

Citation: Waterleaf Limited (Re), 2020 CACP 24
Commissioner's Decision #1544
Décision du Commissaire #1544
Date: 2020-05-29

TOPIC: J-00 Meaning of Art

J-10 Computer Programs

J-30 Games

J-50 Mere Plan

SUJET: J-00 Signification de la technique

J-10 Programmes d'ordinateur

J-30 Jeux

J-50 Simple plan

Application No. : 2,760,112

Demande n° 2 760 112

IN THE CANADIAN PATENT OFFICE

DECISION OF THE COMMISSIONER OF PATENTS

Patent application number 2,760,112, having been rejected under subsection 30(3) of the *Patent Rules*, as they read immediately before October 30, 2019 (former *Patent Rules*), consequently has 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 2,760,112, which is entitled “Wager Games with Restricted Prizes.” The patent application is owned by Waterleaf Limited (the Applicant). The Patent Appeal Board (the Board) has reviewed the rejected application pursuant to paragraph 199(3)(c) of the *Patent Rules*. The outstanding defect to be addressed in this review is whether the claims define statutory subject matter. As explained below, our recommendation is to refuse the application.

BACKGROUND

The Application

- [2] Canadian patent application number 2,760,112 was filed on December 2, 2011 and was laid open to the public on June 21, 2012.
- [3] The application relates to methods and systems for wager games over computer networks. More specifically, the disclosed methods and systems provide wager games offering increased winning for new players.

Prosecution History

- [4] On December 2, 2016, a Final Action (FA) was written pursuant to subsection 30(4) of the former *Patent Rules*. The FA explained that the application was defective on the ground that claims 1-50 (claims on file) were directed to non-statutory subject matter and therefore do not comply with section 2 of the *Patent Act*.
- [5] In a June 2, 2017 response to the FA (RFA), the Applicant submitted arguments for the allowance of the claims on file. The Applicant also submitted a set of proposed claims (proposed claims).
- [6] As the Examiner considered the application still did not comply with the *Patent Act* and *Patent Rules*, the application was forwarded to the Board for review pursuant to subsection 30(6) of the former *Patent Rules*, along with an explanation outlined in a Summary of Reasons (SOR) for maintaining the rejection of the application.
- [7] In a letter dated March 6, 2018, the Board forwarded a copy of the SOR to the Applicant. In its response to the SOR of May 24, 2018, the Applicant indicated a continued interest in

having the Board review the application.

- [8] A Panel of the Board (the Panel) was formed to review the application under paragraph 30(6)(c) of the former *Patent Rules* and to make a recommendation to the Commissioner as to its disposition. In a Preliminary Review (PR) letter dated January 16, 2020, the Panel set out its preliminary analysis and rationale as to why, based on the written record, the subject matter of the claims on file and the proposed claims does not comply with section 2 of the *Patent Act*. The PR letter offered the Applicant the opportunities to attend an oral hearing and to make further submissions.
- [9] In a phone conversation on February 10, 2020, and subsequent email on February 14, 2020, the Applicant indicated an oral hearing was not desired, and that no further submissions would be made.

ISSUE

- [10] The only issue to be 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*. We also consider the proposed claims.

LEGAL PRINCIPLES AND PATENT OFFICE PRACTICE

Purposive Construction

- [11] 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 paragraphs 49(f) and (g) and 52). In accordance with the *Manual of Patent Office Practice*, revised June 2015 (CIPO) [*MOPOP*] at §12.02.01, the first step of purposive claim construction is to identify the person of ordinary skill in the art (the POSITA) 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 required to achieve the disclosed solution as claimed.
- [12] 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 specification and underlying the claimed embodiment—to achieve its result.

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] Following the Federal Court of Appeal decision in *Canada (Attorney General) v Amazon.com*, 2011 FCA 328, the Office released an examination memo (PN2013-03 “*Examination Practice Respecting Computer-Implemented Inventions*”, (CIPO, March 2013) [PN2013-03] that clarified examination practice with respect to the Office’s approach to computer-implemented inventions.

[15] As stated in PN2013-03, 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 (e.g., a mere idea, scheme, plan or rules, etc.), the claim will not be compliant with section 2 of the *Patent Act*.

