: IP Australia Economic Research Paper 01’ at 8, Figure 5.
Part 5: Does your preferred option under Part 2 (technical features) depend on the option that is chosen for Part 1 (inventive step)? If so, please explain.

Aristocrat's position is that the proposed amendments should not be adopted. If any option is chosen under Part 1, Aristocrat’s preference for Part 2 remains TF-2, for the reasons set out above.

Part 6: As noted above, for the purposes of novelty, the Commissioner already disregards features that do not materially affect the way the invention works. Do you foresee any problems with maintaining this approach?

Aristocrat does not foresee any problem with maintaining this approach.

It appears that “features that do not materially affect the way the invention works” (also referred to as “essential features”) are being taken to mean “technical features”. This is not necessarily the case, as essential features may not always be technical in nature. Further, the invention may lie in a synergistic combination of technical features and non-technical features. Aristocrat supports the current “essential features” approach and has no objections to maintaining this position. However, Aristocrat wishes to avoid the situation where examiners’ unwittingly start interpreting “technical features” into each require a technical effect. Further, shoe-horning “technical features” into an inventive step assessment runs the risk of cross-contaminating the manner of manufacture test. As recently cautioned by the Full Court,21 such cross-contamination has no place in Australian patent law.

21 Research Affiliates LLC v Commissioner of Patents (2014) 227 FCR 378 at [33].
OC1 Do you have a preference for one of the options proposed for the objects clause?

- If so, please explain the reasons for your preference.
- If you disagree with the wording of these options, please explain which elements you disagree with and why.

The Australian Government has accepted recommendation 7.1 of the PC’s Inquiry, namely to introduce an objects clause into the Patents Act 1990. The proposed objects clause will describe the purpose of the Act as “enhancing the wellbeing of Australians by promoting technological innovation and the transfer and dissemination of technology”. The rationale appears to be that in so doing, the patent system will “balance over time the interests of producers, owners and users of technology”.

While Aristocrat supports the introduction of an objects clause to the Patents Act 1990, it does not support either of the 2 options proposed.

There is a fundamental lack of certainty in both of the options as is not at all clear what is meant by the “wellbeing of Australians”. It is unclear what this phrase requires or how in practice it would be determined and interpreted by IP Australia and the courts. In the absence of any guidance, the ambiguity in the phrase is reason alone to reject its inclusion in any objects clause. Further, such a phrase may result in unintended consequences such as the requirement to file evidence in relation to the “wellbeing of Australians” in litigation.

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22 Inquiry Report, recommendation 7.1.
23 Ibid.
If the Australian Government does propose to introduce an objects clause, it is submitted that the equivalent New Zealand legislation provides a better template. Section 3 of the *Patents Act 2013* (NZ) provides as follows:

Purposes

The purposes of this Act are to—

(a) provide an efficient and effective patent system that—

(i) promotes innovation and economic growth while providing an appropriate balance between the interests of inventors and patent owners and the interests of society as a whole; and

(ii) complies with New Zealand’s international obligations; and

(b) ensure that a patent is granted for an invention only in appropriate circumstances by—

(i) establishing appropriate criteria for the granting of a patent; and

(ii) providing for procedures that allow the validity of a patent to be tested; and

(c) provide greater certainty for patent owners and the users of patented inventions that patents will be valid after they are granted; and

(d) address Māori concerns relating to the granting of patents for inventions derived from indigenous plants and animals or from Māori traditional knowledge; and

(e) ensure that New Zealand’s patent legislation takes account of developments in the patent systems of other countries; and

(f) regulate the provision of patent attorney services by giving effect to the joint registration regime with Australia.
In Aristocrat’s opinion, the New Zealand objects clause is clearer and more readily interpreted. It clearly sets out that the purpose of the patent system is to “promote innovation and economic growth while providing an appropriate balance between … interests”, while also including a statement in relation to the grant of patents in appropriate circumstances. While, not all of the subsections are relevant to Australia, subsections (a)-(c) in particular reflect the balancing act required in the granting and enforcement of patent rights in Australia. They also reflect the vital role of patents in stimulating and encouraging innovation and investment in development.

By contrast, the proposed objects clause in the present paper makes no reference to economic growth or the investment inherent in inventions.

Additionally, the New Zealand regime addresses the Māori people’s concerns in relation to indigenous plants and animals and traditional Māori knowledge. Australia could similarly adopt a consideration for indigenous traditional knowledge. Similarly, the objects clause could aim at developing a patent system that promotes areas where Australia has a comparative or competitive advantage at an international level to better retain and attract R&D spending in Australia rather than offshore.

Lastly, it includes consideration of the patent systems of other countries in the development of the New Zealand patent legislation, which is a driving factor in the PC’s Inquiry Report.