

COMMENTS

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US Court of Appeals for Federal Circuit Clarifies Patent Eligibility Guidelines: *In re Bilski*

Business method; Patentability; United States

Introduction

The US Court of Appeals for the Federal Circuit has now issued its long-awaited en banc ruling in *In re Bilski*.¹ The Court upheld the order of the US Patent and Trademark Office (PTO) refusing the patent grant on patent ineligibility grounds, but the Court did so by a majority opinion, nine to three, that left many issues unresolved. Some issues went unaddressed; others the Court explicitly said should be relegated to the future for clarification. Although the Court's order setting the case for en banc reargument and rehearing had listed five principal questions on which the Court requested briefing and argument, the Court did not address several of the most important of these questions. Overall, the *Bilski* decision represents a setback for business method patents and perhaps for software patents in general, because it raises the patent eligibility bar for such patents above the level that Federal Circuit panel decisions set for at least the last decade. In particular, it jettisoned the legal test under which any kind of advance was patent eligible if it caused a "useful, concrete, and tangible" result.²

Background

Representative method claim 1 of the *Bilski* patent application claims a three-step method for a broker to

hedge risks for purchaser-users of an input of a product or service (a commodity). For example, an electric power plant might be a purchaser and user of coal, which it purchases from coal mining companies (producer-sellers) and uses to make electricity. The power plant might seek to insulate itself from upward changes in the price of coal by engaging in hedging transactions, while the producer-seller might seek to hedge against price drops. The purchaser-user and producer-seller are said to have contrary risk positions. The risk positions can be quantified in terms of dollars: thus, if the purchaser-user uses 1000 tons of coal in a given period, say a month, and the potential price spike is US \$10 per ton, the purchaser-user's total risk position for that month is $1000 \times \$10$, or US \$10,000. (The producer-seller would have an inverse risk position, based on its anticipated sales volume.) The claimed process comprises these steps:

1. initiating a series of sales or options transactions between a broker and purchaser-users by which the purchaser-users buy the commodity at a first fixed rate based on historical price levels;
2. identifying producer-sellers of the commodity; and
3. initiating a series of sales or options transactions between the broker and producer-sellers, at a second fixed rate, such that the purchasers' and sellers' respective risk positions balance out.

Presumably, the spread between the two fixed prices is such that the broker profits from providing the producer-seller and purchaser-user with "insurance" against price changes.

The PTO rejected the claims and the applicants (collectively, *Bilski*) appealed to the Federal Circuit. The appeal was argued first to a panel of the Court, but the Court *sua sponte* set the case for reargument en banc, invited *amicus curiae* participation, and ordered that the parties and *amici* address the following questions:

1. Whether *Bilski* claimed patent-eligible subject matter.
2. What standard should govern in determining whether a process is patent-eligible subject matter?
3. Whether what *Bilski* claimed is not patent-eligible because it constitutes an abstract idea or mental process.
4. Whether a method or process must result in a physical transformation of an article or be tied to a machine to be patent-eligible.
5. Whether the Court should reconsider *State Street Bank & Trust Co v Signature Financial Group Inc*³ and *AT&T Corp v Excel Communications Inc*,⁴ in which the Court had held that business methods could be patented, and whether those cases should be overruled in any respect.⁵

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¹ *In re Bilski*, 545 F.3d 943 (2008), 88 U.S.P.Q. 2d 1385 (Fed. Cir. 2008).

² See *State Street Bank & Trust Co v Signature Fin. Group Inc* 149 F.3d 1368 (Fed. Cir. 1998).

³ *State Street Bank & Trust Co v Signature Financial Group Inc* 149 F.3d 1368 (Fed. Cir. 1998).

⁴ *AT&T Corp v Excel Communications, Inc* 172 F.3d 1352 (Fed. Cir. 1999).

⁵ *In re Bilski*, 264 Fed. Appx. 896 (Fed. Cir. 2008).