ANALYSIS

Claim Construction

The Skilled Person and the Relevant CGK

[16] As for the identification of the POSITA, in the PR letter we stated:

Given the context of the invention and the background information of the description (pages 2 to 3), we preliminarily identify the POSITA as a team comprising one or more professionals in the gaming industry experienced in the area of online wagering games. The team also includes the programmers or other technologists experienced with developing the software, tools and infrastructure conventionally used.

[17] As for the identification of the CGK, in the PR letter we stated:

We preliminarily identify the relevant CGK as including:

- knowledge of online gaming including online accounts (instant application, page 3);
- conventional computing devices, processors, input and output devices, networking protocols, and user interfaces (instant application, pages 8 to 11);
- distributed computer communication and processing architectures including client/server architectures (instant application, pages 8 to 11); and
- conventional computer hardware and computer programming techniques (instant application, pages 8 to 11); and
- the use of such computers and computer devices used conventionally in the online gaming industry (instant application, pages 8 to 11).

[18] The Applicant has not disputed these characterizations and thus we adopt them in this review.

The Problem and Solution

[19] Based on the CGK of the POSITA and a fair reading of the application and having considered the Applicant's arguments presented in the RFA, the PR letter set out what the POSITA would have considered to be the problem addressed by the application:

the need to motivate players to play a wagering game by providing an attractive payout schedule, for the purposes of this preliminary review, and view this as the practical problem.

[20] The solution to the above problem, as presented in the PR letter, is to provide player motivation by offering payout percentages above 100% through the use of restricted and unrestricted credits.

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

The Essential Elements

[22] In the PR Letter, we considered all the claims on file as follows:

We consider independent claim 1 as representative of the invention. It is directed to a method that recites the steps for offering of a wager game with an average payout percentage above 100%:

1. A method comprising:

a server device conducting, over a communication network, a wager game with a client device, wherein the wager game uses a per-turn payout schedule that has an average payout percentage above 100% of per-turn wagers;

in response to the client device completing a turn of the wager game, the server device determining a payout, the payout based on the per-turn payout schedule and including at least one of restricted credit and unrestricted credit; and

transmitting, over the communication network, the determined payout to the client device.

Independent claims 15 and 29 have the same elements as claim 1, and are directed to, respectively, an article of manufacture and a system. Independent claims 30 and 32 are further method claims containing the same elements of claim 1 and specifying further details in relation to first or second turn payout schedules. Independent claim 46 is directed to an article of manufacture containing the same elements of claim 32.

Dependent claims 2 to 14, 16 to 28, 31, 33 to 45, and 47 to 50 specify further details regarding further wager game payout rules including unrestricted and restricted credit cash out options as well as unrestricted and restricted credit payout options including:

- unrestricted and restricted credit rules for cash out and payout options (claims 2 to 4, 8, 9, 11 to 14, 16 to 18, 22, 23, 25 to 28, 33, 35, 36, 40, 41, 43 to 45, 47, 49); and
- first, second, and third payout per-turn payout schedule rules (claims 5 to 7, 10, 19 to 21, 24, 31, 34, 37 to 39, 42, 48, 50).

[23] In the PR letter, we set out our preliminary identification of the essential elements of the claims that provide the solution to the problem. We determined that the physical components of the claims, primarily computer-related features, were not essential:

The guidance of MOPOP at §12.02.02e, outlines the Office's interpretation of Canadian patent law in respect of purposive construction as applied to the examination of a patent application. The Office practice specifies that a properly informed purposive construction must consider the specification as a whole, as read through the eyes of the POSITA, against the background of the CGK in the field or fields relevant to the invention, so as to identify the problem and solution addressed by the application. The identification of the problem is guided by the skilled person's understanding of the CGK in the art and by the teachings of the description. The solution to that problem informs the identification of the essential elements: not every element that has a material effect on the operation of a given embodiment is necessarily 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. The presence of the computer components, to give the series of calculations a practical embodiment, is not essential to the claimed solution to the disclosed problem.

[24] The FA and the RFA disagreed as to whether or not the client and server devices provide the physical elements required for the functioning of the claimed invention and were essential to the invention.

[25] In the PR letter, we viewed the proposed solution as concerning the scheme to provide player motivation by offering payout percentages above 100% through the use of restricted and unrestricted credits not how any involved computer infrastructure is implemented.

