

11-18-2012

# Damned If You Do, Doomed If You Don't: Patenting Legal Methods and its Effect on Lawyers' Professional Responsibilites

Stephanie L. Varela

Follow this and additional works at: <http://scholarship.law.ufl.edu/flr>

 Part of the [Intellectual Property Commons](#), and the [Legal Profession Commons](#)

---

### Recommended Citation

Stephanie L. Varela, *Damned If You Do, Doomed If You Don't: Patenting Legal Methods and its Effect on Lawyers' Professional Responsibilites*, 60 Fla. L. Rev. 1145 (2008).

Available at: <http://scholarship.law.ufl.edu/flr/vol60/iss5/4>

This Note is brought to you for free and open access by UF Law Scholarship Repository. It has been accepted for inclusion in Florida Law Review by an authorized administrator of UF Law Scholarship Repository. For more information, please contact [outler@law.ufl.edu](mailto:outler@law.ufl.edu).

NOTES

DAMNED IF YOU DO, DOOMED IF YOU DON'T: PATENTING  
LEGAL METHODS AND ITS EFFECT ON LAWYERS'  
PROFESSIONAL RESPONSIBILITIES

*Stephanie L. Varela*\* \*\*

I.	INTRODUCTION .....	1146
II.	THE CASE FOR LEGAL STRATEGY PATENTS .....	1152
	A. <i>Why Legal Method Patents Are</i> <i>Cause for Concern</i> .....	1152
	B. <i>An Overview of the Elements of Patent Law</i> .....	1153
	C. <i>Do Legal Methods Qualify as Eligible Subject</i> <i>Matter?</i> .....	1158
	D. <i>Paving the Way for Legal Methods: Patent Protection</i> <i>Extended Even Further</i> .....	1160
III.	GENERAL SOCIETAL CONCERNS .....	1162
	A. <i>The Monopoly Effect</i> .....	1162
	B. <i>Taking the Good with the Bad</i> .....	1163
	C. <i>The Net Effect on Society</i> .....	1164
	D. <i>General Costs and Benefits in Our Patent System</i> .....	1165
IV.	SHOULD PATENT PROTECTION EXTEND TO LEGAL STRATEGIES? .....	1166
	A. <i>What Distinguishes the Legal Profession from All</i> <i>Other Professions</i> .....	1167
	B. <i>Competence</i> .....	1168
	C. <i>Restrictions on Right to Practice</i> .....	1171

---

\* Editor's Note: This Note won the Gertrude Brick Prize for the best Note of the 2008–09 academic year.

\*\* J.D. expected May 2009, University of Florida Levin College of Law. This Note is dedicated to my family and to the loving memory of Felix de la Torre. My deepest gratitude to: my parents, Raquel and Manuel Varela, and godparents, John and Thais Rodriguez, as their sacrifices and unconditional love sustain me and drive me to succeed; Maru Carreras, Shirley Rivera, and Sandra West for their instruction and encouragement over the years. For their insightful suggestions and unwavering support throughout the writing process, I would like to recognize my Note advisor, Michael Hersh, as well as Elora Andrade, Attila Andrade, Jr., Katie Berry, Carly Cohen, Angela Deffenbaugh, Cristy Fernandez, Alex Fischer, Jennifer Jones, David Karp, Carmen Manrara, Michael Morlock, Mi Zhou, and the members of the *Florida Law Review*. Lastly, many thanks to the Class of 2009—your tenacity, wisdom, encouragement, advice, and, most of all, friendship will always be cherished.

