

**ARE SOFTWARE INVENTIONS OR
APPLICATIONS PATENTABLE IN NIGERIA:
(Locus to petition for the nullification of a
patent)**

***A review of *Interswitch Limited v E-Tranzact
Global Limited & The Registrar of Patents and
Designs.*¹***

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¹ Unreported Suit No: FHC/L/CS/784/2016 delivered on Friday October 14, 2022 by his Lordship, Oweibo J.



Facts of the Case

Interswitch, the petitioner, sued E-Tranzact, the 1st respondent and the Registrar of Patents and Designs as 2nd respondents, seeking the annulment of E-Tranzact's Nigerian patent for cardless payment systems used in Automated Teller Machines (ATM). Interswitch and E-Tranzact are integrated digital payment and e-commerce organisations that facilitate the electronic transfer of money and value between individuals and organisations. Interswitch is the proponent of the VERVE card and QUICKTELLER payment solution used in various ATM in Nigeria and the exclusive licensee of "Postilon" software. E-Tranzact holds a 2008 Nigerian patent NG/P/2008/445 for the cardless functions of the Automated Teller Machine (ATM). E-Tranzact also holds a 2009 South African patent for the same invention.

In March 2016, E-Tranzact wrote to Interswitch and its partners, commercial banks and financial institutions in Nigeria alleging the infringement of its Nigerian patent by Interswitch and its partners. E-tranzact sued Interswitch for patent infringement. Simultaneously, Interswitch responded by issuing nullification proceedings against E-Tranzact's patent. The cases were initially assigned to different judges of the Federal High Court in Lagos. One court stayed E-Tranzact's infringement action against Interswitch. The other proceeded to hear the nullification proceedings. Eventually, the two cases were consolidated and transferred to Oweibo J. This review pertains to the nullification proceedings. The infringement action is set to commence.

The significance of Software Innovation in Africa

Africa's leading role in innovation for software inventions or computer programs cannot be contested. Arguably, intellectual property protection for software inventions/applications, especially patents, may boost or impede the growth of industries that are driven by innovation in the software sector including e-commerce, fintech, entertainment and allied industries whose bedrock is software applications/inventions. The debate about the patentability of software has been rested for now given the pronouncement of Oweibo J. dismissing the attempt by Interswitch to nullify the patent of E-Tranzact in *Interswitch Limited v E-Tranzact Global Limited & The Registrar of Patents and Designs*. This is a short note on the case.

The summation of the court's ruling is that upon the grant of the E-tranzact patent, there is a presumption that the Registrar is satisfied that the subject matter of the patent application meets the requirement of Section 3 of the Patent and Designs Act (PDA). As his Lordship rightly observed, "there is not much Nigeria case law to guide the Court in this dispute, though Counsel have in their written addresses, tried to guide me through this lonely path".

The Claims of Interswitch

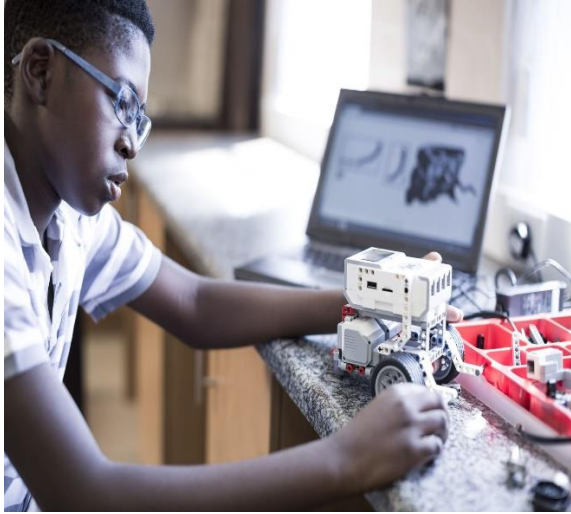
Interswitch claims can be summarised as follows:

1. A declaration that:
 - a. E-Tranzact's software patent is not patentable under the Patents and Designs Act (PDA), 2004 in Nigeria.
 - b. Software is protected under copyright law in Nigeria.
 - c. E-Tranzact's patent violates the Central Bank of Nigeria (CBN) guidelines of April 2016 on operation of electronic payment channels in Nigeria and other rules in the ATM Industry as it seeks to monopolize a product already in the public domain.
2. Nullification of E-Tranzact's patent.
3. Damages and costs.



