



BL 0/188/06

12th July 2006

PATENTS ACT 1977

APPLICANT sit-up Limited

ISSUE Whether patent application number
GB0126127.0 complies with section 1

HEARING OFFICER John Rowlatt

DECISION

Introduction

- 1 Patent application GB 0126127.0 was filed on 31 October 2001 in the name of sit-up Limited. The application is entitled "Data processing system and method"; it claims priority from PCT/GB 01/04367 which has an international filing date of 01 October 2001.
- 2 Initially, no search was performed as the examiner reported that he considered the invention related to both a business method and a program for a computer; this was communicated on 17 March 2003. Throughout the subsequent substantive examination process, beginning on 22 October 2004, the examiner consistently maintained that view and a hearing was first offered on 07 February 2005, at first re-examination. Examination also reported that there was more than one invention, lack of clarity due to the excessive number of independent claims and a conflict with EP1433101(UK), which also claims priority from PCT/GB 01/04367; no assessment was made of novelty or inventive step. However, at the applicant's request, a search was performed on 05 April 2005, which resulted in objection to lack of novelty and/or inventive step. Despite several rounds of correspondence between the examiner and the applicant's agent, the issue under Section 1 was not resolved and, on 04 August 2005, the agent asked for a hearing if there could be no agreement.
- 3 However, at this point in the examination process the Patent Office adopted a new approach for assessing whether an invention relates to unpatentable subject matter. It reflects the approach adopted by Peter Prescott QC, sitting as a Deputy Judge, in his judgment in *CFPH*¹, and is explained in the Practice Notice² issued on 29 July 2005. The examiner applied the relevant test and again offered a hearing; in subsequent rounds of correspondence, the examiner and the applicant failed to reach agreement on whether the invention was patentable and a hearing was requested on 09 March 2006, just 23 days before the end of the period under Rule 34. There also remains an outstanding objection against inventive step and a minor clarity issue.

¹ *CFPH LLC's Application* [2005] EWHC 1589 Pat

² "Patent Office Practice Notice: Patent Act 1977: Examining for patentability" – see <http://www.patent.gov.uk/patent/notices/examforpat.htm>

- 4 The matter therefore came before me at a hearing on 19 May 2006, where Mr. Ilya Kazi, assisted by Ms. Caroline Warren (both of Mathys & Squire), appeared for the applicant. The examiner, Matthew Cope, also attended.

The application

- 5 The application relates to a system for processing bids in an auction. The claims have been amended during prosecution and the main claim, as of 04 August 2005, currently reads:

“A system for producing bids in an auction, the auction having a live phase during which bids are accepted and an auction close following which bids are no longer accepted, comprising:
means for receiving at least one bid for an item in an auction;
means for assigning a time stamp to the or each bid in an auction;
means for storing data comprising a bidder identity, the time stamp and the bid amount;
means for pre-processing the or each bid to obtain auction status information during the live phase of the auction based on the bid amount;
means for subsequently processing the stored data to determine at least one winning bidder based on the bid amount and the time stamp.”

- 6 As explained to me at the hearing, the invention is intended to support a TV programme auction in which a lot of data arrives from a large number of sources at a rapid rate. This was accepted as being a conventional problem which is solvable in a straightforward, known manner. Basically, that would be that all the data is processed as it arrives by whatever hardware is needed, which may be a great number of servers.
- 7 In contrast, the invention does not process all the data as it arrives but stores it with a time stamp. Part of the data being received is selected and only that is processed during the live phase; what is shown to the TV audience is a real-time representation of the overall auction process based on the selected data, for example the highest bid.
- 8 Although viewers know what the current highest bid is, they don't know how many people have bid at that amount and, therefore, whether they will win.

The law

- 9 The examiner has argued that the claimed invention relates to subject matter excluded from patentability under section 1 of the Act, in particular to a method of doing business and a computer program under section 1(2)(c). The relevant parts of the section read:

1(1) A patent may be granted only for an invention in respect of which the following conditions are satisfied, that is to say -
(a) the invention is new;
(b) it involves an inventive step;
(c)
(d) the grant of a patent for it is not excluded by subsections (2) and (3) below;

and references in this Act to a patentable invention shall be construed accordingly.

