



BL O/194/04

7<sup>th</sup> July 2004

## **PATENTS ACT 1977**

APPLICANT    Neal Solomon

ISSUE    Whether patent application number GB  
0406044.8 complies with Section 1(2)(c)

HEARING OFFICER                      A C Howard

---

### **DECISION**

#### **Introduction**

- 1     This is one of several divisional applications treated as having been filed on 1 November 2000. All the members of the family started out as an application under the PCT, which was published as WO 01/33464 A1 on 10 May 2001, entered the national phase in the UK as GB 0206689.2, and was subsequently granted as GB 2369705 B on 23 June 2004. The divisional application which is the subject of this decision was lodged on 17 March 2004 and published as GB 2395329 A on 19 May 2004.

#### **The patent**

- 2     A common thread running through all members of the patent family is a system for procurement that operates over a computer network in which purchasers place requests to receive bids to sell an item from vendors. This is similar to a 'reverse auction' where buyers invite offers of sale from sellers. However, the invention contains further features which do not appear in prior art reverse auctioning systems. Firstly, the purchasers seek to procure purchaser-specified bundles (also called custom bundles), which are defined as groups of two or more items chosen by the purchaser. Specific examples of custom bundles are not given in the description, but presumably they would typically be items which are in some way interrelated. The vendors' bids are composed of sub-bids for each item within the bundle. Secondly, the requests for bids are pooled and held by the system until a certain threshold is achieved before submitting to vendors for bids. The pooling is intended to give the purchasers access to more favourable terms of sale, for example a "bulk buying" discount.
- 3     The computer system in the invention consists of standard computers linked by a network such as the Internet. The various functions of the invention are controlled by software running on the computers.

4 There are currently two independent claims in the application. They read:

1. A method for procurement using a computer that communicates over a network, the method comprising:

receiving from each of a plurality of purchasers a request to receive bids to sell a purchaser-specified bundle, said bundle including two or more items, said bid comprising a plurality of sub-bids, each sub-bid for sale of one of said items of said bundle;

pooling a plurality of said requests from said plurality of purchasers;

holding said pooled requests until a specified threshold is attained;

upon attaining said threshold, obtaining from said plurality of vendors at least one sub-bid to sell each of said items of said bundle; and

sending to one of said plurality of purchasers at least one bid to sell said bundle, said bid comprising a bundle of sub-bids, each said sub-bid from one of said vendors.\*

28. A system for procurement that communicates over a network, the system comprising:

a memory for storing an index comprising individual items;

a network interface allowing a purchaser to access said index, and for receiving from each of a plurality of purchasers a request to submit bids to sell purchaser-specified custom bundles, each of said bundles including two or more items which are selected from said index;

a processor configured to accumulate items from a plurality of said requests into pools of items until at least one of said pools of items attains a predetermined threshold, and upon attaining said threshold to send said at least one pool of items to a plurality of vendors; and

said processor also configured to submit to said purchaser bids to sell at least one item from said custom bundle upon receiving bids from at least two of said plurality of vendors.

\*The words “for sale of one of said items of said bundle” were originally present at the end of claim 1, but have been deleted by the examiner on the file copy as requested in the agent’s letter dated 11 May 2004.

5 There are also a number of dependent claims which introduce further features of the system.

#### **Processing of the application to date: objections raised in relation to Section 1(2)**

6 This application is, as noted above, a divisional application and is based upon claims that were present in the parent when it was examined. An objection to excluded matter having been raised at that time on the parent, the agent submitted, at the time of filing of the present divisional application, a letter setting out reasons why he believed the application was suitable for grant. The argument advanced was that the feature of pooling requests for bids was a technical advance which would result in the improved utilisation of resources. In support of this contention, the illustration was used of a hypothetical claim based on the actual claim 1 but in which certain business method

terms were replaced by more generic terms (for example “purchasers” replaced with “resource consumers”). The resulting hypothetical claim could be read as a claim concerned with the allocation of resources in a computer system, and it was argued that this demonstrated that the invention was more than excluded matter as such.

