Court File No. A-435-10
(T-1476-09)

FEDERAL COURT OF APPEAL

BETWEEN:

THE ATTORNEY GENERAL OF CANADA and THE COMMISSIONER OF PATENTS

Appellants

- and -

AMAZON.COM, INC.

Respondent

MOTION RECORD

(Motion to Intervene on behalf of the Canadian Life and Health Insurance Association Inc. and the Canadian Bankers Association)

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TAB 1

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FEDERAL COURT OF APPEAL

B E T W E E N:

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NOTICE OF MOTION

TAKE NOTICE THAT the Canadian Life and Health Insurance Association Inc. ("CLHIA") and the Canadian Bankers Association ("CBA", collectively the "Proposed Interveners") will jointly make a motion to the Court in writing under Rule 369 of the *Federal Courts Rules*.

THIS MOTION IS FOR an Order pursuant to Rule 109 of the *Federal Courts Rules* in particular:

1. granting the Proposed Interveners leave to jointly intervene in this appeal;

2. permitting the Proposed Interveners to file a joint memorandum of fact and law, not exceeding 30 pages in length, in this appeal;

3. granting the Proposed Interveners leave to jointly present 30 minutes (or such other amount of time as this court finds useful) of oral argument at the hearing of this appeal; and

4. setting out such other directions on the procedure for and extent of intervention of the Proposed Interveners as this Court deems appropriate.

THE GROUNDS FOR THIS MOTION ARE:

5. Both the life and health insurance and banking industries play a significant role in Canada.

6. The CLHIA was established in 1894 as a voluntary trade association and represents the collective interests of life and health insurers. Today, the CLHIA's membership accounts for 99 per cent of the life and health insurance in force in Canada. The life and health insurance industry provides employment to about 132,000 Canadians and manages assets of $475 billion on behalf of Canadian policyholders and annuitants.

7. The CBA was incorporated in 1901 by a Special Act of Parliament. It works on behalf of 51 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 260,000 employees. Banks are significant participants in the Canadian financial industry – in total, CBA members manage close to $3.1 trillion in assets.

8. The Proposed Interveners are representative bodies with public policy mandates. These mandates have, for many years, been carried out through submissions to, and consultations with, government officials and industry regulators as well as intervention in court proceedings that are of great importance to their industries.

9. Both parties have previously made representations to government bodies with respect to patentable subject matter as it relates to their industries.

Decision Under Appeal

10. On October 14, 2010 the Honourable Mr. Justice Phelan rendered a decision in Court File No. T-1476-09 wherein the content of the Respondent's Canadian patent application

entitled "Method And System For Placing A Purchase Order Via A Communication Network" was found to constitute patentable subject matter.

Leave to Intervene

11. The CLHIA and CBA jointly seek leave to intervene in this appeal pursuant to Rule 109 of the Federal Courts Rules.

12. The Proposed Interveners have an interest in the appeal as their members stand to be adversely affected by the trial decision if it is affirmed.

13. The Proposed Interveners will make submissions that are useful and different from those of the parties and will offer a perspective that is not otherwise available to the Court.

The Proposed Interveners have an Interest in the Appeal

14. This Appeal involves significant legal and public policy issues related to what constitutes proper subject matter under Section 2 of the *Patent Act* and the proper legal approach to be carried out in determining questions of subject matter patentability. This case is widely recognized to be the test case on the question of the patentability of business methods in Canada.

15. The questions to be decided on this appeal extend beyond the interests of Amazon.com: The answer to these questions will decide not only the fate of Amazon.com's patent application, but the fate more generally of many of the applications that are commonly referred to as business method patents.

16. The Proposed Interveners believe that the net result of the Amazon.com Decision would be to allow the patenting of ideas, or mental steps, such as many of the methods and steps involved in the creation, use and analysis of financial data, methods for managing financial portfolios and investments, methods for creating and managing insurance contracts, methods used to calculate risk or to analyze actuarial, mortgage or underwriting data, financial models and investment strategies and methods for conducting on-line banking. Many of these pure mental steps would seem to be converted

into patentable subject matter simply by the insertion of incidental or known computer tasks as part of the patent claim.

17. Therefore, almost all aspects of the operation of a bank or insurance company, including its internal operations and its dealing with retail and commercial customers, will be affected by this Court's decision in the Amazon.com Appeal.

18. If intangible ideas and schemes that insurance companies, banks, and their subsidiaries use to carry on business are subject to patenting by many different parties, an elaborate thicket of permissions could be required whereby each bank and broker, regardless of institution or asset size, would need to negotiate a full portfolio of licenses in order to carry on business, or worse, perhaps would not even be able to obtain such licenses. The effect would likely be twofold: to increases costs to the end user and to erect a formidable barrier to entry to new firms, thus stifling competition and service in the financial services marketplace.

The Proposed Interveners' submissions will assist the Court

19. The Proposed Interveners have a relevant, useful and "hands on" perspective on the potential effect that the Court's decision could have on industries such as theirs. These perspectives have not been addressed by the Appellants on this appeal.

20. While the Appellants have addressed some of the policy implications of the issues under appeal, they have addressed them only from the perspective of their application to the Amazon.com application or from a broad policy and theory perspective. The implications of the issues under appeal on the financial services industries and other industries using computer implemented methods have not been acknowledged, let alone addressed. It will be of assistance to the Court to consider these implications when considering the proper approach to statutory subject matter in the business method area.

21. In the absence of the Proposed Interveners, the Court will be left to consider questions of patentability under section 2 of the *Patent Act* only from the perspective of the parties to the proceeding: the Attorney General of Canada (a Government entity with a public interest mandate, but without any specific industry mandate); and Amazon.com (a retail

entity with a narrow commercial self-interest, but no public interest or public policy mandate). The CLHIA and CBA have both a public policy mandate and a broad industry sector commercial interest at stake.

22. The Proposed Interveners consider that their most useful function would be to address the practical consequences of the test for patentable subject matter under review in this case, in particular with in respect of the financial services industry and other services industries. The Proposed Interveners hope that, by their intervention, the Court will have the opportunity to test its approach against the practical applications that such an approach would have in given situations and to review the wider implications and unintended consequences on other stakeholders whose businesses stand to be affected by the patenting of business methods.

23. This appeal involves a thorny issue which has troubled the courts in the U.S. for forty years and has resulted in many changes in the articulation of what is and what is not proper subject matter, most recently in a major restatement of the appropriate standard which has now been decided by the Supreme Court of the United States in the *Bilski* case. There are few if any cases on this issue in Canada. This Court has the opportunity to articulate and explain the law, which articulation and explanation will have significant business ramifications, perhaps for many years to come.

24. The Proposed Interveners do not intend to file any evidence in the appeal itself and their participation in argument can be limited to provide for the participation that the court finds useful.

25. The Proposed Interveners do not seek costs of this motion, nor should costs be awarded against them.

26. The Proposed Interveners rely on Rules 3, 109 and 369 of the *Federal Courts Rules*.

THIS FOLLOWING DOCUMENTARY EVIDENCE will be relied on in support of this motion:

1. affidavit of Frank Zinatelli sworn March 15, 2011;

2. affidavit of William Randle sworn March 15, 2011;

3. the appeal book; and

4. such further and other material as counsel may advise and this Honourable Court may permit.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 16th day of March, 2011.

Ogilvy Renault LLP per BWGray

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Court File No: A-435-10

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NOTICE OF MOTION

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TAB 2

Court File No. A-435-10

FEDERAL COURT OF APPEAL

BETWEEN:

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AFFIDAVIT OF FRANK ZINATELLI

I, Frank Zinatelli, Barrister and Solicitor, of the City of Oakville, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the Vice President, Legal Services and Associate General Counsel of the Canadian Life and Health Insurance Association, Inc. ("CLHIA"). I have served in this role since October 2007 and have been employed by the CLHIA since 1987. As such, I have knowledge of the matters to which I depose in this affidavit. Where I identify information in this affidavit as having been provided to me by another person, I believe the information to be true.

The History and Mandate of the CLHIA

2. The CLHIA was established in 1894 as a voluntary trade association and represents the collective interests of life and health insurers. The CLHIA's membership accounts for 99 per cent of the life and health insurance in force in Canada.

3. The life and health insurance industry plays a significant role in Canada. In 2009, more than 26 million Canadians were protected by products issued by CLHIA members. CLHIA members work with over 86,000 insurance agents to provide Canadians with retirement plans and financial advice, including products such as life insurance, annuities, RRSPs, critical illness and disability insurance. CLHIA members work with employers to protect workers and their families with supplementary health care benefits such as dental, vision and drug coverage. CLHIA members administer the majority of Canada's pension plans. In 2009, CLHIA members paid almost $59 billion in benefits to Canadians. The industry provides employment to about 132,000 Canadians (including insurance agents) and manages assets of $475 billion on behalf of Canadian policyholders and annuitants.

4. Canada's life and health insurance companies also play a significant role internationally providing coverage to more than 40 million persons outside of Canada. Three of Canada's life insurance companies are among the ten largest life insurers in the world. Many life and health insurance companies perform administrative functions in Canada for some of their international operations.

5. The CLHIA is actively engaged in the development of law and public policy, regularly making submissions to help policymakers understand the impact of decisions on consumers of financial services and insurance, including thousands of employers. Its mandate includes promoting a proper understanding of the industry and its dynamics to all branches of government, and to the Canadian public. Attached as **Exhibit "A"** is a representative list of public policy matters on which the CLHIA has made representations to government since 2010.

6. The CLHIA has made submissions on the topic of the scope of patentable subject matter. These submissions include:

(a) Comments provided by letter dated September 8, 2009 to the Canadian Intellectual Property Office on the proposed changes to Chapters 12 and 13 of the Manual of Patent Office Practice, a copy of which is attached as **Exhibit "B"**;

(b) A Response to the Competition Policy Review Panel dated January 11, 2008 on the Consultation Paper, "Sharpening Canada's Competitive Edge", a copy of which is attached as **Exhibit "C"**; and

(c) A letter dated February 8, 2008 to the Director General of the Marketplace Framework Policy Branch of Industry Canada, a copy of which is attached as **Exhibit "D"**.

7. Recognizing the importance of this case, the CLHIA, together with a number of other individual banks and insurance companies, sought leave to intervene on the earlier appeal to the Federal Court from the decision of the Patent Appeal Board. However, leave to intervene was denied.

8. Engaging in development of the law as it affects public policy includes intervening in court proceedings that are of great importance to the life and health insurance industry and consumers of insurance products. The CLHIA seeks leave to intervene selectively and rarely. A decision is made to seek leave only where a case raises an issue of significant national importance affecting the industry at large, transcending the competitive relationship between the CLHIA's members, and where the CLHIA considers that a significant legal error has occurred which could have important ramifications beyond the particular case involved.

9. Guided by these principles, the CLHIA has previously sought and obtained intervener status in the following cases:

(a) *Co-operators Life Insurance Co. v. Gibbens*, [2009] 3 S.C.R. 605 (regarding the expansion of the definition of "accident" in accident insurance policies to include ailments acquired in the ordinary course of events);

(b) *Canadian Western Bank v. Alberta* (2003), 343 A.R. 89 (Q.B.) and (2005), 361 A.R. 112 (C.A.) (regarding the constitutional authority of a province to apply its insurance laws to federally regulated banks that distribute insurance);

(c) *Bank of Nova Scotia v. Canada (Superintendent of Financial Institutions)* (2001), 95 B.C.L.R. (3d) 327 (S.C.) and (2003), 11 B.C.L.R. (4th) 206 (C.A.) (also regarding the constitutional authority of a province to apply its insurance laws to federally regulated banks that distribute insurance); and

(d) *Cooperants, Mutual Life Insurance Society (Provisional Liquidator of) (Re)*, [1993] J.Q. no 1203 (C.A.) (regarding the characterization of contracts issued by a life and health insurer as annuities).

10. The CLHIA's decision to seek leave to intervene in the present appeal of the October 14, 2010 decision of The Honourable Mr. Justice Phelan (the "Amazon.com Decision") was made after careful consideration and consultation with its member companies. The CLHIA seeks leave because the Federal Court of Appeal will be considering issues that will have a significant impact on the life and health insurance industry and its consumers and because these are issues that the proposed interveners are ideally suited to address. Both of these reasons are described more fully in the paragraphs which follow.

CLHIA's Interest in this Appeal

11. CLHIA appreciates that what is at issue on this appeal is whether the invention claimed in Amazon.com's Canadian Patent Application No. 2,246,933 (referred to as the "one-click patent application") is patentable under section 2 of the *Patent Act*. The abstract for the one-click patent application prepared by the applicant describes the invention claimed therein as follows:

> "A method and system for placing an order to purchase an item via the Internet. The order is placed by a purchaser at a client system and received by a server system. The server system receives purchaser information including identification of the purchaser, payment information, and shipment information from the client system. The server system then assigns a client identifier to the client system and associates the assigned client identifier with the received purchaser information. The server system sends to the client system the assigned client identifier and an HTML document identifying the item and including an order button. The client system receives and stores the assigned client identifier and receives and displays the HTML document. In response to the selection of the order button, the client system sends to the server system a request to purchase the identified item. The server system receives the request and combines the purchaser information associated with the client identifier of the client system to generate an order to purchase the item in accordance with the billing and shipment information whereby the purchaser effects the ordering of the product by selection of the order button."

