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Opening the Door to Business Methods: State Street Bank & Trust Co. v. Signature Financial Group, Inc. (Note)

Colin P. Marks

St. Mary's University School of Law, cmarks@stmarytx.edu

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NOTE

OPENING THE DOOR TO BUSINESS METHODS: *STATE STREET BANK & TRUST CO. V. SIGNATURE FINANCIAL GROUP, INC.**

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I. INTRODUCTION

Imagine a patent claim for the following method for buying and selling stocks: (a) a system for recording an investor's name, available capital, a listing of stocks in which an investor is willing to invest, a listing of percentage growth in value that the investor would like to meet before selling a particular stock; (b) second system for comparing the above-recorded stocks through a list of each stock's 50-day moving average and buying selected stocks when their value falls within 5% of their 50-day moving average; (c) third system for selling selected stocks upon the occurrence of the following: (i) their value falls below 10% of their 50-day moving average, or (ii) their value has met the percentage growth that the investor wants to meet.

In essence, this patent claim is nothing more than a variation on the old concept of "buy low, sell high." Until recently, such a claim would have been thought of as unpatentable subject matter, falling under a "business method" exception to statutory patentability.¹ A recent case, however, may have changed this perception.²

This Note analyzes the decision of the United States Court of Appeals for the Federal Circuit in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*³ In its decision, the circuit court eliminated both the Freeman-Walter-Abele test for determining statutory subject matter⁴ and the "business method" exception.⁵ The "business method" exception, which was a court-developed doctrine on subject matter patentability, held methods of doing business to be excluded from the scope of patentability under 35 U.S.C. § 101.⁶ Though the exception is not apparent

1. Refer to Part III.B-C *infra* (examining the historical development of the "business method" exception).

2. See Mark C. Dukes et al., *Software Patent Protection: State Street Puts Businesses on "Easy Street,"* S.C. LAW., Mar./Apr. 1999, at 32, 34, 39 (noting that the decision in *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), challenges the assumption that patent protection is unavailable to business and financial application software).

3. 149 F.3d 1368 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1093 (1999).

4. See *id.* at 1374 (stating that "the Freeman-Walter-Abele test has little, if any, applicability to determining the presence of statutory subject matter"). This aspect of the court's decision is beyond the scope of this article. For the purposes of this article, the word "statutory" will be used to describe whether a patent is eligible subject matter under 35 U.S.C. § 101 and the word "patentability" will be used to describe whether something qualifies for a patent under all of the patent law provisions.

5. See *id.* at 1375-77 (finding that whether something is a business method has nothing to do with whether it is statutory subject matter).

6. See *id.* at 1375 (referring to the "business method" exception as a "judicially-created... exception to statutory subject matter"). Section 101 states

from the language of § 101,⁷ it had long been an accepted principle that a method of doing business was not eligible for a patent as a “process,” even if the method was new and nonobvious.⁸

This Note demonstrates that although *State Street* may have expanded the scope of statutory eligibility under § 101, a business method patent is still highly susceptible to exclusion under §§ 102 and 103. Part III traces the development of the “business method” exception through case law, statute, and treatise. Part IV concentrates on the elimination of the long-standing “business method” exception and the implications this will have on the law. Finally, this Note concludes by returning to the hypothetical that was introduced above and exploring the fringes of what may now be patentable under the law.

II. RECITATION OF THE CASE

A. *The Patent*

The *State Street* case arose in the United States District Court for the District of Massachusetts.⁹ State Street Bank and Trust Company (“State Street Bank”) brought an action against Signature Financial Group, Inc. (“Signature”), seeking a declaratory judgment that one of Signature’s patents was invalid and unenforceable.¹⁰ The patent in question was for a computerized accounting system for managing a mutual fund investment structure.¹¹

State Street Bank and Signature are both companies that can act as administrators and accounting agents of mutual

that “[w]hoever invents or discovers any new and useful process . . . may obtain a patent therefor, subject to the conditions and requirements of this title.” 35 U.S.C. § 101 (1994).

7. See 35 U.S.C. § 101.

8. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 927 F. Supp. 502, 515 (D. Mass. 1996) (quoting 1 DONALD S. CHISUM, CHISUM ON PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT § 1.03[5], at 1-75 (2000)) (“Business ‘plans’ and ‘systems’ are not patentable, even though they may not be dependent upon the aesthetic, emotional, or judgmental reactions of a human.”), *rev’d*, 149 F.3d 1368 (Fed. Cir. 1998); see also, e.g., *Ex parte Murray*, 9 U.S.P.Q.2d (BNA) 1819, 1821 (Patent & Trademark Office Bd. of Patent App. & Interferences 1988) (holding that, although “an apparatus or system capable of performing a business function may comprise patentable subject matter, a method of doing business generated by the apparatus or system is not”).

9. See *State Street*, 927 F. Supp. at 502.

10. See *id.* at 504.

11. See *id.*

funds.¹² Signature owns U.S. Patent No. 5,193,056, which is entitled "Data Processing System for Hub and Spoke Financial Services Configuration."¹³ The function of the patented invention is to provide "a data processing system and method for monitoring and recording the information flow and data, and [to] mak[e] all calculations, necessary for maintaining a partnership portfolio and partner fund (Hub and Spoke) financial services configuration."¹⁴ This invention is, in essence, an investment structure.¹⁵ Through this structure, an investment portfolio acts as a "Hub" through which mutual funds, or "Spokes," can pool their assets.¹⁶ The district court summarized the invention as follows:

Specifically, the invention calculates and stores data representing: the percentage share that each Spoke fund holds in the Hub portfolio; any daily activity affecting the portfolio's assets; allocations of gains, losses and expenses to each of the Spoke member funds; and tracking and updating data that are used to determine aggregate year-end income, gains, losses, and expenses for accounting and tax purposes.¹⁷

By pooling their assets in this way, mutual funds take advantage of the fund administration costs associated with an economy of scale as well as beneficial tax consequences.¹⁸

The district court examined the first of the patent claims in the following terms:

- (1) A data processing system for managing a financial services configuration of a portfolio established as a partnership, each partner being one of a plurality of funds, comprising the following:
 - (a) computer processor means for processing data;
 - (b) storage means for storing data on a storage medium;
 - (c) first means for initializing the storage medium;
 - (d) second means for processing data regarding assets in the portfolio and each of the funds from a previous day and data regarding increases or decreases in each of the funds, assets and for

12. *See id.*

13. *Id.*

14. *Id.*

15. *See id.*

16. *See id.*

17. *Id.* at 505.

18. *See id.* at 504-05.

allocating the percentage share that each fund holds in the portfolio;

- (e) third means for processing data regarding daily incremental income, expenses, and net realized gain or loss for the portfolio and for allocating such data among each fund;
- (f) fourth means for processing data regarding daily net unrealized gain or loss for the portfolio and for allocating such data among each fund; and
- (g) fifth means for processing data regarding aggregate year-end income, expenses, and capital gain or loss for the portfolio and each of the funds.¹⁹

The district court noted that the patent examiner originally reviewed six apparatus claims and six almost identically worded method claims.²⁰ The patent examiner questioned the patentability of the subject matter of both the apparatus and method claims,²¹ and ultimately decided to grant the patent for the apparatus claims, but not for the method claims.²²

B. Facts and Procedural History

The patent challenge in *State Street* arose from negotiations between State Street Bank and Signature for a license to use Signature's patented data processing system.²³ Negotiations broke down and "State Street [Bank] brought a declaratory judgment action asserting invalidity, unenforceability, and noninfringement . . . and then filed a motion for partial summary judgment of patent invalidity for failure to claim statutory subject matter under § 101."²⁴ The district court granted State Street Bank's motion.²⁵

19. *Id.* at 505 & n.2 (commenting that by using means-plus-function language, the claim construction was technically for an apparatus rather than a method). Such claims that are constructed as apparatus claims are often analyzed as though they were drawn to methods. See Louis J. Knobbe, *How to Decide Whether to Obtain a Patent: Legal Framework*, in *HOW TO HANDLE BASIC PATENT PROBLEMS 1992*, at 9, 46 (PLI Patents, Copyrights, Trademarks, & Literary Property Course Handbook Series No. G-343, 1992).

20. See *State Street*, 927 F. Supp. at 506.

21. See *id.*

22. See *id.* (noting that the record did not disclose why the method claims were unsuccessful).

23. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1370 (Fed. Cir. 1998).

