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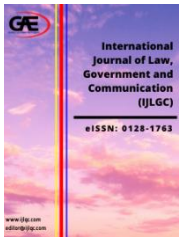

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ELIGIBILITY OF BUSINESS METHOD PATENT IN MALAYSIA

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Abstract:

This paper analyses the patentability of business methods in the United States, United Kingdom, and Malaysia. In order to do this, we compared the existing law, court cases, and government guidelines in respective countries on how they assess the patent application for computer or software operation as a method of doing business in this technological era. Our results showed that business methods were historically not patentable but are now eligible for patentability in some countries. This type of invention could be patented in the United States but not in the United Kingdom and Malaysia. Despite being allowed to be patented in the United States, there are still arguments and development by the Court and the United States Patent & Trademark Office regarding the assessment of the claim. For United Kingdom, despite the exception in United Kingdom Patents Act 1977, a thorough look reveals that business methods are actually eligible for patentability in the United Kingdom but somewhat under stricter legal conditions. As for Malaysia, there is as yet a reported case that has judicially considered the scope of this exclusion but it can be seen that Malaysia also starting to acknowledge the patentability of business methods. This study emphasizes the development of assessing patent applications for the method of doing business invention along with the changes and advancement of these days technology.

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Business Method, Patentability, Technical, Excluded Subject Matter, Invention

Introduction

'Business Method' is notoriously hard to define. Scholars came out with different reasons why this phrase is too hard to have an absolute definition. According to Thayne, methods of doing business are difficult to define because they encompass a wide variety of potentially patentable inventions but also frequently consist of broad, general concepts (Thayne, 2001). Strandburg continues to explore the ongoing challenge of defining business methods. In her opinion, the reason for the difficulty lies in the presence of numerous types of inventions, particularly within the realm of widely recognized business methods. The various types of inventions may have varying development costs and potential for appropriability, among other factors. These factors can impact the theoretical analysis of the optimal limits of patent protection (Strandburg, 2008). Hall concurs with the notion that business method patents lack a precise definition. Scholars often fail to differentiate between business method patents, internet patents, and software patents. In the present day, it is inevitable that many business method patents are actually patents on transferring a known business method to a software and/or web-based implementation. Therefore, it becomes challenging to maintain a clear distinction between the two (Hall, 2009). However, there are few academics who have attempted to define the business method in recent years.

Table 1: Scholars Definition of Business Method

Scholars	Definitions
Pollack M. (2002)	By business method, I mean a process where the point of invention lies in the entrepreneurial strategy.
John R. Allison & Emerson H. Tiller (2003)	A business method is a method, technique, or process that has something to do with the practice of business.
Chiappetta V. (2004)	The phrase 'business method patents' has been used to refer to the methodological concept for doing business, the technological implementation of that process and combinations of the two.
Wagner S. (2006)	From an economic perspective, the term 'business method' is very broad and comprises various economic activities like selling and buying items, marketing or finance methods, schemes, and techniques. From a legal perspective, I finds it hard to find an abstract definition of what exactly constitutes a business method and what makes it different from other 'methods'.
Locke, 2008	Informally, one may group together as business methods any methods that are not required to be tied to a particular technologic device, may involve steps for moving or processing information and data and may be able to be performed more efficiently through the use of a computer or other electronic devices.
Daniel F. Spulber, 2011	A business method invention is the discovery of a commercial technique that firms can apply to address market opportunities.

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Liu Y, 2011	'business method' refers to any method of conducting business activities, which may involve finance, insurance, banking, tax and electronic commerce.
John F. Duffy, 2011	Business method patents is a patents in which the inventor's contribution is directed toward improving processes in fields of business such as finance, credit, insurance, marketing, sales, management and the like.

