



2024:DHC:8990



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\* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% **Date of decision: 12<sup>th</sup> November, 2024**

+ **C.A.(COMM.IPD-PAT) 492/2022**

**COMVIVA TECHNOLOGIES LIMITED**

.....Appellant

Through: Mr. Manish Aryan, Mr. Varun Sharma, Mr. Nishant Rai, Mr. Virender Singh, Ms. Manisha Singh, Mr. Abhai Pandey, Mr. Gautam Kumar, Ms. Anju Agrawal, Ms. Swati Mittal, Ms. Shivani Singh and Mr. Dhruv Tandon, Advocates.

versus

**ASSISTANT CONTROLLER  
OF PATENTS & DESIGN**

.....Respondent

Through: Mr. Sushil Raaja, and Mr. Kapil Dev Yadav, Advocates.  
Ms. Subhra Banerjee, Asst. Controller of Patents and Designs

**CORAM:**

**HON'BLE MR. JUSTICE AMIT BANSAL**

**AMIT BANSAL, J. (Oral)**

1. The present appeal filed under Section 117A of the Patents Act, 1970 (hereinafter the 'Patents Act') is directed against the order dated 25<sup>th</sup> August, 2022 passed by the Assistant Controller of Patents and Designs (hereinafter the 'Controller') under Section 15 of the Patents Act.
2. By way of the impugned order, the Patent Application filed on behalf of the appellant *vide* Application No. 201611000234, titled as "Methods and Devices for Authentication of an Electronic Payment Card using Electronic Token", (hereinafter the 'Subject Application') has been refused on the ground that Claims in the application are in the nature of a 'business



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method’ and ‘computer programme per se’ and hence not patentable under Section 3(k)<sup>1</sup> of the Patents Act.

### **BRIEF FACTS**

3. Brief facts necessary for deciding the present appeal are set out below:-

3.1. The appellant filed the application no.201611000234, titled as “Methods and Devices for Authentication of an Electronic Payment Card using Electronic Token” on 4<sup>th</sup> January, 2016, with the Patent Office, New Delhi.

3.2. Along with the subject application, the appellant also filed a request for Examination with respect to the Subject Application.

3.3. The Patent Office issued a First Examination Report (‘FER’) dated 17<sup>th</sup> June, 2020, in terms of which objections were raised on the grounds, *inter-alia*, lack of inventive step under section 2(1)(ja) of the Patents Act. Furthermore, an objection under Section 3(k) of the Patents Act was also taken citing that the invention is not patentable.

3.4. A detailed response along with the amended set of Claims and other formal documents were filed on behalf of the appellant on 14<sup>th</sup> June, 2021.

3.5. On 5<sup>th</sup> April, 2022, the respondents issued a hearing notice fixing the date of hearing for 6<sup>th</sup> May, 2022, retaining the objections as mentioned in the FER.

3.6. The appellants filed written submissions along with other documents on 20<sup>th</sup> May, 2022.

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<sup>1</sup> Section 3 What are not inventions: The following are not inventions within the meaning of this Act,—

...

(k) a mathematical or business method or a computer programme per se or algorithms;



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4. The impugned order dated 25<sup>th</sup> August, 2022 was passed by the Controller rejecting the subject application on the ground that the Claims 1-30 are not patentable under Section 3(k) of the Patents Act. The relevant portion of the impugned order is set out below:

***“A. Business Method and computer program per se:***

*In particular, subject matter of the present invention is related to commercial transactions, comprising a processing unit coupled to a memory element, and having instructions encoded thereon, wherein the instructions cause the computer accessible medium to perform operations that comprise: receiving by a first receiving unit in response to a prior request for electronic token received from the electronic payment card by the mobile device via a second communication link when the electronic payment card is in close proximity to the mobile device; generating an electronic token including a time period indicating a validity of the electronic token; associating the electronic token with the electronic payment card, wherein the electronic token is adapted to be stored in a memory of the electronic payment card; and transmitting the electronic token to the mobile device. The actual contribution lies purely in the software part of performing electronic payment, therefore falls within the provisions of section 3 (k) of the Patents Act 1970 and hence are not patentable. I also do not concur with the argument presented by the applicant that the correct basis for assessing patentability is just the presence of technical effect and not that the invention is implemented by a computer program/ software. It is noted that neither the claim nor the application as a whole describes any technical interaction between the features which go beyond the mere automation of the said business process.*

