

Citation: Transcon Securities Pty Ltd. (Re), 2020 CACP 29  
Commissioner's Decision No 1549  
Décision du Commissaire no 1549  
Date: 2020-08-05

TOPIC: J-00 Meaning of Art

J-10 Computer Programs

J-50 Mere Plan

SUJET: J-00 Signification de la technique

J-10 Programmes d'ordinateur

J-50 Simple plan

Application No. : 2,568,154

Demande n° 2 568 154

IN THE CANADIAN PATENT OFFICE

DECISION OF THE COMMISSIONER OF PATENTS

Patent application number 2,568,154, 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.

Agent for the Applicant:

**BERESKIN & PARR LLP/S.E.N.C.R.L.,S.R.L.**

Scotia Plaza

40 King Street West

40<sup>th</sup> Floor

Toronto, ON M5H 3Y2

## INTRODUCTION

- [1] This recommendation concerns the review of rejected patent application number 2,568,154, which is entitled “A System and Method for Analysing Risk Associated with an Investment Portfolio.” The patent application is owned by Transcon Securities Pty Ltd. (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 2,568,154 was filed on June 1, 2005 and was laid open to the public on December 15, 2005.
- [3] The application relates to methods and systems for analysing the risk associated with an investment portfolio. More specifically, presenting a distribution of assets of each investment of an investment portfolio over one or more asset classes to the distribution of assets over the asset classes of a benchmark risk category that represents an investor’s risk tolerance.

### Prosecution History

- [4] On August 14, 2017, 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 1-33 (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 February 14, 2018 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 April 27, 2018, the Board forwarded a copy of the SOR to the Applicant. In its response to the SOR of May 28, 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 May 7, 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 message on June 8, 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 1 to 2), we preliminarily identify the POSITA as a team comprising one or more professionals in the financial planning and risk management industry experienced in the area of investment portfolio management. The team also includes the programmers or other technologists experienced with developing and providing the software, tools and infrastructure conventionally used to support such professionals.

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

...we preliminarily identify the relevant CGK as including:

- the process of financial planning;
- analysis of the risk associated with an investment portfolio of an investor;
- making financial decisions that achieve a reasonable return without exceeding the risk tolerance of the investor;
- general-purpose computers, computing devices, processors, input and output devices, computer displays, network interfaces and user interfaces;
- computer hardware and computer programming techniques; and
- the use of databases and database management systems.

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

#### *The Problem and Solution*

[19] Based on the CGK and a fair reading of the application, the PR letter adopted the problem set out in the FA for what the POSITA would have considered to be the problem addressed by the application:

solving the challenges an investor is facing: firstly, in making an accurate and meaningful assessment of his willingness to accept risk as he perceives it; secondly, in evaluating both what he already has in place and the alternatives now offered to him in term of his risk tolerance; and thirdly, the problems associated with an investment selection process and asset allocations in view of a client's risk tolerance and expected return level.

[20] The solution to the above problem, as presented in the PR letter, is to provide a method of presenting a distribution of assets of each investment of an investment portfolio over one or more asset classes to the distribution of assets over the asset classes of a benchmark risk category which represents an investor's risk tolerance.

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

#### *The Essential Elements*

[22] Independent claims 1 and 8 represent the broadest embodiments of the invention, and read

as follows:

1. A system configured to analyze risk associated with an investment portfolio of an investor, said system comprising:

a computer processor; and

a computer readable medium, in communication with the computer processor, comprising instructions which, when executed, cause the computer processor to generate a user interface for display on a user terminal, said user interface including a table showing:

each of a plurality of investments of the investment portfolio, at least one investment being a managed fund;

for each investment, a distribution of assets over a plurality of asset classes, the distribution identifying a percentage of the investment for each asset class;

a distribution of assets over said plurality of asset of a benchmark risk category representing a risk tolerance level of the investor; and

a distribution of assets over said plurality of asset classes for the entire investment portfolio, the distribution identifying an aggregated percentage of the entire investment portfolio for each asset class.

8. A non-transitory computer readable medium comprising instructions which, when executed on a computer, cause the computer to analyze risk associated with an investment portfolio of an investor by performing a method comprising:

generating a user interface to be displayed on a user terminal, said user interface including a table showing:

each of a plurality of investments of the investment portfolio, at least one investment being a managed fund;

for each investment, a distribution of assets over a plurality of asset classes, the distribution identifying a percentage of the investment for each asset class;

a distribution of assets over said plurality of asset classes of a benchmark risk category representing the risk tolerance level of the investor; and

a distribution of assets over said plurality of asset classes for the entire investment portfolio, the distribution identifying an aggregated percentage of the entire investment portfolio for each asset class.