We note that the description does not refer to any challenges in implementing a computer system capable of providing the altered pay tables for wager games. The POSITA would understand the problem to be solved does not lie in how to computerize the steps of the wager game, but in how to modify pay tables for player motivation. As explained previously, the CGK encompasses networked computer components as well as programming software on the computer components; that CGK would also shape the skilled person's understanding of the nature of the problem.

In our preliminary view, the server/client system serves as the operating environment for the problem, and the solution is not how to build or program the server or client, or how to perform certain operations. Rather, the solution relates to the set of rules for payout that the game will follow to increase a player's retention.

[26] Accordingly, in the PR letter, we considered the following essential elements for the identified solution:

... the essential elements of representative claim 1 that are required to implement the solution identified above are the steps of:

- a wager game using a per-turn payout schedule that has an average payout percentage above 100% of per-turn wagers;
- in response to completing a turn of the wager game determining a payout, the payout based on the per-turn payout schedule and including at least one of restricted credit and unrestricted credit; and
- presenting the determined payout.

We preliminarily view the other independent claims (claims 15, 29, 30, 32, and 46), which are directed to different embodiments of the invention, to have the same set of essential elements of representative claim 1.

Dependent claims 2 to 14, 16 to 28, 31, 33 to 45, and 47 to 50 add additional elements comprising further details on wager game payout options and rules. The additional features of the dependent claims relating to the computer and gaming device elements are not considered essential, the features relating to details on the bonus game and its rules, as outlined previously, are considered essential.

[27] The Applicant did not dispute our preliminary identification of the essential elements and we maintain our view in this recommendation

Statutory Subject Matter

[28] As stated in the PR Letter:

the essential elements of independent claims 1, 15, 29, 30, 32, and 46 correspond to a set of manipulations of data, or mental steps, along with the presentation of information of merely intellectual significance. The essential elements of dependent claims 2 to 14, 16 to 28, 31, 33 to 45, and 47 to 50 also correspond to a set of manipulations of data, or mental steps, along with the presentation of information of merely intellectual significance. Computer components are not among the essential elements. The essential elements are the rules for providing player motivation by offering payout percentages above 100% through the use of restricted and unrestricted credits. 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 outside the categories of invention in section 2.

[29] The Applicant did not dispute our preliminary analysis and we maintain our view that claims 1 to 50 do not define statutory subject matter and thus do not comply with section 2 of the *Patent Act*.

Proposed Claims

[30] As stated above, the Applicant submitted proposed claims with its RFA. From the claims on file, claims 1 to 3, 5, 8, 10 to 12, 15, 16, 19, 22, 24 to 26, 29, 30, 32, 35, 40 to 43, 46 were amended, while claims 4, 6, 7, 9, 13, 14, 17, 18, 20, 21, 23, 27, 28, 31, 33, 34, 36 to 39, 44, 45, and 47 to 50 remained the same.

[31] As stated in the PR letter, proposed independent claim 1 is viewed as the representative claim of the proposed claims and added features relating to controlling access in a machine configured to conduct a multi-turn, machine-implemented wager game including recording and tracking results of each game played as well as credits and type of credits payed out.

[32] As stated in the PR Letter, in regards to representative claim 1:

the additional element of controlling access in a machine configured to conduct a multi-turn, machine-implemented wager game is not essential for the solution to the problem of increasing player motivation by offering payout percentages above 100% through the use of restricted and unrestricted credits. The additional features related to recording and tracking results of each game played as well as credits and type of credits payed out are simply further rules in the scheme for the wager game, and do not overcome the subject matter defect.

[33] We view the other proposed independent claims, directed to articles of manufacture, a system, and methods, to have the same set of essential elements as proposed representative claim 1. We further view the additional essential elements of the dependent claims to be directed to rules governing the payout, which as noted above with respect to the claims on file, do not constitute statutory subject matter.

[34] Accordingly, our view concerning non-statutory subject matter also applies to the 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

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

Mara Gravelle

Paul Fitzner

Jeremy Garnet

Member

Member

Member

DECISION OF THE COMMISSIONER

[36] I concur with the findings of the Board and its recommendation to refuse the application on the basis that the claims on file define subject matter that is non-statutory and thus does not comply with section 2 of the *Patent Act*.

[37] 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 29th day of May, 2020