

7 December 2007

PATENTS ACT 1977

APPLICANT Apputharai Chandrakumar and
Kulanathan Kularajan

ISSUE Whether patent application number GB
0228165.7 complies with section 1(2)

HEARING OFFICER R C Kennell

DECISION

Introduction

- 1 This application was filed on 3 December 2002, and was published under serial no. GB 2 396 030 A on 9 June 2004.
- 2 Despite amendment of the claims during substantive examination, the applicant has been unable to persuade the examiner that the invention is patentable within the meaning of section 1(2) of the Act. This matter therefore came before me at a hearing on 23 November 2007. The applicants were represented by their patent attorney, Mr Michael Dean, and the examiner, Mr Ben Widdows, assisted via videolink.
- 3 Following a discretionary extension, the period prescribed by rule 34 of the Patents Rules 1995 for putting the application in order had expired on 3 October 2007. At the hearing I accepted the Form 52/77 which had been filed by Mr Dean on 21 November 2007 to secure a further two months' extension if necessary.

The invention

- 4 The invention applies data-handling techniques to bring greater flexibility and interest to games of the "chit fund" type. As the specification explains, such games are widely played in South-East Asia, especially Singapore, and are believed to have originated as a barter system for grain in times of shortage. Normally a fund is set up into which a fixed number of subscribers each pay a specified amount on a number of dates which is the same as the number of subscribers. After each subscription date, the amount of the fund is put up for sale by bidding amongst the subscribers, each bid representing the amount the subscriber is willing to forego in order to obtain the whole fund. The highest bid

wins and the amount foregone is split equally between all the subscribers. Each subscriber is only allowed to win once.

- 5 As the specification further explains, one aim of the invention is to adapt the game so that it can be used more efficiently for business purposes. A witness statement provided for the hearing by one of the applicants, Mr Chandrakumar, explains that the game can provide funding or pay out profits at advantageous rates compared with credit cards and banks; however, for someone needing money quickly or in large amounts, it is usually difficult to get enough trustworthy subscribers together quickly. He goes on to say that, although computerisation had not generally been seen as a way forward, the applicants had found that it enabled the above difficulty to be overcome by interrogating a remote server to establish a potential subscriber's creditworthiness. Computerisation could also bring further flexibilities by allowing the game to pay out a notional fund value as if the maximum number of players had subscribed so that they did not all have to be present on each bidding occasion, and allowing subscriptions to be started at different times so long as each made the maximum number of subscriptions and all were for the same amount.
- 6 Mr Dean accordingly filed amended claims for consideration at the hearing. These (with my addition of paragraph numbering and lettering in claim 1 to reflect the discussions at the hearing) comprise independent apparatus and method claims 1 and 7 as follows:

"1. Apparatus, comprising

- (i) a data-processing unit connected and arranged for automatically obtaining a credit reference on subscribers via access to a remote server,
- (ii) transfer means to take subscriptions from and pay out winnings to subscribers,
- (iii) and a data-processing unit comprising:
 - (a) means connected and arranged to determine automatically whether the credit reference is acceptable and if so, and only if so, to register such subscribers, all without human interaction,
 - (b) means arranged to define a session of subscription occasions and ensure that there is a fixed maximum number of subscribers to a session,
 - (c) means connected to cooperate with the transfer means *and with means holding financial accounts of subscribers* to ensure that the subscribers make equal subscriptions to each other and on each of a chain of said fixed number of consecutive said subscription occasions,
 - (d) means to provide a bidding facility allowing each registered subscriber to bid for the fund (which may be notional) comprising said maximum number of subscriptions on a bidding occasion following each subscription occasion
 - (e) and means to ensure that each subscriber can win no more than once in a chain,
 - (iv) the transfer means being connected and arranged to pay out the whole of said fund (less the service charge and less the bid) to the winning subscriber following a bidding occasion."

"7. A method of conducting electronic commerce involving the exchange

of investments and borrowings amongst a plurality of network subscribers, the method comprising

- automatically carrying out a credit reference on subscribers via access to a remote server,
- determining automatically whether the credit reference is acceptable and if so, and only if so, registering such subscribers, all without human interaction,
- defining a session of subscription occasions and a fixed maximum number of subscribers for the session,
- automatically taking equal subscriptions from each registered subscriber and on each one of a chain of said fixed number of consecutive said subscription occasions,
- allowing each registered subscriber to bid for the fund (which may be notional) comprising said maximum number of subscriptions on a bidding occasion following each said subscription occasion,
- automatically ensuring that each subscriber can successfully win no more than once in a said chain,
- and paying out the whole of said fund (less any service charge and less the bid) to the winning subscriber following a bidding occasion.”;

Mr Dean said at the hearing that he was prepared if necessary to delete the italicised wording in claim 1. However, as will be seen, my decision does not turn on this.

