

Federal Court clarifies Canadian approach to subject-matter eligibility for computer patents

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Innovative, high-growth companies tolerate considerable uncertainty, including in the field of patents, where they do not know in advance whether they will own the inventions they create. This uncertainty has been exacerbated in Canada in recent years, as the Canadian Intellectual Property Office has been applying a policy whereby it has routinely denied patents on computer-implemented inventions based on a forensic and subjective assessment of the problem and solution addressed by the patent. Patents directed to solving “computer problems” have been considered more worthy of protection than patents directed to business or other types of problems.

On August 21, 2020, the Federal Court issued its decision in *Yves Choueifaty v Attorney General of Canada*, 2020 FC 837, granting the appeal from the Commissioner of Patents' (the Commissioner) decision that Canadian Patent Application No. 2,635,393 (the 393 Application) was not patentable subject-matter. The Court directed the Commissioner to consider the 393 Application afresh in accordance with the Court's reasons. The main issue in the appeal was whether the computer elements referred to in the claims were essential elements. More fundamentally though, the Court scrutinized and rejected the Commissioner's “problem-solution” approach, re-emphasizing that patent claims must be interpreted in the same way for all purposes, including assessing subject-matter eligibility.

Background

The 393 Application relates to an invention of a computer implementation of a new method for selecting and managing investment portfolio assets. The independent claims all refer to a computer element in the implementation of the method.

The Examiner had rejected the 393 Application, finding that the subject-matter lay outside the definition of “invention” provided in section 2 of the *Patent Act*. The Appellant then submitted a set of amended claims (the First Proposed Claims) but the Examiner again found that the proposed set of claims did not fall within the statutory definition of “invention.”

In a preliminary review, a three-member panel of the Patent Appeal Board (the Panel) agreed with the Examiner's finding. The Appellant provided a response to the preliminary review, which included a second set of proposed claims (the Second Proposed Claims).

A hearing before the Panel was held on October 4, 2018.

Commissioner's decision

On February 27, 2019, the Panel recommended that the First Proposed Claims and the Second Proposed Claims did not comply with section 2 of the *Patent Act* because they did not disclose an invention. The Commissioner agreed with the Panel's recommendation and refused the 393 Application.

The Panel applied a problem-solution analysis to construe the claims and determine the essential elements. The Panel found that the problem was not one of computer implementation, but rather directed to a financial portfolio engineering and investing problem to reduce the volatility of an investor's portfolio in comparison to the market and return to risk ratio. The solution is the construction of an anti-benchmark portfolio, wherein the weighting of each security within the portfolio is calculated according to an anti-benchmark ratio such that the portfolio maximizes diversification using a scalable long-only approach within a given universe of securities.

Based on this analysis, the Panel concluded that the essential elements of both the First Proposed Claims and Second Proposed Claims did not include the computer-related details, but rather are directed to a scheme or rules involving mere calculations used to construct the anti-benchmark portfolio, which are not patentable subject-matter.

The Appellant appealed this decision asserting that the Commissioner erred by 1) using the problem-solution approach to construe the essential elements of the claims; and 2) finding that the problem and solution of the invention did not include a computer element.

Commissioner erred by applying the wrong legal test to construe the claims

The Court found that the Commissioner erred in determining the essential elements of the claimed invention by applying the problem-solution approach.

The proper approach is to employ the purposive construction test set out in *Whirlpool Corp v Camco Inc*, 2000 SCC 67 (*Whirlpool*) and *Free World Trust v Électro Santé Inc*, 2000 SCC 66 (*Free World Trust*). The problem-solution approach is similar to the "substance of the invention" approach discredited by the Supreme Court of Canada in *Free World Trust*.

The test for determining whether a claimed element is essential is to ask the following two questions set out in *Free World Trust*:

- 1) Would it be obvious to a skilled reader that varying a particular element would not affect the way the invention works?
- 2) Is it the intention of the inventor, considering the express language of the claim, or inferred from it, that the element was intended to be essential?

The element would be considered essential if 1) modifying or substituting the element changes the way the invention works; or 2) the inventor intended, based on the express or inferred language of the claims, that an element be essential.

The Court found that the problem-solution approach does not consider the inventor's intention. The claims should be read in the sense that the inventor is presumed to have intended, and in a way that is sympathetic to the accomplishment of the inventor's purpose expressed or implicit in the text of the claims.

The Court observed that the Commissioner had not been directing patent examiners to follow the teachings of *Free World Trust* or *Whirlpool*. The *Manual of Patent Office Practice* distinguishes the purposive construction of *Whirlpool* and *Free World Trust* from that to be used by patent examiners. The Commissioner took the position based on *Genencor International Inc v Canada (Commissioner of Patents)*, 2008 FC 608 (*Genencor*) that the decision in *Whirlpool* does not apply to patent examiners. However, the Court found that *Genencor* was not binding and is no longer good law in view of the decision in *Canada (Attorney General) v Amazon.com, Inc*, 2011 FCA 328, which held that the Commissioner was required to employ the purposive construction test set out in *Whirlpool* and *Free World Trust*.

Mischaracterization of the problem and solution

The Court did not come to a decision on the second issue on appeal, but did note that the Commissioner's decision failed to adequately address the Appellant's assertion that the purpose of the Second Proposed Claims was to improve computer processing. The Court stated that this aspect of the invention requires closer examination by the Commissioner.

Key takeaways

The *Choueifaty* decision is an important decision that should help provide clarity on the correct approach to claim construction when a patent application is being prosecuted before the Canadian Intellectual Property Office, particularly where the claims are being assessed for subject-matter eligibility.

Moreover, this decision reaffirms the principle that claims should receive one and the same interpretation for all purposes whether that be determining infringement, validity or statutory subject-matter. The Court's approach ensures that the inventor's intention as set out in the claims will be considered when determining the essential elements.

The authors of this article represented the Appellant in *Yves Choueifaty v Attorney General of Canada*, 2020 FC 837. This decision remains subject to appeal.