

Case Study – Amazon 1-Click

My name is Vik Pandit and I'm one of the co-founders at Phycus Biotechnologies.

In this case study, we look at how patents can protect business methods. In many countries, including Canada and the US, patents for business methods can be obtained.

A business method is just that: a way of carrying on business, such as ways of managing client accounts ways of facilitating electronic payments ways of validating regulatory compliance and many others.

Many business methods are now computer-implemented. This was the case with Amazon which famously patented "1-Click" ordering. A business method that allowed users to store payment information to avoid logging in for every purchase. Initially rejected in Canada a Federal Court of Appeal case examined the Canadian application and concluded that the method had a physical effect and therefore couldn't be automatically dismissed as "abstract."

CIPO re-examined the application, and granted the patent. Amazon patents in Canada and the US were highly profitable. They were licensed to Apple among others.

In the Canadian patent which is now expired it claimed a method in a client system for ordering an item comprised of the persistent storage of the client identifier identifying account information in the client system. That once applied could be retrieved for repeat purchases without the user needing to log into the server system. Any other party performing the above method in Canada without a license would be infringing this patent.

Sometime later, the rival Bookstore Barnes & Noble also offered an order option called "Express Lane" that allowed to the user to make a purchase with one mouse click. Amazon sued Barnes & Noble for infringement and the courts ordered Barnes&Noble to remove Express Lane from its website. As a result, Barnes & Noble changed its ordering system to a minimum two-click system.

The take-aways here are clear:

The IP protection gave Amazon the clear competitive advantage over Barnes&Noble.

Even unconventional inventions might be protectable with patents.

And don't dismiss business methods automatically but be aware of the legal jurisdiction.