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Commissioner's Decision 1570#

Décision du Commissaire 1570#

Date: 2021-04-21

TOPIC: J00 Meaning of Art
 J10 Computer Programs
 J30 Games

SUJET: J00 Signification de la technique
 J10 Programmes d'ordinateur
 J30 Jeux

Application No. : 2,607,423

Demande n° 2 607 423

IN THE CANADIAN PATENT OFFICE

DECISION OF THE COMMISSIONER OF PATENTS

Patent application number 2,607,423 having been rejected under subsection 30(3) of the *Patent Rules* (SOR/96-423) as they read immediately before October 30, 2019 (“the *former Patent Rules*”), has consequently 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 unless necessary amendments are made.

Agent for the Applicant:

KIRBY EADES GALE BAKER

100 Murray St., Suite 500
Ottawa, Ontario
K1N 0A1

INTRODUCTION

- [1] This recommendation concerns the review of rejected Canadian patent application number 2,607,423 (“the instant application”), which is entitled “SYSTEM FOR PROVIDING BETS REGARDING INTERMEDIATE POINTS IN A RACE EVENT USING FRACTIONAL TIMING” and is owned by CFPH, LLC (“the Applicant”). A review of the rejected application has been conducted by the Patent Appeal Board (“the Board”) pursuant to paragraph 199(3)(c) of the *Patent Rules*. As explained in more detail below, the Board’s recommendation is that the Commissioner of Patents refuse the application, unless necessary amendments are made.

BACKGROUND

The Application

- [2] The instant application, based on a previously filed Patent Cooperation Treaty application, is considered to have been filed in Canada on May 17, 2006. It was laid open to public inspection on November 23, 2006.
- [3] The application relates to a betting system in which players have the ability to bet on the times at which race participants pass intermediate points in a race. The application has 40 claims on file as of the date of the Final Action (“FA”). These were received at the Patent Office on January 8, 2016.

Prosecution History

- [4] On September 18, 2017, an FA was written pursuant to subsection 30(4) of the *former Patent Rules*. The FA stated that the instant application is defective because all of the claims on file are directed to subject-matter outside of the definition of invention and therefore are not compliant with section 2 of the *Patent Act*. The FA also indicated that claim 34 is indefinite with respect to subsection 27(4) of the *Patent Act*.
- [5] In a March 12, 2018 response to the FA (“R-FA”), the Applicant submitted arguments in favour of the patentability of the claims on file, as well as proposed claims (“proposed claim set-1”) and proposed amendments to the description.
- [6] As the Examiner still considered the application not to comply with the *Patent Act*, pursuant to paragraph 30(6)(c) of the *former Patent Rules*, the application was forwarded to

the Board for review on November 30, 2018 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 and that proposed claim set-1 did not cure the subject-matter defect. The SOR additionally noted that the amendments proposed with the R-FA would introduce new matter, contrary to section 38.2 of the *Patent Act* and would introduce new indefiniteness defects.

- [7] In a letter dated December 4, 2018, the Board forwarded to the Applicant a copy of the SOR and requested that the Applicant confirm its continued interest in having the application reviewed.
- [8] In a letter dated February 26, 2019, the Applicant confirmed its interest in having the review proceed.
- [9] A Panel of the Board (“The Panel”) comprised of the undersigned members reviewed the instant application under paragraph 199(3)(c) of the *Patent Rules*.
- [10] In a preliminary review letter (“PR letter”) dated February 25, 2021, we set out our preliminary analysis of the issues with respect to the claims on file and proposed claim set-1. We also provided the Applicant with an opportunity to make oral and/or written submissions.
- [11] In a reply to the PR letter (“R-PR”) received on February 26, 2021 the Applicant declined the opportunity for a hearing and submitted another proposed claim set (“proposed claim set-2”).

ISSUES

- [12] The issues to be addressed by the present review are:
 - whether the claims on file are directed to subject-matter which meets the definition of invention found at section 2 of the *Patent Act*; and
 - whether claim 34 on file is clear and complies with subsection 27(4) of the *Patent Act*.
- [13] We also consider the latest proposed amendments: amendments to the description proposed with the R-FA and proposed claim set-2 proposed with the R-PR.

LEGAL PRINCIPLES AND PATENT OFFICE PRACTICE

Purposive Construction

- [14] 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). Purposive construction is performed from the point of view of the person skilled in the art (“POSITA”) in light of the relevant common general knowledge (“CGK”).
- [15] During purposive construction of a claim, the elements of the claimed invention are identified as either essential or non-essential. In carrying out this identification of essential and non-essential elements, all elements set out in a claim are presumed essential, unless it is established otherwise or is contrary to the language used in the claim.
- [16] Purposive construction is also used to determine the meaning of terms used in the claims as read by the POSITA where reference to the specification as a whole may be necessary.

