

FEDERAL COURT OF APPEAL

BETWEEN:

**THE ATTORNEY GENERAL OF CANADA, and
THE COMMISSIONER OF PATENTS**

Appellants

- and -

AMAZON.COM, INC.

Respondent

RESPONDENT'S MEMORANDUM OF FACT AND LAW

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OVERVIEW

1. This Appeal raises issues fundamental to the Canadian patent system: (i) the proper approach to patent claims construction, and (ii) the scope of patentable subject matter in Canada. On both issues, the Commissioner advances positions which are contrary to longstanding and binding precedent of the Supreme Court of Canada and of this Court.

2. The Respondent, Amazon.com, Inc., seeks a patent for an invention entitled “Method and System for Placing a Purchase Order Via a Communications Network”, Canadian Patent Application No. 2,246,933 (the “’933 Application”). The ’933 Application relates to a communications network based method and system for placing an order and, more particularly, to a method and system for purchasing and ordering items over the Internet.

3. In the proceedings in the Patent Office, the Commissioner found that the claims of the ’933 Application displayed sufficient “ingenuity” and were therefore not obvious. However, she concluded that the ’933 Application does not claim an “invention” and was therefore not the proper *subject matter* for a patent in Canada. In so doing, she adopted a novel “four step” approach to assessing patentable subject matter in Canada.

4. Justice Phelan found that the Commissioner’s approach extended into policy making, which is beyond the Commissioner’s jurisdiction, and incorporated the following errors of law:

- i. adopting legal principles from foreign jurisdictions (the U.K. and Europe) where key differences exist in the patent legislation as it pertains to patentable subject-matter;
- ii. adopting a “form and substance” approach to claims construction and failing to apply the principles of purposive construction set out by the Supreme Court and this Court;
- iii. applying an overly restrictive test for patentable “art” and by failing to apply the proper test as set out in the binding jurisprudence of the Supreme Court and this Court;
- iv. finding that business methods are unpatentable *per se*; and
- v. finding that to be patentable, subject matter must meet a “technical” or “technological” requirement.

5. In this Court, the Commissioner has repackaged her argument. Though she apparently no longer defends the position that business methods are unpatentable *per se*, she still advances

erroneous principles of claims construction, and the same overly restrictive definition for patentable “art”.

PART I – THE FACTS

A. The '933 Application

6. The '933 Application was filed in Canada on September 11, 1998. It is entitled "Method And System For Placing A Purchase Order Via A Communications Network".¹

7. The '933 Application relates to a communications network based method and system for placing an order and, more particularly, to a method and system for ordering items over the Internet. Figure 2 of the '933 Application (reproduced below) shows a block diagram of the system.

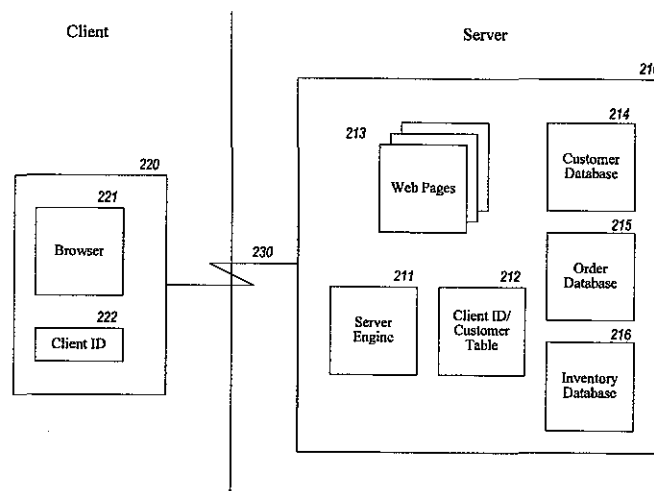


Fig. 2

8. The “server” referred to in Figure 2 is a computer system used to operate a commercial Web site from which customers can order products. The “client” is the computer system of a customer. The client and server communicate via a communications network (for example, the Internet).

9. When a client first visits a vendor’s website, the client enters his or her identification, billing and shipping information (purchaser-specific account information). The server creates a

¹ Decision of the Commissioner of Patents dated March 4, 1999 (“Commissioner’s Decision”) at para. 1, Appeal Book (“AB”), Vol. 1, Tab 15, page 105.

“client identifier” for the client and stores the client identifier on the client’s computer in a file called a “cookie”.

10. On a client’s subsequent visit to the Web site, the server recognizes the client identifier located on the client’s computer as belonging to that client. The client may then browse items, and decide to buy an item by a single action (e.g., a single mouse click on a “button” presented on a Web page).

11. The single action sends the request to the server to order the item along with the client identifier. The server receives the purchase request, retrieves the purchaser-specific account information using the client identifier, and combines the retrieved account information to generate the order. The result is that a user can order an item through a single action (e.g., a mouse click) on the client computer without having to provide additional information and perform additional steps.

12. The ’933 Application has 75 claims. The current claims of the ’933 Application were submitted to the Patent Office on November 27, 2002 (see Schedule “A”).² Claims 1-43 and 51-75 claim a method. Claims 44-50 claim a system. For this Appeal, it is sufficient to consider independent method claim 1 and independent system claim 44, reproduced at paragraph 6 of the Commissioner’s Memorandum. There is no dispute that if claims 1 and 44 are found to constitute patentable subject matter, the remaining claims will similarly constitute patentable subject matter.

13. The patent Examiner rejected all of the claims based on obviousness and non-statutory subject matter.³

14. The matter was referred to the Commissioner for review in accordance with Rule 30(6) of the *Patent Rules*.⁴ Such review is conducted by a panel composed of several members of the

² AB, Vol. 2, Tab 34.

³ Letter from CIPO to Oyen Wiggs Green & Mutala LLP, dated June 1, 2004 (“Final Action”), AB, Vol. 1, Tab 28; Letter from Oyen Wiggs Green & Mutala LLP to CIPO, dated December 1, 2004 (“Response to Final Action”), AB, Vol. 1, Tab 27.

⁴ SOR/96-423.

Canadian Patent Office known as the “Patent Appeal Board”.⁵ A Patent Appeal Board panel rendered a recommendation, which was accepted by the Commissioner, on March 4, 2009.⁶

B. The Commissioner’s Decision

15. The Commissioner considered two questions:

- i. Are claims 1-75 obvious under section 28.3 of the *Patent Act*?
- ii. Are claims 1 to 75 directed to non-statutory subject matter under section 2 of the *Patent Act*? What is the approach to be followed?

(i) Obviousness

16. The Commissioner held that that the Examiner erred in rejecting the ’933 Application on the basis of obviousness. In doing so, the Commissioner provided the following comments on the advance presented in the ’933 Application over the prior art:⁷

[94] There is no suggestion in the prior art to modify a subscription-based shopping model such that with one-click, an identifier (cookie) is sent in conjunction with the product ordering information, thus retrieving purchaser-specific account information, so that the order is instantly placed.

[95] The advantages of such a streamlined ordering process pointed to by the Applicant are indicative of some ingenuity (or inventive step). ... [Emphasis added]

17. No appeal has been (or can be) taken from this finding. For this Appeal, the claims are treated as new and non-obvious.

(ii) Subject Matter

18. With respect to her analysis of whether the ’933 Application claims patentable subject matter, the Commissioner set out the following novel four step approach:

- i. Consider both the form and the substance of the claims;
- ii. Subject matter must fit the definition of a category of “invention”;
- iii. Excluded (non-statutory) subject matter; and
- iv. Non-technological subject matter is not statutory.

⁵ There is no statutory authority for the Patent Appeal Board in the *Patent Act* or *Rules*. Its role is described in the Manual of Patent Office Practice (“MOPOP”) Chapter 21.

⁶ As reviewed in the Commissioner’s Decision, an oral hearing was held November 16, 2005 before a first panel of the Patent Appeal Board. Both members of the first panel retired before a recommendation to the Commissioner was “finalized”. As a result, a second oral hearing was held before a new Patent Appeal Board panel on September 18, 2008. See: Commissioner’s Decision at para. 3, AB, Vol. 1, Tab 15, page 105.

⁷ Commissioner’s Decision at paras. 94-95, AB, Vol. 1, Tab 15, page 131.

C. Justice Phelan's Decision

19. Justice Phelan found significant errors in the Commissioner's Decision. The key findings, including in respect of each of the four steps listed above, are summarized below.

(i) Adoption of International Principles⁸

20. Justice Phelan criticizes the extensive reliance placed by the Commissioner on U.K. and European jurisprudence. Justice Phelan observes:⁹

[33] ... Specifically, her reliance on English and European systems does not take into account that both, in implementing the European Patent Convention (EPC), have fundamentally different legislation than Canada for determining patentable subject matter. Under those systems, there is no definition of "invention", but a series of exclusions.¹⁰

21. The Commissioner's Memorandum is silent on Justice Phelan's criticisms of the Commissioner's reliance on U.K. and European jurisprudence. It appears that the Commissioner concedes that such reliance was in error. Nevertheless, as discussed below, the Commissioner continues to advance positions which are fundamentally inconsistent with Canadian law.