*The claims are directed towards a method, a server and a device and **the subject matter is essentially about carrying out business and the inventive step itself lies in the business /transactional concepts.***

***This bears/has direct reference I relevance to CRI guide lines para 4.5.2 which states that “but if the subject matter is essentially about carrying out business/ trade/ financial transaction and/or a method of selling goods through web (e.g. providing web service functionality), should be treated as business method.”***



*Although claims 17- 24 claim a server and claims 25-30 claim a mobile device, but the server and the device are used to implement methods vide claims 1-10 and 11-16 without any specific hardware.*

*Therefore, in view of the above facts, the claims 1-30 are not patentable u/s 3(k) for being business method. It is noted that although the hearing submissions have attempted to address the other requirements, yet without fulfilling the substantive requirements of the Patents Act, 1970 i.e. Section 3(k), this instant application is not found in order for grant.*

*For the foregoing reasons, I affirm that the subject matter as claimed in claims 1 – 30 is not a patent eligible subject matter under section 3(k) of the Patents Act, 1970. I, therefore, refuse the grant of Patent on this application under section 15 of the Patent Act, 1970 (as amended).”*

5. The appellant being aggrieved by the decision of the Controller has filed the present appeal.
6. Notice in the present appeal was issued by the Predecessor Bench on 15<sup>th</sup> December, 2022.

### **SUBMISSIONS**

7. While assailing the impugned order, Mr. Manish Aryan, counsel appearing on behalf of the appellant has made following submissions:

7.1. The Controller failed to appreciate that even a computer-related invention demonstrating a ‘technical effect’ or a ‘technical contribution’ is patentable even though it may be based on a computer programme.

7.2. The subject application relates to authentication of financial transaction and not financial transaction. It discloses a method for communicating electronic token to an electronic payment card, which is implemented by a server.

7.3. The invention discloses a two-step security verification which comprises four primary elements, namely, mobile device, server, electronic contactless payment card and intermediary device (merchant device).



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7.4. In sum, the invention of the appellant is in the nature of a technical process to secure authentication. In this regard reliance is placed on *Priya Randolph and Another v. Deputy Controller of Patents and Designs*, 2023 SCC OnLine Mad 7890.

8. Per contra, counsel for the respondent reiterates the findings in the impugned order. He submits that the subject application refers to authentication of electronic payment card, which in turn helps in improving the security of financial transactions and thus helps in performing financial transactions. The invention in the subject application provides for a secure electronic payment method to the user which establishes trust between the firm or organisation and their customers thereby leading to a growth of potential customers. Hence, the subject application is non patentable as it falls under “business method” under section 3(k) of the Patents Act. Moreover, the said authentication process would be considered as a financial activity which is non-patentable as per clause 4.5.2 of the Guidelines for Examination of Computer Related Inventions, 2016.

#### **ANALYSIS AND FINDINGS**

9. I have heard the counsel for the parties and examined the record of the case.

10. A perusal of the impugned order passed by the Controller would show that the subject application has been refused under Section 3(k) of the Patents Act on the basis that the impugned invention in the subject application is in the nature of (i) computer programme per se and (ii) business method.

11. To examine the aspect of whether the subject application relates to a method of carrying out business, a reference may be made to the latest



Guidelines for Examination of Computer Related Inventions, 2017 [‘CRI Guidelines, 2017’] issued by the Patent Office where the term ‘business method’ has been defined. The relevant Clause 4.5.2 of the said guidelines is set out below:-

*“4.5.2 Claims directed as “Business Method”: The term “Business Methods” involves whole gamut of activities in a commercial or industrial enterprise relating to transaction of goods or services. The claims drafted not directly as “business methods” but apparently with some unspecified means are held non-patentable. **However, if the claimed subject matter specifies an apparatus and/or a technical process for carrying out the invention even partly, the claims shall be examined as a whole.** When a claim is “business methods” in substance, it is not to be considered a patentable subject matter.*

