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* IN THE HIGH COURT OF DELHI AT NEW DELHI

Date of Decision: 08th May, 2023

+ C.A.(COMM.IPD-PAT) 8/2023, I.A. 5785/2023

ONEEMPOWER PTE LTD.

..... Appellant

Through: Mr. Ayush Sharma and Ms. Parul Parithi, Advocates.

versus

THE CONTROLLER OF PATENTS AND DESIGNS

..... Respondent

Through: Mr. Harish Vaidyanathan Shankar, CGSC with Mr. Srish Kumar Mishra, Mr. Sagar Mehlawat and Mr. Alexander Mathai Paikaday, Advocates.
Ms. Himanshi Kharb, Assistant Controller of Patents and Designs (through video link).

CORAM:

HON'BLE MR. JUSTICE SANJEEV NARULA

JUDGMENT

SANJEEV NARULA, J. (Oral):

1. Oneempower Pte Ltd. (Appellant), a loyalty marketing and commerce technology company, challenges the rejection of their patent application No. 10508/DELHNP/2013 for the invention titled “A Transaction Reward System”. The crux of the present dispute lies in the characterisation of Appellant’s invention as a business method and a computer programme *per*



se by the Assistant Controller of Patents and Designs [*hereinafter*, “Controller”], *vide* order dated 24th November, 2022 [*hereinafter*, “*impugned order*”]. In this comprehensive exposition, while deciding the appeal under Section 117A of the Patents Act, 1970, we embark on an examination of the Appellant’s arguments pertaining to the ‘technical effect’ of the claimed invention as well as a scrutiny of the Controller’s reasoning for rejecting it under Section 3(k) of the Patents Act.

THE SUBJECT INVENTION

2. Let us first delve into the essence of the invention, peering beneath the surface to unravel the claims made by the Appellant in the subject invention.

3. The subject invention is a Transaction Reward System [*hereinafter interchangeably*, “TRS” or “*subject invention*”] which enables the user to select a portion of available reward in order to offset the cost of purchase, against a selected reward remotely, and without interference of the retailer and without influencing operation of the retailer processor. It is intended to eliminate the need to modify the retail payment terminal for applying available rewards, as the purchaser would be in direct contact with the financial institution facilitating the transaction, through a mobile/communication device. The reward points are applied at the financial institution’s end, thereby reducing the complexity and cost of the entire process.

