Federal Court of Appeal | Cour d'appel fédérale

Date: 20110408

Docket: A-435-10

Citation: 2011 FCA 127

Present: **TRUDEL J.A.**

BETWEEN:

THE ATTORNEY GENERAL OF CANADA and THE COMMISSIONER OF PATENTS

Appellants

and

AMAZON.COM, INC.

Respondent

Dealt with in writing without appearance of parties.

Order delivered at Ottawa, Ontario, on April 8, 2011.

REASONS FOR ORDER BY: TRUDEL J.A.

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REASONS FOR ORDER

TRUDEL J.A.

[1] This is a motion by the Canadian Life and Health Insurance Association Inc. and the Canadian Bankers Association seeking leave to intervene in the appeal by the Attorney General of Canada and the Commissioner of Patents from a decision of Phelan J., cited as 2010 FC 1011. The proposed Interveners seek leave to file written submissions and participate briefly in the oral argument. They do not seek leave to file evidence.

[2] In the Court below, the Judge summarized the matter at bar as follows:

> [1] This is an appeal of a decision by the Commissioner of Patents to deny the Appellant's patent for a "business method", having found that it was not patentable subject matter under s. 2 of the *Patent Act*, R.S.C. 1985, c. P-4 (*Patent Act*).
>
> [2] In coming to the conclusion she did, the Commissioner in effect created a test for assessing patentable subject matter, outlined new exclusions and requirements for patentability and outlined her view of the scope of patentable 'art'. Her decision not only raises significant questions of law and interpretation, but extends into policy-making which stands to fundamentally affect the Canadian patent regime. This appeal is thus of consequence not only to the Appellant, but to many who navigate our patent system. It also revisits the powers given – and not given – to the Commissioner under the *Patent Act* and the limitations which the statutory regime and jurisprudence impose upon her.
>
> [3] At its core, the question is whether a "business method" is patentable under Canadian law. For the reasons which follow, the Court concludes that a "business method" can be patented in appropriate circumstances.

[3] Amazon sought a patent for an invention entitled "Method and System for Placing a Purchase Order via a Communication Network", referred to as the "one-click patent application". As mentioned by Phelan J., the claimed invention enables internet shopping with a 'single click', without the need for the purchaser to 'check-out' or enter any further information. There are 75 claims in the patent. Claims 1 (the method claim) and 44 (the system claim) were at issue. The Commissioner had rejected the claims on the basis that they did not conform to section 2 of the *Patent Act*, R.S.C. 1985, c. P-4, and were therefore non-patentable subject matter.

[4] By his decision, Phelan J. allowed the appeal as follows:

> [78] 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.
>
> [79] There may be (and the Court is not suggesting that there are) other reasons why the Commissioner might have rejected this patent. One might question the sufficiency of disclosure in the system claims but no one has claimed that it was insufficient. That matter was not considered by the Commissioner. The Examiner’s principal finding was in relation to obviousness. In both the United States and Europe there have also been concerns as to whether the claimed invention was obvious. The obviousness analysis, however, should not occur at the “patentable subject matter” stage of the analysis. A finding that there has been new learning or knowledge which has contributed to the state of the art does not entail, nor should it pre-empt, an obviousness analysis. It is a separate test which asks whether one would be led to the “new knowledge” easily and without difficulty, not whether it adds to the state of the art.
>
> [80] Although clearly not determinative of this decision, the Court notes that this invention has been found to be patentable subject matter in several other jurisdictions, including in the United States and in Europe. In the latter, despite an explicit exclusion for “business methods”, the claims were not found to be such.
>
> [81] The misapprehension of the Commissioner and the Examiner as to the patentability of the subject-matter in these claims is a fundamental error of law, one which may have tainted the entire analysis. No evidence was given to this Court as to the validity of the claims in other respects. As such, the Court cannot evaluate them in any regard beyond the issues argued on this appeal and will not grant the Patent as requested by the Appellant.
>
> [82] The Court allows the appeal with respect to the Commissioner’s findings on statutory subject-matter. The Commissioner’s decision is quashed and is to be sent back for expedited re-examination with the direction that the claims constitute patentable subject matter to be assessed in a manner consistent with these Reasons.

[5] In this Court, the appellants take the position that the Federal Court’s Judge erred in law in finding that the claims were caught by section 2 of the *Patent Act*. Their appeal focuses on the interpretation of that section of the *Patent Act* and on the Judge’s decision to reject the ‘form and

substance' approach taken by the Commissioner for the purpose of determining whether the invention fell within the statutory definition.

[6] The proposed Interveners are representative bodies with public mandates whose members represent important stakeholders in the financial services industry.

[7] Their concerns can be summarized as follows (see their Motion Record, at paragraphs 2 and f.):

- The underlying appeal is widely recognized to be the test case on the question of the patentability of business methods in Canada
- The questions to be decided on the appeal extend far beyond the interests of Amazon.com. Because this Court will examine questions relating to the subject matter of patentability in Canada and the legal approach that should be taken in determining questions of subject matter of patentability, the fate of many of the applications that are commonly referred to as "business method patents" will be decided at the same time.
- The net result of the decision to issue on appeal could be to allow the patenting of ideas, or mental steps, such as many of the methods and steps involved in the creation, use and analysis of financial date, methods for managing financial portfolios and investments, methods for creating and managing insurance contracts, methods used to calculate risk or to analyze actuarial, mortgage or underwriting date, financial models and investment strategies and methods for conducting online banking, with the result that their members would be directly impacted.

[8] While the proposed Interveners generally support the position of the appellants on this appeal, they argue that they have a relevant and useful perspective on the potential effect that the Court's decision could have on industries such as theirs. Depending on the result of the appeal, they

could potentially be directly affected by the outcome. The appellants consent to their motion for leave to intervene.

[9] The respondent Amazon.com opposes the motion. It submits that the proposed Interveners seek to introduce new issues and broaden the existing issues before this Court. In particular, it argues that the proposed Interveners seek to put forward arguments related to the policy of granting patents on so-called 'business methods' when these questions are not at issue. Hence, the proposed Interveners' interest in the outcome of this appeal is merely speculative and jurisprudential and therefore insufficient to warrant intervention.

Decision

[10] Having considered the six factors for consideration in a motion for Intervener status, as listed in *Rothmans, Benson & Hedges Inc. v. Canada (Attorney General)*, [1990] 1 F.C. 74 (at paragraph 12), I am satisfied that the proposed Interveners have a direct interest in the outcome of the proceedings before this Court. I am also satisfied that their contribution to the debate could assist the members of the panel hearing the appeal given that their decision may affect the rights of members of the insurance and banking industries who consistently use methods and processes that would be directly affected by the test to be articulated by this Court.

[11] In their reply to the appellant's motion record, the proposed Interveners have suggested the scope of their intervention, which I will adopt in my order. As a requisition for hearing has already been filed, I will grant the motion for leave to intervene and set a strict timetable.

[12] An order is issued accordingly.

"Johanne Trudel"

J.A.

FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

DOCKET:	A-435-10
STYLE OF CAUSE:	The Attorney General of Canada and the Commissioner of Patents v. Amazon.com, Inc.

MOTION DEALT WITH IN WRITING WITHOUT APPEARANCE OF PARTIES

REASONS FOR ORDER BY:	Trudel J.A.
DATED:	April 8, 2011

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