

# HIGH COURT GAMBLE DOES NOT PAY OUT FOR COMPUTER- IMPLEMENTED INVENTIONS IN AUSTRALIA

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Legal Briefings - By **Sue Gilchrist, Aaron Hayward, Sarah Henkes-Younger and Byron Turner**

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The High Court of Australia has delivered an equal-split judgment on the question of patentability of computer-implemented inventions. As a result, an appeal from a decision of the Full Court of the Federal Court of Australia,<sup>1</sup> which found that Aristocrat's patent claims to electronic gaming machines with particular gaming features were not a "manner of manufacture", was dismissed and the outcome of the majority of the Full Court stands.

The case indicates that there is likely to be more to come on the patentability of computer-implemented inventions, and future cases involving such inventions will require careful analysis in light of the views of the Justices of the High Court.

## KEY TAKEAWAYS

- The result of an equally split High Court decision is that the outcome of the majority of the Full Court stands<sup>2</sup> - that is, the earlier finding<sup>3</sup> that electronic gaming machines with particular gaming features constituted a "manner of manufacture" and were therefore patentable, was overturned.
- While computer-implemented inventions can constitute patentable subject matter, a case-by-case assessment is required, particularly in light of the views of the Justices of the High Court.
- Three Justices of the High Court indicated that an invention which implements a new but unpatentable idea (such as rules of a game) does not need to be an "advance" in computer technology to be a manner of manufacture, but it must change or add to the existing technology to accommodate the needs of the new idea.
- Precisely where the boundary is drawn between patentable computer-implemented inventions and unpatentable ideas or schemes remains unsettled, given the varying views of both the Full Court and the Justices of the High Court.

# BACKGROUND

We set out the factual background to this case in detail in our article on the Full Court decision, available [here](#). In short, Aristocrat owned four innovation patents in a family of patents relating to its *Lightning Links* slot machine (a type of Electronic Gaming Machine, or **EGM**). One of these, patent 2016101967 – which was used as an exemplar in the court proceedings – claimed integers relating to both physical parts and software used to implement the game. The aspect of the patent claimed to be inventive was a free “feature game” which was triggered by an event in the base game, awarding free credits to the player to encourage further betting.

## EARLIER DECISIONS

In 2018, the Delegate of the Commissioner of Patents revoked each of the innovation patents on the basis that the inventions claimed in them did not constitute a “manner of manufacture”.<sup>4</sup>

Aristocrat appealed to the Federal Court. In June 2020, Burley J found in favour of Aristocrat.<sup>5</sup> His Honour concluded that the invention disclosed by claim 1 was patentable by reference to two general questions (as later summarised in the Full Court judgment):<sup>6</sup>

1. Was the claim for a “mere business scheme” implemented in a computer?
2. If so, did the invention lie in the manner in which it had been implemented in the computer?

Burley J answered the first question in the negative and, therefore, reasoned no response to the second was necessary. His Honour noted that, were the gaming machine of claim 1 implemented in the “old-fashioned” mechanical way, rather than by software, it would have “no doubt” constituted a manner of manufacture. As such, his Honour considered that the claimed invention was properly characterised as a device of a particular construction with hardware and software elements, and not as a mere business scheme.

The Commissioner of Patents appealed the decision to the Full Court. The Full Court, comprising Middleton, Perram and Nicholas JJ, reversed the first instance decision. Middleton and Perram JJ held that claim 1 of the 967 Patent did not constitute a manner of manufacture. Their Honours proposed two alternative questions:

1. Is the invention a computer-implemented invention?

2. If so, can it be described as an advance in computer technology?

Nicholas J agreed that Burley J's conclusion that it did constitute a manner of manufacture was erroneous, but considered that a further issue needed to be addressed by the parties, and Burley J, before the question could be finally determined.

Aristocrat obtained special leave to appeal to the High Court of Australia.

## THE HIGH COURT DECISION

The High Court delivered an [equal-split decision](#), with three justices holding the appeal should be allowed and three holding that it should not be. This meant that Aristocrat's appeal from the decision of the Full Court was dismissed, and the outcome of the Full Court decision therefore stands.

## ARISTOCRAT'S SUBMISSIONS

Aristocrat submitted that claim 1 of the 967 patent was not merely for a set of game rules, but for a "*combination of many elements that includes the functionality of the gaming machine*". It submitted that viewing the claim holistically as a combination of instructional and functional elements allows it to be assessed as a whole as a manner of manufacture.

Aristocrat further argued that the approach of the majority of the Full Court in construing a "computer", in the context of computer-implemented inventions, as "*encompass[ing], practically, any device containing a processor and memory*", would have "*significant ramifications for industry*" by excluding from patentability a broad range of inventions for which the analogue equivalent would be patentable (such as digital clocks).

## COMMISSIONER'S SUBMISSIONS

The Commissioner submitted that the invention claimed was properly characterised as being for a set of rules for playing a game, implemented using conventional computer technology. In the Commissioner's view, the claimed EGM was a conventional machine having well-understood functions, which was only differentiated from other EGMs by the feature game, which, as an abstract idea, is not patentable.

