

SOUTH AFRICA / JUDGMENT

Standard Bank of South Africa Ltd v 3MFuture Africa (Pty) Ltd (47/2013) [2013] ZASCA 157; 2013 BIP 128 (SCA) (22 November 2013)

[2013] ZASCA 157

COURT

Supreme Court of Appeal

BEFORE

Nugent, Lewis, Bosielo, Shongwe, Swain

CASE / FILE NUMBER

47/2013

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THE SUPREME COURT OF APPEAL OF SOUTH AFRICA

JUDGMENT

Case No: 47/2013

Not reportable

In the matter between:

THE STANDARD BANK OF SOUTH

AFRICA LTDFirst Appellant

MTN GROUP LTDSecond Appellant

OLTIO (PTY) LTDThird Appellant

(FORMERLY MTN MOBILE MONEY SA

(PTY) LTD

and

3MFUTURE AFRICA (PTY) LTDRespondent

Neutral citation: The Standard Bank of SA v 3MFuture Africa (47/2013) [2013] ZASCA 157 (22 NOVEMBER 2013)

Coram: NUGENT, LEWIS, BOSIELO and SHONGWE JJA and SWAIN AJA

Heard: 4 NOVEMBER 2013

Delivered: 22 NOVEMBER 2013

Summary: Patents – revocation for want of novelty – test to be applied reiterated – whether claims anticipated.

ORDER

On appeal from North Gauteng High Court (Makgoka J sitting as court of first instance).

1. The appeal is upheld with costs that include the costs of two counsel.
2. The order of the court below is set aside and replaced with the following:
 - ‘(a) The plaintiff’s action is dismissed.
 - (b) The defendants’ counterclaims are granted and South African Patent No. 2002/2337 is revoked.
 - (c) The plaintiff is ordered to pay the costs of the first defendant, and the costs of the second and third defendants, in the action and the counterclaims, including in each case the costs of two counsel.’

NUGENT JA (LEWIS, BOSIELO and SHONGWE JJA and SWAIN AJA CONCURRING)

- [1] The Standard Bank of South Africa Ltd – the first appellant – is a well-known commercial bank. Through various associated companies MTN Group Limited – the second appellant – operates a network that allows for wireless communication. Mobile Telephone Networks Holdings (Pty) Ltd is a subsidiary of MTN Group. It and Standard Bank are equal owners of MTN Mobile Money Holdings (Pty) of which Oltio (Pty) Ltd – the third appellant – is a subsidiary.
- [2] For some time Oltio operated a system known as MTN Mobile Money. The operation of the system was relinquished by Oltio in October 2011 and was thereafter operated by Standard Bank through one of its divisions.
- [3] The respondent – 3MFuture (Pty) Ltd – is the registered proprietor of South African Patent No. 2002/2337 entitled ‘Transaction Authorisation System’. Alleging the MTN Mobile Money system infringed its patent, it launched proceedings in the Court of the Commissioner of Patents, alleging that all the appellants were infringing, either directly or indirectly, and claiming an interdict and an enquiry into damages, alternatively a reasonable royalty. All three appellants denied infringement, and also counterclaimed for revocation of the patent.

- [4] By the time the matter came to trial Standard Bank had terminated the allegedly infringing features of MTN Mobile Money (on 13 January 2012) and the claim for an interdict fell away. 3MFuture had also confined itself to only three claims of the patent – claims 17, 18 and 19 – apparently accepting that the early claims were revocable. The Commissioner of Patents (Makgoka J) found the three claims were valid, and that they had been infringed, and he made what was in effect a declaratory order to that effect.
- [5] The Commissioner also made an order provisionally revoking the patent, subject to 3MFuture applying to amend it, and ordered that it should be decided at the hearing of such application whether or not the revocation order was to come into effect. We were informed from the bar that the patent has now been amended by the deletion of all but claims 17, 18 and 19. I mention that only for completeness because it is not material to this appeal.
- [6] The appellants now appeal against the declaratory order, and against the order for costs, with the leave of the Commissioner.
- [7] Under the Patents Act 57 of 1978 a patent may be granted for an invention only if – amongst other things – the invention is new and involves an inventive