24. *Id.*

25. See *id.*

The district court relied on two grounds for granting the motion for summary judgment.²⁶ The first ground was based on what the district court termed as the “mathematical algorithm/physical transformation test,” or the Freeman-Walter-Abele test.²⁷ The district court found that Signature’s patent claim failed this test because there was no physical transformation or reduction taking place.²⁸ In the district court’s view, all the system did was input, calculate, output, and store numbers.²⁹ In the eyes of the district court, this did not meet the standard of describing “sufficient physical activity to constitute patentable subject matter.”³⁰

The district court granted summary judgment on alternative grounds as well, stating that its decision comported with “another doctrinal exclusion from subject matter patentability known as the ‘business methods exception.’”³¹ The district court supported this holding with case law and a number of treatise references to the “business methods” exception as a “long-established principle.”³² The district court then reinforced its

26. See *State Street*, 927 F. Supp. at 511, 515.

27. See *id.* at 511 (stating that both the Supreme Court and the Federal Circuit Court have found that this test is the best indicator of patentability). After describing the Freeman-Walter-Abele test, the district court began referring to it as the “mathematical algorithm/physical transformation test.” See *id.* at 510-11. The district court broke this test down into its respective parts. See *id.* at 512-13. The court then stated that to meet the first part of the test, the patent must recite, either directly or indirectly, a mathematical algorithm. See *id.* at 513. To define a mathematical algorithm, the court cited the standard set forth in *Gottschalk v. Benson*, 409 U.S. 63 (1972), which described it as “[a] procedure for solving a given type of mathematical problem.” See *Gottschalk*, 409 U.S. at 65. The court concluded that because the invention inputs, processes, and outputs numbers, it “must by definition perform mathematical operations.” *State Street*, 927 F. Supp. at 513. The court then turned to the “physical transformation” part of the test. See *id.* Under this part of the test, the court had to determine whether “the claimed invention is applied to or limited by physical elements or process steps,” stating that “[r]egardless of whether the invention performs mathematical operations, if it transforms or reduces subject matter to a different state or thing, it is statutory under § 101.” *Id.*

28. See *State Street*, 927 F. Supp. at 515.

29. See *id.* (speculating that “[t]he same functions could be performed, albeit less efficiently, by an accountant armed with pencil, paper, calculator, and a filing system”).

30. *Id.* (quoting *In re Schrader*, 22 F.3d 290, 294 n.9 (Fed. Cir. 1994)).

31. *Id.*

32. *Id.* at 515-16; see also *Loew’s Drive-In Theatres, Inc. v. Park-In Theatres, Inc.*, 174 F.2d 547, 552 (1st Cir. 1949); *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467, 469 (2d Cir. 1908); see CHISUM, *supra* note 8, § 1.03[5], at 1-75 (stating generally that “business ‘plans’ and ‘systems’ are not patentable”); 1 ERNEST BAINBRIDGE LIPSCOMB III, LIPSCOMB’S WALKER ON PATENTS § 2:17, at 171 (3d ed. 1984) (recognizing that a business system is not an art and not patentable subject matter).

inclusion of the “business methods exception” from a policy stand-point, reasoning that to allow the patent would, in effect, grant Signature a monopoly on the idea of a multi-tiered partnership portfolio-investment structure.³³

C. *Opinion of the Federal Circuit Court*

The Federal Circuit reversed both prongs of the district court’s decision and remanded the case for further proceedings.³⁴ In doing so, the circuit court eliminated two often-used grounds for striking down software patent applications.³⁵ In the circuit court’s opinion, Judge Rich analyzed the patent claim itself and concluded that it was properly constructed as a “means-plus-function” claim.³⁶ The circuit court noted that the district court had been incorrect to view the claim as a process, because the claim, when properly construed, described a machine (the data processing system) that was made up of specific structures.³⁷ The circuit court then analyzed the exceptions that the district court had concluded should apply.³⁸ The circuit court analyzed the “mathematical algorithm” exception (referring to the Freeman-Walter-Abele test) by restating the applicable statute for subject-matter patentability, § 101: “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”³⁹ The circuit court found that the expansive use of language chosen by Congress indicated its intent not to place any additional restrictions on the scope of patentable subject matter “beyond those specifically recited in § 101.”⁴⁰

33. See *State Street*, 927 F. Supp. at 516 (commenting that the patenting of an accounting system is the equivalent of patenting the business itself, which would be an abstract idea and therefore unpatentable).

34. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1377 (Fed. Cir. 1998).

35. See John T. Aquino, *Patently Permissive*, A.B.A. J., May 1999, at 30 (commenting that *State Street* “demolished two longtime grounds for rejecting software patent applications,” and that this “decision has been heralded as being to patent law what Rachel Carson’s *Silent Spring* was to the environmental movement”).

36. See *State Street*, 149 F.3d at 1370-72.

37. See *id.* at 1372. The “specific structures” refer to elements (a)-(g) of Signature’s claim. See *id.* at 1371-72.

38. See *id.* at 1372-77 (analyzing and dismissing as inapplicable both the “mathematical algorithm” and the “business method” exceptions to statutory subject matter).

39. *Id.* at 1372 (quoting 35 U.S.C. § 101 (1994)).

40. *Id.* at 1373 (noting that Congress’s intent was that § 101 extend to practically anything that is man-made).

The circuit court explored the applicability of the “mathematical algorithm” exclusion, stating that there are “three categories of subject matter that are unpatentable, namely ‘laws of nature, natural phenomena, and abstract ideas.’”⁴¹ The court noted that a mathematical algorithm standing alone is nothing more than an “abstract idea[] until reduced to some type of practical application.”⁴² The circuit court held that although a mathematical algorithm was used, the claim was statutory because it constituted a practical application of a mathematical algorithm.⁴³ The circuit court then attacked the district court’s application of the Freeman-Walter-Abele test, stating that the test had little if any current use in determining the presence of statutory subject matter.⁴⁴ The circuit court concluded its analysis of the “mathematical algorithm” test by stating that when determining whether a claim is statutory, the focus should not be on the category into which the claim falls, but rather on whether the claim is directed to “a useful, concrete, and tangible result.”⁴⁵

After disposing of the Freeman-Walter-Abele test, the circuit court turned its attention to the “business method” exception.⁴⁶ The circuit court tersely rejected the exception, stating that it was at one time applied as a general legal principle but is no longer applicable. The court went on to refer to the concept as “ill-conceived.”⁴⁷ The circuit court asserted that “[s]ince the 1952 Patent Act, business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method.”⁴⁸ The court went on to say that neither it nor its predecessor court, the United States Court of Customs and Patent Appeals (C.C.P.A.), had ever relied upon the “business method” exception to find an invention unpatentable.⁴⁹

Judge Rich then clarified that any application of the “business method” exception was always “preceded by a ruling based on some clearer concept of Title 35 or, more commonly,

41. *Id.* (quoting *Diamond v. Diehr*, 450 U.S. 175, 185 (1981)).

42. *Id.*

43. *See id.* (holding that “the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation”).

44. *See id.* at 1374.

45. *Id.* at 1375 (quoting *In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994)).

46. *See id.*

47. *See id.*

48. *Id.*

49. *See id.*

application of the abstract idea exception based on finding a mathematical algorithm.”⁵⁰ Judge Rich found that even in the case that supposedly established the exception, *Hotel Security Checking Co. v. Lorraine Co.*,⁵¹ the court did not rely on the exception to strike down the patent.⁵² In *Hotel Security*, the patent was found invalid for lack of novelty and not for ineligible subject matter.⁵³ The circuit court noted that the district court’s claim that the patent claim was overly broad had nothing to do with subject matter patentability and that such concerns should be considered under §§ 102, 103, and 112.⁵⁴ Judge Rich also cited, as evidence supporting the nonexistence of the “business method” exception, the U.S. Patent and Trademark Office’s 1996 Examination Guidelines for Computer Related Inventions, which states that method-of-doing business claims should be treated just like any other process claim.⁵⁵ The circuit court concluded that “[w]hether the claims are directed to subject matter within § 101 should not turn on whether the claimed subject matter does ‘business’ instead of something else.”⁵⁶

III. ANALYSIS: THE HISTORICAL DEVELOPMENT OF THE “BUSINESS METHOD” EXCEPTION TO SUBJECT MATTER PATENTABILITY

A. *The Development of 35 U.S.C. § 101*

The concept of protecting inventions by granting intellectual property rights is not a new one. As early as the Middle Ages, various practices had developed to reward individuals for unique ideas.⁵⁷ The city of Venice may have used such practices as early as 1200 A.D.⁵⁸ By 1432, the Senate of Venice had enacted a statute which provided the following: “If somebody invents any machine or process to speed up silk-making or to improve it, and

50. *Id.*; see also *In re Schrader*, 22 F.3d 290, 298 (Fed. Cir. 1994) (Newman, J., dissenting).

51. 160 F. 467 (2d Cir. 1908).

52. See *State Street*, 149 F.3d at 1376 (citing *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467 (2d Cir. 1908)).

53. See *id.* at 1376; *Hotel Sec.*, 160 F. at 469-72.

54. See *State Street*, 149 F.3d at 1377.

55. See Examination Guidelines for Computer-Related Inventions, 61 Fed. Reg. 7478, 7479 (1996); *State Street*, 149 F.3d at 1377.

56. *State Street*, 149 F.3d at 1377.

57. See ROBERT A. CHOATE ET AL., CASES AND MATERIALS ON PATENT LAW INCLUDING TRADE SECRETS-COPYRIGHTS-TRADEMARKS 63 (3d ed. 1987) (noting that these practices were in the form of certain secondary exclusive grants).

