Commissioner's Decision No. 1515
Décision du commissaire n° 1515

TOPICS: J–00 Meaning of Art
            J–50 Mere Plan

SUJETS: J–00 Signification de la technique
            J–50 Simple plan

Application No. 2550067
Demande n° 2550067

IN THE CANADIAN PATENT OFFICE

DECISION OF THE COMMISSIONER OF PATENTS

Patent application number 2550067, having been rejected subsection 30(3) of the *Patent Rules* (SOR/96–423) as they read immediately before October 30, 2019, has subsequently been reviewed in accordance with paragraph 199(3)(*c*) of the *Patent Rules* (SOR/2019–251). The recommendation of the Patent Appeal Board and the decision of the Commissioner are to refuse the application.

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INTRODUCTION

[1]   This recommendation concerns the review of rejected patent application number 2550067, which is entitled "Methods and systems for administration of a loyalty program" and owned by Edatanetworks Inc. The outstanding defect indicated by the Final Action (FA) is that the claims do not define statutory subject matter, contrary to section 2 of the *Patent Act*. The Patent Appeal Board (the Board) has reviewed the rejected application pursuant to paragraph 199(3)(*c*) of the *Patent Rules* (SOR/2019–251). As explained below, our recommendation is to refuse the application.

BACKGROUND

The application

[2]   Canadian patent application 2550067 was filed on June 9, 2006 and has been open to public inspection since December 9, 2007.

[3]   The invention relates to the creation and administration of loyalty reward programs involving one or more financial card issuers, multiple merchants and multiple card-holding customers who are members of the loyalty reward program.

Prosecution history

[4]   On November 25, 2016, an FA was issued pursuant to subsection 30(4) of the *Patent Rules* (SOR/96–423) as they read immediately before October 30, 2019 (the former *Rules*). The FA indicated the application to be defective on the ground that claims 1 to 13 (all the claims on file) are directed to subject matter outside the definition of invention and thus do not comply with section 2 of the *Patent Act*.

[5]   In its May 18, 2017 response to the FA (RFA), the Applicant submitted arguments for statutory subject matter and proposed an amended set of 13 claims (the proposed claims), but the Examiner was not persuaded to withdraw the rejection.

[6]   Therefore, pursuant to subsection 30(6) of the former *Rules*, the application and the Examiner's Summary of Reasons were forwarded to the Board for review. On June 30, 2017, the Board forwarded a copy of the Summary of Reasons with a letter acknowledging the rejection to the Applicant. The Applicant responded on September 27, 2017 requesting the review to proceed.

[7]   A Panel was formed to review the rejected application under paragraph 199(3)(*c*) of the *Patent Rules* and to make a recommendation to the Commissioner as to its disposition. Following our preliminary review, we sent a letter on July 25, 2019 (the PR letter) presenting our analysis and rationale as to why, based on the record before us, we did not consider the subject matter of the claims on file (as well as of the proposed claims) to comply with section 2 of the *Patent Act*.

[8]   In a telephone conversation of September 4, 2019, The Applicant indicated that it had a continued interest in the case but did not wish to make any more submissions.

[9]   We therefore undertook our final review based on the written record. As nothing has changed in the record since the mailing of the PR letter, we have maintained the rationale provided in that letter.

ISSUE

[10]   The issue addressed by this review is whether the claims on file define subject matter falling within the definition of invention in section 2 of the *Patent Act*.

[11]   We then address whether the proposed claims would constitute a necessary amendment under subsection 86(11) of the *Patent Rules*.

LEGAL PRINCIPLES AND PATENT OFFICE PRACTICE

Purposive construction

[12]   In accordance with *Free World Trust v Électro Santé Inc*, 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 Corp v Camco Inc*, 2000 SCC 67 at paras 49(f) and (g) and 52). In accordance with the *Manual of Patent Office Practice*, revised June 2015 (CIPO) at §12.02.02, the first step of purposive claim construction is to identify the skilled person and his or her 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 elements of the claimed matter that are fundamental to the disclosed solution.

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," PN2013–03 (CIPO, March 2013) [*PN2013–03*] clarifies the Patent Office's approach to determining if a computer-related invention is statutory subject matter.

[15]   As explained in *PN2013–03*, where a computer is found to be an essential element of a construed claim, the claimed subject matter is not a disembodied invention (e.g. a mere idea, scheme, plan or set of rules, etc.), which would be non-statutory.

ANALYSIS

Purposive construction

[16]   We identified the following documents in the PR letter as relevant to the identification of the CGK and to the understanding of the present invention. The first document had been cited by the Examiner during the prosecution of the application and the second document is referenced in the present application (page 4).

