

Commissioner's Decision # 1272  
Décision du Commissaire # 1272

TOPIC: J00, O  
SUJET: J00, O

Application No: 2,298,467  
Demande No. 2,298,467

COMMISSIONER'S DECISION SUMMARY

C.D.1272 App'n 2,298,467

Obviousness, indefiniteness, lack of subject matter [Section 2]

The examiner rejected this application on the basis that the invention claimed was obvious at the claim date over cited prior art consisting of a PCT application, a United States patent and the information displayed on two Internet web sites. The Examiner also rejected claim 1 as being indefinite. The application was rejected as not being directed to subject matter which falls under the definition of invention. The Board found that the applicant was claiming an invention which was not obvious in view of the cited art, the claims were not indefinite and the subject matter fell under the definition of invention.

The application was returned to the examiner for further prosecution.

IN THE CANADIAN PATENT OFFICE

DECISION OF THE COMMISSIONER OF PATENTS

Patent application 2,298,467 having been rejected under Rule 30(4) of the Patent Rules, the Applicant asked that the Final Action of the Examiner be reviewed. The rejection has consequently been considered by the Patent Appeal Board and by the Commissioner of Patents. The findings of the Board and the ruling of the Commissioner are as follows:

Agent for Applicant

Marks & Clerk

Box 957

Station B

Ottawa, Ontario

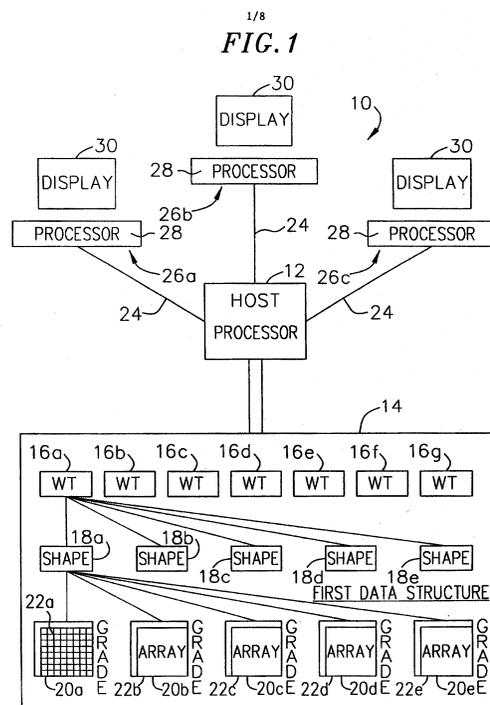
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This decision deals with the Applicant's request for a review by the Commissioner of Patents of the Examiner's Final Action dated February 11, 2004, on application 2,298,467 filed on July 23, 1998 and entitled "DATA PROCESSING SYSTEM FOR FACILITATING TRANSACTIONS IN DIAMONDS". The inventor is Sergio Borgato and the applicant is Diamonds.net LLC.

A hearing before the Patent Appeal Board was held on May 18, 2005. Appearing on behalf of the Applicant was Mr Mark Budd from the firm of Marks & Clerk. Representing the Patent Office were Mr Leigh Matheson, the Examiner in charge of the application and Mr Peter Ebsen, Section Head.

The application relates to a system which facilitates the buying and selling of diamonds from remote locations.

Figure 1 shows an overall view of the system.



The system comprises a host terminals 26a, 26b and 26c. An information about specific diamond at one of the remote transmitted to the host processor. through another remote terminal and

processor 12 which is linked to remote entity wishing to sell a diamond enters characteristics, including price, of that terminals and the information is A buyer can access the host processor can cause information on one or more

diamonds to be displayed on the remote terminal's display. Software associated with the system displays diamond information in a set format. A buyer can make a bid on a diamond and if the offered price meets the asking price, a sale is completed.

There are nine claims in the application, with claim 1 being the only independent claim.