1. Interference with a Client’s Counsel of Choice . . . . . 1172  
 2. Interference with Independent Professional Judgment . . . . . 1174

V. WHO BEARS THE ULTIMATE COSTS? . . . . . 1176

VI. CONCLUSION . . . . . 1177

I. INTRODUCTION

Imagine, before advising each client, having to confer with the U.S. Patent and Trademark Office (USPTO)<sup>1</sup> to determine whether another lawyer already owns a patent<sup>2</sup> to the legal strategy you wish to propose.<sup>3</sup> Imagine having to pay someone so your client can follow legal advice you wish to impart. Worse yet, imagine having to forego the most favorable legal course of action for your client simply because your client cannot afford it! While these possibilities may seem outlandish, this is precisely what courts may soon decide.<sup>4</sup>

Judicial affirmation of the patentability of legal strategies could become a stark reality sooner than lawyers think.<sup>5</sup> In light of our patent

1. The USPTO was established in 1836. Andrew A. Schwartz, *The Patent Office Meets the Poison Pill: Why Legal Methods Cannot Be Patented*, 20 HARV. J.L. & TECH. 333, 341 (2007). Under the Patent Act, Congress empowers the USPTO to examine patent applications and determine whether they meet prescribed requirements set forth in the Act. JANICE M. MUELLER, AN INTRODUCTION TO PATENT LAW 40 (2d ed. 2006); Schwartz, *supra* note 1, at 341.

2. A patent represents a property right “to exclude others from making, using, selling, offering to sell, or importing the patented invention in the United States during the term of the patent.” MUELLER, *supra* note 1, at 40. Currently, a patent term expires after roughly twenty years. *Id.* at 17.

3. See Steve Seidenberg, *Crisis Pending: Can a Patent on a Legal Strategy Prevent a Client from Taking Your Advice? The Courts May Soon Decide*, 93 A.B.A. J. 42, 42 (May 2007) (providing a similar hypothetical); see also Andrew A. Schwartz, *Patents on Legal Methods? No Way!*, 107 COLUM. L. REV. SIDEBAR, (Feb. 14, 2007), <http://www.columbialawreview.org/articles/patents-on-legal-methods-no-way> (“[N]o attorney wants to pause before advising a client in order to run a patent search to make sure that no one owns the advice she is about to give.”).

4. As this Note mentions, in March 2007, parties settled out of court on a suit alleging an estate-planning technique infringed on a patent right over a tax strategy. Consent Final Judgment Regarding Settlement Agreement, *Wealth Transfer Group v. Rowe*, No. 3:06-CV-00024 (D. Conn. Mar. 9, 2007), available at [http://tax.aicpa.org/NR/rdonlyres/D62E55BF-474B-4E5C-94A0-AF140F9D5604/0/WTG\\_ROW\\_FINALCONSENTJUDGMENT.pdf](http://tax.aicpa.org/NR/rdonlyres/D62E55BF-474B-4E5C-94A0-AF140F9D5604/0/WTG_ROW_FINALCONSENTJUDGMENT.pdf). Still, given the rise in tax strategy patents and reported interest in patenting other legal methods, many believe courts will grapple with the issue with increasing frequency in the near future. See generally Seidenberg, *supra* note 3, at 44 (suggesting courts will soon decide on the patentability of legal methods).

5. See generally Seidenberg, *supra* note 3, at 44 (calling attention to the rise in tax strategy patents, a type of legal method). With the Federal Circuit extending patent protection to business method patents, the USPTO began issuing patents for tax strategies and other legal methods. See *infra* notes 92–107 and accompanying text. Oftentimes there is a discrepancy between the

system's history, this prospect should come as no surprise. Both federal courts and the USPTO have continually pushed the envelope of patentable subject matter.<sup>6</sup> With increasing vigor, the USPTO issues patents in previously unpatentable areas.<sup>7</sup>

---

standards set by courts and those applied by the USPTO. *Graham v. Deere*, 383 U.S. 1, 18–19 (1966).

While we have focused attention on the appropriate standard to be applied by the courts, it must be remembered that the primary responsibility for sifting out unpatentable material lies in the Patent Office. To await litigation is—for all practical purposes—to debilitate the patent system. We have observed a notorious difference between the standards applied by the Patent Office and by the courts. While many reasons can be adduced to explain the discrepancy, one may well be the free rein often exercised by Examiners . . . .