Source: Researcher

Table 1 shows the scholar's attempt to define business methods. According to Pollack, the business method patent is a process where the focal point of innovation is rooted in the entrepreneurial strategy. When the point of invention is some object or machine, the patent clearly is not for a business method (Pollack, 2002). The definition is aligned with Allison and Tiller, who consider a business method as a method, technique, or process related to business practice (Allison & Tiller, 2003). Chiappetta also considers that business method patent has been used to describe the concept of how to conduct business, the technological aspect of implementing that process, and various combinations of the two (Chiappetta, 2004). As for Wagner, he defines business methodss from economic and legal perspectives. From an economic standpoint, business methods include selling and buying goods, marketing, and financial methods, plans, and strategies. He struggles to define a business process and distinguish it from other methods from a legal perspective (Wagner, 2006).

For Locke and Schmidt, business methods are defined as those that do not require a specific technological device, involve data processing, and can be performed more efficiently with the use of a computer or other electronic devices (Locke & Schmidt, 2007). As for Spulber, business method refers to the identification of a business method that companies can utilize to tackle market opportunities (Spulber, 2011). As for Liu Y, the business method can be described as a method used to carry out various business activities. These activities can include finance, insurance, banking, tax, and electronic commerce (Liu, 2011). Duffy believes that a business method patent is a type of patent where the inventor's focus is on enhancing processes in various business areas, such as finance, credit, insurance, marketing, sales, management, and similar fields (Duffy, 2011). The term 'business method' can be defined as a method that involves the use of commercial interests to carry out administrative or customer service tasks, which may or may not involve the use of tangible or intangible apparatuses, or a combination of both, all with the underlying motivation of commercial gain.

In 2000, John J. Love, the Group Director in Technology Centre 2700 at the United States Patent and Trademark Office 2000 give the definition of class 705 business method patent. He mentioned that the definition of the class is a machine, which is basically computers, and methods for performing data processes, for calculation operations and the practice, administration, or management of an enterprise, for processing of financial data and of determination of the charge of goods and services (Love, 2000). Class 705 is the general class for devices and methods (1) for processing data in which the data is changed in a significant way or (2) for performing calculation operations wherein the apparatus or method is uniquely designed for or utilized in the practice, administration, or management of an enterprise, or in the processing of financial data, or (3) for performing data processing or calculating operations in which a charge for goods or services. USPTO attempted to define 'business method' as an

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apparatus and corresponding methods with one or more particular business functions. The business functions in the scope of Class 705 for which business method patent may be considered are regarded as those which resolve problems relating to administration of an organization, commodities, or financial transactions (USPTO, 2012).

As for Europe, European Patent Office considers that business method is a subject matter or activities which are of a financial, commercial, administrative or organizational nature fall within the scope of schemes, rules and methods for doing business, which are as such excluded from patentability under Article 52 (2) (c) and (3) European Patent Convention 2000. Historically, methods of doing business were not patentable. However, in the United States in 1998, in the judgment case of *State Street*, the door to patentability opened for business methods. As for the United Kingdom and Malaysia, the patentability of business methods is still being estopped by the law.

Development Of Business Method Patent in the United States

In accordance with Article 1 § 8 of the United States Constitution where Congress's given specific powers to promote the progress of science and useful arts by securing for a limited time to authors and inventors the exclusive right to their respective writings and discoveries, they enacted Title 35 United States Code (also known as Patent Act 1952) to govern all aspects of United States patent law. Through § 1 Patent Act 1952, The United States Patent and Trademark Office (USPTO) was established to create regulations consistent with law, for the conduct of proceedings in the USPTO. Accordingly, USPTO published Manual of Patent Examining Procedure (MPEP) to provide patent examiners, applicants, attorneys, agents, and representatives of applicants with reference work on the practices and procedures pertaining to the prosecution of patent applications and other USPTO proceedings. The contents of MPEP do not have the force and effect of law and are not meant to bind the public. It is intended only to provide clarity to the public regarding existing requirements under the law or agency policies (USPTO, 2023).