The law

7 Section 1(2) reads:

“It is hereby declared that the following (among other things) are not inventions for the purposes of this Act, that is to say, anything which consists of –

- (a) a discovery, scientific theory or mathematical method;
- (b) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever;
- (c) a scheme, rule or method for performing a mental act, playing a game or doing business, or a program for a computer;
- (d) the presentation of information;

but the foregoing provision shall prevent anything from being treated as an invention for the purposes of this Act only to the extent that a patent or application for a patent relates to that thing as such.”

8 It is not disputed that the assessment of patentability under section 1(2) is now governed by the judgment of the Court of Appeal in *Aerotel Ltd v Telco Holdings Ltd* and *Macrossan’s Application* [2006] EWCA Civ 1371, [2007] RPC 7 (hereinafter “*Aerotel*”). In this case the court reviewed the case law on the interpretation of section 1(2) and approved a new four-step test for the assessment of patentability, namely:

- 1) Properly construe the claim

- 2) Identify the actual contribution (although at the application stage this might have to be the alleged contribution)
- 3) Ask whether it falls solely within the excluded matter
- 4) Check whether the actual or alleged contribution is actually technical in nature.

Argument and analysis

- 9 In the correspondence before the hearing, Mr Dean argued that the invention rested on the provision of data-processing units, transfer means and a remote server to provide credit references and their co-operation in a novel way. However applying the *Aerotel* test the examiner maintained that the contribution of the invention did not lie in apparatus since the constituent parts were nothing more than conventional networked computer apparatus whose co-operation was due solely to the business method, game or computer program which was being performed. In the examiner's view the contribution fell within these exclusions because what the inventor had added to the stock of human knowledge was a way of providing an online chit fund game between creditworthy users.
- 10 Although originally put forward in respect of slightly different claims, these arguments were maintained at the hearing. There being no issue as to the construction of the claims – the first step of the *Aerotel* test – it seems to me that the case turns on whether or not the contribution of the invention is a new combination of apparatus as Mr Dean alleges.

The contribution of the invention

- 11 In a skeleton argument filed before the hearing Mr Dean submitted that the invention was not obvious and that some or all of the features that were non-obvious were of a technical nature, and that these were the contributions of the inventors. He thought that some of these features were novel, but even if the individual features were old they were combined in a new way which could lead to a valid patent, and that the benefit of any doubt on this should be given to the applicants. In addition to *Aerotel*, he referred to the following precedents to support his argument (although he did not direct me to any specific portions of them) :
 1. *Pozzoli SPA v BDMO SA* [2007] EWCA Civ 588
 2. *Wobben v Vestas-Celtic Wind Technology Limited* [2007] EWHC 2636 (Pat)
 3. "Patents for Inventions", T A Blanco-White (4th edition), sections 1.210 and 5.007
 4. "EPO examination practice in relation to Computer-Implemented Inventions, in particular Computer-Implemented Business Methods" (D Closa et al), epi Information 2/2007, pages 65-69

12 I do not think this is a satisfactory foundation for Mr Dean's argument. References (1)-(3) (insofar as not succeeded by *SABAF SpA v MFI Furniture Centres Ltd* [2005] RPC 10 on combination or collocation inventions, to which I drew Mr Dean's attention) are all concerned with the determination of obviousness. However as I reminded Mr Dean, the issue was not whether the invention was obvious but whether it was excluded under section 1(2), and as far as I can see references (1)-(3) say nothing about this.

13 Further there are a number of passages in *Aerotel* which in my view undermine Mr Dean's argument, to which I drew his attention. Thus:

- Identification of the contribution of the invention is essentially a matter of determining what it is the inventor has really added to human knowledge, and involves looking at substance, not form (paragraph 43). Although by definition this must involve considering the invention in the light of what is already known, I do not think this necessarily the same as determining whether the invention is obvious in relation to the prior art.
- Checking whether the contribution is technical may not be necessary because the third *Aerotel* step should have covered the point, and a contribution which consists solely of excluded matter will not count as a technical contribution (paragraphs 46-47). As the examiner explained, the fourth *Aerotel* step is redundant if the invention falls at the third step (see *Oneida Indian Nation's Application* [2007] EWHC 0954 (Pat) at paragraph 10 confirming this).
- Whether an invention is excluded is a matter to be resolved during the prosecution of the application and is not a matter on which the benefit of any doubt should be given to the applicant (paragraph 5).
- The decisions of the Boards of Appeal of the EPO under Article 52 of the EPC do not bind me, and their persuasive effect must now be limited in view of the contradictions in them which are highlighted by the Court of Appeal, and of the Court's consequent express refusal to follow EPO practice (paragraph 29). I do not therefore consider the article (4) above on EPO practice to be of any great relevance to the matter which I have to decide, and nor do I consider it prescriptive as what form of claim, if any, might be allowable.