Claim 1 reads as follows:

- A host computer processor to facilitate transactions involving diamonds from remote computer terminals in data communications with said host processor, each terminal including a display, said host processor comprising:
- (a) a data structure for each of at least one stone offered for sale, each data structure including data of stone weight, offer price, seller identification data and at least one other diamond characteristic, the data structures being arranged into array categories according to weight, with stones with like characteristics in each array category arranged into array sub-categories and wherein data for each category is arranged according to price;
  - (b) means for receiving data from said remote terminals to permit a seller to input said stone data as a data structure, and for assigning said data structure to said array;
  - (c) means for controlling said terminal displays to display said stone data array and at least data for the stone of each category occupying the primary display position;

(d) means for receiving data signals from said remote terminals to call up said stone data for any stone in the array;  
(e) means for receiving data signals of a bid buyer on any selected stone in the array and (i) if the bid matches the price data of the selected stone, issuing signals to the seller and buyer indicative of a sale, (ii) if said bid does not match said price data, storing said bid data in said array with the diamond data for the stone for which the bid was made, and (iii) controlling the terminal displays to display the bid.

On February 11, 2004, the Examiner issued a Final Action in which he rejected all of the claims as being obvious over cited prior art, and as being indefinite. All of the claims and the application were also rejected because they contain non-patentable subject matter.

In the Final Action, the Examiner cited the following references:

PCT application

93/12496                      24 June 1993                      Ezzel et al

United States Patent

4,903,201                      20 February 1990                      Wagner

URLs

[http://www.terralycos.com/about/au\\_1\\_2\\_5\\_5.asp](http://www.terralycos.com/about/au_1_2_5_5.asp)

[http://pages.ebay.ca/education/bidding\\_1.html](http://pages.ebay.ca/education/bidding_1.html)

The TERRALYCOS web site sets out a history of that company. In one paragraph, there is a description of an agreement between Terra Lycos and eBay and the business of eBay. According to this, eBay is the world's largest on-line trading community.

The eBay web site sets out a tutorial on how to use eBay to sell or buy items.

The Wagner patent is directed to an automated futures trading exchange. The exchange includes a central computer and remote terminals. Members of the exchange can enter offers or bids at a terminal which is in communication with the central computer. The central computer compares bids and offers, finds matches and completes trades. The central computer also monitors trading to ensure that trading rules are followed.

The Ezzel et al application shows a trading system for gemstones. A seller enters data and a picture of a gemstone at a remote terminal and this information is transmitted to a central computer where it is stored in a database along with similar information about other gemstones. Individuals who are interested in purchasing gemstones may access, from a remote location, the information stored in the database, review that information and make purchase orders.

#### Obviousness

With respect to the obviousness rejection, the Examiner had the following to say in his Final Action:

It was contended in the correspondence that the claimed subject matter is distinguished over the eBay system in that eBay does not use "a host computer processor and data structure involving transactions relating to diamonds." Now it is held to be obvious that eBay uses at least one host processor, and at least one data structure or table of data concerning the items bought and sold over the system. Whether or not the transactions specifically involve diamonds has no patentable effect on the data structure or operation of the system. The system itself is unchanged regardless of the subject of the transactions carried out over it. To claim otherwise would be akin to claiming that a telephone system was patentably different depending on the subject of a conversation carried out over it.

It was also contended in the correspondence that Wagner's teachings differ from the system of claim 1 in that Wagner

does not disclose a data structure storing the diamond's (sic) characteristics by weight, and that Wagner's system does not allow buyers to select and purchase individual, unique items. The data structure described in claim 1 is not a patentable data structure, merely a table or array of data arranged and sorted in a particular way. It is therefore non-functional descriptive data, achieving no patentable difference in the system. The difference between purchasing lots of items and purchasing individual items is an administrative detail left to the persons running the business scheme; it does not constitute a patentable difference in the system.

It was further contended in the correspondence that the teachings of Ezzel et al. differ from the matter of claim 1 in that Ezzel et al. do not teach arranging diamonds into categories based on characteristics, displaying a historical record of the prices paid for certain categories of diamonds, or allowing unique diamonds to be purchased individually. In fact, the system taught by Ezzel et al. does allow users to look at and purchase individual gemstones (page 4). The system does store the characteristics of each gem, and allows the users to look at all the stones within a certain weight category to determine pricing variations. In any case, the classification scheme used to categorize the stones, and the pricing information stored and presented to users are administrative details left to the persons running the business; these details make no difference to the structure or operation of the system itself.