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 the act only to the extent that that a patent or application for a patent relates to that thing as such.

- 10 As near as is practicable, these provisions have the same effect as Article 52 of the European Patent Convention (EPC) to which they correspond by virtue of being so designated in Section 130(7). I must therefore also have regard to Boards of Appeal decisions from the European Patent Office (EPO) under this article.

Interpretation

- 11 In his judgment in the *CPFH* case, Peter Prescott QC provided a new two-part test for determining unpatentable subject matter:

Identify what is the advance in the art which is said to be new and not obvious (and susceptible of industrial application)

Determine whether it is both new and not obvious (and susceptible of industrial application) under the description of “an invention” in the sense of Article 52 of the European Patent Convention (EPC) – broadly corresponding to section 1 of the Patents Act 1977.

- 12 In coming to this test, Mr. Prescott had considered differences in practice between the EPO and the UK Patent Office and came to the conclusion that their respective approaches would usually come to the same results on the same set of facts. He suggests³ that it would be possible to determine whether this was an advance under the description of an invention by asking “Is this a new and non-obvious advance in technology?” Often, of course, there is difficulty in determining what is meant by technology and any doubt should be resolved by recourse to Article 52 of the EPC. Judgments issued by the High Court subsequent to *CPFH* (*Halliburton*⁴, *Shoppalotto*⁵, *Crawford*⁶ and *RIM v Inpro*⁷) have all pointed to a similar technical advance requirement to pass the patentability test.

- 13 During the examination process, the examiner referred to *Fujitsu*⁸ and *Hitachi*⁹, which

³ CFPH, paragraph 97.

⁴ *Halliburton Energy Services, Inc. v Smith International* [2005] EWHC 1623 (Pat).

⁵ *Shoppalotto.com Ltd.’s Application* [2005] EWHC 2416 (Pat).

⁶ *Cecil Lloyd Crawford’s Application* [2005] EWHC 2417 (Pat).

⁷ *Research in Motion UK Limited v Inpro Licensing SARL* [2006] EWHC 70 (Pat).

⁸ *Fujitsu Limited’s Application* [1997] EWCA Civ 1174 [1997] RPC 608.

⁹ *Hitachi T258/03*, EPO Board of Appeal.

had been considered by Mr. Prescott, a decision on an earlier *CFPH*¹⁰ application, and two decisions in the name of *eSpeed*^{11,12}. It had been accepted before the hearing that the latter three were not directly relevant to this case. At the hearing, Mr. Kazi referred to *Hitachi* and *CPFH* and also to *RIM* and *Sun*¹³.

The arguments

- 14 Mr. Kazi argued that, unlike *CFPH* and *Hitachi*, there is no change in the business process. As far as the viewer is concerned the auction proceeds as normal but, behind the scenes, there is a reduction in the processing power, a reduction in hardware and a reduction in power consumption, which is a technical solution. The simulator, for example, uses selected data to de-couple the winning bid calculation from the main process which uses all the data to calculate all the parameters of the winning bid.
- 15 I asked for clarification of what was meant by a “simulation” since, as he had explained it earlier, it appeared to be a real result derived from real data. Mr. Kazi’s interpretation of the simulation was that data of interest is filtered out and the system runs a simplified process on that data; the overall process is simulated in the sense that the current highest bid or maximum bid is known, without processing all the data.
- 16 Viewers know what is the current highest bid and this is directly obtained from the live data being submitted as part of the auction. That, clearly, cannot be what one would regard as a simulation; only part of the total live submitted data is processed in the live phase, but the information which is selected for processing is real and selected as it arrives, the information given to viewers is also real and, in terms of a number, up to date and accurate. It would be better described as processing a subset of the bid information rather than a simulation.
- 17 Mr. Kazi considered that the real test is “Have we solved a problem which takes real-world data and produces something in the real world? Have we done it with less hardware and less resources?”, and that that is a technical advance.
- 18 However, the invention as claimed is not directly concerned with a reduction in the number of servers, or that the servers themselves are somehow changed so that they process data more quickly or efficiently. The chosen solution is simply not to immediately process all the data; the overall process appears unchanged to the auction bidders because the auction method chooses to operate in real time only on a selected subset of data.
- 19 Mr. Kazi further argued that conclusions in *Sun*:
“It is faster than its more complex counterparts, thanks to its simplicity, and is designed and built more economically”.
and in *RIM*:
“What the claims give is a technical effect, computers running faster and transmitting information more efficiently, albeit ultimately for the purpose of displaying part of that information.”
were *exactly* (Mr Kazi’s word) what was happening with the invention. I disagree. In