## IPTA'S AND FICPI'S INTERVENOR SUBMISSIONS

The Institute of Patent and Trade Mark Attorneys of Australia (**IPTA**) and the Fédération Internationale des Conseils en Propriété Intellectuelle (**FICPI**) each made submissions to the High Court as *amicus curiae* intervenors in support of Aristocrat's appeal.

IPTA submitted that requiring a computer-implemented invention to be an “*advance in computer technology*” unjustifiably restricted the field of patentable inventions and incorrectly introduced novelty and inventive step considerations into the threshold for patentable subject matter. IPTA also argued that the Full Court's approach failed to account for technological neutrality in the *Patents Act*, the TRIPS agreement and the Australia-United States Free Trade Agreement,<sup>7</sup> arguing that if an analogous requirement were applied in the field of pharmaceuticals, it “*would eliminate inventions that are new uses of a known substance*”.<sup>8</sup>

FICPI's submissions further contended that the test proposed by the majority in the Full Court would have a chilling effect on innovation, similar to the impact of the “*uncertainty and confusion*” which FICPI said had resulted in the US from the US Supreme Court jurisprudence on this issue.<sup>9</sup>

## DECISION OF KIEFEL CJ, GAGELER AND KEANE JJ

Kiefel CJ, Gageler and Keane JJ decided the appeal should be dismissed. Having examined the previous decisions of the High Court in *Myriad*,<sup>10</sup> and *N V Phillips*,<sup>11</sup> and the Full Federal Court in *CCOM*,<sup>12</sup> their Honours characterised the invention, by reference to the terms of the specification having regard to the substance of the claim and in light of the common general knowledge, as “*a claim for a new system or method of gaming*”, noting that it was “*only in relation to the feature game that the invention is claimed to subsist*”.<sup>13</sup> In particular, their Honours observed that none of the features of the claim “*addressed the exigencies of the physical presentation of the operation of the game devised by Aristocrat*”, and so held that the claim was to “*no more than an unpatentable game operated by a wholly conventional computer, using technology which has not been adapted in any way*”.<sup>14</sup>

Their Honours considered that the test proposed by the majority in the Full Court, “*unnecessarily complicates the analysis of the critical issue*”, noting that the issue is not whether there had been an “*advance*” to computer – or indeed any – technology, but rather:

*whether the implementation of what is otherwise an unpatentable idea or plan or game involves some adaptation or alteration of, or addition to, technology otherwise well-known in the common general knowledge to accommodate the exigencies of the new idea or plan or game.*<sup>15</sup>

In reaching that conclusion, their Honours approved of Nicholas J's statement that "*a new idea implemented using old technology is simply not patentable subject matter*".<sup>16</sup>

Their Honours rejected Aristocrat's argument, relying on *CCOM*,<sup>17</sup> that each ground of invalidity in s 18 of the *Patents Act* is distinct from the others so questions of newness should not colour the question of manner of manufacture. In doing so, their Honours appear to have revived the requirement for threshold inventiveness,<sup>18</sup> noting that "*[t]he ball point pen would not ... have met the threshold requirement of s 18 that it be an invention because it is not, and was not then, new.*"<sup>19</sup> In response to the Intervenor's submissions, their Honours were careful to note that where a patent claims patentable subject matter, the invention does not become unpatentable because it is operated by generic computer technology. For example, if the invention involves a component that is physically affected or a change in state or information in a part of a machine, as was the case in *CCOM*, implementing that invention on a computer will not render it unpatentable. However, where the invention claims unpatentable subject matter, it cannot be made patentable by implementing it using existing computer technology. Their Honours noted that the US jurisprudence *FICPI* referred to has little bearing on Australian patent cases given the US statutory provision is different to the relevant sections of the *Patents Act*, though their Honours noted that the US courts had in any case reached "*the same solution to a problem that Australian courts have reached.*"

## **DECISION OF GORDON, EDELMAN AND STEWARD JJ**

Gordon, Edelman and Steward JJ confirmed that a "*mere method*" may be a manner of manufacture when it is "*practised or used in a way that is embodied in a physical form*".<sup>20</sup> That is, using the analogy of a game, while the rules of that game are not patentable subject matter, they may become so when combined with the physical materials that bring the game to life.