12. In the Amazon.com Decision, Phelan J. described the invention at issue in the following manner:

> "The claimed invention further enables internet shopping. The customer visits a website, enters address and payment information and is given an identifier stored in a "cookie" in their computer. A "server" (a computer system operating a commercial website) is able to recognize the "client" (customer computer with the identifying cookie) and recall the purchasing information which is now stored in the vendor's computer system. The customer can thus purchase an item with a "single click" -

> the order is made without the need to 'check out' or enter any more information."[para. 5]

13. Given the nature of the claimed invention at issue, which involves "a method and system for placing an order to purchase an item via the Internet", and the issues raised by the Attorney General of Canada on appeal, this proceeding is widely acknowledged to be the test case on the question of the patentability of "business methods" in Canada. The issues to be determined on this appeal are: (1) the meaning and scope of the definition of "invention" under section 2 of the *Patent Act* and, in particular, the meaning of the terms "art", "process" and "machine" as categories of patentable inventions; and (2) the approach that should be taken in determining whether the method or system that is the subject of a patent application falls within the definition of "invention" under section 2.

14. Ideas, mental steps, schemes and formulae are not patentable subject matter. CLHIA's understanding is that in Canada methods of doing business have been considered ideas, mental steps or schemes and have not been patentable subject matter. CLHIA is concerned that ideas, mental steps or schemes may be patentable under the Amazon.com Decision.

15. Another key concern of the CLHIA is the apparent ability to circumvent the prohibition on patenting ideas, mental steps, schemes and formulae, by simply having them performed or carried out by a general purpose computer. The Commissioner of Patents stated her concern in this regard in her Decision in this case in the following manner:

> "[129] Before moving on to the next point, we would like to add a further comment. A claimed invention cannot be considered as statutory subject matter if the feature or group of features that make it new and unobvious comprise excluded subject matter. It also follows that a claim which relies on a particular feature or group of features to render it new and unobvious cannot rely on a different feature or group of features in order to qualify as statutory subject matter. For example, in Schlumberger, the Federal Court of Appeal found that what had been discovered was that by making certain calculations according to certain formulae, useful information could be extracted from certain measurements. Thus the claims, which were assumed to be new and inventive, were held to comprise nonpatentable subject matter, which could not be transformed into patentable subject matter merely by relying on a different feature, namely a computer, to carry out those calculations..."

16. Insurance is a form of risk management which involves the transfer of the risk of a loss, from one person to another. Risk is transferred through a legally enforceable contract. Insurance

"products" are at their core legal arrangements which can involve complex ideas, schemes, formulae and calculations, all of which have been considered not to be patentable subject matter since the introduction of the *Patent Act*. Prior to the electronic age, the administration of these legal arrangements was done on paper. Today, the majority of business is administered by computer.

17. The CLHIA is greatly concerned that the Amazon.com Decision seems to provide that patentable subject matter can be obtained by the simple addition of known or incidental computer functions to otherwise unpatentable claims. This decision expands the scope of subject matter patentability and would force the Canadian Intellectual Property Office to grant monopolies on legal constructs, data manipulation or collection, calculations and ideas or methods relating to pure mental processes where these methods are implemented by a computer.

18. The CLHIA believes that the net result of the Amazon.com Decision might be to allow the patenting of ideas, such as the methods and steps involved in the creation of insurance contracts, annuities, payments obligations, contractual promises and legal documents or methods used to calculate risk or to analyze actuarial or underwriting data, simply by the insertion of known or incidental computer tasks as limitations into patent claims. Thus by virtue of the nature of the insurance industry and the products its members sell to consumers, its members are particularly affected by the legal test established in the Amazon.com Decision and this could be extremely disruptive to insurers and their customers.

19. CLHIA is concerned that, if it is not able to participate in the appeal herein, the Court may make a decision which has unintended effects on the insurance industry and insurance consumers which will be discussed below beginning at paragraph 20.

CLHIA Members will be Affected by the Outcome of this Appeal

20. It is the strong belief of the CLHIA that the Court's decision will have ramifications far beyond the Respondent in this case; ramifications which it believes extend to its members as well as all consumers of life and health insurance in Canada. In addition, any business which manipulates, stores or analyses financial data using a computer could be affected by this decision. With $475 billion in Canadian investments, life and health insurers are among the largest investors in the Canadian economy and therefore have a direct interest in laws that could significantly impact the efficiency and competitiveness of Canadian businesses at large.

21. Extending patents which could cover business methods in the financial services field could increase the cost of insurance products and services which could negatively impact the retirement savings, pensions, life and health insurance held by approximately 80% of Canadians.

22. CLHIA believes that there are a significant number of pending patent applications relating to the insurance industry in Canada that might be allowed under the legal test established in the Amazon.com Decision. These exemplify the CLHIA's concern over a test of patentability that allows the patenting of ideas through the addition of incidental or known computer limitations.

23. There is currently litigation in the United States in which insurance-related business method patents are being asserted: Examples include: *Lincoln Nat'l Life Ins. Co. v. Transamerica Fin. Life Ins. Co., No.* 1:04-cv-396-JVB-RBC (N.D. Ind. filed Oct. 21, 2004); *Lincoln Nat'l Life Ins. Co. v. Jackson Nat'l Life Ins. Co.*, No. 1:07-cv-265-JVB-RBC (N.D. Ind. filed Oct. 30, 2007); *Lincoln Nat'l Life Ins. Co. v. Transamerica Life Ins. Co.*, No. 2009-1403, 1491 (Fed. Cir. filed June 16, 2009); *Lincoln Nat'l Life Ins. Co. v. Transamerica fin. Life Ins. Co.*, No. 1:08-cv-135-JVB-RBC (N.D. Ind. filed May 20, 2008); *Sun Life Assurance Co. of Can. (U.S.) v. Lincoln Nat'l Life Ins. Co.*, No. 1:09-cv-10245-GAO (D. Mass. filed Feb. 18, 2009); and *Merrill Lynch Life Ins. Co. v. Lincoln Nat'l Life Ins. Co.*, No. 2:09-cv-158-JVB-RBC (N.D. Ind. filed June 5, 2009).

24. The litigation commenced by Lincoln National Life Insurance Company ("Lincoln National") involves three patents: U.S. Patent No. 6,611,815, entitled "Method and system for providing account values in an annuity with life contingencies"; U.S. Patent No. 7,089,201, entitled "Method and apparatus for providing retirement income benefits"; and U.S. Patent No. 7,376,608, entitled "Method and system for providing retirement income benefits".

25. CLHIA believes that if the Amazon.com Decision is upheld, life and health insurers will face similar litigation in Canada and, in the meantime, there will be uncertainty concerning the proper standards governing such patents. Given the few cases which have previously addressed these issues in Canada, there could be uncertainty and confusion for many years.

26. Lincoln National has two patent applications pending in Canada:

a) Canadian patent application number 2,691,173 has a first independent claim as follows:

1. A computerized method for administering an investment account having an income or withdrawal guarantee and a long term care guarantee, comprising the steps of:

establishing an investment account having an account balance; using a computer, allocating a first portion of the account balance to fund a long term care benefit having a long term care benefit guarantee;

allocating a second portion of the account balance to fund an income or withdrawal benefit having an income or withdrawal benefit guarantee;

determining an amount of a periodic long term care benefit available for payment of long term care benefit claims under the long term care benefit guarantee; and

determining an amount of a periodic income or withdrawal benefit available for distribution under the income or withdrawal benefit guarantee.

b) Canadian patent application number 2,568,240 has a first independent claim as follows:

1. A method of administering income distributions from an employer-sponsored retirement plan having a participant account value, comprising the steps of:

providing an option to a plan participant to elect a lifetime payout funded by at least a portion of the participant's account value;

providing an option to the participant to elect an access period during which the participant maintains control over said portion of the participant's account value;

transferring said portion of the participant's account value into a group annuity contract;

determining an initial benefit payment under the terms of the group annuity contract;

determining a subsequent benefit payment; and paying the initial and, subsequent benefit payments to the participant.

27. The claim in Canadian patent application 2,691,173 demonstrates the CLHIA's concern over the ability to patent insurance-related ideas, schemes and arrangements, through the simple assertion of a limitation such as "a computerized method for...". In addition, without clear guidelines, claims such as those in Canadian patent application 2,568,240 could easily be manipulated to monopolize ideas implemented by computer.

28. The costs associated with patent litigation, such as the litigation which is already underway in the United States, includes not only the attendant legal fees, but also costs associated with clearing the right to adopt methods used in the financial services business when implemented by computer. In addition, financial institutions will be forced to try to patent these same things as a defensive measure, or to improve their bargaining position. These costs will be borne by the insurance industry which will experience higher costs of doing business. These costs will inevitably be passed on to the consuming public through higher rates for life and health insurance coverage and through lower investment returns on retirement savings. From the CLHIA's perspective, despite the increase in cost, there will be absolutely no concomitant benefit to consumers.

29. Further, given the role that the CLHIA's members play internationally, the CLHIA is concerned that expanding the scope of patentability beyond that which is available in other countries (as CLHIA believes the Amazon.com Decision has done) creates risk and places Canadian insurance companies at a competitive disadvantage internationally.

The CLHIA's Unique Perspective

30. The CLHIA's submissions will provide a different perspective from what it anticipates will be the submissions of the parties on the appeal, in the following respects:

(a) Representative perspective: The CLHIA speaks on behalf of the life and health insurance industry in Canada, and would bring an industry perspective to this appeal. It can speak to the broader significance of the issues before the Court for insurers and its consumers nationwide including thousands of employers offering health benefit and retirement savings plans.

(b) Expertise and relevant insight: The CLHIA has extensive expertise about insurance products and methods and can provide meaningful insight regarding the public policy concerns of the insurance industry and the consequences of this Court's consideration of the issues under appeal as they apply to the methods and products commonly developed by the Canadian life and health insurance industry. In addition, the CLHIA believes that these insights will have relevance to other industries using a large amount of computer implemented data and analytics.

(c) Different perspective: The CLHIA provides a perspective that is different from that of the Respondent and the Appellants.

31. In the absence of the CLHIA, the Court will be left to consider questions of patentability under section 2 of the *Patent Act* only from the perspective of the parties to the proceeding: the Attorney General of Canada (a Government entity with a public interest mandate, but without any specific industry mandate); and Amazon.com (a retail entity with a narrow commercial self-interest, but no public interest or public policy mandate). The CLHIA has both a public policy mandate and a broad industry sector commercial interest at stake.

Prejudice to the CLHIA if Leave to Intervene were to be Denied

32. CLHIA's members feel strongly that the result of this appeal could have a very significant impact on both consumers and on the life and health insurance industry more broadly.

33. The pervasiveness of concern about this case across the entire industry is what has led the CLHIA to take the uncommon step of seeking leave to intervene before the Court.

34. Neither the CLHIA nor, to my knowledge, its members have pending litigation of their own in which these issues can be addressed.

35. The CLHIA notes that intervener status has previously been granted in Canada in cases involving issues of subject matter patentability: in *Harvard College v. Canada (Commissioner of Patents)* 2002 SCC 76 ("Harvard Case"), there were 12 interveners at the Supreme Court of Canada (Canadian Council of Churches, Evangelical Fellowship of Canada, Canadian Environmental Law Association, Greenpeace Canada, Canadian Association of Physicians for the Environment, Action Group on Erosion, Technology and Concentration, Canadian Institute for Environmental Law and Policy, Sierra Club of Canada, Animal Alliance of Canada, International Fund for Animal Welfare Inc. and Zoocheck Canada Inc.). At the Court of Appeal level, in the Harvard Case, intervener status was granted to the Canadian Environmental Law Association by this Court. In *Bilski v. Kappos*, 130 U.S. 3218 (2010), the recent case in the United States in which the issue of the patentability of business method patents was considered by the United States Supreme Court, the American Insurance Association appeared as Amicus Curiae.

36. The CLHIA therefore respectfully requests leave to intervene, so that it may participate in informing the decision-making in this critical case.

Proposed Legal Argument and CLHIA position

37. The CLHIA will articulate a legal test that will be different in emphasis and viewpoint than the test of either of the parties but which will also be consistent with prior Canadian case law on patentable subject matter. Because the CLHIA is interested in mental steps such as risk management or actuarial calculations when implemented by computer, the CLHIA can help articulate a legal test which counterbalances the legal test proposed by Amazon.com and established in the Amazon.com Decision.

38. The CLHIA intends to provide a legal argument on the questions on appeal that is different from that proposed by the parties to the appeal. An outline of that argument will be provided by our legal counsel in the Written Representations accompanying the CLHIA's motion to intervene. This outline has been approved by working groups of the CLHIA and the CBA and represents the collective position of the CLHIA and the CBA and their members on the issues to be determined on the appeal.

Scope of CLHIA's Proposed Role as Intervener

39. This affidavit is filed on a motion which is brought jointly with the Canadian Bankers Association ("CBA").

40. CLHIA and CBA are requesting that they be granted leave to file a joint Memorandum of Fact and Law no longer than 30 pages in length, and that they be permitted to jointly make 30 minutes of oral submissions at the hearing of the appeal.

41. CLHIA will not seek costs against any party and asks that it not be held liable to any party for costs.

SWORN BEFORE ME at the City of Toronto, on the 15th day of March, 2011.

Radha Subramanian

Commissioner for taking affidavits

F. Zinatelli

FRANK ZINATELLI

Radha Subramanian, a Commissioner etc., Province of Ontario, while a student-at-law. Expires May 1, 2012.

TAB A

This is **Exhibit "A"** referred to in the
Affidavit of Frank Zinatelli
sworn before me this
15th day of March, 2011

Radha Subramanian

A Commissioner, etc.

Radha Subramanian, a
Commissioner etc., Province of Ontario,
while a student-at-law.
Expires May 1, 2012.