58. See *id.* (indicating that protection had been granted in Venice for dredges, wells, flour mills, and other hydro-innovations).

if the idea is actually useful, the inventor can obtain an exclusive privilege for ten years from the Guild Welfare Board of the Republic."⁵⁹

Similar protection was soon provided for the inventors of many other devices and arts.⁶⁰ Venice's goal was to encourage ingenuity at home, as well as to attract inventors from other lands.⁶¹ To promote these goals, Venice, by 1474, had enacted a statute that is considered to be the forerunner of today's patent statutes.⁶² Great Britain also had a system for establishing protection, first in the form of royal grants and later in statutes.⁶³ The first elements of a modern patent system appeared during Queen Elizabeth's reign, which began in 1558.⁶⁴

The colonization of America by British subjects brought with it the desire to promote ingenuity and to stimulate manufacture.⁶⁵ Following the American Revolution, laws to encourage invention were soon passed and adopted by various states.⁶⁶ Despite the various states' attempts at patent protection, the framers of the Constitution recognized the need for federal protection of inventors and authors, and thus adopted the provision to the Constitution that would become Article I, Section 8, Clause 8.⁶⁷ This provision states: "The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."⁶⁸

This provision was not controverted, as evidenced by the lack of recorded debate on the matter.⁶⁹ The purpose of this provision was to encourage innovation and promote new jobs and industry.⁷⁰ Congress enacted the first patent statute in 1790 and

59. *Id.*

60. *See id.* (explaining that patent rights were also extended to cookstoves for dye shops, the art of printing, and mills for grinding corn).

61. *See id.*

62. *See id.* at 64 (noting that this early statute required devices to be novel, actually constructed, and useful).

63. *See id.* at 65.

64. *See id.* (mentioning that patents were granted for a dredging machine, the making of soap, alum, and saltpeter).

65. *See id.* at 68.

66. *See id.* at 69 (noting that most patents were granted by the states through special acts of their legislatures).

67. *See id.*

68. U. S. CONST. art. I, § 8, cl. 8.

69. *See CHOATE ET AL., supra* note 57, at 69.

70. *See* ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT § 1.2, at 10 (4th ed. 1998) (explaining that the constitutional roots of patentability serve a positive function for society by encouraging "investment based risk").

replaced it three years later.⁷¹ These statutes introduced fundamental concepts that remain in today's patent law, including the four-category approach to the definition of patentable subject matter.⁷² Congress revised the patent laws in 1836, and again in 1870, to make provisions for a Patent Office and a system of examination of patent applications.⁷³ In 1952, Congress passed a new patent act, largely in response to the Supreme Court's anti-patent decisions at that time.⁷⁴ The Patent Act of 1952, Title 35, § 101 enumerates which inventions are patentable.⁷⁵

Since the introduction of patents in the United States, Congress has tried to construct a fairly complex framework of laws to regulate the patent system.⁷⁶ The majority of legislative implementations concerning patents can be found in the Patent Act of 1952, Title 35, United States Code.⁷⁷ Included in the Patent Act of 1952 are §§ 100 and 101, which together define the scope of patentable subject matter.⁷⁸ Section 101 generally defines the scope of patentable subject matter as "any new and useful process, machine, manufacture, or composition of matter, or any useful improvement thereof."⁷⁹

"Process" is the most difficult one of these four terms to define because it is generally the hardest to recognize.⁸⁰ Section 100 defines "process," stating: "The term 'process' means process,

71. See CHISUM, *supra* note 8, at OV-3.

72. See *id.* (defining the four categories of patentable subject matter as process, machine, manufacture, and composition of matter).

73. See *id.* at OV-5 to OV-7 (stating that the 1870 Act retained most of the 1836 Act's provisions); see also 1 ANTHONY WILLIAM DELLER, DELLER'S WALKER ON PATENTS § 10, at 85-86 (2d ed. 1964) (reviewing the patent acts passed by Congress from 1793-1866).

74. See CHISUM, *supra* note 8, at OV-12; see, e.g., *Cuno Eng'g Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 90-92 (1941) (refining the invention patentability standard); *Carbice Corp. of Am. v. American Patents Dev. Corp.*, 283 U.S. 27, 31-32 (1931) (expanding the patent-misuse doctrine).

75. See DELLER, *supra* note 73, § 13, at 97-98.

76. See HARMON, *supra* note 70, § 1.3, at 12 (noting that this was an attempt by Congress to create a level playing field for the marketplace of ideas).

77. See *id.* (observing that although there are more than thirty additional statutory provisions that touch on patents, the Patent Act of 1952 contains the bulk of them).

78. See ROCHELLE COOPER DREYFUSS & ROBERTA ROSENTHAL KWALL, *INTELLECTUAL PROPERTY: TRADEMARK, COPYRIGHT & PATENT LAW* 574 (1996).

79. 35 U.S.C. § 101 (1994) (the current section contains the exact language of Patent Act of 1952); see also DREYFUSS & KWALL, *supra* note 78, at 574 (describing § 101 as a more general provision about what may be patented).

80. See DREYFUSS & KWALL, *supra* note 78, at 574 (commenting that the term "process" demands explanation whereas machines, manufacture, and compositions of matter are terms that are easier to define and recognize).

art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material."⁸¹ An early U.S. Supreme Court decision stated that "[a] process is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing."⁸² Under neither the statute nor the above definitions of "process" is a "business method" exception listed. This omission of excludable material makes the statute problematic when considering business methods.⁸³

Insight into the meaning of § 101 can be found in the Committee Reports accompanying the Patent Act of 1952. The report states that "[a] person may have 'invented' a machine or a manufacture, which may include anything under the sun that is made by man, but it is not necessarily patentable under section 101 unless the conditions of the title are fulfilled."⁸⁴ This position has been supported by the Supreme Court in previous cases.⁸⁵ The definition, however, has its critics, and the issue is controverted in case law.⁸⁶ This reasoning, that patentable subject matter should include anything under the sun that is made by man, led Judge Rich to conclude that business methods should not be *per se* excluded from patentability.⁸⁷

81. 35 U.S.C. § 100 (1994).

82. *Cochrane v. Deener*, 94 U.S. 780, 788 (1876). *Cochrane* was cited favorably in both *Diamond v. Diehr*, 450 U.S. 175, 183 (1981) and *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972).

83. See DREYFUSS & KWALL, *supra* note 78, at 575 (comparing the provisions of §§ 100 and 101 with what is defined as copyrightable material under the Copyright Act and pointing out that § 102(b) of that act expressly notes that some things like ideas and concepts are not afforded copyright protection).

84. S. REP. NO. 82-1979 at 5 (1952), reprinted in 1952 U.S.C.C.A.N. 2394, 2399. Senate Report 82-1979 repeats in substance House Report 82-1923. See 1952 U.S.C.C.A.N. at 2394.

85. See *Diamond v. Diehr*, 450 U.S. 175, 182 (1981) (determining the meaning of the word "process"); *Diamond v. Chakrabarty*, 447 U.S. 303, 308-09 (1980) (reporting that the Patent Act embodies Thomas Jefferson's philosophy that ingenuity should be given "liberal encouragement").

86. See *Chakrabarty*, 447 U.S. at 318 (Brennan, J., dissenting) (warning that the Court should not attempt to extend patent protection any further than Congress has already allowed).

87. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1375 (Fed. Cir. 1998) (stating that "[s]ince the 1952 Patent Act, business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method").

B. The "Business Method" Exception in Treatises

The district court in *State Street* relied, in part, on treatises to find a "business method" exception.⁸⁸ This is not surprising, as business methods had long been thought of as not protected via patent law.⁸⁹ The concept seems to have sprung forth from the principle that an idea or algorithm cannot, by itself, be patented.⁹⁰ This concept has been the cornerstone of all intellectual property rights.⁹¹ Relying upon case law, texts have explained that business methods are not patentable because a business method is not an "art."⁹² Commentators have suggested

88. See *id.* at 1376 (mentioning that the district court also stated policy concerns as its primary reason for finding the patent claim invalid under the "business method" exception).

89. See 1 PETER D. ROSENBERG, PATENT LAW FUNDAMENTALS § 6.02[3], at 6-107 (2d ed. 2000) (explaining that judicial construction has excluded methods of doing business from patentable subject matter); see also CHISUM, *supra* note 8, § 1.03[5], at 1-75 (noting that decisions have held that business plans and systems are not patentable "even though they may not be dependent upon the aesthetic, emotional, or judgmental reactions of a human"); Laurinda L. Hicks & James R. Holbein, *Convergence of National Intellectual Property Norms in International Trading Agreements*, 12 AM. U. J. INT'L L. & POL'Y 769, 772 (1997) (stating that processes which amount only to methods of doing business are not protected by patent law).

90. See *Detmold v. Reeves*, 7 F. Cas. 547, 549 (C.C.E.D. Pa. 1851) (No. 3831) (reasoning that a patent must be for something more concrete than just an idea); *Ex parte Turner*, Dec. Comm'r Pat. 36, 37-38 (1894) (advocating that "a plan or theory of action which, if carried into practice, could produce no physical results proceeding direct[ly] from the operation of the theory or plan itself is not an art within the meaning of the patent laws"); Adam E. McKinney, *Copyright Protection for Functional Works: Where Does the Fifth Circuit Draw the Line Between Idea and Expression?*, 47 BAYLOR L. REV. 249, 251 n.12 (1995) (noting that, because only applied works of technology may gain patent protection, business methods are excluded no matter how practical and useful they may be).

