

Proposed Changes to IP Australia Patent Examination Manual

Following the dismissal of the application for special leave to appeal by the High Court of Australia on 5 February 2026, the present guidance in the Patent Examination Manual on the patentability of computer implemented inventions (**CII**s) needs substantial revision.

This substantial revision is required to comply with the test for patentability of CII as set down by the Full Federal Court of Australia in *Aristocrat Technologies Pty Ltd v Commissioner of Patents* [2025] FCAFC 131 (***Aristocrat '25***) that has been endorsed by the High Court in its refusal of the special leave application by the Commissioner.

Current Examination Practice

Presently, the Patent Examination Manual at Part 5.6.8.6 titled “Computer Implemented Inventions, Mere Schemes and Business Methods” has been updated to include the test set out in *Aristocrat '25*. However, the Patent Examination Manual refers to the *Aristocrat '25* test as only one of a number of guiding principles that Examiners may use in assessing the patentability of CII.

We consider that this position is a misinterpretation of *Aristocrat '25*.

Aristocrat '25

Aristocrat '25 sets down the test for assessing the patentability of CII at paragraph [131], where it is said (emphasis added):

[131] In our respectful view, it is too rigid and narrow an approach to say that the implementation of an idea in a computer, using conventional computer technology for its well-known and well-understood functions, cannot constitute a “manner of manufacture”. We respectfully agree with the view expressed in the allowing reasons (at [122]) that a better way of expressing the point in such cases is **to ask whether, properly characterised, the subject matter that is alleged to be patentable is: (i) an abstract idea which is manipulated on a computer; or (ii) an abstract idea which is implemented on a computer to produce an artificial state of affairs and a useful result.**

From this paragraph, the Full Federal Court has stated that, to determine the patentability of a CII, one must:

- properly characterise the invention;
- ask whether the invention, properly characterised, is:
 - (i) an abstract idea which is manipulated on a computer; or
 - (ii) an abstract idea which is implemented on a computer to produce an artificial state of affairs and a useful result

Accordingly, Part 5.6.8.6 of the Patent Examination Manual should be revised to instruct Examiners to approach the patentability of CII using the same structure. First, properly characterise the invention. Secondly, apply the test - is the CII an abstract idea implemented on a computer or abstract idea which is implemented on a computer to produce an artificial state of affairs and a useful result?

As present the Patent Examination Manual simply identifies which cases were in favour of patentability of a CII and which were not, and then extracts “factors to consider” for the Examiner to assess patentability.

The characterisation of the invention is then placed awkwardly at the end of these factors to consider. The Patent Examination Manual indicates that the physical elements of the invention are first to be assessed for the invention to be characterised, implying that the factors are only be considered based on whether the physical characteristics are to software or standard features of a known (CGK) computer.

Consequently, the guidance provided by the Patent Examination Manual does not properly reflect the approach taken by the Full Federal Court in *Aristocrat '25* and should be amended to be compliant.

Proper Characterisation of the Invention

The proper characterisation of the invention is frequently fact dependent. Better guidance needs to be provided to Examiners as to how to properly characterise the invention.

Aristocrat '25 makes clear that the invention needs to be properly characterised before applying the test of whether the CII is an abstract idea implemented on a computer or abstract idea which is implemented on a computer to produce an artificial state of affairs and a useful result.

Importantly, the Full Federal Court in *Aristocrat* makes clear that when characterising the invention, all the claimed integers of the invention are to be considered; there is no separation of “generic” computer features from other features. As stated at paragraph [131] of *Aristocrat '25*:

‘In our respectful view, it is too rigid and narrow an approach to say that the implementation of an idea in a computer, using conventional computer technology for its well-known and well-understood functions, cannot constitute a “manner of manufacture”.’

The section of the Patent Examination Manual entitled “Understanding the physical elements of the claimed invention starts by considering whether the physical elements present in the claim are:

- a. software only,
- b. features of a known (CGK) computer or computerised product/system, and those standard features include a computer processor, or
- c. physical features describing a new physical product or system (not CGK)... having the required interaction between integers....

Paragraph [127] of *Aristocrat '25* referred to the interdependence (“inextricably connected”) of the software elements and the hardware elements of an electronic gaming machine as part of the characterisation of the invention in that case. However, this analysis was made in the context of the claims in question and should not be taken as being general guiding principle, or that assessment of whether physical features are present or well-known is required.

Instead, Examiners should be directed to the specification to determine the substance of the invention and consider whether there is a suitable working interrelationship between integers in a combination of known elements to result in an artificial state of affairs and a useful effect.

