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6<sup>th</sup> January 2005

## PATENTS ACT 1977

APPLICANT Treasuryconnect LLC

ISSUE Whether patent application number GB 0228404.0 complies with section 1 (2)

HEARING OFFICER D. McMunn

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## DECISION

### Introduction

- 1 International patent application number PCT/US01/15888 entitled “Electronic Trading Systems and Methods” was filed in America on the 16<sup>th</sup> May 2001 under the name of Treasuryconnect LLC. The application claimed priority from US 60/205.138, filed 18<sup>th</sup> May 2000, and was published by WIPO as WO 01/88818 A2 on the 22<sup>nd</sup> November 2001.
2. The EPO, as International Search Authority, refused to search it as being excluded as the subject matter related to schemes, rules or methods of doing business in a declaration of non-establishment of the International Search Report dated 18<sup>th</sup> May 2000.
3. The application entered the national phase and was re-published as GB 2379537 on the 12<sup>th</sup> March 2003.
4. The UK examiner issued an examination report under Section 18 (3) on 31<sup>st</sup> October 2003 in which he reported that the application was excluded from patentability under Section 1 (2) (c) because the claims related to a method of doing business and/or a computer program. He also reported that search would serve no useful purpose and since no search had been carried out, he could not assess novelty, inventiveness or unity of the invention.
5. The applicant, through the then agent, responded to the first examination report by filing observations. In a second examination report, the examiner maintained the patentability objections and also that no search and hence no novelty, inventiveness or unity assessment had been carried out.
6. The applicant via a new agent, Mr. W J Neobard of Kilburn & Strode, responded

by submitting amendments to the claims and further observations but these failed to satisfy the examiner that the invention was patentable and a hearing was offered.

7. The new agent responded with further amendments consisting of three main claims only that he wished to be considered and to which further sub-claims would be added if these three were deemed to overcome the objections. He also provided further observations and asked for the application to be searched.

8. The examiner maintained his patentability objections, refused to search and again offered a hearing. The applicant requested an opportunity to be heard and the hearing was held on the 13<sup>th</sup> December 2004 in which the applicant was represented by Mr. Bill Neobard of Kilburn & Strode. The Section 20 period, having already been extended by one month was due to end on the 18<sup>th</sup> December 2004.

### **The Application**

9. The application relates to electronic trading systems and methods and in particular to trading in “swaps” which are financial instruments designed to offset some of the risks involved in trading currencies or from interest rate variations on the currency or assets managed by financial interest such as banks. The system involves a network with an application server, database server and communication links to join users and dealers together.

10. The three main claims, in their latest form, read as follows:

1. A communications system comprising a server device running an application and a database device storing a database holding information concerning users of the system, the information containing terms for display to users on user access devices and variable data for indicating terms desirable to a user, the communications system further comprising a plurality of user access devices connected to the server device and database device via at least one transmission medium, the system being responsive to identification of a user at an access device to provide to the user via the transmission medium for display only those terms desirable to the user, wherein the application comprises an auction application and the terms comprise terms for a financial swap.

2. An electronic trading apparatus for enabling transactions in financial instruments, the apparatus comprising a trading system having an application server device for providing plural real-time auctions and a database device arranged to store information regarding users of the system, information for providing specialized electronic term sheets to the users and information regarding pending transactions, and further comprising a plurality of access devices capable of communicating with the trading system, the access devices being configurable to display electronic term sheets, thereby to provide a respective user with an opportunity to indicate terms for trading a financial instrument, the database device and the server device being arranged to receive, from a respective access device, terms for trading the financial instrument and to provide an electronic auction for the financial instrument,

wherein each access device is configurable to provide access to the electronic auction, wherein the information regarding users stores data indicative of trading terms desirable to respective users whereby an electronic term sheet is specialized to a user to include only those terms desirable to the user.

3. A method of trading in financial instruments, using a trading system having an application server device for providing plural real-time auctions, and a database device arranged to store information regarding users of the system, term information for providing a user with term data specialized to that user and information regarding pending transactions, the method comprising logging onto the trading system using an access device whereby a logged on user is identified to the trading system, accessing the database to derive information for providing data representing electronic term sheets for an auction for the particular user providing to the access device only those terms desirable to the user.

11. The system allows a person or firm looking to minimize their risk to arrange for various types of swap traders to undergo an auction so that the said person or firm can pick the best terms suitable to themselves.

## **The Law**

12. The relevant parts of the Patents Act, 1977, read:

“1 (2) 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 –

...  
...

**(c) a scheme, rule or method for performing a mental act, playing a game or doing business, or a program for a computer**

...

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.”

## **Interpretation**

13 According to the principles laid down by the Courts when considering categories excluded by s.1(2), the question of whether an invention is excluded should be approached by construing the claimed invention as a whole, without regard for its constituent features or integers, and determining whether the whole invention solves a technical problem, or makes a contribution to the art in a non-excluded field, or whether the invention is, in substance, no more than an excluded item or is merely an excluded item in disguise. Thus, to analyze an invention involving a business method or a computer program it is necessary to decide

whether the invention does or does not involve a technical contribution.