14 In fairness to Mr Dean, his argument at the hearing did not really turn on the precedents that he had quoted. Explaining his view that the invention lay essentially in a new apparatus, he pointed out that with the possible exception of feature (iii)(e) no-one had previously thought of incorporating the specific features of (i) – (iv) into auction or bidding systems. Indeed, as he saw it, the key to the invention was the combination in (i) of an auction or bidding system with the machine interrogation of a credit database.

15 As I understood it, Mr Dean's argument was that the method claims were simply putting into practice a new apparatus and without the specific combination of

apparatus the method could not be achieved. Thus although the idea for a new game might indicate how the apparatus was to be put together, the result was still a new piece of apparatus. Referring to *Aerotel*, Mr Dean believed the invention was akin to the *Aerotel* appeal which was allowed as a “new physical combination of hardware” (see paragraph 53 of the judgment).

- 16 I accept that the idea for a new game may lead to a patentable construction of apparatus. However, as *Aerotel* makes clear at paragraph 43, it is still the substance of the contribution which is important, not the particular form of the claim. What I have to decide is whether as a matter of substance the contribution of the inventors does in fact lie in a new combination of apparatus as Mr Dean argues, or whether the proposed apparatus claim merely disguises an excluded contribution.
- 17 It seems to me that what the inventors have done is to take the known chit fund game and adapt it in the ways indicated in Mr Chandrakumar’s witness statement to enable it to be played on a networked computer system. In my view these adaptations do not depend on any new piece of hardware or combination of hardware - which was the basis on which the Court of Appeal allowed the *Aerotel* appeal even though *Aerotel*’s telephone system including a “special exchange” avoiding the need to prepay calls could be implemented using conventional computers. Rather, the contribution would seem to lie in the recognition that computerisation can overcome the disadvantages of the known game provided a creditworthiness check on subscribers is built into the game. As in the disallowed *Macrossan* appeal (see *Aerotel* at paragraphs 58-74) the hardware, including the remote server providing credit references, appears to consist of standard networked items.
- 18 If the question is asked “What have the inventors contributed?”, I think the answer is not “a new combination of hardware which enables a better chit fund game to be played” but is “a new way of playing a chit fund game which requires the programming of standard computer hardware items”. Thus to my mind it is not the method which puts into practice a new apparatus, but the apparatus which puts into place a new method. I agree with the examiner that the contribution is the provision of an online chit fund game between creditworthy users and that the hardware forms no part of it.

Does the contribution relate solely to excluded matter?

- 19 It follows from the above that, as the examiner argues, any co-operation between the constituent parts of the networked computer apparatus arises because of the game or the method of electronic commerce that is being performed and the way in which the computer network is programmed to do this.
- 20 Whilst each case must be decided on its own merits, it nevertheless seems to me that the contribution is very much akin to that in the disallowed *Macrossan* appeal in *Aerotel*. As in *Macrossan*, which related to an interactive method of acquiring the documents needed to form a company wherein the user answered questions by communicating with a remote server, the contribution would seem to be the provision of a computer program in order to carry out the method of the invention,

the hardware being standard and forming no part of the contribution (see paragraph 73 of the judgment). Mr Dean sought to distinguish Macrossan on the grounds that present invention involved extra steps going beyond the mere transfer of information, but I do not think that makes any difference to the nature of the contribution.

- 21 Irrespective of the form of the claims, I do not think that there is any part of the contribution which is not excluded as a computer program, a method of playing a game or a method for doing business. The contribution therefore fails the third step of the *Aerotel* and, as I have explained above, there is no need for me to go on and consider whether it is technical in nature.

Conclusion

- 22 In the light of my findings above, the invention in the claims proposed by Mr Dean is excluded under section 1(2). Having read the specification, I do not consider that any saving amendment is possible to avoid the exclusions. I therefore refuse the application under section 18(3).

Appeal

- 23 Under the Practice Direction to Part 52 of the Civil Procedure Rules, any appeal must be lodged within 28 days.

R C KENNEL

Deputy Director acting for the Comptroller