Federal Circuit opinion

Majority opinion

The Court's nine to three majority opinion (per Michel C.J.) began by noting that whether the subject matter of a claim is patent-eligible is an issue of law and therefore is to be approached *de novo* on appeal. In this case the issue is whether the claimed method is a patent-eligible "process", as the patent statute (United States Code 35 USC § 101) uses that term. While any series of actions or operations is a process in the dictionary sense of that term, the Supreme Court has held that the statutory meaning is narrower than the dictionary meaning, which "forecloses a purely literal reading".⁶ Thus, patent-eligible processes do not include "laws of nature, natural phenomena, [or] abstract ideas".⁷ The legal principle is not limited to processes: it applies to anything on which a patent is sought:

"Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work."⁸

Therefore, the question was whether *Bilski's* process fell within any of the prohibited categories (was a claim to a "principle"), and the underlying legal question was what legal tests or criteria should govern that determination.

The Court concluded that prior decisions of the Supreme Court had asked whether the claim recited a principle and, if so, would pre-empt substantially all uses of the principle. The Supreme Court's trilogy on patent-eligibility—*Gottschalk v Benson*,⁹ *Parker v Flook*¹⁰ and *Diamond v Diehr*¹¹—were of limited usefulness as guides because they represented polar cases on the abstraction and concreteness spectrum. Nonetheless, a legal test could be distilled from them:

"The Supreme Court . . . has enunciated a definitive test to determine whether a process claim is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to pre-empt the principle itself. A claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing. A claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt uses of the principle that do not also use the specified machine or apparatus in the manner claimed. And a claimed process that transforms a particular article to a specified different state or thing by applying a fundamental principle would not pre-empt the use of the principle to transform any other article, to transform the same article but in a manner not covered by the claim, or to do anything other than transform the specified article."

Not only did *Benson*, *Flook*, and *Diehr* support this test, the Court explained, but so too did earlier Supreme Court precedents dating back well into the 19th century.

6 *Parker v Flook* 437 U.S. 584, 588-89 (1978).

7 *Diamond v Diehr* 450 U.S. 175, 185 (1981) (citing *Flook* 437 U.S. 584, 588-89 (1978) at 589; *Gottschalk v Benson* 409 U.S. 63, 67 (1972)).

8 *Benson*, 409 U.S. 63, 67 (1972) at 67.

9 *Gottschalk v Benson* 409 U.S. 63, 67 (1972).

10 *Parker v Flook* 437 U.S. 584, 588-89 (1978).

11 *Diamond v Diehr* 450 U.S. 175, 185 (1981).

The Court then addressed whether this test should be considered all-inclusive, which was the fourth question on which en banc briefing had been ordered. The Court held that it should, even though much of the language in the Supreme Court's patent-eligibility trilogy was more reserved—even diffident—on this point. The Court placed great weight on the statement in *Benson* that transformation and use of a particular machine provided "the clue to the patentability of a process claim".¹² The Court emphasized that the Supreme Court had said "*the* clue", rather than "*a* clue", to patentability in reciting this test. The Court thus accepted the argument of the PTO that the transformation and particular-machine tests should be held necessary conditions of patent-eligibility, and disregarded the fact that in the *Benson* case the Government's brief had specifically asked the Court to declare these tests necessary, indispensable conditions of patent-eligibility but the Court had declined to do so.¹³

The Federal Circuit observed that the transformation/machine-implementation test has two "corollaries": (1) a field-of-use limitation is insufficient to avoid the prohibition against pre-emption,¹⁴ and (2) conventional or obvious "insignificant post-solution activity" does not make what is otherwise a claim to a principle patent-eligible.¹⁵ The Court added that insignificant pre-solution activity (such as data-gathering) is equally ineffective, and so too is an insignificant step in the middle of a process (such as recording a result).

The Court then turned to other proposed tests of patent-eligibility that had been suggested since the Supreme Court's trilogy. Several Federal Circuit panel decisions had held that a process was patent-eligible if it produced "a useful, concrete, and tangible result"—such as the transformation of financial data from one form to another that was needed. Thus, in *State Street Bank & Trust Co v Signature Financial Group Inc*,¹⁶ the Court had upheld a patent on a tax avoidance scheme under this standard. Whether *State Street* should be overruled was posed as the Court's fifth question for special briefing. The en banc Court recognised that this

12 See *Benson* 409 U.S. 63, 67 (1972) at 70.

13 See Petitioner's Reply Brief on certiorari in *Benson* 409 U.S. 63, 67 (1972) at 9 ("we submit that the cases follow such a rule—implicitly or explicitly—and that they cannot be rationalized otherwise"). At least one *amicus curiae* brief in *Bilski* pointed out this fact and argued that a rebuttable presumption was therefore more in keeping with Supreme Court precedent than an absolute rule.

