UK Intellectual Property Office

For Creativity and Innovation

BL O/233/07

17th August 2007

PATENTS ACT 1977

APPLICANT Cellarman Limited

ISSUE Whether patent application number GB0415075.1 complies with section 1(2)

HEARING OFFICER P R Slater

DECISION

Introduction

1 Patent application GB0415075.1 entitled “A stock ordering and reconciliation system” was filed in the name of Cellarman Limited on the 2 July 2004, claiming priority from an earlier application filed on 14 July 2003. The application was published as GB2404049 on 19 January 2005.

2 Since the first examination report was issued on 5 May 2006, there have been a number of additional rounds of correspondence throughout which the examiner maintained that the invention was excluded from patentability under section 1(2) of the Act as being a method of doing business and a computer program as such. Having been unable to resolve this issue the applicants requested a decision be taken on the papers.

The application

3 The application relates to a computer network for ordering stock in which a central server is connected to a number of remote servers. The central server stores a complete inventory of those items which may be ordered by users at each of the remote servers. The inventory or a subset thereof is transferred and stored at each of the remote servers, and is tailored to a specific user by central or remote filtering. Each remote server acts as a stand alone system via which users can place orders which are subsequently transferred to the central server when a predetermined number of orders have been made or at a predetermined time, hence there is no requirement for a permanent connection between the remote and central server. Pricing data and data relating to deliveries is also

exchanged between remote and central servers where it may be stored and used to reconcile orders and deliveries for accounting purposes. The invention provides users with relevant information about goods and services available to them, enables them to join together in orders to obtain volume discounts, provides them with up-to-date pricing information and an improved system for auditing stock and linking deliveries with specific orders.

4 The application has five claims including two independent claims (claim 1, claim 4) and an omnibus claim (claim 5). The Agent, in their last letter dated 30 May 2007 filed an additional set of claims ("First Auxiliary Request") for my consideration in which claims 1 and 4 were amended to include the additional wording shown underlined below.

5 The independent claims read as follows:

"1. A networked architecture comprising a central server and a plurality of remote servers; the central server including: a first data store of commodities that may be ordered through the system, the commodities being associated with specific terms and conditions, each of the commodities and their associated terms and conditions being editable by a user interfacing with the system, a second data store including details on each of the remote servers, the details including a rule structure that is configured to define specific commodities that may be ordered by each of the remote servers, a third data store including information specific to each of the remote servers concerning commodities ordered and received by each of the servers, the third data store providing a record of all commodities ordered and received by each of the remote servers, including the terms and conditions at which they were ordered and at which they were delivered, and wherein each of the remote servers include: a first data store of commodities that may be ordered locally through that server, the first data store at each of the remote servers being a sub-set of the first data store of the central server, and a second data store including order information relating to specific commodities that were ordered locally through that remote server, the terms and conditions on which the order was made, and details of the commodities that were delivered in fulfilment of the order including the terms and conditions associated with the delivery of same, and wherein the first and second data stores of the central server are updated locally by a user at that central server, the first data store of each of the remote servers is updated at regular intervals by the distribution of information to each of the remote servers by the central server in accordance with the rules defined for each of the remote servers in the second data store of the central server, the second data store of each of the remote servers is updated locally by users at each of the remote servers, and the third data store of the central server is updated by the returning of information from each of the second data stores of the remote servers to the central server <u>and wherein said information is returned from each of the second data stores of the remote servers to the third data store of the central server when a predetermined number of orders have been effected or at a specific predetermined time interval."</u>

"4. A method of providing a networked stock ordering and reconciliation procedure over a distributed network comprising the following steps: f) providing a central server having an inventory of available commodities that can be obtained through the system, the inventory being a product of a number of

different suppliers, each of which are associated with specific parameters defining their behaviour, g) providing one or more remote servers, distant from the central server, and adapted to be in electronic communication with the central server, h) enabling the transfer of an inventory from the central server to each of the remote servers, i) restricting the access by a user at a remote server to items within the inventory that may be ordered by that user for delivery to the location of that remote server, j) maintaining a record of items ordered and received at the remote server and communicating said information to the central server so as to provide a reconciliation between items ordered and received at each of the remote servers, and wherein the items that may be ordered at each of the remote servers are filtered such that a user at a remote server is presented only with the possibility to order items having the lowest possible price for items associated with the location of that server and wherein said information is communicated to the central server for reconciliation once a predetermined number of orders have been effected or at a specific predetermined time interval."

The Law and its interpretation

6 The examiner has reported that the application is excluded from patentability under section 1(2) of the Act, as relating to a scheme, rule or method for playing a game and/or a program for a computer as such. The relevant parts of section 1(2) 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) 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;*

7 As regards the interpretation of section 1(2), my approach will be governed by the judgment of the Court of Appeal in *Aerotel Ltd v Telco Holdings Ltd and Macrossan's Application [2006] EWCA Civ 1371 (Aerotel/Macrossan)* and the Practice Notice issued by the Patent Office on 2 November 2006. In *Aerotel/Macrossan* 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

3) Ask whether it falls solely within the excluded matter

4) Check whether the actual contribution is technical in nature.

8 However, the fourth step of checking whether the contribution is technical in nature may not be necessary because the third step – asking whether the contribution is solely of excluded matter – should have covered that point (see paragraphs 45 – 47 of the judgment).

9 Finally, I note that by virtue of section 130(7) of the Act section 1(2) is so framed as to have, as nearly as practicable, the same effects as the corresponding provisions of the European Patent Convention. However, the reliance that I can place on decisions of the Boards of Appeal of the European Patent Office under the corresponding Article 52 of the EPC must now be limited in view of the contradictions in these noted by the Court of Appeal in *Aerotel/Macrossan* and its express refusal to follow EPO practice.