Application of Earlier Decisions

To the extent that *Aristocrat '25* endorses earlier decisions on the patentability of CIIIs, such as in *Commissioner of Patents v RPL Central Pty Ltd* [2015] FCAFC 177 (*RPL*), the Full Federal Court only endorses the result of those decisions and not the reasoning behind those decisions. As stated in paragraphs [132] and [133] (emphasis added)

[132] The appropriateness of that formulation in the allowing reasons is borne out by reference to the decided cases. As the allowing reasons state (at [121]–[122]), the result in each of the Full Court decisions rejecting the patentability of certain computer-implemented claims was correct, that **each of them merely involved the use of a machine to manipulate an abstract idea rather than involving the implementation of the idea on a machine to produce an artificial state of affairs and a useful result**. Those Full Court decisions concern: (a) the scheme for protecting assets from unsecured judgment creditors considered in *Grant*; (b) the scheme for constructing data concerning a non-capitalisation weighted portfolio of assets considered in *Research Affiliates*; (c) the scheme for assessing the competency or qualification of people in accordance with recognised standards considered in *RPL Central*; (d) the method and apparatus for displaying information to provide business intelligence considered in *Encompass*; and (e) the marketing scheme considered in *Rokt*. The same observation applies to the use of the GPS-enabled mobile devices for dealing with risk management information considered in *Repipe Pty Ltd v Commissioner of Patents* [2021] FCAFC 223; (2021) 164 IPR 1 (Perram, Nicholas and Burley JJ), and the improved logistics method considered in *Dei Gratia Pty Ltd v Commissioner of Patents* [2024] FCA 1145 (Rofe J).

[133] By contrast, the curve drawing algorithm held to be a manner of manufacture in *International Business Machines Corporation v Commissioner of Patents* (1991) 33 FCR 218 at 226 (Burchett J) applied a formula to produce an artificial state of affairs of economic utility, namely the desired and improved curve image. To like effect, the invention held to be patentable in *CCOM* used a particular method of characterisation of Chinese character strokes which was applied to an apparatus in such a way that the operation of a keyboard would enable the selection, through a computer, of the appropriate Chinese characters used for word processing, which, as mentioned earlier, was found to produce an artificially created state of affairs of utility in the field of economic endeavour (at 295, per Spender, Gummow and Heerey JJ). Similarly, the claim held to be patentable which was considered in *UbiPark Pty Ltd v TMA Capital Australia Pty Ltd (No 2)* [2023] FCA 885; (2023) 177 IPR 254 at [203]–[207] (Moshinsky J), related to a communications system, computer program and smartphone configured to determine signal strengths of entry and exit signals to control a user's entry to and exit from a restricted area, which was found to constitute an abstract idea implemented on a computer to produce an artificial state of affairs and a useful result, namely the opening of the entry and exit barriers to allow vehicles to pass. A similar conclusion applies to the method of scanning used in a Time Division Multiple Access system in digital mobile radios to reduce the time required for completing scan operations, considered in *Motorola Solutions Inc v Hytera Communications Corporation Ltd (Liability)* [2022] FCA 1585; (2022) 172 IPR 221 at [354]–[359] (Perram J), although the actual reasoning in that case simply applied the proposed alternative analysis in the majority decision, as did the Full Court on appeal (*Hytera Communications Corporation Ltd v Motorola Solutions Inc* [2024] FCAFC 168

at [414] - [416] (Beach, O'Bryan and Rofe JJ)), there being no argument to the contrary

In these paragraphs, the Full Federal Court has reviewed these earlier decisions and has agreed with the result of those decisions solely on the basis of their stated test in paragraph [131]. There is no endorsement of the principles that were applied in these earlier decisions. That is, the results of these previous decisions are correct when viewed according to the test propounded by the Full Federal Court in *Aristocrat* '25. However, the principles of the previous decisions made prior to *Aristocrat* '25 have no application in considering the patentability of CIIIs.

Each of the earlier decisions may be used as examples of CIIIs that lack a manner of manufacture or have a manner of manufacture, but only when the correct test from *Aristocrat* '25 is applied. Consequently, factors listed as relevant to characterising the invention in Part 5.6.8.6 of the Patent Examination Manual should be removed or rewritten in the context of the new test, such as:

- whether the computerised product or system works in an improved or altered manner;
- whether there is a relevant technical effect occurring outside a computerised product or system, or a technical problem is solved outside the computerised product or system;
- whether a technical problem is solved with a computerised product or system;
- even if a computer is essential for performing the invention (i.e. there is no practical "pen and paper" equivalent), that is not a sufficient factor to confer patentability; the computer must be more than an intermediary.

In particular, the factor of whether the computer is an intermediary, even if essential for performing the invention, is considered inherently unclear. In as far as this factor is understood, this seems to contradict *Aristocrat* '25 at [127] where the Court found "*characterisation as better reflecting the integers of the claim viewed as a whole, encompassing the combination of both the inventive and the non-inventive elements*". We also refer to the discussion below of an artificially created state of affairs with a useful result.

Also, the various discussions of examples, including discussions of earlier decisions, need to be substantially revised to remove references to the principles of those earlier decisions and instead be recast in the language of the appropriate test under *Aristocrat* '25. For example, the hypothetical example of "Performing Business Interactions Using Computing Devices" illustrating an invention not being a manner of manufacture needs to be substantially revised or removed, as it relies on an unsupported assertion of what is the common general knowledge and states that the invention merely uses generic computer technology and does not improve the operation of the computer in assessing patentability.