14 In the *Flook* case the claim had limited the use of a smoothing algorithm to parameter data relating to a catalytic conversion of hydrocarbons. The Supreme Court held the limitation immaterial, and comparable to claiming the use of the Pythagorean Theorem for determining the diagonal of a rectangular field as a surveying technique.

15 By *corollaries*, the Court apparently means *caveats*.

16 *State Street Bank & Trust Co v Signature Financial Group Inc* 149 F.3d 1368 (Fed. Cir. 1998). *Accord AT&T Corp v Excel Communications Inc* 172 F.3d 1352 (Fed. Cir. 1999). The patent involved in *State Street* essentially translated the text of an IRS regulation into steps of an algorithm. See Richard H. Stern, *Scope-of-Protection Problems With Patents and Copyrights on Methods of Doing Business* (1999) 10 *Fordham Int. Prop., Media & Ent. L.J.* 105, 156-58 (having such a tabulation of regulation and claim 1 of patent); link to tabulation available at <http://docs.law.gwu.edu/facweb/claw/modbpap.htm#tab> [Accessed January 20, 2009].

test is “inadequate,” as a dissenting Supreme Court opinion has already stated,¹⁷ and therefore backed away from the language, denying that the Federal Circuit had ever “intended to supplant the Supreme Court’s test”. The Court did not, however, expressly hold that *State Street* should be overruled: it merely dropped a footnote stating that:

“... those portions of our opinions in *State Street* and *AT&T* relying solely on a ‘useful, concrete and tangible result’ analysis should no longer be relied on”.

The Court next turned to the “technological arts” test and rejected it on several grounds—the meanings of “technological arts” and “technology” are disputed and ambiguous. No court has ever adopted it. (The Court might have added that the patent statute and patent clause of the US Constitution do not use this term.) This technological-arts test is not an equivalent of or shortcut that can be used instead of the transformation/machine-implementation test:

“Rather, the machine-or-transformation test is the only applicable test and must be applied, in light of the guidance provided by the Supreme Court and this court, when evaluating the patent-eligibility of process claims.”

On the other hand, the Court refused to adopt a test that barred business methods, under that rubric, from patent-eligibility.

The Court then returned to the transformation/machine-implementation test. Because *Bilski* did not argue that the rejected claims recited any specific or “particular” machine, the Court found it unnecessary to decide any issues relating to the machine-implementation branch of the test:

“We leave to future cases the elaboration of the precise contours of machine implementation, as well as the answers to particular questions, such as whether or when recitation of a computer suffices to tie a process claim to a particular machine.”

This is a fairly transparent evasion of the issue, for *Bilski* had made it clear that he contemplated that the method would be carried out by means of a programmed general purpose digital computer (such as a PC). The question was thus fairly posed whether his use of a general purpose digital computer satisfied the particular machine test.

The Court then turned to transformation of articles from one thing or state to another. What is an “article”? *Benson* had made it clear that tanning hides, smelting ores, and vulcanising rubber were all instances of transforming articles. This corresponded to the transformation test as the PTO and some *amici* articulated it: one physical substance is transformed into a second physical substance. But what of electronic signals and electronically manipulated data? Or even more abstract constructs such as legal obligations, which the *Bilski* case involved? No Supreme Court precedents addressed such entities. Some Federal Circuit decisions,

however, had held some transformations of signals and data patent-eligible. For example, the *Abele* decision approved a dependent claim to a method transforming X-ray attenuation data produced in a X-Y field by an X-ray tomographic scanner to an image of body organs and bones—while at the same time the Court rejected a more generic and abstract independent claim to a process of graphically displaying variances from their average values of unspecified data obtained in an unspecified manner.¹⁸ The *Bilski* Court said that the difference between the two claims was critical to patent-eligibility. The dependent claim involved signal data representing tangible physical objects, which were electronically manipulated to provide a screen image of the physical objects. (The data signals came from, and received some manipulation in, a special purpose X-ray tomography machine, moreover, rather than just a programmed general purpose digital computer.) This part of the analysis was all obiter dicta, however, because *Bilski*’s process had nothing to do with such a procedure. Like *State Street*, *Bilski* involved manipulation of financial data.

