



# Business Method Patents In Canada Just One Click Away

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The Federal Court has affirmed that business methods are patentable. The Court has just released<sup>1</sup> its highly anticipated decision in *Amazon.com, Inc. v. Canada (Attorney General)*<sup>2</sup> quashing the rejection by the Commissioner of Patents (the "Commissioner") of the now infamous Amazon.com 'one-click' patent on the basis that the claimed invention was a business method and not patentable subject matter. In doing so, the Federal Court found that there is no categorical exclusion in Canadian law for so called business method patents; that computer-implemented inventions that achieve "commercially applicable results" are patentable; and that the Commissioner, in attempting to implement policy through application of a "novel legal test" without the support of the *Patent Act* or Canadian jurisprudence, had committed an error of law "far outside the Commissioner's jurisdiction."

This decision drives home issues highlighted in our July 2010 IP Monitor *Canadian Business Beware: Blessing of Business Patents in US Will Affect You*.

## Background

The patent application at issue claimed a method for internet shopping. The application describes a system whereby a customer enters payment information upon visiting a website. The website stores the information and gives the customer a unique identifier linked to that information, generally in the form of an electronic "cookie". When a customer places an order for a product by a single mouse click, the website uses the customer's identifier to retrieve payment information and creates the order without requiring the customer to log in or input any additional payment information.

The claims were divided into process claims, which claimed the features of the process itself, and system claims, which claimed the physical components necessary to implement the process.

## The Commissioner's Decision

The Commissioner rejected both the process and system claims on the basis that they did not claim an invention as defined in section 2 of the *Patent Act*<sup>3</sup> (the "Act").

The Court found that the Commissioner had misapplied foreign and Canadian jurisprudence leading to a number of specific errors in her analysis.

Firstly, the Commissioner departed from the basic principles of purposive claim construction by looking past the language of the claims to the "substance" of the claimed invention. She found that the system claims, which on their face claimed patentable subject matter, namely a machine, "in substance" claimed non-patentable subject matter, namely a business method. Further, the Commissioner erred by parsing the claims into individual elements and determining the issue of patentable subject matter with reference only to those elements she found novel, rather than the claimed invention as a whole. All of the essential elements when purposively construed must be considered but is not wrong to exclude non-essential elements.

Secondly, the Commissioner adopted a restrictive definition of ‘art’ that relied too heavily on the physicality of an invention. The Court found that while ‘art’ requires a practical application - some sort of manifestation, effect or change of character - this definition should not be overly restrictive or limited to the conventional understanding of a practical application in light of today’s technology. With reference to the Supreme Court’s decision in the *Harvard College v. Canada (Commissioner of Patents)*<sup>4</sup>, the Court found that by its nature the patent regime must be interpreted broadly enough to capture inventions the nature of which cannot be anticipated.

Thirdly, the Commissioner erred in finding that there has been a “tradition” in Canada to exclude *business methods* from patentability. The Court found that referring to a claimed invention as a business method does not alter the applicable legal approach or analysis; nor does it call for a categorical rejection of the claimed invention as patentable subject matter.

Lastly, the Commissioner erred in determining that an invention must be technological or scientific in nature. The Court found that no such requirement exists under Canadian law.

### **The Federal Court’s *de novo* Analysis of the Patent**

The Court found that the process claims were patentable subject matter as an art and process, and that the system claims were patentable subject matter as machines. The Court drew specific attention to the fact that the claimed invention was not merely a scheme but was the practical application of the one-click concept put into action to achieve an undisputed commercially applicable result. The Court found that physicality resided in the customer manipulating their computer and creating an order.

### **Conclusion**

This decision clarifies that claims for business methods are patentable where they have some practical application, embodiment or link to hardware which is one of the essential elements of the claim purposively construed. However, where a claimed invention can be described merely as a scheme, plan, or disembodied idea not put into action, the claimed invention may not be considered patentable subject matter.

In the final result, the Court found that the Commissioner had erred in finding that the claimed invention was not patentable subject matter and remitted the application for an expedited re-examination on other issues of patent validity that were not raised at court.

This decision can be found at:

<http://cas-ncr-nter03.cas-satj.gc.ca/rss/T-1476-09%20decision%2014-10-2010%20ENG.pdf>

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<sup>1</sup> October 14, 2010

<sup>2</sup> 2010 FC 1011.

<sup>3</sup> R.S., 1985, c. P-4.

<sup>4</sup> *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76.

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