§ 101 Patent Act 1952 enumerates four categories of subject matter that are new and useful that Congress deemed appropriate for patent namely process, machine, manufacture, or composition of matter. If a claim covers material not found in any of the four statutory categories, that claim falls outside the plainly expressed scope of § 101 even if the subject matter is new and useful (In re Petrus A.C.M. Nuijten (2007) 500 F.3d 1346). In addition, the claim also must not be directed to a judicial exception where the courts have found to be outside of the four statutory categories of invention namely abstract ideas, laws of nature, and natural phenomena (Diamond v. Chakrabarty (1980) 447 U.S. 303). The judicial exceptions reflect the Court's view that the three judicial exceptions are the basic tools of scientific and technological work and monopolization of those tools through the grant of patent might tend to impede innovation more than it would tend to promote it (Alice Corp. Pty. Ltd. v. CLS Bank Int'l (2014) 573 U.S. 208).

Historically in the United States, methods of doing business were not patentable as it is deemed to be directed to one of the judicial exceptions, an abstract idea. In the case of *Hotel Security Checking Co v Lorraine Co (1908)*, the invention concern is a system of cash registering and account-checking designed to prevent fraud by the restaurant or hotel staff. In deciding the case, Justice COXE explained that a system of transacting business is abstract in nature by citing *Fowler v. City of New York (1903)*.

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In the sense of the patent law, an art is not a mere abstraction. A system of transacting business disconnected from the means for carrying out the system is not, within the most liberal interpretation of the term, an art. Advice is not patentable. As this court said in Fowler v. City of New York, 121 Fed. 747, 58 C.C.A. 113:

"No mere abstraction, no idea, however brilliant, can be the subject of a patent irrespective of the means designed to give it effect."

In *Hotel Security*, the judges are convinced that method of transacting business is abstract and it can never be the subject of a patent. The invention also lacks novelty as there is nothing new in the physical means or use of the invention. This case is referred to in establishing the exception of patenting business methods in the First Edition of MPEP 1949.

706.03 (a) Nonstatutory Subject Matter

METHOD OF DOING BUSINESS

Though seemingly within the category of an 'art', or method, the law is settled that a method of doing business can be rejected as not being within the statutory classes [of patentable subject matter]. - Hotel Security Checking Co v Lorraine Co., Fed 467

Thus, the first formal exception of patenting 'business method' was introduced through MPEP 1949. However, MPEP does not have any effect on the law. It is only meant to be a guide and provide clarity to the public regarding patents before the USPTO. Later in Supreme Court United States in the case of *Gottschalk v Benson (1972)*, Justice Douglas held that a computer programming method to convert signals from a binary-coded decimal form into pure binary form was not patentable as the process was so abstract and therefore was an attempt to patent an idea, not an actual process. He asserted that the test of patentability for computer-implemented invention was a physical transformation from one state to another. He further stated that a process patent must either be tied to a particular machine or apparatus or must operate to change articles or materials to a different state or thing.

After 22 years, at Court of Appeals for the Federal Circuit in the case of *In re Schrader (1994)*, the issue raised whether the invention concerned method of competitive bidding was patentable. At the USPTO level, the application was rejected as it deemed the invention did not fit the subject matter under § 101 Patent Act 1952. After this rejection, Schrader appealed to the Board of Patent Appeals and Interferences (The Board) and they sustained the rejection. Schrader subsequently lodged an appeal with the court against the decision made by The Board. At the Court, Justice Mayer and Plager agreed with The Board and found that the patent could not be obtained as mathematical algorithms are abstract in nature.

However, in Justice Newman's dissenting judgment, he opined that even if Schrader's claims included a mathematical algorithm, the claims were a 'process' under § 101 Patent Act 1952 and directed toward statutory subject matter. Technological usefulness represents the only limitation on a statutory 'process' and a process does not violate § 101 Patent Act 1952 requirements simply because of the nature of the subject matter or product produced. He also

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criticized The Board's use of a method of doing business exception to reject Schrader's application as he deemed that the exception is a fuzzy concept.

The Board also relied on the "method of doing business" ground for finding Schrader's subject matter non-statutory under section 101. In so doing the Board remarked that the "method of doing business" is a "fuzzy" concept, observed the inconclusiveness of precedent, and sought guidance from this court. Indeed it is fuzzy; and since it is also an unwarranted encumbrance to the definition of statutory subject matter. In section 101, my guidance is that it be discarded as error-prone, redundant, and obsolete. It merits retirement from the glossary of section 101.