Arguments and analysis

10 The first step in the *Aerotel/Macrossan* test requires me to construe the claims. I do not think this presents any real difficulties. The invention clearly relates to a "method of providing a networked stock ordering and reconciliation procedure over a distributed network" (claim 4) and to a corresponding "networked architecture" (claim 1). The additional wording proposed on 30 May 2007 (shown underlined above) is perfectly clear and as the agent explains in his letter is intended to be no more than a clarifying amendment, which details when network data flow occurs.

11 The second step requires me to identify the contribution; paragraph 43 of the *Aerotel/Macrossan* judgement suggests that I need to identify what the inventor has added as a matter of substance to human knowledge.

12 The applicants, in their agent's letter dated 22 May 2006, appear to accept that the invention is indeed a computer implemented invention but that it does not relate to a business method or a computer program as such. From the outset, the applicants has argued that the invention is directed to "*a distributed architecture that provides for a number of remote sites to access a shared data structure."*, and that *"the invention is specifically directed towards the technical problem of controlling data flow between remote servers within a network configuration so as to enable the creation of a network infrastructure".*

13 Throughout the correspondence, the applicants have continually emphasised that the invention provides a technical contribution beyond that of a computer program or a business method by drawing particular attention to the various advantages associated with the invention, for example, a reduction in network traffic and the ability to cope with the loss of network connection.

14 The applicant argues that mirroring of the centralised inventory or a sub-set thereof at each remote location enables the user to create orders in a stand-alone environment which means that there is less data traffic over the network, and there is no need for a permanent network connection between the remote

and the central servers which makes it inherently more robust to any loss in network connection. Furthermore, the speed with which the user can create new orders is increased as there is no continuous requirement for the remote server to establish a connection with the central server each time it wants to interrogate the inventory.

15 As well as asking "what the inventor really added to human knowledge" in paragraph 43 of the *Aerotel/Macrossan* judgment, the Court also appeared to suggest that identifying the contribution "is an exercise in judgment probably involving the problem said to be solved, how the invention works, what its advantages are". Thus I think it entirely appropriate for me to take into account those problems and advantages drawn to my attention by the applicants, as well as any others referred to in the specification, in identifying the contribution made by the invention.

16 Furthermore, in their agent's letter dated 9 March 2007, the applicants draw an analogy between the invention and that which was the basis of the Hearing Officer's decision in *Sony*[1]. In doing so, the applicants appear to be attempting to argue that the invention insofar as it involves the exchange of data over a network was directly analogous to the "Data Communications Network" which was said to provide a technical contribution in *Sony*. Whilst I accept that the servers in the present system do inevitably exchange data, I do not think it right to categorize it as a communication system; it is a networked system for ordering stock, and therefore, I think that this analogy is a poor one, and the fact that the Hearing Officer found the invention in *Sony* to be patentable is of little bearing here.

17 In my view the contribution made by the invention is a computerized network for remotely ordering stock from a central server wherein the centrally maintained inventory or a sub-set thereof is stored at each of the remote servers enabling orders to be created without the need for a permanent network connection, thus reducing data traffic across the network, improving the speed by which orders are created and the networks ability to deal with a loss in connectivity.

18 What I must now do is decide whether that contribution resides solely within excluded subject matter. I have no reason to believe that the computerized network as such is implemented in anything other than conventional hardware and that the contribution must therefore lie in the purpose for which the network was created and the underlying functionality that it has been programmed to carry out. I have no doubt that the function of the network is to enable remote users to order stock from a central server and that the creation and processing of orders constitutes a business method. The advantages associated with the invention, namely reducing data traffic across the network, improving the speed by which orders are created and the network's ability to deal with a loss in connectivity, all result from the decision to store a copy of the inventory or a sub-set thereof at each remote server and to process orders in batches, establishing a connection with the central server only when a predetermined number of orders have been effected or at a specific predetermined time interval. The fundamental

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[1] Sony UK Limited's application GB0207020.9 BL O/010/07

operation of the network and its individual servers remains unchanged, any advantage in speed or robustness is achieved by what is clearly a business decision on behalf of the systems proprietor, to provide the end user with less information and to send orders less frequently. I therefore consider the contribution as a matter of substance to lie solely in a method for doing business.

19 There are a number of other problems referred to in the specification which the invention is intended to address, for example, providing users with relevant information about goods and services available to them, enabling them to join together in orders to obtain volume discounts, providing them with up-to-date pricing information and an improved system for auditing stock and linking deliveries with specific orders, all of which would suggest that the invention is not really to do with solving technical problems by technical means but more to do with solving problems associated with business processes. This would seem to further support my view that the contribution lies in the underlying business method.

20 Furthermore, having said that the network is made up of entirely conventional hardware, it is inevitable that the contribution must also reside in the functionality that the hardware has been programmed to provide. I therefore also consider the contribution to lie solely in a program for a computer.

21 Having found that the contribution relates solely to excluded subject matter, it is not necessary, as I have explained above, for me to go on and consider whether it is technical in nature.

Conclusion

22 I therefore conclude that the invention is excluded under section 1(2) as it relates to a method for doing business and a program for a computer as such.

23 Having read the specification in its entirety, I cannot identify anything that could form the basis of a patentable invention. I therefore refuse the application under section 18(3).

Appeal

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

P R SLATER
Deputy Director acting for the Comptroller