

November 28, 2011

And The Saga Continues: Amazon Sent Back To The Patent Office

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The Federal Court of Appeal (FCA) has just released its decision in the now famous patent application for a «one click» internet shopping method filed in 1998 by Amazon.com («Amazon»). The patent application survives this latest test and is returned to the Patent Office for expedited examination. This is an important decision for anyone interested in protecting software-implemented innovations and business methods, especially in view of the serious lack of jurisprudence in that field in Canada.

This decision follows an appeal by the Commissioner of a recent Federal Court decision. As further detailed in our previous bulletins (see our earlier cases comments [One-Click Has Its Day In \(Canadian\) Court](#) and [The Patent Office Appeals the Amazon Decision](#)), the Federal Court had ruled that business methods were not excluded from patentability, that the claims constituted patentable subject matter and that the patent application was to be sent back to the patent office for expedited examination.

In this FCA decision, Justice Sharlow ruled that the application should now be returned to the Patent Office for expedited examination but in a manner consistent with the FCA reasons.

The FCA agreed with the Federal Court decision that the Commissioner erred when she determined the subject matter of the claims solely on the basis of the inventive concept from a literal reading of the claims or a determination of the "substance of the invention". The determination of the actual invention and of subject-matter must be based on a purposive construction of the patent claims.

That being said, the Court stated that «it does not necessarily follow that the Commissioner was wrong in the result ». Indeed, Justice Sharlow indicated that it remains an open question whether the claimed subject matter is an "invention" within the statutory definition of such.

Any refusal of a patent application on the basis of non patentable subject matter must be grounded in the Patent Act. A patent application must be refused if the claim, construed purposively, describes something that is outside the enumerated categories in the statutory definition of "invention", namely any new and useful art, process, machine, manufacture or composition of matter, or any new and useful improvement thereof. In the present case, the words at issue are "art" and "process".

Previously, the Commissioner found that the following test was implicit in the meaning of "art" for purposes of the Patent Act. The Commissioner concluded that (1) the invention does not add to human knowledge anything that is technological in nature; (2) the invention is merely a business method and a business method is not patentable; and (3) the invention does not cause a change in the character or condition of a physical object.

The Court stated that the Commissioner should be wary of devising or relying on its own tests, even if those tests are intended only to summarize principles derived from jurisprudence that interprets some aspect of the statutory definition of «invention. Catchphrases, tag words and generalizations can take on a life on their own, diverting attention away from the governing principles.

The Court pointed out that while the Commissioner « must consider all relevant jurisprudence, (but) he must also recognize that each decided case turns on its own facts and arises in the context of the state of knowledge at a particular point in time, with the objective of resolving a particular disagreement between the parties to the litigation. » . Caution should be exercised in developing a principle derived from a specific decided case and extrapolating it to another case.

On the issue of whether patentable subject matter must be scientific or technological in nature, an issue raised by the Commissioner, the Court agreed with the lower court in finding that this question is unclear and confusing. The Court also agreed that this is likely to be a highly subjective and unpredictable test if used as an independent test to distinguish patentable subject matter from non-patentable subject matter.

On the issue of whether a business method can ever be patentable subject matter in Canada, the Court mentioned that « I agree that no Canadian jurisprudence determines conclusively that a business method cannot be patentable subject matter ». The Court has then stated

that from this «it does not necessarily follow, [...], that a business method that is not itself patentable subject matter because it is an abstract idea becomes patentable subject matter merely because it has a practical embodiment or a practical application. In my view, this cannot be a distinguishing test, because it is axiomatic that a business method always has or is intended to have a practical application ».

The Court then stated that a purposive construction of the claims in this case should be undertaken anew by the Commissioner, with a mind open to the possibility that a novel business method may be an element of a valid patent claim.

On the issue of whether a patentable art must cause a change in the character or condition of a physical object, the Court agreed with the lower Court on the fact that « because a patent cannot be granted for an abstract idea, it is implicit in the definition of «invention » that patentable subject matter must be something with physical existence, or something that manifests a discernible effect or change ». That being said, the Court then pointed out that the physicality requirement cannot be met merely by the fact that the claimed invention has a practical application.

The Court then said that "it was not appropriate for Justice Phelan to undertake his own purposive construction of the patent claims." Indeed, anyone who undertakes a purposive construction of the patent must do so on the basis of a foundation of knowledge about the relevant art, and in particular about the state of the relevant art at the relevant time. At the Patent Office, assistance comes from the submissions of the patent application and from staff at the office with appropriate experience. The Courts however typically require the expert evidence of persons skilled in the art. Since «Justice Phelan did not have the benefit of expert evidence about how computers work and the manner in which computers are used to put an abstract idea to use », he could not properly construe the claims.

The Court, therefore, allowed the appeal and instructed the Commissioner to reexamine the patent application on an expedited basis.

Although the door is not closed to the patentability of business methods and software-implemented innovations, the Court has raised doubt as to patentability of the claims in the Amazon application. A purposive construction of these claims will determine if they contain patentable subject matter. This construction will be carried out by the Patent Office and will therefore be decisive for the fate of the patent application. In fact, the Patent Office will not be able to rely on its own devised tests for interpreting the Patent Law. Interestingly, the Patent Office had issued Revised Examination Guidelines for its examiners after the appeal of the Federal Court decision. These guidelines now appear obsolete in view of the FCA decision. Moreover, since no clear direction was given to the Commissioner for purposive construction of the claims, it is likely that the Commissioner will appeal this FCA decision and seek guidance from the Supreme Court. Needless to say that in view of this decision, the public would greatly benefit from a review by the Supreme Court of the issues related to the patentability of software-implemented innovations and business methods.

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