

Case Brief

State Street Bank & Trust v. Signature Financial Group, Inc., 149 F.3d 1268 (Fed. Cir. 1998)

Facts

Signature Financial Group (“Signature”) holds a patent in a data processing system for hub and spoke financial services configuration (the “056 Patent”). Signature acts as a custodian and administrator for mutual funds and the 056 Patent, also known as the Hub and Spoke, allows Signature to pool each mutual fund (the spoke) into a collective pool (the hub) for the purposes of pricing the fund and fund assets. This gives Signature economies of scale and efficiencies in calculating the price of the funds.

State Street competes with Signature and wanted to license Signature’s Hub and Spoke patent. The negotiations failed.

State Street brought an action for a declaratory judgment of Signature’s patent invalidity.

Issues

1. **Can you patent a business method?** Yes, business methods may be patented.
2. **Can you patent a mathematical algorithm?** No, however, practical and “useful” applications of mathematical algorithm that produce tangible results may be patented.

Analysis

1. **Business Method Patent.** The U.S. patent office denied business process patents prior to this case as an exception to what is patentable. The court; however, “laid this to rest,” business process patents should be issued and business processes protected so long as it meets other patentable requirements. The invention, or business process, must be non-obvious and useful.

Mathematical Algorithm. Signature’s Hub and Spoke used mathematical formulas and computers to generate its share pricing. The actual formulas may be just mathematical algorithms not able to patent, but the court considered that Signature used the math to transform the data in a “useful, concrete and tangible result.”