

Rethinking Patentable Subject Matter in Canada

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Federal Court Revives Business Method Patents in Amazon.com Appeal

In a strongly worded decision, the Federal Court of Canada has quashed the Commissioner of Patents' refusal of the Canadian patent application for Amazon.com's "1-Click" patent application. In doing so, the Court criticized virtually every aspect of the Commissioner's reasons for refusing the 1-Click application. Most significantly, the Court rejected the tests for patentable subject matter that had been formulated recently by the Canadian Patent Office and affirmed that "there is not, nor has there ever been, a statutory exclusion for business methods in Canada."^[1]

Law, Policy and the Commissioner's Jurisdiction

The decision offers strong criticism of the Commissioner's liberal borrowing of law and policy from other jurisdictions. In refusing the 1-Click application, the Commissioner formulated "form and substance" and "technological" requirements for patentable subject matter and attempted to justify these requirements with reference to European and English law. The Court found the formulation of such requirements to be outside the Commissioner's jurisdiction and further rejected the approach as a misguided attempt to interpret Canadian patent principles. In particular, the Court considered the reference to European and English law inappropriate given the significant differences between those patent systems and the Canadian one. According to the Court, the Commissioner is bound by the Canadian patent regime^[2] and lacks the discretion to make decisions on policy grounds.

Finding it "confusing and unnecessary," the Court rejected the Commissioner's "form and substance" approach to patentable subject matter. This type of test, which featured a subjective examination of the claims, was rejected several years ago by the Supreme Court in favour of a "purposive construction" approach when assessing validity and infringement^[3]. The latter approach looks at the invention as a whole, rather than as discrete elements. According to the Court, the Supreme Court expressed a clear intention for the purposive approach to be applied universally. As such, elements that contribute patentable subject matter should not be assessed separately from those that contribute to the novelty and inventiveness of the claimed invention. The assessment must be made having regard to the invention as a whole.

The Commissioner's "technological" requirement for patentable subject matter was also firmly rejected. Again, the Court held that there was no basis for this test in Canadian law and it was outside the Commissioner's jurisdiction to introduce a new test. Furthermore, the Court found that a "technological" requirement would be unwieldy in the context of Canadian patent law. Canadian patent law is necessarily flexible to take into account the ever-changing technology landscape. According to the Court, a "technological" requirement would be "highly subjective and provide little predictability," and risk rendering Canadian patent law "overly restrictive and confusing."^[4]

Defining Patentable "Art"

The Court also pointed out several misinterpretations of Canadian patent law in the 1-Click decision. In particular, the Commissioner had adopted an overly restrictive definition of patentable "art," based on the 1970 decision in *Lawson v. Commissioner of Patents*.^[5] Using this decision the Commissioner found "art" to require "an act or series of acts performed by some physical agent upon some physical object and producing in such object some change either of character or of condition."

However, the Court followed the later decision of the Supreme Court of Canada in *Shell Oil Co. of Canada v. Canada (Commissioner of Patents)*,^[6] and the subsequent decision of the Federal Court in *Progressive Games Inc. v. Canada (Commissioner of Patents)*^[7] to define a patentable “art.” In particular, the Court endorsed the following broader test for a patentable art: i) it must not be a disembodied idea but have a method of practical application; ii) it must be a new and inventive method of applying skill and knowledge; and iii) it must have a commercially useful result. The Court noted that this broader definition of “art” was more in keeping with the flexibility of Canadian patent law.

