

IP monitor

Federal Court of Appeal weighs in on business methods

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Patents

On November 24, 2011, the Federal Court of Appeal released its highly anticipated decision in the case of Amazon.com's so called 'one-click' patent.¹ The Federal Court of Appeal set aside the decision of the Trial Judge and referred the case back to the Commissioner for expedited re-examination in accordance with its reasons.

We previously summarised the Trial Judge's reasons in [*Business method patents now just one click away*](#).

Background and Judicial History

The Commissioner of Patents rejected the claims of Amazon.com's patent application for a process and system allowing visitors returning to a website to purchase an item in "one-click" without having to re-enter payment and shipping information. The rejection was on the basis that the patent did not claim an "invention" as defined in section 2 of the *Patent Act*².

At trial, Justice Phelan found that the Commissioner had erred in a number of respects in particular by: (i) adopting a restrictive definition of 'art' that relied too heavily on the physicality of an invention; (ii) relying on a categorical rejection of business method patents in Canada; and (iii) departing from the basic principles of purposive claim construction by looking past the language of the claims to the "substance" of the claimed invention.

The Trial Judge found that the claimed invention was not merely a scheme but was the practical application of the one-click concept put into action to achieve a commercially applicable result and was therefore patentable.

Reasons of the Federal Court of Appeal

In setting aside the Trial Judge's findings, the Federal Court of Appeal provided clarification to the tests applied by the Commissioner of Patents in determining the question of patentable subject matter.

¹ *Canada (Attorney General) v. Amazon.com, Inc. et al.*, 2011 FCA 328 (F.C.A.).

² R.S., 1985, c. P-4.

No scientific or technological requirement

The Court rejected the suggestion that patentable subject matter must be scientific or technological in nature (except in so far as this distinguishes such patents from the fine arts or works of art that are inventive only in an artistic sense); the use of such an unclear and confusing “tag line” is unhelpful and should not be used as a “stand-alone basis” for distinguishing patentable from un-patentable subject matter.

No per se exclusion for business methods patents

The Court held that there is no basis in law to suggest that a business method cannot be patentable subject matter in Canada. Nevertheless, the Court rejected the notion that a business method that is not itself patentable subject matter because it is an abstract idea, can be rendered patentable subject matter by virtue of having a “practical embodiment” or a “practical application”.

A patentable art must cause a change in the character or condition of a physical object

The Court also held that patentable subject matter must be something with physical existence, or something that manifests a discernable effect or change. This “physicality requirement” will necessarily evolve with technology, however, it cannot be met by claims that simply contemplate the use of a physical tool or a computer to give what would otherwise be a novel mathematical formula, for example, a practical application.

The considerations outlined above are to be analyzed under the framework of a purposive construction of the subject matter defined by the claims taking into account the relevant art and the state of the art at the relevant time. According to the Federal Court of Appeal, this will ensure that the Commissioner is “alive to the possibility that a patent claim may be expressed in language that is deliberately or inadvertently deceptive” in that, “what appears on its face to be a claim for an ‘art’ or ‘process’ may, on a proper construction, be a claim for a mathematical formula and therefore not [constitute] patentable subject matter.”

The Court held that the Trial Judge’s “practical application” approach could not form the basis of a distinguishing test for patentability, and that a proper determination would depend on a purposive construction of the application at issue. Finding that the record did not allow the Court to conduct its own reading of the patent claims in light of the state of the art, the Court referred the matter back to the Commissioner of Patents to re-examine the patent in light of the Court’s judgement.

The parties have 60 days from the date of the decision to seek leave to appeal to the Supreme Court of Canada.

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