- 7 The examiner did not accept these arguments. In the examination report of 29 March 2004, an objection was made that the application related to a method for doing business and/or a program for a computer and was excluded from patentability by virtue of Section 1(2)(c). The examiner also commented that the system was composed of standard hardware elements, and that the characterizing feature of the system was its use in the business related field of procurement. The applicant was referred to the Office's Practice Notice of 24 April 2002, in which it was confirmed that following *Fujitsu's Application* [1997] RPC 608, an invention lying nominally in an excluded field would not be excluded by virtue of Section 1(2) if a technical contribution could be identified.
- 8 The examiner's report went on to argue that pooling of bids could not in itself constitute a technical contribution, since pooling of purchasers is well known in business (examples of prior art involving pooling being given on page 9 of the application). That the invention could be likened to a resource pooling system in a computer was not considered sufficient to provide a technical contribution, because the application does not relate to this field and the hypothetical claim proposed would not be supported by the disclosure of the application. Moreover it was considered that the citation of the hypothetical claim was an attempt to argue by analogy to a technical process, which was established in *Bilgrey Samson's Application* (O/577/01) as not to be equivalent to providing a technical contribution.
- 9 In response to this examination report, the agent (Mr Derry) visited the Office on 4 May 2004 for an interview. The written record of this interview as it appears on the file indicates that Mr Derry contended that the technical contribution in the invention was provided by the feature of obtaining different items in the custom bundle from different vendors. This allows the end customer to obtain an optimum combined bid for the bundle, based on the best offers received from many suppliers. The report also indicates that the examiner was not convinced by this argument, pointing out that it is commonplace to source products and/or services from different suppliers to achieve the best prices. An example of this would be insurance brokerage where an intermediary is employed specifically to source the best products on behalf of a customer; this could result in customers insuring their homes with a different company to their cars.
- 10 Following the interview, in a letter of 11 May 2004, the agent filed further observations on the application. The agent advanced the argument that, while the case law has shown that the computer implementation of a known business method on a computer is excluded matter, the computer implementation of a new business method was not similarly excluded.
- 11 In the alternative that the examiner considered that the computer-implementation of an obvious method was nevertheless excluded, the agent submitted argument seeking to demonstrate that the arrangement claimed was inventive over the insurance agent prior

art cited by the examiner. This hinged on the point that an insurance agent would not have the motivation for making the step of pooling bids in the terms set out in the claims, and even if such motivation existed, there would be considerable hurdles to its implementation.

- 12 The agent further argued that technical means in the form of custom software were used to implement the data sorting operations of the invention, particularly the pooling; and that the sorting procedure amounted to a “classic optimisation problem” different from a simple brokerage service.
- 13 The examiner telephoned Mr Derry on 17 May 2004 to discuss these observations. He again put forward the view that the invention consisted merely of conventional hardware under the operation of software, involving no technical contribution to the art.
- 14 In response, the agent filed a letter dated 20 May 2004 in which he clarified that he did not intend to suggest that because an invention meets the requirements for inventive step it necessarily includes a technical contribution; inventive step and technical contribution are to be treated separately. He restated his belief that the technical contribution of the invention is:
- “ ...the technical means for providing the pooling functionality. This contribution necessarily arises as a consequence of the arrangement of the components and functionality within the system”
- 15 In the event that the examiner was unable to agree with this submission, the agent requested a hearing, which was duly offered in the course of a telephone call as recorded by a written note on the file note 26 May 2004.
- 16 A hearing was accordingly appointed for 7 June 2004 but shortly beforehand, the agent informed the office that his client no longer wished him to attend. I shall therefore proceed to decide the matter on the basis of the papers on file.

### **The law**

- 17 The examiner has maintained that the application is excluded from patentability under Section 1(2) of the act, in particular as a method for doing business or as a computer program under Section 1(2)(c). The relevant parts of this section 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 -

(a) ....

(b) ....

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

(d) ....

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.”

18 These provisions are designated in Section 130(7) as being so framed as to have, as nearly as practicable, the same effect as Article 52 of the European Patent Convention, to which they correspond. The decisions of the EPO Boards of Appeal that relate to this Article are therefore also pertinent.