(ii) Form and Substance Approach¹¹

22. With respect to the Commissioner's adoption of a form and substance approach to claims construction, Justice Phelan references the principles of purposive construction as set out in the leading decisions of the Supreme Court of Canada in *Free World Trust*¹² and *Whirlpool*¹³, and characterizes the Commissioner's position and errors as follows:¹⁴

[39] Instead of relying on these, now basic, principles of claim construction, the Commissioner returns to language such as "form and substance" and "what has been discovered" as articulated in earlier case law. Although the Commissioner attempts to confine this analysis to patentable subject matter, a return to 'form and substance' language, no matter what the context, is confusing and unnecessary. Further, it

⁸ Reasons for Judgment and Judgment of Justice Phelan dated October 14, 2010 ("Phelan Judgment") at paras. 32-37, AB, Vol. 1, Tab 2, pages 18-21.

⁹ Phelan Judgment at para. 33 AB, Vol. 1, Tab 2, pages 18-19.

¹⁰ Article 52 of the *European Patent Convention*, reproduced at para. 33 of the Phelan Judgment, provides that "schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers" shall not be regarded as inventions.

¹¹ Phelan Judgment at paras. 38-47, AB, Vol. 1, Tab 2, pages 22-26.

¹² *Free World Trust v. Électro Santé Inc.*, [2000] 2 S.C.R. 1024, 2000 SCC 66 ("*Free World Trust*").

¹³ *Whirlpool Corp. v. Camco Inc.*, [2000] 2 S.C.R. 1067, 2000 SCC 67 ("*Whirlpool*").

¹⁴ Phelan Judgment at paras. 39 and 42, AB, Vol. 1, Tab 2, pages 22-24.

represents a departure from the clear direction of the Supreme Court to apply purposive construction universally.

...

[42] The rejection of purposive construction, and in essence a holistic consideration of the claims, also allowed the Commissioner to parse the claims into their novel and non-novel components in order to evaluate patentability. As discussed above, it is problematic to suggest that “what has been discovered” stands apart from the claims as a whole. This is particularly so where the Commissioner has found that what is claimed is novel (although certain elements were old) and not obvious.

23. On the “form and substance” issue, Justice Phelan concludes:¹⁵

[47] The Commissioner has simply adopted a novel legal test by which to assess patentable subject-matter. It is not supported by recent Canadian jurisprudence or the *Patent Act*. This is an error of law and far outside the Commissioner’s jurisdiction.

24. In this Court, the Commissioner concedes that “form and substance” can lead to confusion,¹⁶ but nevertheless advances another two step formulation of her novel legal test for claims construction, namely “framing” and “actual invention”. This is a change in terminology, not approach. As with “form and substance”, as discussed in Part III, below, the Commissioner’s legal test is not supported by the binding Canadian jurisprudence.

(iii) Definition of “Art”¹⁷

25. After confirming that “art” may include a “method” or a “process”, Justice Phelan assesses whether the Commissioner had adopted the correct test for patentable “art”, and in particular whether the Commissioner was correct to rely upon the restrictive definition expressed in *Lawson*¹⁸, a 1970 decision of the Exchequer Court which the Commissioner found to require “an act or series of acts performed by some physical agent upon some physical object and producing in such object some change either of character or of condition”.

26. Justice Phelan commences with a review of the leading authority on the definition of patentable “art”, *Shell Oil*¹⁹, a 1982 decision of Justice Wilson for the Supreme Court of Canada:²⁰

¹⁵ Phelan Judgment at para. 47, AB, Vol. 1, Tab 2, page 21.

¹⁶ Commissioner’s Memorandum of Fact and Law, footnote 32.

¹⁷ Phelan Judgment at paras. 48-60, AB, Vol. 1, Tab 2, pages 26-32.

¹⁸ *Lawson v. Commissioner of Patents* (1970), 62 C.P.R. 101 (Ex.Ct.) (“*Lawson*”).

¹⁹ *Shell Oil Co. of Canada v. Canada (Commissioner of Patents)*, [1982] 2 S.C.R. 536 (“*Shell Oil*”).

[50] *Shell Oil* is unequivocally the starting point for the definition of a patentable 'art'. It focuses the inquiry on whether there is a practical application of the discovery or idea...

[51] The decision in *Lawson* is forty years old and was a useful starting point in *Shell Oil* for Wilson J to discuss a "more expansive" definition of art. However, it is not the authoritative guide for what constitutes patentable art. Although Wilson J did not reject the decision, she referred to it as part of the ongoing effort to create a wider definition which explicitly stepped beyond manufacture of goods and even manufacturing techniques...

27. Citing this Court's decision in *Progressive Games*²¹, Justice Phelan applies the three step test for patentable art as articulated by Wilson J. in *Shell Oil*.²²

- i. it must not be a disembodied idea but have a method of practical application;
- ii. it must be a new and inventive method of applying skill and knowledge; and
- iii. it must have a commercially useful result.

28. Justice Phelan explains how the "practical application" requirement of the test ensures that patent protection extends only to subject matter which is "concrete and tangible" and more than a "mere idea", and that a narrow requirement of "physicality" in the sense advocated by the Commissioner based on *Lawson* is not appropriate.²³

[53] The practical application requirement ensures that something which is a mere idea or discovery is not patented — it must be concrete and tangible. This requires some sort of manifestation or effect or change of character. However, it is important to remain focused on the requirement for practical application rather than merely the physicality of the invention. The language in *Lawson* must not be interpreted to restrict the patentability of practical applications which might, in light of today's technology, consist of a slightly less conventional "change in character" or effect that through a machine such as a computer.

29. Justice Phelan also reviews the U.S. and Australian jurisprudence and finds the approach adopted in those jurisdictions is consistent with the test articulated in *Shell Oil* and *Progressive Games*. Notably, he observes that the U.S. Supreme Court has rejected the "machine or

²⁰ Phelan Judgment at paras. 50-51, AB, Vol. 1, Tab 2, pages 27-28.

²¹ *Progressive Games, Inc. v. Canada (Commissioner of Patents)* (1999), 3 C.P.R. (4th) 517 at para. 16 (F.C.T.D.) ("*Progressive Games TD*"), aff'd (2000), 9 C.P.R. (4th) 479 (F.C.A.) ("*Progressive Games CA*").

²² Phelan Judgment at para. 52, AB, Vol. 1, Tab 2, pages 28-29.

²³ Phelan Judgment at para. 53, AB, Vol. 1, Tab 2, page 29.

transformation” test as the sole criterion for assessing patentable processes in that jurisdiction.²⁴ As discussed below, the “machine or transformation” is similar to the test in *Lawson* relied upon by the Commissioner.

30. In this Court, the Commissioner continues to advocate the restrictive *Lawson* approach.

(iv) Business Method Exclusion²⁵

31. After careful review of the law in Canada, the U.S. and Australia, and upon reviewing and rejecting the Commissioner’s reliance on U.K. and European authorities, Justice Phelan rejects the Commissioner’s adoption of a *per se* prohibition on the patentability of business methods:

[68] The approach in the USA, Australia, and as it ought to be in Canada, makes an eminent amount of sense given the nature of our legislation. It allows business methods to be assessed pursuant to the general categories in s. 2 of the *Patent Act*, preserving the rarity of exceptions. It also avoids the difficulties encountered in the UK and Europe in attempting to define a “business method”. There is no need to resort to such attempts at categorization here. Contrary to what the Commissioner suggests, to implement a business method exception would be a “radical departure” from the current regime requiring parliamentary intervention.

32. In this Court, the Commissioner no longer defends a *per se* prohibition on patents directed to so-called “business methods”.

(v) “Technological” Requirement²⁶

33. As a final legal error, Justice Phelan rejects the “novel and unnecessary” “technical” or “technological” requirement for patentability which had been added to the test for patentable subject matter by the Commissioner.

34. Justice Phelan observes that there is no legislative or jurisprudential support for the adoption of such a test:²⁷

²⁴ As acknowledged by Justice Phelan (Phelan Judgment, para. 34), the definition of “invention” in the U.S. statute is almost identical to that which appears in section 2 of the *Patent Act*: “Whoever invents or discovers 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 U.S. statute defines “process” to mean “process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material”. See 35 U.S.C. 100(b), 101.

²⁵ Phelan Judgment at paras. 61-68, AB, Vol. 1, Tab 2, pages 32-35.

²⁶ Phelan Judgment at paras. 69-71, AB, Vol. 1, Tab 2, pages 35-36.

[70] ...There is no reference to such a test in the Canadian jurisprudence (or none was advanced in this Court). It was not within the Commissioner's jurisdiction to introduce one. Once again, the Commissioner's heavy reliance on the "technical contribution approach" as discussed in the UK did not correspond with the reality of our *Patent Act* or recognize the range of opinions as to its application and appropriateness. It is not a simple test but a challenging feature of their regime and a "horribly imprecise concept" ...

[71] Even if patents generally concern the protection of advances in technology broadly defined, it is difficult to see how introducing this sort of technological test into the Canadian patent system would do anything but render it overly restrictive and confusing. ...

35. The Commissioner again seeks on this Appeal to add this "technology" or "technological" test. As set out below, such an addition to Canadian law was beyond the jurisdiction of the Commissioner, and was correctly rejected by Justice Phelan.

(vi) Application to the '933 Application²⁸

36. Having addressed the legal errors of the Commissioner, Justice Phelan examines the claims *de novo* to determine whether they are directed to patentable subject matter.