Turning finally to *Bilski*’s method, the Court held it patent-ineligible because it did not “transform any article to a different state or thing”. Legal obligations (such as options and futures contracts) and business risks:

“... cannot meet the test because they are not physical objects or substances, and they are not representative of physical objects or substances”.

Moreover, to the extent that signals are involved and are transformed, they are not “representative of any physical object or substance”. Accordingly, the claim entirely fails the transformation/machine-implementation test and is thus patent-ineligible.

Instead of ending there, however, the opinion closes with extended obiter dicta to the effect that *Bilski*’s method is also patent-ineligible because its steps encompass a purely mental process of performing mathematical calculations (with or without a computer) to hedge risks by balancing the values of futures sales and purchases, and then entering into transactions to effect the hedge so calculated. The method is claimed with sufficient breadth and abstractness as to pre-empt the concept of all balancing hedge transactions. While the claim does have a field-of-use limitation to commodities, that limitation does not save the claim because *Flook* and *Diehr* hold that “field-of-use limitations are insufficient to impart patent-eligibility to otherwise unpatentable claims drawn to fundamental principles”.

Dissenting opinions

Mayer J. dissented, first, on the ground that the majority opinion failed to overrule *State Street* expressly, as asked by the Court’s fifth question. “I would answer that question with an emphatic ‘yes’.” He then moved to the major thrust of his dissent—business method patents are unconstitutional, or the patent statute must be interpreted not to extend to them to avoid unconstitutionality:

17 In dissenting from the dismissal of certiorari in *Laboratory Corp of Am. Holdings v Metabolite Labs Inc* 548 U.S. 124, 136-37 (2006), Breyer J., with whom Stevens and Souter JJ. joined, pointed out how that test makes things patent-eligible that Supreme Court decisions had held patent-ineligible.

18 *In re Abele* 684 F.2d 902 (Ct. Cus. & Pat. App. 1982).

“The patent system is intended to protect and promote advances in science and technology, not ideas about how to structure commercial transactions. Claim 1 of the application. . . is not eligible for patent protection because it is directed to a method of conducting business. Affording patent protection to business methods lacks constitutional and statutory support, serves to hinder rather than promote innovation and usurps that which rightfully belongs in the public domain. *State Street* and *AT&T* should be overruled.

Pointing to the Statute of Monopolies and the public hostility to the “odious monopolies”, he concluded that when Congress enacted the first patent statute (in language substantially unchanged to this day in regard to patent-eligibility), it did not want the system to extend to methods of conducting trade. *State Street* was a grave error:

Before *State Street* led us down the wrong path, this court had rightly concluded that patents were designed to protect technological innovations, not ideas about the best way to run a business.”

Mayer J. also criticised the majority opinion for doing nothing to remedy the ills of a “patent system [that] has run amok”, evading crucial issues, and failing to enlighten users of the patent system in regard to:

“... three of the thorniest issues in the patentability thicket: (1) the continued viability of business method patents, (2) what constitutes sufficient physical transformation or machine-implementation to render a process patentable, and (3) the extent to which computer software and computer-implemented processes constitute statutory subject matter”.

Dyk J., joined by Linn J., concurred in the majority opinion upholding the PTO’s rejection of *Bilski*’s patent, but concurred also in Mayer J.’s historical analysis that the framers of the Constitution intended to exclude from the operation of the US patent system, “methods for organizing human activity that do not involve manufactures, machines, or compositions of matter”. Since *Bilski*’s method failed that test, it is patent-ineligible.

Rader J. dissented on the ground that the majority should have “said in a single sentence: ‘Because *Bilski* claims merely an abstract idea, this court affirms the Board’s rejection.’” He then complained that instead of doing that, the majority opinion:

“... propagates unanswerable questions: What form or amount of ‘transformation’ suffices? When is a ‘representative’ of a physical object sufficiently linked to that object to satisfy the transformation test? (E.g., Does only vital sign data taken directly from a patient qualify, or can population data derived in part from statistics and extrapolation be used?) What link to a machine is sufficient to invoke the ‘or machine’ prong? Are the ‘specific’ machines of *Benson* required, or can a general purpose computer qualify? What constitutes ‘extra-solution activity?’ If a process may meet eligibility muster as a ‘machine’, why does the Act ‘require’ a machine link for a ‘process’ to show eligibility?”