step.¹ A patent granted for an invention that does not meet those criteria may be revoked.² Anything that consists of a method of doing business as such is not an invention,³ and if a patent has been granted for such a method it may similarly be revoked. In this case the appellants claimed revocation of the patent on all three grounds – that the claimed invention was not novel, if it was novel it was not inventive, and in any event it was not an invention because it comprised a method of doing business as such. I assume for present purposes that the method is indeed an invention, and need only deal with the objection against novelty, because I consider it to be decisive of the appeal, which means lack of inventiveness does not arise.

- [8] An invention is deemed to be new if it does not form part of the state of the art immediately before the priority date of any claim to the invention.⁴ The state of the art includes all matter that has been made available to the public, whether in the Republic or elsewhere, by written description.⁵ In this court 3MFuture relied on three patents granted in the United States on various dates preceding the priority date of the patent in suit to support their contention that the invention had been anticipated but I need refer only to one -- United States Patent No. 5,513,250 entitled 'Telephone Based Credit Card Protection' dated 30 April 1996 ('McAllister'). It is not disputed that if the invention in claim 17 has been anticipated by McAllister, and is thus liable to be revoked, then the same fate befalls claims 18 and 19, and I deal hereafter only with that claim.
- [9] The classic formulation of the test to be applied when asking whether an invention has been anticipated (whether the invention is 'novel' or 'new') is that expressed by Trollip JA in *Gentiruco AG v Firestone SA (Pty) Ltd*.⁶ That test was formulated in relation to the Patents Act 9 of 1916, which excluded from the scope of an invention anything that had been 'patented or described in any printed publication', whereas the present statute includes in the state of the art all matter that has 'been made available to the public by written or oral

description', but that distinction is immaterial to the principles espoused in *Gentiruco*, in which the learned judge said the following:

'[The objection of anticipation] relates to the claims and not the description of the invention in the body of the specification....

Hence the particular claim must be construed to ascertain its essential constituent elements or integers. For the purpose of this

objection the claim so construed is assumed to be inventive.... The prior printed publication or patent alleged to be anticipatory is then construed ... The two documents are then compared to ascertain whether ... the prior printed publication "describes",

the same process, etc., as that claimed. ... In regard to a prior publication, the ordinary meaning of "describe"

means

"to set forth in words or recite the characteristics of"

... Hence for it to "describe" the invented process etc., it must set forth or recite at least its essential integers in such a way that the same or substantially the same process is identifiable or perceptible and hence made known, or the same or substantially the same thing can be made, from that description.⁷

[10] The manner in which a patent specification is to be construed, as it was stated in *Gentiruco*, has been applied on many occasions, but it bears repeating. To ascertain the meaning of the specification

'the words must be read grammatically and in their ordinary sense. Technical words of the art or science involved in the invention must also be given their ordinary meaning, i.e., as they are ordinarily understood in the particular art or science, to prove which extrinsic evidence is admissible and usually necessary....

The specification, like any other document, must be read as a whole ... [If] on such a reading it appears that a word or expression is used, not in its ordinary sense, but with some special connotation, it must be given that meaning. Indeed, the specification may occasionally define a particular word or expression with the intention that it should bear that meaning in its body or claims, thereby providing its own dictionary for its interpretation.... [If] a word or expression is susceptible of some flexibility in its ordinary connotation, it should be interpreted so as to conform with and not to be inconsistent with or repugnant to the rest of the specification....