37. With respect to the system claims (claims 44-50), Justice Phelan finds that the claims, properly construed, are directed to a patentable machine:²⁹

[73] The Court finds that a purposive construction of the "system claims" (e.g. claim 44 and its associated dependant claims) clearly discloses a machine which is used to implement Amazon.com's one-click ordering system. The described components (e.g. a computer) are essential elements in implementing an online ordering process. This is not merely "a mathematical formula" which could be carried on without a machine or simply a computer program. A machine is patentable under s. 2 of the *Patent Act*. The Commissioner herself found that "in form" the claims disclosed such an invention; it was only when she took a second step to subjectively consider the "substance" that she found otherwise. As discussed, this is unsupported in law. The Court therefore finds the machine claims to be patentable subject matter.

38. With respect to the process claims (claims 1-43 and 51-77), Justice Phelan finds that those claims too, properly construed, are directed to a patentable art:³⁰

²⁷ Phelan Judgment at paras. 70-71, AB, Vol. 1, Tab 2, page 36.

²⁸ Phelan Judgment at paras. 72-77, AB, Vol. 1 Tab 2, pages 36-38.

²⁹ Phelan Judgment at para. 73, AB, Vol. 1 Tab 2, page 37.

³⁰ Phelan Judgment at paras. 74-77, AB, Vol. 1 Tab 2, pages 37-38.

[74] Turning to the process claims, the Commissioner clearly erred by “parsing” the claims into their novel and obvious elements in order to assess patentability. When viewed as a whole it is clear that the claimed invention is a process which uses stored information and ‘cookies’ to enable customers to order items over the internet simply by ‘clicking on them’. It is accepted that the “one-click” method is novel; the Court finds that an online ordering system which facilitates this adds to the state of knowledge in this area.

[75] The new learning or knowledge is not simply a scheme, plan or disembodied idea; it is a practical application of the one-click concept, put into action through the use of cookies, computers, the internet and the customer’s own action. Tangibility is not an issue. The “physical effect”, transformation or change of character resides in the customer manipulating their computer and creating an order. It matters not that the “goods” ordered are not physically changed.

[76] It is undisputed that this invention has a commercially applicable result and is concerned with trade, industry and commerce. Indeed, its utilization in this very realm seems to be at the root of the Commissioner’s concern.

[77] In light of the above, the Court finds the process claims to be a patentable as an art and process. As discussed at length earlier in this decision, there is no need to continue the analysis once this has been determined. There is no exclusion for “business methods” which are otherwise patentable, nor is there a “technological” test in Canadian jurisprudence. Even if there was some technological requirement, in this case the claims, when viewed as a whole, certainly disclose a technological invention.

39. Justice Phelan ordered the Commissioner’s Decision quashed and returned the matter to the Commissioner for expedited re-examination with the direction that the claims constitute patentable subject matter. Despite Justice Phelan’s Judgment, to date the Commissioner has not allowed the ’933 Application or stated any further objection to the issuance of a patent.

PART II – POINTS IN ISSUE

40. The Respondent submits that the following issues are raised by the Appellants’ Appeal:

- (a) Did Justice Phelan err in finding and applying the law of purposive construction when construing the claims of the ’933 Application for the purposes of determining whether those claims are directed to patentable subject matter?
- (b) Did Justice Phelan err in finding and applying the test for patentable “art” as set out in *Shell Oil* and *Progressive Games*?

41. If this Court finds that Justice Phelan did not err in his findings on these two points of law, this Appeal should be dismissed as the Appellants advance no argument that he erred in his application of that law to the ’933 Application.

42. Should this Court find that Justice Phelan was in error in his legal conclusions, the Commissioner asks this Court to construe the claims of '933 Application in view of her novel "framing" and "actual invention" construction principles, and to apply the *Lawson* test for patentable "art". Even applying the construction principles and test for patentable art advocated by the Commissioner, the '933 Application is nevertheless directed to patentable subject matter, and this Appeal should be dismissed.

PART III – SUBMISSIONS

43. The Respondent's submissions are:

- A. Correctness is the standard of review applicable to the issues in the Appeal.
- B. The Commissioner may refuse a patent only if satisfied that the Respondent is not "by law" so entitled. There is no room for policy considerations.
- C. The Commissioner's "framing" and "actual invention" approach to claims construction is wrong. It is not supported by the statute or the governing case law.
- D. The Commissioner advocates an overly restrictive definition of patentable "art" which ignores the binding jurisprudence of the Supreme Court and this Court, and which is therefore wrong.
- E. Applying the proper law of construction, and the correct definition of "invention", the '933 Application claims patentable subject matter as found by Justice Phelan. In any event, even applying the Commissioner's erroneous approach, and the Commissioner's restrictive definition of "art", the '933 Application should still be granted.

A. The Standard of Review

44. There is no dispute that the decisions of the Commissioner of Patents and of Justice Phelan as to (i) the proper law of construction, (ii) the construction of the claims in issue, and (iii) the meaning and scope of the definition of "invention" in the *Patent Act*, should be reviewed on a correctness standard.

Harvard College v. Canada (Commissioner of Patents), [2002] 4 S.C.R. 45, 2002 SCC 76 at paras. 148-150 (*per* Bastarache J.) ("*Harvard*"); *Whirlpool, supra* at para. 76; *Halford v. Seed Hawk Inc.* (2007), 54 C.P.R. (4th) 130, 2006 FCA 275 at para. 10.

B. The Commissioner Must be Satisfied that the Appellant is not “By Law” Entitled to a Patent

45. Pursuant to section 40 of the *Patent Act*, the Commissioner shall refuse a patent application if she is satisfied that the applicant is not by law entitled to be granted a patent. The Commissioner has no discretion in rendering her decision and, in particular, the Commissioner has no discretion to refuse a patent on the basis of public policy considerations independent of any express provision in the *Patent Act*.

Section 40, *Patent Act* R.S.C. 1985 c. P-4 (“*Patent Act*”); *Harvard, supra* at para. 11 (*per* Binnie J., dissenting) and at paras. 144 & 152 (*per* Bastarache J.); *Monsanto Co. v. Canada (Commissioner of Patents)*, [1979] 2 S.C.R. 1108 at 1119-1120.

C. Claims Construction

(i) The Commissioner’s Novel Approaches to Claims Construction

46. The Commissioner’s Decision purported to consider the “form” of the claims and “substance” or “essence” of the claimed invention of the ’933 Application when assessing whether the application claims patentable subject matter. The Commissioner also incorrectly parsed the claims into their novel and non-novel components, and then assessed the novel components in isolation from the claim as a whole to determine whether these new elements were statutory subject matter.³¹

47. In this Court, the Commissioner has abandoned her “form and substance” approach to claims construction and recasts her argument in terms of a further novel two step approach to claims construction which now requires both a “framing” analysis and an “actual invention” analysis. The nature of these inquiries is described at paragraph 34 of the Commissioner’s Memorandum:

34. This additional analysis must be conducted primarily because the framing analysis has a particular objective: to “construe the claims so as to determine what exactly lies within the scope of the inventor’s rights”, that is, to establish the placement of the “fences” or “boundaries” that frame the field of the patent-holder’s claimed monopoly. In contrast, in identifying the patentable subject matter within the scope of the claim – the actual invention analysis – has a different objective: to verify that what has actually been invented, in terms of patentable subject matter, justifies the public interest exception to the prohibition of monopolies... [Emphasis added]

³¹ Commissioner’s Decision at paras. 113, 127-129, AB, Vol. 1, Tab 15, pages 139, 143-144.

48. The Commissioner takes the position that Justice Phelan erred in failing to apply an “actual invention” analysis in addition to the “framing” analysis (which she appears to equate with purposive construction) in his assessment of whether the claims of the ’933 Application are directed to patentable subject matter.³²

49. The Commissioner’s approach is unknown to Canadian law. The Commissioner’s approach is inconsistent with the provisions of the *Patent Act* and the Canadian jurisprudence on claims construction. No authority states that an additional step to claims construction is required when the Court is called upon to decide questions of patentable subject matter. Rather, the Commissioner relies upon stray phrases and comments from certain decisions taken out of context to create her novel approach.

(ii) Purposive Construction

50. Both of the Commissioner’s theories of construction, “form and substance” advanced in the Commissioner’s Decision, and “framing and actual invention” advanced in this Court, require a court to approach construction in multiple steps, and to reach different constructions, applying different principles, depending upon the issue to be decided.

51. This two-step approach to claims construction, where one is to consider the “substance” or “spirit” of the invention, has been specifically rejected by the Supreme Court of Canada. Binnie J. (writing for a unanimous Court) in *Free World Trust* stated as follows:

[33] ... The disclosure is followed by "a claim or claims stating distinctly and in explicit terms the things or combinations that the applicant regards as new and in which he claims an exclusive property or privilege" (s. 34(2)). It is the invention thus claimed to which the patentee receives the "exclusive right, privilege and liberty" of exploitation (s. 44). These provisions, and similar provisions in other jurisdictions, have given rise to two schools of thought. One school holds that the claim embodies a technical idea and claims construction ought to look to substance rather than form to protect the inventive idea underlying the claim language. This is sometimes called the "central claims drafting principle" and is associated with the German and Japanese patent systems ... The other school of thought supporting what is sometimes called the "peripheral claiming principle" emphasizes the language of the claims as defining not the underlying technical idea but the legal boundary of the state-conferred monopoly. Traditionally, for reasons of fairness and predictability, Canadian courts have preferred the latter approach. ...