91. See 1 WILLIAM C. ROBINSON, THE LAW OF PATENTS FOR USEFUL INVENTIONS, § 24, at 37 (1890). Robinson states:

In its earliest stage this invention is a mere addition to the stock of ideas possessed by the inventor. He has imagined or discovered something which to himself, and presumably to all the world, is new, and has conceived a method by which his idea may be so applied as to produce a tangible and valuable result. In this stage he has a natural exclusive right to his invention. . . . If, however, he endeavors to avail himself of this idea in his exterior life, his position in regard to it is somewhat changed. The material forms in which he then embodies it are his, but *the idea itself* is not to be imprisoned within their narrow bounds.

Id. (emphasis added).

92. See CHISUM, *supra* note 8, § 1.03[5], at 1-75 to 1-78.1 (stating that court decisions hold business plans not patentable); DELLER, *supra* note 73, § 26, at 152 (noting that a system of doing business is not an "art" and does not fall under any other designation of patentable subject matter); see also *Munson v. Mayor of New York*, 124 U.S. 601, 605 (1888) (contending that a business system established to organize bonds cannot be patentable because it does not involve any invention); *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467, 469 (2d Cir. 1908) (declaring

that the only possible way to get such a claim patented is by a machine claim.⁹³ This may be why the patent claim in *State Street* was phrased as a “means-plus-function” claim.⁹⁴

Though the “business method” exception still appears in a number of texts, recent cases seem to have influenced current patent treatises.⁹⁵ Prior to the *State Street* decision, many casebooks mentioned the different process claims that had been successful in the Federal Circuit and the Supreme Court.⁹⁶ It does not seem, however, that the total elimination of the “business method” exception was anticipated because the exception was still mentioned.⁹⁷ Commentators have argued for the removal of the “business method” exception,⁹⁸ but the fact that the Manual of Patent Examining Procedure (“MPEP”) recognized the exception has always worked against such arguments.⁹⁹ The 1996 version of the MPEP, however, omits any

that “[a] system of transacting business disconnected from the means for carrying out the system is not . . . an art”); Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 581 (1999) (noting that because patents are meant to protect technology, business methods, which are not tied to any particular machine or device, were always viewed as pure concepts and, therefore, unpatentable).

93. See HARMON, *supra* note 70, § 2.2(b)(iii), at 49 (speculating that business methods are probably ineligible as method claims).

94. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1372 (Fed. Cir. 1998) (noting that each claim component was recited as a means plus its function and was thus construed as a machine claim).

95. See DREYFUSS & KWALL, *supra* note 78, at 604-05 (commenting on the old rule of thumb of a *per se* ban on business methods, but noting that recent cases have allowed for the patenting of business methods that utilize programs); Louis J. Knobbe, *supra* note 19, at 9, 48 (stating that although the Patent and Trademark Office may reject “method of doing business” claims, exceptions do exist).

96. See Knobbe, *supra* note 19, at 18-22, 48 (noting that exceptions to the “business method” exception were prevalent); DREYFUSS & KWALL, *supra* note 78, at 604-05 (citing *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 564 F. Supp. 1358 (D. Del. 1983), as support for the theory that a business method that utilizes a program can be patented).

97. See Knobbe, *supra* note 19, at 48 (noting that although business method claims are often rejected, exceptions exist).

98. See *id.* at 18-19 (suggesting that of the cases cited for the “business method” exception, none supported a sweeping mandate that all business methods are not patentable); E. Robert Yoches & Howard G. Pollack, *Is the “Method of Doing Business” Rejection Bankrupt?*, 3 FED. CIR. B.J. 73, 84 (1993) (concluding that, although many people assume the “method of doing business” is not patentable, no authoritative source has provided a satisfying explanation for its exclusion); Rinaldo Del Gallo, III, *Are “Methods of Doing Business” Finally Out of Business as a Statutory Rejection?*, 38 IDEA 403, 411 (1998) (mentioning that commentators have found the business method exception to be “ghostlike in nature”).

99. See PATENT AND TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 706.03(a) (5th ed. 1983) [hereinafter MPEP 1983] (“Though seemingly within the category of process or method, a method of doing business can be rejected as not being within the statutory classes.”); see also

reference to the exception.¹⁰⁰ Judge Rich cited this omission as supporting the elimination of the exception.¹⁰¹ Clearly, the decision in *State Street* will affect patent treatises, but the full impact of the case has yet to be felt in the legal academic community.¹⁰²

C. Case Law Development

The “business method” exception appears to have developed through case law.¹⁰³ *Hotel Security Checking Co. v. Lorraine Co.*¹⁰⁴ is the case most often cited as giving rise to the “business method” exception.¹⁰⁵ In *Hotel Security*, the patent claim at issue was for a “method of and means for cash-registering and account checking’ designed to prevent frauds and speculation by waiters and cashiers in hotels and restaurants.”¹⁰⁶ The system required each waiter to wear a badge with a designated number on it.¹⁰⁷ Each waiter was then given order slips with this same number on them.¹⁰⁸ When a waiter turned in an order, the kitchen filled it and made an entry into a register under that waiter’s number.¹⁰⁹ When a customer paid the cashier, the cashier would keep the

State Street, 149 F.3d at 1377 (quoting the MPEP fifth edition in 1994 as retaining the exact language of the original fifth edition in 1983); Knobbe, *supra* note 19, at 18 (observing that the U.S. Patent Office instructs its examiners that a method of doing business claim can be rejected as outside the proper statutory class); David Abraham, *Suggestions for Improved Intellectual Property Protection of Software, or Where is Alexander When You Really Need Him?*, 23 S.U. L. REV. 293, 301 (1996) (speculating that a patent examiner would reject a claim for an improved system of bookkeeping under the “business methods” exception).

100. See PATENT AND TRADEMARK OFFICE, U.S. DEPT OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 706.03(a) (6th ed. 1996) [hereinafter MPEP 1996]; see also Examination Guidelines, 61 Fed. Reg. 7478, 7479 (1996) (stating that business method claims should be treated “like any other process claim[]”).

101. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1377 (Fed. Cir. 1998).

102. See Dukes et al., *supra* note 2, at 39 (suggesting that the *State Street* decision will impact issues of patent timing, breadth of coverage and disclosures); Francisc Marius Keeley-Domokos, *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 14 BERKELEY TECH. L.J. 153, 172 (1999) (predicting an explosive academic debate over the *State Street* decision).

103. See Del Gallo, *supra* note 98, at 405 (noting that an early patent treatise contained no discussion of business methods).

104. 160 F. 467 (2d Cir. 1908).

105. See *State Street*, 149 F.3d at 1376 (relating that *Hotel Security* is frequently cited as establishing the “business method” exception); Del Gallo, *supra* note 98, at 405 (commenting that the *Hotel Security* case is commonly believed to be the origin of the exception).

106. *Hotel Sec.*, 160 F. at 467.

107. See *id.* at 468.

108. See *id.*

109. See *id.*

slips.¹¹⁰ The cashier's records were then compared to the kitchen's register to detect any dishonesty.¹¹¹

The Court of Appeals for the Second Circuit held in *Hotel Security* that the means described in the claim—a sheet of paper and order slips—did not present any new or useful feature apart from the manner in which they were used.¹¹² Therefore, the patent claim lacked novelty.¹¹³ The court also felt that, because the essential features were old, any changes made to those features would simply belong to the evolution of the business of restaurant and hotel keeping.¹¹⁴ The court used this reasoning to hold that even if the claim were novel, it would nevertheless fail because of its obviousness to those in the same business.¹¹⁵ The court reserved the question of how to treat a claim for a method that was new and nonobvious,¹¹⁶ stating that the “question seems never to have been decided by a controlling authority and its decision is not necessary now.”¹¹⁷ Thus, although the court struck down a “method of doing business” in its decision, it left open the possibility that a claim might come along that was so new and nonobvious that it should be judged on its own merits.¹¹⁸ Earlier in the opinion, however, the court warned, “A system of transacting business disconnected from the means for carrying out the system is not, within the most liberal interpretation of the term, an art.”¹¹⁹ It is from this statement that the “business method” exception sprang forth.¹²⁰

Another frequently cited case supporting the “business method” exception is *Loew's Drive-In Theatres, Inc. v. Park-In*

110. *See id.*

111. *See id.*

112. *See id.* at 469.

113. *See id.* at 472 (noting that the claimed improvements were not new and useful and that the “overwhelming weight of authority” found such claims to be unpatentable).

114. *See id.* at 470 (expressing the belief that any “clever and ingenious person familiar with the needs of that business” would have come up with such a method).

115. *See id.* at 471.

116. *See id.* at 472. Although the court used the word “new” instead of “nonobvious,” it seems clear from the context of the opinion that they were concerned with nonobviousness. *See id.* at 470 (stating that the changes were attributable to the evolution of the business, thus implying that the change was natural and obvious).

117. *Id.* at 472.

118. *See id.*

119. *Id.* at 469.

120. *See Del Gallo, supra* note 98, at 408 (proposing that with one sentence, the court gave birth to the “business method” exception); *see also State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1376 (Fed. Cir. 1998) (noting that the *Hotel Security* decision is often cited as establishing the “business method” exception).