[The meaning of the claims] as ascertained from their own language, must prevail over the rest of the specification...Of course it may appear from reading the specification as a whole, as stated above, that certain words or expressions in the claims are affected or defined by what is said in the body of the specification. The language of the claims must then be construed accordingly ... If the meaning of a claim so ascertained is clear and unambiguous, it is decisive, and cannot be

restricted or extended by anything else stated in the body or title of the specification ... On the other hand, if it is unambiguous (in the wide sense), the body and title of the specification must be invoked to ascertain whether at least a reasonably certain meaning can be given to the claim'.⁸

[11] To that must be added what was said by this court in *Aktiebolaget Hässle v Triomed (Pty) Ltd*,⁹ repeating what had been said in earlier decisions, which is that those principles of construction are to be applied purposively, meaning they are to be directed towards distinguishing the essential from the non-essential elements of the invention, so as to extract from the language the essence, or the essential elements, or the 'pith and marrow', of the invention, thereby achieving the purpose of a patent specification – which is to inform 'those likely to have a practical interest in the subject matter of his invention ... that [the inventor] claims to be the essential features of the new product or process for which the letters patent grant him a monopoly'.¹⁰ *Catnic Components* provides an illustration of what that means, with reference to the facts in *C Van Der Lely NV v Bamfords Ltd*:¹¹ it pointed out that the 'hindmost' wheel of a rake cannot as a matter of linguistics mean the 'foremost' wheel, but that that 'left open the question whether the patentee had made his reference to the "hindmost" (rather than any other wheels) ... an essential feature of the monopoly that he claimed'.¹²

[12] As this court said later in *Vari-Deals 101 (Pty) Ltd v Sunsmart Products (Pty) Ltd*,¹³ that approach to construction of a patent specification

'did not change the law relating to construction, but it certainly restricted the scope for contesting litigants to indulge in 'meticulous verbal analysis' of specifications and claims – usually to an extent which would have been inconceivable to the ordinary skilled addressee reading the patent to ascertain the invention and the ambit of protection claimed'.¹⁴

[13] Considerable evidence was given by two experts in this case – one for either side. While that evidence is informative, and in some respects instructive, much of it constituted, or was founded upon, the opinions of the witnesses as to the meaning of the claim, and to whether it had been anticipated, which is not admissible. The meaning to be given to a claim, and whether the claim has been anticipated by prior disclosure, are not matters for expert opinion, but are matters for a court to decide, albeit that a court, in deciding those questions, will often need to be guided by experts on the state of the art.

[14] The claimed invention in this case relates to electronic forms of making payments to suppliers of goods or services from a bank account. At one time those would generally be effected by issuing cheques. The age of electronic communication has changed all that by eliminating the paper and enabling the exchange of money to occur in seconds, but the essential principles remain the same.

[15] Payment is now most commonly made either through the use of a bank card, on which details of the bank account are embedded, or by transferring money electronically through the internet. When using the former method an account holder will typically present the card to the supplier, who will insert it in a device that will transmit the information

electronically to an electronic facility that manages the customer's bank account, in effect instructing the bank to make payment to the bank account of the supplier. The information will usually pass, in one way or another, through an authorisation facility, which will interrogate whether the instruction meets certain criteria, before the payment is made. In the case of a credit card the criterion will typically be whether the transaction falls within the credit limit agreed upon with the bank, and in the case of a debit card whether there are sufficient funds in the account, and also, in both cases, whether the card has been reported lost or stolen. If the relevant criteria are met then the instruction will be given effect to by debiting the account holder's account, and the supplier's account will simultaneously be credited. A bank account holder might also make payments direct to the bank account of a supplier through use of the internet, in effect instructing his or her bank electronically to effect the transfer.

[16] These impersonal methods of conducting financial transactions have opened up new fields for those whose business it is to steal and defraud. The specification explains that typically for transactions of that nature only the bank account details – such as the credit or debit card number – are required to effect the transaction. Thus once those details have been acquired they are capable of being used to conduct unauthorised transactions. An object of the invention is to provide a means for and a method of combating that problem.

[17] The question that arises for decision is decidedly narrow and calls for no examination of the science through which the object is achieved. The body of the specification describes the invention as follows:

'Broadly, according to the invention, there is provided a data processing system that includes

an account status database having a record of a status of at least one bank account, said status designating the bank account as either enabled or disabled;

an account holder interface connectable to the account status database which provides an account holder with an account status altering facility, for allowing the account holder to change the designated status of the bank account'.

