

Commissioner=s Decision #1334

Décision de la Commissaire #1334

TOPIC: J00, 000

SUJET: J00, 000

Application No. : 2,306,540

Demande n° : 2,306,540

COMMISSIONER'S DECISION SUMMARY

C.D. 1334, Application 2,306,540

Statutory Subject Matter, Obviousness

The patent application concerns the tracking of required payments or refunds of value added taxes for mailpieces. The Final Action rejected the application for being obvious based upon two prior art references. The Patent Appeal Board reviewed the application and assessed the claims for compliance with section 2 of the *Patent Act* as well as for obviousness.

Reversed: The Commissioner of Patents found that the claims were not obvious and claimed subject matter which was an invention within the meaning of section 2 of the *Patent Act*.

IN THE CANADIAN PATENT OFFICE

DECISION OF THE COMMISSIONER OF PATENTS

Patent application number 2,306,540 was rejected by the Examiner under subsection 30(3) of the *Patent Rules*. The rejection has been considered by a panel of the Patent Appeal Board and by the Commissioner of Patents. The panel's findings and the decision of the Commissioner are as follows:

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Introduction

- [1] This decision follows a review by the Patent Appeal Board (PAB) and the Commissioner of Patents of patent application number 2,306,540, which was filed on 25 April 2000 and is entitled AA SYSTEM FOR CAPTURING INFORMATION FROM A POSTAL INDICIA PRODUCING DEVICE SO AS TO PRODUCE A REPORT COVERING THE PAYMENT OF VALUE ADDED TAXES AND FEES@. This application claims priority from a United States application filed on 23 April 1999. The Applicant is PITNEY BOWES INC. and the inventors are Robert Law and Ronald Sansone.
- [2] Examination was requested on 25 April 2000 and two reports were issued beginning on 03 October 2002. On 19 September 2003, in response to a report, the Applicant requested that the next action be made final (i.e. if the Examiner was not prepared to allow the application). The Examiner rejected the application in a Final Action on 16 December 2003 based on obviousness and indefiniteness. The Applicant submitted arguments in response to the Final Action on 11 June 2004. The response amended claim 1 and subsequently the Examiner found that the objection to indefiniteness had been overcome. The Summary of Reasons by the Examiner maintained that the claims were obvious.
- [3] A hearing before a panel (Athe panel@) of the Patent Appeal Board (PAB) was held on 13 February 2008 [Athe Hearing@]. Appearing on behalf of the Applicant was Mr. Matthew D. Powell and Mr. David Ruston from the firm of Sim & McBurney. Mr. Leigh

Matheson, the Examiner in charge of the application, and Mr. André Gélinas, Section Head, were also present at the Hearing.

Procedural matters

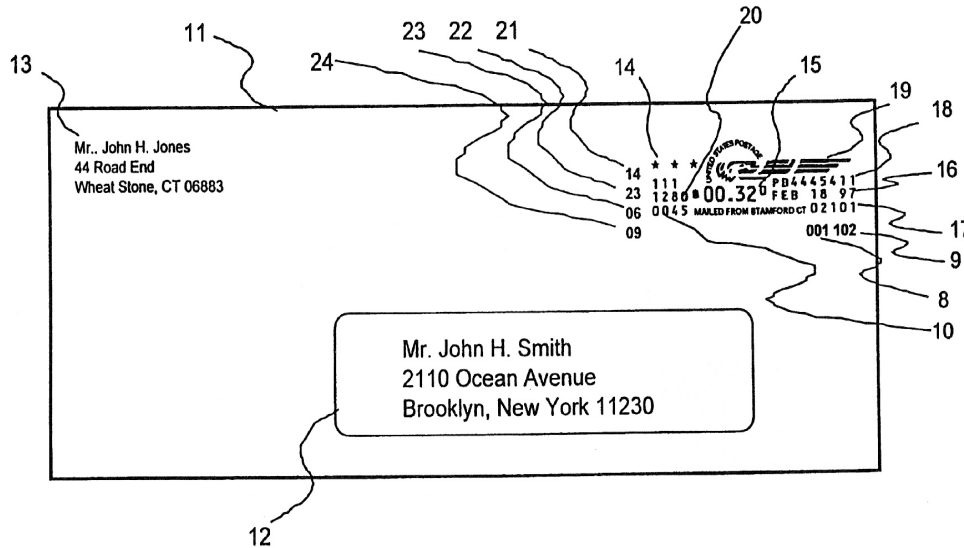
[4] Subsequent to the Final Action and the Hearing, on 05 March 2009 the Commissioner [in CD 1290, *Re Application of Amazon.com*, paragraphs 124-166, *Amazon.com*] set out an approach to be followed when assessing patentable subject matter under section 2 of the *Patent Act*. In a letter dated 08 May 2009 the panel invited the Applicant to make any submissions that it felt were necessary to address compliance with section 2 of the *Patent Act* in accordance with the approach in *Amazon.com*. At the panel's request, the Examiner provided a Supplemental Analysis outlining the particulars of the defect under section 2 of the *Patent Act*, which was provided to the Applicant. In the same letter, the Applicant was also invited to address each of the four steps of the *Windsurfing/Pozzoli* approach to assessing obviousness set out in *Sanofi-Synthelabo Canada Inc. v. Apotex Inc.*, 2008 SCC 61, 69 C.P.R. (4th) 251 [*Sanofi*]. The Applicant replied to the letter in a response dated 05 August 2009.

