
(2008) 08 IPAB CK 0019

In the Intellectual Property Appellate Board

Ebz Online Pvt. Ltd.

APPELLANT

Vs

Controller Of Patents

RESPONDENT

Date of Decision : 01-08-2008

Acts Referred:

Patents Act, 1970 — Section 3(k), 15, 15(6), 117A
Constitution Of India, 1950 — Article 14

Citation : (2008) 08 IPAB CK 0019

Hon'ble Judges : Z.S. Negi, J;S. Chandrasekaran, Technical Member

Bench : Division Bench

Final Decision : Allowed

Judgement

S. Chandrasekaran, Technical Member

1. This appeal under Section 117A of the Patents Act, 1970 (hereinafter referred to as the Act) is directed against the order dated 16.1.2006 passed

by the Assistant Controller of Patents & Designs whereby he refused the appellant's patent application No. 994/MUM/2003 dated 22.9.2003 under

Section 15 of the Act.

2. It is averred by the appellant that they are a software development company incorporated under the Companies Act, 1956 which has developed

several software products. The appellant on 22.9.2003 applied for grant of a patent in respect of an invention, entitled 'An apparatus for conducting

banking transactions including depositing and withdrawal of cash', along with the provisional specification and the application was numbered as No.

994/MUM/2003. Thereafter, the appellant on 20.9.2004 filed the complete specification in Form 2 and the respondent examined the application and

issued the First Examination Report (FER) on 8.12.2005 which contained the following technical objections:

(1) The subject matter of the application and claims refers to a method of banking transaction and are not allowable under Section 3(k) as they are considered to be Business Methods. Therefore further examination of the application for Novelty and Inventive features is deferred.

(2) Clause 1 does not define any apparatus feature but it defines various other parameters. Therefore claims 1 to 10 do not define any invention.

(3) Distinguishing features of prior art given in page 2 are not clear

(4) Trademarks in the claims should be replaced with appropriate device names.

(5) The preamble of the claims start with ""apparatus"" but the body of the claims refers to a group of systems. Therefore preamble is inconsistent with the body of claims.

(6) Drawings should be submitted in accordance with the Rule 15(6) of the Patent Rules. No descriptive matter should come in the drawings.

The above objections were replied or complied with by the applicant's attorney on 29.11.2006. After further examination, the respondent by the

impugned order refused the application under Section 15 of the Act holding that the application was not in order for grant on the last date i.e.,

8.12.2006.

3. Aggrieved by the impugned order of the respondent, the appellant has preferred this appeal on various grounds, inter alia, that the learned Assistant

Controller of Patents and Designs (hereinafter referred to as Assistant Controller) erroneously held that the subject matter of the application was a

method of banking transactions and the application was a business method, therefore, not allowable under Section 3(k) of the Act; that the Assistant

Controller erred in declining to examine the application for novelty and inventive features rejecting the application summarily; that the Assistant

Controller erred in holding that the claim 1 did not define any apparatus feature but that it referred to other parameters and that claim Nos. 1 to 10 did

not define any invention; that the Assistant Controller erred in holding that the objections in para 1 of the FER were not met and that the subject

matter was in the method of conducting business in banking transactions, merely because of the description in pages 18 to 26 of the application

referred to business method art did not make the invention a business method; that the Assistant Controller ought to have held that the invention was

not per se a business method but involved several devices and equipment such

as data centre, operations centre, POS terminals, etc. which obviously could be called an 'apparatus'; that the Assistant Controller erred in holding that the method of doing banking transactions using POS was well known art and erred in relying upon the document US 6202054 and failing to appreciate that the devices as also the other features used by the appellant were totally different; that the Assistant Controller has not given any reason for his arbitrary unsubstantiated conclusion that the use of POS device containing the magnetic stripe card was an obvious solution to existing art, to a person skilled in the art, to arrive at the invention; that the Assistant Controller erred in holding that the cited patents were relevant and they had any bearing on the novelty or inventive step of the application; that the Assistant Controller ought to have held that the invention was not anticipated or used anywhere in the world and that the cited prior art were different from the appellant's invention; that the Assistant Controller erred in deciding the application on the basis of irrelevant grounds which were not communicated to the appellant and not giving any opportunity of being heard to the appellant and that the Assistant Controller erred in responding to the reply of the appellant and not communicating the alleged novelty and inventive step destroying specification.

4. The matter came up before this Appellate Board on 10-6-2008. learned Counsel Dr. Mohan Dewan appeared for the appellant and none appeared for the respondent.

5. The learned Counsel for the appellant argued that the respondent had erroneously held that the subject matter of the application was a method of banking transactions and the invention was nothing but a business method and therefore, not allowable under Section 3(k) of the Act. The learned Counsel submitted that the respondent had erred in declining to proceed with application and deferred to examine the application for novelty and inventive features rejecting the application summarily after raising the technical objection such as the patentability under Section 3(k) in the FER. The learned Counsel also argued that the Assistant Controller erred in holding that the claim 1 did not define any apparatus feature but that it referred to other parameters and that claim Nos. 1 to 10 did not define any invention, but he failed to cite any prior Published Documents as citation affecting the novelty of the invention. The learned Counsel submitted that the Assistant