Interswitch contended that the cardless technology allegedly invented by E-Tranzact was a functionality that has been included by each ATM vendor independently. Interswitch stated further that it had developed its own cardless ATM solution by utilizing the intrinsic functions of the ATM before E-Tranzact's patent was granted. It stated that E-Tranzact's cardless solution was not new to the global ATM industry, that the technology was already in the public domain when the patent was granted. Interswitch further contended that the E-tranzact patent violated the Central Bank of Nigeria (CBN) rules on operations of electronic payment channels in Nigeria as E-Tranzact sought to monopolize a product already in the public domain. Interswitch claimed that it sued because of the grievous commercial damage and irreparable loss of reputation and goodwill it suffered with E-tranzact's patent infringement claim.

E-Tranzact posited that its ATM mobile cardless cash collection software invention was novel and that prior to the patent, all payments were performed using ATM cards. That prior to its patent, Interswitch's focus was to provide card-based services. That Interswitch's entry into the cardless cash collect market followed E-Tranzact's introduction of its E-Tranzact's ATM Mobile Cardless Cash Collect product into the financial market through email to several Banks in Nigeria and Ghana.



Are Software Inventions Patentable in Nigeria under the PDA?

This case brought to the fore, one of the most contentious issues raging in Nigeria today that has enormous potentials on investments in e-commerce, fintech and software industries - whether software inventions are patentable in Nigeria.

Interswitch counsel, Mena Ajakpovi argued that E-Tranzact invention being a software invention is not patentable under the PDA. That the grant of patent to E-Tranzact by the Registrar of Patents and Designs was not “verified and asserted as to use within Nigeria and the world at large”. It argued that the E-tranzact invention did not meet the conjunctive conditions for patentability in section 1(1) of the PDA. Although not said to be in the alternative, Interswitch also contended that the E-tranzact invention was not patentable because the software used for cardless solution

on ATM is not new to global ATM industry and same has variously been deployed in other countries of the world for cardless withdrawals and payments. That the E-Tranzact patent is a functionality that has been included by each ATM vendor independently. That the cardless solution invention is not that of E-tranzact, as it was not new to the global ATM industry. Interswitch urged the court upon evaluation of the patent claims to nullify the E-tranzact patent.

In response, E-Tranzact counsel, Professor Bankole Sodipo, SAN argued that software can be protected in Nigeria under copyright, patents and trademarks laws and there is nothing in the PDA that listed computer programs or software as not being an invention that is not patentable in Nigeria. That section 1(4) of the PDA stipulates the inventions that are prohibited from being patentable while section 1(5) specifies the inventions that are not regarded as inventions for the purpose of Nigerian Patents law. E-Tranzact submitted that where statutory provisions are manifestly clear and unambiguous, effect must

Interswitch identified two issues:

- i. whether E-tranzact’s software invention for the ATM Mobile Cardless Cash Collect is patentable under Nigerian laws; and
- ii. whether or not a registered patent can be nullified upon declaration that the ‘innovation’ registered is not patentable.

E-Tranzact identified two issues, the first, essentially the same as issue (i) articulated by Interswitch. The second issue was “Whether the Petitioner has discharged the onus it has to prove that the 1st Respondent’s Registered Patent was either not new at the time of the grant of the Patent or that it breached any regulatory requirement and if so, whether the court can nullify the 1st Respondent’s patent and if not whether the Court should dismiss the Petitioner’s petition”.



be given to the words without resorting to any extrinsic aid to interpret it.² That foreign statutes, conventions/treaties and case law with unidentical provisions to Nigerian statutes are irrelevant in interpreting relevant Nigerian statutes. That Nigerian Patent statute is significantly unidentical to UK, Indian or European Patent statutes on the patentability of software inventions or computer program inventions. That the Court should discountenance all the references and submissions of Interswitch on the foreign statutes, conventions and cases as the provision are not identical with the PDA.

Professor Sodipo, SAN contended that the preponderance of affidavit evidence before the court showed that the E-Tranzact invention met the conditions of patentability. That prior to the introduction of E-Tranzact's patented invention to the Nigerian financial industry, none of the ATMs deployed by banks had cardless cash functionality. That Interswitch failed to discharge the onus it has to establish by evidence, its allegations that the E-Tranzact invention was not new at the time the patent was granted. Finally, E-tranzact argued that Interswitch failed to comply with its strict obligation of proof by a party seeking to nullify a patent in the Federal High Court Civil Procedure Rules, Order 53 Rules 8(4) and (5)³ and the Petitioner's further affidavit dated 7 November 2016 is incompetent for being in contravention of the Rules.