Artificially created state of affairs and a useful result

A section specifically dedicated to providing guidance as to what constitutes an artificially created state of affairs and a useful result must be added to provide sufficient guidance to Examiners.

To that extent, paragraphs [75] and [76] in *Aristocrat* '25, partially reproduced below for ease of reference, state:

75 The allowing reasons then said that in the 21st century, it would be absurd if the application of that principle were any different where the idea of the game is combined with a digital representation rather than a cardboard representation of the game: at [119]. At [119], their Honours cited *Grant* (at [32]) to the effect that the requirement of a “physical effect” includes “a concrete effect or phenomenon” **and extends to “a change in state or information in a part of a machine”**.

76 Their Honours said that the artificial state of affairs and useful result may be a physical change in something, but need not be, and similarly, the artificial state of affairs may be an improvement in computer technology, but it need not be: at [122]. The allowing reasons said that it is enough that the artificial state of affairs and useful result are created by the way in which the method is carried out in the computer: at [122]. Further, the allowing reasons said that the method of carrying out the idea in the computer, and the artificial state of affairs and useful result, need not be inventive or ingenious, in that the ingenuity may lie only in the idea but, when the idea is applied to produce an artificial state of affairs and a useful result, there will be a manner of manufacture: at [123].

(emphasis added)

Therefore, the requirements for an artificially created state of affairs is not limited to “concrete, tangible, physical, or observable effect” or an improvement in computer technology as it is currently suggested in Part 5.6.8.6 of the Patent Examination Manual, but also includes “a change in state or information in a part of a machine”. Furthermore, the artificially created state of affairs does not need to be novel, inventive or ingenious.

The Patent Examination Manual also refers in several instances of Part 5.6.8.6 to a “relevant” artificial state of affairs, which implies that, in some instances, the Examiner can reject a claimed invention even if there is an artificial state of affairs (on the basis that the Examiner deems those artificial state of affairs to be not “relevant”). This is unclear and contrary to the finding of the Full Court. Paragraph [131] of *Aristocrat* ’25 provides a single qualifier of the artificial state of affairs, that a useful result must also be provided, and does not discuss “relevance” in this context.

Conclusion

We are of the opinion that the current iteration of Part 5.6.8.6 of the Patent Examination Manual would benefit from a more precise alignment with the law established by the Full Federal Court in *Aristocrat* ’25 and endorsed by the High Court. It appears that by positioning the definitive *Aristocrat* ’25 test as merely one of several guiding principles, and focussing on whether a claim is to software or standard features of a known computer, the Manual may inadvertently depart from the singular, structured approach mandated by the Court. This approach requires an invention to first be properly characterised—considering all claimed integers without the separation of “generic” computer features—before determining if it is an abstract idea merely manipulated on a computer or one implemented to produce an artificial state of affairs and a useful result.

Furthermore, we are of the opinion that the Patent Examination Manual should more clearly distinguish between the results of earlier decisions and the reasoning previously used to reach them. While the Full Federal Court in *Aristocrat* ’25 endorsed the outcomes of cases such as *Grant*, *RPL Central*, and *Research Affiliates*, it did so specifically through the lens of its own newly propounded test. We suggest that the continued inclusion of legacy “factors to consider” derived from pre-*Aristocrat* reasoning—such as whether a contribution is technical

in nature or solves a technical problem—may no longer be applicable under the current legal framework and should likely be removed to ensure clarity.

Additionally, it is our view that the current guidance takes a somewhat narrow interpretation of what constitutes an "artificially created state of affairs". The Court's clarification that this state includes a "change in state or information in a part of a machine," and that the implementation need not be inventive or represent a technical improvement, is a vital distinction that we believe should be more prominently reflected. We also suggest that the reference to a "relevant" artificial state of affairs be removed for clarity and greater consistency with *Aristocrat '25*.

We believe that the present ambiguity in the Patent Examination Manual risks creating variability in how patentable subject matter is assessed across different Examiners. This lack of structure may allow for the 'cherry-picking' of specific case law in the assessment of patentable subject matter rather than the consistent application of the unified test defined in *Aristocrat '25*. Such inconsistency appears to be at odds with IP Australia's core mission of "enabling Australians to benefit from great ideas" by providing a "world-leading IP system" characterized by certainty and confidence. To better fulfill the legislative mandate under Section 2A of the Patents Act 1990, we respectfully suggest that Section 5.6.8.6 be revised to more fully adopt the unified test set forth in *Aristocrat '25*, thereby ensuring a more predictable and robust environment for Australian innovation.

This submission is made on behalf of:
Spruson & Ferguson
Level 24, Tower 2, Darling Park,
201 Sussex St,
Sydney NSW 2000,
Australia