The subtext of Rader J.’s dissent is that nothing is wrong with patents on business methods or natural phenomena, so long as they are claimed to “achieve a useful, tangible, and concrete result”. In his view, the *LabCorp* dissent’s criticism of that test, and of business

method patents generally, missed the point of the needs of 21st century innovation and entrepreneurship.

Newman J. dissented on the ground that the PTO should have allowed *Bilski*’s patent. The opinion largely constitutes a debate with Dyk J.’s concurrence about whether the Statute of Monopolies, common law precedents, and the widespread opposition to the “odious monopolies” led to a ban on business method patents in the United States. Newman J. insists that:

“[i]t is inconceivable that on this background the Framers, and again the enactors of the first United States patent statutes in 1790 and 1793, intended *sub silentio* to impose the limitations on ‘process’ now created by this court.”

Analysis

The main problem with the en banc *Bilski* opinion is that, as Mayer and Rader JJ. point out, it is almost all obscure, ambiguous intimation and hardly any useful guidance for those “on the ground”. Perhaps to build a consensus, perhaps for other reasons, the Court goes out of its way to avoid explaining more than a bare minimum basis for the judgment. The Court does not even address all of the questions on which it requested en banc briefing and argument.

A “particular” machine

For example, the Court mentions a requirement for a special or particular machine for implementing a process, but does not say what is a special or particular machine. Probably, it is *not* a programmed general purpose digital computer, but the Court does not explicitly say so. In this regard, the Court purports to be merely echoing Supreme Court precedent, but it ignores *Benson*’s refusal to hold a claim patent-eligible even though the claim expressly recited a computer part as an element.¹⁹ The *Benson* Court opaquely brushed that claim limitation aside, saying only that the claimed algorithm was without practical application except in a computer, which meant that the pre-emptive impact of the patent would be equally pervasive if the limitation were not placed in the claim.²⁰ The logical implication of this part of the *Benson* opinion is that whenever a method must, as a practical matter, be carried out by using a programmed general purpose digital computer, the inclusion of the computer as a claim limitation is without significance for purposes of patent-eligibility. The *Bilski* majority opinion marches up to the edge of this point, but stops there.

Further, must a particular machine be one specially adapted and devised for carrying out the new method, or can it be any conventional machine other than a general purpose digital computer? In *Flook*, the Court placed a further gloss on *Benson*’s requirement of a “particular machine”, stating:

¹⁹ The element was a shift register. See *Benson* 409 U.S. 63, 67 (1972) at 73–74 (claim 8). The claim mentions the register five times.

²⁰ *Benson* 409 U.S. 63, 67 (1972) at 71–72. The Court did not make explicit the connection between the described pre-emptive effect and the legal immateriality of the computer part limitation.

"Even though a phenomenon of nature or mathematical formula may be well known, an inventive application of the principle may be patented. Conversely, the discovery of such a phenomenon cannot support a patent unless there is some other inventive concept in its application."²¹

That is to say, the implementation of a principle must be inventive for patent-eligibility. Ordinarily, a business method or software based innovation is conventionally implemented in a conventional computer. In discussing the *Abele* case, the *Bilski* majority opinion uses *Abele*'s X-ray tomography device as satisfying the particular machine requirement. But the Court does not say whether the device was novel or conventional. Is it enough that a device is not a general purpose digital computer? Or must it be newly devised and specially adapted to performing the claimed new method, as well? The *Bilski* opinion leaves practitioners unenlightened as to what kind of machine is needed for patent-eligibility.

What transformations?

The Court's opinion about transformation is clear on transformations of one substance into another substance—for example, the vulcanisation of rubber. But its treatment of signals and data leaves a great deal ambiguous or even incomprehensible. The basic idea seems to be that there must be a physical referent for input data or signals, and a physical output. An X-ray screen display of body parts is said to qualify. But is that physical, really, or just an abstraction? A two-dimensional picture (i.e. screen image) is an abstraction of three-dimensional space. It is not simply "what is out there". Is it therefore meaningfully different from a tabulation of financial data in a new format?