19 The principles to be applied when considering inventions relating to an excluded field are set out in *Fujitsu Limited's Application* [1997] RPC 608 wherein at page 614 Aldous LJ said:

"...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*<sup>1</sup>. 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."

20 In other words, inventions relating to an excluded field which involve a technical contribution will not be considered to related to the excluded matter as such. The practice of the Patent Office in this regard is set out in the practice notice issued on 24 April 2002 and entitled “Patents Act 1977: interpreting section 1(2)”.

21 In assessing any alleged technical contribution, it is the substance of the claim rather than its particular form that is important. Accordingly, it is not possible to render an inherently unpatentable method patentable merely through the specification of technical means.

## **Discussion**

22 Claim 1 in its latest form relates to a “method for procurement using a computer that communicates over a network” and incorporates a number of steps including receiving requests to receive bids from vendors, pooling and holding said requests, obtaining sub-bids from vendors, and sending bundles of sub-bids to purchasers.

23 All these steps, if carried out independently of a computer, would amount to business transactions and associated procedures, and I am therefore satisfied that the claim relates to the computer-implementation of a business method. What I need to do therefore is to consider whether the claimed invention, taken as a whole, makes a “technical contribution”. If the answer to this question is “yes”, then I have to conclude

---

<sup>1</sup> *Vicom/Computer-related invention* [1987] 1 OJEP 14 (T208/84)

that the invention does not relate to excluded matter “as such”. This is a separate question to that of the possible presence of novelty and inventive step.

### **The agent’s arguments**

- 24 As noted above, one of the arguments put forward was based on the consideration of a hypothetical claim concerned with the allocation of resources in a computer system. The examiner’s counter to this was that it is inappropriate to argue by analogy with a process which was not disclosed or claimed in the present application. In support of this position, he cited a previous decision in the Patent Office (*Bilgreys Samsons Application* (O/577/01)). This concerned an amusement apparatus which was acknowledged in principle to lack novelty, but which was presented and used in a way which was intended to “attract custom to what is described in the application as dark and uninviting corners of an amusement arcade”. An objection under s. 1(2) to this had been raised to which the applicant had responded with an argument that the claimed method could be compared to a chemical process that operates within a given temperature range and in which one might, by careful research work, identify a particular sub-range of temperatures that was particularly efficient; such an invention would be regarded as providing a technical contribution. In the submission of the applicant in that case, this would not be materially different from asking the question in respect of an amusement apparatus “What sort of machine should I select in order to get the optimum value out of my floor space?”.
- 25 The hearing officer rejected this argument. To quote (paragraph 22),
- “I have to say that Mr Shaw’s argument has a certain logic to it, but, after giving the matter careful consideration, I am not convinced that the methods or apparatus claimed in this application involve a technical contribution merely because they can be compared to a technical process in another field. It seems to me that if Mr Shaw’s hypothetical chemical invention involves a technical contribution, it is because of the technical field in which the invention is made, and not because of the manner in which it was made - eg. repeated trials.”
- 26 I believe that the hearing officer in that case came to the correct conclusion, and that the principles he applied are equally good here. Specifically, this case is concerned with a system for procurement involving bidding, buying and selling. The hypothetical arrangement cited by the agent may or may not involve a technical contribution because of the field in which it lies, but such a system is neither described nor suggested in the present application and it therefore has no bearing on the matter presently at issue.
- 27 A further argument advanced by the agent was that the technical contribution in the invention is provided by the feature of obtaining different items in the custom bundle from different vendors, thus allowing the end customer to obtain an optimum combined bid for the bundle. I am unconvinced by this. The obtaining of an optimum bid as such is a non-technical advantage, and as claimed it is achieved through a process which, while implemented on a computer, comprises steps which are basically non-technical in nature. This argument does not therefore assist the applicant.