[5] On November 24, 2011, the Federal Court of Appeal, in *Canada (Attorney General) v. Amazon.com Inc.*, 2011 FCA 328 [*Amazon FCA*], delivered a judgement which disagreed with the approach taken in CD1290. Taking into account that judgement, the panel did not consider it necessary in this case to invite the Applicant to make any further submission.

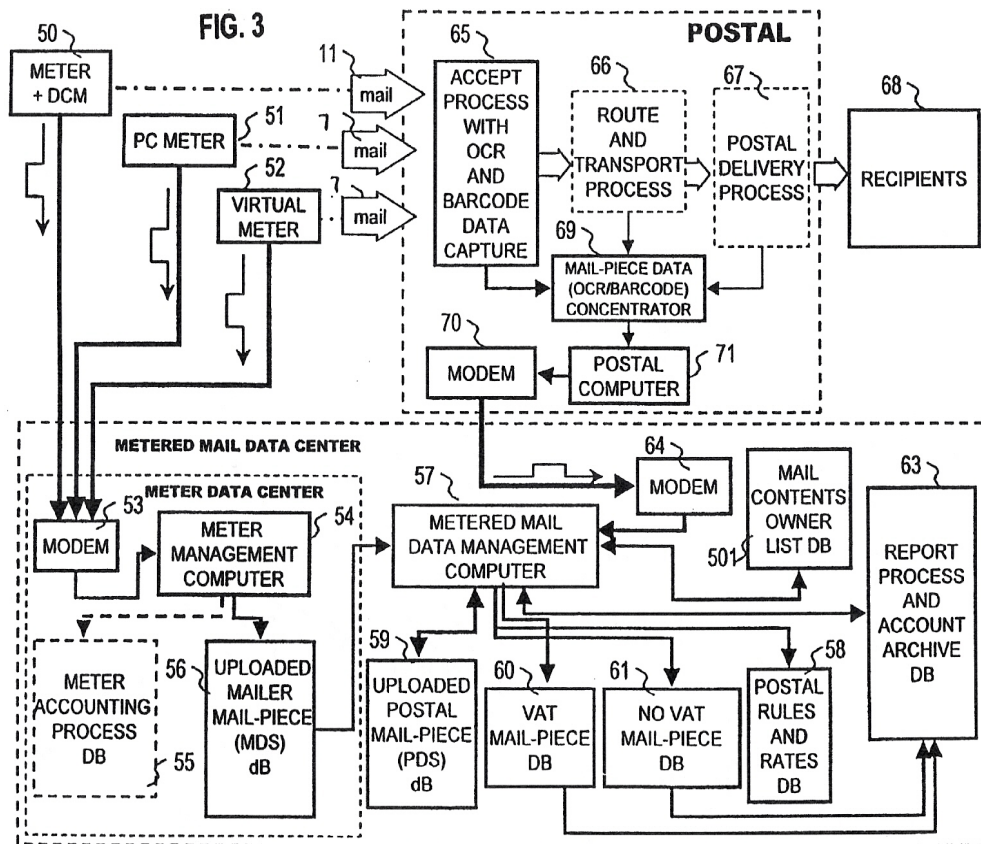
Background of the Invention

- [6] The invention concerns the tracking of required payments or refunds of value added taxes (VAT) for mailpieces. Information related to the postage that has been applied to a mailpiece, the owner of the mailpiece, the characteristics of the mailpiece and the amount of value added tax that is included in the postage is tracked. After the mailpiece reaches the entry post office, the system recalculates the proper VAT and generates a report as to mailpieces where too much or too little tax is paid, or mailpieces that did not pay VAT but should have paid VAT, or vice versa.
- [7] Referring to Figure 1, the application describes a mailpiece 11 (reference numbers are those used in the figures below) that has a recipient address field 12 and a sender address field 13, with postal indicia 14 affixed to it. The indicia 14 contain the postage paid 15, the date 16 that postal indicia 14 were affixed to mailpiece 11, the place the mailpiece was mailed from 17, the postal meter serial number 18, a piece count 10, and the type of mailpiece 9. Other information such as time and date of mailing is also included.