- D1:   WO 2005/091843   October 6, 2005   Postrel
- D2:   CA 2468386   November 27, 2005   Tietzen et al.

The skilled person

[17]   In the PR letter, we characterized the skilled person as a team comprising one or more business professionals experienced with the creation and administration of loyalty reward programs, and the issuance of financial cards. The team would also comprise programmers or other technologists experienced with developing and providing the software, tools and infrastructure conventionally used to support such professionals.

[18]   The Applicant has not disputed this definition and we adopt it here as well.

The CGK

[19]   Based on the above identification of the skilled person, and supported by what the
present description (pages 1 to 4 and 8 to 10), D1 (pages 1 to 4) and D2 (pages 1 to
2) describe as generally known or conventionally done in the field, we identified
the following as CGK in the PR letter:

- conventional loyalty reward programs, the participation in such programs of
merchants, financial institutions, card issuers and card-holding customers (as
program members), and the needs of the participants;
- the dynamic customization of loyalty reward programs based on their
effectiveness and cost;
- cross-promotional programs and co-branded cards;
- general-purpose computer and computer networking hardware, and computer
programming techniques;
- available database administration utilities; and
- methods of establishing real-time data communications and seamless data
flows between remote systems via the Internet.

[20]   The Applicant has not disputed this identification and we adopt it here as well.

The problem and solution

[21]   The FA identified the problem to be that existing loyalty reward programs lack
flexibility and customization, and need to provide an additional source of revenue
to card issuers. The solution was accordingly identified as a scheme to provide, in a
loyalty reward program, an option for at least some of the benefits earned by
cardholders from merchants to be accrued to card issuers.

[22]   The RFA disagreed, contending that the invention addresses the underlying
technical problems in administrating a loyalty reward program that is both
associated with an issued financial card (or cards) and yet operates externally to
any card issuer's system. To do so, submits the Applicant, the invention involves
implementing the loyalty reward program at one or more server processors which
receive transaction data from a separate card issuer server and/or a merchant
acquirer server, which are traditionally used to process and verify electronic
transactions.

[23]   As presented in the PR letter, the application (pages 2 to 5) discusses various
disadvantages of prior art loyalty reward programs and challenges facing those who

would participate in them. Based on this discussion, our preliminary view of the problem was that despite the obvious potential benefits to both merchants and financial card issuers of participating in loyalty reward programs and in co-branding activities, participation is limited by the costs. That is to say, due to the costs associated with collaborative co-branding relationships between merchants and financial institutions, such relationships are generally out of reach of regional (or smaller) merchants, and financial institutions generally only have such relationships with one or a small group of merchants. Also, such relationships become difficult or cumbersome for financial institutions to replace.

[24] The PR letter identified the corresponding proposed solution as a loyalty reward program run by a third-party operator and involving one or more merchants, merchant acquirers and financial card issuers, and multiple cardholders. The operator manages the relationships and provides the infrastructure, leaving the card issuers and merchants able to focus on using and customizing the loyalty reward program to enhance their business.

[25] As explained in the PR letter, the solution appears to lie in the scheme by which the infrastructure is provided rather than in the infrastructure itself or how it works. The application does not refer to any challenges in implementing the infrastructure, or give much detail regarding the implementation. In addition, the application (pages 4, 6, 8 and 9) describes the invention as being based on the functionality provided by the solution disclosed in D2, without requiring software or hardware changes, as well as on known programming techniques, database tools and ways of establishing seamless real-time data flows between the operator's system and those of card issuers and merchant acquirers (pages 8 and 10). The skilled person's understanding of the solution would also be supported by the CGK identified above.

[26] The Applicant has not disputed this characterization of the problem and solution, and we adopt it here as well.

The essential elements

[27] Independent claims 1 and 13 on file are directed to the same subject matter, respectively cast in the form of a method and a system. Both refer to the establishment and operation of a loyalty reward program involving an operator, card issuers, merchants, merchant acquirers and cardholders. The dependent claims recite further details pertaining to the meaning and manipulation of data involved

in the accompanying transactions and communications, and to the rules of the scheme directing the program. Independent claim 1 is provided below as representative of the claimed invention.

