

Canadian Federal Court Decision: Business Methods are Patentable

By Dr. Michael Maskery



On October 14, 2010, Justice Phelan of the Federal Court of Canada, released the anxiously awaited decision ("the decision") in the case of *Amazon.com v. The Attorney General of Canada and the Commissioner of Patents*. This decision addresses Amazon.com's appeal of the Commissioner's previous decision that Amazon's "1-click" patent application pertained to a business method and was therefore unpatentable. Justice Phelan reversed the Commissioner's decision, stating that "a business method can be patented in appropriate circumstances."

The current decision is highly significant to the prosecution of "business method" patents at the Canadian Intellectual Property Office (CIPO). Some highlights are listed below:

Form and Substance Examination: This refers to the Commissioner's proposed test that a claimed invention should be deemed unpatentable subject-matter if what makes it new and unobvious comprises non-statutory subject matter. However, Justice Phelan found that the Commissioner stepped outside of her jurisdiction in adopting this test. The test was held to be "confusing and unnecessary," and a departure from both recent jurisprudence and the Canadian *Patent Act*. Instead, Justice Phelan stated that the claims are to be interpreted in a purposive manner, as previously established, for example, in *Free World Trust v. Electro Sante Inc.*, [2000], 2 S.C.R. 1024, a landmark Supreme Court of Canada decision on the issue of claim construction.

Change of Character or Condition: The decision further attempts to clarify the definition of a patentable "art," stating that, although a claim must have practical application, this requirement should be widely interpreted in light of today's "electronic age" technology. The Commissioner's heretofore interpretation of the practical application requirement was thus held to be too restrictive, since it failed to "take into account a wider definition of physical, "change in character or condition," or the concrete embodiment of an idea."

Business Method Exclusion: Since December 2009, the CIPO's policy has been to automatically exclude business methods from patentability on the basis that business is not a field of technology. However, the current decision states that this position is without basis and again outside of the Commissioner's jurisdiction. Rather, Justice Phelan stated that it "makes an eminent amount of sense" to instead adopt the approach in the USA and Australia. That is, business methods should not be unpatentable *per se*, although they must still be meet the definition of "invention" in the *Patent Act*, typically as an art, process or machine.

Technological Requirement: The Commissioner's and the CIPO's position that a claimed invention must be "scientific or technological" in order to be a patentable art was also addressed. For example, since December 2009, the CIPO has required that the practical form of a statutory invention must be a technological solution to a practical problem (*Manual of Patent Office Practice 12.04*). However, once again the current decision holds that there is no reference to such a test in the Canadian jurisprudence, nor was it within the Commissioner's jurisdiction to introduce one. Furthermore, such a test, if it were introduced, was deemed to be overly restrictive, inflexible and confusing, as well as highly subjective and unpredictable.

In summary, it appears that "business method" patents are once again generally considered patentable in Canada. However, a claim must still meet novelty and obviousness requirements, as well as being directed, in some sense, to a practical application or form. Mere business schemes, having no practical embodiment, remain unpatentable like any other abstract idea or theorem. More generally, the current decision appears to have wider implications to patent applications in other fields, such as biotechnology. For example, the "Form and Substance" test outlined in Section 13.05 of the *Manual of Patent Office Practice (MOPOP)* may no longer hold as much sway during examination. Likewise, the requirement that "inventions must relate to fields of technology" as outlined in Section 12.04 of *MOPOP* may be clarified, relaxed, or even discarded entirely. Indeed, we expect that *MOPOP* Chapters 12 and 13 may eventually be rewritten in light of the current decision.

We will await to see whether or not the Commissioner of Patents will appeal this decision to the Federal Court of Appeal. It may be recalled that the Commissioner had applied for leave to appeal to the Supreme Court of Canada a few years ago when its decision regarding the Harvard Mouse application was overturned by the Federal Court of Appeal. Given the Commissioner's aggressive stance on the matter, both in the current case and its recent revisions to the Manual of Patent Office Practice, it is likely that an appeal will be filed.