FIG. 1



- [8] The system operates as follows (see Figure 3 below): a postage meter 50 prints the above information on the envelope, stores the same information and transmits it to the metered data center via modem 53. The information which is stored and transmitted also includes an additional number indicating the owner of the contents of mailpiece 11. The additional number may be the tax identification number of the owner of the contents of the mailpiece. At the data center, mailer mailpiece database 56 stores the information received from the meters.
- [9] After mailpiece 11 is posted and reaches an entry post office, an optical character recognition scanner 65 at the entry post office scans mailpiece 11 and captures data appearing on mailpiece 11. Then mailpiece 11 is routed and delivered in a conventional fashion. The information from scanner 65 is transmitted to the data center after some formatting for ease of comparison, and is stored in a postal mailpiece database 59.



[10] Computer 57 reads the stored numbers from mailer mailpiece database 56 and postal database 59, identifies the mailpiece that corresponds to the stored numbers, and determines whether or not a VAT has been paid for the mailpiece that corresponds to the stored numbers. The mailpiece numbers are sorted into two databases (60, 61): one for mail where VAT is paid and one for mail where VAT is not paid. Computer 57 applies the regulations, rates and rules in postal rules and rates database 58 to the information stored in databases 60 and 61 and determines if the VAT has been applied to the correct mailpieces. A report is generated to indicate: the mailpieces for which too much VAT has been paid; the mailpieces for which

insufficient VAT has been paid; the mailpieces for which no VAT has been paid and should have been paid; and the mailpieces for which VAT has been paid and should not have been paid.

Claim Interpretation

The Claims

[11] At the Hearing, the Applicant was informed that pages 4 and 5 of the Applicant's response, which compare the claims to the prior art, reference additional features of claim 1 which are not found in the official version of claim 1 in the amended application. The text below shows how the claim in the response differs from the claim in the application, wherein additional claimed features are underlined and deleted features appear in ~~strikeout~~:

1. A value added ~~tax~~-mail monitoring system, said system comprises ~~—~~a plurality of mailer's digital units that stores unique information contained in a postal indicia-affixed to a mail piece, the type of mailpiece and information that identifies the owner of the contents of the mail, wherein the unique information includes an amount of value added tax paid for each piece of mail and the type of each mail piece~~—~~; a plurality of postal units that reads and stores the unique information contained in the postal indicia; and ~~a data center~~centre that contains databases for storing the amount of value added taxes for each type of mail piece and ~~storing~~stores information received from value added postal

databases and the unique information read by the postal units to determine if a proper amount of value added tax has been paid for servicing and handling of the mail by comparing the information stored in the mailer's units, postal databases and the unique information read by the postal units, wherein the data ~~center~~centre further includes: means for generating reports that indicate the ~~mail pieces~~mail pieces that have paid too much value added tax; the mail pieces that have paid insufficient value added tax; the mail pieces that have paid no value added tax and should have paid value added tax ; and the mail pieces that have paid value added tax and should not have paid value added tax.

[The text submitted in the response includes text in parentheses which is not included above]

[12] In brief, in regards to claim 1 the response sets out that the comparing function in the data center is a comparison of *the information stored in the mailer's units, postal databases and the unique information read by the postal units*. For the purposes of this review, the panel considers claim 1 as if it includes the features as set forth in the Applicant's response.

[13] The remaining claims (i.e. claims 2 to 16) set out: additional limitations pertaining to the content of information that is included in the unique information (claims 2-4); the inclusion of a scanner in the postal units (claim 5); the data center correlating the unique information stored in the mailer=s units with the unique information contained in the postal indicia read by the postal units (claim 6); means for sorting the information received from each of the mailer=s units by the mailer=s unit

that sent the information (claim 7); the mailer=s units being digital postage meters, personal computer postage meters, or virtual postage meters (claims 8 to 10); the scanner producing a record indicating that a specific indicia was produced (claim 11); means for generating certain reports (claims 12 to 14); and means for generating reports or informing a post office of *Athe mail and the mailer=s units that affixed indicia to the mail in which incorrect value added taxes have been paid@* (claim 15 and 16).

[14] At the Hearing, the panel noted that claim 3, which sets forth that the unique information in the postal indicia may include the amount of value added tax paid for the mail, is considered redundant in view of the same limitation appearing in claim 1. Similarly, claims 12 to 14, setting out means for generating reports that indicate *Awhich mail have paid incorrect [and/or correct] value added taxes@*, are also considered redundant in view of the same limitations in claim 1. At the Hearing, the Applicant took note of these discrepancies, and stated that if required in order to make the application compliant, the claims would be appropriately amended.

Issues (alleged defects)

[15] The following questions are before the panel:

- < Would claims 1 to 16 have been obvious on the relevant date, under section 28.3 of the *Patent Act* (the defect identified in the Final Action)?

