BL O/276/04

9th September 2004

PATENTS ACT 1977

APPLICANT eSpeed, Inc

ISSUE Whether patent application **m** GB 0217203.9 is excluded by section 1(2)(c)

HEARING OFFICER S J Probert

DECISION

Introduction

1 International patent application number PCT/US01/00345, entitled "Systems and methods for monitoring credit of trading counterparties" was filed on 5 January 2001 in the name of CFPH, L.L.C. The application claimed priority from a US application which was filed on 6 January 2000. It was published by WIPO as WO 01/50329 A2 on 12 July 2001.

2 The EPO, as International Search Authority (ISA), declined to search the application whilst it was in the international phase since in their opinion:

> "The claims relate to subject matter for which no search is required according to Rule 39 PCT. Given that the claims are formulated in terms of such subject matter or merely specify commonplace features relating to its technological implementation, the search examiner could not establish any technical problem which might potentially have required an inventive step to overcome."

3 As a consequence of this report from the ISA, no International Preliminary Examination Report (IPER) has been established.

4 The application then entered the national phase, the applicant's name having by this time changed to eSpeed, Inc., and was republished as GB 2382684 A on 4th June 2003.

5 During the course of substantive examination in the UK Patent Office, the examiner reported that the application relates to a scheme, rule or method for doing business, and a program for a computer as such. Because he considered this to be a fatal objection, and because no search had been conducted in respect of prior art, he deferred further examination — eg. in respect of novelty, inventive step, clarity etc.. In response, the applicant filed amended claims, and presented several arguments in support of the application. However, the examiner maintained that the application

relates to subject matter that is excluded from patentability by section 1(2)(c).

6 With the period allowed by rule 34 for putting the application in order rapidly running out, the examiner observed that it was unlikely that further correspondence would resolve the issue and he invited the applicant to request a hearing. The applicant agreed, and requested that a hearing be appointed. The matter therefore came before me at a hearing on 6th September 2004, at which the applicant was represented by Mr Neobard and Mr Barrett of Kilburn & Strode.

The invention

7 The invention is made in the field of financial trading systems for trading in a wide variety of items; for example, financial instruments and commodities such as stocks, bonds, currency, futures, oil, gold, pork bellies, etc..

8 More specifically, the invention concerns a method that allows credit managers to control the credit of trading 'counterparties', which in turn means that the credit manager is able to control the risk to which the trading system and the trading counterparties are exposed. In this context, a 'counterparty' may be a bank, or one of several individual traders working for a bank. At the other end of the hierarchy, a 'counterparty' may be a holding company that owns several banks. (For convenience I shall refer to counterparties as traders, since that would appear to be a more commonly understood term.)

9 Trades are created by one trader submitting a bid or an offer and another trader 'hitting' the bid or 'lifting' the offer. When this occurs, a binding contract is created between the traders. Part of that contract requires that the traders each deliver money, goods, and/or services. For example, if a first trader bids to buy $100 million in 30 year US Treasury bonds, and a second trader 'hits' the bid, the first trader has to deliver $100 million in cash and the second trader has to deliver the 30 year US Treasury bonds within a predetermined clearing time. This process is referred to as a trade clearing.

10 Traders (and more importantly, their employers) risk losing large sums of money when trades do not clear, eg. because of subsequent changes in market conditions. One way of limiting exposure to such a risk is to impose a monetary ceiling on the amount of trades that a trader can make in one day. This ceiling is referred to as a credit limit. However, as Mr Neobard explained to me at the hearing, a credit limit can be something of a blunt instrument. This is because a significant number of bids and/or offers may expire during the course of the day — such bids/offers are defined as "failed trades".

11 Put in its simplest terms, the idea behind the invention in this application is to take account of these failed trades when deciding whether or not a trader has reached his/her credit limit. This is done by subtracting the value of failed trades from the total value of offers and bids accumulated by a trader during a day's trading. The final step of the invention involves shutting off the trader's ability to trade over the system when his/her credit limit has been exceeded.

The Law

12 The examiner has reported that the application relates to a scheme, rule or method for doing business and/or a program for a computer as such. This objection is based on section 1(2) of the Act, the essential parts of which are shown in bold below:

> **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;
>
> **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.**

13 It has been established by the Courts that an invention will not be excluded from patentability by the above subsection if it makes a technical contribution[1]. That is to say, if an invention makes a technical contribution, then it is ***more than*** one of the above excluded items, and cannot be regarded as ..... "that thing ***as such***".

14 In his most recent examination report, the examiner also referred the applicant to a large number of earlier decisions regarding the patentability of business methods that are available on the Patent Office's official web site[2].

15 At the hearing, Mr Neobard did his utmost to persuade me that the invention involved a technical contribution. He pointed out that the claims, as amended, seek protection for a credit processor and an electronic trading system, in addition to a method of monitoring credit of a counterparty. He also emphasised the importance of the technical features that are used to implement the invention — eg. without using a computer it would be impossible to maintain an accurate record of the number of bids and offers (making allowance for failed trades) that were being made by traders in a trading system.

16 However, despite Mr Neobard's best efforts, it is very clear to me that this application relates to a method of doing business. Moreover, having regard to the accumulated teaching of recent Office decisions in this field, it is equally clear that it does not involve a technical contribution. Nothing that Mr Neobard said at the hearing gives me any reason to think otherwise. In particular, no new arguments have been presented — either during the examination process or at the hearing — that have not previously been considered and rejected on several occasions by the Comptroller's Hearing Officers. I therefore conclude that the invention described and claimed in this application relates to a method of doing business as such. Moreover, I cannot see any

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[1] *Fujitsu Limited's Application* [1997] RPC 14 at page 614.

[2] http://www.patent.gov.uk/patent/legal/decisions/index.htm

means of amending the application, that would avoid this exclusion.

17 There is no doubt that the method is put into effect by means of a computer program. Nevertheless, the invention is first and foremost a method for doing business. Although I hesitate to disagree with the examiner's opinion that this application should also be refused on the grounds that it relates to a program for a computer as such, I am going to do so on this occasion. The part played by the computer program in this invention is purely incidental, and I think it would be misleading to refuse the application on this ground.

Conclusion

18 I have decided that this application relates to a method for doing business as such. Consequently the invention is not an invention for the purposes of the Act, and I hereby refuse the application under section 18 on the grounds that the invention claimed therein is excluded by section 1(2)(c).

Appeal

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

S J PROBERT
Deputy Director acting for the Comptroller