*Theatres, Inc.*¹²¹ At the time of the *Loew's* case, drive-in theatres were commercially successful.¹²² The patent claim at issue in *Loew's* was for a system of parking cars in an open lot so that all could see the movie without obstruction.¹²³ The lower court held that the patent claim was nonobvious over the prior art and noted its novelty and success.¹²⁴ The Court of Appeals for the Second Circuit, however, cast aside these findings and instead concentrated on what it considered to be the more important question of "whether, given the idea or conception of an open-air drive-in theatre, an exercise of the inventive faculty was required to devise the means for carrying it out."¹²⁵ The court acknowledged the lower court's findings of novelty, usefulness and commercial success of drive-in theatres, but stated that these findings were of no real concern.¹²⁶ They focused instead on the instrumentalities, which made the system useful.¹²⁷ The court found that the instrumentalities did not involve an exercise of the faculty of invention¹²⁸ because the method was not novel.¹²⁹ The court also explained that even if there was novelty, the method was merely an application that anyone skilled in the art would have constructed and was, therefore, obvious.¹³⁰ Though the circuit court based its reversal on these grounds, it prefaced its finding by stating that a system of doing business, no matter how "novel, useful, or commercially successful is not patentable apart from the means for making the system practically useful, or carrying it out."¹³¹ This decision is often cited as adding to the case law the proposition that business methods as a group are unpatentable.¹³²

A more recent case cited in support of the "business method" exception is *Murray*, which involved a patent claim for an

121. 174 F.2d 547 (1st Cir. 1949).

122. See Del Gallo, *supra* note 98, at 414.

123. See *Loew's*, 174 F.2d at 550-51 (discussing a method whereby cars were parked on a hill sloped toward the screen and positioned in specific stallways to allow a clear view).

124. See *id.* at 548, 552.

125. *Id.* at 551-52.

126. See *id.* at 552 (emphasizing that the focus was on the mechanical application of the system).

127. See *id.*

128. See *id.* at 553. This standard has since been abandoned. See 35 U.S.C. § 102 (1994).

129. See *Loew's*, 174 F.2d at 553 (positing that the claimed method would occur to anyone skilled in the field and that the art did not have to wait years for the discovered method to evolve).

130. See *id.*

131. *Id.* at 552.

132. See Del Gallo, *supra* note 98, at 413-14.

accounting system.¹³³ The system provided a method for financial institutions, such as banks, to enter credit and debit information under a client's account number and then provide the client with a detailed transaction report.¹³⁴ The patent office rejected the *Murray* claim on two grounds: (1) for inadequate specification under 35 U.S.C. § 112;¹³⁵ and (2) for being directed toward nonpatentable subject matter under 35 U.S.C. § 101.¹³⁶ On appeal, the Examiner in Chief rejected the first ground, but agreed that the patent claim was directed toward nonstatutory subject matter under the "business method" exception.¹³⁷ Though the Examiner in Chief recognized the difficulty in defining what falls into the "business method" exception, the patent claim in this case was clearly a method of doing business, thus making it unpatentable.¹³⁸ It is important to note, however, that this case was before the Patent Examiner in Chief, and not the Federal Circuit, at a time when the MPEP still recognized a "business method" exception.¹³⁹

Another case discussing the "business method" exception, and cited by the *Murray* court,¹⁴⁰ is *In re Wait*.¹⁴¹ *Wait* may have been one of the earliest cases to recognize that business methods are not *per se* excludable.¹⁴² The patent in *Wait* involved a method of buying and selling stocks and other commodities by means of an electrical system.¹⁴³ The patent examiner rejected the claim on two grounds: (1) the claim described no operative system; and (2) the claim was directed toward a process of doing business.¹⁴⁴ The Board of Appeals overruled the first ground but upheld and

133. See *Ex parte Murray*, 9 U.S.P.Q.2d (BNA) 1819, 1820 (Patent & Trademark Office Bd. of Patent App. & Interferences 1988).

134. See *id.*

135. See *id.* at 1820. Section 112 states in relevant part:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

35 U.S.C. § 112 (1994).

136. See *Murray*, 9 U.S.P.Q.2d at 1820.

137. See *id.* at 1820-21.

138. See *id.* ("While it may in some situations be problematic to ascertain what falls within the penumbra of the judicially prescribed 'method of doing business,' we find no such difficulty in the present case.") (footnote omitted).

139. See *id.* at 1819; MPEP 1983, *supra* note 99, at § 706.03(a).

140. See *Murray*, 9 U.S.P.Q.2d at 1820.

141. 73 F.2d 982 (C.C.P.A. 1934).

142. See *id.* at 983.

143. See *id.* at 982.

144. See *id.*

modified the second ground, adding that in addition to being a business method, the claim also lacked the exercise of invention.¹⁴⁵ The C.C.P.A. upheld the Board's ruling, but held only that the claim lacked novelty.¹⁴⁶ The court did not comment on whether the claim as a business method should be excluded, but left open the possibility: "That a physical system contrived to enable the carrying out of transactions such as those described might be patentable, in the absence of anticipatory prior art, is quite conceivable."¹⁴⁷

A more recent case challenged the "business method" exception even further. In *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*,¹⁴⁸ the patent claim in question was for a data-processing apparatus for effecting a cash management account.¹⁴⁹ The cash management account program was offered through Merrill Lynch and combined three commonly offered financial services.¹⁵⁰ Merrill Lynch was also the assignee of the patent.¹⁵¹ Paine Webber contended that the patent was not directed toward patentable subject matter under the "business method" exception.¹⁵² Merrill Lynch defended that it did not claim a process but rather a machine under a "means plus function" form.¹⁵³ The court left unanswered the question of whether the claim was directed toward a machine or a process because the analysis at hand was directed toward subject matter and labels were deemed not determinative in such an analysis.¹⁵⁴ The court first found that the claim was not for an algorithm but rather for a "highly efficient business system."¹⁵⁵ The court then examined the claim under the "business method" exception.¹⁵⁶ The court seemingly ignored the existence of the exception and instead concentrated on the operation of the computer program.¹⁵⁷ The court held that the claim met the threshold requirement of §

145. *See id.* A uniform standard for nonobviousness was not adopted until the Patent Act of 1952. *See* 35 U.S.C. § 103 (1994) (defining the obviousness standard).

146. *See Wait*, 73 F.2d at 983 (noting that some business methods might present patentable novelty, but that novelty was lacking in this case).

147. *Id.*

148. 564 F. Supp. 1358 (D. Del. 1983).

149. *See id.* at 1361, 1363-64.

150. *See id.* at 1361 (noting that the three financial services were a brokerage security account, money market funds, and a charge or checking account).

151. *See id.* at 1363.

152. *See id.* at 1365.

153. *See id.*

154. *See id.* at 1366.

155. *See id.* at 1368.

156. *See id.* at 1368-69.

157. *See id.* at 1369.

101 because the claim allegedly taught "a method of operation on a computer to effectuate a business activity."¹⁵⁸ The court conceded, however, that the very same claim, though highly useful, "would be unpatentable if done by hand."¹⁵⁹

This dichotomy of treatment between a business method through a computer program and one that is written by hand seems strange, but it may have been the court's way of rationalizing what it felt was established law.¹⁶⁰ The court may also have just been reiterating the principle that an idea is not patentable.¹⁶¹ Whatever the court meant, it established a new caveat to the exception that business methods are unpatentable subject matter—that system claims receive greater leniency than method claims.¹⁶²

In the case of *In re Schrader*,¹⁶³ the "business method" exception received harsh criticism in a dissent by Judge Newman.¹⁶⁴ The patent claim in *Schrader* was directed toward auctions and a method of ascertaining whether the price offered for a parcel of land as a whole was greater than the sum of the prices that could be obtained by selling individual subcomponents of the parcel.¹⁶⁵ The Court of Appeals for the Federal Circuit reviewed the decision of the Patent and Trademark Office Board of Patent Appeals and Interferences ("PTO Board"), which had denied the patent claim based on three issues.¹⁶⁶ First, the claimed process involved only an information exchange and not a process that transformed an article to a different state.¹⁶⁷ Second, the patent claimed a method that involved a mathematical algorithm at its heart.¹⁶⁸ Third, the claim was analogous to the claim rejected in *Murray*, which the

158. *Id.*

159. *Id.*

160. *See* Del Gallo, *supra* note 98, at 421 & n.109 (noting the "fuzzy line" that is created between what is being patented as to a method or the apparatus used in the method).

161. *See id.* at 420 (stating that the computer and electricity "added the physical means necessary for patentability").

162. *See id.* at 421; Knobbe, *supra* note 19, at 21; *see also Ex parte Murray*, 9 U.S.P.Q.2d (BNA) 1819, 1821 (Patent & Trademark Office Bd. of Patent App. & Interferences 1988) (distinguishing *Paine, Webber* because it was directed toward a system and the patent had no method claims).

163. 22 F.3d 290 (Fed. Cir. 1994).

164. *See id.* at 296-99; Del Gallo, *supra* note 98, at 411 (speculating that this may be the "most excoriating criticism" of the "business method" exception).