***However, mere presence of the words such as “enterprise”, “business”, “business rules”, “supply-chain”, “order”, “sales”, “transactions”, “commerce”, “payment” etc. in the claims may not lead to conclusion of an invention being just a “Business Method”, but if the subject matter is essentially about carrying out business/ trade/ financial activity/ transaction and/or a method of buying/selling goods through web (e.g. providing web service functionality), the same should be treated as business method and shall not be patentable.”***

[Emphasis supplied]

12. A perusal of the aforesaid clause from the CRI Guidelines, 2017 clearly shows that the term ‘business method’ would apply where the activity is in relation to the transaction of goods or services. However, where the subject matter of the application specifies an apparatus and/or a technical process for carrying out the invention, even partly, the Claims have to be examined as a whole. In other words, the Claims shall be treated as ‘business method’ only if they are essentially about carrying out business/ trade/ financial activity/ transaction. The use of words such as ‘business’, ‘sales’, ‘transaction’ ‘payment’ by themselves are not relevant to conclude



that the invention is the business method.

13. While analysing the patentability of ‘business methods’ under Section 3(k) of the Patents Act, a Coordinate Bench in *Opentv INC v. The Controller of Patents and Designs*<sup>2</sup>, has made the following observations:

*“73. Thus, the only question that the Court or the Patent Office while dealing with patent applications involving a business method, needs consider is whether the patent application addresses a business or administrative problem and provides a solution for the same.*

*74. In order to judge as to whether a particular patent application seeks to patent business methods or not, at the outset, the following aspects, ought to be considered -*

*(i) whether the invention is primarily for enabling conduct or administration of a particular business i.e., sale or purchase of goods or services;*

*(ii) whether the purpose of the invention is for claiming exclusivity or monopoly over a manner of doing business;*

*(iii) whether the invention relates to a method of sale or purchase of goods or services or is in fact a computer program producing a technical effect or exhibiting technical advancement. If it is the latter, it would be patentable but not if it is the former.”*

[Emphasis supplied]

14. In *Priya Randolph* (supra), similar view was taken by a Single bench of the High Court of Madras, holding that in e-commerce transactions, a claim would be construed as a ‘business method’ only if in substance it is for a ‘business method’. In the said case, the invention involved was a software, hardware and firmware for the purposes of data privacy and protection. The Court came to the conclusion that this cannot be termed as a ‘business method’ and hence the impugned order of refusal passed by the Patent Office was set aside.

15. While assessing the patentability of ‘computer software per se’ under



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Section 3(k) of the Patents Act, the Controller has to see whether the invention results in a technical effect or a technical advancement. A Coordinate Bench of this court in *Ferid Allani v. Union of India*<sup>3</sup>, has observed that in today's digital era where the majority of the inventions are based on computer programmes, it would be a step backward to claim that all such inventions are not patentable. The relevant portion is set out below:

*“10.....The bar on patenting is in respect of ‘computer programs per se....’ and not all inventions based on computer programs. In today's digital world, when most inventions are based on computer programs, it would be retrograde to argue that all such inventions would not be patentable. Innovation in the field of artificial intelligence, blockchain technologies and other digital products would be based on computer programs, however the same would not become non-patentable inventions - simply for that reason. It is rare to see a product which is not based on a computer program. Whether they are cars and other automobiles, microwave ovens, washing machines, refrigerators, they all have some sort of computer programs in-built in them. Thus, the effect that such programs produce including in digital and electronic products is crucial in determining the test of patentability.*

11. Patent applications in these fields would have to be examined to see if they result in a ‘technical contribution’. The addition of the terms ‘per se’ in Section 3(k) was a conscious step and the Report of the Joint Committee on the Patents (Second Amendment) Bill, 19991 specifically records the reasons for the addition of this term in the final statute as under:

*“In the new proposed clause (k) the words “per se” have been inserted. This change has been proposed because sometime the computer programme may include certain other things, ancillary thereto or developed thereon. The intention here is not to reject them for grant of patent if they are inventions. However, the computer programmes ‘as such’ are not intended to be granted patent. The amendment has been proposed to clarify the purpose.”*

12. A perusal of the above extract from the Report shows that Section

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<sup>2</sup> 2023 SCC OnLine Del 2771

