

What is an Invention?

Business Methods as Patentable Subject Matter

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The Basics

A patent is granted if the application is:

- Novel;
- Non-obvious;
- Possesses Utility; and
- Comprised of Patentable Subject Matter

Patentable Subject Matter is the focus of this talk, Business Methods in particular.

To be patentable, the subject matter must fall within the definition of “invention” as set out in section 2 of the *Patent Act*, as:

“any new and useful art, process, machine, manufacture or composition of matter, or any new and useful improvement in any art, process, machine, manufacture or composition of matter”

Patentable Subject Matter

The only statutory exclusion is sub-section 27(8) of the *Patent Act* which says that:

“No patent shall be granted for any mere scientific principle or abstract theorem”

All other exclusions to patentability are created by the Courts, Patent Appeal Board or CIPO itself

- including the former (?) exclusion of business methods...
- which is itself loosely – if not improperly – tied to the restriction against the patenting of professional skills found in *Lawson v. Commissioner of Patents* (1970), 62 C.P.R. 101 (Ex. Ct.)

Amazon and the Patent Appeal Board

Kaphan Patent Application No. 2,246,933

- “A common characteristic of the five categories of invention is that they are physical in nature. Machines, manufactures and compositions of matter are inherently physical.” (para. 131)
- “We conclude from our review of the jurisprudence discussing art that an act or series of acts that do not constitute a practical application of scientific or technological knowledge do not fit the definition of a patentable art. **A practical application of knowledge necessarily implies an act or series of acts resulting in a change of character or condition of a physical object.**” (para. 137)

Amazon & the Patent Appeal Board

Kaphan Patent Application No. 2,246,933

- “Thus, where the claimed invention, in form or in substance, is neither a physical object (a machine, manufacture or composition of matter) nor an act or series of acts performed by some physical agent upon some physical object to produce in that object some change of either character or condition (art or process), it is not patentable.” (para. 139)
- The Patent Appeal Board ultimately upheld the Patent Examiner’s rejection of the application as being directed towards unpatentable subject matter.

Amazon in the Federal Court

Amazon.com Inc. v. Commissioner of Patents, 2010 FC 1011

- Justice Phelan ruled that the Commissioner of Patents had erroneously accepted the recommendations of Patent Appeal Board which were either flawed in law, policy driven or motivationally suspect:
 - “The absolute lack of authority in Canada for a “business method exclusion” and the questionable interpretation of legal authorities in support of the Commissioner’s approach to assessing subject matters underline the policy driven nature of her decision. It appears as if this was a “test case” by which to assess this policy, rather than an application of the law to the patent at issue.” (para. 78).

Amazon in the Federal Court

Amazon.com Inc. v. Commissioner of Patents, 2010 FC 1011

- Justice Phelan adopted the language of the majority of the Supreme Court of Canada in *Harvard College v. Canada (Commissioner of Patents)*, [2002] 4 S.C.R. 45 where Justice Bastarache expressly

“disagree[d] that s. 40 of the Patent Act [the general provision in the Act allowing the Commissioner of Patents to deny a patent application if the applicant is not entitled by law to receive one] gives the Commissioner discretion to refuse a patent on the basis of public policy considerations ***independent of any express provision in the Act***”
(*Harvard College v. Canada (Commissioner of Patents)*, [2002] 4 S.C.R. 45 at para. 144) (emphasis added).

Amazon in the Federal Court

Amazon.com Inc. v. Commissioner of Patents, 2010 FC 1011

- Justice Phelan noted with some curiosity that:
 - “On the contrary, it seems that until quite lately the Patent Office’s policy was to grant patents for business methods so long as they were an art within the meaning of section 2 of the *Patent Act*.
 - The previous Manual of Patent Office Practice (MOPOP), 12.04.04 (rev. Feb. 2005) stated that business methods are “**not automatically excluded from patentability, since there is no authority in the Patent Act or Rules or in the jurisprudence to sanction or preclude patentability based on their inclusion in this category**” [emphasis added].
 - The manual required that they be assessed like any other invention. The evidence indicates this practice was followed. The only explanation for the Patent Office’s change of heart in the newly revised manual appears to be the Commissioner’s own decision in the case at bar.” (para. 62)

Canada – US Roundup on the Patentability of Business Methods

Amazon

- Justice Phelan quashed the Commissioner's decision and sent it back for expedited re-examination on the basis that the claims constitute patentable subject matter.
- The matter has since been appealed, with oral arguments to be heard at the Federal Courts Building in Toronto on June 21st, 2011. (See you there).

Bilski

- The application in question sought to protect a method of hedging against risk in the energy commodity market.
- The application was initially denied by the Patent Examiner and the rejection was affirmed by the Board of Patent Appeals. The Court of Appeals for the Federal Circuit further upheld the rejection, using the 'machine-or-transformation test' as the exclusive test for determining patentable subject matter

Bilski et al. v. Kappos, 561 U.S. ____ (2010)

- Section 101 of the US Patent Act defines an invention as:
“... any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”
- The majority held that the four categories of patentable subject matter were expansive and should be given a wide scope when interpreted.
- The Court stated that the three non-statutory exclusions to patentable subject matter – laws of nature, physical phenomena, and abstract ideas (the “unholy triumvirate”, as I call it) – are consistent with the idea that patentable subject matter (including processes) must be **“new and useful”**. (*Bilski*, Kennedy at 5).
- The unholy triumvirate (*per se*) lack practical application and are outside the scope of section 101.
- The application was therefore rejected on the basis that it claimed nothing more than an abstract idea.

- For further commentary on the Canadian **Patent Appeal Board's decision** in Amazon see – Crowne-Mohammed, E., “Canadian Patent Appeal Board denies Amazon.com's one-click patent application”, Journal of Intellectual Property Law & Practice (Oxford), Vol. 5, No. 1, 2010.
- For further commentary on the **Federal Court's decision** in Amazon see – Crowne, E. and Arman, V., “Business Methods patentable in Canada according to Federal Court”, Journal of Intellectual Property Law & Practice (Oxford), Vol. 6, No. 2, 2011.
- For further discussion on **patentable subject matter in Canada** see – Crowne-Mohammed, E., “The Patentability of Professional Skills and Business Methods in Canada”, Journal of Intellectual Property Law & Practice (Oxford), Vol. 5, No. 2, 2010.
- For a **comparative review** of patentable subject matter across Canada and the United States see – Crowne-Mohammed, E., “Can You Patent That? A Review of Subject Matter Eligibility in Canada and the United States”, Temple International and Comparative Law Journal, Vol. 23, No. 2.

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