Patentable Subject-Matter

- [17] 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.

- [18] And in accordance with subsection 27(8) of the *Patent Act*:

No patent shall be granted for any mere scientific principle or abstract theorem.

- [19] Following the decision of the Federal Court of Canada in *Yves Choueifaty v Attorney General of Canada*, 2020 FC 837, the Patent Office issued “Patentable subject-matter under the Patent Act,” (CIPO, November 2020) [PN2020-04]. This practice notice clarifies examination practice with respect to the Patent Office’s approach to determining whether the subject-matter defined by a claim is patentable subject-matter. This includes the assessment of patentable subject-matter for computer-implemented inventions.
- [20] As stated in PN2020-04, “To be both patentable subject-matter and not be prohibited under

subsection 27(8) of the *Patent Act*, the subject-matter defined by a claim must be limited to or narrower than an actual invention that either has physical existence or manifests a discernible physical effect or change and that relates to the manual or productive arts”, referencing, in part, *Canada (Attorney General) v Amazon.com Inc*, 2011 FCA 328 [*Amazon*] paras 42 and 66-69.

[21] Regarding computer-implemented inventions specifically, *PN2020-04* states the following:

The mere fact that a computer is identified to be an essential element of a claimed invention for the purpose of determining the fences of the monopoly under purposive construction does not necessarily mean that the subject-matter defined by the claim is patentable subject-matter and outside of the prohibition under subsection 27(8) of the *Patent Act*.

...

In addition, the fact that a computer is necessary to put a disembodied idea, scientific principle or abstract theorem into practice does not necessarily mean that there is patentable subject-matter even if the computer cooperates together with other elements of the claimed invention. If a computer is merely used in a well-known manner, the use of the computer will not be sufficient to render the disembodied idea, scientific principle or abstract theorem patentable subject-matter and outside the prohibition under subsection 27(8) of the *Patent Act*.

In the case of a claim to a computer programmed to run a mathematical algorithm, if the computer merely processes the algorithm in a well-known manner and the processing of the algorithm on the computer does not solve any problem in the functioning of the computer, the computer and the algorithm do not form part of a single actual invention that solves a problem related to the manual or productive arts. If the algorithm by itself is considered to be the actual invention, the subject-matter defined by the claim is not patentable subject-matter or is prohibited under subsection 27(8) of the *Patent Act*.

New Matter

[22] Subsection 38.2(2) of the *Patent Act* sets forth the restriction under which amendments may be made to the specification or drawings of a patent application:

(2) The specification and drawings contained in an application, other than a divisional application, may not be amended to add matter that cannot reasonably

be inferred from the specification or drawings contained in the application on its filing date.

[23] The question as to whether matter added to the specification or drawings by amendment complies with subsection 38.2(2) of the *Patent Act* is considered from the point of view of the skilled person.

[24] The assessment as to the presence of new matter therefore requires a comparison of the pending specification with the originally filed specification and drawings and a determination as to whether the subject-matter of the amendments is that which was disclosed in, or would have been reasonably inferred from, the original specification or drawings by the skilled person.

Indefiniteness

[25] Subsection 27(4) of the *Patent Act* requires claims to distinctly and explicitly define the subject-matter:

The specification must end with a claim or claims defining distinctly and in explicit terms the subject-matter of the invention for which an exclusive privilege or property is claimed.

[26] In *Minerals Separation North American Corp v Noranda Mines Ltd*, [1947] Ex CR 306, 12 CPR 99 at para 146, the Court emphasized both the obligation of an Applicant to make clear in the claims the ambit of the monopoly sought and the requirement that the terms used in the claims be clear and precise:

By his claims the inventor puts fences around the fields of his monopoly and warns the public against trespassing on his property. His fences must be clearly placed in order to give the necessary warning and he must not fence in any property that is not his own. The terms of a claim must be free from avoidable ambiguity or obscurity and must not be flexible; they must be clear and precise so that the public will be able to know not only where it must not trespass but also where it may safely go.

[27] Further elaboration of this requirement is found in the *Manual of Patent Office Practice* (CIPO) at §16.03, revised March 1998 [*MOPOP*].

ANALYSIS

Purposive Construction

[28] The FA at page 2 characterized the POSITA and CGK as follows:

The skilled person or persons is skilled in the art of betting. The skilled person or persons may also consist of information technology engineers familiar with the design of gaming machines connected through a data network. The skilled person also has knowledge of race games.