Claims 2 to 9 are dependent upon claim 1, and fail to overcome the objections made for that claim.

The subject matter of claims 1 to 9 would have been obvious to a person skilled in the art in view of one of eBay, Wagner, or Ezzel et al. Therefore, none of the claims on file comply with section 28.3 of the Patent Act.

In reply, the Applicant stated:

In the first requisition, the Examiner objected to the claims as being obvious in view of cited references, and apparently in view of general knowledge. In response to these objections, the Applicant amended the claims and presented arguments as to why the amended claims were not obvious in view of the cited references, identifying elements of the amended claims which were not taught or suggested by the cited references.

In the Final Action, the Examiner rejected the Applicant's arguments with respect to Wagner, stating that the data structure described in claim 1 was not a patentable data structure. This is an argument not raised by the Examiner in the first requisition. The Examiner also failed to address the Applicant's statement that Wagner does not show the establishment of the sub-categories set forth in the claims.

The Examiner also rejected the Applicant's arguments with respect to Ezzel. The Examiner stated that the classification scheme used to categorize the stones was an administrative detail left to the persons running the business. This was an argument not raised by the Examiner in the first requisition.

It is unclear to the Board why the Examiner cited the Terras Lycos URL in the Final Action because there is no discussion of its teachings and it does not appear to show anything which relates to the obviousness rejection.

Each of the other three references is related to the general concept of providing a system which allows people to offer items for sale from a remote location and which allows other people to learn about the items from other remote locations and make bids to buy the items. The sellers use computer terminals to send information to a central computer via a data communications network. The buyers also use computer terminals to access the information and to place bids on the items. The central computer stores information on each item, on the sellers and on the bids and sales. The Ezzel system is specifically designed to be used to buy and sell gemstones.

It appears that the Examiner has taken the position that the system set out in the instant application uses the same computer hardware as is used in the applied references and that the only differences between the Applicant's system and the prior art systems lie in the way that information is stored in the central computer and the way it is displayed on the remote terminals.

The Applicant seems to agree that most of the hardware is the same as in the prior art and that the differences lie in the "data structures" and "array sub-categories". The Examiner has dismissed these differences as being "administrative details left to the persons running the

business”.

This application sets out a system which has been specifically and exclusively developed to facilitate transactions in diamonds. The information which is stored and displayed is related to the characteristics of diamonds, most of which seem to be well known. The purpose of this application is to set out a system which allows for the remote buying and selling of diamonds in an orderly manner. This is accomplished by gathering information about each diamond and displaying this information in an orderly and structured manner. This appears to be the essence of the invention and the Board does not agree with the Examiner that these very significant differences over the prior art are only administrative details. There is no indication in any of the prior art references that items which are offered for sale would be categorized by stone weight, price, seller identification and at least one other diamond characteristic.

The Ezzel reference is the only prior art that is related to the buying and selling of the same type of items. However, Ezzel is concerned with capturing and displaying of images of the gemstones. Other information about each stone is also available but it appears that a potential buyer would be presented with an image of a gemstone and would be able to access information about that specific stone. There is no mention of data structures and array categories.

The Board concludes that the system claimed in the instant application includes features which are not shown in the cited references and that this system would not have been obvious to a person skilled in this art at the claim date.

#### Non-patentable subject matter

In his Final Action the Examiner stated:

The subject matter of this application is directed to a data processing system for facilitating transactions in diamonds. More specifically, the application proposes a scheme for classifying diamonds, so that they may be bought and sold over the Internet. What hardware is mentioned is described as known equipment connected in a conventional manner. What software is mentioned is described only in terms of its desired results; the application does not teach how to make any software. Although the specification discloses and recommends a table by which diamonds may be classified and sorted according to their characteristics, no patentable data structures are taught. No new hardware, software, (patentable) data structures or technology is disclosed. This leaves the scheme for classifying diamonds and trading them over the Internet as the discovery at the heart of this application.

