

Commissioner's Decision No. 1477

Décision du commissaire n° 1477

TOPICS: J00 Meaning of Art
J50 Mere Plan

SUJETS: J00 Signification de la technique
J50 Simple Plan

Application No. 2 425 049

Demande n° 2 425 049

IN THE CANADIAN PATENT OFFICE

DECISION OF THE COMMISSIONER OF PATENTS

Patent application number 2425049, having been rejected under subsection 30(3) of the *Patent Rules* (SOR/96-423), has consequently been reviewed in accordance with paragraph 30(6)(c) of the *Patent Rules*. The recommendation of the Patent Appeal Board and the decision of the Commissioner are to refuse the application.

Agent for the Applicant

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INTRODUCTION

- [1] This recommendation concerns the review of rejected Canadian patent application number 2425049, which is entitled “COMPUTER TRADING OF FINANCIAL INTERESTS” and is owned by Bloomberg L.P. (the Applicant). A review of the rejected application has been conducted by the Patent Appeal Board (the Board) pursuant to paragraph 30(6)(c) of the *Patent Rules*.
- [2] As explained in more detail below, our recommendation is that the Commissioner of Patents refuse the application.

BACKGROUND

The Application

- [3] The application was filed on August 30, 2001 under the provisions of the *Patent Cooperation Treaty* and was laid open to the public on March 7, 2002.
- [4] The application relates generally to a method, computer program product and computerized system for trading financial interests that link a proposed auction transaction for a financial interest to a proposed non-auction transaction for the same financial interest.

Prosecution History

- [5] On April 21, 2016, a Final Action (FA) was issued pursuant to subsection 30(4) of the *Patent Rules*. The FA stated that the instant application was defective on the ground that all of the claims on file were directed to non-statutory subject matter and therefore did not comply with section 2 of the *Patent Act*.

- [6] In an October 5, 2016 response to the FA (RFA), the Applicant submitted arguments in favor of the claims complying with section 2 of the *Patent Act*. The Applicant did not submit any proposed amendments.
- [7] The Examiner considered the application not to comply with the *Patent Act* and *Patent Rules* despite the arguments submitted with the RFA. Therefore, pursuant to paragraph 30(6)(c) of the *Patent Rules*, the application was forwarded to the Board for review along with an explanation outlined in a Summary of Reasons (SOR). The SOR set out the position that the claims on file were still considered to be defective due to non-statutory subject matter.
- [8] In a letter dated March 13, 2017, the Board forwarded to the Applicant a copy of the SOR. In a letter dated April 24, 2017, the Applicant indicated a continued interest in having the Board review the application.
- [9] The present panel (the Panel) was formed to review the instant application under paragraph 30(6)(c) of the Patent Rules. The Panel sent a Preliminary Review (PR) letter to the Applicant on November 27, 2018.
- [10] In correspondence received on December 19, 2018, the Applicant indicated that an oral hearing was not desired. In correspondence received on December 27, 2018, the Applicant indicated that it did not plan to provide any further written submissions. Therefore, the Panel proceeded to issue this recommendation based on the current written record including the PR letter.

ISSUE

- [11] The sole issue to be addressed by the present review is whether claims 1-9 on file are directed to subject matter outside the definition of invention as found at section 2 of the *Patent Act*.

LEGAL PRINCIPLES AND OFFICE PRACTICE

Purposive construction

[12] In accordance with *Free World Trust v Électro Santé*, 2000 SCC 66, 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 v Camco*, 2000 SCC 67 at paragraphs 49(f) and (g) and 52). In accordance with the *Manual of Patent Office Practice*, (CIPO) at §13.05, revised June 2015 [*MOPOP*], the first step of purposive claim construction is to identify the person of ordinary skill in the art (the POSITA) 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.

Non-statutory subject matter

[13] 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.

[14] “Examination Practice Respecting Computer-Implemented Inventions”, PN 2013–03 (CIPO, March 2013) [*PN 2013–03*] clarifies the Patent Office’s approach to determining if a computer-related invention is statutory subject matter.

[15] As indicated in *PN 2013–03*, 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 (e.g., the fine arts, mere ideas, schemes or rules), the claimed subject matter will not comply with section 2 of the *Patent Act*.

ANALYSIS

The POSITA and the relevant CGK

[16] In the FA, the Examiner defined the POSITA as a person or team working in the field of electronic trading systems. The Applicant did not dispute this definition in the RFA. We adopted this definition in the PR letter and adopt it for this review.