As described in the background of the invention it is well known in the art to have systems for wagering on sporting events, such as horse races. Bettors may bet on a particular placing for a particular horse, or may make various combination bets with multiple horses or multiple races (page 1, lines 14-30).

[29] In the R-FA, the Applicant did not dispute these characterizations.

[30] In the PR letter, we wrote about these characterizations:

We preliminarily adopt them with the following interpretations. We interpret “skilled in the art of betting” as meaning that the POSITA understands not only the rules of betting games, but how to implement betting games in computerized equipment. We also preliminarily consider that the POSITA would understand determining pari-mutuel payouts.

[31] In the R-PR, the Applicant did not dispute our interpretations and we proceed on this basis.

[32] The FA at pages 2-3 performed a purposive construction that resulted in a set of essential elements for certain claims according to a previous Patent Office practice, now superseded by *PN2020-04*. We undertake anew the identification of essential elements. As we wrote in the PR letter:

According to *PN2020-04*, a purposive construction considers where the POSITA would have understood the applicant to have intended to place the fences around the monopoly being claimed.

Considering the whole of the specification, the POSITA would understand that there is no use of language indicating that any of the elements in each claim are optional or one of a list of alternatives. Therefore, in our preliminary view, all elements recited in each of the claims are considered to be essential, including the computer-implemented components.

[33] In the R-PR, the Applicant did not dispute this assessment of essential elements and we proceed on this basis.

Meaning of Terms

[34] Purposive construction is also used to construe the meaning of claim terms as understood by the POSITA. In the PR letter, we wrote:

We note that claim 2 on file refers to a step of “measuring actual times”. This term is only mentioned once in the description on file, at page 2, line 24. The description mentions some recording devices for measuring “positions and/or fractional times” on page 13, lines 1-11 in connection with Figure 2, but describes those as optional. For example, the description at page 13, line 1 states that “Intermediate point recording devices 102 *may* be located...” (italics added) within an example embodiment. In our preliminary view, given that the term has no explicit definition, the POSITA would construe “measuring actual times” broadly as measuring by any means. This would include mental means of simply observing a race participant from the start to the intermediate point and counting, and this has an important bearing on the analysis of the claims on file versus the proposed claims (see below).

Additionally, in our preliminary view, the POSITA would construe the term “betting exchange” (appearing for example in claim 22) as a set of betting rules. Exchange-based betting is described on page 16, line 29 – page 17, line 5, as an alternative to pari-mutuel or fixed-odds betting.

[35] In the R-PR, the Applicant did not dispute our construction of these terms and we proceed on this basis.

Patentable Subject-Matter

[36] In the FA at pages 3-4, having identified that the essential elements of the claims were directed to an abstract scheme using the Patent Office’s former approach, the Examiner concluded that the claims encompass subject-matter that lies outside the definition of “invention” and do not comply with section 2 of the *Patent Act*.

[37] Given that our view of essential elements differs from that of the FA, and in view of the updated Patent Office practice, we undertake anew the assessment of patentable subject-matter according to *PN2020-04*. In the PR letter, we wrote:

As described above in the section “Legal Principles and Office Practice” we assess for each claim whether the subject-matter it defines forms a single actual invention having physical existence or causing a discernible physical effect or change.

The independent claims on file are claims 1-3, directed to methods, and claim 28, directed to a system. We analyze claim 2 first, as it explicitly refers to a measurement step, and then look at the differences of other claims with respect to claim 2.

[38] In the R-PR, the Applicant did not dispute this approach and we proceed on this basis.

[39] Claim 2 reads:

A method for betting, comprising:
establishing a first betting option that permits a bettor to place a bet that designates a participant of a race, one of a plurality of designatable points within the course of the race, and a range of times, the race having a plurality of participants, the bet to pay if the designated participant arrives at the designated one of the plurality of designatable points within the designated range of times;
receiving a plurality of bets from bettors, each of the plurality of bets designating respective participants from the plurality of participants, points from the plurality of points, and ranges of times, at least one of the plurality of bets designating a finish of the race as the designated point;
during running of the race, measuring actual times for participants from the plurality of participants designated by the plurality of bets at the designated points; and
determining which of the plurality of bets are winning bets based at least in part upon the measurement of the actual time and corresponding bets,
wherein the bet is associated with a bet matrix, which bet matrix is generated by a computerized betting system by providing a matrix comprising the designatable point and the designated range of times.