What is meant by the account being 'enabled' and 'disabled' is explained as follows:

'By "enabled" is meant, that transactions performed using the bank account are authorised, and by "disabled" is meant, that transactions performed using the bank account are unauthorised.'

[18] That describes through imagery the effect of what is brought about by the electronic workings of the system – which is that an account holder is able from a remote device (typically a mobile telephone or a computer) to bring about a block on the processing of payment instructions, and also to remove the block, thereby enabling the account holder to determine what transactions should be processed.

[19] The invention is claimed in claim 17 as follows:

‘A method of authorising a transaction, the method including selectively designating a bank account status as enabled or disabled, on the instruction of an account holder issued from a remote device, thereby to selectively authorise transactions performed using the bank account; and recording the status of the bank account in an account status database’.

[20] The invention disclosed by McAllister is similarly directed at reducing the potential for fraud through misuse of bank cards to effect financial transactions. It is summarised in the specification as follows:

‘The present invention provides a system and method for assuring added security in the use of credit or debit cards using a unique

methodology adapted to be implemented by largely existing facilities in a public switched telephone network having an advanced intelligent signalling network and one or more intelligent peripheral platforms. According to one version of the invention the credit card holder subscribes to a security service ... The credit card holder may subscribe to the new service in a convenient manner through his residence telephone to set up a Personal Identification Number (PIN) and/or a voice print or template to control his credit card use. Having subscribed to the service and established such a PIN and voice template the card holder may then utilize the credit card security procedure of the invention. Prior to use of the card the card holder accesses the security system by telephone, preferably but not necessarily his residence telephone, and effects verification by the preestablished PIN or voice template or both. Following such verification the card holder establishes or sets at least one and preferably two or more of the following parameters:

A stated time frame during which the card will be activated, for example, for the next three hours.

A dollar limit on the purchasing power of the card during that time.

A geographical area or location wherein the card will be activated. This may be a central office or NXX area, a country, city, state or zip code area, or the like.

A temporary PIN which the subscriber desires to have applicable under the restrictions set under 1, 2 and 3 above.

A voice verification using the preestablished template.

Following the establishment or setting of these parameters the point-of-sale authorization or usability of the credit card then will be subject to those restrictions and will be activated only if all such restrictions are satisfied.’

[21] It is not disputed that the telephone that is used by the card holder to set the parameters within which the card may be used is a 'remote device' as contemplated by the invention in suit. Moreover, the 'activation' of the card and the 'enablement' of the bank account in the two inventions respectively come to much the same thing – in both cases they describe the account holder having taken steps that permitted transactions to be processed. The invention in suit is

said to be novel in only one narrow respect.

[22] It was submitted on behalf of the appellants that McAllister provides a method for restricting transactions to those that occur within a particular window – whether that be a window of time, or of geographical location, or of the monetary amount of the transaction – while the invention of claim 17 is a method that confines itself to enabling the account for only a single transaction. Once the particular transaction is performed, so it was submitted, the invention calls for the status of the bank account to revert to being disabled, requiring it again to be enabled for the next transaction. As it was described in colloquial terms, the invention allows for, and at the same time is confined to, the account being 'switched on' by the account holder for a single transaction only, which is not described by McAllister.

[23] It is not entirely clear to me that the method of McAllister does not allow for an account to be 'switched on' and 'switched off' (I use these terms interchangeably with 'enabled' and 'disabled') at the instance of the account holder for a single transaction – so far as it describes as one of the parameters the use of a temporary PIN – but I will assume it does not.

[24] Clearly the invention of claim 17 allows for the method to be used so as to permit only a single transaction in that way – indeed, using it in that way provides the most effective protection – but that is beside the point. The question before us is not whether it might be used in that way, but instead, whether the invention is confined to that use, or whether it might also be used to 'switch on' the account for multiple transactions. That is a matter solely for construction of the claim.

[25] 3MFuture's contention that the claim is to an authorisation method that is confined to a single transaction is founded upon the word 'selectively' as it is used in the claim ('selectively designating a bank account status as enabled or disabled' thereby to 'selectively authorise transactions') conjoined with the use of the singular in the opening line ('a method of authorising a transaction'). Together they convey, so it was submitted, that the claim is to a method for authorising only single transactions.

