

Citation: Parago Inc (Re), 2020 CACP 21
Commissioner's Decision #1541
Décision du Commissaire no 1541
Date: 2020-05-27

TOPIC: J-00 Meaning of Art

J-50 Mere Plan

SUJET: J-00 Signification de la
technique

J-50 Simple plan

Application No. : 2395778

Demande n° 2395778

IN THE CANADIAN PATENT OFFICE

DECISION OF THE COMMISSIONER OF PATENTS

Patent application number 2395778, having been rejected under 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 2395778, which is entitled “Computer-aided rebate processing” and is owned by Parago 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, my recommendation is to refuse the application.

BACKGROUND

The Application

- [2] Canadian patent application 2395778 was filed on December 22, 2000 and has been open to public inspection since June 28, 2001.
- [3] The invention relates to computer-aided rebate processing, and is directed to the tension between the desire to maintain consumers’ satisfaction with a rebate program and the desire to maintain a sufficiently low rate of successful rebate claiming.

Prosecution History

- [4] On June 28, 2017, 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 26 (i.e. all 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 December 27, 2017 response to the FA (RFA), the Applicant proposed an amended set of 26 claims (the proposed claims), and submitted arguments as to why they comply with section 2. The Examiner neither considered that the amendment would remedy the defect nor was persuaded by the Applicant’s arguments to withdraw the rejection.
- [6] Therefore, pursuant to subsection 30(6) of the former *Rules*, the application was forwarded to the Board for review on behalf of the Commissioner of Patents. On June 18,

2018, the Board forwarded to the Applicant a copy of the Examiner's Summary of Reasons along with a letter acknowledging the rejection.

- [7] The undersigned was assigned to review the rejected application and make a recommendation to the Commissioner as to its disposition. Following a preliminary review, a letter was sent on April 6, 2020 (the PR letter) presenting the analysis and rationale as to why, based on the record before me, I did not consider the subject matter of the claims on file (or of the proposed claims) to comply with section 2 of the *Patent Act*.
- [8] The Applicant indicated in a telephone conversation on May 4, 2020 that it did not intend to make any written submissions and that it did not want a hearing.
- [9] Therefore, I undertook the final review based on the written record. As nothing has changed in the record since the mailing of the PR letter, I 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] The review then addresses whether the proposed claims would constitute necessary amendments under subsection 86(11) of the *Patent Rules*.

LEGAL PRINCIPLES AND PATENT OFFICE PRACTICE

Purposive Construction

- [12] In accordance with *Free World Trust v Electro 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 paragraphs 49(f) and (g) and 52 [*Whirlpool*]). In accordance with the *Manual of Patent Office Practice* (CIPO) at §12.02.02, revised June 2015, 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.

- [13] The Applicant disagreed in the RFA, contending that there is no “problem-solution analysis” done as part of purposive construction. It is the intent of the inventor as expressed or inferred from the claims that is paramount in identifying the essential elements, contended the Applicant, referring to *Free World Trust* and *Whirlpool* for support.
- [14] In *Canada (Attorney General) v Amazon.com Inc*, 2011 FCA 328 at paras 43, 44, 62 and 63, the Federal Court of Appeal explained that purposive construction “cannot be determined solely on the basis of a literal reading of the patent claims,” and that it “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.” The Court gave the situation in *Schlumberger Canada Ltd v Commissioner of Patents*, [1982] 1 FC 845 (CA) as an example, saying that on a proper construction, the claimed invention there was “for a mathematical formula and therefore not patentable subject matter” despite its appearance as “an ‘art’ or ‘process’” and the fact that the mathematical formula was programmed into a computer.
- [15] As explained in *MOPOP* at §12.02.02e, 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 description and underlying the claimed embodiment—to achieve its result.

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] “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.
- [18] 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

- [19] The PR letter cited the following references as relevant to the determination of the CGK. The first document had been cited by the Examiner during the prosecution of the application and the second document arose during the preliminary review.
- D1: US 5710886 January 20, 1998 Christensen et al.
 - D2: CA 2224032 June 8, 1999 Small

The Skilled Person

- [20] The PR letter characterized the notional skilled person as a team comprising one or more marketing professionals experienced with rebate processing and the study of consumer behaviour, as well as programmers or other technologists experienced with developing and providing the software, tools and infrastructure conventionally used to support such professionals.