I discern no purpose in perpetuating a poorly defined, redundant, and unnecessary "business methods" exception, indeed enlarging (and enhancing the fuzziness of) that exception by applying it in this case. All of the "doing business" cases could have been decided using the clearer concepts of Title 35. Patentability does not turn on whether the claimed method does "business" instead of something else, but on whether the method, viewed as a whole, meets the requirements of patentability as set forth in Sections 102, 103, and 112 of the Patent Act.

Even though Justice Newman delivers a dissenting judgment when he concluded the invention met the requirements of § 101 Patent Act 1952, he agreed to not grant the patent for Schrader's invention as the examination are not adequate to determine the merits of patentability as the record does not show any analysis in terms of § 102 and § 103 Patent Act 1952.

Not long after that, in the first revision of MPEP 1959, USPTO dropped its endorsement of the business method exception from the MPEP. Eliminating any mention of a business method patenting limitation was a significant indication that the agency was beginning to conform its administrative instructions to the reality that was already occurring, the issuance of business method patents (Duffy, 2011). Subsequent actions by the USPTO confirmed that the agency acted deliberately in purging any mention of a business method exception from the MPEP when they introduced Guidelines for Examination of Computer-Related Inventions 1996 and instructed as below:

Office personnel have had difficulty in properly treating claims directed to methods of doing business. Claims should not be categorized as methods of doing business. Instead, such claims should be treated like any other process claims, pursuant to these Guidelines when relevant.

Later in 1998, Justice Rich in deciding the case of *State Street Bank & Trust Co. v. Signature Finance Group, Inc (1998)*, agreed that business method application should be treated like any other type of application as per Guidelines. The invention concerns a data processing system for implementing an investment structure for the administration and accounting of mutual funds. At the District Court level, the Plaintiff was granted a summary judgment as the invention was deemed to be unpatentable. However, in the Court of Appeal for the Federal Circuit, the decision is being reversed and it was held that the plaintiff was not entitled to the grant of summary judgment because the claimed process was patentable subject matter under the statute.

Justice Rich structured his decision in deciding the invention is patentable by first dealing with the scope of patentable subject matter in § 101 Patent Act 1952. Then, he delivers his opinion on the so-called exception of patenting mathematical algorithms and business methods.

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I. Scope of patentable subject matter in § 101 Patent Act 1952

The repetitive use of the expansive term 'any' in § 101 shows Congress's intent not to place any restrictions on the subject matter for which a patent may be obtained beyond those specifically recited in § 101…. Thus, it is improper to read limitations into § 101 on the subject matter that may be patented where the legislative history indicates that Congress clearly did not intend such limitations….

II. Mathematical Algorithm Exception

Unpatentable mathematical algorithms are identifiable by showing they are merely abstract ideas constituting disembodied concepts or truths that are not "useful." From a practical standpoint, this means that to be patentable an algorithm must be applied in a "useful" way.

Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces "a useful, concrete and tangible result"-

III. Business Method Exception

We take this opportunity to lay this ill-conceived exception (business method) to rest. Since its inception, the "business method" exception has merely represented the application of some general, but no longer applicable legal principle, perhaps arising out of the "requirement for invention"--which was eliminated by § 103. Since the 1952 Patent Act, business methods have been and should have been, subject to the same legal requirements for patentability as applied to any other process or method

As for the scope of patentable subject matter, Justice Rich believes that the four mentioned subject matter in § 101 Patent Act 1952 is not the only subject matter that could be patented as the use of the word 'any' in the statute clearly shows that Congress clearly did not intend such limitations. For mathematical algorithm exceptions, he believes that only mathematical algorithms that are merely abstract ideas could not be patented. As long as the mathematical algorithm could be applied in a useful way and produce a useful, concrete, and tangible result, it could be patented. For business method exceptions, he believes that the business method application should be subject to the same legal requirement for patentability as any other process or method and should not be treated differently.