On the dichotomy between analogue (or mechanical) inventions and computer-invented equivalents, their Honours said that:

*In the 21st century, it would be absurd if the application of this principle were any different where the idea of the game is combined with a digital representation rather than a cardboard representation of the game. For instance, as senior counsel for the Commissioner properly accepted on this appeal, the game of Monopoly is patentable subject matter where it is embodied in a physical form such as a designed cardboard board, dice, and playing characters. It could not possibly be the case that the game of Monopoly ceases to be patentable subject matter if the graphics are displayed on a machine rather than on cardboard. To treat the two differently on the basis that the digital representation does not involve a physical transformation of something would plainly be to allow form to triumph over substance.*

Their Honours provided a caveat: it is clearly not enough that an invention involves the use of a machine to manipulate abstract ideas. Various examples were considered and compared to the invention in question.<sup>21</sup>

Their Honours considered the Commissioner's characterisation of claim 1 of the 967 patent as no more than an "instruction" to carry out a game using conventional technology was overly narrow and ignored the interaction between the instructions and the player interface. On the other hand, the various alternatives proposed by Aristocrat *"reiterat[ed] the elements of Claim 1, but without describing the essence of the claim."* Their Honours considered the characterisation by each of the Judges of the Full Court to be reasonable, but settled on the proper characterisation of claim 1 as:

*an EGM incorporating an interdependent player interface and a game controller which includes feature games and configurable symbols.*

With this characterisation in mind, their Honours found that the invention was not merely the idea of a game, incorporated into a game controller, without any novelty or inventiveness. The fact that the subject matter is computer-implemented should not be considered separately from general principles of patentability, but is part of the exercise in claim characterisation. In this way, their Honours' view was that the implementation of a scheme or idea on a computer should not be treated any differently from implementation by any other machine.

In relation to the 967 patent, the game controller, which includes feature games and configurable symbols, could not in their view be severed from the interdependent player interface in the EGM. The claimed operation was therefore an *"altered EGM involving an artificial state of affairs and a useful result amounting to a manner of manufacture"*.

## **CONSEQUENCES FOR COMPUTER-IMPLEMENTED INVENTIONS**

An important observation from the High Court's decision is that computer-implemented inventions do, in principle, remain patentable in Australia. However, given the High Court was evenly split, it remains uncertain what requirements a claim to a computer-implemented invention must satisfy in order to be held patentable if challenged.

Where a claimed invention involves features that arguably constitute an idea, scheme or plan, both judgments from the High Court appear to require that there be an interaction between those features and other features of the invention in order for it to be patentable. Kiefel CJ, Gageler and Keane JJ emphasised the need for some *"adaptation or alteration of, or addition to, technology ...to accommodate the exigencies of the new idea or plan"*, while Gordon, Edelman and Steward JJ's conclusion that Aristocrat's claimed EGM was patentable appeared to centre on the finding that the claim was to an *"interdependent player interface and a game controller which includes feature games and configurable symbols."*

Unfortunately, as the decision illustrates, the application of those principles to a particular case may not be straightforward. As a result, there remains uncertainty in assessing the boundaries of what constitutes patentable computer-implemented inventions, which is likely to persist until further guidance is provided by the Courts.

## FOOTNOTES

1. *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2022] HCA 29.
2. *Commissioner of Patents v Aristocrat Technologies Australia Pty Ltd* [2021] FCAFC 202.
3. *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2020] FCA 778.
4. *Aristocrat Technologies Australia Pty Limited* [2018] APO 45.
5. *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2020] FCA 778.
6. These questions have arisen in previous decisions, see: *Grant v Commissioner of Patents* [2006] FCAFC 120; 154 FCR 62 at [14]; *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150; 227 FCR 378; *Commissioner of Patents v RPL Central Pty Ltd* [2015] FCAFC 177; 238 FCR 27; *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* [2019] FCAFC 161; 372 ALR 646 at [88] and [94]; and *Watson v The Commissioner of Patents* [2020] FCAFC 56.
7. IPTA Submissions at [3].
8. IPTA Submissions at [20].
9. FICPI Submissions at [20] and [40], referring to the U.S. Supreme court judgments in *Mayo Collaborative Services v Prometheus Laboratories Inc.*, 566 US 66 (2012) and *Alice Corporation Pty Ltd v CLS Bank International*, 573 US 208 (2014).
10. *D'Arcy v Myriad Genetics Inc* (2015) 258 CLR 334.
11. *N V Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655.
12. *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260.
13. *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2022] HCA 29, [73].
14. at [77].
15. *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2022] HCA 29, [77].
16. *Commissioner of Patents v Aristocrat Technologies Australia Pty Ltd* (2021) 286 FCR 572 at [111], [118]-[119], cited in *Aristocrat Technologies Australia Pty Ltd v Commissioner of*

*Patents* [2022] HCA 29 at [78].

17. *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260, 291.
18. Referring to Brennan, Deane and Toohey JJ's judgment in *N V Philips Gloeilampenfabrieken v Mirabella International Pty Ltd* (1995) 183 CLR 655 at 664-665.
19. *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2022] HCA 29 at [72].
20. *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2022] HCA 29 at [117], citing *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* [No 2] (2007) 235 CLR 173.
21. Eg *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* (2019) 372 ALR 646, in which a method and apparatus for displaying information to provide "business intelligence" was not considered patentable subject matter. In *Commissioner of Patents v Rakt Pty Ltd* (2020) 277 FCR 267, a marketing scheme did not become patentable subject matter merely because it happened to be digital, as it merely involved "computer technology that is utilised for its basic, typical or well-known functions".





## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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