Controller erred in holding that the objections in para 1 of the FER were not met and that the subject matter was in the method of conducting business in banking transactions, merely because of the description in pages 18 to 26 of the application referred to as business working steps or method, even though the appellant had pointed out very clearly, in their reply letter these steps or the method of working did not make the invention a business method and pointed out that the Assistant Controller ought to have held that the invention was not per se a business method but involved several devices and equipment such as data centre, operations centre, POS terminals, etc. which obviously could be called an 'apparatus' and so the Assistant Controller erred in holding that the method of doing banking transactions using POS was well known art and erred in relying upon the document US 6202054 and failing to appreciate that the devices as also the other features used by the appellant were totally different. The learned Counsel further pointed out that the Assistant Controller has not given any reason for his arbitrary and unsubstantiated conclusion that the use of POS device containing the magnetic stripe card was an obvious solution to existing art, or to a person skilled in the art, to arrive at the invention and continued that the Assistant Controller erred in not communicating the cited patents in his refusal order as to be relevant with this invention and they had any bearing on the novelty or inventive step of the application. The learned Counsel argued that the Assistant Controller had erred in deciding the application on the basis of irrelevant grounds which were not communicated to the appellant and did not give any opportunity of being heard to the appellant before taking adverse decision against the appellant and by not communicating the prior published documents which were considered by him alleging that those documents were affecting novelty and inventive step destroying appellant's specification. Finally the learned Counsel requested that the case may be remanded back to the respondent for de novo consideration after affording the appellant on opportunity of hearing to submit and put forth their observations against those cited documents.

6. We have considered the arguments and the submission of the learned Counsel for the appellant. It is a well known principle of law that while appreciating the dominance of principle in decision making by any authority, which would adversely affect the interests of the applicant, the authority

shall always follow the well settled principles of natural justice. One of the essential pillars of principles of natural justice is Audi Alteram Partem. The rule ensures that no one should be condemned unheard. The adjudicating authority is obligated to give to the person affected a right to produce all the evidence in support of his case. In *Dhakeshwari Cotton Mills Ltd. v. C.I.T.* AIR 1955 SC 65, the Supreme Court held that the principles of natural justice were violated while making assessments and so quashed the assessments order so passed. Hence from this Supreme Court case, it is to be noted that the rules of natural justice operate as implied mandatory requirement, non-observance of which amounts to arbitrariness and discrimination. A quasi-judicial or administrative decision rendered or an order made in violation of the rule of Audi Alteram Partem is null and void and the order made in such a case can be struck down as invalid on that score alone. Vide the similar cases decided by the Hon'ble Courts in this matter, *Maneka Gandhi v. Union of India* AIR 1980 SC 597, *Gangadharan Pillai v. Asstt. CED.* In other words, the order, which infringes the fundamental principles, passed in violation of Audi Alteram Partem rule, is a nullity. When a Competent Court of authority holds such an order as invalid or sets it aside, the impugned order becomes null and void - *Nawabkhan Abbaskhan v. State of Gujarat.* The Allahabad High Court in *J.K. Synthetics v. ITO* 105 ITR 864 also held that an order passed in violation of the principles of natural justice is void.

7. Perusing some of the famous reported cases on principles of natural justice, we notice In *Ross v. Medical University of South Carolina* 328 S.C. 51, 68, 492 S.E. 2d 62, 71 (1997), the South Carolina Supreme Court held that, "law requires an administrative agency or authority to provide notice and an opportunity to be heard, but does not require notice and an opportunity to be heard at each level of the administrative process. It mandates notice and opportunity to be heard at some point before the agency makes its final decision. An authority is required to act judicially whenever its actions are likely to result in any disadvantage to a person. "Disadvantage" as the Supreme Court stated in *Bhagwan v. Ramchand* "may result from taking away of a right or a privilege or adverse effect on interest". If it appears that on authority or a body has been given power to determine questions affecting the right of citizens, the very nature of power would inevitably impose a limitation that the power should be exercised in conformity with the principles

of natural justice. Hon'ble Supreme Court of India had even gone to the extent of treating cases on the principles of natural justice as a part of Article

14 of the Constitution. The principles of natural justice have been elevated to the status of fundamental rights guaranteed in the Constitution as is

evident from the decision of the full Bench of the Supreme Court In the case of union of India v. Tulsiram Patel, holding that the principles of natural

justice have thus come to be recognized as being a part of the guarantee contained in Article 14 of the Constitution because of the new and dynamic

interpretation given by the Hon'ble Supreme Court to the concept of equality and that violation of principles of natural justice.

8. In the present case, admittedly no notice for an opportunity of hearing was given to the appellant providing him a reasonable opportunity to defend

his case. Not only that an opportunity of hearing notice was given to the appellant, but even the citations that were analyzed and referred to, in the

impugned order by the respondent, have not been first communicated to the appellant so as to enable him to defend his case by distinguishing the

features of the invention vis-a-vis the citations. The impugned order under consideration has been undisputedly made without affording an opportunity

of being heard to the appellant, and that order does affect the appellant adversely. It appears to us that the impugned order is unreasonable in the

sense that it is manifestly arbitrary and as such unsustainable. In the light of the above, we are of the view that the impugned order need be set aside.

Accordingly we do so and remand the matter for de novo consideration by the respondent in accordance with the law, after affording the appellant a

fair and reasonable opportunity of being heard.

9. The appeal is allowed in part in the above terms. However, there shall be no order as to the costs.