< Are claims 1 to 16 directed to non-statutory subject matter and thus not compliant with section 2 of the *Patent Act* (the defect identified in the Supplemental Analysis)?

Obviousness

Prior Art Relied Upon

[16] The following references cited in the Final Action are considered:

D1: European Patent Application No 0 768 625
Wakabayashi et al.
 Published April 16th, 1997

D2: United States Patent No 5 712 787
Yeung
 Published January 27th, 1998

[17] The aforementioned prior art is relevant under section 28.3(b) of the *Patent Act* given that the priority date of the application is 23 April 1999.

The Examiner=s and Applicant=s positions

[18] Particular points raised by the Examiner and the Applicant are addressed as needed in

the analysis below. The following positions are disposed of here, since they will not be considered later.

[19] Both the Final Action and the Summary of Reasons prepared by the Examiner set out reasoning on the basis that the *Acontent of the information stored, printed, and read does not have a patentable effect on the system that stores, prints, and reads it* [see page 3, Final Action], in arguing that the claimed invention was not inventive. We understand this statement to imply that the Examiner considered that non-technical (non-statutory) features cannot contribute to inventiveness. In both the response to the Final Action as well as at the Hearing, the Applicant referenced these arguments. In the present case, the conclusion as to obviousness does not turn on this question.

[20] In our letter dated 08 May 2009 the Applicant was invited to provide submissions addressing each of the four steps of *Sanofi*. In the response dated 05 August 2009, the Applicant did not specifically address each of the four steps of *Sanofi*. Instead, the Applicant stated that it would be inappropriate to even consider opening the present case up to an "obvious to try" inquiry. We agree that such an inquiry would not be appropriate in this case.

[21] Section 28.3 of the *Patent Act* provides that *A*subject-matter defined by a claim in an application for a patent in Canada must be subject-matter that would not have been obvious on the claim date to a person skilled in the art or science to which it pertains@.

[22] A four step approach for assessing obviousness is set out in *Sanofi (supra)*, as follows:

- (1) (a) Identify the notional Aperson skilled in the art@;
- (b) Identify the relevant common general knowledge of that person;
- (2) Identify the inventive concept of the claim in question or if that cannot readily be done, construe it;
- (3) Identify what, if any, differences exist between the matter cited as forming part of the Astate of the art@ and the inventive concept of the claim or the claim as construed;
- (4) Viewed without any knowledge of the alleged invention as claimed, do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?

Analysis (Sanofi)

Step (1)(a) Identify the notional "person skilled in the art"

[23] The Applicant did not characterize the skilled person. From

the record, we find that the skilled person is someone familiar with conventional postage meters and mail processing system designs.

Step (1)(b) Identify the relevant common general knowledge of that person

[24] The common general knowledge (CGK) of the skilled person includes

- I. Knowledge of conventional postage systems, including those in which (physical) postage is purchased at the time of mailing, and Permit Mail, wherein a permit number printed on the mail in the case of a contracted mailer is accepted as proof-of-payment. In D2 (column 1, lines 4-33), for conventional Permit Mail it is stated that a Statement of Mailing (including quantities, services, dimensions) would accompany the physical mail to either invoice or debit the customer's account;
- ii. Knowledge of cost factors involved in mailing such as type of mail service, applicable taxes, etc; and that it is a tax authority (i.e., a government) which promulgates a VAT and sets the provisions for its administration;
- iii. Knowledge of VAT, and the applicable rules and regulations associated with VAT. For example, on page 2 (lines 7-15) of the instant application, it is noted that the Canadian Government instituted the GST (Goods and Services Tax), which is a percentage of the total cost of the goods and services purchased. The GST rules further provide, that certain persons and institutions are exempt from having

to pay the GST, and that mail addressed to foreign destinations requiring total shipping charges of \$5 or more, are not subject to the GST; and

- iv. Knowledge of how to program a conventional mail processing system.

Step (2) Identify the inventive concept of the claim in question or if that cannot readily be done, construe it

The problem solved by the invention

[25] From the background discussion in the application we know that a VAT was first introduced in 1954 in France and has been adopted by other countries. It is a tax based on the difference between the cost of materials and other expenses involved in the manufacture of a product and the ultimate value of the finished article. In 1991 Canada introduced a goods and services tax (GST) which is also a value added tax and which applies to, among other things, postal rates and rates for additional services, with some exceptions. For example, the application states *A Canadian Indians and Provincial governments are exempt from paying the GST. Mail addressed to foreign destinations requiring total shipping charges of \$5.00 or more (single item or a cumulative purchase) and products ordered from and shipped directly by Canadian Post to a foreign destination, such as Philatelic and Retail products, are not subject to the GST.*@

[26] Further, it is the person who authorized the sending of the mailpiece (the owner of the contents),

rather than the mass mailer who prepared the mailpiece, who is liable for the payment of the VAT. In this way, due to a third party preparation of the mailpiece, if an excess amount of VAT is paid, government forms must be completed and submitted by the owner to obtain a refund. This requires a party to maintain or obtain a record of the postage that has been applied to the mailpiece and the amount of VAT that is included in the postage. A complex and time consuming effort is required to obtain a refund for the overpayment of excess postal VAT.

