

BUSINESS METHOD PATENTS: NAVIGATING THE LEGAL MAZE IN CANADA

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Inventors seeking guidance through the legal maze regarding patentability of inventive business methods in Canada continue to look eagerly at the trend setting approach of the U.S. Unfortunately the situation in Canada is not so clear, but there are strategies that sophisticated patentees can consider for improving their chances of obtaining Canadian patent protection for inventive business methods. Business method patents, like other patents and intellectual property rights, can become very valuable business assets.

As a starting point, the Canadian *Patent Act* and the Canadian *Patent Rules* do not preclude the patentability of business methods. However, neither does the *Patent Act* or the *Patent Rules* specifically outline the requirements for the patentability of business methods.

In February 2005, the Canadian Patent Office Examination guidelines for patentable subject matter and computer-implemented inventions were updated. The revised examination guidelines were published in Chapters 12 and 16 of the Manual of Patent Office Practice or MOPOP, and are specifically intended to address the patenting of business methods under Canadian law. It is to be noted that the examination guidelines in MOPOP are merely a statement of the Canadian Patent Office's position as to the state of the law and have no force or effect in establishing any law or legal precedent.

With this background, the claim categories suitable for business method type inventions are considered together with recommended strategies for dealing with the revised examination guidelines based on our experiences with the Canadian Patent Office since February 2005.

Section 2 of the *Patent Act* defines patentable subject matter in terms of an invention:

invention means 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.

In the context of computer-implemented business method inventions, three categories of claims are possible within the meaning of Section 2 of the *Act*:

- (1) *machine* (i.e. apparatus and system) claims;
- (2) *art* or *process* (i.e. method) claims; and
- (3) *manufacture* (i.e. computer program product, signal and data structure) claims.

Machine claims define a computer as a special purpose machine when a computer program is loaded into memory, for example, a word processor when a word processing program is loaded. In a machine claim, the computer-implemented invention is claimed as a combination of structural elements and functional elements.

Art or *process* claims define the series or sequence of operations that take place when a computer program loaded into memory is executed.

Manufacture claims define a computer readable medium (e.g. memory, data carrier signal or data structure) storing instructions (e.g. executable code) for execution by a computer to direct the functions or operation of the computer.

To be patentable, Section 2 of the *Patent Act* also requires that the invention must be *new* (i.e. novel or not anticipated), *useful* (i.e. have utility in terms of being operative and reproducible). In addition, the invention must also be non-obvious, i.e. possess inventive ingenuity.

In accordance with the revised examination guidelines, to qualify as an *art* or *process* within the meaning of Section 2, a method (e.g. a business method) must produce *an essentially economic result in relation to trade, commerce or industry*. Based on the existing, albeit dated, jurisprudence, the Canadian Patent Office has interpreted this requirement to mean that a method must be at least one of the following:

- (a) a method for producing, making, constructing, or building a *vendible product*;
- (b) a method of using or operating an *inventive “thing”*, or a known “thing” for an *inventive new use*; or
- (c) a method of *diagnosing* a physical disease or physical medical condition in a human being

The current position of the Canadian Patent Office as reflected in the revised examination guidelines and their application in the examination, and often rejection, of patent applications having claims directed to business methods remains untested and unconfirmed by the Federal Court of Canada or any superior provincial Court. There are, however, a number of appeals currently before the Patent Appeal Board and as decisions are rendered by the PAB, it is our hope that the direction and scope of the law on the patentability of business methods will be clarified and then ultimately settled by the Federal Court of Canada.

Until the law is settled in Canada, we are faced with the revised examination guidelines. There are two possible courses of action that an applicant may take. The first course of action involves deferring examination until the law is settled or clarified by the Courts. Examination of a pending Canadian patent application may be deferred up to five years from the date of filing. If it is not possible to defer examination any longer or if examination has already begun, then the second course of action involves crafting the application to support claims, which would satisfy the revised examination guidelines, as discussed in more detail below. A further course of action always open to an applicant is to appeal a non-statutory subject matter rejection under section 2 once an impasse is reached with the examiner.

In accordance with the revised examination guidelines, method claims in a business method patent application need to be directed to:

- (1) a method for producing, making, constructing or building a *vendible product*, or
- (2) a method of using or operating an *inventive “thing”*, or a known “thing” for an *inventive new use*

In the context of a computer-implemented business method invention, execution of the computer program (i.e. the process) typically does not result in a vendible product. The end result of a computer-implemented invention is generally some form of information or data, for example, a

system and method for stock portfolio management, or a system and method for online ordering. This means that for the typical business method patent application, the requirement for examination guideline (2) will need to be satisfied, *i.e.* the method operates an inventive thing or a known thing for an inventive use. For computer-implemented business method inventions, our recommended strategy is to include method claims directed to the business process and also establish a basis in the application for claims directed to an inventive machine or an inventive use of a machine and method claims directed to operation of the inventive machine.

In practical terms, this means including one or more block diagrams and one or more flowcharts and accompanying written description. Since it is very difficult to add new matter to a patent application once the application has been filed, we strongly advise that the diagrams and written description (*i.e.* the supporting disclosure) be included in the application during the preparation stage. The block diagrams show the elements of the system, *i.e.* the hardware, software and/or hardware/software functional modules, and specifically the elements or combinations of elements that distinguish the system (*i.e.* the machine) from the prior art and therefore provide the basis for an inventive machine. These diagrams and the accompanying written description provide the basis for one or more machine claims, which define the “inventive thing”.

The flowcharts show the processing and logic steps embodied in the business method, and taken together with the written description provide the basis for the business method claims. The business method claims we recommend for the application fall into general two streams. The first stream comprises claims reciting operation of the business method in combination with the machine (*i.e.* the inventive thing). The second stream comprises method claims independent of any particular machine or system.

In summary, it is our view that until the Federal Court defines the requirements and scope of the patentability of business methods in Canada, the Canadian Patent Office will continue to apply the revised guidelines in the examination, and often rejection, of patent applications directed to business methods. This leaves an applicant with the option of crafting the specification and claims to meet the guidelines, or the option of appealing a rejection once an impasse has been reached with the examiner.

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