



State Street Bank & Trust Co. v. Sign. Fin. Group, Inc., 149 F.3d 1638,
(Fed. Cir. 1998).

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Opinion delivered by Judge Rich.

Case Facts

Signature Financial Group Inc., herein after referred to as Signature was issued the US Patent No. 5, 193, 056, herein after referred to as '056' Patent. in the year 1993. The patent deals with a data processing system called 'Hub and Spoke', which enables the administrator of a mutual fund to combine the advantages of economies of scale in administering investments and the advantages of a partnership. The system does this by enabling a structure that organizes mutual funds in an investment portfolio as a partnership.

State Street Bank tried to obtain a License from Signature over 'Hub and Spoke' but the negotiations failed. The failure of negotiations prompted State Street Bank to file for a declaratory motion asserting invalidity of the '056' Patent for failing to fall within the scope of patentable subject matter.

Case History

District court granted State Street Bank's motion for partial summary judgment holding that U.S. Patent No. 5, 193, 056, is invalid as it falls outside the scope of patentable subject matter (35 USC Sec. 101). Signature Financial Group Inc., appealed from the decision of the district court. The court of appeals for the federal circuit reversed the decision of the district court and remanded the case for further proceedings.

Issue

Whether a data processing system falls under the scope of patentable subject matter under section 101?

Answer

Yes

Rule

A data processing system falls under the scope of patentable subject matter if it produces a concrete, useful and tangible result.

Analysis

The '056' Patent claims a machine which is made up of specific structures, corresponding to the means plus function elements recited in the claims. A machine is one of the four categories of patentable subject matter under section 101.

Section 101 states that any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof is patentable. The repetitive use of the term 'any' in the section indicates the intent of congress not to place any restrictions or read any limitations on the scope of patentable subject matter. This was affirmed by the supreme court in *Diamond v. Chakrabarty*, where it held that anything under the sun made by man is patentable.

Mathematical Algorithms are not patentable only if they represent nothing more than abstract ideas. However, if they are reduced to some practical application, they are patentable. The 'Hub and Spoke' data processing system transforms data in discrete dollar amounts by using a machine and mathematical calculations into final share price. Such a transformation constitutes a practical application of a mathematical algorithm, formula or calculation as it produces a concrete and tangible result and is therefore patentable.

Freeman-Walter-Able test which was used by the District Court to determine patentability of the '056' patent has little significance after the decisions of the supreme court in *Chakrabarty* and *Diehr*. When a claim containing a mathematical formula implements or applies that formula in a structure or process which, when considered as a whole, is performing a function which the patent laws were designed to protect (e.g., transforming or reducing an article to a different state or thing), then the claim satisfies the requirements of Section 101.

Business method exception is no longer an applicable legal principle. Patentability of a business method does not depend on the relation of the method to business, it depends on the satisfaction of patentability requirements.

Conclusion

Mathematical algorithms and Business Methods are not unpatentable per se. A mathematical algorithm is patentable if it produces a concrete useful and tangible result when applied to a physical structure or process. A business method is just like any other method or process and is patentable if it satisfies all patentability requirements.