[17] In the PR letter, with respect to the relevant CGK, we stated:

Based on the background of the instant application (pages 1-2) and statements throughout the description pointing out that many conventional computer systems could be used to implement the alleged invention (page 13, lines 17-23; page 15, lines 27-31; page 19, lines 1-7), as well as a lack of identified challenges faced or detail on how to implement the computer system, in our view, the CGK of the POSITA would include:

- auctions and direct sales of financial securities, including bonds;
- history of the progression of trading methods with regard to the conversion of manual methods such as telephone and fax into electronic methods;
- the use of electronic trading systems, including in the trading of bonds, to automate and speed up the trading process; and
- the programming of business rules into electronic trading systems.

[18] The above characterization of the CGK was also not disputed by the Applicant, and we adopt this characterization for this review.

Problem and solution

[19] Consistent with the PR letter, in our view, the POSITA would identify the problem being addressed by the alleged invention as a need for improved features in trading financial interests, specifically rules for linking auction and non-auction transactions.

[20] Consistent with the PR letter, in our view, the POSITA would identify the solution offered by the alleged invention as new rules for conducting a proposed auction as well as a non-auction transaction for at least one financial interest.

[21] In the RFA, the Applicant asserted that the problem is rooted in the use of computers. The Applicant cited a lack of real-time market data. We did not find in the description any discussion of a problem of real-time data. Furthermore, electronic trading systems were already part of the CGK; therefore, consistent with the PR letter, in our view, the problem faced by the inventors was not a need for real-time processing for trading systems, but a need for rules for how to link auction and non-auction trading.

Essential elements

[22] Independent claims 1, 4 and 7 are respectively directed to a method, computer program product and system, but recite the same elements. We analyze claim 1 as representative of these claims.

[23] Consistent with the PR letter, in our view, the essential elements of claim 1 which are required to implement the solution identified above are:

- receiving terms for a proposed auction in at least one financial interest, and an associated deadline for deciding the proposed auction;
- receiving terms for at least one proposed non-auction in the at least one financial interest, wherein the at least one proposed non-auction transaction is not disclosed to parties to the auction as an entry in the proposed auction prior to the deadline; and
- after the deadline, deciding the proposed auction with the proposed non-auction transaction as an entry if the proposed non-auction item remains an entry in the proposed auction after the deadline.

[24] In the RFA, the Applicant devoted the bulk of the response to contending that the guidelines followed by the Patent Office in purposive construction are invalid. In particular, the Applicant stated that the computer elements are essential according to the inventors' intent.

[25] As explained in *MOPOP* at §13.05.02c, not every element having a material effect on the operation of a given practical embodiment is essential to the solution; some recited elements define the context or environment of the embodiment but do not actually change the nature of the solution. Accordingly, purposive construction must consider which elements are required for the solution—proposed by the specification and underlying the claimed embodiment—to achieve its result.

[26] The Patent Office takes the position that our practice is in line with the guidance expressed in *Canada (AG) v Amazon.com*, 2011 FCA 328 [*Amazon.com*]. We point out that considering every item recited in a claim as essential according to the inventors' intent would amount to literal construction. As was noted in *Amazon.com* at paragraph 44:

Purposive construction will necessarily ensure that the Commissioner is alive to the possibility that a patent claim may be expressed in language that is deliberately or inadvertently deceptive. Thus for example, what appears on its face to be a claim for an “art” or a “process” may, on a proper construction, be a claim for a mathematical formula and therefore not patentable subject matter.

[27] Having eliminated the computer elements as non-essential, we are left with the rules for linking the transactions as the essential elements. Using the language of *Amazon.com*, it is our view that the essential elements of claim 1 are not something with physical existence or something that manifests a discernible effect or change (*Amazon.com* at par. 66). They merely involve the rules for conducting the transactions without the production of any physical results proceeding directly from the operation of the rules themselves. As noted in *Re IGT's Patent Application 2237438* (2013), CD 1346 (Pat App Bd & Pat Commr) at paragraph 78, such rules are abstract in nature. Abstract ideas do not meet the physicality requirement. Such matter is outside the categories of invention in section 2 of the *Patent Act*.

[28] Our analysis above applies equally to independent claims 4 and 7 which are directed respectively to a computer program product and a system, but contain the same essential elements.

[29] Regarding dependent claims 2-3, 5-6 and 8-9, the additional elements recited constitute further details of the type of financial interest being traded. None of these additional elements are statutory subject matter.

CONCLUSIONS

[30] We have determined that claims 1-9 are directed to non-statutory subject matter and are therefore non-compliant with section 2 of the *Patent Act*.

RECOMMENDATION OF THE BOARD

[31] We recommend that the Commissioner of Patents refuse this application as the claims on file are directed to non-statutory subject matter and are therefore non-compliant with section 2 of the *Patent Act*.

Howard Sandler
Member

Charles Mougeot
Member

Lewis Robart
Member

DECISION

[32] I concur with the conclusions and recommendation of the Board that the application be refused on the ground that the claims on file are directed to non-statutory subject matter and are therefore non-compliant with section 2 of the *Patent Act*.

[33] 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 25th day of February, 2019.