[40] In the PR letter, we wrote:

The description at page 2b, lines 11-20 discusses an advantage of the invention: bets may be offered regarding the positions and/or fractional times of particular race participants (such as horses or dogs, for example) at one or more intermediate points in a race event. Thus, more betting events and types of bets are available to customers for each race event.

The elements of the claim that cooperate to provide the new betting option comprise:

- establishing the rules of the new option (abstract scheme);
- receiving bets (receiving data);
- measuring actual times for participants (receiving data);
- generating by a computer a bet matrix (organizing data according to a particular data structure and providing output information); and
- determining winning bets (data processing).

The step of measuring actual times for participants, as discussed above, is construed broadly so as to encompass a mental process, as no physical measuring equipment is claimed.

As noted in *PN2020-04*, the fact that a computer is necessary to put a disembodied idea, scientific principle or abstract theorem into practice does not necessarily mean that there is patentable subject-matter even if the computer cooperates together with other elements of the claimed invention. In *Amazon* (paras 61–63, 66, 69) the court stated that a computer cannot be used to give an abstract idea a practical application satisfying the physicality requirement implicit in the definition of invention in section 2 of the *Patent Act* simply by programming the idea into the computer by means of an algorithm. *Amazon* notes that this was the situation in *Schlumberger Canada Ltd v Commissioner of Patents*, [1982] 1 FC 845 (FCA) at 205-206, where the computer was merely being used to make the kind of calculations it was invented to make.

The computer in claim 2, operating in a well-known manner, is therefore not part of the single actual invention. Rather, the actual invention is the scheme for betting on intermediate times, the receiving of bets, the measurement of intermediate time data, the generation of the bet matrix and determination of winning bets. In our preliminary view, this actual invention is an abstract scheme and does not comply with the definition of “invention” according to section 2 of the *Patent Act*.

Independent claims 1, 3 and 28 are similar to claim 2; however, they do not recite measuring intermediate times. Rather, they recite that the outcome is determined based on whether a race participant reaches an intermediate point within the designated times. They also recite the use of a computer system to perform the data gathering and determination steps. This constitutes a determination based on certain input data and is considered an abstract scheme. Similar to claim 2, the actual invention of these claims is directed to an abstract scheme. In our preliminary view, these claims are not directed to patentable subject-matter.

We further note preliminarily, that independent claims 1-3 are explicitly directed to a method for betting. This seems to address the act of betting. This language is problematic, because as noted in *MOPOP* at §17.03.09 (revised November 2017), a manner of playing a game is considered by the Patent Office to be non-statutory.

Dependent claims 4, 5 and 29 recite a length between the starting point and an intermediate point and do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Dependent claims 6 and 30 recite betting options and do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Dependent claims 7-10 and 31-32 recite details of the betting matrix and do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Dependent claims 11-12 and 33 recite details of how a winning bet is determined. These details do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Dependent claims 13 and 34 recite additional betting options and do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Dependent claims 14-15 and 35 recite additional options to bet on the finish of the race and do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Dependent claims 16-19 and 36-37 recite the formation of betting pools and do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Dependent claims 20-21 and 38 recite the determination of bet payouts and do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Dependent claims 22-23 and 39 recite receiving bets at a betting exchange. In our preliminary view, a betting exchange is a set of betting rules, as construed above, and these claims do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Claims 24-26 recite making determinations based on race timing and do not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

Claim 27 recites that there could be a plurality of participants and does not add any steps that are physical, but rather is a refinement of the abstract scheme identified in the independent claims.

Claim 40 recites a pari-mutuel pool at a remote location and does not add any steps that are physical, but rather are refinements of the abstract scheme identified in the independent claims.

[41] In the R-PR, the Applicant did not dispute the above analysis. We maintain the position taken in the PR letter that all claims on file do not meet the physicality requirement for patentable subject-matter according to *PN2020-04* and do not comply with the definition of “invention” according to section 2 of the *Patent Act*.

Indefiniteness

[42] In the PR letter, we wrote:

The FA considered claim 34 to be defective according to subsection 27(4) of the *Patent Act* because claim 34 is directed to a system while depending on claim 18 which is directed to a method. We preliminarily agree. It appears that the Applicant may have intended claim 34 to depend on system claim 28.

[43] In the R-PR the Applicant did not dispute our conclusion, which we maintain. The Applicant submitted proposed claim set-2, which addresses this defect.

PROPOSED AMENDMENTS AND CLAIMS

[44] Having found the claims on file to be defective, we now consider the latest proposed amendments: proposed description amendments submitted with the R-FA and proposed claim set-2 submitted with the R-PR. We do not further analyze proposed claim set-1, as only the latest proposed claims are considered. Proposed claim set-2 corrects clerical and antecedent matters that were noted in the PR letter having regard to proposed claim set-1.