Representative list of public policy matters on which the CLHIA made representations to government since 2010

1. CLHIA Submission to Department of Finance Canada on its 2012 Review of Federal Financial Institutions Legislation;

2. CLHIA Response to Financial Literacy Task Force;

3. CLHIA Submission to the Task Force on Payments System Review;

4. CLHIA's Fall 2010 "Policy Paper on Protecting Canadians' Long Term Disability Benefits";

5. The Office of the Superintendent of Financial Institutions on a variety of issues, including its consultations on "Guideline B3, Sound Reinsurance Practices and Procedures" and its "Guidance for Reinsurance Security Agreements";

6. Office of the Privacy Commissioner of Canada consultations on new technologies, including (i) online tracking, profiling, and targeting of consumers and (ii) cloud computing;

7. Alberta and British Columbia officials on amendments to, and the development of regulations to be made under, the *Insurance Acts* of those provinces; and

8. Federal and provincial governments regarding the expansion of coverage, adequacy and security of pension and retirement savings, specifically:

    a. CLHIA's April 2010 Submission to the Finance Department of Alberta on Retirement Savings;

    b. CLHIA's November 2010 response to Ontario's Consultation on "Securing Our Retirement Future";

    c. CLHIA's December 2010 letter to Ontario officials on Bill 135, "Helping Ontario Families and Managing Responsibility Act, 2010"; and

    d. CLHIA's January 2011 Submission to the Prince Edward Island Department of Justice and Public Safety on its "Bill 30 Pension Benefits Act Consultation".

TAB B

This is **Exhibit "B"** referred to in the
Affidavit of Frank Zinatelli
sworn before me this
15th day of March, 2011

Radha Subramanian

A Commissioner, etc.

Radha Subramanian, a
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Expires May 1, 2012.

Canadian Life and Health Insurance Association Inc.

Association canadienne des compagnies d'assurances de personnes inc.

September 8, 2009

Chris Evans
Canadian Intellectual Property Office
Place du Portage I
50 Victoria Street
Gatineau QC K1A 0C9

Dear Mr. Evans:

The Canadian Life and Health Insurance Association (CLHIA) is pleased to have the opportunity to provide comments on the proposed changes to Chapters 12 and 13 of the Manual of Patent Office Practice.

Established in 1894, CLHIA represents companies which together account for 99 per cent of Canada's life and health insurance business. The industry, which provides employment to more than 130,000 Canadians and has investments in Canada of more than $410 billion, protects 26 million Canadians through products such as life insurance, annuities, RRSPs, disability insurance and supplementary health plans. It pays benefits of over $58 billion a year to Canadians and administers over one-half of Canada's pension plans.

To begin, we commend the Commissioner of Patents and the Patent Office for the hard work and reflection which has gone into the proposed amended chapters. We believe that these chapters accurately reflect the state of the Canadian law on patentable subject matter and provide useful guidance for Canadian industry.

We agree that a statutory method, such as an "art or process", must be an act or series of acts performed by some physical agent upon some physical object and producing in that object some change of either character or condition. We also agree that whether or not a method produces a statutory product is not determinative of whether or not the method is statutory.

Similarly, we agree that a process implies the application of a method to a material or materials, and a statutory process must by necessity apply a statutory method. We agree that a process can be considered to be a mode or method of operation by which a result or effect is produced, by physical or chemical action, by the operation or application of some element or power of nature on one substance to another.

Further, we agree that inventions must take a practical form and not be ideas. We agree that a disembodied idea is not capable of interacting with the physical world to solve a practical problem. Inventions must relate to a field of technology and that inventions that solve problems outside of a field of technology are not patentable.

.../2

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Finally, we believe that increasing focus on the contribution contained in a claim during examination will result in applicants obtaining higher quality and stronger patents. We believe that the approach suggested in Chapter 13 in respect of claims which include both statutory and non-statutory elements is the right one. The contribution analysis should focus on whether or not there is patentable subject matter in the statutory part of the claim. We believe that a focus on the inventiveness of the statutory contribution claimed will also improve drafting and patent prosecution practices that are currently overly focused on form.

Again, we commend the Commissioner and the Office for providing this clarity and for dedicating the time and resources that would have been necessary to create such a comprehensive document.

Should you have any questions or require further information, we would be pleased to hear from you.

Yours very truly,

"Original signed by F. Zinatelli"

Frank Zinatelli
Vice President, Legal Services and Associate General Counsel

TAB C

This is **Exhibit "C"** referred to in the
Affidavit of Frank Zinatelli
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15th day of March, 2011

Radha Subramanian

A Commissioner, etc.

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Canadian Life
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Association canadienne
des compagnies d'assurances
de personnes inc.

Response to the

Competition Policy Review Panel

Consultation Paper
Sharpening Canada's Competitive Edge

by the

Canadian Life and Health Insurance Association Inc.

January 11, 2008

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I. INTRODUCTION

The Canadian Life and Health Insurance Association Inc. (CLHIA) is pleased to have this opportunity to contribute, on behalf of the industry, comments in response to the Competition Policy Review Panel's Consultation Paper *Sharpening Canada's Competitive Edge*.

Established in 1894, the CLHIA is a voluntary association whose member companies account for 99 per cent of Canada's life and health insurance business. The industry supports the Panel's mission to provide recommendations to the government on how to enhance Canadian productivity and competitiveness in a fast-changing global economic environment.

Canadians buy their life and health insurance in a highly competitive marketplace, with 106 life and health insurers from Canada, the United States, Britain, and other countries operating in the country. At the same time, Canadian-owned firms represent over 80 per cent of the marketplace, demonstrating that this remains a predominantly Canadian-owned and operated industry.

Canada's life and health insurance industry has built on its domestic base to expand worldwide since before Confederation. Today, the industry provides one of Canada's most important exports with Canadian life and health insurance companies operating branches and subsidiaries in more than 20 countries around the globe. The three largest Canadian life and health insurers are now in the top 10 in the world, measured by market capitalization.

Canada's life and health insurance industry is in the business of personal financial security — helping to protect individuals, their families and their businesses against the financial risks relating to premature death, illness, involuntary job loss and retirement. The industry provides a wide range of financial security products to about 24 million Canadians from all walks of life and different age groups. The industry pays out about $53 billion a year — over $1 billion a week — to Canadians for benefits related to life and health insurance and

annuity contracts. Of this, 90 per cent goes to living policyholders in the form of annuity, disability and "living" benefits; reimbursement for health care costs; dividends; cash surrender values; and matured endowments. The balance goes to beneficiaries' death claims.

A key characteristic of Canada's life and health insurance industry is the intense competition among its participants. At the same time, it is essential to emphasize that this intense competition is not at the expense of the industry's financial strength. In the 2006-2007 Annual Report of the Office of the Superintendent of Financial Institutions (OSFI), for example, it is stated that the life insurance industry is well capitalized, with capital ratios (MCCSR ratios) averaging 235 per cent for Canadian life insurers for 2006, significantly above OSFI's target capital level of 150 per cent. The strength of the Canadian life insurance industry is also attested to by Standard & Poor's and by Moody's.

The industry is a significant investor in every region of Canada and a key source of long term investment capital for both the public and private sectors. More than $400 billion of assets are held in Canada, primarily in government and corporate bonds, corporate stocks, mutual funds, and commercial and residential mortgage loans. The industry is a major employer, with companies that are headquartered in all regions from coast to coast and over 120,000 Canadians earning some or all of their income from the industry.

Given the importance of the life and health insurance industry to the Canadian economy and its need to maintain its competitiveness internationally, the industry is pleased that the Competition Policy Review Panel is taking up this important work and providing stakeholders the opportunity to comment.

II. INDUSTRY PERSPECTIVES AND RECOMMENDATIONS

A. PROMOTING INTERNATIONAL COMPETITIVENESS

The high degree of international competitiveness of Canada's life and health insurance industry has a number of important benefits to the Canadian economy: the creation of jobs — many functions in the head offices of Canadian insurers with foreign operations relate in whole or in part to their foreign business; contribution to the continued financial strength of the industry; technological innovation; the fostering of Canada's good name and image abroad; and assistance in opening the door to other industries and other sectors seeking to break into those markets where life and health insurers already have a stronghold.

Canadian life and health insurers represent one of Canada's international success stories. The industry's major companies are widely acknowledged as global leaders and have established a strong presence in foreign markets in over 20 countries — in the United States, Europe, and Asia. In 2006, for example, Canadian life and health insurers received 56 per cent of their worldwide premiums from outside Canada and held 56 per cent of their worldwide assets in foreign jurisdictions.

The industry is generally pleased with the extent to which Canada's public policy framework is supporting its international competitiveness. However, it wishes to make note of the following areas and recommendations respecting competitiveness for the industry in the global marketplace.

1. Promoting Canadian Investment Abroad

a. Opening Foreign Markets

The continued growth of Canadian life and health insurers in exporting their insurance expertise abroad is dependent on foreign governments opening their markets to Canadian companies and allowing them to operate under the same rules as their domestic companies. Canada has adopted a principle of 'national treatment' as a

general policy and should continue to support this principle. Canada should also be promoting this concept internationally. Therefore, it is essential that Canada participate actively in bilateral and multilateral trade deals that promote Canadian industry interests. More specifically, in the present Doha Round negotiations of the World Trade Organization (WTO), it is important that there be a successful outcome to the inclusion of a services agreement. Services interests should in no way be held hostage by other negotiations.

The industry recommends that the federal government participate actively in bilateral and multilateral trade deals that promote industry interests and priorities; and that it push for the inclusion of a meaningful services agreement in the current Doha Round of negotiations of the WTO.

b. Supporting Trade and Development

The continued federal and provincial government support in the form of trade policy and special undertakings such as trade missions, as well as assistance from Canadian embassy and consulate staff around the world, are integral to gaining the confidence of foreign governments in markets where the industry is seeking to enter or expand. Canadian life and health insurers operating in foreign markets have been well-served in the past by the support, knowledge and expertise provided by trade and finance officials in our embassies and in departmental offices in Canada. The industry applauds this support and encourages government to continue to provide the level of service required to allow Canadian businesses to continue to thrive and grow in foreign markets.

In addition, Canada has been a world leader in providing technical support for countries that are developing their financial system and regulation. The work of the Toronto Centre for leadership in financial supervision and of Canada's regulators, such as OSFI, to promote international best practices and to raise the overall quality of financial sector regulation is internationally recognized and respected. Canadian life and health insurers can also play an important role in promoting quality regulation through work with various

organizations such as the domestic and international regulatory community and aid agencies such as CIDA.

The industry recommends that the government ensure that Canadian companies operating abroad or expanding into foreign markets are adequately supported by trade and finance experts in Canadian embassies, consulates and missions abroad, as well as providing the necessary support in Canada.

The industry further recommends that the government actively support and promote technical assistance to emerging countries and wherever possible partner with the private sector in encouraging best practices in financial sector regulation.

2. Equal Footing for Canadian Companies

It is essential that Canadian companies carrying on business abroad not be put at a competitive disadvantage vis-à-vis their local or foreign competitors operating in those jurisdictions. Therefore, Canadian regulation must be sensitive to the impact that it may have when Canadian firms are competing abroad. Efforts must be made to ensure that Canadian companies can compete on an equal footing.

Regulation of activity that burdens foreign operations vis-à-vis its competitors will harm business and opportunities for Canadian-owned companies. A possible example may be placing a requirement for adhering to anti-money laundering (AML) rules on Canadian-owned companies that may be significantly more rigorous than those applied to local or foreign competitors. This would put Canadian firms at a significant disadvantage.

As such, the life and health industry supports and promotes risk-based and principles-based approaches to managing how best to achieve required outcomes, which tends to bring a much greater alignment of regulation with good business practice. Promoting and applying a risk-based and principles-based approach, for example to anti-money laundering rules, could contribute to a more level playing field for Canadian firms to operate abroad.

As another example, it is important to maintain tax rules that help to promote Canadian operations abroad. For instance, the anti-tax-haven measures implemented by the federal government late last year will make acquisitions of foreign businesses more costly for Canadian insurance companies (and other corporations) and put them at a significant disadvantage to those from other countries who have greater access to interest deductibility for their investments in foreign affiliates. This will limit the ability of Canadian companies to expand internationally and diversify their business, which in turn could adversely impact their risk profile and profitability. As noted above, Canadian life and health insurers have had considerable success in international markets and now derive 56 per cent of their overall premium income from outside Canada. This success has been hard earned over more than a century. But it cannot be taken for granted as major corporations from the United States, Europe, and Asia compete in this marketplace.

The life and health insurance industry recommends that the government ensure in its policies that affect foreign operations that they do not put Canadian-owned firms at a disadvantage vis-à-vis local or foreign competitors.

In summary, Canada's life and health insurance industry has a strong and longstanding international presence, providing one of the country's most important exports. This has a number of important benefits for Canada's economy. And while the current public policy framework helps to foster this successful competition in foreign markets, it is critical that this framework continue to evolve in a positive fashion in order for the industry to maintain and enhance its ability to grow in an increasingly competitive global marketplace.