*Id.* at 18. With respect to legal strategies, the same may be surmised. Courts interpret standards set forth by both the Constitution and Congress, but the USPTO is charged with applying them. *See* MUELLER, *supra* note 1, at 40. Therefore, the USPTO's interpretation of existing law is vitally important because it, in effect, determines what receives patent protection. These agency determinations, however, are subject to congressional and judicial override.

6. *See* Dana Remus Irwin, *Paradise Lost in the Patent Law? Changing Visions of Technology in the Subject Matter Inquiry*, 60 FLA. L. REV. 775, 778 (2008). Critics have repeatedly argued over the misinterpretation of patent law, asserting present application of patent law allows for "limitless subject matter." *Id.* at 778–79.

7. For example, in the nineteenth century, both courts and the patent office concluded business method patents did not qualify as patentable subject matter. *Id.* at 795. But in 1998, the Federal Circuit granted patent protection to business method patents. *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1375–76 (Fed. Cir. 1998). In this decision's aftermath, the USPTO began issuing patents to tax strategies, which the USPTO viewed as a form of business method. Marshall Tracht, *Patenting a Business or Legal Strategy*, REAL ESTATE MONITOR, Summer 2007, at 5, 5–6, available at [http://www.bdo.com/publications/industry/real/re\\_summer07/patenting.asp](http://www.bdo.com/publications/industry/real/re_summer07/patenting.asp). The Summer 2007 publication of this newsletter reported fifty-two tax patents issued by the USPTO and at least eighty-four published pending applications for tax strategies. *Id.* As of September 2008, these numbers have climbed, with at least seventy tax patents issued and 117 published applications for tax strategies pending approval. For tax strategy patents issued by the USPTO, see <http://www.uspto.gov/patft/index.html> (choose "Advanced Search" hyperlink under either "Issued Patents" or "Published Applications"; then insert search term "ccl/705/36T" in the space provided) (last visited Sept. 21, 2008). As this Note illustrates, the ease with which unforeseen technological developments receive patent protection is consistent with the liberal construction of subject matter eligibility. *See* Irwin, *supra* note 6, at 807; *infra* notes 58–61 and accompanying text.

Writing for the majority in *In re Bergy*, Judge Rich explained that for 'nearly 200 years . . . [the Patent Act has] been liberally construed to include the most diverse range imaginable of unforeseen developments in technology . . . . We believe § 101 and its predecessor statutes were broadly drawn in general terms to broadly encompass unforeseeable future developments . . . .'

Irwin, *supra* note 6, at 806 n.202 (quoting *In re Bergy*, 596 F.2d 952, 973–74 (C.C.P.A. 1979),

Take Robert Slane, a financial adviser in Florida, for instance. In 2003, Slane received the first tax strategy patent, which covers the use of unqualified stock options in grantor-retained annuity trusts, or GRATs.<sup>8</sup> Just three years later, Slane succeeded in filing the first suit alleging infringement of a patented tax strategy.<sup>9</sup> Slane sued former chairman and CEO of Aetna Insurance, John Rowe,<sup>10</sup> alleging Rowe, as part of an estate plan, funded several GRATs covered by Slane's patent.<sup>11</sup> While the parties settled in March 2007,<sup>12</sup> courts will likely render legal rulings on the patentability of other legal methods in the future. This possibility seems particularly likely as professionals like Slane pursue similar measures to protect their patent rights,<sup>13</sup> and as the number of patents issued for various methods increases.<sup>14</sup>

Since the USPTO began issuing tax strategy patents in 2003,<sup>15</sup> many insist patentability for other legal methods is inevitable.<sup>16</sup> To be sure, this

---

*vacated in part by Diamond v. Chakrabarty*, 444 U.S. 1028 (C.C.P.A.), *aff'd*, 447 U.S. 303 (1980) (alteration in original)).