[23] In the PR Letter, we considered the essential elements of the claims on file as follows:

Independent claims 1 and 8 are directed to, respectively, a system and a computerized method. In our preliminary view, they share the same essential elements, which are required to implement the solution identified above, and are as follows:

a presentation of:

each of a plurality of investments of the investment portfolio;

for each investment, a distribution of assets over a plurality of asset classes, the distribution identifying a percentage of the investment for each asset class:

a distribution of assets over said plurality of asset [classes] of a benchmark risk category representing a risk tolerance level of the investor; and

a distribution of assets over said plurality of asset classes for the entire investment portfolio, the distribution identifying an aggregated percentage of the entire investment portfolio for each asset class.

The other independent claims add further options for information that can be displayed, and are considered essential, including:

selection indicators (claims 13, 22, 23, and 25);

comparisons between the distribution of assets over said plurality of asset classes for each investment of the investment portfolio to the distribution of assets over said plurality of asset classes for the benchmark risk category (claims 19 and 23); and

graphical representations (claim 24).

Dependent claims 2 to 7, 9 to 12, 14 to 18, 20, 21, and 26 to 33 recite further options for information that can be included to be displayed. These features are considered essential.

[24] The FA and the RFA disagreed as to what features are to be considered essential elements as the Applicant stated that what the inventor considers essential must be determined to be essential.

[25] In the PR letter, we referred to the Office Practice guidance from *MOPOP*:

We agree that the inventor's intention must be considered during purposive construction, among other considerations of the invention. However, 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 language of the claims itself cannot serve as the sole basis to determine the claimed subject-matter. The Federal Court of Appeal decision in *Canada (Attorney General) v Amazon.com Inc.*, 2011 FCA 328 [*Amazon.com*] (paras 43, 44, 47, 61 to 63, 69, 71, 73, and 74) explains that purposive construction "cannot be determined solely on the basis of a literal reading of the



patent claims”, that claim language may be “deliberately or inadvertently deceptive”, that a claimed practical application or embodiment may nonetheless not be part of the essential elements of a claimed invention, that purposive construction must be based on “a foundation of knowledge about the relevant art”. 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.

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

#### Statutory Subject Matter

[27] As stated in the PR Letter:

As construed previously, the essential elements of the independent claims 1, 8, 13, 19, and 22 to 25 correspond to manipulations of data, along with the presentation of information of merely intellectual significance. The computer elements are not among the essential elements. The essential elements are the rules for mathematical conversion along with data organization and storage. The mere presence of a computer in the claims does not render the otherwise abstract set of rules patentable. 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.

...

Dependent claims 2 to 7, 9 to 12, 14 to 18, 20, 21, and 26 to 33 add additional essential elements comprising further options for data to display. These further essential elements do not comprise statutory subject matter.

[28] The Applicant did not dispute our preliminary analysis and we maintain our view that claims 1 to 33 do not define statutory subject matter and thus do not comply with section 2 of the *Patent Act*.

#### Proposed Claims

[29] As stated above, in the RFA the Applicant proposed to amend claims 1 to 16 in an attempt to overcome the defect identified in the FA. From the claims on file, claims 1, and 5 to 16, were amended, while claims 2, 3, 4, (corresponding to claims on file 2, 6, 7) remained the same.

[30] As stated in the PR letter

[The] amended independent claims (claims 1, 5, 6, 14, 15, 16) added the feature of allocating (removal, addition, or change of) assets of the investor to each investment of the investment portfolio so that the distribution of assets over said plurality of asset classes for the entire investment portfolio more closely corresponds to the distribution of assets over said plurality of asset classes of the benchmark risk category.

This feature is not considered to be a part of the essential elements as it does not required for the solution of presenting information to the investor. The feature, as presented in the description, page 17, lines 11 to 14 is carried out by the POSITA, the financial planner, not determined and carried out by the system.

...

Amended dependent claims 7 to 13 relate to the same feature of allocating assets. As stated above this feature is not considered to be essential to the solution.

[31] The Applicant did not dispute this analysis, and we maintain our view in this recommendation. Accordingly, we consider that the non-statutory subject matter defect 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**

[32] 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

Sean Wilkinson

Member

Member

Member

## **DECISION OF THE COMMISSIONER**

[33] 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*.

[34] 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 5<sup>th</sup> day of August, 2020.