4. The constituent elements of the TRS are depicted and explained hereunder:

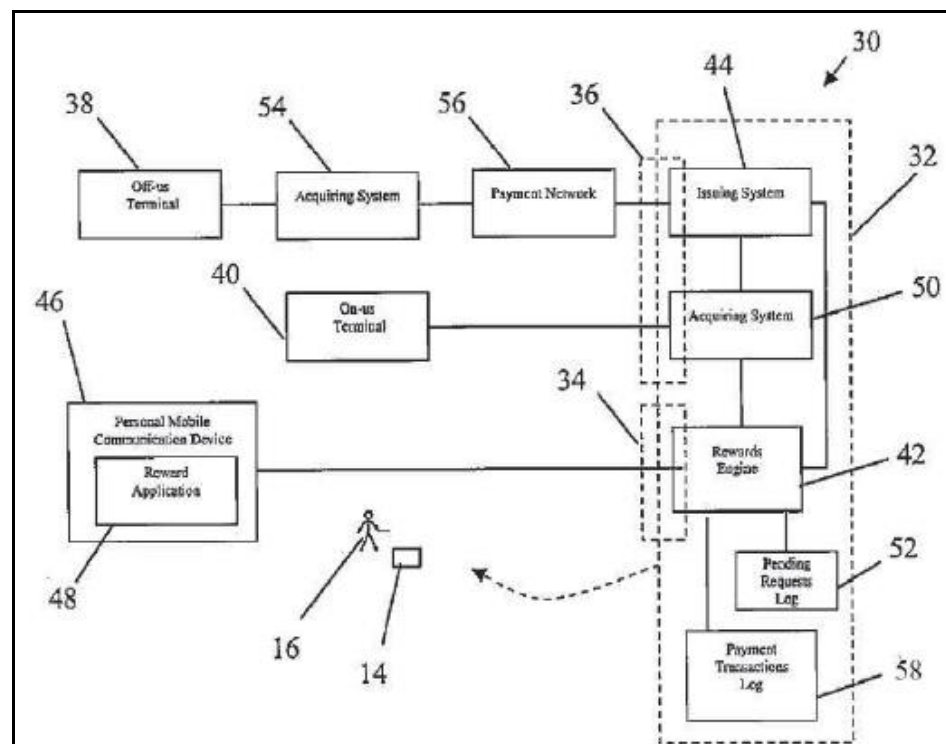


Figure 1

4.1. The TRS (point 30) consists of a reward and transaction processor system (point 32), which stores the information regarding reward entitlement associated with a particular purchaser (point 16). It is this reward and transaction processor system that applies a portion of purchaser's available reward in order to offset the cost of purchase. Information related to reward redemption is received by the reward interface (point 34) via a first communication from the purchaser. TRS relays reward redemption information to the reward and transaction processor system. Transaction interface (point 36) receives information concerning a purchase from the retail processor (points 38 and 40), which is conveyed via a second communication from the retail processor. The transaction interface thereafter communicates the information indicative of user's purchase, to the reward



and transaction processor system.

5. The method of executing a transaction on the TRS is as follows:

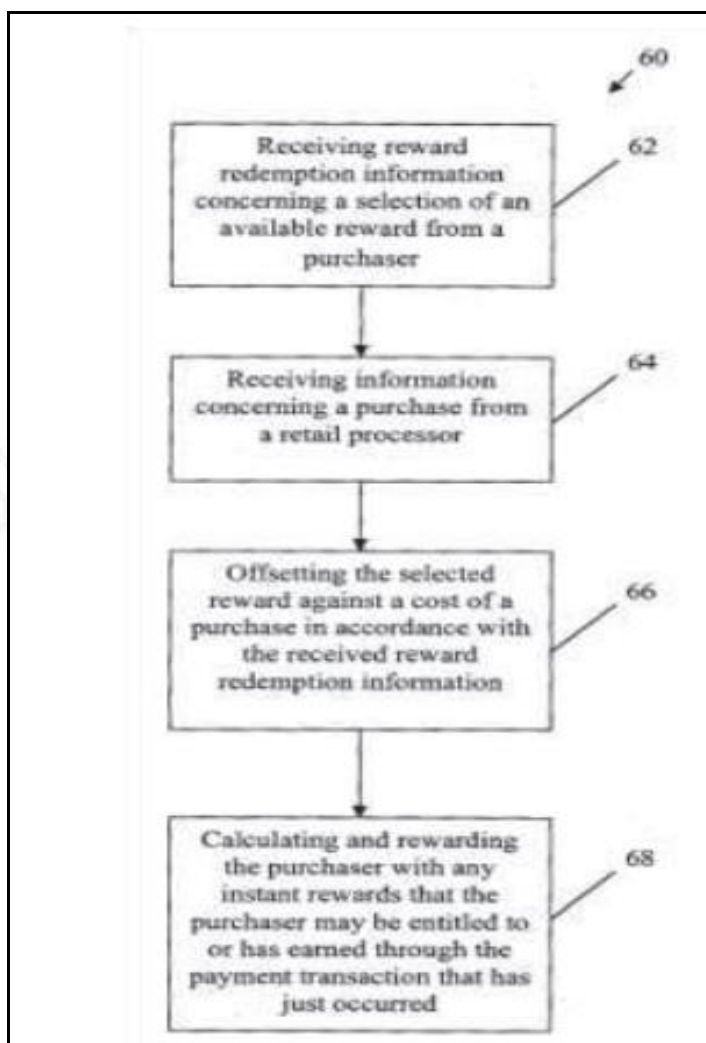


Figure 2

5.1. The reward redemption information pertaining to selection of a part of an available award is first received by the reward interface from the purchaser. This information is then communicated to the reward and transaction processor system. Thereafter, the transaction interface gathers information concerning a purchase from the retail processor associated with



a given retailer. This information is also communicated to the reward and transaction processor system. Finally, the TRS offsets the selected available reward with the cost of the purchase, in accordance with the reward redemption information.

CONTENTIONS OF THE PARTIES

On behalf of the Appellant

6. Mr. Ayush Sharma, counsel for Appellant, raises the following grounds of challenge:

6.1 The Controller has erred in classifying the subject invention as a business method, devoid of a technical effect. As compared to the conventional system, subject invention is more cost-effective and economical as it does not require retail payment terminals to be modified to cater to the loyalty marketing system and it eliminates the interference of retailers. TRS discloses a simpler, faster and more efficient solution for calculation and offsetting of rewards against the cost of the purchase. It therefore, solves a technical problem and mere usage of words such as ‘enterprise’, ‘business’, ‘supply chain’, ‘order’, ‘sales’, ‘transactions’, ‘commerce’, ‘payment’ etc. in claim specification would not render it a business method. Further, the technical problem that was resolved by the TRS must be examined keeping in mind that the invention was claimed in the year 2012.

