

Torys on Intellectual Property

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Canada Now Permits Business Method Patents

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Business method patents are now permitted in Canada. On October 14, 2010, the Federal Court of Canada concluded that the famous Amazon.com “one-click” patent was patentable subject matter.¹ In what is expected to be a much-discussed decision, the Court concluded that business method patents are permissible in Canada, under appropriate circumstances, and overturned the decision of Canada’s Commissioner of Patents, who had rejected Amazon.com’s patent (following a series of appeals to the Patent Appeal Board).

No “Tradition” of Excluding Business Method Patents

The Federal Court stated that a “traditional business method patent exclusion” as suggested by the Commissioner was a radical and unlawful departure from the accepted patent regime in Canada. The Court held that there is not, nor has there ever been, any categorical prohibition in Canada that excludes business method patents.

Shell Oil Provided the Test for Patentability

The Federal Court stated, in effect, that the law did not need an exclusion or amendment to deal with business method patents. Instead, the Court affirmed the test for patentable subject matter as set out in the Supreme Court of Canada’s 1982 decision in *Shell Oil v. Commissioner of Patents*. In that case, the Supreme Court held that a patentable “art” should not “be confined to new processes or products or manufacturing techniques but [should be] extended as well to new and innovative methods of applying skill or knowledge provided they produced effects or results commercially useful to the public.”

In the *Amazon.com* decision, the Federal Court interpreted the Supreme Court’s decision in *Shell Oil* as setting out three conditions for patentable subject matter. First, the invention must not be a disembodied idea but a method of practical application. Second, the invention must be a new and inventive method of applying skill and knowledge. Third, the invention must have a commercially useful result.

Patentability Is Based on the Whole Invention

The Commissioner had held that it is necessary to isolate the inventive aspect of a claim – that is, the part in the claim that comprises the inventive step – and assess whether that (isolated) step contains patentable subject matter. The Federal Court rejected this “form and substance” analysis, instead holding that a claim must be

¹ The decision is available [here](#).

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construed purposively “as a whole,” and that the Commissioner’s approach was contrary to settled law in failing to examine the whole of the claimed invention. Examining only the new and non-obvious elements of a claim to determine whether each of these elements is, in isolation, valid subject matter can lead to erroneous results. Under purposive construction, the claim as a whole (that is, the invention as a whole) is examined, identifying the essential and non-essential elements of the invention to determine whether the invention, as defined by the essential elements of the claim, is valid subject matter.

The Patent System Must Progress with the Advancement of Technology

Finally, the Federal Court overturned the Commissioner’s conclusion that for an invention to be patentable, it must be “technological” in nature. The Commissioner had stated that an invention needs to fall within one of the categories of patentable subject matter set out in section 2 of the *Patent Act* **and** it must also be technological in nature. The Federal Court rejected this approach, which would render the Canadian patent system overly restrictive and confusing. The Court also found that attempting to define “technology” would defeat the flexibility that is provided by the *Patent Act*, which is not static and must be applied “in ways that recognize changes in technology such as the move from the industrial age to the electronic one of today.”

Where Do We Go from Here?

While the Amazon.com one-click patent is interesting, it is the decision’s broader implications that will have a long-term impact. This decision is a drastic departure from the approach that the Canadian Intellectual Property Office (CIPO) has adopted over the past year in handling patent applications in areas such as software and computer-implemented innovations. Although the decision will almost certainly be appealed, given the stakes involved, applicants in art fields affected by this decision will no doubt watch with interest to see whether CIPO will issue revised examination guidelines to replace any current guidelines that might be viewed as being based on the now-rejected Patent Appeal Board decision. **1**