[27] In view of the above, given that prior to the present invention the recording of postage and VAT was done only on an individual basis, which information might then be used to obtain a refund, in the present case one can say that the problem the Applicants addressed by the present invention was how to improve and/or facilitate the process of recording and manipulating postage and VAT payments in order to simplify obtaining a refund from the government.

The inventive concept

[28] Our analysis will begin with claim 1 and we will address the dependant claims as required.

[29] Based on our discussion of the background knowledge and the problem to be solved, and based on the limited information identified as common general knowledge (conventional postage systems in general, Permit Mail, which is a type of bulk mailing preauthorized payment system

with no automated transfer of information between postal devices, and the general rules concerning VAT payment), there was no suggestion in the CGK on record of the idea of tracking data such as VAT within the overall postal processing system (i.e. using a postage meter, postal units at a sorting center and a central postal database) and using that system to generate reports back to individuals on incorrect VAT payments. For that reason, we consider the system itself to be part of the inventive concept providing a solution to the problem outlined above, as well as the system's associated functionality.

[30] We characterize the inventive concept of claim 1 as a VAT mail monitoring system comprising:

- < a plurality of mailer's digital units that store data that the units have affixed to a mailpiece as part of the postal indicia (including VAT payment data and mailpiece type data) and store a second datum identifying the owner;
- < a plurality of postal units that read and store the data affixed to the mailpiece; and
- < a data center containing databases for storing the information transferred from the mailer's digital units and the postal units, as well as a database storing the rules and regulations for calculating VAT payment data, the data center using merged information from the mailer's digital units and the postal units, including the owner data, to calculate

the proper VAT payment data and report on incorrect payment data.

[31] As a result of the above inventive concept, although the mass mailer may have been charged a VAT when preparing a party's mailpieces, the postal authority will, based on the data tracking and reconciliation by the system, produce a report for the party outlining the payment errors, which may be used to obtain a refund.

[32] Briefly stated, the inventive concept can be expressed as a value added tax (VAT) mail monitoring system which stores certain unique information (amount of VAT, type, owner) on mailpieces, which information is communicated to a data center, which receives the information scanned (by the postal units) from individual mailpieces, cross-references to the corresponding information sent to it directly, and generates a report of errors after recalculating the VAT due or not due based on rules and regulations governing VAT payment.

Step (3) Identify what, if any, differences exist between the matter cited as forming part of the "state of the art" and the inventive concept of the claim or the claim as construed

[33] The Examiner considered (1) D1 and common general knowledge; and (2) D2 and common general knowledge, separately. Rather than conduct two separate analyses, we will perform a single analysis, considering the state of the art cited by the Examiner as a whole.

Overview of D1 (*Wakabayashi et al.*)

- [34] D1 [reference numerals below are those used in D1] discloses a mail processing system for keeping records of outgoing mail and associated charges, as well as devices therefor including postage meters, a sorting machine and a host computer (column 1, lines 6 to 8). The problem being addressed is how to permit easier fraud detection. The described solution to this problem is to periodically compare, at a central location (the host computer 13), data sets obtained from two separate locations in the mail processing stream. One set of data is obtained directly from the postage meter 11 (via terminal 14; Figure 1 - arrows "d" and "e"; column 3, lines 36 to 57) which is generated and stored in an IC card B (see Figures 2 and 3) when the postage meter prints postage on outgoing mail. The other set of data is obtained from the sorting machine 12 (in a post office; Figure 1 - arrow "b") which scans and stores the same data off a mailpiece that was originally printed on it by the postage meter 11 of D1.
- [35] Using the postage meter 11, the postal charge is computed for each mailpiece by using input part 16 according to the applicable tariffs for the mail classification (regular mail, special delivery, registered, domestic, overseas, etc), the mail size (regular and oversize), and the displayed weight (column 4, lines 1 to 15). The data printed on each mailpiece could be a symbol identifying the postage meter 11 which

processed it and its charge (column 3, lines 45-47).