6.2. Reliance on ***Yahoo Inc. v. Assistant Controller of Patents and***



Designs and Ors.¹ by the Controller is incorrect as Appellant's invention is not a method of doing business or an improvement in the method of doing business. Instead, there is no exchange of amount or payment involved in Appellant's TRS.

6.3. The impugned finding that Appellant's TRS is both, a computer programme *per se* and also a business method, is erroneous and based on incorrect application of Section 3(k) of the Patents Act as an invention can never be both of these aspects. In the impugned order, the Controller has noted that TRS is "*an improvement in user's awareness of relevant software might contribute towards an improvement in the user's efficiency in accomplishing a given task - perhaps because a newly located application could use the standard, existing hardware more efficiently or improve the user's workflow*". This clearly shows that the claimed invention has a technical character and the findings in the impugned order are inconsistent and contrary to each other.

6.4 Controller has failed to consider the judgment passed in **Ferid Allani v. Union of India**,² wherein the Court observed that a 'technical effect' or a 'technical contribution' could be demonstrated even though it may be based on a computer programme. Therefore, an application cannot be refused solely because a computer programme is used for effectuating a part of the invention. The Appellant's invention must be examined as a whole, having due regard to its technical effect and contribution.

6.5. Rejection of the application under Section 2(1)(ja) of the Patents Act

¹ 2012 (49) PTC 502 (IPAB).



for lack of inventive step is not supported by proper reasoning. The Controller did not analyse and compare the features of independent claims 1 and 15 with prior art [D1], and has simply noted that Figures 6-10 of D1 show all the steps in detail and claim 14 thereof explains how the points will be redeemed. The dependent claims 2-14 and 16-34 have also not been considered.

On behalf of the Controller

7. Mr. Harish Vaidyanathan Shankar, Central Government Standing Counsel, defends the impugned order, contending that observations made therein are in consonance with the settled law. Appellant's TRS is a pure business method, which cannot be granted a patent in terms of Section 3(k) of the Patents Act. He asserts that the subject invention, at best, improves the user interface for points/ reward redemption but does not improve the architecture of the computer and make a significant technical contribution. Thus, it can be categorized as a computer programme *per se*.

8. The Court also acknowledges the participation of Ms. Himanshi Kharb, Assistant Controller of Patents and Designs, who was afforded an opportunity to expound upon the objections raised in the impugned order, for comprehensive understanding.

ANALYSIS

9. The Controller thoroughly deals with every claim of the subject

² 2019 SCC OnLine Del 11867.



invention and concludes that the same is nothing more than a ‘business method’ or ‘computer programme *per se*’, falling within the scope of exclusionary Section 3(k) of the Patents Act. They also hold that TRS lacks inventive step. Since the subject invention has been excluded on two grounds, the Court shall first assess the objection pertaining to TRS being a ‘business method’. If indeed the said objection is sustainable and the Appellant’s application is liable to be excluded from patentability, there would not be any need to delve into other grounds of challenge.

10. Let’s now turn our attention to Controller’s perspective for concluding that TRS qualifies as a business method, devoid of any identifiable technical character. This reasoning is outlined in the following extracts of the impugned order:

“11. I do not find the submission persuasive in view of following: The problem being solved is allowing purchaser to pay through cards for their purchases with reward points at any retailers around the world. This problem in itself is not technical in nature. Therefore, the proposed solution which although has well known hardware components is at heart a non-technical solution to a non-technical problem relates to loyalty marketing systems. Therefore, the claims fall under 'business method'. In the present application, the focus is to provide reward redemption to the purchaser who can select at least a portion of an available reward for a purchase and the reward and transaction processor system is arranged to offset the selected reward against a cost of the purchase in accordance with the reward redemption information.

12. [...] It is important to note that the ability to pay with reward points instead of actual financial transaction is still a financial transaction wherein instead of money certain reward points are used to buy a product. No technical effect has been brought out by the applicant in the written submissions. In the FER response, the applicant has brought out the technical effect as a rewarding a transaction. Whereas the method comprises of performing a series of steps by the user in order to offset a reward against a purchase. To evaluate the technical effect we need to see whether the problem being solved is technical or not. Is the rewarding transaction solving any technical problem? No, because this is an administrative problem and not a technical one. Therefore, there is clearly no technical effect in the proposed solution rather an administrative solution to an administrative problem. No technical advancement has been brought out by the applicant in the FER response and the written submissions.