28 The final argument advanced by the agent is in essence that the invention provides a non-obvious technical advance over known brokerage models because custom software is used in the sorting operations of the invention, particularly in respect of the pooling, and that the contribution arises as a consequence of the arrangement of the components and functionality within the system. I note that the agent did however accept in his letter dated 20 May 2004 that inventive step and technical contribution are to be treated separately.

29 While it is true that custom software may well be used in implementing the invention, this is not in itself a technical contribution. This point was considered in the above mentioned *Fujitsu's Application*, where Aldous LJ states at page 618:

“Mr Birss is right that a computer set up according to the teaching in the patent application provides a new "tool" for modelling crystal structure combinations which avoids labour and error. But those are just the sort of advantages that are obtained by the use of a computer program. Thus the fact that the patent application provides a new tool does not solve the question of whether the application consists of a program for a computer as such or whether it is a program for a computer with a technical contribution.”

30 In the present case, the agent considers that the software required to perform the pooling would necessarily be very complex and would involve steps such as receiving requests and categorizing them. Apparently no commercial software is available for pooling in this way. However, these considerations do not demonstrate that the software involves a technical contribution. There is no discussion in the description of any particular programming problems that would need to be solved or of any special effects that the software would produce on the operation of the hardware. I am therefore led to the conclusion that the software could be implemented routinely and that the code for implementing pooling could be written by a skilled programmer using standard programming languages and techniques. Even if in doing so the programmer would have needed to exercise creativity, for this to demonstrate technical contribution, I would expect that the creativity involved would concern technical considerations outside the scope of the programming art, and there is no suggestion that such is the case here.

31 As to the point that the technical contribution arises as a consequence of the arrangement of the components and functionality within the system, it seems to me that the particular arrangement and functionality claimed is intimately bound up with the business method which underlies the invention and is not concerned with addressing any technical issues.

32 To summarise, considering claim 1 as a whole, I can find nothing which might lead me to conclude that a technical contribution has been made. In particular there is nothing to suggest that there have been any particular technical considerations involved or technical problems solved in the realisation of the invention as claimed. I therefore conclude that no technical contribution is present and claim 1 is therefore excluded from patentability under s. 1(2)(c).

33 The above discussion has been in respect of the method of claim 1. Claim 28 is framed as an independent claim, but in essence relates to a system comprising conventional components configured to perform the method of claim 1.

34 It is well established that it is not possible to render patentable an inherently unpatentable method merely through the specification of technical means, and indeed no attempt has been made to argue in these proceedings that this claim should be allowed irrespective of whether claim 1 may be found to include a technical contribution. Following the same reasoning as above, I accordingly find that claim 28 is excluded from patentability under Section 1(2).

### **Possible amendments**

35 As remarked above, the application includes a number of subordinate claims relating to further details of the method and system. I am mindful that no submissions have been made in respect of these, and also that the parent application has itself been granted. I therefore cannot exclude the possibility that there is some matter in the present application which might support a patentable claim.

36 In circumstances such as this, it is normal for the applicant to be given an opportunity to file amendments with a view to putting the application in a state where it could proceed to grant, and I see no reason for departing from this practice in the present case.

37 There is however an issue over timing: the normal period for putting the application in order for grant expired on 17 June 2004, and in the light of my decision on the allowability of the claims, in the absence of any other action, the application would normally be treated under Section 20(1) as having been refused on that date.

38 If the applicant wishes to avail himself of the opportunity to file amendments, it will therefore be necessary to apply under Rule 110(3) for a retrospective extension of the normal Rule 34 period. If this is done by 17 July, an extension of one month will be granted as of right, and it will then be possible to benefit from the provisions of Section 20(2) which provide for an automatic extension until the end of the period for appeal against this decision.

### **Conclusion and next steps**

39 I have found that the invention as claimed in the main claims of this application fails to provide any technical contribution and that it is therefore excluded from patentability under Section 1(2)(c) of the Act.

40 If the applicant wishes to submit amendments in an attempt to rectify this, he should follow the steps outlined above, in which case he will have until the end of the appeal period to put the application in order. If acceptable amendments are not filed, I shall refuse the application.



## **Appeal**

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

**A C HOWARD**

Deputy Director acting for the Comptroller