8. See Seidenberg, *supra* note 3, at 44; Floyd Norris, *Patent Law is Getting Tax Crazy*, INT'L HERALD TRIB., Oct. 19, 2006, available at <http://www.iht.com/articles/2006/10/19/business/norris20.php>; Tracht, *supra* note 7, at 6. Describing GRATs, Seidenberg explains:

When a GRAT is set up, the donor funds it with assets that are expected to grow in value. The donor receives a fixed annuity from the GRAT during the life of the trust. When the GRAT expires, the corpus is distributed to the trust's beneficiaries—and the amount of gift tax is based on the discounted future value of the assets at the time they were placed into the GRAT, not the (larger) actual value of the assets at the time they are distributed to the trust's beneficiaries. What Slane claims to have invented—and what his patent covers—is the use of unqualified stock options to partially or fully fund a GRAT.

Seidenberg, *supra* note 3, at 44.

9. See Tracht, *supra* note 7, at 6.

10. Slane's suit named neither Rowe's estate planning attorney nor Rowe's other financial advisors as defendants. Seidenberg, *supra* note 3, at 44.

11. See *id.*; Tracht, *supra* note 7, at 6.

12. Helen Gunnarsson, *Can Lawyers Patent Their Legal Techniques? A Patent Issued on an Estate-Planning Technique Has That Bar Buzzing*, 95 ILL. B.J. 344, 344 (2007) (discussing *Wealth Transfer Group v. Rowe*, No. 3:06-CV-00024 (D. Conn. Mar. 9, 2007)). Pursuant to a confidential settlement, the court dismissed the suit. *Id.*

13. See Tracht, *supra* note 7, at 6.

14. See Seidenberg, *supra* note 3, at 44; *supra* text accompanying note 7.

15. See Schwartz, *supra* note 1, at 346–47.

16. Reacting to the idea that estate-planning strategies may soon be subject to patent protection, Chicago attorney Christine Albright, chair to the American Bar Association's Section of Real Property, Probate, and Trust Law, commented: “[T]here’s no area of legal practice that couldn’t have patents issued.” Gunnarsson, *supra* note 12, at 344; see also 1 R. CARL MOY, MOY’S WALKER ON PATENTS § 5:2 (4th ed. 2007) (explaining that questions have been raised as to whether new technological fields should be included under the patent system, and stating “the law continues

notion will be contested. History reveals that with virtually every technological development, professionals grapple with patentability. Despite concerns about extending patent protection, history foretells that the case for patentability will likely prevail.<sup>17</sup> Whatever qualms critics express about patentability, professionals learn to operate within the parameters of patent protection.<sup>18</sup> Because industries in the past have adapted to patent protection, many patent experts discount concerns within the legal profession.<sup>19</sup> Since other professions have adapted to patent protection, the argument goes, lawyers should adapt to patent protection as well.<sup>20</sup>

Indeed, not long after courts affirmed software patentability,<sup>21</sup> the industry learned to adjust<sup>22</sup>—albeit not without a fight.<sup>23</sup> Similar reactions

---

to exhibit movement even in connection with particular fields of long standing. Recent actions by the United States Patent and Trademark Office, as well as court decisions, have for example led to an increased recognition that patent rights can be obtained that effectively dominate methods of doing business . . . .”). *But see* Schwartz, *supra* note 3 (dismissing the patentability of legal methods).

17. This is true, in part, because courts recognize legislative history supporting broad construction over statutory subject matter. *See, e.g.,* *Diamond v. Chakrabarty*, 447 U.S. 303, 308–09 (1980) (suggesting that the purposeful inclusion of expansive terms in the Patent Act’s statutory language indicate that “Congress plainly contemplated that the patent laws would be given wide scope”).