[26] I do not think that is a correct construction of the claim. To 'select' means to 'choose or pick out in preference to another or others'.¹⁵ The word does not purport to quantify what is picked out or chosen. What it conveys is only that there has been a 'picking out'. If there are only two items from which to select, then making a selection necessarily means picking out only one, but that is a function of the circumstances in which the word is applied.

- [27] Thus to 'selectively' designate the status of a bank account as 'enabled' or 'disabled' – the language of the claim – necessarily means picking out one designation in preference to the other, because there are only two. But to 'selectively authorise transactions' is not similarly confined to picking out only one transaction – there being any number of transactions that are capable of being picked out in preference to any number of others. One might pick out a single transaction to authorise, or one might instead pick out any number of transactions, and in both cases one has 'selectively' authorised the transaction or transactions, as the case may be. In short, 'selectively' does not correspond with 'singly' (or 'discretely' or 'one by one'), which is what the construction advanced by 3MFuture suggests.
- [28] The method that is claimed, when the language is cast in simplified form, is a method by which an account holder authorises transactions according to a selection he or she has made, which is brought about by him or her issuing an instruction from a remote device so as to select between the account being designated enabled or being designated disabled.
- [29] That seems to me to accurately reflect the ordinary meaning of the language used in the claim. I do not think the language is capable of claiming a method that is confined to authorising transactions 'singly' or 'discretely' or 'one by one' when a word has been chosen that does not have that meaning.
- [30] As for the reference to 'a transaction' (the singular) in the opening line, I do not consider that to be significant. Whether the account holder has chosen to enable the account so as to perform one transaction, or to perform two transactions or more, in each case the method is one for authorising the particular transaction performed. But in any event, that seems to me to be the kind of 'meticulous verbal analysis' that modern construction eschews. I can see no reason why the inventor should have intended to confine the method to single transactions alone, and none has been suggested. Counsel for 3MFuture submitted that what he called the 'beauty of the invention' lay in the fact that it allowed an account holder to 'switch

on' the account immediately before a transaction, and then immediately switch it off, thereby having maximum protection. No doubt that is the most effective use of the method but that is no reason to conclude that the inventor intended the method to be used only in that limited way. On the contrary, the essence of the invention lies in the words that follow upon the opening line, which make it clear the invention is for authorising transactions of the account holder's selection – which might be one transaction or it might be more.

- [31] In my view the method that is claimed is not confined to authorising only single transactions but extends to authorising multiple transactions at the selection of the account holder. That being a method anticipated by the prior art of McAllister, claim 17 and, by extension, claims 18 and 19, are invalid and fall to be revoked.¹⁶ For that reason it is not necessary to consider whether the method is indeed an invention, nor whether the claim was infringed.

- [32] The following orders are made:

R W NUGENT

JUDGE OF APPEAL

APPEARANCES:

For appellants: L Bowman SC

G Marriott

Instructed by:

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For 2nd & 3rd appellants: Spoor & Fischer, Pretoria

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1Section 25(1).

2Section 61(1)(c).

3Section 25(2)(e) read with s 25(3).

4Section 25(5).

5Section 25(6).

6Gentiruco AG v Firestone SA (Pty) Ltd 1972 (1) SA 589 (A).

7At 646 B-F.

8At 614C – 615G.

9Hässle v Triomed (Pty) Ltd 2003 (1) SA 155 (SCA).

10Per Lord Diplock in Catnic Components Limited v Hill and Smith Limited [1982] RPC 183 at 242.

11C Van Der Lely NV v Bamfords Ltd [1963] RPC 61.

12Catnic Components, at 242.

13Vari Deals 101 (Pty) Ltd v Sunsmart Products (Pty) Ltd 2008 (3) SA 447 (SCA).

14At 453H – 454A.

15Shorter Oxford English Dictionary.

16Timothy Donald Burrell Burrell's South African Patent and Design Law 3ed para 4.71.2.

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