Since the subject matter is directed to a classification and trading scheme, the subject matter is non-patentable under section 2 of the Patent Act by being of the same category as a mere scheme of doing business, and outside the definition of invention. The disclosed classification table may prove an efficient way of sorting and describing diamonds for traders, and the scheme may amount to a more efficient way of conducting a branch of business, but does not result in a mechanical advantage, material product, or article of manufacture.

In addition, it is a matter of choice and professional skill on the part of the diamond traders what classification system to use, which channels to conduct trading over, and what commonly available equipment to use. As has been well established, professional skills are not the subject matter of a patent. See, for example, *Lawson v. Commissioner of Patent* 62 C.P.R. (1<sup>st</sup>) 101. As was established in *Schlumberger v. Commissioner of Patents* 63 C.P.R. (2<sup>nd</sup>) 261, non-patentable subject matter cannot be made patentable merely by stating that computers are or should be used to implement the discovery. These were the principles applied in *Re Application 564,175 to Atkins* 6 C.P.R. (4<sup>th</sup>) 385, when it was held that professional skill could not be made patentable by substituting a programmed computer for the individual who would have used the same input to arrive at the same decision. That holding is directly applicable to the present subject matter, and the proposed diamond classification and trading scheme is not patentable under section 2 of the Patent Act.

Furthermore, instead of contributing to the cumulative wisdom on data processing systems, the application merely proposes using known and existing infrastructure to trade in diamonds. No new technology is described; this disclosure does not amount to a new and innovative method of applying skill and knowledge within the meaning given by the Supreme Court in *Shell Oil v Commissioner of Patents* 67 C.P.R. (2<sup>nd</sup>) 1 and applied in *Progressive Games v. Commissioner of Patents* 9C.P.R. (4<sup>th</sup>) 479. Therefore, the subject matter of this application cannot be considered patentable “art” under section 2 of the Patent Act.

In reply, the Applicant stated:

The Applicant respectfully submits that amended claim 1 of the present application is directed to a host computer processor which includes, *inter alia*, a data structure comprising specified information. As to why the processor and its data structure is not patentable, the Examiner has stated that they do not result in a mechanical advantage, material product, or article or manufacture. The Applicant respectfully submits that the processor and the data structure described in claim 1 are patentable. An invention need not result in a mechanical advantage, material product, or article of manufacture in order to be patentable. Indeed, Section 2 of the *Patent Act* includes in its definition of “invention” a new art or process.

The Applicant also disagrees with the Examiner’s business method analogy. The invention is not analogous to a system of doing business, method of accounting or providing statistics, personality or I.Q. tests. The invention is a sellable system which enables a company trading in diamonds to buy and sell diamonds in a particular way. While this enables a business to be carried out, this in itself does not render the subject matter of the claims unpatentable. The host computer processor of the claims is more akin to a tool which enables the carrying out of a type of business rather than a method of doing business.

The Examiner has also objected to the application as a whole as being directed to non-patentable subject matter on the grounds that professional skill may not be the subject of a patent. However, no professional skill is involved in the execution or implementation of the claimed processor and its data structure. The amended claims are directed to a tool for enabling diamonds traders to perform a task. The Examiner’s objection is analogous to objecting to a new type of saw on the grounds that it is up to the professional skill of a carpenter to select which type of saw to use. The citation of *Schlumberger* is irrelevant, as the Applicant is not relying on the invention being implemented in a computer for its patentability. The citation of *Re Application 564,175* is irrelevant, as no claim to the exercise of a professional skill is being made on the grounds of substituting a computer for the professional.

