

## Canadian Patent Office Allows Amazon.com

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Authors: [Stephen Beney](#) and [Paul Horbal](#)

In a surprising twist, the Canadian Intellectual Property Office (CIPO) has now allowed the Amazon.com “1-Click” patent application, directed toward what is, in essence, an improved remotely-accessible virtual checkout kiosk. The allowance appears to signal the end of a drawn-out legal battle for Amazon.com, and comes less than a month after the [Canadian Federal Court of Appeal \(FCA\) remanded the application](#) to the Commissioner of Patents for further examination.

The “1-Click” application was initially refused by the Commissioner on several grounds relating to patent-eligible subject matter. Among the reasons for refusal was the assertion that Amazon.com’s claims were for “business methods,” and that business methods were inherently excluded from patent eligibility under the definition of invention in section 2 of the *Patent Act*. In the appeal to the Federal Court (FC), Amazon was the clear victor with virtually every aspect of CIPO’s refusal [criticized by Justice Phelan](#). The FCA was more circumspect, but found that the lower court decision was correct in respect of the law and that its explanation of the test for patentable subject matter was correct. As did the FC, the FCA rejected the Commissioner’s argument for a determination of the “actual invention” independent of the invention as claimed. CIPO’s “technological” and “change in physical character or condition of a physical object” tests were similarly rejected as being [without basis](#) in law. The courts confirmed that interpretation of patent claims is always, and only, by purposive construction as required by binding Supreme Court of Canada (SCC) precedent.

However, in a move that many patent practitioners in Canada found odd, especially since purposive construction is a matter of law routinely decided in the FC, the FCA ruled that the lower court had overreached in attempting to make its own purposive construction of the claims. It felt the lower court lacked the necessary expert knowledge regarding the state of the computer arts. This was a particularly curious finding given that the rejection originally appealed by the Applicant concerned mainly subject matter under section 2 of the *Patent Act*: an issue of validity, not interpretation. The SCC has been clear that purposive construction [precedes assessment of validity](#), and recourse to extrinsic evidence in interpreting patent claims is generally not permitted.<sup>1</sup> In other words, there should be no need for additional expert evidence on the state of the art when the courts are asked to make a purposive construction. Nonetheless, in the Appeal Court’s view, there was insufficient evidence before the FCA to determine whether the claims were directed toward patentable subject matter. Accordingly, the FCA allowed the appeal, and directed CIPO to re-examine the “1-Click” application on an expedited basis in accordance with the Court’s reasons.

Perhaps the most interesting twist in the long story of the Amazon.com “1-Click” application came less than a month after the FCA decision. Despite having won the appeal, CIPO quickly allowed Amazon’s application without requiring any changes to the claims. That is, CIPO allowed the very same claims it had appealed to avoid allowing.

Many observers had anticipated a further appeal to the Supreme Court of Canada to resolve these outstanding uncertainties in the law and in the FCA decision. The unexpected allowance now deprives patent users in Canada the opportunity to see the law corrected and clarified in an area that is of significant commercial and technological importance.

The allowance is certainly a positive outcome for Amazon.com. For others seeking patent protection for software and business methods, it is mixed news. The FCA has [maintained an emphasis](#) on a “physicality” requirement, whose origin in Canadian law appears to lie in obiter musings concerning, among other things, the determination of whether certain real estate was a capital asset or inventory for the purposes of the *Income Tax Act*.<sup>2</sup> Further, without defining the term “business method,” the FCA [suggests](#) for the “1-Click” case that the business method “is an abstract idea [that] is realized by programming it into a computer by means of a formula or algorithm, which is also an abstract idea.” According to the FCA neither “business methods” (however defined), nor software programmed onto a computer is, by itself, patentable in Canada unless part of a larger combination that includes something else that is an essential, and apparently non-obvious, element [meeting the physicality requirement](#). Finally, the FCA [appeared to suggest](#) that purposive construction of the claims might lead to the conclusion that the “1-Click” method is not the whole invention but only one of a number of essential elements in a novel combination and that the purposive construction of the claims should be undertaken anew by the Commissioner with a “mind open to the possibility that a novel business method may be an essential element of a valid patent claim.” This is curious, as it is [well established in law](#) that purposive construction is to be undertaken

independent of issues of any validity assessment (i.e., novelty is an element of the validity assessment).

While the allowance indicates that CIPO may continue to grant patents for at least some inventions with computer-based elements, the FCA decision appears to have done little to aid in correcting or clarifying the law, and the actual boundaries of what constitutes patentable subject matter may remain uncertain for some time to come. An opportunity has been lost.

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<sup>1</sup>*Beecham Canada Ltd. v. Procter & Gamble Co.* (1982), 61 C.P.R. (2d) 1 (FCA): “[I]n construing the claims in a patent recourse to the remainder of the specification is (a) permissible only to assist in understanding terms used in the claims; (b) unnecessary where the words of a claim are plain and unambiguous; and (c) improper to vary the scope or ambit of the claims.”

<sup>2</sup>*Lawson v. Canada (Commissioner of Patents)* (1970), 62 CPR 101, at 111- 112.