

## Patentability of Business Methods in Canada and the United States: the Current Situation

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After much anticipation, the U.S. Supreme Court handed down the decision in the case of *Bilski v. Kappos* on June 28, 2010. The decision has wide-ranging implications for the patentability of business methods in the U.S., chief among which are that business methods are not barred from patentability *per se*, although they still appear difficult to obtain. The U.S. Supreme Court also stated that the so-called “machine or transformation” test, which was previously being used by patent examiners at the USPTO, although useful, is not the sole test for determining patentability. The “machine or transformation” test states that a patent claim must be tied to a particular machine or transform an article from one state to another, the article being, roughly, a physical object or possibly a signal representative of a physical object.

From a patentee’s perspective, it seems heartening that the U.S. Supreme Court has backed away from making decisions about what is and what is not patentable subject matter, leaving that task instead to legislative bodies. Inventions are, by definition, at the forefront of human knowledge, and to overly regulate patentability of an invention based on which category it falls into is to risk stifling innovation.

In contrast, the situation in Canada remains somewhat at odds with that of the U.S. In December 2009, the Canadian Intellectual Property Office released two updated chapters of its Manual of Patent Office Practice (MOPOP), outlining this country’s patent examination practice regarding, in particular, patentability of business methods. The updated practice, which appears to be based largely on the Patent Appeal Board’s decision regarding Amazon’s 1-click patent (see *Re Amazon.com’s Patent Application 2,246,933 (2009) C.D. 1290*), states that, regarding business methods, “advances in the concepts of their practice are beyond the scope of Section 2 of the Patent Act” (MOPOP chapter 12.04.02). This stance appears to rely in part on a version of the “machine or transformation” test (MOPOP chapter 12.06.02). The updated practice contains several other changes as well, such as the ability of examiners to object to either the form or the substance of a claim as being non-statutory.

Even after June’s *Bilski* decision, and in spite of Amazon having filed an appeal of the Patent Appeal Board’s decision in Federal Court, Canadian patent examiners are currently and dutifully implementing this new practice. Examiners are, for instance, objecting to the substance of claims, even if the form of the claim defines statutory subject matter, such as a machine. For example, if an Examiner can demonstrate that the new contribution of the claim to human knowledge is a business method, they may object to the claim as non-statutory.

Currently, to address such an objection in Canada, it may be beneficial, where possible, to defer responding to the Examiner until after the upcoming Canadian Federal Court decision regarding Amazon's appeal, in hopes that the reasoning used in the *Bilski* decision will be echoed or at least considered by the Canadian Court. In more urgent cases, the language used in Amazon's appeal may provide a basis for responding to the Examiner's objections. Meanwhile, for business method patents being pursued in the U.S., it seems prudent to continue including claims to a system for performing the method. In the U.S., the current view is that system claims are infringed in the U.S. even if some components of the system are located elsewhere (see *NTP, Inc. v. Research in Motion, Ltd.* 418 F.3d 1282 (Fed. Cir. 2005)). Therefore, this approach should provide some level additional protection in the U.S. in the event that a competitor attempts to take advantage of the current situation in Canada.

We expect that the current situation will be clarified in the upcoming Canadian Federal Court decision regarding Amazon's appeal. Hopefully, in the spirit of economic cooperation, the practices of the two countries will more closely align in the future.