165. *See Schrader*, 22 F.3d at 291.

166. *See id.* at 292.

167. *See id.*

168. *See id.*

court held to be binding.¹⁶⁹ The circuit court upheld the PTO Board's finding that the claim was not patentable because it was directed toward a mathematical algorithm and did not constitute a reduction to a different state as required by a process.¹⁷⁰

In her dissent, Judge Newman disagreed with the circuit court's decision that the patent did not meet the subject matter requirements of § 101, but agreed that the patent should be remanded for lack of patentability on other grounds.¹⁷¹ After discussing the patentability of the claim under the algorithm framework, Judge Newman criticized the "business method" exception as an "unwarranted encumbrance to the definition of statutory subject matter in section 101."¹⁷² She went on to advocate that the exception be discarded as "error-prone, redundant, and obsolete."¹⁷³ Criticizing *Hotel Security*, the case often relied upon as establishing and supporting the "business method" exception,¹⁷⁴ she argued that many cases reciting the exception were decided on grounds quite apart from the exception.¹⁷⁵ Judge Newman reasoned that the cases only affirmed the idea that patents should be directed toward tangible things, not mere ideas, but that in the complexity of modern business systems any distinctions between a method of doing business and the means of carrying out business have blurred together.¹⁷⁶ Judge Newman concluded her analysis of the exception by stating that "[p]atentability does not turn on whether the claimed method does 'business' instead of something else, but on whether the method, viewed as a whole, meets the requirements of patentability as set forth in Sections 102, 103, and 112 of the Patent Act."¹⁷⁷

169. *See id.*

170. *See id.* at 294-96.

171. *See id.* at 296 (Newman, J., dissenting) (stating that remand was necessary because of "inadequate examination for patentability under sections 102 and 103").

172. *Id.* at 296-98 (Newman, J., dissenting).

173. *Id.* at 298 (Newman, J., dissenting).

174. *See id.* (Newman, J., dissenting) (observing that under *Hotel Security Checking Co. v. Lorraine Co.*, 160 F. 467 (2d Cir. 1908), "jurisprudence does not require the creation of a distinct business class of unpatentable subject matter").

175. *See id.* (Newman, J., dissenting).

176. *See id.* (Newman, J., dissenting).

177. *Id.* (Newman, J., dissenting).

IV. ANALYZING STATE STREET BANK & TRUST CO. V. SIGNATURE
FINANCIAL GROUP, INC.

A. *Interpretation of the Holding in State Street*

The Federal Circuit's decision to uphold the patentability of the claim in *State Street* is consistent with the direction of case law.¹⁷⁸ The argument that the doctrine is nonexistent, as articulated by Judge Rich, is very similar to Judge Newman's dissent in *Schrader*.¹⁷⁹ In fact, Judge Rich cited Judge Newman's dissent to support his claim that since the passage of the Patent Act of 1952, the same standards used for other method claims should have applied to business methods.¹⁸⁰ Judge Rich, however, went further than Judge Newman by stating that the exception had *never* been invoked by the Federal Circuit or the C.C.P.A. to find an invention unpatentable.¹⁸¹ Judge Newman had merely asserted that all "doing business" cases *could* have been rejected on some clearer grounds.¹⁸² Judge Rich's sweeping statement, coupled with the overwhelming amount of case law and established treatise law, makes this decision worthy of careful analysis.¹⁸³

The foundation of intellectual property is to promote invention and ingenuity.¹⁸⁴ The broad language used by Congress in § 101 certainly seems to support this concept.¹⁸⁵ The courts' recent approaches to other subjects also support a liberal construction of patentable subject matter.¹⁸⁶ Over the past three

178. See Keeley-Domokos, *supra* note 102, at 169-70 (explaining that the decision in *State Street* follows an emerging theory of textual statutory interpretation that focuses on the plain meaning of statutory language construed in the context of the entire statute).

179. Compare *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1375-77 (Fed. Cir. 1998) (arguing that the "business method" exception is "ill-conceived" and "no longer applicable"), with *Schrader*, 22 F.3d at 298 (Newman, J., dissenting) (characterizing the exception as "fuzzy" and urging that it be "discarded as error-prone, redundant, and obsolete").

180. See *State Street*, 149 F.3d at 1375 & n.10.

181. See *id.* at 1375.

182. See *Schrader*, 22 F.3d at 298 (Newman, J., dissenting).

183. Refer to Part III.B-C *supra*.

184. Refer to notes 65-76 *supra* and accompanying text.

185. See *Diamond v. Diehr*, 450 U.S. 175, 181-83 (1981) (explaining that the use of the word "process" in the Patent Act of 1952 broadened the scope of what is considered patentable subject matter); *Diamond v. Chakrabarty*, 447 U.S. 303, 308-09 (1980) (recognizing that although patentable subject matter encompasses a broad category, it is not limitless); *State Street*, 149 F.3d at 1373 (stating that Congress's repetitive use of the word "any" in § 101 indicates support for the expansive view of patentable subject matter).

186. See DREYFUSS & KWALL, *supra* note 78, at 600-08 (summarizing recent

decades, the law concerning subjects such as computer programs and materials derived from living organisms has undergone sweeping changes in the direction of favoring patentability.¹⁸⁷ Thus, the *State Street* decision may be a natural step in the evolution of patent law.¹⁸⁸ The arguments for promoting innovation in the field of business methods do, however, have critics. They argue that the motivation to innovate is an inherent part of our economic system.¹⁸⁹ As such, there is no need to promote and protect innovations.¹⁹⁰ Furthermore, there is the danger that a monopoly on certain business methods could develop.¹⁹¹ If the *State Street* decision stands for the proposition that all methods of doing business would now receive patents, this might be a danger. But, clearly, the decision does not go that far.¹⁹²

Judge Rich asserted that the "business method" exception was "ill-conceived" and the establishment of § 103 should have completely done away with any need for the exception.¹⁹³ This assertion could certainly explain some of the early decisions that recite the exception, but there have been many cases since the passage of the Patent Act of 1952 that have also mentioned, if not relied upon, the exception.¹⁹⁴ The *State Street* court specifically struck down the appellee's argument that *In re Maucorps*¹⁹⁵ and *In re Meyer*¹⁹⁶ relied on the "business method" exception.¹⁹⁷ The

liberal patentability approaches to business methods, biologicals, and designs).

187. *See id.* (noting the liberalization of patents for computer programs and living organisms); *see, e.g.*, *Merck & Co. v. Olin Mathieson Chem. Corp.*, 253 F.2d 156, 160-62 (4th Cir. 1958) (describing a product-claim suit in which the product was a patented B vitamin derived from fermentation materials).

188. *See Merges, supra* note 92, at 587-88 (noting the trend in patent law from granting very few patents to viewing patent protection with a "why not" approach).

189. *See Keeley-Domokos, supra* note 102, at 167-68 (stating that "the incentive to innovate in a functional business context is inherently embedded in the nature of the economic system").

190. *See id.* at 168 (noting that companies will develop new methods of doing business regardless of whether those methods can be patented).

191. *See id.* at 168-69 (acknowledging the argument that "patentability of methods of doing business amounts to a protection of the fundamental tools for economic competition and progress . . . [and] erodes the concept of a free market economy").

192. *See State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1377 (asserting that "business method" claims should be treated the same as any other method claim, the breadth of which should be judged under §§ 102, 103, and 112).

193. *See id.* at 1375.

194. *See, e.g., Ex parte Murray*, 9 U.S.P.Q.2d (BNA) 1819, 1821 (Patent & Trademark Office Bd. of Patent App. & Interferences 1988) (declining patent protection based upon "a method of doing business, and/or . . . an algorithm").

195. 609 F.2d 481 (C.C.P.A. 1979).

196. 688 F.2d 789 (C.C.P.A. 1982).

State Street court asserted that the claims in both *Maucorps* and *Meyer* were rejected under the mathematical algorithm exception.¹⁹⁸ Though the *State Street* decision gives only a brief explanation of a few more recent cases, the court seems to be asserting that these cases are just examples of either obviousness or lack of subject matter.¹⁹⁹ In some cases,²⁰⁰ this seems a strenuous assertion, but it is certainly arguable that, in every instance, the court at least *could* have found a patent claim invalid on other grounds.²⁰¹ A convincing argument advanced by the court is the omission of any reference to the "business method" exception from the 1996 MPEP.²⁰² The court makes clear that the *per se* ban is no longer in place, assuming it ever existed at all.²⁰³ Given the absence of any mention of the "business method" exception in § 101, this result is not surprising.²⁰⁴ Additionally, because the "business method" exception was judicially created, some commentators argue that such exceptions should be left to Congress to create.²⁰⁵

If the "business method" exception is eliminated, how should courts treat such claims? The *State Street* court declared, "Whether the claims are directed to subject matter within § 101 should not turn on whether the claimed subject matter does 'business' instead of something else."²⁰⁶ The court also asserted that such claims are still subject to the normal standards of §§ 102, 103, and 112.²⁰⁷ This assertion gives some guidance as to how a claim for a method of doing business might be treated, but it is really, at most, just a framework.²⁰⁸ The treatment of

197. See *State Street*, 149 F.3d at 1376.

198. See *id.*; see also *Meyer*, 688 F.2d at 795-96; *Maucorps*, 609 F.2d at 484, 486.

199. See *State Street*, 149 F.3d at 1375-76 (stating that some earlier claims lacked novelty or were abstract ideas).

200. See *Ex parte Murray*, 9 U.S.P.Q.2d (BNA) 1819, 1820-21 (Patent & Trademark Office Bd. of Patent App. & Interferences 1988) (observing that although some "business method" claims may be difficult to decide, the instant patent claim was clearly an unpatentable method of doing business).

