

respond and a hearing was scheduled for 5 December 2006. In the event the applicant requested a decision on the papers.

The application

- 5 The application relates to analyzing accounting data in order to obtain economic profitability information. It is particularly directed towards correcting for accounting distortions in reported company information, and using the corrected data to evaluate the true value of a company. The systems and methods described have particular application in decision-making in the field of investments.
- 6 The application stands unamended. There are 56 claims, of which the main claims are:
1. A method for reversing accounting distortions of financial information, comprising the steps of:
 - (a) obtaining a set of financial information regarding an entity, the financial information including accounting distortions and notes detailing said accounting distortions;
 - (b) analyzing the financial information and notes to determine an accurate economic model: and
 - (c) using said accurate economic model to automatically comparatively value a plurality of expectations with respect to the financial information.
 40. A system for reversing accounting distortions of financial information, comprising:
 - (a) an input for receiving a set of financial information regarding an entity, the financial information including accounting distortions and notes detailing said accounting distortions;
 - (b) a memory for storing a model for providing an accurate economic analysis of the financial information and notes;
 - (c) a processor, accessing said stored model in memory and using said model to automatically comparatively value a plurality of expectations with respect to the financial information; and
 - (d) an output for outputting information relating to the valuation of the plurality of expectations.
 50. A method for reversing accounting distortions of financial information, comprising the steps of:
 - (a) obtaining a set of financial information regarding an entity, the financial information including accounting distortions and notes detailing said accounting distortions;
 - (b) analyzing the financial information and notes to determine an accurate economic model: and
 - (c) using said accurate economic model to automatically calculate a parameter selected from the group consisting of comparative value of a plurality of expectations with respect to the financial information, a minimum future target price of an asset that is required to justify a long or short investment in the entity and a future performance required to justify a target price of an instrument reflecting a value of the entity.
 51. A system for performing the method according to claim 50, comprising:
 - (a) an input for receiving a set of financial information regarding an entity, the financial information including accounting distortions and notes detailing said accounting distortions;
 - (b) a memory for storing a model for providing an accurate economic analysis of the financial information and notes;
 - (c) a processor, accessing said stored model in memory and using said model to automatically calculate a parameter selected from the group consisting of comparative value of a plurality of expectations with respect to the financial information, a minimum future target price of an asset that is required to justify a long or short investment in the

entity and a future performance required to justify a target price of an instrument reflecting a value of the entity; and

(d) an output for outputting information relating to said automatic calculation.

52. A computer readable medium containing computer instructions for controlling a general purpose computer to perform the method according to claim 51

53. A method for converting accounting information into economic profitability information, comprising the steps of:

(a) obtaining a set of accounting information for an economic unit;

(b) recognizing economic distortions in the accounting information;

(c) automatically remediating the recognized economic distortions, to produce economic profitability information; and

(d) using the economic profitability information to determine the economic performance implied by a valuation of the economic unit, under at least one future financial scenario.

54. A method of assessing valuation of an equity security based on accounting information associated with the underlying asset, the accounting information including financial statements and notes prepared in accordance with generally accepted accounting principles, comprising;

(a) modeling economic cash flows of the asset by recognizing and remediating accounting distortions present in the financial statements;

(b) determining a present implied set of financial performance parameters required to justify a present market valuation of an asset;

(c) modifying at least one parameter of the set of financial performance parameters based on a differing belief in future market performance associated with the asset, than that implicit in the present market valuation; and

(d) determining the impact on the value of the equity security based on the modification in the at least one parameter.

55. A method for identifying differences between market-implied future performance parameters and a user's differing future financial performance parameters, comprising;

(a) extracting market-implied future performance parameters from accounting reports, consensus forecasts for financial performance, and market price;

(b) receiving from the user a differing financial performance parameter;

(c) modeling the future performance based on the differing financial performance parameter; and

(d) presenting the model to the user as future profitability, future growth, and duration of future profit growth parameters."

56. A report comprising:

(a) an expression of the economic performance of a [sic] equity interest, derived from reported financial performance according to standardized accounting principles;

(b) an expression of historical performance of the equity interest; and

(c) an expression of relationship between the performance required to justify a plurality of equity valuations, future profitability, future growth, and duration of future profit growth relating to the equity interest.

The law

7 The relevant provisions of section 1 are:

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.

(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) *...*

(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.

The issues

8 In *Aerotel/Macrossan* the Court of Appeal approved the following four-step test for the assessment of patentability under section 1(2):

(1) properly construe the claim;

(2) identify the actual contribution;

(3) ask whether it falls solely within the excluded subject matter;

(4) check whether the contribution is actually technical in nature.

9 The examiner applied the above test in the letter of 3 November 2006, concluding under step (3) that the contribution falls solely within the excluded subject matter of section 1(2)(c) and (d). Since the claims failed at step (3), it was not necessary to apply step (4), however the examiner concluded that in any case there is nothing in the application to provide a contribution which is technical in nature. The applicant did not respond to these arguments.

Conclusions

10 Of the claims quoted above, whereas claims 1, 50, 53, 54 and 55 relate to pure methods, claims 40 and 51 relate to systems, but there is no suggestion that the elements of apparatus in those claims are anything other than wholly conventional, individually or collectively. Claim 52 essentially relates to a program on a carrier and claim 56 to a report, but again there is no suggestion that there is any contribution in these claims outside the contents of the program and of the report respectively. The judgement in *Aerotel/Macrossan* reaffirms that substance rather than form should be looked at in applying steps (1) and (2). Having regard to this I conclude that, notwithstanding the differences in the form and wording of the claims quoted above, the actual

contribution of each lies solely in the processing of accounting information to predict financial performance, the object of which is to aid decisions on investment.

- 11 Taking account of the broad interpretation given in *Aerotel/Macrossan* as to what constitutes a method of doing business, it seems to me that this contribution falls squarely within and relates solely to such a method. For the purposes of step (3) then, I conclude that the invention is excluded under section 1(2)(c) as a method of doing business as such.
- 12 Having so concluded I do not need to go on to consider the claims against the other exclusions of section 1(2). However for completeness I note that whilst, as already described above, the judgement maintains the emphasis on substance over form, it also characterises the first step as deciding what the monopoly is. On that basis it seems to me that in claim 52 the monopoly does not go beyond the program and in consequence the contribution fails at step (3) under section 1(2)(c) as a program for a computer; and similarly that in claim 56 the monopoly does not go beyond the information presented, and the contribution fails at step (3) under section 1(2)(d) as the presentation of information.

Decision

- 13 I have concluded that the claimed invention is excluded from patentability under section 1(2) as a method of doing business as such. I have also concluded that the invention as claimed in certain of the claims is additionally excluded from patentability as a program for a computer or the presentation of information as such. I can see no subject matter in the application that could be used to remedy this.
- 14 I therefore refuse the application under section 18(3).

Appeal

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

DAVID BARFORD

Deputy Director acting for the Comptroller