



Business method patents possible in Canada

The Canadian Federal Court's ruling in the *Amazon.com* case has finally framed the debate as to how subject matter is to be assessed for patentability

In a 14th October 2010 ruling in *Amazon.com Inc v Canada* (Commissioner of Patents), Canada's Federal Court cleared the way for business method patents and reiterated how claimed subject matter should be assessed for patentability.

For years, applicants for Canadian patents primarily in the computer and business process fields have faced non-patentable subject matter rejections at the Canadian Intellectual Property Office (CIPO). For a time, examiners asserted that certain process or machine claims were not patentable because they did not produce an essentially economic result in relation to trade, commerce or industry. CIPO had derived this approach primarily from Canadian case law that had considered the patentability of other kinds of subject matter.

Amazon.com's patent application, claiming a one-click internet ordering system and process, encountered just such a rejection. The examiner reasoned that the proposed invention was in essence a business scheme, and that for this reason it failed to produce the essentially economic result required to qualify it as an "art" under Canadian law. The Canadian Patent Appeal Board (CPAB) heard the case and, in March 2009, published Commissioner's Decision 1290 (CD1290) upholding the rejection.

Of particular interest to observers was that CD1290 also set out both a new approach to assessing claims for subject matter patentability and a rationale for excluding business methods. It was evident that CIPO's new approach resulted from a great deal of effort, taking case law from Canada and several other jurisdictions into account. Following publication of CD1290, CIPO's policy manual was updated and examiners employed the new approach when assessing claims in the computer, business-process and even medical fields where Swiss-style or "use" claims were sought.

Central to the new approach was the requirement that the "substance" of the invention – the inventor's contribution to the state of the art – be isolated from other parts of the claim by distilling out the prior art. The substance was then to be assessed to determine whether it conformed to the Patent Act, was technological and was not otherwise excluded.

Amazon.com did not accept the CPAB's findings, and referred the matter to the Federal Court, which in its October 2010 decision reversed the non-patentable subject matter rejection and ordered the application back to CIPO for expedited examination consistent with the Court's reasons.

In its reasons, the court stated that CIPO's new approach is not supported in Canada, there is no special exclusion for business methods and there is no technological test. Rather, as explained by the court, for the past 10 years the Supreme Court has been clear that claims are universally to be interpreted in a holistic, purposive manner and therefore are not to be parsed into their novel and non-novel components in order to evaluate patentability. Those familiar with the *Bilski* line of decisions in the United States will appreciate the court's clarification that in Canada, as in the United States, it is inappropriate to dissect claims into old and new elements and then to ignore the presence of the old elements in an analysis.

The court went on to note that CD1290 had relied heavily on case law from the United Kingdom and Europe, and expressed concern that due regard had not been given to certain fundamental differences between the legislation in Canada and that in the other jurisdictions. The Canadian Patent Act, like its counterpart in the United States, defines what may be patented primarily in inclusive terms. While there are as such exceptions for scientific principles and abstract theorems, the core of the definition is set out in Section 2, which specifies that an invention is a new and useful machine, manufacture, art, process or composition of matter, or a new and useful improvement in a machine, manufacture, art, process or composition of matter.

The court observed that legislation in Europe and in the United Kingdom defines

that which may not be patented as respective lists of exclusions, and accordingly all but disregarded the implications of European and UK case law on the subject. It will be useful to those who make decisions about building and managing patent portfolios worldwide that the court instead looked to the case law of the United States and Australia for guidance as to subject matter patentability in Canada.

At the end of the decision, the court made the slightest of suggestions that one might question the sufficiency of Amazon.com's disclosure in respect of the system claims. This was something of a sidebar, since sufficiency was not an issue before the court. However, the court's suggestion may cause some applicants in the computer and business process fields to recall having encountered non-patentable subject matter rejections that were underpinned by an examiner's assertion that any purportedly novel implementing hardware or software was insufficiently described. Whether or not such an assertion could be applied to rejections for disclosure insufficiency, the court's comment may serve as a useful reminder to ensure that all claimed subject matter is thoroughly described and supported by the specification and the figures.

Unfortunately, a period of uncertainty still remains in the wake of the CIPO having lodged notice that they will be appealing the court's order. The argument for the exclusion of business methods appears to have been abandoned, but the CIPO is alleging that rejection of the "substance" approach was an error in law. Despite the uncertainty, the debate about subject matter patentability assessments has finally been framed and raised out of the trenches of case-by-case patent office prosecution. It is expected therefore that clarity on the matter will soon result.

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