- [36] The postage meter 11 stores data in the form of a memory map M1 or M2 and the sorting machine at the post office stores and communicates scanned data (from mailed envelopes) as a memory map M3 which stores the total number of processed mails ("Total Number") and the total postal charge ("Total Charge") corresponding to each of the device-identifying indicator symbols for the postage meters 11.
- [37] At the host computer 13, data read from the IC card B and data communicated from the sorting machine are matched up using the device-identifying indicator symbol to retrieve the correct data from memories. Since the cumulative numbers and charges should be nearly identical allowing for some time lag, any discrepancies above a specified critical value are reported (or displayed) using a warning symbol (column 7, lines 35-41, lines 48-57).

Overview of D2 (Yeung)

- [38] D2 [reference numerals below are those used in D2] is entitled *AElectronic Postal Counter@* (EPC) and consists of a process enabled by software installed on a mailer's computer which generates an address including a barcode identifier (Figure 1, 1b), as well as an electronic manifest (Figure 1, 1k). One objective in D2 (column 1, lines 4-33) is to allow mailers *Ato purchase the products and services of the Post Office in a secured system without the need to affix any conventional physical postage such as a meter impression or a stamp on a mail*

item.@ The invention in D2 uses the capabilities of electronic funds transfer (EFT) technology, electronic communications, and specific software to print a barcode identifier on the mail, and electronically communicate an electronic manifest.

- [39] The address and barcode identifier are printed on individual pieces of mail for mailing and the barcode is scanned/captured by a barcode sorting machine (Figure 1, 1g) connected to the head office (CPC). The electronic manifest is electronically communicated to the head office (CPC) computing environment (Figure 1, 1e), which also has access to the data from the scanned barcode identifiers. In this way, two streams of data are created and the CPC can perform reconciliation so that exceptions and deviations are reported and statistically monitored. Suspect mail items can be singled out from automatic processing using the barcode identifier.
- [40] In D2, the barcode identifier placed on the mailpiece consists of generic data elements to identify the postal services desired, address, and originator\date\serial number data elements identifying the mailpiece and its origin, and a security code.
- [41] The data transmitted in the manifest contains, as confirmed by the description (column 2, lines 45-61 and column 3, lines 45-52), the packaging dimensions, weight, and delivery service requirements. This electronic manifest data is the same data entered by the mailer in order to get an estimate of the postage which will be charged i.e. this data is integrated with the CPC (head office) rate structure, and incentive and promotional

discounts to obtain the estimate of costs, on the basis of which the mailer chooses to mail the item(s) using the chosen method of payment.

[42] The scanned barcode identifier from the mailpiece can be readily matched to the corresponding electronic manifest. As stated in column 4, lines 18-54, the mailer=s data is re-measured at the CPC, and this re-measured data is reconciled with the data in the electronic manifest (which is retrieved by scanning the barcode identifier on each mailpiece). Deviations are reported. A final and correct postage amount is then calculated by the CPC, at which point payment is charged.

Differences between the state of the art and the inventive concept of claim 1

[43] On page 3 of his response, the Applicant pointed out that it is the Applicant=s teachings that identify the problem of providing a system to account for VAT on postage for an individual mailpiece. We agree with the Applicant and note that since the purpose of the invention in D1 is reconciling cumulative postage charges for each meter, there is no need for a database of postal rules and regulations for use by host computer 13 in D1. Thus, a key difference between D1 and the inventive concept is that there is no specific database at a central location such as a database of postal rules and regulations used in the inventive concept.

[44] Turning to D2, while the technical features in it could be used

to record and transmit information similar to that which would be recorded in the present case as part of the indicia affixed to the mailpiece (information such as postal services, point-of-delivery, mailpiece origin, mailpiece serial number, etc; is transferred from the mailing application software and from the head office Barcode Sorting Machine to a data reconciliation application), the technical processes therein make use of fewer databases and at different times in the process in comparison to the instant application.

[45] For example, claim 1 of the instant application uses several databases for storing at the datacenter, which as described in the instant application, involves a process which requires that the mailpiece numbers are sorted into two databases (60, 61): one for mail where VAT is paid and one for mail where VAT is not paid. Computer 57 applies the regulations, rates and rules in postal rules and rates database 58 to the information stored in databases 60 and 61 and determines if the VAT has been applied to the correct mailpieces. A report is generated in accordance with claim 1.

[46] D2, on the other hand, before the mailpiece is assigned a barcode identifier, uses the mailer's mail production database 1c in conjunction with the CPC rate structure, incentive or promotional discounts (from the CPC customer server 1e). The reconciliation function occurs between the data captured from the barcode identifiers, line measurements of the mail items, and information from the electronic manifest. At this stage, there is no explicit requirement in D2 for a database of rules and regulations at the CPC head office servers to perform

reconciliation. This is because D2 *Averifies the admission conditions based on which postage is determined*@ (see column 4, lines 51-52).

