

Commissioner's Decision #1402
Décision du commissaire n° 1402

TOPIC/SUJET:
J50 (Mere Plan/Simple Plan)

Application No.: 2,350,445
Demande n°.: 2 350 445

IN THE CANADIAN PATENT OFFICE

DECISION OF THE COMMISSIONER OF PATENTS

Patent application number 2,350,445 having been rejected under subsection 30(3) of the *Patent Rules*, has been reviewed in accordance with paragraph 30(6)(c) of the *Patent Rules*. The recommendation of the Board and the decision follow.

Applicant:

Mr. Bob van Leeuwen

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INTRODUCTION

- [1] This recommendation concerns a review of patent application no. 2,350,445, filed on June 12, 2001. The application is entitled “Programmable Joint Payment Guarantee Financial Instrument Set.” The applicant is Bob van Leeuwen.
- [2] The present application relates to methods and a system to guarantee payment in financial transactions by using partial security interests.

APPLICATION HISTORY

- [3] On September 20, 2013, the Examiner wrote a Final Action pursuant to subsection 30(4) of the *Patent Rules*. The Final Action states that the application is defective on the grounds that all claims (claims 1-38) do not comply with section 2 of the *Patent Act* for comprising subject matter that is outside the definition of invention.
- [4] In a December 31, 2013 response to the Final Action, the Applicant presented arguments regarding the non-statutory subject matter defect noted in the Final Action.
- [5] As the Examiner considered the application not to comply with the *Patent Act*, pursuant to subsection 30(6) of the *Patent Rules* the application was forwarded to the Patent Appeal Board [“the Board”] for review on June 13, 2014, along with a Summary of Reasons [“SOR”] explaining why the application did not comply with the *Patent Act*. The SOR maintained the non-statutory subject matter defect set out in the Final Action.
- [6] In a letter from the Board dated July 25, 2014, the Applicant was forwarded a copy of the SOR and was provided an opportunity for a hearing and an opportunity to provide written submissions in response to the SOR.
- [7] On October 6, 2014, the Applicant responded to the July 25, 2014 letter stating that he wished to provide written submissions and requested an oral hearing.

- [8] The present panel was formed to review the application under paragraph 30(6)(c) of the *Patent Rules*.
- [9] Following a review, this panel sent a letter dated December 14, 2015 to the Applicant proposing a date for an oral hearing and providing our preliminary views regarding claim construction and non-statutory subject matter defect. We also invited the Applicant to make written submissions in advance of the hearing.
- [10] On December 26, 2015, the Applicant provided written submissions.
- [11] The Applicant made oral submissions at a hearing on February 4, 2016.
- [12] In his letter of December 26, 2015 and at the hearing, the Applicant made a number of submissions related to policy matters and overarching legal considerations. These will be addressed toward the end of this recommendation.

ISSUES

- [13] The only issue in this case is whether the claims are directed to statutory subject matter. That is, does the subject matter claimed by the Applicant fall within the scope of what that may be protected under the patent system?
- [14] In our view, the present claims do not comply with section 2 of the Patent Act as they are directed to non-statutory subject matter and we recommend that the application be refused.

LEGAL PRINCIPLES

Claim Construction

- [15] In accordance with *Free World Trust v Électro Santé Inc*, 2000 SCC 66 [*Free World Trust*] essential elements are identified through a purposive construction of the claims done by considering the whole of the disclosure, including the specification and drawings. (see also *Whirlpool Corp v Camco Inc*, 2000 SCC 67 at paras 49(f) and (g) and 52.) In accordance with the *Manual of Patent Office Practice* [MOPOP], Chapter 13.05 (June 2015), available at the CIPO website, the first step of purposive

claim construction is to identify the person skilled in the art and their relevant common general knowledge (“CGK”). The next step is to identify the problem addressed by the inventors and the solution put forth in the application. Essential elements can then be identified as those required to achieve the disclosed solution as claimed.

Statutory Subject Matter

[16] 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.

[17] Following the Federal Court of Appeal decision in *Canada (Attorney General) v Amazon.com Inc*, 2011 FCA 328 [*Amazon*], the Office released a Practice Notice (PN2013-03) that clarified examination practice with respect to the Office’s approach to computer implemented inventions. This Notice was cited in our letter of December 14, 2015.

[18] As stated in PN 2013-03, Office practice considers that “where a computer is found to be an essential element of a construed claim, the claimed subject-matter will generally be statutory... Where, on the other hand, it is determined that the essential elements of a construed claim are limited to matter excluded from the definition of invention” – for example, fine arts, methods of medical treatment, features lacking in physicality, or claims where the subject matter is a mere idea, scheme, rule or set of rules – “the claim is not compliant with section 2 of the *Patent Act*”.

ANALYSIS

Claim Construction

The person skilled in the art

[19] In our letter of December 14, 2015, we set out our preliminary view of the person skilled in the art (POSITA) for the present application. The Applicant provided no

further submissions on this point and we adopt our preliminary characterization of the POSITA set out in our letter as follows:

...the notional persons skilled in the art, or team of persons skilled in the art are individuals skilled in the areas of banking and financial/commercial transactions in cooperation with those skilled in computerized commerce transaction systems as well as general computer programming techniques.

The relevant common general knowledge

[20] The Applicant did not dispute the panel's characterization of the common general knowledge (CGK) as it was set out in our letter dated December 14, 2015 at 3 and 4.