201. See *In re Schrader*, 22 F.3d 290, 298 (Fed. Cir. 1994) (Newman, J., dissenting) (positing that decisions reciting the "business method" exception could have relied on statutory requirements such as unobviousness and novelty).

202. See *State Street*, 149 F.3d at 1377.

203. See *id.*

204. See Keeley-Domokos, *supra* note 102, at 169-70 (noting that under the court's textualist approach, the result in *State Street* was inevitable).

205. See *id.* at 170 (stating that the judicial branch is not adequately equipped to handle creating such a doctrine).

206. *State Street*, 149 F.3d at 1377.

207. See *id.*

208. See Keeley-Domokos, *supra* note 102, at 167 (speculating that the decision in *State Street* has only defined the framework for the analysis and criticism that will follow).

method-of-doing-business claims may still be subject to interpretation by courts.²⁰⁹ If, as Judge Rich suggested, all past method-of-doing-business claims were held invalid on grounds other than the “business method” exception, then it makes sense to believe that future claims will remain susceptible to the pitfalls of lack-of-novelty, obviousness, or failure to state an art.²¹⁰

B. *Ramifications of State Street*

The full impact of the *State Street* decision is still unknown.²¹¹ To date, two cases, *AT&T Corp. v. Excel Communications, Inc.*²¹² and *WMS Gaming Inc. v. International Game Technology*,²¹³ have cited the *State Street* decision, and neither of these cases have challenged the “business method” exception further.²¹⁴

Does *State Street* mean that a business method that is properly claimed will be granted a patent? To illustrate the problems a claim could face, consider the mock claim put forth at the beginning of this Note.²¹⁵ The claim is essentially the old business concept of “buy low, sell high.” If this claim were termed as a “means-plus-function” claim, it would be similar to the claim in *State Street*.²¹⁶ As Judge Rich noted, however, business method claims must still clear the hurdles of §§ 102, 103 and 112.²¹⁷ The claimed process of “buy low, sell high” is obviously not a new

209. See *State Street*, 149 F.3d at 1377 (stating that the broadness of patent claims must be judged under §§ 102, 103, and 112).

210. See, e.g., *Rubber-Tip Pencil Co. v. Howard*, 87 U.S. (20 Wall.) 498, 507 (1874) (holding that a concept for an eraser was merely an unpatentable); *Loew's Drive-In Theatres, Inc. v. Park-In Theatres, Inc.*, 174 F.2d 547, 553 (1st Cir. 1949) (holding that the claimed method was obvious to one skilled in the art); *In re Wait*, 73 F.2d 982, 983 (C.C.P.A. 1934) (finding that the invention at issue lacked novelty); *Berardini v. Tocci*, 190 F. 329, 333 (C.C.S.D.N.Y. 1911) (holding that the claimed patent was really only for advice, which is unpatentable subject matter); *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467, 471 (2d Cir. 1908) (holding that the claimed system was neither novel nor nonobvious).

211. See *Keeley-Domokos*, *supra* note 102, at 172 (noting that “academic debate concerning the social, economic and legal implications of the *State Street* decision . . . is certain to erupt”); *Aquino*, *supra* note 35, at 30 (noting that whether business methods will require computerization to be patentable is still uncertain).

212. 172 F.3d 1352, 1356 (Fed. Cir. 1999).

213. 184 F.3d 1339, 1349 n.4 (Fed. Cir. 1999).

214. See *id.* at 1342-44 (comparing patents for electronic slot machines); *Excel*, 172 F.3d at 1354 (reviewing a method of encoding customer data for identification purposes).

215. Refer to Part I *supra* (suggesting a means-plus-function claim for a business method of buying stocks at a low price and selling them for a higher price).

216. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1371-72 (Fed. Cir. 1998) (claiming a data processing system).

217. See *id.* at 1377.

idea, and thus would lack the requisite novelty under § 102.²¹⁸ It could also be argued that the claimed process is obvious to anyone skilled in the field.²¹⁹ Assuming, however, that this was a new, nonobvious claim, it would seemingly be completely acceptable subject matter for a patent under *State Street*.²²⁰

What if the claimed business method (assuming it is novel and nonobvious) was not articulated through a “means-plus-function” claim or did not require a computer? Either of these scenarios would raise a new issue: How would the court deal with a business method that is independent of a computer system?²²¹ The answer may be that the claim would fail for being an abstract idea and not a process.²²² Courts have struggled with the definition of the word “process” as it appears in § 101.²²³ The Supreme Court has stated, “Transformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include particular machines.”²²⁴ A process must still be useful, and without some instrumentality by which the idea or system can be made useful or reduce something to a different state, a court might decide that the business method is merely an abstract idea.²²⁵ The system in *State Street* met

218. See 35 U.S.C. § 102 (1994). Section 102 states in relevant part: “A person shall be entitled to a patent unless—(a) the invention was known or used by others in this country, or patented or described in a printed publication . . . before the invention thereof by the applicant for patent . . .” *Id.* Subsections (b)-(g) also provide that the abandonment, prior invention, or use of an invention make a patent invalid. *Id.*

219. See, e.g., *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467, 471 (2d Cir. 1908) (arguing that even if the system claimed was novel, it was an improvement that would be obvious to anyone conversant in the business).

220. See *State Street*, 149 F.3d at 1377 (stating that business method claims should be judged as any other claims); see also *In re Wait*, 73 F.2d 982, 983 (C.C.P.A. 1934) (commenting on an application for patent of a vending process and proposing that it would be quite conceivable that “a physical system contrived to enable the carrying out of transactions such as those described might be patentable, in the absence of anticipatory prior art”).

221. See Aquino, *supra* note 35, at 30 (noting that this is an unanswered question in light of *State Street*).

222. See *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 564 F. Supp. 1358, 1369 (D. Del. 1983) (stating explicitly that “[t]he product of the claims of the ‘442 patent effectuates a highly useful business method and would be unpatentable if done by hand”); see also Aquino, *supra* note 35, at 30 (reporting that although the issue is an unsettled question, claims will probably still require physical transfer to a machine).

223. See *Diamond v. Diehr*, 450 U.S. 175, 182-84 (1981) (restating various definitions of process and noting that although no instrumentality is needed, a reduction or transformation of an article to a different state is necessary).

224. *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972).

225. See *Loew’s Drive-In Theatres, Inc. v. Park-In Theatres, Inc.*, 174 F.2d 547, 552 (1st Cir. 1949) (focusing on the physical instrumentality “by which it [the idea or

this standard by transforming data into a final share price.²²⁶ The difference between obtaining approval of a patent or being turned down could simply depend, then, upon expressing the business method through a computer system so that an instrumentality would exist by which the claim could perform a transformation or become useful.²²⁷ This would create a system similar to the idea-expression dichotomy that exists in copyright law.²²⁸ It is not clear, however, that to meet subject matter patentability, an applicant would simply need to involve a computer. Hypothetically, the claim in *State Street* could also have been for a method done by hand.²²⁹ Had it been, and the court followed the *Paine, Webber* decision, the method done by hand would be ineligible for a patent.²³⁰

Alternatively, the court might determine that all business methods are valid processes whether they have an instrumentality or not.²³¹ Such a determination could fly in the face of the principle that an idea cannot be patented.²³² Of course, the *State Street* court did not hold that all business methods are valid processes.²³³ It merely eliminated the “business method” exception from the subject-matter plane.²³⁴ Business methods

system] is made practically useful”) (alteration in original); *Berardini v. Tocci*, 190 F. 329, 333 (C.C.S.D.N.Y. 1911) (striking down a patent claim because the court felt that the process claimed was nothing more than a system of devising code messages and amounted to nothing more than advice, which is not an art).

226. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1373 (Fed. Cir. 1998).

227. See, e.g., *Paine, Webber*, 564 F. Supp. at 1369 (focusing on the operation of the computer and stating that the same procedure, done by hand, would be invalid); see also *Aquino*, *supra* note 35, at 30 (noting that the physical transfer of an idea to a machine may still be required).

228. See *DREYFUSS & KWALL*, *supra* note 78, at 259-61 (noting that the “fundamental copyright principle that only the expression of an idea . . . is protectable has produced a corollary maxim that . . . expression is not protected . . . where there is only one or so few ways of expressing an idea that protection of the expression would effectively . . . protect[] the idea itself”) (internal citation omitted).

229. The patent claim in *State Street* was, essentially, for nothing more than an accounting system. See *State Street*, 149 F.3d at 1370. Although the *State Street* court noted that the patent claim used a computer, the court did not explicitly state that a computer was required. See *id.* at 1371, 1373.