³² The Commissioner does not appear to take issue with Justice Phelan’s statement and application of the principles of purposive construction.

...

[50] I do not suggest that the two-stage approach necessarily ends at a different destination than the one-stage approach, or that the two-stage approach has resulted in abuse. I think we should now recognize, however, that the greater the level of discretion left to courts to peer below the language of the claims in a search for "the spirit of the invention", the less the claims can perform their public notice function, and the greater the resulting level of unwelcome uncertainty and unpredictability. "Purposive construction" does away with the first step of purely literal interpretation but disciplines the scope of "substantive" claims construction in the interest of fairness to both the patentee and the public. In my view its endorsement by the Federal Court of Appeal in *O'Hara* was correct.

Free World Trust, supra.

52. The Supreme Court has held that the claims are to be purposively construed before considering issues of infringement or validity, and without regard to the prior art. Further, in response to the submission that different approaches to claims construction should be adopted for infringement and validity, the Supreme Court rejected, in the clearest of terms, the proposition that claims may receive different constructions for different purposes: "[I]t has always been a fundamental rule of claims construction that the claims receive one and the same interpretation for all purposes" [emphasis added]. This principle, which is fundamentally inconsistent with the position taken by the Commissioner on construction before this Court, is not addressed anywhere in the Commissioner's Memorandum.

Whirlpool, supra at paras. 43, 49(a) and (b).

(iii) Provisions of the *Patent Act*

53. The Commissioner's approach is also inconsistent with the scheme of the *Patent Act*. The provisions of the Canadian *Patent Act* refer to the subject matter "defined by a claim", and do not divide out, for any purpose, a subset of claim elements as comprising the "actual invention".

Sections 27(4), 28.2 and 28.3, *Patent Act, supra*.

(iv) The Case law Cited by the Commissioner

54. The Commissioner relies principally upon two decisions of the Supreme Court, *Farbwerke Hoechst*³³ and *Shell Oil*, which she asserts support her position that a two step "framing" and "actual invention" analysis is required when considering questions of patentable

³³ *Canada (Commissioner of Patents) v. Farbwerke Hoechst AG (Vormals Meister Lucius & Bruning*, [1964] S.C.R. 49 (*Farbwerke Hoechst*).

subject matter. Both decisions were decided long before *Free World Trust*, and *Whirlpool*, and do not recite or rely upon the principles of purposive construction. As discussed above, these have been held to be the only principles to be applied to claims construction in this country. Although, in the Respondent's submission, *Farbwerke Hoechst* and *Shell Oil* do not support the Commissioner's position, to the extent that they suggest principles of construction inconsistent with *Free World Trust* and *Whirlpool*, the latter decisions must be followed as the current binding Canadian authority. In any event, neither *Farbwerke Hoechst* and *Shell Oil*, nor any other decision cited by the Commissioner, support a two step "framing" and "actual invention" analysis of the kind now proposed by the Commissioner.

Farbwerke Hoechst

55. *Farbwerke Hoechst* concerned an application for a patent claiming anti-diabetic compositions comprising sulphonyl ureas diluted by a carrier. The applicant had previously filed and obtained patents for the sulphonyl urea compounds, claimed in "product-by-process" form in conformity with then section 41(1) of the *Patent Act*. Section 41(1) of the *Patent Act*, then provided:

41(1) In the case of inventions relating to substances prepared or produced by chemical processes and intended for food or medicine, the specification shall not include claims for the substance itself, except when prepared or produced by the methods or processes of manufacture particularly described and claimed or by their obvious chemical equivalents.

Section 41(1), *Patent Act*, R.S.C. 1952, c. 203.

56. In this context, the Commissioner rejected the application on two grounds:

- i. Double patenting – i.e. the applicant was entitled to only one patent for an invention, and the composition claims were obvious (not inventive) in view of the compound claims in respect of which a patent had already been granted; and
- ii. Section 41(1) – i.e. the claims related to substances prepared by a chemical process and intended for medicine and were prohibited by then section 41(1) of the *Patent Act* because they amounted to an attempt to protect the substance otherwise than by a patentable process by which it was produced.

See *Shell Oil*, *supra* at 539. See also *Whirlpool*, *supra* at paras. 66-67 where *Farbwerke Hoechst* is referenced for the principles of "obviousness-type" double patenting.

57. These two grounds upon which the Commissioner rejected the application are significant in considering this decision in its proper context, yet are ignored by the Commissioner in her Memorandum. *Farbwerke Hoechst* is not a case dealing with the section 2 definition of “invention” and patentable subject matter.

58. For double patenting, it was necessary for the Commissioner (and the Court on appeal) to assess whether the step of dilution was *inventive* over the previously claimed compounds. The Supreme Court upheld the Commissioner’s finding that this step was not inventive (i.e. obvious).

Farbwerke Hoechst, supra at 53-54.

59. Additionally, *Farbwerke Hoechst* stands for the proposition that the addition of a conventional carrier to a compound intended for medicine did not permit a party to circumvent the *express prohibition* then provided in section 41(1) of the *Patent Act* and to claim the compound as part of the composition without reference to the process by which the compound was manufactured. In concluding as such, the Court did not apply a rule of construction which required consideration of the “actual invention” as the Commissioner now suggests. Rather, the Court found that the diluted substance was “a substance prepared by a chemical process” and therefore within the ambit of section 41(1). The prohibition provided in section 41(1) has since been repealed.

Farbwerke Hoechst, supra at 53.

60. In view of the comments above, there is no basis for the Commissioner to suggest that *Farbwerke Hoechst* provides, expressly or by implication, a separate or different rule of construction applicable to an assessment of patentable subject matter, or any other purpose.

Shell Oil

61. As recognized by Justice Phelan, *Shell Oil* is the leading decision on the meaning of patentable art. *Shell Oil* will be discussed further below in the context of the meaning of “art” as a category of patentable invention.

62. In her Memorandum, the Commissioner relies upon *Shell Oil* as a further example of the Court applying an “actual invention” analysis. While the Commissioner’s argument on *Shell Oil* is not entirely clear, it appears that the Commissioner takes the position that the applicant in *Shell Oil* had claimed certain compounds mixed with an adjuvant *per se*, and that the Court

applied an “actual invention” analysis so as to “read in” to the claims the use of the resultant compositions as plant growth regulators.

63. The Commissioner does not recite the claims in her Memorandum. Claim 1 of the application in issue is reproduced in the headnote of the C.P.R. report of the decision:³⁴

1. A plant growth regulant composition comprising a compound of the formula. ... together with an adjuvant therefore. [emphasis added]

64. Therefore, contrary to the submissions of the Commissioner in this case, it was not necessary for the Supreme Court to look beyond the claims and to perform an “actual invention” analysis in order to consider the novel use of the compounds in issue: the use was included in the express claim language under consideration.

(v) Conclusions on the Commissioner’s Approaches to Claims Construction and the Alleged Errors of Justice Phelan

65. The Commissioner’s proposed two step “framing” and “actual invention” analysis should be rejected for at least the following reasons:

- i. The only principles of claims construction applicable in Canada are the principles of purposive construction set out by the Supreme Court. The claims receive a single construction for all purposes. The Commissioner’s suggestion that an additional analysis must be applied for the purpose of assessing patentable subject matter is contrary to these fundamental principles of construction.
- ii. It is logical that validity (including subject matter) be assessed against the same construction used for infringement. A patent claim defines a monopoly. An assessment of validity should be focused on whether the monopoly to be granted satisfies the legal requirements of the *Act*.
- iii. The Commissioner’s two step approach to construction is also contrary to the explicit rejection by the Supreme Court of considering the “substance” or “spirit” of the invention when construing the claims. As stated by the Supreme Court, the principles of purposive construction promote fairness and

certainty. Like “infringement in substance” rejected by the Supreme Court, the Commissioner’s “actual invention” analysis requires a court to look beyond the claims as drafted and properly construed, and to search for the “actual invention” – a nebulous and subjective concept.

D. Patentable Subject Matter and the Meaning of “Invention” in the Canadian *Patent Act*

(i) General

66. Section 2 of the *Patent Act* defines the term “invention” as follows:

“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 [emphasis added].

Section 2, *Patent Act*, *supra*.

67. As the Supreme Court has recognized, exclusions from patentability must be justified by reference to “explicit provisions in the *Patent Act*”. The only statutory exclusion of patentable subject matter in the *Patent Act* is section 27(8) which provides that no patent shall issue for any “mere scientific principle or abstract theorem” [emphasis added]. This provision has no application in this case. The Commissioner placed no reliance on this provision in rejecting the claims of the ’933 Application.

Harvard, supra, at para. 145 (*per* Bastarache J.); section 27(8), *Patent Act, supra*.

68. The question for this Court is whether the ’933 Application falls within one of the “categories” which form the definition of “invention” in section 2 of the *Patent Act* when that section is properly construed.

(ii) Principles of Statutory Interpretation

69. The Supreme Court has consistently held that “The words of an Act are to be read in their entire context and in their grammatical and ordinary sense harmoniously with the scheme of the Act, the object of the Act, and the intention of Parliament”.

Harvard, supra at para. 11 (*per* Binnie J., dissenting) and para. 154 (*per* Bastarache J.); *Bell ExpressVu Limited Partnership v. Rex*, [2002] 2 S.C.R. 559 at paras. 26-27.