[21] In his letter dated December 26, 2015, the Applicant proposed adding a number of additional points to the CGK we had set out; see Applicant's letter at p. 3 and 4. We do not disagree with any of the points submitted by the Applicant on the CGK but for the elements related to IP policy and law (for example, the "State Street Bank decisions"). While these latter points would not in our opinion form part of the CGK of the POSITA, the Board has considered them in rendering this recommendation.

The problem to be solved and the solution provided by the invention

[22] In our letter dated December 14, 2015, we set out the problem and solution as follows:

The problem, as discussed in the background of the description, is to somehow provide a credit instrument that allows for the subdivision of credit to be applied to a single secured asset owned or partially owned by a buyer (present application, at 3; and at 6, item 13).

The solution proposed by the applicant appears to utilize partial security interests to guarantee payments (present application, at 15, item 39).

[23] The Applicant did not provide submissions on the problem and solution thus we maintain our view as set out in our letter.

Essential elements of the claims

[24] The Application contains 8 independent method claims (claims 1-8) and an apparatus claim (claim 38).

[25] Claim 1 relates to a method for subdividing and distributing monetary security.

Claims 2-8 are directed to various trade credit processes related to:

- contingency trade credit process (claim 2);
- transaction guarantees, (claim 3);
- underwriting a contingency trade credit process (claim 4);
- contingency trade credit delayed payment terms applied to a supply agreement (claim 5);
- enacting contingency trade credit transactions based on successful completion of previous transactions (claim 6);
- terms and reservation of credit (claim 7); and,
- joint delayed settlement process (claim 8).

[26] The essential elements of the claims were set out in the Final Action, in the last paragraph of page 2, which we adopted in our letter dated December 14, 2015. The Applicant did not provide any further submissions apart from his position that use of a computer is essential. Thus we maintain the list of essential elements and address the issue concerning the essentiality of using a computer.

[27] Although the claims include a number of elements that could be implemented by using a computer, the skilled person would not consider a computer to be essential to solving the problem.

[28] The underlying problem relates to ensuring a creditor receives payment on one hand, or providing a customer the ability to withhold payment when terms of a deal are not satisfied. For example, in prepayment arrangements, the purchaser is at risk of not receiving goods or of receiving unsatisfactory goods after payment. On the other hand in a delayed payment context, a seller is subject to a collection risk (see application at 1 and 2).

[29] The solution to the problem is the scheme, agreement or set of rules designed by the inventor. While in practice it may be convenient to implement the rules with a computer, it is not the computer that is solving the problem, but rather the problem is solved through the underlying scheme, agreement or set of rules. Stated otherwise, the computer may be considered by the skilled person to be “required” from a practical perspective, but not “essential” in the sense set out in PN 2013-03.

[30] The Applicant submitted in its letter dated December 26, 2015, at pages 2 and 3, a number of factors in support of his view that the claimed methods must be implemented using a computer.. His submissions support the point that, in practice, the claimed methods would be implemented on a computer. That is not equivalent to

finding that the skilled person would consider the computer elements to be essential elements of the solution to the problem; the scheme, agreement or set of rules address the underlying problem.

[31] Thus the panel adopts the list of essential elements set out in the Final Action, which do not include a computer or computer elements.

[32] With respect to system claim 38, the computer or computer elements are considered non-essential for the same reasons set out above. As we stated in our letter dated December 14, 2015, the system claim reduces to the essential elements as identified in the Final Action.

Do the claims comply with Section 2 of the *Patent Act*?

[33] Without a computer, the essential elements do not include any statutory elements, and our view, as set out in our letter date December 14, 2015 is that:

Given that the computer/computer elements (i.e., processing units, databases) are non-essential, having regard to the essential elements identified in the Final Action, the purposively construed claims appear to be directed to a scheme, or plan. Practice Notice PN 2013-03 provides that a “mere idea, scheme, plan or set or rules” is not included within the meaning of section 2 of the *Patent Act* and thus is not patentable (statutory) subject matter (see PN 2013-03 at 2).

[34] The claimed methods define subject matter that falls outside of the definition of invention in section 2 as they amount to a scheme, agreement, or set of rules related to monetary security.

OTHER ISSUES

[35] The Applicant made a number of additional submissions in his letter dated December 26, 2015 and at the Hearing related to the application of statute law, to “the right to enjoyment of property” under the *Bill of Rights*, and to the “lack of innovation in Canada.”

[36] Although Mr. van Leeuwen capably articulated his arguments on these points, the panel does not consider them to be material to the application of the requirements of patentability as stated in the *Patent Act* and *Patent Rules*, and as applied in the case law and other applications.

RECOMMENDATION OF THE BOARD

[37] The panel recommends that the application be refused because:

- Claims 1-38 do not comply with section 2 of the *Patent Act* for comprising subject matter that is outside the definition of invention.

Mark Couture

Andrew Strong

Lewis Robart

Member

Member

Member

DECISION

[38] I concur with the conclusions and recommendation of the Patent Appeal Board that the application be refused because:

- Claims 1-38 do not comply with section 2 of the *Patent Act* for comprising subject matter that is outside the definition of invention.

[39] Therefore, in accordance with section 40 of the *Patent Act*, I refuse to grant a patent on this application. Under section 41 of the *Patent Act*, the Applicant has six months within which to appeal my decision to the Federal Court of Canada.

Johanne Bélisle

Commissioner of Patents

Dated at Gatineau, Quebec,

this 20th day of July, 2016.