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Highlights from the Amazon 1-click Decision in Canada

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On October 14, 2010, Justice Phelan of the Federal Court of Canada, released his 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 a variety of types of patents at the Canadian Intellectual Property Office (CIPO), including but not limited to so-called "business method" patents. 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.

From the Federal Court Decision:

"A return to 'form and substance' language... is confusing and unnecessary. Further, it represents a departure from the clear direction of the Supreme Court to apply purposive construction universally."

"It is problematic to suggest that "what has been discovered" stands apart from the claims as a whole." and "It is contrary to settled law to purport to look at 'what has been invented' and 'substance' by failing to look at the invention as a whole."

"The Commissioner has simply adopted a novel legal test by which to assess patentable subject-matter. It is not supported by recent Canadian jurisprudence or the Patent Act. This is an error of law and far outside the Commissioner's jurisdiction."

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."

From the Federal Court Decision:

"It is important to remain focused on the requirement for practical application rather than merely the physicality of the invention."

"It is not necessary for the material objects in question to physically change into another thing."

The Commissioner's application of the test suggests that [a physical object] must be changed in some way. Further, her interpretation of practical application does not take into account a wider definition of physical, "change in character or condition" or the concrete embodiment of an idea."

"The Patent Act is not static; it must be applied in ways that recognize changes in technology such as a move from the industrial age to the electronic one of today."

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.

From the Federal Court Decision:

"The Court concludes that a "business method" can be patented in appropriate circumstances."

"Contrary to what the Commissioner suggests, to implement a business method exception would be a "radical departure" from the current regime requiring parliamentary intervention."

"There is no basis for the Commissioner's assumption that there is a "tradition" of excluding business methods from patentability in Canada."

"There is not, nor had there ever been, a statutory exclusion for business methods in Canada as there is in the UK."

J. Phelan also hinted at what would constitute statutory subject-matter, stating:

"A mere business scheme will have no practical embodiment and, like any other abstract idea or theorem, will of course not be patentable. This is not the case with the business method claimed in the present case."

In this regard, The Federal Court appears to at least partly agree with the CIPO's position. Chapter 12.04.02 of the Manual of Patent Office Practice (MOPOP) states that "Fields of human endeavour such as economics, commerce, accounting, record-keeping, marketing, and law are not themselves fields of technology... advances in the concepts of their practice are beyond the scope of section 2 of the Patent Act." MOPOP 12.06.02 defines a business method as "a scheme or plan for conducting commercial interactions." However, the Federal Court found that Amazon's patent had practical application, and was therefore patentable.

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.

From the Federal Court Decision:

"Technology is in such a state of flux that to attempt to define it would serve to defeat the flexibility which is so crucial to the Act."

"There is no reference to such a test in the Canadian jurisprudence... It was not within the Commissioner's jurisdiction to introduce one."

In summary, it appears that "business method" patents are once again generally considered patentable in Canada. However, a claim must still meet novelty and nonobviousness 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 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.

On November 15, 2010, the Department of Justice appealed the Federal Court decision to the Canadian Federal Court of Appeal. However, we believe that the current Federal Court decision should be interpreted as the "law of the land" until the Federal Court of Appeal renders its own decision on this matter. For patent applications currently undergoing prosecution at the CIPO, we therefore believe it may be prudent to review any objections raised by Patent Examiners to determine whether parts of these objections are based on practices which the Federal Court has rejected. In such cases a response to the Examiner may include an assertion that the Examiner's position is wrong in law, citing appropriate passages in the Federal Court decision.

Although the Federal Court decision appears to favour a wider definition of the practical application requirement than was proposed by the Commissioner, we believe that it may still be prudent, when drafting a patent application for prosecution in Canada, to explicitly specify physical characteristics of the claimed invention, such as its physical nature or the physical changes in character or condition of a physical object effected by the claimed invention.