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Canada Reconsiders Business Method Patents

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On November 24, 2011, the Federal Court of Appeal ordered the Canadian Intellectual Property Office (CIPO) to re-examine whether Amazon.com's "one-click" patent is directed to patentable subject matter.

The Amazon.com patent application relates to the placement of online purchase orders with a single click of a mouse. The application was rejected by the CIPO Patent Appeal Board in 2008. The Board found, among other things, that the Amazon.com patent application was not patentable because it was not directed to an invention that is technological in nature. The Board held that, as a matter of law, "business systems and methods" do not constitute patentable subject matter in Canada.

Amazon.com appealed the rejection to the Federal Court. Both at that level and in the subsequent appeal, CIPO and Amazon took different positions on the analytical framework to be applied in determining patentable subject matter. CIPO maintained that patentability should depend on whether the actual invention falls within one of the enumerated categories of patentable subject matter in the *Patent Act*. Amazon.com argued, however, that the analysis should be based on a purposive construction of the claims.

The Federal Court overruled CIPO's grounds of rejection and essentially ordered CIPO to grant the patent. The Federal Court took issue with the Board's decision in a number of respects. The Court (i) rejected the "form and substance" approach of the Board to determining patentability and held that patent claims should be construed purposively "as a whole"; (ii) rejected that there was a requirement that an invention be "technological in nature"; and (iii) held that business method patents are permissible in Canada under certain circumstances.

CIPO appealed to the Federal Court of Appeal, which has now released its decision. Although it technically allowed CIPO's appeal, it affirmed much of the Federal Court's reasoning on the status of business method patents and the question of patentable subject matter.

No Bar to Business Method Patentability and No Technological Requirement

The Federal Court of Appeal affirmed the lower court ruling that no legal rationale exists for excluding business methods from constituting patentable subject matter in Canada, and found that no Canadian jurisprudence determines conclusively that a business method cannot be patented.

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The Court also rejected CIPO's position that patentable subject matter must be scientific or technological in nature. Like the Federal Court, the Court of Appeal held that the word "technological" is subjective and unpredictable, and that it cannot be the stand-alone basis for distinguishing patentable from non-patentable subject matter.

Although it rejected the technological limitation, the Court of Appeal recognized that since a patent cannot be granted for an abstract idea, it is implicit in the definition of "invention" that patentable subject matter must have a physical existence or manifest a discernable effect or change. Importantly, the Court of Appeal also rejected the suggestion that the physicality requirement "can be met merely by the fact that the claimed invention has practical application," which was one possible interpretation of the lower court decision.

Patentability Defined by Claims

The Court of Appeal confirmed that when determining questions of patentable subject matter (as well as the other criteria for or against patentability, such as novelty, obviousness, utility and statutory prohibitions), the focus should be on the claims of the patent, rather than "what the inventor claims to have invented" or the "invention." Therefore, validity questions on a patent (such as lack of novelty or utility) must also be determined with respect to claimed subject matter, rather than vague notions such as the invention of the patent.

CIPO to Re-examine Patent

While substantially adopting the lower court's reasoning, the Court of Appeal nonetheless found that it was inappropriate for the trial judge to have construed the claims to determine patentability. The Court of Appeal held that the purposive construction of patent claims should be undertaken with a foundation of knowledge about the relevant art, and prior art, of which the lower court did not possess an adequate record. The Court of Appeal therefore maintained that the rejection of the Amazon.com application was improper, and required CIPO to re-examine the application on an expedited basis in accordance with the reasons set out in the Court of Appeal decision.

Appeal to Supreme Court?

The parties have 60 days to seek leave to appeal this decision. In light of the importance of the issues before the Court to CIPO (which requires clear guidance on how it should examine patent applications) and to the patent system more generally, there is a strong chance that these issues will reach the Supreme Court of Canada. 