The PTO position (and the Government's position in *Benson*) was, based mainly on the facts of a series of 19th century industrial manufacturing process cases, that patent-eligibility conferring transformations should be from one substance to another. That test is easy to comprehend and without nagging difficulties. Once one moves from the transformation of substances to the transformation of signals representative of "physical" things, however, a journey begins down the slippery slope—ending, as Taft J. said, in setting sail on a sea of doubt.²² One case in which the Federal Circuit upheld patent-eligibility involved an electrocardiogram signal pattern that indicated an increased probability that the patient would suffer a future heart attack.²³ Is an increased probability of that sort a "physical" referent? What the Court means by transformation to a different "state" is even more uncertain. One meaning of state change is going from solid to liquid, or from crystalline to amorphous. But it is doubtful that the Federal Circuit means anything as simple and understandable as that. Could the concept include transforming a person with a

sad, depressed state of mind to one in a happy, debonair state? From a state of poverty to one of wealth? Or from a state of confusion to one of enlightenment? In any case, the opinion does not explain this point, and it does not transform its readers from a state of confusion to one of enlightenment.

Technology and useful arts

The majority opinion completely misunderstands Mayer J.'s dissent. It characterises his opinion—which calls for a different test to use instead of the machine transformation test—a "shortcut" for that test. But the thrust of Mayer J.'s opinion, and Dyk J.'s concurrence endorsing his view, is that the US Constitution requires that patent-eligible subject matter be within the "useful arts", which Mayer and Dyk JJ. equate with manufacturing and technology. That is a different and more fundamental standard than just what the statute means by "process", and it is not a shortcut for the machine transformation test Mayer J. says, in effect, any interpretation of the statutory word "process", or any other word describing one of the categories of patent-eligible subject matter,²⁴ that permits patents on subject matter in the liberal arts, the fine arts, or trade and business is *ultra vires* under the Constitution. Congress can redefine terms in statutes, but it cannot make statutes run counter to the Constitution. The logical conclusion that should be drawn from Mayer J.'s argument (although he does not so state) is that both the Mayer technology test *and* the majority opinion's machine transformation test must be met for patent-eligibility.²⁵ In any case, the Court's opinion fails even to consider whether *Bilski*'s method is patent-ineligible because it is not within the scope of the patent clause. Indeed, the majority expressly refuses to make any ruling that business methods cannot be patent-eligible. The opinion leaves it unclear, however, how a business method could qualify under the majority test. Perhaps it all depends on what you mean by a business method.²⁶ Possibly, an appropriate definition would be: a process that differs from what is already known (prior art) only in being an improved way of carrying on trade or business. Probably, no such method could satisfy the majority test (much less Mayer J.'s test).

24 United States Code 35 USC § 101 authorises patents on machines, articles of manufacture, and compositions of matter, as well as on processes.

25 It is possible for a process to be implemented with a new, special purpose machine devised to carry out the process and yet be outside the useful arts. The notorious patent on a method of exercising a cat may be an illustrative example. See US Patent 6,701,872, available at <http://www.freepatentsonline.com/US6701872.html> [Accessed January 20, 2009]. A drawing of this device is shown on [2009] E.I.P.R. 6 at 12, Fig.2.

26 It is recognised, of course, that certain machines used for business purposes are patent-eligible. Thus, cash registers have long been patented. The "Automat", an automated cafeteria, provides another example: its machinery for coin-operated dispensing of food was found patentable. Is a method of tabulating sales on a cash register a business method? Is a method of feeding customers with Automat equipment a business method?

21 *Flook* 437 U.S. 584, 588-89 (1978) at 594. This proposition is based on the opinion of the Court of Exchequer in *Neilson v Harford* [1841] 151 E.R. 1266, 8 M&W 806, Web. Pat. Cases 295.

22 *United States v Addyston Pipe Co* 85 F. 271, 283 (6th Cir. 1898).

23 *Arrhythmia Research Tech v Corazonix Corp* 958 F.2d 1053 (Fed. Cir. 1992). The electrocardiograph equipment was conventional.