B. PROMOTING A COMPETITIVE DOMESTIC CLIMATE

In addition to promoting international competitiveness, it is important to have a domestic climate that enhances Canadian productivity and competitiveness and supports expansion of trade. As such, the government must take into account adjustments and improvements to the domestic public policy environment in several specific areas related to: (1) reducing regulatory burden; (2) eliminating internal trade barriers; (3) reducing taxation; (4) ensuring

a skilled workforce; and (5) not granting business method patents, as outlined in the following:

1. Reducing Regulatory Burden

An important ingredient that has made Canada's life and health insurers successful, both in Canada and abroad, is its strong regulatory and supervisory framework. Canada is blessed with experienced and dedicated regulators who promote sound regulations while attempting to reduce regulatory burden. A key approach to this reduction of regulatory burden is harmonizing laws and regulations across the country, where appropriate. The benefits to consumers in terms of consistent, high quality consumer protection and lower product costs that result from a relatively consistent regulatory regime are considerable. Variations in regulatory treatment increase the cost to companies and make them less competitive and less efficient than they could be otherwise. Some of the key areas where both consumers and the industry would benefit from continued efforts to harmonize are outlined in the following paragraphs.

a. Uniform Insurance Acts

Products sold by life and health insurance companies to the Canadian public are governed by what are commonly referred to as the *Uniform Life Insurance Act* and the *Uniform Accident and Sickness Insurance Act*, which are contained within insurance legislation in the provinces and territories. These statutory laws govern a wide variety of contractual matters. It should be noted that although Quebec has not adopted the Uniform Acts, most of the province's Civil Code provisions governing the "Insurance of Persons" are quite similar to those of the Uniform Acts.

The attainment and preservation of cross-Canada uniformity in the laws governing life and health insurance contracts is a remarkable achievement that has been of immense benefit to the Canadian public and life and health insurers because of the certainty and clarity it has produced in the laws governing insurance contracts. However, it has been many years since the two Uniform Acts were last revised and they must be modernized

to continue to be effective. Indeed, most provinces are now actively updating, or considering updating their provincial legislation.

While these updates are most welcome, and the CLHIA is highly engaged in the consultative process, the potential also exists for the adoption of inconsistent rules and for timing differences in implementation, as not all of the provinces and territories are moving forward to modernize their legislation at the same time. Inconsistencies should be resisted and the industry encourages Ministers responsible for insurance legislation to renew their commitment to harmonize legislation and to develop the necessary institutional machinery to promote and meet this objective.

The industry recommends that provincial and territorial governments proceed as quickly as possible to modernize their insurance laws and that this be done in a way that is consistent and uniform across the country.

b. Pensions

Employer-sponsored pension plans are subject to both federal and provincial legislative regimes in Canada, with the applicable legislation mirroring the constitutional responsibility for regulating particular industries and activities. The desire to address specific consumer concerns has led to significant variations in the details of pension legislation and regulation between provinces, adding substantial compliance costs for plan sponsors, particularly where an employer has operations or plan participants in multiple jurisdictions. This lack of consistency is further evidenced by the confusion that plan participants and their beneficiaries often exhibit with respect to the nature and operation of their pension plans, and the rights they may have as a result of pension statutes.

Within defined contribution pension plans, the Joint Forum of Financial Market Regulators, working with a wide range of industry stakeholders, implemented a principles-based, non-regulatory guideline for the governance and operation of plans that provide members with choice regarding investment options (generically known as

Capital Accumulation Plans) in 2004. This CAP Guideline is an excellent model for a harmonized, competitive pension regime. However, the challenges of inter-provincial legislative and regulatory differences are more obvious in the realm of defined benefit pension plans.

The industry recommends that all governments cooperate to establish harmonized pension regulation across the country.

c. Securities Regulation

Another area that has long been identified as needing regulatory co-ordination has been securities regulation. While there have been great strides in establishing common requirements among the present 13 jurisdictions now involved in regulation of securities activity, clearly more needs to be done.

There is a great deal of debate about what is the best way forward to modernize and streamline securities regulation (passport model or common regulator), but there is little debate that it is vital for Canada to make significant progress in improving on the existing system. It is time to make substantial progress so that Canada can ensure efficient capital markets to support the growth of its industries and provide safe investment opportunities for Canadians.

The industry recommends that all governments make it a priority to work co-operatively to reduce regulatory burden and overlap in the regulation of securities and to develop an ongoing system of securities regulation that ensures efficient and effective regulation in the future.

d. Health Care Rules

About 22 million Canadians are protected by some form of private health benefit coverage. Nearly 11 million workers are covered by private disability contracts (of both short and long term duration, and through both group contracts and individual plans).

Payments to Canadians in total private health and disability insurance benefits amounted to $18.6 billion in 2006.

Without this extensive array of private health and disability insurance coverage that complements health care provided to individual Canadians through the public system, pressures on already scarce public resources would be even more significant than they are at present.

Canada's public health care system is a significant competitive advantage to businesses operating in Canada. This advantage should be maintained. On the private side, this means that the policy environment must support the efficient delivery of supplementary health services. Health care is a provincial responsibility and important differences do exist in the programs and care that consumers can access, depending on their province of residence.

There are now a number of initiatives being considered that could have an impact on the delivery of supplementary health plans. One initiative is the recognition of the importance of mental health care. Another key example is the national pharmaceuticals strategy that includes the treatment of generic drugs and a catastrophic drug policy, among others. The industry also supports the work being done by the Competition Bureau on the generic drug sector to help encourage a competitive environment in this important sector and to encourage transparency. In consideration of these worthwhile initiatives, there should be every attempt to take a national approach so that costly inefficiencies between provinces are avoided.

The industry therefore urges federal and provincial governments to work together to ensure the effective delivery of health care, including consistent policies and approaches that promote the efficient delivery of supplementary health benefits.

2. Eliminating Internal Trade Barriers

The Agreement on Internal Trade, which came into force in 1995, generally does not apply to financial institutions and financial services, with the exception of provisions regarding cost of credit disclosure. However, its goal of eliminating barriers to economic mobility is a positive one and such objectives should continue to be pursued. The industry is encouraged by two recent developments in this area. The first is Alberta and British Columbia's Trade, Investment and Labour Mobility Agreement, which was signed in 2006 and became operational in April 2007, and which the provinces are considering extending to apply to financial services by 2009. The second is the announcement on November 26, 2007 that Ontario and Quebec are beginning negotiations to eliminate trade barriers and improve labour mobility between the two provinces.

The industry recommends that governments continue and expand their efforts to remove internal trade barriers.

3. Reducing Taxation

While Canada has made progress in reducing its corporate income taxes in recent years, the effective marginal tax rate on corporations, taking into account sales taxes and capital taxes in addition to income taxes, remains high compared to other countries. Taxes on capital investment have the effect of reducing Canada's economic productivity and international competitiveness. Similarly, high personal income taxes discourage people from working, saving, and investing. Moreover, decisions by businesses and individuals should be driven by economic circumstances and not directed by tax policies that favour one sector or type of activity over another, which can lead to economic distortions and inefficiencies. This means that tax cuts should be broadly based, rather than being targeted.

The industry strongly supports government initiatives to lower capital, personal and corporate income taxes.

4. Ensuring a Skilled Workforce

It is widely acknowledged by business leaders that Canada will be facing critical shortages of skilled labour, a factor that could have an impact on the competitiveness of the life and health insurance industry. In its landmark March 2007 report entitled Talent Matters - A Study of the Toronto Financial Service Industry Talent Market, released by the Toronto Financial Service Alliance (TFSA), the study's authors forecasted major gaps in critical talent.

While financial services have been relatively successful in the past in providing incentives to attract and retain employees, competition for human resources is increasing in the face of declining labour force growth and an aging population. Finding highly educated professionals will become increasingly competitive and as such, it is imperative that the talent needed to replace our experienced workforce be cultivated now; and that the significant loss of experience due to the large-scale retirement of baby boomers be mitigated by knowledge-transfer to new recruits. Policies and programs respecting training and recruitment are required in order to assist the industry in securing an age-balanced workforce to support its operations.

Attracting students to choose a career in financial services would be greatly enhanced by improvements to the availability of focused courses and training. Greater collaboration between government and industry is required to effect this change.

Attracting skilled immigrants is also critical and there is a need to streamline immigration processes and commit resources to programs aimed at facilitating the integration of immigrants into the labour market and Canadian society.

To ensure that a highly-skilled and highly-educated financial services workforce can continue to be a competitive advantage to Canada, the industry recommends that the government promote greater collaboration between schools, provincial and federal governments and industry with a view to improving financial services education and training and to attract more students to the industry.

The industry also recommends that the government strive to eliminate barriers to hiring and integrating new immigrants in order to take advantage of the skills and knowledge that immigrant workers can bring to the economy.

5. Not Granting Business Method Patents

While business methods — the broad category of ways of doing business which often relate to financial, marketing and other commercial activities such as workflow processes, claims processes, etc. — have not been patentable in Canada in the past, a recent new interpretation by the Canadian Intellectual Property Office, along with recent decisions of the Patent Appeal Board, has been interpreted as evidence that patents may now be available on business methods, including financial services innovations.

The experience in the United States has shown that the expansion of subject matter to include business method patents led to an enormous expansion of patent applications; a loss of public confidence in the patent system; increased litigation; and no evidence of positive impacts on competition, innovation or productivity.

This is a significant and potentially costly issue for businesses. Strategic patenting of insurance products or processes could become necessary as patent holders could bring actions for strategic reasons and financial rewards; patent disputes can be bad for the corporate image; and legal judgments can be costly (e.g., $612 million in the RIM case). Indeed, Canada's six largest banks are currently involved in litigation in Canada with a U.S. claimant, dubbed a "patent troll", in relation to a patent issued last year in the field of cheque clearing. If business method patents were allowed, Canada would face the same pressures as the United States and none of these results would be productive for Canada.

Consequently, the life and health insurance industry recommends that business method patents not be permitted in Canada.

C. OTHER COMMENTS

Finally, the CLHIA is pleased to provide specific comments in response to the themes of Sectoral Investment Regimes and Competition Laws raised in the Consultation Paper.

1. Sectoral Investment Regimes (Theme 3)

Different ownership models apply to life and health insurers and they are working well. These ownership regimes include: mutual companies which are widely held by definition; fraternal benefit societies, which are owned by their members; stock companies, which are owned by their shareholders and are generally held by financial holding companies; and large demutualized companies, which must be widely held.

Since Confederation, Canadian consumers have had the option to buy their life and health insurance from both widely-held and closely-held institutions, an option that was preserved in the 1992 reform of federal insurance legislation and in the subsequent 1997, 2001, and 2007 updates. Federally incorporated life insurers with consolidated capital of $2 billion or more are required to have at least 35 per cent of their voting shares in public hands.

It is the industry's view that no single ownership model is correct to the exclusion of all others. The various existing models work well and are appropriate to the circumstances of the relevant companies that have adopted a particular model.

The industry's governing legislation contains provisions that are sufficient to safeguard against any risks that may flow from having such different ownership models. These provisions include rules for related party transactions; the active participation of the board of directors and the close scrutiny of management activities by the audit and conduct review committees of the board; the responsibility of the auditors of the corporation; and the regulatory and supervisory structure.

Under the current ownership regime, Canadian companies have developed a strong and expanding presence abroad while foreign companies participate actively in Canada, resulting in an extremely competitive Canadian marketplace.

Consequently, the industry recommends that the existing options for ownership be preserved.

2. Competition Laws (Theme 4)

The industry recommends the repeal of section 49 of the *Competition Act* which is a per se conspiracy offence with respect to certain types of agreements entered into between or among financial institutions. This section is not necessary because the *Competition Act* already contains a general conspiracy provision (section 45) and that provision should be made to apply to all industries.

Section 49 was originally a provision in the *Bank Act*, applicable only to banks, which became applicable to all federal financial institutions when it was imported into the *Competition Act* in 1992. It is anomalous in a number of ways. Firstly and fundamentally, it is anomalous to have different conspiracy provisions applicable to firms depending upon the industry in which they operate. This was recognized by the Industry Committee of the House of Commons in its 2003 Report on competition policy.

In addition, section 49 is itself intrinsically problematic. It was designed with banks and only banks in mind. It refers to agreements dealing with, amongst other things, "the rate of interest on a deposit", "the rate of interest or the charges on a loan" and "the amount or kind of a loan to a customer". These provisions are reasonably clear with respect to the activities of banks, but rather less clear respecting the activities of, for instance, insurance companies.

Thirdly, section 49 applies only in respect of agreements between or among federal financial institutions. It is unclear what happens if there is an agreement among three or more persons, two or more of which are federal financial institutions and one or more of which are not. This is a realistic possibility, particularly in respect of agreements among provincial and federal insurance companies.

The industry recommends that section 49 of the Competition Act be repealed and that section 45 be left to apply to all industries.

III. CONCLUSION

The life and health insurance industry greatly appreciates this opportunity to contribute to the deliberations of the Competition Policy Review Panel on its Consultation Paper *Sharpening Canada's Competitive Edge* and would look forward to participating further in the consultative process should that be of assistance to the Panel in its work.

* * * *

TAB D

This is **Exhibit "D"** referred to in the
Affidavit of Frank Zinatelli
sworn before me this
15th day of March, 2011

Radha Subramanian

A Commissioner, etc.

Radha Subramanian, a
Commissioner etc., Province of Ontario,
while a student-at-law.
Expires May 1, 2012.

Canadian Life
and Health Insurance
Association Inc.

Association canadienne
des compagnies d'assurances
de personnes Inc.

Frank Swedlove
President

February 8, 2008

Ms. Susan Bincoletto,
Director General
Marketplace Framework Policy Branch
Industry Canada
235 Queen Street
Ottawa, ON K1A 0H5

Dear Ms. Bincoletto:

Patentability of business methods

We are writing at this time to bring to your attention the concerns that the Canadian Life and Health Insurance Association (CLHIA) has regarding patents on business methods and to recommend that such patents not be permitted in Canada.