13. *Business method is a “a process, technique or means of computing or processing administrative, financial and management data that are utilized for conducting particular types of commerce” (Report on a Review of the Patenting of Business Systems). The CRI guidelines define business methods as the whole gamut of activities in a commercial or industrial enterprise relating to transaction of goods or services. In Yahoo v controller of Patents, the Hon’ble High Court has said that “Even the technical advance that is claimed over the existing art is only an improvement in the method of doing business and S.3(k) is clear that business method cannot be patented, the fact that there is an advance has not improved the case”.... The present application is a pure business method since the primary objective of the application is enhancement of user experience through some changes in loyalty marketing systems. Therefore, the alleged invention falls under the category of business method of section 3(k).*

14. [...] As evident from the explicit exclusion under section 3(k) of the Patents Act, 1970 and IPAB decision in OA/22/2010/PT/CH, business methods cannot be granted patent in India, howsoever disguised as technological innovations. Therefore, it is concluded that the technical advance proposed in the alleged invention is simply a method of doing business, even if it is a technically smarter way of doing business and, therefore, cannot be patented in accordance with provisions of Section 3(k) of the Patents Act, 1970.

15. The applicant has further argued that it is respectfully submitted that the claims, as amended, include various hardware elements/components such as a reward and transaction processor system (32), and a retail processor (38, 40). The mentioned hardware/software components are doing their well-known generic functions, which in itself cannot be regarded as a technical character of the said alleged invention as merely defining physical components to carry out a not technical procedure on a computing device/processor does not count to the same. The steps as described above are non-technical in nature. Now, to implement these steps the system as claimed describes various engines which are data processing means/components programmed to carry out their defined functions which are fed into them, this mere fact does not impart technical character of the said invention. Therefore, the said claims represent a set of instructions executed on a general-purpose and conventional computer/processor/computing platform without showing any technical advancement as a whole, and thereby attract the exclusions for computer program per se under section 3(k) of the Patents Act, 1970. These steps merely represent a computer implementation of administrative considerations using standard technology for its intended purpose. The subject matter of these claims does not relate to a technical solution but a mere administrative or organizational i.e. business solution without providing any technical solution to any technical problem. The applicant submits that “the claimed subject matter, in substance, is not a method of doing business, rather it is a technical process and therefore does not fall under the excluded category of a business method”, but while analyzing the present set of claims, it has been found that the alleged technical process as claimed to be realized therein is in itself a method of doing business.

16. [...] The subject matter of these claims does not relate to a technical solution



but a mere administrative or organizational i.e. business solution. The context of the current application relating to processing of payment card transactions represents merely the computer implementation of administrative considerations using standard technology for its intended purpose. The technical solution as claimed relates to a mere office or organizational automation of a standard procedure of randomizing the login credentials of the user with the help of financial institutions who would be data associated with a particular transaction and authenticate with a financial institute. The same relates to a business or administrative solution without providing any technical solution to any technical problem. Moreover, it is submitted that while examining the claims to be under ambit of business method, it is not only the form, but also the substance of the claims which is taken into account. From this perspective, it is clear that although the claims have been defined as a method as well as a system, but in pure structural and functional sense, the subject matter of these claims merely defines a business strategy. Therefore, these claims as such relate to a business method and are considered to be falling under section 3(k), The Patents Act, 1970 (as amended).”

11. The subject invention relating to loyalty reward marketing system is focused to provide reward redemption to the purchaser who can select at least a portion of an available reward for a purchase, and the transaction processor system is arranged to offset the selected reward against a cost of the purchase, in accordance with the reward redemption information. The operations involved in TRS, as per the claims made in the patent application, and the Court’s remarks thereon are as follows:

- (i) *Receipt of reward redemption information:* The reward interface receives information about reward redemption from the purchaser. However, this is essentially data management, which is common in business operations where rewards or loyalty programmes are in place.
- (ii) *Receiving information about a purchase:* The transaction interface procures information about a purchase from the retail processor. This again, is typical of many transactional business operations.
- (iii) *Offsetting rewards against a purchase:* The selected reward is set-off



against a purchase based on the reward redemption information. This is a financial calculation and adjustment technique, that is fundamentally an administrative process.