Conclusion

The Court's *Bilski* opinion delivered little of what the order for en banc reargument promised. It did clear away some of the debris that has accumulated around patent-eligibility, however, and probably failed to make things any worse. It got rid of the inane "useful, concrete, and tangible" test. Moreover, *Bilski* seems to have put an end to the Federal Circuit's running warfare against the Supreme Court's patent-eligibility opinions and seemingly tried to follow rather than evade them. But it left a great deal for future litigation to clarify and its analysis is frequently baffling. In particular, the opinion completely avoids the technology and business method issues that Mayer J.'s dissent and Dyk J.'s concurrence attempt to address—issues that remain highly controversial and in need of authoritative resolution both in the United States and Europe.²⁷

Ana Ramalho*

Silent Ethics in the Mobile Phone Sector? The Case of the "por qué no te callas?" Ringtone

Ⓐ Character merchandising; King; Mobile telephony; Publicity; Spain

Introduction

November 10, 2007, Ibero-American Summit, Santiago, Chile. Before the constant interruptions performed by the President of Venezuela Hugo Chávez to the speech of the Spanish Prime Minister Zapatero, the King of Spain uttered the soon-to-be famous sentence "why don't you shut up?" ("por qué no te callas?"). Be it because of the King of Spain's usual phlegm or due to ongoing controversies between Spain and its former colonies, the rebuke gained both a political and commercial significance.

As a matter of fact, apart from the expected throng of political commentators dissecting the King's attitude and its respective implications, those blessed with some commercial awareness readily started profiting from the incident: according to the BBC,¹ more than half a million people downloaded a ringtone² which reproduced the King's tirade, generating an estimated income of \$2 million.

The episode raises questions appertaining to a number of long-standing controversies. Undoubtedly, ringtones represent a new market and consequently

a new licencing opportunity in the copyright realm. In the United States, for instance, a Memorandum Opinion from the Register of Copyrights, delivered on October 16, 2006,³ gave off the view that ringtones are phonorecords and are therefore covered by the compulsory licence proviso laid down in copyright law.

However, copyright law is not at issue here. Instead, the query involves the use of someone's personal indicia for commercial purposes without that person's consent. Hence, the "por qué no te callas" ringtone concerns the so-called right of publicity, an area of law deemed to be either neighbouring or even part of intellectual property, but which holds contours and brings about considerations of its own. Amongst the former, one can definitely underline the ethical rationale presiding to most of the national laws that chose to approach the matter.

Therefore, by gauging the legal implications of the abovementioned incident, the main goal of this article is to draw some conclusions as to how ethics can and should play a role in preventing acts of encroaching upon someone else's personality rights in the mobile phone industry in general and in the ringtones business in particular.

For that purpose, we will start by analysing the right of publicity from an international perspective (section II). We then follow to examine how ethics can influence that area of law (section III). Finally, we will consider the case of the "por qué no te callas" ringtone, while taking into account the right of publicity from an ethical perspective.

Cuique suum tribuere: an overview of the right of publicity

It has long been acknowledged that fame is a commodity. Be it through endorsement, merchandising or media coverage, notoriety sells. Consequently, the right of publicity started to be perceived as the right to use someone's personality features, such as name, picture or voice, for commercial purposes. We can thus put forth that the right of publicity is the right to commercialise someone's identity.

Nevertheless, it is noteworthy that this right is not harmonised at an international level. In the United States, the right of publicity was expressly recognised in *Haelan Laboratories Inc v Topps Chewing Gum Inc*.⁴ It was also given a particular emphasis by the US Supreme Court in *Zacchini v Scripps-Howard Broadcasting Co*,⁵ where a difference between the tort of privacy and the tort of publicity was established.

Be it because of an ethical approach or just due to the tendency to worship celebrities, the US system forcefully protects the right of publicity⁶—for instance, even the

27 For a discussion of the issues raised by the Mayer and Dyk opinions, see Richard H. Stern, *Being Within the Useful Arts as a Further Constitutional Requirement for US Patent Eligibility* [2009] E.I.P.R. 6.

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1 News is available at <http://news.bbc.co.uk/1/hi/world/europe/7101386.stm> [Accessed January 20, 2009].

2 A ringtone is a digital sound file played by a mobile phone to indicate an incoming phone call or message.

3 The Memorandum Opinion from the Register of Copyrights document is available at <http://www.copyright.gov/docs/ringtone-decision.pdf> [Accessed January 20, 2009].

4 *Haelan Laboratories Inc v Topps Chewing Gum Inc* (2d Cir) 202 F.2d 866 (1953).

5 *Zacchini v Scripps-Howard Broadcasting Co* 97 S. Ct. 2849 (1977).

6 See S. Barnett, "The Right to One's Own Image": Publicity and Privacy Rights in the United States and Spain" [1999] *American Journal of Comparative Law* 47, 555. It is interesting to