14 In matters of patentability, it has been established both in UK and EPO practice that an invention which makes a technical contribution will be held to be patentable notwithstanding that it may fall into one of the categories in Section 1(2) of the Act. This principle follows in particular the decision of the Court of Appeal in *Fujitsu Limited's Application [1997] RPC 608* and the words of Aldous LJ at page 14, lines 40-46:

"However, it is and always has been a principle of patent law that mere discoveries or ideas are not patentable, but those discoveries and ideas which have a technical aspect or make a technical contribution are. Thus the concept that what is needed to make an excluded thing patentable is a technical contribution is not surprising. That was the basis for the decision of the Board in *Vicom*. It has been accepted by this Court and the EPO and has been applied since 1987. It is a concept at the heart of patent law."

15 That this test should apply across all the areas covered by Section 1(2) was made clear in the Patent Office Practice Notice issued on 24 April 2002 entitled "Patents Act 1977: interpreting section 1(2)".

16 It is also a well established principle in UK patent law that when assessing whether an invention relates to excluded subject matter, it is the substance of the invention that is important, not its form. For example, in *Fujitsu's Application [1997] RPC 608* Aldous LJ, having quoted Fox LJ from *Merrill Lynch's Application [1989] RPC 561*, says at page 614, lines 31-42:

"..Fox LJ was making it clear that it was not sufficient to look at the words of the claimed monopoly. The decision as to what was patentable depended upon substance not form....it is and always has been a principle of patent law that mere discoveries or ideas are not patentable, but those discoveries and ideas which have a technical aspect or make a technical contribution are."

## **Argument**

17. Mr. Neobard argued that the technical problem that the application addressed was that of 'providing a traffic efficient communications system which can be configured so that only that information which needs to be transferred between the server and access devices is in fact transferred'. This is set out in the claims in terms of the feature of 'data indicative of trading terms desirable to respective users is stored whereby an electronic term sheet specialized to a user is provided (my paraphrasing)'.

18. However, it is clear from the specification as originally filed that the main purpose of specializing a term sheet is to allow businesses which specialize in only certain types of swaps to only offer trading terms in those particular swaps. Thus, for example, at lines 9 to 24 on page 8 is stated "...Some users may only deal with particular interest rates or equity

indexes.....Their term sheets may be specialized to provide the users with an opportunity to select only those interest rates or indexes the user is interested in.”

19. It is clear also therefore that if a particular user does not specialize in only one type of swap, they would use a generalized term sheet ie the amount of bandwidth provided between a user and the server would need to be such as to cover either position and that the decision as to which type of term sheet is used is a business one.

20. It is also clear that the download capacity needed is not minimized by the specialized term sheet but has to be capable of downloading a generalized term sheet. Thus it is stated - see eg line 27, page 41 to line 2, page 42 - that a specialized page “may also allow the user to perform other interest rate or equity swaps from the same page if desired”. That is, the total download capacity necessary has to be maintained.

21. Thus, it is clear that the reason to specialize term sheets is to facilitate business.

22. As a second string to his argument, Mr. Neobard said that whilst the system may facilitate business, it is actually a system for allowing business ie a system per se with technical features. He argued that this was the fact in *Merrill Lynch*. That the claim rejected in the Appeal Court in *Merrill Lynch* was linked to the “making of a market” and that the actual claim granted in GB 2180380 B was restricted to an apparatus which facilitated business by third parties ie it was the particular technical features which made the claim grantable. However, it is quite clear in this case that the hardware features of the claims are conventional ie database, servers, communication links and access devices are all well known and that the difference between this and other ‘communication systems’ lies at the level of the business carried out ie swap trading.

23. Mr. Neobard went on to distinguish between *Vicom* (*Vicom Systems Inc* [1987] 1 OJEPO 14) in which the original claims referred purely to ‘data processing’ which were not deemed patentable but when the claims were restricted to the ‘image making’ aspect, they were deemed patentable by the Board. Similarly in *Fujitsu*, Mr. Neobard argued that this was little more than a mathematical algorithm and the computer aspects were no more than a statement to the effect that ‘it could be carried out on a computer’ and that ‘there was nothing special about the computer in terms of its technological features’. However, as already said, the pure differences here in this application are not down to the technical features of the system but are for a particular business use.

24. Mr. Neobard argued that because – as he viewed it – there were technical features to the system, the application should have been searched and not rejected without a search having been carried out. However, the Patent Office instructions are clear cut on this. The manual of Patent Practice sets out in paragraphs 17.98 to 17.101 the procedure to be followed where the invention is deemed not patentable by virtue of Section 1 (2) (c) or (d) ie no useful search is possible.

25. I directed Mr. Neobard’s attention to our Practice Notice dated 24<sup>th</sup> November 2004 with which he was familiar and the Office view referred to therein on shortened decisions. He took the view that it was unfair on an application which was already in the system prior to this

date to change the procedures part way through and that each case should have a decision argued on the particular facts of the matter. Whilst I have some sympathy with this view, there would not seem any point in repeating the same reasons over and over again.

26. Whilst the discussion so far has been restricted to claim 1, the charactering features of claim 2 and the method of claim 3 relate to the same specialization of the term sheets and would seem to add nothing over and above what has been considered already.

27. I have read the specification thoroughly and I have been unable to identify any subject matter which might form the basis of a patentable invention.

### **Conclusion**

28. Accordingly, I refuse the application under Section 18 (3) on the grounds that the claimed invention is excluded from patentability under Section 1 (2) (c).

### **Appeal**

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

**D. McMunn**

Deputy Director acting for the Comptroller