[47] It is arguable that the adjustment notice sent back by the CPC Customer Server to the mailer=s EPC requires the use of a database of rules and regulations because it stipulates *Athe changes and reasons for changes*@ (column 4, line 58). However, D2 does not clearly disclose the use of databases as contemplated in the process used by the instant application.

[48] Further, as discussed on page 7 of the instant application, meter management computer 54 communicates with postage meters 50 and 51 using a process which requires that *Ameter usage batch files are uploaded with the content owners identification*@ (page 7, lines 25-26 -*ABlock 222*"; lines 28-30 - *ABlock 224*"; lines 32-33 - *ABlock 225 resets the usage buffers*@). As discussed in relation to Figure 8 on page 11 (lines 5-21), the system makes use of a *Acontent owners data base 501*@. This functionality is not present in D2 (or D1). Consequently, the identification of the owner has a material effect on the operation of the system.

[49] In summary, the state of the art points to two types of postage meter systems with similar reconciliation processes as the present inventive concept. However, the technical functionality in relation to the reconciliation process in the inventive concept is not found in the state of art, in particular the plurality of databases used at the post office. In addition, certain operations

of the system are controlled by whether or not the owner information is populated. The inventive concept includes, minimally, these differences over the state of the art.

- (4) *Viewed without any knowledge of the alleged invention as claimed, do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?*

[50] When we identified the inventive concept earlier we stated that the problem which was faced by the skilled person was to improve and/or facilitate the process of recording postage and VAT payment and using this recorded information to obtain a refund from the government. We also found that there is no suggestion in the CGK to track and report on errors in such data within the overall postal processing system, as opposed to on an individual basis.

[51] The combined disclosures of D1 and D2 include all of the technical features required to arrive at the inventive concept of claim 1, except for the use of a database of rules and regulations, and certain processes which depend on whether or not the owner information fields are populated. Even if this difference did not exist, the mere fact that a combination of two prior disclosures includes all of the features of an inventive concept would not be, in our view, the proper basis for concluding that it is obvious. The question we ask ourselves is whether the skilled person, who is possessed of

the common general knowledge in the art, presented with the problem of how to improve and/or facilitate the process of recording postage and VAT payment and using this recorded information to obtain a refund from the government, and provided with the disclosures of D1 and D2, would have arrived without difficulty at the inventive concept of claim 1.

[52] We find that the skilled person would not. While D1 and D2 provide everything of a technical nature needed to arrive at the solution in claim 1, the skilled person, without foreknowledge of the answer provided by the inventive concept, would have to pick and choose select features from the two disclosures, each of which relates to a different system, while also adding functionality in relation to databases of rules and regulations for the reconciliation process. We do not consider that he would have done so obviously.

[53] For these reasons, we find that claim 1 would not have been obvious based on the state of the art, in view of common general knowledge.

[54] Claims 2 to 16, all of which depend, directly or indirectly, on claim 1, are therefore also considered non-obvious.

Patentable subject matter (section 2)

[55] As noted earlier, on 05 August 2009, the Applicant addressed the approach to assessing patentable subject matter set out by the Office in CD 1290 [*Amazon.com*]. On 24 November 2011 the Federal Court of Appeal commented on the analysis of statutory

subject matter under the *Patent Act* [*Amazon FCA*].

Principles of law (statutory subject matter)

[56] Not all inventions that are useful, new and unobvious are entitled to patent protection. Certain types of subject matter are excluded from patentability.

[57] The definition of invention is set out in section 2 of the *Patent Act*:

"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.

[58] In *Amazon FCA*, the Federal Court of Appeal stated, at paragraphs 62-63:

[62] *Schlumberger* exemplifies an unsuccessful attempt to patent a method of collecting, recording and analysing seismic data using a computer programmed according to a mathematical formula. That use of the computer was a practical application, and the resulting information was useful. But the patent application failed for want of patentable subject-matter because the Court

concluded that the only novel aspect of the claimed invention was the mathematical formula which, as a "mere scientific principle or abstract theorem", cannot be the subject of a patent because of the prohibition in subsection 27(8).

[63] It is arguable that the patent claims in issue in this case could fail on the same reasoning, depending upon whether a purposive construction of the claims in issue leads to the conclusion that *Schlumberger* cannot be distinguished because the only inventive aspect of the claimed invention is the algorithmCa mathematical formulaCthat is programmed into the computer to cause it to take the necessary steps to accomplish a one-click online purchase. On the other hand, it is also arguable that a purposive construction of the claims may lead to the conclusion that *Schlumberger* is distinguishable because a new one-click method of completing an online purchase is not the whole invention but only one of a number of essential elements in a novel combination. In my view, the task of purposive construction of the claims in this case should be undertaken anew by the Commissioner, with a mind open to the possibility that a novel business method may be an essential element of a valid patent claim.