His Lordship rightly held that:

“The authority to register a patent is vested in the Registrar of Patents and Designs: see Section 28 of the Patents and Designs Act. As can be made out in Section 4 of the Act, the Registrar has the responsibility, in the course of registration, to examine every application as to its conformity with the criteria for registration and grant. Section 1 of the Act has specified what is patentable. section 3 sets out the requirements for registration, and then section 4 of the Act provides as follows-

² *A.G. Abia State vs. A.G. Federation* (2005) 12 NWLR (Pt. 940)452 SC.

³ **Federal High Court Civil Procedure Rules**

Order 53 rule 8(5) “If the grounds stated in the particulars of objections include want of novelty or want of any inventive step, **the particulars shall state the manner, time, place of every prior publication or user relied upon and, if prior user is alleged, shall (a) Specify the name of every person alleged to have made the user; (b) state whether the user is alleged to have continued until the priority date of the claim in question or of the invention as may be appropriate, and, if not, the earliest and latest date on which the user is alleged to have taken place; (c) Contain a description accompanied by drawings, necessary, sufficient to identify the user; and (d) If the user relates to machinery or apparatus, state whether the machinery or apparatus is in existence and where it may be inspected”.**

Order 53 rule 8(6) “Where in the case of an existing patent or design (a) one of the grounds stated in the particulars of objections is that the invention, so far as claimed in any claim of the complete specifications, is not useful; and it is intended, in connection with the grounds stated in sub-rule 1 of this rule to rely on the fact that an example of the invention which is the subject of any claim cannot be made to work, either at all or as described in the specification, **the particulars shall state that fact and identify each such claim and shall also include particulars of each such example, specifying the respect in which it is alleged that it cannot work or be made to work as described”.** (Emphasis added).

4(1) The Registrar shall examine every patent application as to its conformity with section 3(1)(3) and (4) of this Act, and if Section 3 (1) of this Act has not been complied with, the Registrar shall reject the application; (2) Where the examination mentioned in subsection (1) of this section shows that a patent application satisfied the requirement of section 3(1) and (3) of this Act, the patent shall be granted as applied for without further examination and in particular without examinations of the questions - (a) Whether the subject of the application is patentable under Section (1) of this Act. **These provisions, in my view, create a presumption that once the Registrar is satisfied that the application meets the requirement of Section 3, the patentability of the subject of the application is presumed. In this case, there is no dispute that the 1st Respondent's ETranzact ATM Mobile Cardless Cash Collect was registered and granted patent rights".**



Interswitch's locus to institute nullification proceedings

His Lordship held that the right of any person to apply to the Court for the nullification of a patent is provided for in section 9 of the PDA. His Lordship cited section 9(5) which provides "**The Court** (a) shall not make a declaration under subsection (1) of this Section without first giving the patentee an opportunity to be heard (b) in applying subsection (1) of this Section, shall have regard only to the state of affairs existing when proceedings were instituted; and (c) **shall dismiss an application under subsection (1) of this section if the Applicant (not being a public officer) fails to satisfy the Court that he has a material interest in making the application". (Emphasis added)**

Given that Interswitch is not a public officer as required by the PDA, the court considered whether Interswitch had shown it had a material interest in seeking the nullification of the E-tranzact patent. The trial judge found that although Interswitch stated that it is the exclusive licensee in Nigeria for the software called "Postilion", there was nothing in the affidavit and exhibits, or attached licence, who issued it and when it was issued. It held that Interswitch did not show sufficient interest in making this application. Accordingly, the court dismissed the nullification petition.



Conclusion

E-Tranzact will move its patent infringement action against Interswitch.

Interswitch was represented by OJ. Ajakpovi Esq (with S. Mosobalaje).

E-Tranzact was represented by Prof Bankole Sodipo SAN (with Femi Fajolu, Esq and J. Agbonika Esq).

The E-Tranzact Patent breaches CBN Regulations

Interswitch also argued that the E-Tranzact patent violates the Central Bank of Nigeria (CBN) Guidelines on operations of electronic payment channels in Nigeria and other rules in the ATM Industry as it seeks to monopolize a product already in the public domain. In opposing this position, E-tranzact argued that the CBN Guidelines being a subsidiary legislation cannot override the Patent and Designs Act, the latter being a statute of the National Assembly. Further, E-Tranzact posited that the CBN Guidelines cannot retrospectively divest E-Tranzact, a patentee of a vested right, neither does the court have jurisdiction over this issue without the proper party, the CBN.

The effect of the CBN Regulations on the E-tranzact patents was not adjudicated upon by the court. It appears that the court was satisfied having held that Interswitch did not have the locus to institute nullification proceedings, there was no need to determine this issue.