18. Seidenberg, *supra* note 3, at 44, 47.

19. *Id.* at 47. Some concerns found across-the-board include the notion that patent protection constitutes bad public policy, stifles innovation, and ultimately reduces incentive to find better alternatives. *Id.* With respect to patents on legal methods in particular, an overarching concern is that patent protection will undermine a lawyer’s professional independence to advise clients fully. *See infra* Part IV.C.2. Lawyers may hesitate suggesting the best advice to a client if acting upon that advice borders on infringement of one or more patents. *See id.*

20. In response to a patent issued on an estate-planning technique, Helen Gunnarsson suggests patenting legal strategies is similar to patenting other methods: “[t]o a patent lawyer’s way of thinking . . . patenting a method of jury selection or other litigation strategy—is not only not astounding[,] but isn’t any different from patenting a method used in any business other than law.” Gunnarsson, *supra* note 12, at 344.

21. *See, e.g.,* *Diamond v. Diehr*, 450 U.S. 175, 187 (1981). “The patentability of computer software marked a milestone in the expansion of patentable subject matter, and has been followed by the patentability of business methods, tax methods, and legal methods.” Irwin, *supra* note 6, at 813 (footnotes omitted).

22. *See* Seidenberg, *supra* note 3, at 47.

23. *See* Daniel Robinson, *The Pros and Cons of Patents*, IT WEEK, July 30, 2007, at 14, 14, available at <http://www.itweek.co.uk/itweek/comment/2195198/pros-cons-patents> (arguing that the U.S. patent system spurs dubious patents and grants protective rights to trivial patents, which only stifles innovation and adds unnecessary costs to the industry and, ultimately, to consumers). *But see* Paul Heckel, *Debunking the Software Patent Myths*, 35 COMM. ACM 121, 122–23 (1992), available at <http://delivery.acm.org/10.1145/130000/129897/p121-heckel.pdf?key1=129897&key2=6866731221&coll=ACM&dl=ACM&CFID=2723716&CFTOKEN=67499680> (suggesting that academic articles read by the computer community inaccurately portray an anti-software patent bias and that patent rights, particularly for individual inventors, are “crucially important”). *See generally*

occurred in 1998 when the Federal Circuit<sup>24</sup> extended patent protection to business methods.<sup>25</sup> Tax strategies, today's latest rave in the patent arena,<sup>26</sup> have also entered the realm of patentability with ease, with the USPTO establishing a patent classification almost exclusively for tax strategies<sup>27</sup> and issuing a number of patents as a result.<sup>28</sup> Since tax strategies are not significantly distinct from other kinds of legal methods, the USPTO could theoretically grant patents for legal methods in other areas.<sup>29</sup> In fact, the USPTO already has.<sup>30</sup>

With patentability efforts penetrating most professions, one might question whether patent protection will tamper with one of the underlying traits that propels our legal system—creativity.<sup>31</sup> Creativity lies at the crux of any successful career.<sup>32</sup> Successful lawyering is often rooted in the ability to innovatively combat complex societal problems while simultaneously serving a client's interests.<sup>33</sup> This dual responsibility coupled with the unique nature of the lawyer-client relationship sets the legal profession apart from many others. Whether relying on personal creativity or “following the paths others have blazed,”<sup>34</sup> creativity, used as a tool in the legal profession, can prove life-altering—both for the client

---

Gordon Irlam and Ross Williams, *Software Patents: An Industry at Risk (League for Programming Freedom, 1994)*, <http://progfree.org/Patents/industry-at-risk.html> (last visited Sept. 22, 2008) (arguing software is an inappropriate subject for the issuance and enforcement of patents).

24. In 1982, Congress created a new appellate court, the U.S. Court of Appeals for the Federal Circuit. United States Court of Appeals for the Federal Circuit: About the Court, <http://www.cafc.uscourts.gov/about.html> (last visited Sept. 14, 2008). Congress granted the Federal Circuit exclusive nationwide jurisdiction over appeals in cases where the complaint states a cause of action arising under patent laws. MUELLER, *supra* note 1, at 35. “As a practical matter, the creation of the Federal Circuit has resulted in a single, relatively coherent body of patent case law on which district courts and litigants can rely with greater certainty than the disparate decisions reached by the regional circuits in patent cases prior to 1982.” *Id.* at 36. On rare occasion, the U.S. Supreme Court reviews decisions rendered by the Federal Circuit on patent matters. *Id.* at 32. On these occasions, the resulting Supreme Court decisions bind the Federal Circuit. *Id.*

25. *See* State St. Bank & Trust Co. v. Signature Fin. Group, Inc., 149 F.3d 1368, 1375 (Fed. Cir. 1998). Since announcing this decision, “the USPTO has received a flood of business method patent applications.” MUELLER, *supra* note 1, at 222.