³⁴ 67 C.P.R. (2d) 1. A copy of the C.P.R. report of the *Shell Oil* case was provided to Justice Phelan by the Respondent at the hearing in the Federal Court.

Intention of Parliament

70. Parliament has defined “invention” in the *Patent Act* using broad language. Because the *Act* was designed to promote innovation, the definition of invention is by necessity broad so as to encompass unforeseen and unanticipated future technology. Broad, open-textured statutory language such as that used in the definition of “invention” is to receive a dynamic and flexible interpretation.

Harvard, supra at paras. 43 & 59 (*per* Binnie J., dissenting) and para. 158 (*per* Bastarache J.); *Perka v. R.*, [1984] 2 S.C.R. 232 at 265.

The Object of the Patent Act

71. It is well accepted that the object of the *Patent Act* is to encourage and reward the development and disclosure of new technology.

Free World Trust, supra at 1049.

The Scheme of the Patent Act

72. Exclusions from patentability must be found in express provisions of the *Patent Act* or governing Canadian jurisprudence applying such provisions. No such provision or jurisprudence is applicable in this case.

(iii) “art”

73. In the Commissioner’s Decision, and now before this Court, the Commissioner has defined “art” in a restrictive manner which ignores the definition provided by the leading decision of the Supreme Court of Canada in *Shell Oil* and as subsequently applied by this Court in *Progressive Games*. Instead, the Commissioner advocates a more narrow definition derived from an older lower court decision.

74. The following sections of this Memorandum will review the relevant decisions and the definition of “art” applied by the Canadian courts.

Shell Oil

75. *Shell Oil* is the leading decision in Canada with respect to the meaning of “art” as that term is used in the definition of invention. In that case, the Court was called upon to consider a

patent directed to a new use for a known substance. In particular, the invention pertained to the discovery that certain known compounds could be used as plant growth regulators.

Shell Oil, supra at 537-538 and 547-548.

76. Wilson J. for the Court defines the meaning and scope of a patentable “art” as follows:

I think the word “art” in the context of the definition must be given its general connotation of “learning” or “knowledge” as commonly used in expressions such as “the state of the art” or “the prior art”. The appellant’s discovery in this case has added to the cumulative wisdom on the subject of these compounds by a recognition of their hitherto unrecognized properties and it has established the method whereby these properties may be realized through practical application. In my view, this constitutes a “new and useful art” and the compositions are the practical embodiment of the new knowledge. [emphasis added]

Shell Oil, supra at 549.

The Court [in *Tennessee Eastman*], however, affirmed that “art” was a word of very wide connotation and was not to be confined to new processes or products or manufacturing techniques but extended as well to new and innovative methods of applying skill or knowledge provided they produced effects or results commercially useful to the public. [Emphasis added]

Shell Oil, supra at 554.

77. Applying this definition, Justice Phelan found the ’933 Application clearly claims “a new and innovative method of applying skill and knowledge which is commercially useful to the public”, and which is therefore patentable subject matter under the Canadian *Patent Act*.

Progressive Games

78. Prior to the decision under appeal, *Progressive Games* was the most recent decision from this Court regarding the meaning of “art”. In that decision, Justice Denault of the Federal Court quotes from *Shell Oil*, which he finds to be the “leading case” on the definition of “art”, and derives the following definition:

Accordingly, the definition of the term “art” as provided by the Supreme Court includes a process that:

- (i) is not a disembodied idea but has a method of practical application;
- (ii) is a new and innovative method of applying skill or knowledge; and
- (iii) has a result or effect that is commercially useful.

Progressive Games TD, supra at para. 16.

79. Justice Denault's decision was affirmed on appeal to this Court.
Progressive Games CA, supra.

Lawson

80. In her decision, the Commissioner did not apply the broad definition of "art" as provided in *Shell Oil* and *Progressive Games*. Rather, she adopted a more restrictive definition taken from the 1970 Exchequer Court decision in *Lawson* which would limit a patentable "art" to "an act or series of acts performed by some physical agent on some physical object and producing in such object some change either in character or of condition". As recognized by Justice Phelan, the Commissioner's adoption of the language used in *Lawson* to narrow the definition of "art" provided by the Supreme Court in *Shell Oil* was an error of law.

81. The claims in *Lawson* were directed to a new method for subdividing land, with the lot lines delineated in the configuration of a champagne glass. One of the claims purported to claim the land itself (albeit subdivided in the manner described).

Lawson, supra at 104-106.

82. While Cattnach J. did provide a definition of patentable "art" relied upon by the Commissioner, in applying that definition he concludes that the claimed invention was not a patentable "art" as it was directed to professional skill:

It seems to me that a method of describing and laying out parcels of land in a plan of subdivision of a greater tract of land in the skill of a solicitor and conveyancer and that of a planning consultant and surveyor. It is an art which belongs to the professional field and is not a manual art or skill.

I, therefore, conclude that the method devised by the applicant herein for subdividing land is not an art within the meaning of that word in s. 2(d). [Emphasis added]

Lawson, supra at 111.

83. In her later decision in *Shell Oil*, Wilson J. after providing the broad definition of "art" reproduced at paragraph 76 above, discusses the holding in *Lawson* as follows:

An effort to articulate this broader concept of the term "art" was made by Cattnach J. in *Lawson v. Commissioner of Patents* (1970), 62 C.P.R. 101. In that case a patent was being sought on a new method of describing the boundaries of a plot of land. The application was rejected, again not because the subject-matter of the application was not an "art" within the meaning of the definition in the Act but because, like the new use for the adhesive in *Tennessee Eastman*, it related to professional skills rather than

to trade, industry or commerce. In the course of his reasons Mr. Justice Cattanach said at pp. 109-10:

An art or operation is an act or series of acts performed by some physical agent upon some physical object and producing in such object some change either of character or of condition. It is abstract in that, it is capable of contemplation of the mind. It is concrete in that it consists in the application of physical agents to physical objects and is then apparent to the senses in connection with some tangible object or instrument.

In the earlier development of patent law, it was considered that an invention must be a vendible substance and that unless a new mode of operation created a new substance the invention was not entitled to a patent, but if a new operation created a new substance the patentable invention was the substance and not the operation by which it was produced. This was the confusion of the idea of the end with that of means. However, it is now accepted that if the invention is the means and not the end, the inventor is entitled to a patent on the means.

There is no question as to the practical utility of the appellant's discovery. It is no more a disembodied idea than the applicant's discovery of a method of equalization of thread consumption in *Hickton's Patent*. It is a newly discovered means of regulating the growth of plants and is accordingly a "new and useful art" having economic value in the field of trade, industry and commerce. I find no obstacle in s. 36 or any other provision of the Act to the grant of a patent to the appellant on these compositions [Emphasis added].

Shell Oil, supra at 555.

84. As is apparent from the passage above, Wilson J. reached a different conclusion from Cattanach J. in finding that the claimed invention in *Lawson* was an "art" within the meaning of the definition of "invention". However, Wilson J. found that that application in *Lawson* was unpatentable on the basis that it related to professional skills rather than to trade, industry or commerce.

85. Wilson J.'s definition of "art" in *Shell Oil* is broader than the definition provided by Cattanach J. in *Lawson*. Though Wilson J. refers to the *Lawson* definition relied upon by the Commissioner, she does not accept or apply it. On a close reading, it can be seen that Wilson J. was simply acknowledging Cattanach J.'s attempt to articulate a broader, more modern concept of "art", which was explored more fully by Wilson J.³⁵

³⁵ This understanding of Wilson J.'s reasons was accepted by Justice Phelan. See: Phelan Judgment at para. 51, AB, Vol. 1, Tab 2, pages 27-28.

Foreign Jurisprudence

86. For the reasons reviewed in the Phelan Judgment, U.K. and European jurisprudence is of limited assistance with respect to the scope of patentable “art” in Canada. In those jurisdictions the relevant legislation does not provide a definition of “invention”, but rather provides a series of exclusions. However, jurisdictions such as the U.S. and Australia where the patent legislation incorporates a definition of invention can be instructive when interpreting the Canadian definition.

87. The U.S. Supreme Court recently considered the scope of patentable “process” within the definition of invention in the U.S. patent statute in *Bilski v. Kappos*. There “process” is defined to mean “process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material”.

Bilski v. Kappos, 130 U.S. 3218 (2010) (“*Bilski USSC*”).

88. In the decision appealed from, the Court of Appeals for the Federal Circuit held that a process was patentable only if it met a “machine or transformation” test, namely: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing. On appeal, the majority of the U.S. Supreme Court rejected the “machine or transformation” test as the sole test for a patentable process under the U.S. statute:

This Court’s precedents establish that the machine-or transformation test is a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under §101. The machine-or transformation test is not the sole test for deciding whether an invention is a patent-eligible “process.”

Bilski USSC, *supra* at 3227.

89. Overall, the U.S.S.C. rejected a narrow definition of patentable process (and by implication, art) which would tie patentability to a machine or physical object as does the *Lawson* test now advocated by the Commissioner.

90. The Australian jurisprudence, reviewed by Justice Phelan,³⁶ is equally broad in its interpretation of patentable processes.