Soon after the State Street decision, the USPTO published a significant white paper that appeared to be in complete agreement with the Federal Circuit's position (Duffy, 2011). In A USPTO White Paper for Automated Financial or Management Data Processing Methods (Business Methods) 2000, USPTO viewed that the *State Street* decision did not alter the law, but rather raised awareness of the 'business method claim' as a viable form of patent protection. It is the beginning of a change in the approach to how inventors choose to describe their inventions (USPTO, 2000).

The Supreme Court's decisions in *Alice Corp. v. CLS Bank International (2014),* continued the trend of dealing with business method patents. The case had a significant impact on the field of computer-implemented inventions particularly those covering financial and business-related processes (Walaski, 2014). The Alice Corp.'s patents claimed covered a computerized method

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for mitigating settlement risk in a financial transaction, using a computer system as a third-party intermediary. In deciding whether the claim is patent-eligible, the court relied on the two-step analysis test laid in *Mayo Collaborative Services v. Prometheus Laboratories, Inc (2012)*.

We must first determine whether the claims at issue are directed to a patent-ineligible concept. We conclude that they are: These claims are drawn to the abstract idea of intermediated settlement.

Because the claims at issue are directed to the abstract idea of intermediated settlement, we turn to the second step in Mayo's framework (the court then asks what else is there in the claims before it?). We conclude that the method claims, which merely require generic computer implementation, fail to transform that abstract idea into a patent-eligible invention

.... Because petitioner's system and media claims add nothing of substance to the underlying abstract idea, we hold that they too are patent ineligible under § 101....

For the first step, Justice Lourie on behalf of the five members concluded in *Alice's* case that the claims at issue are patent ineligible. Following the second Mayo's steps, she continues to decide that the invention fails to transform into a patent-eligible invention as it merely requires generic computer implementation thus it failed to transform the abstract idea into a patent-eligible invention. Accordingly, the Court held Alice's claims invalid as a patent-ineligible subject matter under § 101 of the United States Patents Act 1952.

In 2023, in the case of *Ocean Semiconductor LLC v. Analog Devices, Inc (2023)*, the analysis in *Alice* assists in understanding the two-step process required in this case. Plaintiff alleged that the defendant infringed his claim 1 entitled 'Method and Apparatus for Filtering Metrology Data Based on Collection Purpose'. Applying step one of *Alice*, claim 1 is found ineligible because it is directed to the abstract idea of a method of collecting methodology data. As the answer is affirmative, the Court proceeded to step two and it was found that claim 1 is too general and abstract to add any inventive concept. The Court also noted that none of the limitations in claim 1 addressed the specific technical problem mentioned in the specification. Therefore, the Court granted the Defendant's motion to dismiss.

Alice's case sought to provide a safe harbour from § 101 Patents Act 1952 abstract idea scrutiny if the claimant established that the claim is directed to a solution to a technological problem (Chisum, 2014). Although *Alice's* decision did not mention software as such, the case was widely regarded as a decision regarding software patents or patents on software for business methods (Lee, 2014). Indeed, the Supreme Court did not provide the clearest guidance on when a patent claims solely an abstract idea, but it did provide guidance that should help invalidate some of the worst patent-seeking software (Fink, 2004). Since *Alice*, the Federal Circuit, the district courts, and the United States Patent & Trademark Office (USPTO) have all struggled to implement the Supreme Court's *Alice* two-step framework in a predictable and consistent manner (Bui, 2018). While the turmoil *Alice* caused has been well documented, its impact on patent applicant behaviour at the patent office remains relatively obscure (Lim, 2021).

Development Of Business Method Patent in the United Kingdom

The Patents Act 1977 governs the creation and use of patents in the United Kingdom. Besides Patents Act 1977, United Kingdom is also a state member for European Patent Convention

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which is a multilateral treaty that creates a separate legal system for granting European patents. Even though, the United Kingdom leaves the European Union on 31 January 2020, the European Patent Office (EPO) and Chartered Institute of Patent Attorneys (CIPA) confirm that Brexit will not affect United Kingdom's membership in the European Patent Office or European patents (EPO, 2018). This is because the European Patent Office is established under Article 4 European Patent Convention, an international treaty independent of the European Union that extends beyond members of the European Community.