The CLHIA, established in 1894, is a voluntary association with member companies which account for 99 per cent of Canada's life and health insurance business. The Canadian life and health insurance industry:

- provides products which include life insurance, disability insurance, supplementary health insurance, annuities, RRSPs, and pensions;
- protects about 26 million Canadians and some 20 million people elsewhere in the world;
- makes benefit payments to Canadians of over $53 billion a year;
- manages about two-thirds of Canada's pension plans;
- has more than $400 billion invested in Canada's economy; and,
- provides employment to over 120,000 Canadians.

CLHIA member companies are among the most internationally diversified Canadian businesses. Indeed, the life and health insurance industry is one of Canada's best success stories in international markets. For example, Canada's three largest life insurance companies are now among the ten largest in the world. As another example, in 2006, Canadian life and health insurers generated 56 per cent of their worldwide premiums from their activities outside Canada. The

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CLHIA recognizes the importance of appropriate protection of intellectual property to the continued economic well being of Canada. Indeed, Canada is a nation dependent upon trade and, in this context, internationally accepted intellectual property standards are an important element of the system of international trade.

As a result, I would like to raise an issue of great concern to our members, business method patents. While business methods — the broad category of ways of doing business which often relate to financial, marketing and other commercial activities such as workflow processes, claims processes, etc. — have not been patentable in Canada in the past, a recent new interpretation by the Canadian Intellectual Property Office (CIPO), along with recent decisions of the Patent Appeal Board, has been construed as evidence that patents may now be available on business methods, including financial services processes.

This is a potentially costly and damaging issue for businesses. Many of CLHIA's member companies have substantial operations in the United States and are acutely aware of the issues and problems related to business method patents encountered in that jurisdiction. The experience in the United States has shown that the expansion of subject matter to include business method patents led to an enormous expansion of patent applications; a loss of public confidence in the patent system; increased litigation; and, no evidence of positive impacts on competition, innovation or productivity.

The introduction of business method patents has resulted in 'strategic patenting' where companies seek to obtain patents simply to cross-licence should a competitor threaten an injunction. Patent disputes can result in significant reputational risk and have a negative impact on the corporate image and share prices. The prime example of this is the Research in Motion case where customer and shareholder concerns resulted in the company settling their lawsuit after paying $612 million to licence patents which were later found to be invalid.

Indeed, as a result of these problems, the United States Congress has recently introduced remedial legislation. As well, there have also been several recent decisions from the United States Supreme Court that would indicate that the Court recognizes that US patent law needs significant adjustment.

In light of the recent new interpretation by CIPO and the acknowledged problems with United States patent law, our member companies are concerned that Canada might move in the direction of allowing business method patents. Indeed, Canada's six largest banks are currently involved in litigation in Canada with a United States patent owner, who some have described as a "patent troll", in relation to a patent issued last year in the field of cheque clearing.

Canadian Life and Health Insurance Association Inc.

Association canadienne des compagnies d'assurances de personnes inc.

Given the significant and potential cost for Canadian businesses that would result if patentable subject matter were expanded to include business methods and the impact that such expansion would have on the integrity and legitimacy of the patent system in Canada, **the Canadian life and health insurance industry recommends that business method patents not be permitted in Canada.** As well, the industry recommends that the Canadian Government actively pursue opportunities to raise this issue with foreign governments in order to discourage them from permitting business method patents in their own jurisdictions.

Should you have any questions or require additional information with respect to the life and health insurance industry's experiences and perspectives on this important matter, my colleagues and I are at your disposal.

Sincerely,

Frank Swedlove

Frank Swedlove

Court File No. A-435-10

FEDERAL COURT OF APPEAL

BETWEEN:

THE ATTORNEY GENERAL OF CANADA AND THE COMMISSIONER OF PATENTS

Appellants

- and -

AMAZON.COM, INC.

Respondent

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Solicitors for the Proposed Interveners, The Canadian Life and Health Insurance Association Inc. and The Canadian Bankers Association

TAB 3

Court File No. A-435-10

FEDERAL COURT OF APPEAL

BETWEEN:

THE ATTORNEY GENERAL OF CANADA AND THE COMMISSIONER OF PATENTS

Appellants

- and -

AMAZON.COM, INC.

Respondent

AFFIDAVIT OF WILLIAM RANDLE

I, **WILLIAM RANDLE**, Barrister and Solicitor, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the Assistant General Counsel and Foreign Bank Secretary of the Canadian Bankers Association ("CBA"). I have served in this role since February 19, 2008 and have been employed by the CBA since November 21, 1983. As such, I have knowledge of the matters to which I depose in this affidavit. Where I identify information in this affidavit as having been provided to me by others, I have stated the source of that information and my belief that the information is true.

CBA History and Public Policy Mandate

2. The Canadian Bankers Association (CBA) was incorporated in 1901 by a Special Act of Parliament. The CBA works on behalf of 51 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 260,000 employees.

3. Banks are significant participants in the Canadian financial industry – in total, they manage close to $3.1 trillion in assets. Banks serve millions of customers, including individuals, small and medium-sized business, large corporations, governments, institutional investors and non-profit organizations. The major domestic banks offer their customers a full range of banking, investment and financial services, as well as extensive, nation-wide distribution networks.

4. As part of its mandate, the CBA advocates for effective public policies that contribute to a sound, successful banking system that benefits Canadians and Canada's economy. The CBA also promotes financial literacy to help Canadians make informed financial decisions.

5. The CBA carries out its public policy mandate through regular submissions to, and consultations with, government officials and industry regulators. Attached as **Exhibit "A"** is a representative list of significant public policy matters on which the CBA provided comments and insights in the past year alone.

6. The CBA has also previously indicated to the federal government, in a letter dated June 2, 2008 to the then Minister of Industry, the Honourable Jim Prentice, the banking industry's concerns about the proliferation of dubious applications for patents relating to methods of doing business, given the negative impact of such proliferation on the competitiveness of the Canadian economy.

7. In light of the CBA's role as a representative of the banking industry, its public policy mandate also entails intervening in court proceedings where the CBA believes the outcomes and issues in such proceedings could have a significant impact on the industry and consumers as a whole. Attached as **Exhibit "B"** is a representative list of court proceedings in which the CBA has intervened in the past.

8. The CBA's decision to seek leave to intervene in the present appeal was made in consultation with its member banks and after thorough consideration of the legal issues raised by

the present appeal and the potential impact of the proceedings' outcome on the banking industry. For the reasons given below, the CBA believes that the determination of the issues raised on the appeal herein could have a significant detrimental impact on the choice and accessibility of financial services for Canadian consumers.

CBA's Interest in the Outcome of the Appeal

9. The CBA understands that the legal questions for determination on this appeal are (1) what constitutes patentable subject matter under the *Patent Act* and (2) what is the approach that should be taken in determining what constitutes patentable subject matter under the *Patent Act*. These questions are raised in the context of a what can be called for ease of reference a "business method", an application that intersects patent law and commerce.

10. The patent application at issue, No. 2,246,933 entitled, "Method and System for Placing a Purchase Order Via a Communications Network" was filed by Amazon.com on September 11, 1998. In the Decision of the Commissioner of Patents dated April 27, 2009, the Commissioner of Patents described the invention that is the subject of the application as follows:

> "[6] The application sets out a method and a system which allow a purchaser to place an order for an item over the Internet. Figure 2 shows a block diagram of the system and Figure 3 is a flow diagram which shows a feature of the system which allows the purchaser to purchase an item with a single-action.
>
> [7] The server uses a client identifier sent from the client's computer to associate the client's computer with the purchaser's payment and shipment information (purchaser-specific account information). The client identifier is stored in the client's computer by the server when the client enters his identification, billing and shipping information (purchaser-specific account information), usually at the time of the client's first visit. On a subsequent visit to the Web site by the client's computer, the server recognizes the client identifier as belonging to that client. The client may then browse items, and decide to buy an item by clicking on only one button which sends the request to order the item along with the client identifier. The effect of this single-action is to instantly order the item. The server system will receive the purchase request, automatically retrieve the client's account information using the client identifier, and combine the retrieved account information to generate the order. Only one click of the client's mouse is required."

11. The nature of the application at issue on this appeal, and the legal issues to be determined on the appeal essentially will determine the patentability of many types of "business methods" in Canada. The CBA believes that the outcome of the Federal Court of Appeal's decision will have a direct impact on almost all areas of Canada's banking system, their customers and merchants, service providers and other financial institutions, for example those engaged in financial

planning, portfolio and financial data analysis, and investment advice and all those interacting with banks by computer, including those engaging in on-line transactions with banks.

12. On-line banking is now one of the main means of banking for 45 percent of Canadians, and use of the Internet as the primary banking method is increasing among all age groups. In 2009, the latest year for which CBA statistics are available, Canada's six largest banks processed some 489.4 million on-line bill payments and fund transfers. This figure does not include account reviews by customers and downloading of electronic information, such as account statements from banks and banks' brokerage subsidiaries, nor does it include on-line brokerage orders placed with discount brokerages operated by banks.

13. Banks and their brokerage institutions depend heavily on computers to offer secure, highly reliable and accurate systems to communicate with their customers and other financial institutions that receive funds on behalf of merchants, service providers and others to whom banks' customers make hundreds of millions of payments and funds transfers.

14. Both the decision under appeal, and the underlying Decision of the Commissioner of Patents, highlight the fact that there are significant legal and public policy issues which underlie some business method patents and their patentability. These questions will undoubtedly be addressed in deciding the issues raised on this appeal. Those questions include:

(a) Must any expansion of patentability beyond the traditional meanings of the headings in section 2 of the Patent Act (i.e., art, process, method, machine, composition of matter) be effected by the legislature or the courts?

(b) Do mental processes and ideas fall within the headings in section 2 and are they patentable?

(c) Should the following be considered a series of mental steps or ideas and therefore not patentable: the creation of legal or financial relations by contract or other arrangement; a calculation or algorithm (flowchart) prescribing steps or a system to manipulate or manage information or abstract ideas or a system for the management of data?

(d) Does using a general purpose computer or a known computer system to complete any of the steps or ideas in (c) above make such steps or ideas patentable?

(e) Does implementing an idea via a computer make the idea patentable only if it implements a novel process/method that causes/results in a physical change in a physical object?

(f) Must the invention claimed reside in the physical structure?

(g) Is the movement of data in a computer a change in a physical structure?

(h) Based on the reasons of Mr. Justice Phelan, what is a "method of practical application" and what is a "manifestation , effect or change of character" ?

15. The CBA has an interest in how these questions are decided and believes that the answers to these questions will have an effect beyond the parties; these effects will most certainly extend to CBA members and their customers and how they conduct their businesses as described more fully in the paragraphs which follow.

CBA Members will be Affected by the Outcome of this Appeal

16. The CBA believes that if intangible methods, ideas, plans and schemes as discussed herein are patentable, an elaborate thicket of permissions could be required whereby each bank and broker, regardless of institution or asset size, would need to negotiate a full portfolio of licenses in order to carry on business. In many cases, financial institutions may not be able to obtain such licenses, except on extortionate terms. The effect would likely be twofold: to increases costs to the end user and to erect a formidable barrier to entry to new firms, thus stifling competition and service in the financial services marketplace.

17. The CBA is also concerned that the patenting of some business methods will inevitably lead to litigation in connection with such patents. This has already occurred in the United States. Such law suits could prevent the CBA members from carrying out much of their traditional business, when this business is modified to be carried out by computer. Such litigation entails significant costs, costs which are ultimately passed down to the consumer. The effect of such litigation includes:

(a) the possibility that CBA members will be prevented from carrying out much of their traditional business, when this business is slightly modified to be carried out by computer;

(b) significant costs in the form of legal fees but also costs associated with clearing the right to adopt methods used in the financial services business when implemented by computer; and

(c) financial institutions will be forced to try to patent these same things as a defensive measure, or to improve their bargaining position.

18. As an example of the issues that are raised by claims of this type in the financial services industry, set out below are two main claims from filed Canadian patent applications which illustrate claims that are problematic. We share the concern of the CLHIA that such claims may be allowed unless one analyzes the claim to determine what is really the inventive contribution.

Here is the main claim of Canadian application number 2,500,555:

What is claimed:

1. A system for a payer to make payment to at least one of a plurality of payees comprising:

at least one computing device operable to receive bill payment instructions from said payer, said instructions including:

an identification of a selected one of said payees;

an identification of an account belonging to said payer and selected from the group of funding accounts consisting of checking accounts, saving accounts, credit card accounts, and debit card account or any other type of business or personal account; and,

an amount to be debited from said funding account and to be remitted to said payee.

Here is the main claim of Canadian Patent application number 2589694:

CLAIMS

1. A method of structuring a collateralized loan, comprising:

a lender specifying to a borrower an algorithm for determining payment amounts due from the borrower to the lender for repayment of a collateralized loan, the payment amounts being a function of at least a future income of the borrower.

What the CBA Can Bring to the Hearing of this Appeal

19. If the CBA is granted intervener status on this appeal, it will bring a relevant and different perspective to bear on the issues to be considered by the Court. It will allow the Court, in its deliberations, to take into account how its decision could affect other similarly situated members of the financial industry.

20. The CBA's perspective is different and relevant by virtue of the fact that the CBA:

(a) Is a representative body;

(b) Has a public policy mandate;

(c) Has members who have extensive experience with data management, online transactions and financial methods carried out by computer.

Lack of Other Means to Submit Such Questions to the Court

21. The CBA is not currently involved in any proceedings relating to subject matter patentability and it is my belief that the CBA's member banks are also not currently involved in any court proceedings involving subject matter patentability. Therefore, there is no other means available through which the CBA or its member banks can make submissions to a court of law on the issue of subject matter patentability.