CCOM Pty Ltd v. Jiejing Pty Ltd (1994) 28 IPR 481; *Welcome Real-Time SA v. Catuity Inc. and Others*, [2001] 113 FCR 110; *Grant v. Commissioner of Patents* [2006] FCAFC 120 (“*Grant*”).

³⁶ Phelan Judgment at paras. 57-58, AB Vol. 1, Tab 2, pages 30-31.

Conclusions – “art”

91. Having regard to the principles reviewed above, and the case law decided in Canada, and in particular the leading cases of *Shell Oil* and *Progressive Games*, the Respondent submits that Justice Phelan applied the correct definition for a patentable art, namely:

- i. it is not a disembodied idea but has a method of practical application;
- ii. it is a method of applying skill or knowledge (it must also be new and inventive – but these characteristics are properly considered as part of novelty and obviousness); and
- iii. it must have a result or effect that is commercially useful.

92. The Commissioner below, and in this Court, advocates a different, narrower definition, of patentable art, which is incorrect and should be rejected.

(iii) “machine”

93. Claims 44-50 of the '933 Application claim a system. In her Decision, the Commissioner accepted that these claims are, on their face, directed to a machine, and fit within the category of “machine” in the definition of invention in the *Patent Act*.³⁷ There does not appear to be any issue that in accordance with its ordinary meaning, the system claimed in claims 44-50 comes within the definition of “machine”.

(iv) Creation of “Technological” Requirement for Patentability

94. In her Decision, the Commissioner introduced an additional non-statutory limitation on patentability by requiring that the claimed invention be “technological”.³⁸ In the Commissioner’s Memorandum on this Appeal, she again advances the position that a “technological” requirement be added to the requirements of patentability, albeit in a single paragraph at the end of her argument. No new basis for such a proposition is advanced over what was stated in the Commissioner’s Decision which is simply incorporated by reference in the Commissioner’s Memorandum.

95. The Commissioner’s Decision referenced stray phrases taken from Canadian court decisions which use the term “technological” or synonyms when discussing patent principles. However, it will be noted that no Canadian court decision is cited in which patentability has been

³⁷ Commissioner’s Decision at paras. 165-168, AB, Vol. 1, Tab 15, pages 154-155.

found to be limited to subject matter which is “technological”. Given that Parliament has defined the categories of patentable invention in section 2, the Commissioner may not introduce further limitations.³⁹

96. As authority for her position, the Commissioner relied upon case law from the U.K. and Europe. However, even in the U.K., the Court has warned of the dangers of using the term “technology” in discussing patentability, noting that it is a “terribly imprecise concept”.

CFPH LLC’s Application, [2005] EWHC 1589 at paras. 11-13 and 53 (Pat.).

97. In the U.S., where the statute includes the same definition of invention as the Canadian *Patent Act*, in *Bilski* the Court of Appeals for the Federal Circuit considered and rejected a “technical arts” test, which would have imposed a limit on patentability not unlike what is now advocated by the Commissioner. As stated by the Court in *Bilski*, the ambiguous and ever-changing meanings of “technological” and “technology” would lead to a limitation which would be, at best, unclear.

In re Bilski, 88 USPQ 2d 1385 at 1395 (Fed. Cir., 2008) (“*Bilski CAFC*”); See also *Grant*, *supra*.

98. Finally, the Commissioner’s own past practice demonstrates the absence of any such exclusion, and it is incorrect of the Commissioner to suggest that the patenting of “non-technological” subject matter would be a “radical departure” from past practices.⁴⁰ For example, on the patentability of games, prior to recent amendments, the Commissioner’s own Manual of Patent Office Practice⁴¹ stated that a method of playing a board game or a game involving cards

³⁸ See, e.g., Commissioner’s Decision at para. 194, AB, Vol. 1, Tab 15, page 160.

³⁹ It will be observed that the Commissioner also quotes stray references to “technical” in sections 79 and 80 of the *Patent Rules* SOR/96-423 and “technology” in the Agreement on Trade Related aspects of Intellectual Property Rights (TRIPS) Articles 7 and 27. See: Commissioner’s Decision at paras. 153 and 160, AB, Vol. 1, Tab 15, pages 151 and 153. The Commissioner’s Decision correctly acknowledges that sections 79 and 80 of the *Patent Rules* pertain to the form of patent applications, and not the substantive requirements for patentability. Article 7 of TRIPS is in the general provisions of the agreement and therefore is also applicable to other intellectual property rights including, for example, copyright and trade-marks.

⁴⁰ Commissioner’s Memorandum of Fact and Law, para. 74.

⁴¹ MOPOP sets out the practice and procedure of the Patent Office in its handling of Canadian patent applications, and includes the view of the Patent Office with respect to substantive issues of patent law. It is essentially a guidance document for examiners, and does not have the force of law.

It should be noted that the Patent Office recently published an amended Chapter 12 of MOPOP, which addresses patentable subject matter. A draft of the amended Chapter was circulated for comment nearly concurrently with the release of the Commissioner’s Decision. The amended Chapter 12 articulates principles and follows an approach which is remarkably similar to that stated in the Commissioner’s Decision (and in its final form cited the Commissioner’s Decision in this case). Many submissions were filed during a

is patentable subject matter if the game board or cards are themselves novel and inventive.

MOPOP, s. 12.04.06.

99. Consistent with this approach, and simply by way of an example of the ill-founded nature of the Commissioner's position, the board game "Monopoly" was patented in this country (the patent has long expired), an invention which cannot be considered to be "technological". The Commissioner's decision in the present case would re-write our law to render such subject matter unpatentable, without any amendment to the definition of invention in the *Patent Act*.

Canadian Patent No. 362,124, "Board Game Apparatus", issued November 24, 1936.

See also the following more recent examples:

Canadian Patent No. 1,009,675, "Guessing Game with Hidden Area", issued May 3, 1977; Canadian Patent No. 1,127,306, "Microcomputer Controlled Game", issued July 6, 1982; Canadian Patent No. 1,175,457, "Board Game for Three Players", issued October 2, 1984; and Canadian Patent No. 1,230,585, "Cribbage Board", issued December 22, 1987.

E. Additional Errors in the Commissioner's Approach

100. As further discussed in the sections below, the Commissioner's proposed application of the erroneous two step "framing" and "actual invention" analysis and narrow definition of patentable art further demonstrates the errors in her approach.

(i) Parsing of the Claims: Disregarding Known Elements Required to Give Practical Effect to the Invention

101. The Commissioner advocates an approach which would apparently require a Court to disregard known elements in a claim included as part of the implementation of the invention as claimed. The Commissioner submits (at paragraph 51 of her Memorandum):

51. However, [Justice Phelan] erred when, at ¶75, he failed to disregard the use of cookies, the computers, the Internet, and the customer's own action in order to identify the actual invention; he failed to recognize "that there is nothing new in using computers", the Internet, and the customer's own action to enable customers to order items via the Internet. ...

comment period, including from the Intellectual Property Institute of Canada ("IPIC"), and Fédération Internationale des Conseils en Propriété Industrielle ("FICPI") which have pointed out the errors in the approach articulated in the draft Chapter. See online: <http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr00758.html>.

102. The Commissioner's position ignores the longstanding principle of Canadian patent law that a novel idea, though implemented by known means, is capable of patent protection. This is well illustrated by *Hickton's Patent*, reviewed by Justice Wilson in *Shell Oil*:

The case which, in my view, is most closely analogous to this one is *Hickton's Patent* ... The applicant in that case had an idea for equalizing the consumption of thread on lace-making machines by the process known as "shogging". There was nothing new about "shogging". It was a technique customarily employed in creating a pattern in the piece of lace being made. But it had not hitherto been thought of as a means of equalizing thread consumption. This was done by hand by interchanging the bobbins. It was clear on the evidence that once the idea was formed, no further inventive ingenuity was required in order to put it into effect.

...

It seems to me that in *Hickton's Patent* the English Court of Appeal found that an idea was patentable notwithstanding the lack of any novelty in its implementation. No further invention was required in putting it into practice.

Shell Oil, *supra* at 550-551.

103. In this case, the Commissioner, under the guise of her "actual invention" analysis, seeks to strip away components of the invention claimed in the '933 Application which are required for its practical application simply because they are known. This is the very approach rejected by Wilson J. in *Shell Oil*.

See also: *Consolboard Inc. v. MacMillan Bloedel (Saskatchewan) Ltd.*, [1981] 1 S.C.R. 504 at 520; *Bilski* CAFC *supra* at 1393-1394.

(ii) Misplaced Reliance on *Schlumberger*

104. Another aspect of the Commissioner's position appears to be that this case falls within the holding of the Federal Court of Appeal in *Schlumberger*. With respect, the Commissioner's reliance on *Schlumberger* is also misplaced.

105. In *Schlumberger* the Court considered a patent pertaining to calculations performed on measurements obtained in the course of oil and gas exploration to obtain useful information therefrom. While the claims considered by the Court are not reproduced in the decision, it is apparent that the calculations were to be performed by a computer and that the Court equated what was covered by the claims with the statutory prohibition as provided by then section 28(3)

(now section 27(8)) of the *Patent Act*, namely that there can be no patent for any mere scientific principle or abstract theorem.⁴²

Schlumberger Canada Ltd. v. Commissioner of Patents (1981), 56 C.P.R. (2d) 204 at 205-206 (F.C.A.).