230. See *Paine, Webber*, 564 F. Supp. at 1369 (upholding a patent on a data processing methodology and stating that such a process done by hand would be unpatentable).

231. See *Aquino*, *supra* note 35, at 30 (stating that a literal reading of *State Street* would permit this).

232. Refer to Part III.B *supra* (discussing basic patent law principles); see also *Rubber-Tip Pencil Co. v. Howard*, 87 U.S. 498 (20 Wall.) (1874) (“An idea of itself is not patentable.”); *In re Schrader*, 22 F.3d 290, 298 (Fed. Cir. 1994) (Newman, J., dissenting) (noting that the patent system is not directed toward mere ideas).

233. Refer to Part IV.A *supra*.

234. See *id.*

will, however, still be difficult, overall, to protect unless they are truly novel and nonobvious.²³⁵

The effect of the *State Street* decision has already been felt at the patent office, which has seen a large increase in the filing of computer-related claims, including those for business methods.²³⁶ The decision has also cleared the way for more computer-program patents.²³⁷ Many businesses are now being encouraged to seek patents on their methods of operations and the ways in which they conduct business.²³⁸ The patent office has also approved more software patents since the decision.²³⁹

Congress reacted to the *State Street* decision by passing the First Invention Defense Act of 1999, which President Clinton signed into law on November 29, 1999.²⁴⁰ This act purports to create a new defense to an action for patent infringement on methods of doing business.²⁴¹ The act allows the defense as long as two requirements are met: (1) the accused method must have been independently developed and reduced to practice over a year before the filing date of the offended patent; and (2) the accused method must have been used commercially before the effective filing date of the patent.²⁴² This means that even if a patentee invented a method before a particular user, the patentee might not necessarily succeed against that particular commercial user.²⁴³

The *State Street* decision has definitely affected attitudes about what is patentable.²⁴⁴ The outer limits of this area have yet

235. See Aquino, *supra* note 35, at 30 (noting that patent claims still have many barriers to overcome and that many patent claims still get rejected).

236. See *id.* (reporting a 45% increase at the patent office in the number of data processing and computer-related patents issued during its 1998 fiscal year).

237. See John M. Carson & Eric M. Nelson, *Legal Victory for Electronic Commerce Companies: State Street Bank & Trust v. Signature Financial Group Signals Fall of Last Barrier to Internet Software Patents*, 21 T. JEFFERSON L. REV. 193, 206 (1999) (stating that any computer software which directs a machine to produce a useful, concrete and tangible result is patentable).

238. See Aquino, *supra* note 35, at 30 (stating that businesses are being encouraged not to "sit on the fence," but to seek patents if for no other reason than to avoid infringing on others' patents).

239. See *id.* (noting that more software patent applications are being approved).

240. Pub. L. No. 106-113, 1999 U.S.C.A.N. (113 Stat. 1501) 555-56 (to be codified at 35 U.S.C. § 273). See also Robert C. Scheinfeld & Parker H. Bagley, *Patent and Trademark Law; Recent Statutory Changes*, N.Y.L.J., Jan. 26, 2000, at 3.

241. See 35 U.S.C.A. § 273(b) (West Supp. 2000); Scheinfeld & Bagley, *supra* note 240, at 3.

242. See 35 U.S.C.A. § 273(b)(1) (West. Supp. 2000); Scheinfeld & Bagley, *supra* note 240, at 3.

243. See Scheinfeld & Bagley, *supra* note 240, at 3.

244. See Carson & Nelson, *supra* note 237, at 206-08 (listing some of the possible questions the court has yet to answer).

to be tested.²⁴⁵ If process claims are available for certain applied algorithms and for business methods, then are they also available for sports moves²⁴⁶ or methods of skipping class?²⁴⁷ Exactly how far the courts will allow computer process claims to go is still unknown, but if the current trend continues, subjects such as the above may indeed be patentable.²⁴⁸

V. CONCLUSION

Patents exist to protect the rights of inventors and to promote innovation.²⁴⁹ The courts' attitudes toward what they will and will not recognize as patentable have varied throughout the late nineteenth and twentieth centuries.²⁵⁰ The approach at the time the "business method" exception was supposedly created was one of "why should a patent be granted," and this skepticism may explain why the doctrine was recognized for so many years.²⁵¹ Over the past century, however, attitudes and technology have drastically changed.

Since the time of the *Hotel Security* case, advances in the field of science and the advent of computers have forced the courts to constantly rethink and rework their approaches to patent law.²⁵² Judge Rich, who was born at the turn of the Twentieth century, was well aware of these many changes; it is fitting that he was the one to articulate an opinion reflecting his own pro-patent approach.²⁵³

245. See *id.* at 207-08 (describing several "vanguard" patents that have yet to be challenged in court).

246. See generally Jeffrey A. Smith, *It's Your Move—No It's Not! The Application of Patent Law to Sports Moves*, 70 U. COLO. L. REV. 1051 (1999) (examining the possibility of patenting sports moves).

247. See Keeley-Domokos, *supra* note 102, at 153-55 (illustrating that a method of skipping class can be expressed along the lines of the patent upheld in *State Street*).

248. See Carson & Nelson, *supra* note 237, at 206-08; Keeley-Domokos, *supra* note 102, at 153 (proposing that the illustrated method of skipping class may be patentable); Smith, *supra* note 246, at 1051 (relating that some have proposed that sports moves may be patentable).

249. Refer to notes 65-71 *supra* and accompanying text (discussing the genesis of American patent law).

250. Refer to Part III.C *supra* (tracking the case law development of patentable subject matter).

251. See Merges, *supra* note 92, at 587 (noting that into the early 1980s, the legal system assumed that intellectual creations were not protectable unless good cause could be shown).

252. Refer to Part III.C *supra* (illustrating how courts have handled innovative technology).

253. See Neil A. Smith, *Remembrances and Memorial: Judge Giles Rich, 1904-1999*, 14 BERKELEY TECH. L.J. 909, 913-14 (1999) (noting that Judge Rich's personal experience of technological change influenced his liberal view of patents).

State Street marks the elimination of the “business method” exception as a *per se* ban on business method claims.²⁵⁴ *State Street*, does not, however, stand for the proposition that all business method claims will now be approved under § 101.²⁵⁵ Because *State Street*’s “business method” exception predecessors were all held unpatentable (or at least could have been) on other grounds, it is logical to assume that subsequent business method patents will be subject to the same pitfalls.²⁵⁶

Even if a claim clears either the novelty or nonobviousness hurdles to patentability, it still must fall under one of the subject-matter classes.²⁵⁷ This hurdle would manifest itself in the form of a finding of whether a method of doing business is really a process or an art.²⁵⁸ For the time being, it appears that such claims will have higher probabilities of success if expressed through a computer program,²⁵⁹ which would provide the instrumentality by which the idea or system could reduce something to a different state.²⁶⁰ How the court would treat a *State Street* claim not involving a computer program (i.e., done by hand), is not clear.²⁶¹ Past case law and basic principles of patent law would view such a claim as being a mere idea that is unpatentable.²⁶² If all it takes to become patentable is an instrumentality such as a computer program, then patent law may eventually mirror the idea-expression dichotomy of copyright law.²⁶³

254. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1375 (Fed. Cir. 1998) (holding that the “business method” exception is no longer valid).

255. See *id.* at 1377 (recognizing that business method claims should be evaluated like any other process or method claim).

256. See *In re Schrader*, 22 F.3d 290, 298 (Fed. Cir. 1994) (Newman, J., dissenting) (arguing that there are ample statutory requirements by which to evaluate patentability without relying on the “business method” exception).

257. See 35 U.S.C. § 101 (1994) (listing the subject matter classes of “process, machine, manufacture, or composition of matter”).

258. See *id.* (including as patentable inventions “any new and useful process, machine, manufacture, or composition of matter”); 35 U.S.C. § 100 (defining “process” as “process, art or method”).

259. See Aquino, *supra* note 35, at 30 (stating that although it is an unsettled question, a physical machine is most likely necessary for patentability of such processes).

260. See *In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994) (noting that a computer operating pursuant to software may represent patentable subject matter because a computer is an “apparatus not mathematics”).

261. See Aquino, *supra* note 35, at 30 (“The question is whether the [*State Street*] ruling will permit companies to patent marketing practices regardless of whether they are computerized . . .”).

262. Refer to Parts III.B-C *supra* (explaining case law analyses of patentable subject matter and recognizing that an idea is not patentable).

263. Refer to notes 227-30 *supra* and accompanying text (exploring this

The shackles of the “business method” exception have been removed. How far the courts will now go in allowing business method claims is anyone’s guess, but the current trend is definitely more pro-patent.²⁶⁴ This new-found freedom of business methods has already led to more computer-related patent applications, which will surely lead to further litigation of the issue.²⁶⁵ After *State Street*, there are new frontiers in patent law to be explored. Methods of doing business may still constitute a somewhat suspect class of subject matter, and the limits are not fully defined under the broad framework provided in the *State Street* decision. Although the fringes of what will be allowed are as yet undefined, further litigation of business method patents should help answer many of the remaining questions.

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possibility).

264. See Aquino, *supra* note 35, at 30 (noting that the patent office is issuing more computer-related patents).

265. See *id.*