The CGK

- [21] Based on the above identification of the skilled person, and on what the present description (pages 1, 5 and 6), D1 (columns 1 to 4) and D2 (pages 1 to 5) describe as generally known or conventionally done in the field, the PR letter identified the CGK as including:
- conventional marketing techniques, such as rebate programs, their implementation, their challenges and their effect on consumer behaviour;

- including the concept of “breakage,” where a consumer participates in a rebate program but does not successfully claim a rebate;
- the desirability, when implementing coupon programs and other such techniques, of reducing fraud, increasing convenience and improving tracking of consumer demographics;
- general-purpose computer hardware and computer programming techniques;
- conventional computerized communications networks;
- conventional means for electronically reading or otherwise capturing data; and
- the use of systems to transfer product or coupon (or rebate) data to a consumer’s computer via a network, to accept data from the consumer’s computer (via the network) indicating the consumer’s selection of information of interest, and the printing, at the consumer’s computer, of a coupon or rebate request form including information intended to be electronically read.

[22] Regarding the final point in particular, both D1 and D2 describe, as conventionally known, generally similar technology and procedures being applied for similar purposes; both D1 (columns 9 to 11) and D2 (pages 6, 8, 16, 17, 23 and 24) also independently propose systems that together serve to demonstrate the general awareness of such systems.

The Problem and Solution

- [23] The FA identified the problem as the conflict between a manufacturer’s desire to maintain consumer satisfaction with a rebate program and the need to maintain a sufficient level of breakage, that is, a sufficient level of rebates not being successfully claimed. The solution was identified as one which maintained a breakage rate, prevented fraudulent claims, provided multiple disbursement options, provided status reporting and centralized rebate processing for matching promotions with qualified consumers. The computer, the electronic reading or encoding of information, and the transmission of information were not considered part of the problem or solution, which related entirely to how the rebates are processed.
- [24] The RFA contended that the problem had been mischaracterized in the FA but did not propose an alternative.

- [25] As remarked in the PR letter, the application (page 1) explains that one of the advantages (to manufacturers) of using rebate programs as financial incentives is that the procedures and post-purchase activities typically involved work to reduce the number of successful rebate claimants. This potential for breakage permits manufacturers to offer more valuable rebates. Consumers, on the other hand, desire the quickest and easiest process for receiving their rebates. It is this tension that is presented as the problem. The application (pages 1 and 3) also mentions the need to prevent fraudulent rebate claims and the desirability of collecting accurate consumer information for data mining.
- [26] As a solution, the application (pages 3, 5 to 7, 13, 14 and 21) proposes a particular way to administrate a rebate program, one which takes advantage of known technologies and employs known measures to both reduce fraud and collect consumer information. As also noted in the PR letter, one key point seems to be that the overall process is only *partially* computerized; that is, conventional computer and network technology are harnessed to facilitate the provision of product information to consumers, their selection of product or rebate information, and their provision of consumer or demographic information, but not the actual submission of the rebate request. This is intentionally left unaided in the hope that the inconvenience or complexity will prevent some consumers from successfully claiming rebates. Another key detail seems to be the provision of disbursement options; the objective seems to be to encourage consumers to participate in the program by permitting them to select how the rebate or other disbursement is awarded.
- [27] The application does not refer to any challenges in implementing this administration plan. The description (pages 5 to 7 and 15) makes it clear that neither computer hardware, software, electronic data capture, nor network communications are the focus of the solution. In fact, electronic data capture may be replaced by manual data entry and network communications may in different stages of the plan be replaced by mail correspondence. In any case, as explained above, the skilled person would possess the necessary CGK to assemble and arrange the computer components to support the proposed plan.
- [28] As explained in the PR letter, my view is that the skilled person would thus understand the solution not to concern the implementation or operation of hardware and software, but instead the plan for carrying out a rebate program in a certain way.

The Essential Elements

[29] Independent claims 1, 10 and 19 on file are directed to rebate processing where claims 1 and 19 define methods, and claim 10 defines a system. Claim 1 is provided below as representative of the claimed invention.

Claim 1. A method, performed by a processing server, for processing a rebate for a product, comprising:

receiving, at the processing server, product information from a user terminal over a communication network;

generating, by the processing server, a consumer information request for transmission to the user terminal;

receiving, by the processing server, consumer information from the user terminal in response to the request, the consumer information identifying a purchase of the product, wherein the purchase qualifies the user to request a rebate;

receiving, at the processing server, rebate information from a manufacturer terminal or a distributor terminal using the communications network, the rebate information comprising a rebate transaction identifier identifying a rebate for a product associated with purchase of the product;

determining, by the processing server, that the product information is associated with the rebate;

generating, by the processing server, a rebate request form comprising the rebate transaction identifier for transmission to the user terminal over the network, wherein the rebate transaction identifier is encoded for electronic data capture and authentication to maintain breakage;

receiving, by the processing server, the rebate request from the user terminal;

determining, by the processing server, authorization for the received rebate from the rebate request form via electronically capturing the encoded rebate transaction identifier, wherein electronically capturing the encoded rebate transaction identifier prevents fraud;

presenting, by the processing server, disbursement options to the user terminal in response to authorizing the rebate;

receiving, by the processing server, a disbursement option selection from the user terminal; and

distributing, by the processing server, to the user terminal the rebate according to the disbursement option selection.