<sup>3</sup> 2019 SCC OnLine Del 11867





3(k) which was sought to be inserted by the Patents (Second Amendment) Bill, 1999 originally read as “a mathematical or business method or a computer program or algorithms.” **“The words ‘per se’ were incorporated so as to ensure that genuine inventions which are developed, based on computer programs are not refused patents.”**

13. The use of ‘per se’ read along with above extract from the report suggests that the legal position in India is similar to the EU which also as a similar provision, Article 52 of the European Patent Convention, which reads as under:

“(2) The following in particular shall not be regarded as inventions within the meaning of paragraph 1:

- (a) discoveries, scientific theories and mathematical methods;
- (b) aesthetic creations;
- (c) schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;
- (d) presentations of information.

(3) Paragraph 2 shall exclude the patentability of the subject matter or activities referred to therein only to the extent to which a European patent application or European patent relates to such subject-matter or activities as such.”

**14. Across the world, patent offices have tested patent applications in this field of innovation, on the fulcrum of ‘technical effect’ and ‘technical contribution’. If the invention demonstrates a ‘technical effect’ or a ‘technical contribution’ it is patentable even though it may be based on a computer program.”**

[Emphasis supplied]

16. Now I shall examine the subject application in light of the legal position elucidated above. In the subject application, there are a total of thirty (30) Claims, out of which four (4) are independent Claims and the remaining are dependent Claims. The Claims of the subject application collectively define a highly secure, token-based authentication system for electronic payment transactions that leverages proximity, encryption, and multi-layer verification. Through the first link, the transaction card requests a new electronic token from the mobile device. Thereafter, through the



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second link, the transaction card receives the token from the server *via* mobile device. In the validation step, the token received by the merchant device is compared with the token already stored in the server, and if both the tokens are the same, the transaction is authenticated. The invention improves security by ensuring that only authorised tokens, generated in close proximity and valid for a limited time, are accepted for transactions and unauthorized transactions with an invalid token are eliminated. This multi-component design makes the system versatile, adaptable to various card types and communication technologies, and highly resistant to common security threats in electronic transactions.

17. After examining the Complete Patent Specification along with the Claims, I am of the view that the subject application is not addressing a business problem but addressing the security of the transaction. The inventive step in the subject application does not lie in the business concept but rather lies in the technical process, as disclosed in the application. The authentication in the invention finishes before the actual financial transaction begins. Therefore, the aforesaid subject application would not relate to a financial transaction.

18. The Controller appears to have refused the application as being a 'business method' only on the ground that the Specification as well as the Claims have used terms such as 'payment', 'transactions' and 'financial transaction'.

19. Now, I would examine the ground of refusal on account of the invention being a 'computer programme per se'. The impugned order fails to take into account that the subject application, even if based on computer programme and communication, would be patentable as it has resulted in a



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technical advancement in contactless payments, where the contactless payments were vulnerable to unauthorised transactions when a transaction card got stolen or compromised. Existing solutions, like one-time passwords (OTPs) or dynamic security codes, are susceptible to problems such as mobile phone cloning, visibility of security codes, etc. The appellant, through the subject application, has tried to overcome such limitations by providing a technical solution to a technical problem i.e., how to prevent unauthorised transactions using electronic payment cards. Therefore, in my view, it would not be a ‘computer program per se’.

20. In my opinion, the Controller has overlooked the aforesaid aspects in the subject application and has wrongly come to the conclusion that it would be non-patentable under Section 3(k) of the Patents Act as it would fall into the category of ‘business method’ and ‘computer programme per se’.

21. In view of the above, the impugned order dated 25<sup>th</sup> August 2022 is set aside and the Patent Office shall proceed to grant patent for the subject application, subject to any other objections in accordance with the provisions of the Patents Act.

22. List before the Patent Office on 12<sup>th</sup> December, 2024.

23. The Registry is directed to supply a copy of the present order to the office of the Controller General of Patents, Designs & Trademarks of India on the e-mail- [llc-ipo@gov.in](mailto:llc-ipo@gov.in) for compliance of this order.

24. The appeal stands allowed in the aforesaid terms.

**AMIT BANSAL, J**

**NOVEMBER 12, 2024**

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**CORRECTED AND UPLOADED ON 21.11.2024**