Equal Treatment of Business Methods

One of the most controversial aspects of the original 1-Click decision was the Commissioner’s blanket exclusion of business methods from patentability. On this point, the Court was unequivocal. According to the Court, business methods, just as any other claimed invention, are to be assessed in terms of the categories of art, process, machine, manufacture or composition of matter. They should not be given their own unique category of exclusion. To do so, according to the Court, “would be a ‘radical departure’ from the current regime.”^[8]

Reversal of Fortune for Amazon

Having found fundamental errors in the Commissioner’s decision, the Court re-examined the claims anew to determine whether they disclosed patentable subject matter. All of the rejected claims, both method and system claims, were considered to meet this requirement. All of the computer or computer-related components of the system claims were essential to carry out the ordering process described. Since computers are “machines” and machines are explicitly patentable under Canadian patent law, this was sufficient for the Court to hold that these claims were directed towards statutory subject matter. The “1-Click” concept combined the use of cookies, computers, the internet and the customers own actions to result in a “transformation or change of character [that resided] in the customer manipulating their computer and creating an order”^[9], meeting the “practical application” requirement of the *Shell Oil* test. The Court found that the other requirements were also met.

Curiously, the Court refrained from granting the patent application, as requested by Amazon.com. Fearing that the entire examination process had been tainted by the Commissioner’s “misapprehension” regarding subject matter, the application was returned to the Patent Office for expedited re-examination.

Implications

Although this decision is especially relevant to computer-implemented and business method inventions, it will likely have far-reaching implications.

First, this decision has the effect of more closely aligning Canadian subject matter guidelines with those of the United States. In a parallel decision, the US Supreme Court recently rejected^[10] a strict “machine-or-transformation” test for subject matter as being too rigid. Arguably, the 1-Click decision goes even further than the US Court did, by explicitly endorsing a test that contemplates inventions in which a literal “physical effect” may not be apparent. According to the Court, “it is important to remain focused on the requirement for practical application rather than merely the physicality of the invention”.^[11] This may now call into question the Patent Office’s current practice of rejecting signal claims.^[12]

Additionally, as noted by the Court, the Canadian Patent Office has used the Commissioner’s decision as the basis for radically new and often confusing tests used more generally in all patent examination. In particular, significant updates to the Patent Office handbook were introduced incorporating these tests. Those chapters will need updating to conform to the subject matter analysis endorsed by the Court. However, it is uncertain what immediate changes, if any, the Canadian Patent Office will make to its practices. An appeal of this decision is possible within 30 days, and may be likely given the strong wording of the Court’s decision.

Regardless, for the time being at least, the law has shifted in favour of prospective patentees, who now have strong legal authority to rely upon when arguing for the patentability of their inventions.

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[1] *Amazon.com, Inc. v. The Attorney General of Canada and the Commissioner of Patents*, 2010 F.C. 1011 at para. 63.

[2] *Amazon.com, Inc. v. The Attorney General of Canada and the Commissioner of Patents*, 2010 F.C. 1011 at para. 37.

[3] *Amazon.com, Inc. v. The Attorney General of Canada and the Commissioner of Patents*, 2010 F.C. 1011 at para. 38.

[4] *Amazon.com, Inc. v. The Attorney General of Canada and the Commissioner of Patents*, 2010 F.C. 1011 at para. 71.

[5] (1970), 62 C.P.R. 101),

[6] [1982] 2 S.C.R. 536.

[7] 177 FTR 241 aff'd (2000), 9 C.P.R. (4th) 479 (F.C.A.),

[8] *Amazon.com, Inc. v. The Attorney General of Canada and the Commissioner of Patents*, 2010 F.C. 1011 at para. 68.

[9] *Amazon.com, Inc. v. The Attorney General of Canada and the Commissioner of Patents*, 2010 F.C. 1011 at para. 75.

[10] See "Bilski v. Kappos – Was it Worth the Wait?"

(<http://www.bereskinparr.com/ENG/News/NewsletterArticles/newsletters/PAT/Summer2010/newsletter-PAT-Summer2010.html>).

[11] *Amazon.com, Inc. v. The Attorney General of Canada and the Commissioner of Patents*, 2010 F.C. 1011 at para. 53.

[12] See "Patent Community Reacts to Unpatentable Signal Claims

(<http://www.bereskinparr.com/ENG/News/NewsletterArticles/newsletter-sh-summer-2008.html#SignalClaims>).