- [30] The dependent claims recite further details pertaining to the information and procedural steps involved.
- [31] The FA identified the essential elements as the administrative steps of passing certain information back and forth, and of making determinations; no computer technology was considered to be essential.
- [32] The RFA disagreed, submitting that both the instantaneous delivery of targeted marketing and the electronic reading of encoded rebate transaction identifiers need computer elements to be accomplished.
- [33] As explained above, the application does not propose a solution for rapidly exchanging or processing data, or for electronically reading or capturing data. Instead, the proposed solution is a plan for carrying out a rebate program in a certain way. Here, the computer elements do not materially affect the nature of the solution proposed by the description and underlying the claimed embodiments.
- [34] Also as noted in the PR letter and contrary to the suggestion of the wording of the independent claims, it is not the encoding of the transaction identifier for electronic data capture that prevents fraud and maintains breakage. According to the description (page 14), it is the rule of the rebate program requiring consumers to mail their rebate requests along with receipts of purchase and UPC symbols which prevents fraud and maintains breakage. This is a rule conventionally employed to accomplish this.
- [35] Independent claims 1 and 10 on file are seen as sharing the same set of essential elements for processing a rebate for a product:
- receiving product information from a consumer;
 - generating a consumer information request for transmission to the consumer;
 - receiving consumer information from the consumer in response to the request, the consumer information identifying a purchase of the product, wherein the purchase qualifies the consumer to request a rebate;

- receiving rebate information from a manufacturer or distributor, the rebate information comprising a rebate transaction identifier identifying a rebate for a product associated with purchase of the product;
- determining that the product information is associated with the rebate;
- generating a rebate request form comprising the rebate transaction identifier for transmission to the consumer;
- receiving the rebate request from the consumer;
- determining authorization for the received rebate request;
- presenting disbursement options to the consumer in response to authorizing the rebate;
- receiving a disbursement option selection from the consumer; and
- distributing to the consumer the rebate according to the disbursement option selection.

[36] Independent claim 19 also has a set of essential elements for processing a rebate for a product:

- receiving consumer information associated with a first rebate transaction identifier from a consumer;
- receiving a second rebate transaction identifier from a rebate request from the consumer;
- accessing the consumer information if the first rebate transaction identifier and the second rebate transaction identifier match;
- associating at least one promotion identifier with the first rebate transaction identifier based on the consumer information, the promotion identifier indicating requirements of a promotion sponsor based on a product purchased; and
- communicating a rebate authorization to the consumer indicated by the consumer information upon verifying that information contained in the rebate request satisfies the requirements of the promotion.

[37] As the PR letter explained, although the wording of claim 19 suggests that the information contained in the second rebate transaction identifier must satisfy the requirements of the promotion, this would not make sense. Furthermore, the description (e.g. page 2) explains that it is the information contained in the rebate request form which

must satisfy the requirements of the promotion; this would be the skilled person's understanding of the claim.

- [38] As stated above, the additional features of the claims dependent upon these claims pertain to the information and procedural steps involved. For example, claim 20, which depends on claim 19, introduces the determination of available disbursement options, their communication to the consumer and receipt of the consumer's selection of one of them.

Statutory Subject Matter

- [39] It was submitted in the FA that the essential elements of the claims on file are directed to a mere scheme and thus unpatentable. As alluded to above, the Applicant disagreed, submitting in the RFA that due to the computerized components and functions among the essential elements, the claims on file are directed to statutory subject matter.
- [40] As construed above, the essential elements of the claims on file do not include computerized components for processing or communicating data. They are instead the steps of a plan for carrying out a rebate program in a certain way. 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 of the *Patent Act*.
- [41] Therefore, my view is that claims 1 to 26 on file do not define statutory subject matter and thus do not comply with section 2 of the *Patent Act*.

Proposed Claims

- [42] As explained in the PR letter, the Applicant proposed an amended set of 26 claims with the RFA but the Examiner did not consider the amendments to remedy the subject matter defect.
- [43] The amendments emphasize that the rebate processing is "computer-aided" and that at least one of the disbursement options provides "instantaneous targeted marketing." Given that these proposed amendments would not alter the above identifications of the skilled

person, CGK, and problem and solution, my view is that the proposed claims would have the same set of essential elements as identified above.

[44] Accordingly, my view concerning non-statutory subject matter also applies to the proposed claims.

[45] It follows that the proposed claims are not considered a necessary amendment under subsection 86(11) of the *Patent Rules*.

RECOMMENDATION OF THE BOARD

[46] In view of the above, I recommend that the application be refused on the basis that claims 1 to 26 on file define non-statutory subject matter and do not comply with section 2 of the *Patent Act*.

Leigh Matheson

Member

DECISION OF THE COMMISSIONER

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

[48] 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 27th day of May, 2020