New Matter

[45] The SOR took the position that the proposed amendments to the description and proposed

claim set-1 would introduce new matter not originally disclosed:

Proposed amendments to the description and claims have been made to include the following new features: “during running of the race, measuring by devices located at each of the plurality of designable points within the course of the race actual times for the participants designated by the bets at the designated points”. However, these features are not present in the originally filed specification.

[46] As we wrote in the PR letter:

In our preliminary view, these elements are present in the originally-filed specification. The original description refers to recording devices to determine intermediate times for race participants at page 13, lines 1-11 as well as Figure 2, label 102. These elements are also described in the specification on file at the same location and support the proposed amendments. Therefore, in our preliminary view, no new matter would be added by these proposed amendments, and they would comply with subsection 38.2(2) of the *Patent Act*.

[47] In the R-PR the Applicant did not dispute our conclusion regarding new matter. We maintain that the amendments to the description proposed with the R-FA would not constitute new matter and would comply with subsection 38.2(2) of the *Patent Act*. With respect to the claims, we were writing in the PR letter about proposed claim set-1; however, the above analysis applies equally to proposed claim set-2, which in our view would comply with subsection 38.2(2) of the *Patent Act*.

Patentable Subject-Matter

[48] All of independent claims 1-3 and 7 of proposed claim set-2 recite the element “during running of the race, measuring by devices located at each of the plurality of designable points within the course of the race actual times for the participants designated by the bets at the designated points”.

[49] In our view, the measurement devices are not new matter, as discussed above.

[50] Additionally, in our view, the step of the betting and payout determination process and the computer system that implements them form a single actual invention in combination with the use of the measurement device at the race event. That single actual invention, by virtue of the use of the measurement device to record intermediate race results, is “something with physical existence, or something that manifests a discernible effect or change” (*Amazon* at para 66). In comprising the use of the computer betting system cooperating

with the measurement devices at a race event, the actual invention of these claims also relates to the manual or productive arts.

- [51] The subject-matter of these claims would therefore comply with section 2 of the *Patent Act*, and is not prohibited subject-matter under subsection 27(8) of the *Patent Act*. The subject-matter of the dependent claims of proposed claim set-2 also complies by virtue of their dependence on the independent claims.

Indefiniteness

- [52] The FA considered proposed claim set-1 defective in that:

In claim 1 line 10 "better" should read "bettor".
The following terms lack antecedents:
"the computing device" (claim 7)
"the participants" (claims 3, 7)
"the bets" (claims 3, 7).

- [53] In the PR letter we wrote:

In our preliminary view, the term "better" is a simple typographic error. The terms "the participants" and "the bets" have implied antecedents. Only the term "the computing device", in proposed claim 7, which may have been intended to be a reference to the antecedent term, "a computer betting system", constitutes an indefiniteness defect according to subsection 27(4) of the *Patent Act*.

- [54] In the R-PR, the Applicant did not dispute our analysis, but submitted proposed claim set-2. We note that proposed claim set-2 successfully overcomes the indefiniteness defect of the claims on file and would comply with subsection 27(4) of the *Patent Act*.

Conclusion Regarding the Proposed Description Amendments and Proposed Claim Set-2

- [55] In our view proposed claim set-2 accompanied by the amendments to the description proposed with the R-FA would meet all requirements of the *Patent Act* and *Patent Rules*.

CONCLUSION AND RECOMMENDATION OF THE BOARD

- [56] For the reasons set out above, we recommend that the Applicant be notified, in accordance with subsection 86(11) of the *Patent Rules*, that the following amendments are necessary for compliance of the application with the *Patent Act* and *Patent Rules*:

- the deletion of the claims on file;
- the insertion of claims corresponding to proposed claim set-2; and
- the substitution of the description pages proposed with the R-FA.

Howard Sandler

Member

Liang Ji

Member

Lewis Robart

Member

DECISION OF THE COMMISSIONER

[57] I concur with the conclusion and recommendation of the Board. In accordance with subsection 86(11) of the *Patent Rules*, I hereby notify the Applicant that the following amendments and only the following amendments must be made in accordance with paragraph 200(b) of the *Patent Rules* within three (3) months of the date of this decision, failing which I intend to refuse the application:

- the deletion of the claims on file;
- the insertion of claims corresponding to proposed claim set-2; and
- the substitution of the description pages proposed with the R-FA.

Virginie Ethier
Assistant Commissioner of Patents

Dated at Gatineau, Quebec

this 21st day of April 2021