For patenting business methods in the United Kingdom, there is confusion originating from Article 52 (2) European Patent Convention 2000, mirrored in Section 1 (2) of the United Kingdom Patents Act 1977. Section 1 (2) United Kingdom Patents Act 1977 sets out a list of activities that shall not be regarded as inventions, which are commonly referred to as categories of excluded subject matter.

(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.

The provision implies that European Patent Office and the United Kingdom Intellectual Property Office (UKIPO) can grant patents for inventions involving excluded subject matter categories but it is limited to the extent that the application is relevant to the prohibited subject matter 'as such'. The 'as such' qualification has been used to restrict the subject matter allowed in these categories (Naylor, O'Kane, Brunner, & Small, 2019).

Among the earliest case that illustrates the exception in Section 1 (2) (c) Patents Act 1977 is *Merrill Lynch Inc's Patent Application [1989]*. At patent office, an application to patent data processing system was rejected under Section 1 (2) Patents Act 1977 as it is a computer program. The decision was appealed in Patents Court where Justice Falconer endorsed the view of the patent officer. The decision was then appealed in Court of Appeal. In the appeal Court, Justice Fox held that as the invention contribution is still simply a method of doing business, it is still a prohibited subject matter to patent and dismissed the appeal.

Now let it be supposed that claim 1 can be regarded as producing a new result in the form of a technical contribution to the prior art. That result, whatever the technical advance may be, is simply the production of a trading system. The end result, therefore, is simply 'a method .... of doing business' and is excluded by section 1(2)(c). The fact that the method of doing business may be an improvement on previous methods of doing business does not seem to me to be material…

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The reasoning behind his judgment is that there is no technical contribution being made. This is because the end result is just merely a business method and this subject matter is also prohibited from be patentability under Section 1 (2) (c) Patents Act 1977. Justice Aldous at Court of Appeal in deciding *Fujitsu Limited's Application (1997),* acknowledge Justice Fox judgment in *Merrill Lynch Inc's Patent Application [1989]* that highlighted the importance of considering whether the invention made a technical contribution or not despite the fact that the requirement of technical character in patenting excluded subject matter was never mentioned in any statute.

In the case of *Fujitsu Limited's Application [1997],* Justice Aldous upheld the rejection to patent computer system that automated the trading of securities. In deciding, he referred to judgment in European Patent Application *T 0208/84 (VICOM's).*

…it is and always has been a principle of patent law that mere discoveries or ideas are not patentable, but those discoveries and ideas which have a technical aspect or make a technical contribution are. Thus, the concept that what is needed to make an excluded thing patentable is a technical contribution is not surprising. That was the basis for the decision of the Board in Vicom. It has been accepted by this court and by the E.P.O. and has been applied since 1987. It is a concept at the heart of patent law..

Applying it to the case, he held that the invention was just a typical computer function and the only advancement is the computer program helps to show the merged structure faster. Thus, the invention offered no advantages beyond those of a computer program. Since there was no technical contribution, the application was rejected.

After nine years, *Aerotel Ltd v Telco Holding Ltd & Ors and Neal William Macrossan's Application [2007]* case reached the Court of Appeal in the United Kingdom and was combined into a single decision. The case involved two different appeals to the Court of Appeal from the High Court. For the first case, *Aerotel Ltd v Telco Holding Ltd & Ors*, Aerotel sued Telco for patent infringement. Telco responded by filing a counterclaim for revocation of Aerotel's patent as it claims that the invention was merely a method of doing business and was thus excluded from patentability under the Patents Act 1977. The patented invention concerns a method of making a telephone call using pre-payments. For the second case in *Neal William Macrossan's Application*, United Kingdom Patent Office took the view that the Macrosaan's invention subject matter was unpatentable. This is because the claimed invention is related to a method of doing business and computer programs. The invention concerns an automated method of acquiring the documents necessary to incorporate a company.