The Examiner has also objected to the application as a whole as being directed to non-patentable subject matter on the grounds that the disclosure does not amount to a new and innovative method of applying skill and knowledge within the meaning applied in *Progressive Games*. The Applicant disagrees with this interpretation of *Progressive Games* and *Shell Oil*, but in any event the Applicant respectfully disagrees with the Examiners’s assertion. Until the inventor developed the claimed processor and data structure, trading in diamonds based on a plurality of characteristics was not possible. The invention is a tool which enables the trading of diamonds based on a number of simultaneous characteristics, such as weight, colour, cut, and clarity. This is clearly a contribution to the “skill and knowledge” of trading diamonds. If the Examiner wishes to contend that this contribution to “skill and knowledge” is not “new and innovative”, then the Examiner is kindly requested to make this objection the subject of a novelty objection and not a subject-matter objection.

The Examiner has rejected the claims and the application on a number of different grounds under the heading of “non-patentable subject matter” but because of the limited prosecution, it is difficult to separate these grounds and evaluate them individually. However, the Board believes that the Examiner intended to reject the claims and the application on the following separate grounds:

1. The application is directed to a classification system for diamonds and this type of subject matter does not fall under the definition of invention is Section 2 of the Patent Act because it equivalent to a method of doing business;
2. The method set out in the application involves the exercise of professional skill; and
3. The application does not set out any new technology so the subject matter cannot be considered to be a patentable “art” under Section 2 of the Patent Act.

The Board notes that all of the claims presently in the applicaiton are apparatus claims. This means that the claimed invention falls under the category of “machine” as set out in Section 2 of the Patent Act. The Board is not aware of any restrictions on patentability with respect to “machines”.

Now, dealing with the specific rejections of the claims, the Board notes the comparison of the subject matter with a scheme [method] of doing business. Business methods generally relate to methods which involve the manipulation of money in its various forms, for example

stocks, bonds, mortgages, pensions etc.. The aim of methods of this type is to increase an amount of money. As noted above, the claims are not method claims and the application itself has nothing to do with the manipulation of money so the Board cannot agree with the Examiner on point 1 above.

The Board is puzzled by the comments with respect to professional skill. The Examiner indicates that there is professional skill involved in choosing the various parts of the apparatus which is claimed in the application and that this is not subject matter of a patent. Of course there is professional skill in designing a complicated system such as the one claimed in the instant application. However, this is not the type of professional skill which is prohibited. Professional skill which falls outside the scope of patent protection involves a step in a claimed method which is carried out by a human and which relies on the intelligence and reasoning of the human to make a judgement. The Board does not agree with the Examiner's assessment of professional skill.

Finally, The Board does not understand the Examiner's contention that since the claimed invention does not set out any new technology, it cannot be considered a patentable "art" under the Patent Act. As stated above, the claimed system is not an art but a machine. However, the Examiner also appears to be saying that in order for an art to be patentable, it must be carried out by a new and inventive apparatus. The Board knows of no such limitation on patentability.

Indefiniteness

The Examiner also rejected all of the claims which were in the application at the time of the Final Action as being indefinite. He stated:

Claim 1 states in its preamble that it is describing a "host processor and data structure". This is ambiguous as it does not clearly pinpoint the subject matter as a "machine" under section 2 of the Patent Act. In addition, it is not clear how an abstract concept such as a data structure can constitute a part of the processor, or where exactly it is in the processor.

In reply, the Applicant cancelled those claims and substituted a new set of claim which it believes overcomes the indefiniteness rejection.

In summary, the Board has found that the system claimed is not non-patentable subject matter under Section 2 of the Patent Act and that the claimed system would not have been obvious to a person skilled in this field of technology on the claim date having regard to the references cited in the Final Action. The issue of the indefiniteness of the claims needs to be resolved by the Applicant and the Examiner in further prosecution.

The Board therefore recommends that the Examiner's rejection of the application be reversed and that the application be returned to the Examiner for further prosecution.

Michael Gillen	John Cavar	M. Wilson
Chairman	Member	Member

I concur with the recommendation of the Board that the Examiner's rejection of the application be reversed and that the application be returned to the Examiner for further prosecution consistent with the Board's recommendation.

David Tobin  
Commissioner of Patents

Dated at Gatineau, Quebec

this 11<sup>th</sup> day of December, 2006