Claim 1.   A method for a loyalty program operating externally to one or more card issuer systems, the method comprising:

receiving, at a loyalty system, data for registering on the loyalty system one or more card issuers;

generating rules for accrual and processing of benefits from merchants to cardholders associated with the one or more card issuers in connection with transactions between the cardholders and the merchants with the loyalty system, the rules based on parameters associated with at least one of: an operator of the loyalty system, the one or more card issuers, and the merchants;

receiving at the loyalty system data for registering on the loyalty system one or more merchant acquirers associated with the one or more card issuers;

receiving at the loyalty system data for registering a plurality of the cardholders as members of the loyalty program, the data for registering the plurality of the cardholders including a cardholder identifier for each of the cardholders;

receiving, at the loyalty system, transaction data from at least one of a card issuer system and a merchant acquirer system, the transaction data including data fields containing information associated with transactions between at least one transacting cardholder and at least one of the merchants, the data fields for each transaction including a cardholder identifier associated with the transaction;

for each of the transactions for which the transaction data is received, determining whether the data fields associated with the transaction meet criteria based on the rules;

upon determining that the data fields associated with a particular transaction meet the criteria based on the rules, updating a database to accrue the benefits associated with the particular transaction and the transacting cardholder based on the cardholder identifier associated with each transaction; and

> when an option to accrue a portion of the benefits to the card issuers is identified in the database, updating the database to accrue the portion of the benefits to the card issuers.

[28] The FA and the RFA disagreed as to whether or not any computer infrastructure, and its communications and operations, were essential to the invention. As presented in the PR letter, we viewed the proposed solution as concerning the scheme by which the loyalty reward program is provided by a party other than a card issuer or merchant, not how any involved computer infrastructure is implemented.

[29] The PR letter expressed our preliminary view that the independent claims on file share the same set of essential elements, a set of steps and rules directing the establishment and operation of a loyalty reward program:

- registering with the loyalty reward program one or more card issuers;
- generating rules for accrual and processing of benefits from merchants to cardholders associated with the one or more card issuers in connection with transactions between the cardholders and the merchants with the loyalty reward program, the rules based on parameters associated with at least one of:
  - o an operator of the loyalty reward program,
  - o the one or more card issuers, and
  - o the merchants;
- registering with the loyalty reward program one or more merchant acquirers associated with the one or more card issuers;
- registering with the loyalty reward program multiple cardholders, where each cardholder has an identifier;
- receiving transaction data from at least one of a card issuer and a merchant acquirer including information associated with transactions between at least one transacting cardholder and at least one of the merchants, and further including the transacting cardholder's identifier for each transaction;
- determining whether each of the transactions meets criteria based on the rules;
- for each transaction meeting the criteria, accruing the benefits associated with the transaction and the transacting cardholder; and
- when an option to accrue a portion of the benefits to the card issuer has been selected, doing so.

[30] We considered the wording differences between the dependent claims and the independent claims from which they stem to simply reflect different embodiments of the same set of essential elements.

[31]   The Applicant has not disputed this identification of the essential elements of the claims on file, and we adopt it here as well.

Statutory subject matter

[32]   As construed above (and in the PR letter), the essential elements of the claims on file do not include computer infrastructure or communications components, but are instead the steps and rules directing the establishment and operation of a loyalty reward program. Such matter does not manifest a discernible effect or change of character or condition in a physical object. It merely involves the carrying out of a plan or theory of action without the production of any physical results proceeding directly from the operation of the theory or plan itself. Such matter is considered to be outside the categories of invention in section 2.

[33]   Therefore, our view is that claims 1 to 13 on file do not define statutory subject matter and thus do not comply with section 2 of the *Patent Act*.

Proposed claims

[34]   As stated above, the Applicant proposed an amended set of 13 claims with the RFA. The amendments more specifically recite the involvement of processor, software and data storage components.

[35]   As stated in the PR letter, however, these proposed amendments would not alter the above identifications of the skilled person and the CGK. Our identification of the relevant problem and solution would also remain the same. As a result, the proposed claims would have the same set of essential elements as those identified in the claims on file.

[36]   Accordingly, our view concerning non-statutory subject matter also applies to the second proposed claims. It follows that the proposed claims are not considered a necessary amendment under subsection 86(11) of the *Patent Rules*.

RECOMMENDATION OF THE BOARD

[37] In view of the above, the Panel recommends that the application be refused on the basis that the claims on file define non-statutory subject matter and thus do not comply with section 2 of the *Patent Act*.

Leigh Matheson   Mara Gravelle   Liang Ji
Member   Member   Member

DECISION OF THE COMMISSIONER

[38] I concur with the findings of the Board and its recommendation to refuse the application. The claims on file do not comply with section 2 of the *Patent Act*.

[39] Accordingly, I refuse to grant a patent for this application. Under section 41 of the *Patent Act*, the Applicant has six months to appeal my decision to the Federal Court of Canada.

Johanne Bélisle
Commissioner of Patents

Dated at Gatineau, Quebec,
this 14th day of January, 2020