Through this case, the court took the opportunity to re-examine the patentability of business method related inventions from their historical inception to present day e-commerce reality and industrial perception of such inventions in the United Kingdom, the United States, and elsewhere in the developed world (Azmi, 2003). Justice Chadwick, Jacob and Neuberger re-examination culminated in a new test, namely the *Aerotel/Macrossan* Four-Step Approach as below.

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Table 2: *Aerotel/Macrossan* Four-Step Approach

Steps	Action
1. The Claim	Properly construe the claim
2. The Contribution	Identify the actual or alleged contribution
3. Invention is not an excluded subject matter	Ask whether it falls solely within the excluded subject matter
4. Technical Character	Check whether the actual or alleged contribution is actually technical in nature

Source: Aerotel Ltd v Telco Holding Ltd & Ors and Neal William Macrossan's Application (2007)

Based on Table 2, there are four steps approach to determine the patentability of business method-related inventions. In step one, the examiner has to understand the claim before going on to the question of whether it is excluded. In step two, the invention must determine whether the invention made a positive contribution to the present stock of human knowledge. The formulation involves looking at substances, not form. In step three, if the contribution falls wholly within one or more of the excluded categories, then the said invention will be deemed to be a non-patentable invention and ought to be refused instantly without further consideration.

However for step four, the step may not be necessary because the third step should have covered that. However, it is necessary to check if the technical contribution follows *Merrill Lynch Inc's* requirements. The court is of the opinion that the approach is indeed consistent with what has been decided by the court in the past as it is a re-formulation in a different order of the *Merrill Lynch Inc's* test and *Fujitsu*. On 8th December 2008, the UKIPO issued a Practice Notice that confirmed the four-step test in *Aerotel/Macrossan* (UKIPO, 2023).

The *Aerotel/Macrossan* test has been utilized in multiple instances inside the United Kingdom as well as the European Patent Office. At the European Patent Office, the steps are followed in assessing the *E-Bay Inc Application [2012]*. The idea involves sending a text message from a mobile phone to a server to securely transfer money from a first party to a second party. The examining officer initially rejected the claim on the basis that it is a way of conducting business under Section 1 (2) Patents Act 1977. Later, at the hearing, the hearing officer agreed that the correct test to be applied when determining whether an invention relates to excluded subject matter is laid down in *Aerotel/Macrossan* test. The officer applied the test and affirmed that the invention only contributes to the method of doing business in general. The invention is therefore excluded from patentability as it falls solely within the excluded categories defined in Section 1(2)(c) of the Patents Act 1977.

In the Europe patent application *Innoplexus AG [2021]*, the test in *Aerotel/Macrossan* also being applied. The application is regarding the method performed by a computer. The idea behind the invention was to clean up datasets to find information that is useful to the user. The first and second steps of *Aerotel/Macrossan* are not discussed as it is not contested. For the third and fourth step, the examiner is satisfied that the present invention does not overcome any technical problem. There is no doubt the invention falls solely within the excluded subject matter of computer program as such.

The patentability of business methods in the United Kingdom is currently at a turning point and it seems that allowing business method patents, at least in some carefully tailored manner is justified (Fink, 2004). A closer look reveals that business methods are eligible for

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patentability in Europe and the United Kingdom under somewhat stricter legal conditions than in the United States despite the apparent exclusion in Section 1 (2) of the United Kingdom Patents Act 1977 and Article 52 European Patent Convention (Wagner, 2006). To date, any business method applicants in the United Kingdom should ensure that patent applications relating to software and business methods describe physical, and technical components and highlight technical advantages achieved by the invention and possible sub-inventions (Naylor et al., 2019). There are no conclusive answers whether United Kingdom would liberalize patenting business methods on the basis of the United States experience, as it was proven the liberalization of United States patent law does appear to have led to considerable administrative problems (Bakels & Hugenholtz, 2002).