106. It is in this context that the Court in *Schlumberger* comments “the fact that a computer is or should be used to implement discovery does not change the nature of that discovery”.

107. The Commissioner now seeks to extend the principles of *Schlumberger* to “read out” the use of a computer and other elements, even where the claim in issue pertains to subject matter other than a *mere* calculation or mathematical formula which would be unpatentable in accordance with section 27(8) as found by the Court in *Schlumberger*. The '933 Application plainly claims more than a mere abstract theorem, and the Commissioner has not suggested that section 27(8) applies in this case. In the result, *Schlumberger* does not apply, and it is improper for the Commissioner to ignore the computer and other elements which are integral to the practical embodiment of the online ordering systems and methods claimed in the '933 Application.

F. Even Applying the Commissioner's Incorrect Approach and Test, the '933 Application Should Still be Granted

(i) The “Actual Invention” of the '933 Application

108. As set out above, the Commissioner's “actual invention” analysis is wrong and should be rejected by this Court. However, it is submitted that based on the findings of Justice Phelan, the '933 Application nevertheless satisfy the Commissioner's erroneous test.

109. Justice Phelan found that the system claims and the method claims of the '933 Application included as essential elements stored information (cookies), client and server systems (computers) and the communications networks (the Internet) to implement an ordering system in which customers may order items by a single action (e.g. a mouse click). To use the language of the Commissioner⁴³ these elements “cooperate together to achieve what the patent applicant actually invented”, namely the specific on-line ordering system and procedure disclosed and claimed.

⁴² It will be noted that although the Commissioner quotes at length from *Schlumberger*, the reference to

(ii) The *Lawson* Test and Technological Limitation

110. The Respondent's system and method claims meet even the narrow *Lawson* test. The implementation of the method and system clearly result in a change in the character or condition in numerous physical objects, namely the client and server computer systems and their storage media which are essential to implement the method, whether the proper law of purposive construction (applied by Justice Phelan) or the Commissioner's erroneous "actual invention" analysis is applied.

111. Moreover, as concluded by Justice Phelan,⁴⁴ it is clear that the Respondent's invention is technological, incorporating computer systems, manipulation of stored information (cookies) and communication networks.

G. Experience in Foreign Jurisdictions

112. The Respondent was granted U.S. Patent No. 5,960,411 on September 28, 1999 for the invention which is the subject of the '933 Application.⁴⁵

113. In Europe, where there is an express statutory exclusion for "methods for doing business", the Respondent was granted a patent to a related application. The European patent includes claims to a different embodiment from that claimed in the '933 Application. The European patent has also been the subject of a post grant opposition pursuant to which the patent was rejected by the EPO at first instance on the basis that certain elements of the claims (which are not present in the claims of the '933 Application) lack support in the specification. However, the EPO found that the patent did claim patentable subject matter.⁴⁶

section 28(3) of the *Patent Act* has been omitted from the passages quoted.

⁴³ See, e.g., Commissioner's Memorandum of Fact and Law, para. 53.

⁴⁴ Phelan Judgment, para. 77, AB, Vol. 1, Tab 2, page 38.

⁴⁵ It should be noted that U.S. Patent No. 5,960,411 was the subject of re-examination proceedings before the U.S. Patent Office which concluded March 2, 2010 with the claims of that patent being allowed in an amended form. No objection was raised during the re-examination as to whether the patent claims patentable subject matter.

⁴⁶ Decision of the EPO Opposition Board dated June 9, 2008 in Respect of EP99105948. Reversed and remitted for further consideration based on Auxiliary Request 3 by decision of the EPO Technical Board of Appeals 3.5.01, dated November 11, 2009. The matter has been remitted to the Opposition Board to further consider the question of obviousness of the claims in issue in that application.

PART IV – ORDER SOUGHT

114. For the reasons set out above, the Respondent requests that this Honourable Court dismiss this Appeal.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 4th day of April, 2011.



SMART & BIGGAR

Solicitors for the Respondent

PART V – LIST OF AUTHORITIES

Statutes and Regulations

Agreement on Trade Related aspects of Intellectual Property Rights, Arts. 7 & 27

European Patent Convention, Art. 52

Patent Act, R.S.C. 1952, c. 203, s. 41(1)

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Patent Rules, SOR/96-423 ss. 30(6), 79 and 80

United States Patent Act, 35 U.S.C. 100(b), 101

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Bell ExpressVu Limited Partnership v. Rex, [2002] 2 S.C.R. 559, 2002 SCC 42

Bilski v. Kappos, 130 U.S. 3218 (2010)

Canada (Commissioner of Patents) v. Farbwerke Hoechst AG (Vormals Meister Lucius & Bruning), [1964] S.C.R. 49

CCOM Pty Ltd v. Jiejing Pty Ltd (1994) 28 IPR 481

CFPH LLC's Application, [2005] EWHC 1589

Consolboard Inc. v. MacMillan Bloedel (Saskatchewan) Ltd., [1981] 1 S.C.R. 504

Free World Trust v. Électro Santé Inc., [2000] 2 S.C.R. 1024, 2000 SCC 66

Grant v. Commissioner of Patents [2006] FCAFC 120

Halford v. Seed Hawk Inc. (2007), 54 C.P.R. (4th) 130, 2006 FCA 275

Harvard College v. Canada (Commissioner of Patents), [2002] 4 S.C.R. 45, 2002 SCC 76

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Monsanto Co. v. Canada (Commissioner of Patents), [1979] 2 S.C.R. 1108

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Progressive Games, Inc. v. Canada (Commissioner of Patents) (1999), 3 C.P.R. (4th) 517 (F.C.T.D.), aff'd (2000), 9 C.P.R. (4th) 479 (F.C.A.)

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[headnote only]

Welcome Real-Time SA v. Catuity Inc. and Others (2001) 113 FCR 110

Whirlpool Corp. v. Camco Inc., [2000] 2 S.C.R. 1067, 2000 SCC 67

Decision of the EPO Opposition Board dated June 9, 2008 in Respect of EP99105948 . Reversed and remitted for further consideration based on Auxiliary Request 3 by decision of the EPO Technical Board of Appeals 3.5.01, dated November 11, 2009.

Other Authorities

Manual of Patent Office Practice Chapter 12: Subject Matter and Utility (Draft for public consultation dated April 2, 2008) (online: [http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/vwapj/chapter12May7_2009-chapitre12_7Mai2009-eng.pdf/\\$file/chapter12May7_2009-chapitre12_7Mai2009-eng.pdf](http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/vwapj/chapter12May7_2009-chapitre12_7Mai2009-eng.pdf/$file/chapter12May7_2009-chapitre12_7Mai2009-eng.pdf))

Manual of Patent Office Practice, Chapter 12 (as revised February, 2005 and December, 2009)

Manual of Patent Office Practice, Chapter 21 (revised March, 2008)

Submissions of the Fédération Internationale des Conseils en Propriété Industrielle concerning draft amended MOPOP Chapters 12 and 13, dated September 16, 2009 (online: [http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/vwapj/commentaires16092009-3-comments16092009-3-eng.pdf/\\$FILE/commentaires16092009-3-comments16092009-3-eng.pdf](http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/vwapj/commentaires16092009-3-comments16092009-3-eng.pdf/$FILE/commentaires16092009-3-comments16092009-3-eng.pdf))

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Canadian Patent No. 362,124, "Board Game Apparatus", issued November 24, 1936

Canadian Patent No. 1,009,675, "Guessing Game with Hidden Area", issued May 3, 1977

Canadian Patent No. 1,127,306, "Microcomputer Controlled Game", issued July 6, 1982

Canadian Patent No. 1,175,457, "Board Game for Three Players", issued October 2, 1984

Canadian Patent No. 1,230,585, "Cribbage Board", issued December 22, 1987

U.S. Patent No. 5,960,411, "Method and system for placing a purchase order via a communications network", issued September 28, 1999. Notice of Intent to issue *Ex Parte* Reexamination Certificate dated March 2, 2010.

SCHEDULE "A"

CA 02246933 2002-11-27

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CLAIMS

1. A method in a client system for ordering an item, the method comprising:
receiving from a server system a client identifier of the client system;
persistently storing the client identifier at the client system;
5 when an item is to be ordered,
displaying information identifying the item and displaying an indication of a
single action that is to be performed to order the identified item; and
in response to the single action being performed, sending to the server system
a request to order the identified item along with the client identifier, the client identifier
10 identifying account information previously supplied by a user of the client system wherein the
user does not need to log in to the server system when ordering the item; and
when account information is to be changed,
coordinating the log in of the user to the server system;
receiving updated account information; and
15 sending the updated account information to the server system
whereby the user does not need to log in to the server system when ordering the item,
but needs to log in to the server system when changing previously supplied account
information.
- 20 2. The method of claim 1 wherein the account information includes billing information.
3. The method of any of claims 1-2 wherein the account information includes shipping
information.
- 25 4. The method of any of claims 1-3 wherein the client system and server system
communicate via the Internet.
5. The method of any of claims 1-4 including receiving from the server system a
confirmation that the order was generated.