(iv) *Rewarding the purchaser*: The TRS calculates and delivers instant rewards that the purchaser may have earned on the payment transaction. This element is also commonly found in reward or loyalty programmes, and is essentially a business method.

12. The afore-noted features indicate that TRS principally involves receipt and processing of data concerning reward redemption, offsetting the selected reward against a purchase, and rewarding the purchaser with any instant rewards earned through the payment transaction. Keeping the foregoing in mind, in the opinion of the Court, the subject invention is purely a ‘business method’ and falls within the ambit of Section 3(k) of the Patents Act.

13. Next, we shall discuss the technicalities. While TRS may be utilising technology or computer systems for their implementation, the underlying essence of the invention is primarily related to conducting business or organizing commercial transactions, rather than providing a technical solution to a technical problem. The Appellant has endeavoured to interpret a ‘business method’ in a technical manner, asserting that the invention in question offers a technical solution. The objective is to justify its exclusion from the scope of the prohibition mentioned in Section 3(k) of the Patents Act. However, even if we assume that the invention in question possesses a technical character, it would not support the Appellant’s argument. This is because Section 3(k) explicitly prohibits the patenting of ‘business



methods’, whereas computer programmes, in general, have been qualified with the phrase ‘*per se*’. The Guidelines for Examining Computer Related Inventions, 2017 [“*CRI Guidelines*”], as well as the Manual of Patent Office Practice and Procedure, 2019, provide that if a particular subject matter primarily involves business, trade, financial activity, or transactions, or if it pertains to a method of buying or selling goods, it should be classified strictly as a business method, ineligible for patent protection. Business methods do not require incentives and protections offered by intellectual property rights as businesses tend to adopt more efficient methods for their operation out of necessity.³ Therefore, the fact that a business method may achieve greater efficiency over existing methods, as is claimed by Appellant, is immaterial as business methods are excluded from patentability altogether. A business method which is specifically excluded under Section 3(k) of the Patents Act, cannot escape the embargo even if it is achieved through any technical means in a computer programme. This means that even if the business method claim is achieved through any technical means or using a computer programme, it would still fall under the exclusionary provision of Section 3(k). The underlying principle here is that technical implementation of a business method does not convert it into a patentable invention. Further, merely because the subject invention has included a hardware element/ component, it would not constitute sufficient grounds to prevent the application of the exclusionary provisions. The procedure for examination of a patent application places emphasis on the substance of an

³ *Yahoo Inc. v Assistant Controller of Patents and Designs*, OA/22/2010/PT/CH at Paragraph 41.



invention, rather than its form. It is crucial to focus on the central idea or substance of the claimed invention. If the ultimate outcome is an enhanced method of conducting transactions, it will still be categorized as a business method. If a business method is disguised as a computer programme, it would not escape the bar under Section 3(k) of the Patents Act. Therefore, asserting that the subject invention possesses a technical character cannot serve as a defence against its non-patentability as a business method under Section 3(k). The procedure of handling reward redemption and payment transactions is common in the business world, and automating this procedure using standard technology does not make it a technical invention.

14. Thus, despite the presence of some technical elements, such as a reward and transaction processor system and retail terminals, the essence of subject invention, which is a 'business method', does not get changed. These technical elements are only used as tools to execute the underlying business method and they perform well-known and generic functions. TRS does not expound a technical solution to a technical problem, but rather facilitates a business solution to a business problem. It is fundamentally a computer implementation of administrative considerations, using standard technology for the intended purpose. The key focus of subject invention is a business strategy, namely, improving customer experience by streamlining the process of reward redemption. As such, it falls within the definition of a 'business method' under section 3(k) of the Patents Act, and is consequently non-patentable. The alleged technical process is in itself a method of doing business. The invention does not lie in the computer programme or the software, but rather in the method of administering the rewards system. The



subject matter of Appellant's claims does not relate to any technical solution, but a mere administrative or organisational business solution, without providing any technical solution to a technical problem. Subject invention's main contribution is to business methods rather than technology and therefore, it cannot be afforded protection under patent law.

15. Hence, the Court remains unpersuaded by the arguments put forth by the Appellant. As the invention claimed in the subject application falls within the purview of the exclusionary provision, being solely a business method, there is no need to delve into the question of non-patentability regarding 'computer programme *per se*' or the aspect of lack of inventive step therein.

16. Dismissed.

MAY 8, 2023

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(Corrected and released on 03rd June, 2023)

SANJEEV NARULA, J

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