22. The CBA understands that Canadian courts have previously permitted intervention by affected third parties in proceedings relating to subject matter patentability (e.g. *Harvard College v. Canada (Commissioner of Patents)*, 2002 SCC 76; *Monsanto Canada Inc. v. Schmeiser*, 2004 SCC 34).

The CBA's Proposed Legal Argument

23. The CBA believes that the decision of the Federal Court under appeal is based on wrong reasoning and that its practical perspective should be brought to bear in formulating the proper approach to determining questions of subject matter patentability in the context of considering

the patentability of a "Method and System for Placing a Purchase Order Via a Communications Network".

24. The CBA intends to provide a legal argument on the questions on appeal that is different from that proposed by the parties to the appeal. An outline of that argument will be provided by our legal counsel in the Written Representations accompanying the CBA's motion to intervene. This outline has been approved by working groups of the CBA and CLHIA and represents the collective position of the CBA and the CLHIA and their members on the issues to be determined on the appeal.

Scope of CBA's Proposed Role as Intervener

25. This motion is brought jointly with the Canadian Life and Health Insurance Association Inc. ("CLHIA").

26. CBA and CLHIA are requesting that they be granted leave to file a joint Memorandum of Fact and Law no longer than 30 pages in length, and that they be permitted to jointly make 30 minutes of oral submissions at the hearing of the appeal.

27. CBA will not seek costs against any party and asks that it not be held liable to any party for costs.

SWORN BEFORE ME at the City of Toronto, on the 15th day of March, 2011.

Commissioner for taking affidavits

WILLIAM RANDLE

Christopher William Cummins, a Commissioner etc., Province of Ontario, while a student-at-law. Expires May 1, 2012.

TAB A

This is **Exhibit "A"** referred to in the
Affidavit of William Randle
sworn before me this
15th day of March, 2011

A Commissioner, etc.

Christopher William Cummins, a
Commissioner etc., Province of Ontario,
while a student-at-law.
Expires May 1, 2012.

EXHIBIT "A"

CBA Submission/Reports/Letters regarding Public Policy Matters

1. The 2012 financial services legislative review: Ensuring Canada's financial services regulatory system remains strong and effective (Submission to the Department of Finance, Canada; November 2010)

2. Joint Industry Communication on Proposed Increased Cost of Trade Finance (Submission to the Basel Committee on Banking Supervision; November 2010)

3. Submission to the Task Force for the Payments System Review Created by the Department of Finance, Canada (September 2010)

4. Submission to the Task Force on Financial Literacy Created by the Department of Finance, Canada (April 2010)

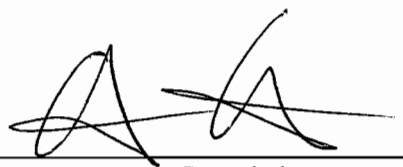
5. Enhancing Canadians' Savings Options: Strengthening the Third Pillar in Canada and the Canadian Bankers Association's Recommendations (Submission to the Department of Finance, Canada and several federal Members of Parliament and provincial Members of Provincial Parliament; April 2010)

6. Study on Young Farmers and the Future of Farming (Remarks to House of Commons Standing Committee on Agriculture and Agri-Food; April 2010)

7. Modernizing Canada's Retirement Savings System (Remarks to the House of Commons Standing Committee on Finance; March 2010)

TAB B

This is **Exhibit "B"** referred to in the
Affidavit of William Randle
sworn before me this
15th day of March, 2011



A Commissioner, etc.

Christopher William Cummins, a
Commissioner etc., Province of Ontario,
while a stude
Expire

EXHIBIT "B"

Selected Cases Affecting the Banking Industry In Which The CBA Has Intervened

1. *Reference re Canadian Securities Act*, Quebec Court of Appeal (argued January 17-20, 2011) (pending) (constitutionality of Parliament creating a national securities regulator).

2. *Reference re Canadian Securities Act*, Alberta Court of Appeal (argued January 24, 2011) (pending) (constitutionality of Parliament creating a national securities regulator).

3. *Reference re Canadian Securities Act*, Supreme Court of Canada (scheduled April 13-14, 2011) (constitutionality of Parliament creating a national securities regulator).

4. *Tele-Mobile Co. v. Ontario*, [2008] 1 S.C.R. 305 (production orders under the *Criminal Code*).

5. *Royal Bank of Canada v. Canada*, 2007 FCA 72 (*Excise Tax Act* issues).

6. *Rezek v. Canada*, 2005 FCA 227 (taxation of convertible hedging).

7. *Gifford v. Canada*, [2004] 1 S.C.R. 411 (interest deductibility under the *Income Tax Act*).

8. *Bank of Nova Scotia v. British Columbia (Superintendent of Financial Institutions)*, 2003 BCCA 29 (constitutional application of provincial insurance regulations to banks).

9. *Continental Bank Leasing Corp. v. Canada*, [1998] 2 S.C.R. 298 (partnership tax issues).

10. *Bank of Nova Scotia v. Dunphy Leasing Enterprises Ltd.*, [1994] 1 S.C.R. 552 (interest rate on non-mortgage loans).

Court File No. A-435-10

FEDERAL COURT OF APPEAL

BETWEEN:

THE ATTORNEY GENERAL OF CANADA AND THE COMMISSIONER OF PATENTS

Appellants

- and -

AMAZON.COM, INC.

Respondent

AFFIDAVIT OF WILLIAM RANDLE

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Solicitors for the Proposed Interveners, The Canadian Life and Health Insurance Association Inc. and The Canadian Bankers Association

TAB 4

Court File No. A-435-10
(T-1476-09)

FEDERAL COURT OF APPEAL

BETWEEN:

THE ATTORNEY GENERAL OF CANADA and THE COMMISSIONER OF PATENTS

Appellants

- and -

AMAZON.COM, INC.

Respondent

WRITTEN REPRESENTATIONS OF THE PROPOSED INTERVENERS

PART I – OVERVIEW OF THE MOTION

1. This motion is brought jointly by The Canadian Life and Health Insurance Association Inc. ("CLHIA") and the Canadian Bankers Association ("CBA") (collectively, the "Proposed Interveners"), for an order granting them leave to intervene jointly in the appeal by the Attorney General of Canada and the Commissioner of Patents (collectively, the "Appellants") from the decision of The Honourable Mr. Justice Phelan dated October 14, 2010 (the "Amazon.com Decision"). The Proposed Interveners seek leave to file written submissions and participate briefly in the oral argument. They do not seek leave to file evidence.

2. CLHIA and CBA are representative bodies with public policy mandates whose members represent key stakeholders in the financial services industry – together they manage over $3.5 trillion in assets and employ and service millions of Canadians, with operations that span the globe.

3. This case is widely recognized to be the test case on the question of the patentability of business methods in Canada.

4. The questions to be decided on this appeal extend beyond the interests of Amazon.com: they include questions which relate to subject matter patentability in Canada and the legal approach that should be taken in determining questions of subject matter patentability. The answer to these questions will decide not only the fate of Amazon.com's patent application, but the fate more generally of many of the applications that are commonly referred to as "business method patents". From the perspective of the Proposed Interveners, the determination of the issues in this appeal will have a significant impact on the insurance and banking industries and their customers. Indeed almost all aspects of the operation of a bank or insurance company, both its internal operations and its dealing with retail and commercial customers will be affected by this Court's decision in the appeal of the Amazon.com Decision. Mr. Justice Phelan himself recognized that this case is "of consequence not only to the Appellant, but to many who navigate our patent system."

5. While the Proposed Interveners generally support the position of the Appellants on this appeal, nevertheless they have a relevant, useful and "hands on" perspective on the potential effect that the Court's decision could have on industries such as theirs. These perspectives have not been addressed by the Appellants on this appeal; in fact, nowhere in the Appellants' Issues and Submissions do the Appellants use the phrase "business method patents", The Appellants only use the phrase "business methods" once in reference to the Amazon.com Decision.

6. The Proposed Interveners believe that the net result of the Amazon.com Decision would be to allow the patenting of ideas, or mental steps, such as many of the methods and steps involved in the creation, use and analysis of financial data, methods for managing

financial portfolios and investments, methods for creating and managing insurance contracts, methods used to calculate risk or to analyze actuarial, mortgage or underwriting data, financial models and investment strategies and methods for conducting on-line banking. Many of these pure mental steps would seem to be converted into patentable subject matter simply by the insertion of incidental or known computer tasks as part of the patent claim.

7. This Court has previously granted intervener status in cases involving questions of subject matter patentability (most noticeably in the *Harvard Mouse* case, cited *infra* at para 53), no doubt based on the recognition that it would benefit from having the perspective of other key stakeholders on questions which the Appellants have characterized in this case as involving "the most fundamental principles of patent law."

PART II – FACTS

The Patent Application on Appeal

8. What is at issue on this appeal is whether the invention claimed in Amazon.com's Canadian Patent Application No. 2,246,933 (referred to as the "one-click patent application") is patentable under section 2 of the *Patent Act*. The abstract for the one-click patent application prepared by the applicant describes the invention claimed therein as follows:

> "A method and system for placing an order to purchase an item via the Internet. The order is placed by a purchaser at a client system and received by a server system. The server system receives purchaser information including identification of the purchaser, payment information, and shipment information from the client system. The server system then assigns a client identifier to the client system and associates the assigned client identifier with the received purchaser information. The server system sends to the client system the assigned client identifier and an HTML document identifying the item and including an order button. The client system receives and stores the assigned client identifier and receives and displays the HTML document. In response to the selection of the order button, the client system sends to the server system a request to purchase the identified item. The server system receives the request and combines the purchaser information associated with the client identifier of the client system to generate an order to purchase the item in

> accordance with the billing and shipment information whereby the purchaser effects the ordering of the product by selection of the order button."

9. In the Amazon.com Decision, Phelan J. described the invention at issue in the following manner:

> "The claimed invention further enables internet shopping. The customer visits a website, enters address and payment information and is given an identifier stored in a "cookie" in their computer. A "server" (a computer system operating a commercial website) is able to recognize the "client" (customer computer with the identifying cookie) and recall the purchasing information which is now stored in the vendor's computer system. The customer can thus purchase an item with a "single click" - the order is made without the need to 'check out' or enter any more information."[para. 5]

10. In essence the Amazon.com patent application claims moving intangible electronic client data stored in a cookie to an order form by use of a conventional and known computer using a conventional and known mouse clicking method. By the nature of their operations, it is a principal part of the daily operations of the members of the CLHIA and CBA to store, manipulate and move around client information and financial data using known computer hardware.

The Proposed Interveners

11. CLHIA was established in 1894 as a voluntary trade association and represents the collective interests of life and health insurers. Today, the CLHIA's membership accounts for 99 per cent of the life and health insurance in force in Canada.

> Affidavit of Frank Zinatelli, sworn March 15, 2011 (the "CLHIA Affidavit"), para. 2; Motion Record, Tab 2.

12. The life and health insurance industry plays a significant role in Canada. The industry provides employment to about 132,000 Canadians and manages assets of $475 billion on behalf of Canadian policyholders and annuitants.

> CLHIA Affidavit, para. 3; Motion Record, Tab 2.

13. The CBA was incorporated in 1901 by a Special Act of Parliament. It works on behalf of 51 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 260,000 employees.

> Affidavit of William Randle, sworn March 15, 2011 (the "CBA Affidavit"), para. 2; Motion Record, Tab 3.

14. Banks are significant participants in the Canadian financial industry – in total, CBA members manage close to $3.1 trillion in assets.

> CBA Affidavit, para. 3; Motion Record, Tab 3.

The Proposed Interveners' Public Interest Mandates

15. The CLHIA and CBA are actively engaged in the development of law and public policy in order to help policymakers understand the impact of decisions on consumers of financial services and insurance, including hundreds of thousands of employees. Their mandates include promoting a proper understanding of their industries and their dynamics to all branches of government, and to the Canadian public.

> CLHIA Affidavit, para. 5; Motion Record, Tab 2.
>
> CBA Affidavit, paras. 4 and 5; Motion Record, Tab 3.

16. The public policy mandate of the CLHIA and CBA is carried out through submissions to, and consultations with, government officials and industry regulators as well as intervention in court proceedings that are of great importance to their industries.

> CLHIA Affidavit, para. 8; Motion Record, Tab 2.
>
> CBA Affidavit, para. 7; Motion Record, Tab 3.

17. For years, the CLHIA has made submissions and consulted with Government entities in connection with the patentability of business methods. These submissions include:

(a) Comments provided by letter dated September 8, 2009 to the Canadian Intellectual Property Office on the proposed changes to Chapters 12 and 13 of the Manual of Patent Office Practice;

(b) A Response to the Competition Policy Review Panel dated January 11, 2008 on the Consultation Paper, "Sharpening Canada's Competitive Edge; and

(c) A letter dated February 8, 2008 to the Director General of the Marketplace Framework Policy Branch of Industry Canada.

CLHIA Affidavit, para. 6 and Exhibits B,C and D; Motion Record, Tab 2.

18. The CBA has also made submissions concerning subject matter patentability by letter to the Minister of Industry in June 2008.

CBA Affidavit, para. 6; Motion Record, Tab 3.

19. CLHIA, together with some of its individual members and individual members of the CBA, sought leave to intervene at the lower court level in this case. However, leave was denied.