Development Of Business Method Patent in Malaysia

Patents Act 1983 governs patent law in Malaysia. Section 11 of the Malaysia Patents Act 1983 provides that an invention is patentable if it is new, involves an inventive step, and is industrially applicable. However, even though an invention may satisfy the statutory criteria, patent protection may still be withheld on the basis that the invention comes within one of the exclusions in Section 13 (1) Patents Act 1983 which specifically provides a list of non-patentable inventions. Business method patents fall within the category of non-patentable subject matter in Section 13 (c) Patents Act 1983 which are categorized together with schemes and rules for doing business, purely mental acts, and playing games. This is also in line with Patent Examiner Guidelines 2023 designed to assist examiners in analysing claimed subject matters as to whether they fully comply with the law.

Paragraph 2.3.5.1 Malaysia Patent Examination Guidelines 2023

The exclusion from patentability of schemes, rules and methods for performing mental acts under Section 13(1) concerns instructions to the human mind on how to conduct cognitive, conceptual or intellectual processes, for instance how to learn a language. The exclusion applies only when such schemes, rules and methods are claimed as such.

If a method claim encompasses a purely mental realization of all method steps, it falls under the category of methods for performing mental acts as such. This applies regardless of whether the claim encompasses also technical embodiments and whether the method is based on technical considerations.

The rationale for their exclusion from patentability is to prevent a mere idea that is abstract in nature and only has an intellectual or theoretical character from being patented. This is because a mere idea lacks industrial application and there is no technical advance that is made (Azmi & Phuoc, 2015; Tay, 2020). However, if the invention could specify the technical contribution, it may be patentable as according to Malaysia Patent Examination Guidelines 2023.

Paragraph 2.3.5.1 Malaysia Patent Examination Guidelines 2023

If the claimed subject-matter specifies technical means, such as computers, computer networks or other programmable apparatus, for executing at least some steps of a business method, it is not limited to excluded subject-matter as such and thus not excluded from patentability under Section 13(1).

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However, the mere possibility of using technical means is not sufficient to avoid exclusion, even if the description discloses a technical embodiment.

Furthermore, it is generally perceived that this genre of inventions, namely 'business method-related inventions' is well protected either under copyright or trademark law and so does not need protection under a more rigorous patent law framework (Azmi & Phuoc, 2015; Tay, 2020). Besides that, there is also a considerable degree of overlap between this category and mathematical methods in Section 13 (a) Patents Act 1983. This is because most of these business methods related inventions are in the form of computer software which is often developed to enhance some business function (Azmi & Phuoc, 2015). To date, there is as yet a reported case that has judicially considered the scope of this exclusion in Malaysia (Azmi & Phuoc, 2015; Tay, 2020).

Conclusion

It can be seen that all countries have the same threshold to patent a business method namely it must be novel, have an inventive step, and have an industrial capability. However, the practices of every country to approach issues regarding eligibility of business methods are different. Since United States clearly allow to patent method of doing business, then any invention which fall under the business method invention is a patentable subject matter provided that the invention fulfil the criteria of patentability in § 100 United States Patents Act 1952 and does not fall under judicial exception namely abstract ideas, laws of nature, and natural phenomena. In United Kingdom, Section 1 (2) United Kingdom Patents Act 1977 clearly mentioned that method of doing business is an ineligible subject matter. Despite the exception, a thorough look reveals that business methods are actually eligible for patentability in United Kingdom but under somewhat stricter legal conditions. In contrast to the United States method of evaluation for business method patents, the examiner at the United Kingdom Intellectual Property Office must first determine whether the invention falls solely within excluded subject matter before determining whether the claimed or actual contribution is technical in nature. The method of assessment in patenting business method has been inevitably developing aligned with new problems and technology presented to the court. In Malaysia, there is as yet a reported case which has judicially considered the scope of this exclusion. However, based on the updated Patent Examination Guideline 2023, Malaysia is also beginning to recognize the patentability of computers, computer networks, and other programmable apparatus for carrying out at least some steps of a business method.

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