The Applicant=s submission

[59] The core of the Applicant=s position on subject matter is expressed on page 4 of the response dated 05 August 2009 :

Claims 1 to 16 of the present application are explicitly directed to a system.

It has been noted by the Examiner that the form of the claimed system is "machine" under Section 2 of the Patent Act (See Supplemental Analysis page 2 first paragraph).

For the record, it will be noted that Claim 1, upon which claims 2 through 16 depend, recites a plurality of mailer's digital units with various features and capabilities, a plurality of postal units with various features and capabilities, and a data center with various features and capabilities. Claims 1 to 16 are directed to a system and therefore fall squarely under this definition as at least one of a "machine", "manufacture" and "composition of matter". There should not, therefore, be any debate as to whether what is recited is eligible subject matter under Section 2 of the Patent Act.

Analysis - patentability (claims 1 to 16)

[60] Earlier, we summarized the inventive concept as a value added tax (VAT) mail monitoring system which stores certain unique information (amount of VAT, type, owner) on mailpieces, which information is communicated to a data center, whereby the data center receives the information scanned (by the postal units) from individual mailpieces, cross-references to the corresponding information sent to it directly, and generates a report of errors after recalculating

the VAT due or not due based on rules and regulations governing VAT payment. We considered the system itself to be part of the inventive concept, as well as the system's associated functionality.

[61] Applying the guidance in *Amazon FCA* to this case, the purposively construed claims include the essential elements that make up the inventive concept identified above. The Applicant has leveraged these technological features and capabilities to provide an improvement upon the conventional postage meter system. Accordingly, we agree with the Applicant that the invention is actually a mail monitoring system, which is a new machine. Claim 1 is thus compliant under section 2.

[62] The invention in claims 2 to 16 includes the invention from claim 1, and our finding as to patentability extends to these claims.

[63] We conclude, based on the facts before us, that claims 1-16 are patentable subject matter under section 2 of the *Patent Act*.

Findings and Recommendation

[64] In summary, the panel finds that:

1 claims 1 to 16 are not obvious under section 28.3 of the
 Patent Act;

2 claims 1 to 16 are compliant under section 2 of the *Patent Act*;

[65] As we noted at the Hearing, the Applicant was informed that claim 1 as discussed on pages 4 and 5 of the Applicant's response was not the same claim submitted as an amended claim set. As well, we noted that claim 3, which sets forth that the unique information in the postal indicia may include the amount of value added tax paid for the mail, is considered redundant in view of the same limitation appearing in claim 1. Similarly, claims 12 to 14, setting out means for generating reports that indicate *At which mail have paid incorrect [and/or correct] value added taxes*, are also considered redundant in view of the same limitations in claim 1.

[66] As is clear from our analysis, the use of multiple databases is a critical distinction between the invention of the instant application in comparison to the prior art. This feature must be defined in the claims to render them patentable. Notably, claim 1 described in the applicant's response sets out that the

comparing function in the data center is a comparison of *the information stored in the mailer's units, postal databases and the unique information read by the postal units.*

[67] We recommend that the Applicant be informed in accordance with paragraph 31(c) of the *Patent Rules*, that the following amendments, and only the following amendments, of the application are necessary for compliance with the *Patent Act* and *Patent Rules*:

- a. replacement of claim 1 with claim 1 discussed in the Applicant's response dated 11 June 2004 (as discussed at the Hearing)

1. A value added mail monitoring system, said system comprises: a plurality of mailer's digital units that stores unique information contained in a postal indicia-affixed to a mail piece, the type of mailpiece and information that identifies the owner of the contents of the mail, wherein the unique information includes an amount of value added tax paid for each piece of mail and the type of each mail piece; a plurality of postal units that reads and stores the unique information contained in the postal indicia; and a data centre that contains databases for storing the amount of value added taxes for each type of mail piece and stores information received from value added postal databases and the unique information read by the postal units to

determine if a proper amount of value added tax has been paid for servicing and handling of the mail by comparing the information stored in the mailer's units, postal databases and the unique information read by the postal units, wherein the data centre further includes: means for generating reports that indicate the mail pieces that have paid too much value added tax; the mail pieces that have paid insufficient value added tax; the mail pieces that have paid no value added tax and should have paid value added tax; and the mail pieces that have paid value added tax and should not have paid value added tax.

- b. deletion of claim 3 and claims 12 to 14, and renumbering of the remaining claims;

P. Fitzner
Member

S. MacNeil
Member

P. Sabharwal
Member

The Commissioner's Decision

[68] I concur with the Patent Appeal Board's findings and their recommendations. Accordingly, I invite the Applicant to make the above amendments, and only the above amendments, within 3 months from the date of this decision, failing which I intend to refuse the application.

Sylvain Laporte

Commissioner of Patents

Dated at Gatineau, Quebec,

this 14th day of January, 2013