Order of The Honourable Mr. Justice Martineau dated February 23, 2010 **[Tab 22]**

CLHIA and CBA Interest in the Outcome of the Appeal of the Amazon.com Decision

20. As previously stated in paragraph 6 above, the Proposed Interveners believe that the net result of the Amazon.com Decision might be to allow the patenting of ideas, or mental steps, such as many of the methods and steps involved in the creation, use and analysis of financial data, methods for managing financial portfolios and investments, methods for creating and managing insurance contracts, methods used to calculate risk or to analyze actuarial, mortgage or underwriting data, financial models and investment strategies and methods for conducting on-line banking. Many of these pure mental steps have a "practical application" and would seem to be converted into patentable subject matter simply by the insertion of incidental or known computer tasks as part of the patent claim, or perhaps, if the Amazon.com Decision is to be followed, by the implementation of the method by normal human interaction with and manipulation of a computer.

CLHIA Affidavit, para. 18; Motion Record, Tab 2.

CBA Affidavit, para. 11; Motion Record, Tab 3.

21. In Canada, many methods which can be generally classified as methods of doing business have been considered ideas, mental steps, schemes or formulae and have not been patentable subject matter. The Proposed Interveners are concerned that such previously unpatentable matter may be patentable under the Amazon.com Decision.

CLHIA Affidavit, para. 14; Motion Record, Tab 2.

22. As previously stated, a key concern of the Proposed Interveners is the apparent ability to circumvent the prohibition on patenting ideas, mental steps, schemes and formulae, by simply having them performed or carried out by a general purpose computer. The Commissioner of Patents shared this concern and articulated it in her decision in this case.

CLHIA Affidavit, para. 15; Motion Record, Tab 2.

The CLHIA's Interest in the Outcome of the Appeal of the Amazon.com Decision

23. The CLHIA is greatly concerned that the Amazon.com Decision seems to provide that patentable subject matter can be obtained by the simple addition of known or incidental computer functions to otherwise unpatentable claims. The CLHIA is therefore concerned that the Amazon.com Decision expands the scope of subject matter patentability and would force the patent office to grant monopolies on legal constructs, data manipulation or collection, calculations and ideas or methods relating to pure mental processes where these methods are implemented by a computer. Thus by virtue of the nature of the insurance industry and the products its members sell to consumers, its members are particularly affected by the legal test established in the Amazon.com Decision and this could be extremely disruptive to insurers and their customers.

CLHIA Affidavit, paras. 17 and 18; Motion Record, Tab 2.

24. The CLHIA has provided concrete examples of the types of patent claims that gives rise to their concerns over a test of patentability that allows the patenting of ideas through the addition of incidental or known computer structures or functions. We provide two examples:

(a) Canadian patent application number 2,691,173 (the "'173 Application") which has a first independent claim as follows:

1. A computerized method for administering an investment account having an income or withdrawal guarantee and a long term care guarantee, comprising the steps of:

> establishing an investment account having an account balance; using a computer, allocating a first portion of the account balance to fund a long term care benefit having a long term care benefit guarantee;
>
> allocating a second portion of the account balance to fund an income or withdrawal benefit having an income or withdrawal benefit guarantee;
>
> determining an amount of a periodic long term care benefit available for payment of long term care benefit claims under the long term care benefit guarantee; and
>
> determining an amount of a periodic income or withdrawal benefit available for distribution under the income or withdrawal benefit guarantee.

(b) Canadian patent application number 2,568,240 (the '240 Application") has a first independent claim as follows:

1. A method of administering income distributions from an employer-sponsored retirement plan having a participant account value, comprising the steps of:

> providing an option to a plan participant to elect a lifetime payout funded by at least a portion of the participant's account value;
>
> providing an option to the participant to elect an access period during which the participant maintains control over said portion of the participant's account value;
>
> transferring said portion of the participant's account value into a group annuity contract;
>
> determining an initial benefit payment under the terms of the group annuity contract;
>
> determining a subsequent benefit payment; and paying the initial and, subsequent benefit payments to the participant.

CLHIA Affidavit, para. 26; Motion Record, Tab 2, p.

25. The claim in the '173 Application demonstrates the CLHIA's concern over the ability to patent insurance-related ideas, schemes and arrangements, through the simple assertion of

a limitation such as "a computerized method for…". In addition, without clear guidelines, claims such as those in the '240 Application could easily be manipulated to monopolize ideas implemented by computer.

CLHIA Affidavit, para. 27; Motion Record, Tab 2.

CBA's Interest in the Outcome of the Appeal of the Amazon.com Decision

26. CBA believes that the outcome of the Federal Court of Appeal's decision will have a direct impact on Canada's banks, their customers and merchants, service providers and other financial institutions, both those engaged in financial planning, portfolio and financial data analysis, and investment advice and all those interacting with banks by computer including those engaging in on-line transactions with banks.

CBA Affidavit, para. 11; Motion Record, Tab 3.

27. On-line banking is now one of the main means of banking for 45 percent of Canadians, and use of the Internet as the primary banking method is increasing among all age groups. In 2009, the latest year for which CBA statistics are available, Canada's six largest banks processed some 489.4 million on-line bill payments and fund transfers.

CBA Affidavit, para. 12; Motion Record, Tab 3.

28. Banks and their brokerage institutions depend heavily on computers and information technology systems to offer secure, highly reliable and accurate systems to analyze investment risk, manage securities trading and to communicate with their customers and other financial institutions that receive funds on behalf of merchants, service providers and others. The customers of CBA member banks make hundreds of millions of payments and funds transfers yearly using computer provided access.

CBA Affidavit, para. 13; Motion Record, Tab 3.

29. The CBA has knowledge of troublesome claims such as those contained in the claims set out below at paragraphs 30 and 31. It shares the concern of the CLHIA that such claims may be allowed under the Amazon.com Decision if they incidentally claim implementation by a computer or claim a known computer function, unless one analyzes the claim to determine what is really the inventive contribution.

30. Here is the main claim of Canadian application number 2,500,555:

What is claimed:

1. A system for a payer to make payment to at least one of a plurality of payees comprising:

at least one computing device operable to receive bill payment instructions from said payer, said instructions including:

an identification of a selected one of said payees;

an identification of an account belonging to said payer and selected from the group of funding accounts consisting of checking accounts, saving accounts, credit card accounts, and debit card account or any other type of business or personal account; and,

an amount to be debited from said funding account and to be remitted to said payee.

31. Here is the main claim of Canadian Patent application number 2,589,694:

CLAIMS

1. A method of structuring a collateralized loan, comprising:

a lender specifying to a borrower an algorithm for determining payment amounts due from the borrower to the lender for repayment of a collateralized loan, the payment amounts being a function of at least a future income of the borrower.

The Broader Implications of the Outcome of this Appeal

32. It is the strong belief of the CLHIA that the Court's decision will have ramifications far beyond the Respondent in this case; ramifications which it believes extend to its members as well as all consumers of life and health insurance in Canada. In addition, any business which manipulates, stores or analyses financial data using a computer could be affected by this decision. With $475 billion in Canadian investments, life and health insurers are among the largest investors in the Canadian economy and therefore have a direct interest

in laws that could significantly impact the efficiency and competitiveness of Canadian businesses at large.

CLHIA Affidavit, para. 20; Motion Record, Tab 2.

33. Extending patents which could cover business methods in the financial services field could increase the cost of insurance products and services which could negatively impact the retirement savings, pensions, life and health insurance held by approximately 80% of Canadians.

CLHIA Affidavit, para. 21; Motion Record, Tab 2.

34. The CBA believes that if intangible ideas and schemes that banks and their subsidiaries use to carry on business are subject to patenting by many different parties, an elaborate thicket of permissions could be required whereby each bank and broker, regardless of institution or asset size, would need to negotiate a full portfolio of licenses in order to carry on business, or worse, perhaps would not even be able to obtain such licenses. The effect would likely be twofold: to increases costs to the end user and to erect a formidable barrier to entry to new firms, thus stifling competition and service in the financial services marketplace.

CBA Affidavit, para. 16; Motion Record, Tab 3.

35. The Proposed Interveners are also concerned that the patenting of business methods will inevitably lead to litigation in connection with such patents. This has already occurred in the United States. The effect of such law suits include:

(a) the possibility that CBA and CLHIA members are prevented from carrying out much of their traditional business, when this business is slightly modified to be carried out by computer;

(b) significant costs in the form of legal fees but also costs associated with clearing the right to adopt methods used in the financial services business when implemented by computer; and

(c) in addition, financial institutions will be forced to try to patent these same things as a defensive measure, or to improve their bargaining position.

CBA Affidavit, para. 17; Motion Record, Tab 3.

CLHIA Affidavit, para. 18; Motion Record, Tab 2.

The Proposed Interveners Lack Alternative Means to Address these Issues

36. The Proposed Interveners are not involved in any litigation of their own at the present time in which these issues could be addressed.

CLHIA Affidavit, para. 34; Motion Record, Tab 2.

CBA Affidavit, para. 21; Motion Record, Tab 3.

PART III – POINTS IN ISSUE

37. The issues raised on this motion are:

(a) whether leave should be granted to the Proposed Interveners to intervene; and

(b) and if leave is granted, the manner in which the Proposed Interveners should be allowed to participate in the proceeding.

PART IV - SUBMISSIONS

38. Intervention in the Federal Court is governed by Rule 109 of the *Federal Courts Rules* which provides that an applicant on motion for leave to intervene must describe how their participation "will assist the determination of a factual or legal issue related to the proceeding". This is the overriding question.

39. There are six relevant considerations on a motion for leave to intervene under Rule 109 (known as the "*CUPE* factors").

Rothmans, Benson & Hedges v. Canada (Attorney General) (T.D.), [1990] 1 F.C. 84 at 88 (T.D.), reversed in part [1990] 1 F.C. 90 (F.C.A.) ("*Rothmans*") **[Tab 19]** which was applied in the context of judicial review in *C.U.P.E. v. Canadian Airlines International Ltd.*, [2000] F.C.J. No. 220 at para. 8 (F.C.A.) ("*CUPE*") **[Tab 7]**

40. The "*CUPE* factors" (which will be examined in turn below) are not a rigid test, and an applicant need not meet all the criteria. The overriding question remains whether the intervention will assist the court in its determination of a factual or legal issue.

> *Rothmans, supra* at 88 **[Tab 19]**; *Sandy Pond Alliance to Protect Canadian Waters Inc. v. Canada (Attorney General)* 2011 FC 158 at para. 27 ("*Sandy Pond*") **[Tab 20]**; *Boutique Jacob Inc. v. Paintainer Ltd.*, 2006 FCA 426 at para. 21 **[Tab 5]**; *Pimicikamak Cree Nation v. Pimicikamak Cree Nation Women's Council* 2009 FC 568 at para. 24 **[Tab 15]**; *Khadr v. Canada (Attorney General)* 2008 FC 807 at para. 42 ("*Khadr*") **[Tab 10]**

I. Are the Proposed Interveners Directly Affected by the Outcome?

41. The Federal Court has previously found this criteria to have been satisfied in circumstances where an industry association sought leave to intervene in private litigation on the basis that future rights of its members to obtain a notice of compliance were involved.

> *Pfizer Inc. v. Canada* (1999), 1 C.P.R. (4th) 349 at 357 (F.C.T.D.) **[Tab 13]**

42. The Proposed Interveners believe they have a direct interest in the outcome of this appeal because of its potential effect on pending patent applications relating to the insurance and banking industries.

43. This Court has also found persons "similarly situated" to a party to an appeal to have a "direct interest" in the outcome of the appeal. In *Canadian Association of Broadcasters v. Canada*, this Court considered that it could be useful for the panel hearing the appeal to have the perspective of similarly situated non-parties especially where the parties had failed to address the possible effect of certain case law relating to them.

> *Canadian Association of Broadcasters v. Canada*, 2007 FCA 233 at para. 7 **[Tab 6]**

44. In this case, while the Appellants have addressed some of the policy implications of the issues under appeal, they have addressed them only from the perspective of their

application to the Amazon.com application or from a broad policy and theory perspective. The implications of the issues under appeal on the financial services industries and other industries using computer implemented methods have not been acknowledged, let alone addressed. It is submitted that it will be of assistance to the court to consider these when formulating the proper approach to statutory subject matter in the business method area.

45. In any event, where the intervener can assist the court in the determination of a legal issue, its intervention falls squarely within Rule 109 and an intervener does not need to be directly affected by the outcome.

Sandy Pond, supra at para. 30 **[Tab 2]**

II. Does there exist a justiciable issue and a veritable public interest?

46. This Court has accepted that "an intervenor representing some broader interest or acting with some representative capacity on behalf of those who have substantial interests has more than a mere jurisprudential interest."

Abbott v. Canada, [2000] 3 F.C. 482 at 487 (T.D.) ("*Abbott*")
[Tab 3]

47. CLHIA and CBA do not have a "mere jurisprudential interest" in the outcome of this appeal: they are representative bodies charged with a public policy mandate who believe that this appeal presents questions, the determination of which will have a significant impact on their members and the industries they represent.

48. The Appellants have stated in their Memorandum of Fact and Law that this case "involves the most fundamental principles of patent law". While the Respondent has not yet filed its Memorandum of Fact and Law, on the appeal of the Commissioner's Decision, the Respondent asserted in the first paragraph of its Memorandum of Fact and Law filed in the Trial Division that the appeal "concerns technologies which are of ever increasing importance to Canada's economy."

49. It is clear there is a justiciable issue at stake on this appeal involving significant legal and public policy issues related to what constitutes proper subject matter under section 2 of

the *Patent Act* and the proper legal approach to determining questions of subject matter patentability.