30

6. The method of any of claims 1-5 wherein the single action is clicking a mouse button when a cursor is positioned over a predefined area of the displayed information.
7. The method of any of claims 1-6 wherein the displaying includes displaying partial information supplied by the server system as to an identity of the user of the client system.
8. The method of any of claims 1-7 wherein the displaying includes displaying partial shipping information supplied by the server system.
9. The method of any of claims 1-8 wherein the displaying includes displaying partial payment information supplied by the server system.
10. The method of any of claims 1-9 wherein the item may alternatively be ordered using a shopping cart model.
11. The method of any of claims 1-10 wherein the server system combines multiple requests to order items into a single order.
12. The method of claim 11 wherein requests are combined when sent within a certain time interval.
13. The method of claim 11 wherein requests are combined when sent within 90 minutes.
14. The method of any of claims 1-13 wherein after the server system receives the request, it includes the identified item in an order with another item with similar availability.
15. The method of claim 14 wherein availability is categorized as short-term or long-term.
16. The method of claim 14 wherein availability is categorized as short-term, intermediate-term, or long-term.

17. The method of any of claims 1-16 including displaying an indication that the order for the item that is requested in response to performing the single action can be cancelled within a time period.
- 5 18. The method of claim 17 wherein the time period is 90 minutes.
19. A method in a client system for ordering items, the method comprising:
receiving from a server system a client identifier of the client system;
persistently storing the client identifier at the client system; and
10 for each of a plurality of items
displaying information identifying the item and displaying an indication of a
single action that is to be performed to order the identified item; and
in response to the single action being performed, sending to the server system
a request to order the identified item and the client identifier, the client identifier identifying
15 account information of a user
wherein the server computer automatically combines orders into a single order.
20. The method of claim 19 wherein the requested orders are combined when sent within
a certain time interval.
- 20 21. The method of claim 19 wherein the requested orders are combined when requested
within 90 minutes.
22. The method of any of claims 19-21 wherein the requested orders are combined when
25 the requested items have similar availability.
23. The method of claim 22 wherein the availability is categorized as short-term or
long-term.
- 30 24. The method of claim 22 wherein the availability is categorized as short-term,
intermediate-term, or long-term.

25. The method of any of claims 19-24 wherein the client system and server system communicate via the Internet.
26. The method of any of claims 19-25 wherein the single action is clicking a mouse
5 button when a cursor is positioned over a predefined area of the displayed information.
27. The method of any of claims 19-26 wherein the displaying includes displaying partial information supplied by the server system as to the identity of the user of the client system.
- 10 28. The method of any of claims 19-27 wherein the displaying includes displaying partial shipping information supplied by the server system.
29. The method of any of claims 19-28 wherein the displaying includes displaying partial payment information supplied by the server system.
- 15 30. The method of any of claims 19-29 wherein the item may alternatively be ordered using a shopping cart model.
31. The method of any of claims 19-30 including displaying an indication that the order
20 for the item that is requested in response to performing the single action can be cancelled within a time period.
32. The method of claim 31 wherein the time period is 90 minutes.
- 25 33. A method in a client system for ordering an item, the method comprising:
receiving from a server system a client identifier of the client system;
persistently storing the client identifier at the client system;
displaying information identifying the item and displaying an indication of a single
action that is to be performed to order the identified item;

in response to the single action being performed, sending to the server system a request to order the identified item along with the client identifier, the client identifier identifying account information of a user; and

5 displaying an indication that the order for the item that is requested can be cancelled within a time interval.

34. The method of claim 33 wherein the time interval is 90 minutes.

10 35. The method of any of claims 33-34 wherein the client system and server system communicate via the Internet.

36. The method of any of claims 33-35 wherein the single action is clicking a mouse button when a cursor is positioned over a predefined area of the displayed information.

15 37. The method of any of claims 33-36 wherein the displaying includes displaying partial information supplied by the server system as to the identity of the user of the client system.

20 38. The method of any of claims 33-37 wherein the displaying includes displaying partial shipping information supplied by the server system.

39. The method of any of claims 33-38 wherein the displaying includes displaying partial payment information supplied by the server system.

25 40. The method of any of claims 33-39 wherein the item may alternatively be ordered using a shopping cart model.

41. The method of any of claims 33-40 wherein the server system combines multiple requests to order items into a single order.

30 42. The method of claim 41 wherein requests are combined when sent within a certain time interval.

43. The method of any of claims 33-42 wherein after the server system receives the request, it includes the identified item in an order with another item with similar availability.

44. A client system for ordering an item, comprising:

5 a component that receives from a server system a client identifier of the client system and that stores the client identifier persistently;

a component that orders an item by displaying information identifying the item along with an indication of a single action that is to be performed to order the identified item and by sending to the server system a request to order the identified item along with the client
10 identifier, the client identifier identifying account information previously supplied by a user wherein the user does not need to log in to the server system when ordering the item; and

a component that updates account information by coordinating the log in of the user to the server system, receiving updated account information from the user, and sending the updated account information to the server system.

15

45. The computer system of claim 44 wherein the account information includes billing information.

46. The computer system of any of claims 44-45 wherein the account information
20 includes shipping information.

47. The computer system of any of claims 44-46 wherein the single action is clicking a mouse button when a cursor is positioned over a predefined area of the displayed information.

25 48. The computer system of any of claims 44-47 including a component that alternatively orders the item using a shopping cart model.

49. The computer system of any of claims 44-48 wherein the server system combines
30 multiple requests to order items into a single order.

50. The computer system of any of claims 44-49 including displaying an indication that the order for the item that is requested in response to performing the single action can be cancelled within a time period.

- 5 51. A method in a computer system for ordering items, the method comprising:
providing to a client system a client identifier for the client system, the client identifier
being associated with account information of a user and for persistent storage at the client
system;
for each of one or more items,
10 providing to the client system a display page identifying an item, the display
page including an indication of a single action that is to be performed to order the identified
item; and
receiving from the client system a request to order the identified item, the
request including the client identifier; and
15 automatically generating a single order for the identified items of the one or more
received requests for items wherein the user does not need to specify that the identified items
are to combined into a single order.

20 52. The method of claim 51 wherein the requested orders are combined into a single order
when received within a certain time interval.

53. The method of claim 51 wherein the requested orders are combined into a single order
when received within 90 minutes.

25 54. The method of any of claims 51-53 wherein the requested orders are combined into a
single order when the requested items have similar availability.

55. The method of claim 54 wherein the availability is categorized as short-term or
long-term.

56. The method of claim 54 wherein the availability is categorized as short-term, intermediate-term, or long-term.
57. The method of any of claims 51-56 wherein the single action is clicking a mouse
5 button when a cursor is positioned over a predefined area of the displayed information
58. The method of any of claims 51-56 wherein an item may alternatively be ordered using a shopping cart model.
- 10 59. The method of claim 58 wherein the single action is clicking a mouse button when a cursor is positioned over a predefined area of the displayed information.
60. A method in a computer system for ordering an item, the method comprising:
providing to a client system a client identifier for the client system, the client identifier
15 being associated with account information of a user and for persistent storage at the client system;
providing to the client system a display page identifying an item, the display page including an indication of a single action that is to be performed to order the identified item and an indication that the order for the item can be cancelled within a time interval;
20 receiving from the client system an indication that the user performed the single action along with the client identifier; and
generating an order for the identified item using the account information associated with the received client identifier.
- 25 61. The method of claim 60 wherein the time interval is 90 minutes.
62. The method of any of claims 60-61 wherein the client system and server system communicate via the Internet.
- 30 63. The method of any of claims 60-62 wherein the single action is clicking a mouse button when a cursor is positioned over a predefined area of the displayed information.

64. The method of any of claims 60-63 wherein the display page includes information identifying the user.

5 65. The method of any of claims 60-64 wherein the display page includes partial shipping information.

66. The method of any of claims 60-65 wherein the display page includes partial payment information.

10 67. The method of any of claims 60-66 wherein the item may alternatively be ordered using a shopping cart model.

68. A method in a computer for ordering an item, the method comprising:
providing to a client system a client identifier for the client system, the client identifier
15 being associated with account information of a user and for persistent storage at the client system;

when an item is to be ordered,
providing to the client system a display page identifying an item, the display
page including an indication of a single action that is to be performed to order the identified
20 item;

receiving from the client system an indication that the user performed the
single action along with the client identifier; and

generating an order for the identified item using the account information
associated with the received client identifier wherein the user does not need to log in to the
25 computer system to order the item; and

when account information is to be changed,
coordinating the log in of the user to the computer system;
receiving from the client system updated account information; and
updating the account information associated with the client identifier of the
30 logged in user based on the received updated account information.

69. The method of claim 68 wherein the account information includes billing information.
70. The method of any of claims 68-69 wherein the account information includes shipping information.
- 5 71. The method of any of claims 68-70 wherein the client system and server system communicate via the Internet.
- 10 72. The method of any of claims 68-71 wherein the single action is clicking a mouse button when a cursor is positioned over a predefined area of the displayed information.
73. The method of any of claims 68-72 wherein the display page includes partial shipping information supplied.
- 15 74. The method of any of claims 68-73 wherein the display page includes partial payment information supplied.
- 20 75. The method of any of claims 68-74 wherein the item may alternatively be ordered using a shopping cart model.

**Court File No. A-435-10
(T-1479-09)**

FEDERAL COURT OF APPEAL

B E T W E E N :

**THE ATTORNEY GENERAL and
THE COMMISSIONER OF PATENTS**

Appellants

- and -

AMAZON.COM, INC.

Respondent

**RESPONDENT'S MEMORANDUM OF
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