¹⁰ *CFPH* BL O/147/04

¹¹ *eSpeed* BL O/276/04

¹² *eSpeed* BL O/277/04

¹³ *Sun Microsystems Inc.* BL O/057/06

Sun, the bytecode instruction set was reduced resulting in a change in how the processor processed its data, not by any change of the data presented for processing; in the present invention, there is no change in the data or how it is processed, there is merely less of it. In *RIM*, there was a proxy server whose operation and context bears no relation to the operation of the present invention.

- 20 Mr. Kazi believed that there is a new data process going on which enables it to achieve faster its end but, in doing so, he drew a distinction between the invention and one in which a processor processes faster by using fewer instructions.
- 21 However, as far as I can see, there is no new data process. The data processing and programming are conventional, as are the processor instructions. The data processing proceeds in an entirely conventional manner; what is different is that the data presented for processing is chosen, that is pre-selected, so that initially there is less of it. The data processing itself is not more efficient as the processor processes its data entirely in the way it usually does; the overall effect during the live phase might *appear* to be more efficient but, at the level of the apparatus, the processing is not. Nor for the auction overall is it more efficient as, when the auction is over, the full data is processed on limited hardware, which takes longer. The computer hardware is no different; the software techniques are entirely standard; the data itself is therefore processed no more efficiently than is known.
- 22 There has been no argument that splitting the auction into two phases is itself novel or inventive. Indeed, that is what happens in a conventional auction with bidders placing bids during the live phase and then processing additional information once the auction has finished.
- 23 The question then remains whether there is enough for the invention to be regarded as a new and non-obvious advance in technology? In my view it is not.
- 24 There is clearly an inevitable technical *character* to the process in that it is implemented on and by a computer, but the courts have made it clear on numerous occasions that that does not make an invention patentable.
- 25 It is clear to me that the advance lies within the two steps, the first phase of which is the processing of a selection of the submitted data, which is processed in real time whilst the whole of the data is stored along with a time stamp, the second phase being the processing of all data after the auction has finished, to determine the winners. It is also clear to me that the advance does not lie in the apparatus used or in any special arrangement of it, and that the second phase of the process is entirely conventional. The actual data processing is conventional and the hardware is conventional. The timed storage of all the data is also conventional.
- 26 The advance at the heart of the invention therefore lies solely in the concept of selecting a subset of data on which to operate in real time; that is, merely a decision on which data to process and when. Within the scope of the claimed invention there could be a whole range of options from selecting a single piece of data on the minimum of hardware, to a few pieces of data on several servers, to more of the data on many servers. That choice is a business decision, not a technical one, albeit one that might make the overall process easier to carry out, but a decision which is nevertheless excluded from patentability. It is not necessary for me to consider whether the invention is excluded as a program for a computer.

Other matters

- 27 It was pointed out at the hearing that, if I found that the invention was patentable, it would be necessary to extend the rule 34 period before 01 June 2006. It was also agreed that there was sufficient in the application to overcome the objection that there was no inventive step, but that further extension would then be required. In the event, that situation does not arise.

Conclusion

- 28 I have found that the invention relates to a method for doing business as such. It is therefore not new and non-obvious (and susceptible of industrial application) under the description of "an invention" in the sense of Article 52 and is not patentable. I have been unable to find anything which could form the basis of a patentable invention in the application. I therefore refuse the application as failing to meet the patentability requirements of Section 1.

Appeal

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

John Rowlatt

Deputy Director acting for the Comptroller