50. The Proposed Interveners consider the questions that the court will need to answer in order to determine the issues on appeal include:

(a) Must any expansion of patentability beyond the traditional meanings of the headings in section 2 of the *Patent Act* (i.e., art, process, method, machine, composition of matter) be affected by the legislature or the courts?
(b) Do mental processes and ideas fall within the headings in section 2 and are they patentable?
(c) Should the following be considered a series of mental steps or ideas and therefore not patentable: the creation of legal or financial relations by contract or other arrangement; a calculation or algorithm (flowchart) prescribing steps or a system to manipulate or manage information or abstract ideas or a system for the management of data?
(d) Does using a general purpose computer or a known computer system to complete any of the steps or ideas in (c) above make such steps or ideas patentable?
(e) Does implementing an idea via a computer make the idea patentable only if it implements a novel process/method that causes/results in a physical change in a physical object?
(f) Must the invention claimed reside in the physical structure?
(g) Is the movement of data in a computer a change in a physical structure?
(h) Based on the reasons of Mr. Justice Phelan, what is a "method of practical application" and what is a "manifestation, effect or change of character"?

51. The Proposed Interveners have a substantial and demonstrated interest in how these questions are answered. They have made policy submissions to the Government and industry regulators on the question of the patentability of business methods and in fact, the CLHIA and some of its individual members, together with certain individual members of the CBA, sought intervener status in this case in the earlier lower court decision.

52. This is one of the few Canadian Federal Court cases which squarely raises issues relating to patenting business methods in Canada and it will become binding authority on any lower court cases that come after it.

53. Intervention has been granted in cases where there are issues of principle or which go to the interpretation of legislation. This appeal raises such issues of principle and the interpretation of the statutory definition of invention. Moreover, this Court has granted intervention in the *Harvard Mouse* case which involved the statutory definition of invention, the very issue before the court in this case.

Genencor International, Inc. v. Canada (Commissioner of Patents) (2007), 55 C.P.R. (4th) 395 at 404 (F.C.) **[Tab 9]**; *President and Fellows of Harvard College v. Canada (Commissioner of Patents)*, [2000] 4 F.C. 528 **[Tab 16]**

54. In *Pfizer Canada,* the Federal Court considered a motion to intervene brought by the Canadian Drug Manufacturers' Association ("CDMA") in judicial review applications of decisions of the Minister of Health which had refused to add certain patents to the Patent Register. The issue at the heart of the application in *Pfizer* was the meaning of the term "filing date" in subsection 4(4) of the *Regulations*. According to the CDMA, if the relief sought in the application was granted, the number of patents that may be listed on the patent register would be expanded. The Court granted leave, in part, on the basis that there existed a justiciable issue and veritable public interest evidenced by: the Minister requiring input from the public on an important issue of interpretation; the Minister released a public policy document with the decision; and the decision involved the interpretation of international treaties.

Pfizer Canada Inc. v. Canada (Attorney General) (2001), 15 C.P.R. (4th) 490 at 495 (F.C.T.D.) **[Tab 14]**

55. The Proposed Interveners have an established interest in the issues raised in this appeal, and as set out in paragraph 17 above, they have a history of involvement in policy questions related to the patenting of business methods. In *Reference re Workers' Compensation Act, 1983*, the Supreme Court considered the criterion of being able to make useful and different submissions to have been "easily satisfied by an applicant who has a history of involvement in the issue giving the applicant an expertise which can shed fresh light or provide new information on the matter." This authority was also cited by the Court in *Maurice* on a successful motion to intervene.

Rothmans, Benson & Hedges Inc. v. Canada (Attorney General) (C.A.), [1990] 1 F.C. 90 at 92 **[Tab 19]**; *Maurice v. Canada (Minister of Indian Affiars and northern Development)*, [2000] F.C.J. No. 208 at para 13 **[Tab 12]**; *Reference Re Workers' Compensation Act, 1983,* [1989] 2 S.C.R. 335 at 340 **[Tab 18]**

III. Is there an apparent lack of any other reasonable or efficient means to submit the question to the Court?

56. The fact that issues directly relating to the patent eligibility of business methods have rarely been addressed by a Canadian court, notwithstanding that such issues have been important and controversial for forty years in the U.S. and for almost as long in Europe, speaks for itself as to the reasonableness or efficiency of finding another means to submit the question to the Court. These issues have been addressed in numerous cases in the U.S. and UK and in Europe, but in Canada there have been few, if any, opportunities for a court to address them.

57. The Proposed Interveners do not have any pending litigation of their own in which to address these issues.

IV. Is the position of the proposed intervener adequately defended by one of the parties to the case?

58. A party seeking to intervene has the burden of showing how its expertise would be of assistance in the determination of the issues placed before the Court by the parties.

Astral Média Inc. v. Canada (Commissioner of Competition)
(2002), 20 C.P.R. (4th) 356 at 359 (F.C.T.D.) **[Tab 4]**

59. In *R. v. Finta*, the Supreme Court of Canada found that leave to intervene was appropriate, in part, where the proposed intervener had submissions that would be useful and different from those of the parties.

R. v. Finta, [1993] 1 S.C.R. 1138 at 1143 **[Tab 17]**

60. In *Abbott*, the Federal Court held that a "different perspective" need not be a "unique" perspective, instead holding that what is required is a "relevant and useful point of view which the initial parties cannot or will not present, a point of view without which the Court's eventual decision might well be the poorer". This statement was cited with approval by the Federal Court of Appeal in *Ferroequus Railway Co. v. Canadian National Railway Co.*

Abbott, supra at 490 **[Tab 3]**; *Ferroequus Railway Co. v. Canadian National Railway Co.* 2003 FCA 408 at para. 13 ("*Ferroequus*") **[Tab 8]**

61. The interests of the Proposed Interveners may not be adequately defended by the Attorney General of Canada. While the Attorney General represents the public interest, it does so on a "broad plane" and without an obligation to address the interests of the Proposed Interveners.

Sandy Pond, supra at para 32 **[Tab 20]**

62. In the absence of the CLHIA and CBA, the Court will be left to consider questions of patentability under section 2 of the *Patent Act* only from the perspective of the parties to the proceeding: the Attorney General of Canada (a Government entity with a public interest mandate, but without any specific industry mandate); and Amazon.com (a retail entity with a narrow commercial self-interest, but no public interest or public policy mandate). The CLHIA and CBA have both a public policy mandate and a broad industry sector commercial interest at stake.

63. While the Proposed Interveners generally support the position of the Appellants on this appeal, nevertheless they can provide a perspective on the law that the Appellants cannot. The CLHIA and CBA can speak to the practical effect of the proposed expansion of statutory subject matter on the financial services and insurance business as a whole and the financial implications of defending against patents which claim improper subject matter.

64. The Proposed Interveners have provided the court with examples of patent applications on file in Canada that relate to the insurance industry and financial services. They can give concrete examples of how their concerns over patenting business methods play out. These practical effects were not addressed by the Appellants in their Memorandum of Fact and Law.

65. The Commissioner's role does not extend beyond the issuance or rejection of a patent, but the Proposed Interveners must be concerned with the effect of business method

patents in respect of infringement, freedom to operate, licensing and litigation, including injunctions and damages, among other issues.

66. The Proposed Interveners support a position which will be fully explained to the Court should this motion be granted, but which will be briefly outlined below in paragraphs 67 through 69.

67. As to whether the Learned Judge erred in his interpretation of the definition of "invention" in section 2 of the *Patent Act* (and thereby erred in finding that the claims of the Amazon.com Application constitute patentable subject matter), the Proposed Interveners support the position of the Appellants that the Court erred in its application of Canadian case law on the test for patentable subject matter.

68. However the Appellant in its Memorandum had hardly touched at all on the *Harvard Mouse* decision and its implications for how this Court should approach the question of the expansion of the categories of patentable subject matter. Nor has the Appellant elaborated as to why the *Shell Oil* case is an inappropriate guide to the patenting of methods implementing ideas, scheme or mental steps.

69. From the perspective of the Proposed Interveners, certain errors in the reasoning of the Court will lead to the patenting of ideas, such as the methods used to calculate risk or financial strategies, simply by the insertion of incidental or known computer tasks as limitations into patent claims. The Court's errors in this respect include:

(a) While the Court rightly concluded that an 'art' requires a practical application, it erred by concluding that this alone was a sufficient condition for patentability.

(b) While the Court spoke about a "manifestation, effect or change of character", it effectively rendered such requirement meaningless by finding such effect or change in the simple movement of data from one place in the computer (a cookie) to another place in the computer (an order form) by the known method of a user clicking on a computer mouse.

(c) The concept of "transformation" adopted by the Court is ambiguous and could be interpreted as going far beyond anything now thought to be the law in the United States, which will lead to disharmony in the jurisdictions in which the Proposed Interveners do business, thus significantly complicating their operations.

(d) The Court erred in effectively requiring only a "practical application" and a "commercially useful result". If any element of transformation of a physical object was required, the Court found this in either the conventional equipment used to carry out the method or create the system or in the customer's actions in using the computer to create an order [Amazon.com Decision paragraph 75]. Based on this rationale, virtually any idea, method, mental process, or data collection and manipulation system would be easily patentable by adding to the claim a conventional computer machine based implementation or reciting the use of a computer to carry out the mental process or the data entry and use.

(e) The Court erred by finding that the essential elements test and purposive construction test precludes the court from looking at what was really invented, whether or not an essential element of the claim, when considering whether the claim was directed toward patentable subject matter.

70. While the Proposed Interveners are prepared to address some or all of these errors, the Proposed Interveners consider that their most useful function would be to address the practical consequences if such errors continue in respect of the financial services industry and other services industries. The Proposed Interveners hope that, by their intervention, the court will have the opportunity to "stress test" any test against the practical applications that such test would have in given situations and to review the wider implications and unintended consequences on other stakeholders whose businesses stand to be affected by the patenting of business methods. A perfect example of such unintended consequences could be the *Shell Oil* case itself, where the court's pronouncements on a new use of an old chemical compound has been used as a basis for broadening patentable subject matter to include methods of doing business.

71. It is suggested that the claim examples given by the Proposed Interveners in their affidavits in support of this motion might in fact meet the patentability test espoused by Mr. Justice Phelan in the Amazon.com Decision, if they are found to claim inventions which are not disembodied ideas, but have a method of practical application with a commercially useful result. From the perspective of the Proposed Interveners, these claim examples reveal the danger of a test for subject matter patentability that permits the patenting of ideas or schemes by the mere addition of incidental or known computer limitations such as "a computerized method for..." and the importance of analyzing the applicant's inventive contribution in determining questions of subject matter patentability.

V. Are the interests of justice better served by the intervention of the proposed third party?

72. In part this factor seems to be concerned with prejudice that might be suffered by the Appellant by virtue of the intervention. However this concern is addressed by the early and limited nature of the proposed intervention.

73. The Proposed Interveners do not intend to file any evidence in the appeal itself and their participation in argument can be limited to provide for the participation that the court finds useful.

74. The Proposed Interveners believe that they can provide the Court with a relevant, useful, and targeted point of view which the parties cannot or will not present – "a point of view without which the Court's eventual decision might well be the poorer".

VI. Can the Court hear and decide the case on its merits without the proposed intervener?

75. The Proposed Interveners acknowledge that this Court could hear and decide this case on its merits without the Proposed Interveners. This, however, is not determinative: leave to intervene was granted in *Khadr* despite the Court's acknowledgment that there was "no doubt" that the case could have been heard and decided on its merits without the proposed interveners.

Khadr, supra at para. 42 **[Tab 10]**

76. However, this appeal involves a thorny issue which has troubled the courts in the U.S. for forty years and has resulted in many changes in the articulation of what is and what is not proper subject matter, most recently in a major restatement of the appropriate standard which has now been decided by the Supreme Court of the United States in *Bilski*. There are few if any cases on this issue in Canada. This Court has the opportunity to articulate and explain the law, which articulation and explanation will have significant business ramifications, perhaps for many years to come.

77. It should be noted that in this Appeal, the Appellant and the Commissioner will rely heavily on the decision of the Supreme Court in the *Harvard Mouse* case. In that case

there was at least one intervention granted at the Federal Court of Appeal level and multiple interventions granted at the Supreme Court level.

PART V – ORDER SOUGHT

78. For the reasons set out above, the Proposed Interveners request an Order:

(a) Granting the Proposed Interveners leave to jointly intervene in this appeal;

(b) Permitting the Proposed Interveners to file a joint memorandum of fact and law, not exceeding 30 pages in length, in this appeal;

(c) Granting the Proposed Interveners leave to jointly present 30 minutes (or such other amount of time as this court finds useful) of oral argument at the hearing of this appeal; and

(d) Setting out such other directions on the procedure for and extent of intervention of the Proposed Interveners as this Court deems appropriate.

79. The Proposed Interveners do not seek costs of this motion, nor should costs be awarded against them.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 16th day of March, 2011.

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Court File No: A-435-10

FEDERAL COURT

B E T W E E N:

THE ATTORNEY GENERAL OF CANADA, and THE COMMISSIONER OF PATENTS

Appellants

- and -

AMAZON.COM, INC.

Respondent

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Court File No. A-435-10
(T-1476-09)

FEDERAL COURT OF APPEAL

B E T W E E N:

THE ATTORNEY GENERAL OF CANADA and THE COMMISSIONER OF PATENTS

Appellants

- and -

AMAZON.COM, INC.

Respondent

MOTION RECORD

(Motion to Intervene on behalf of the Canadian Life and Health Insurance Association Inc. and the Canadian Bankers Association)

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