26. *See* Seidenberg, *supra* note 3, at 44.

27. Tracht, *supra* note 7, at 5 (“Following the State Street decision, the U.S. Patent and Trademark Office (PTO) created a new classification for patents: ‘Data processing: financial, business practice, management or cost/price determination.’”).

28. *See supra* note 7.

29. Schwartz, *supra* note 1, at 346.

30. *See, e.g.*, Method for Providing Property Rights Based Guarantees, U.S. Patent No. 7,158,949 (filed Dec. 17, 2004) (issued Jan. 2, 2007).

31. Tracht, *supra* note 7, at 5.

32. *Id.*

33. *See id.*

34. *Id.*

and the lawyer.<sup>35</sup> As this Note will demonstrate, imposing legal restrictions on creativity has the potential not only to frustrate good lawyering efforts but also to impinge on overriding societal interests.<sup>36</sup>

With rumors buzzing throughout the legal community on reported patent filings for legal strategies, many wonder: Will courts extend patent protection to innovative legal methods? Would such court findings undermine societal interests? More specifically, given an attorney's professional obligations toward clients, would patent protection contravene societal interests and unnecessarily hamper a client's best interests?

It is beyond the scope of this Note to enumerate all the problems associated with patenting legal methods and strategies. Rather, this Note aims to engage in a normative analysis to determine whether patenting legal strategies should occur in light of a lawyer's professional duties toward a client. The primary objectives of this discussion are to raise awareness within the legal community and cast light on a number of concerns that all lawyers should consider. With so much at stake, it is incumbent that all lawyers examine the repercussions stemming from patenting legal strategies.

This Note argues patent protection should not extend to legal methods because of the professional responsibilities lawyers owe to the profession and to clients. Part II explains why legal methods merit discussion today. To appreciate the effects legal method patents could have on the legal profession, Part II then presents an overview of pertinent patent law and explains how legal methods are likely eligible for patent protection. Part III raises the question whether legal methods should receive patent protection in light of social and economic considerations. Part IV addresses implications for a lawyer's professional obligations if courts extend patent protection over legal methods. And Part V considers who bears the ultimate costs from legal method patents.

---

35. One might argue "life-altering" is an extreme description. However, consider the stakes. Some clients risk it all—finances, reputation, time, and energy—to resolve a dispute favorably, and the outcome rests heavily on the lawyer's ability to combat the issue innovatively. An unfavorable outcome surely affects a client's life. Likewise, a lawyer invests time, energy, and professional reputation to resolve a matter on the client's behalf. A faux pas on the lawyer's part could be catastrophic personally and professionally.

36. This appears particularly true in light of the alarming number of trivial patents granted annually. As one author argues, "trivial patents not only stifle innovation, they add to the cost of products and services." Robinson, *supra* note 23, at 14.

## II. THE CASE FOR LEGAL STRATEGY PATENTS

### A. *Why Legal Method Patents Are Cause for Concern*

Attorneys throughout the country are discovering patents increasingly being issued for tax strategies.<sup>37</sup> The USPTO has already granted at least seventy patents covering specific tax strategies. An additional 117 published applications for tax strategy patents currently await approval.<sup>38</sup> What's more, the USPTO has begun issuing patents for other legal methods such as property right guarantees.<sup>39</sup> Legal strategy patents are rumored to be pending in other areas of the law, such as corporate law, real estate and estate planning.<sup>40</sup> At least one patent holder filed an infringement lawsuit over a tax strategy device used as part of an estate-planning technique.<sup>41</sup> Additionally, at least one company boasts on-line about its pending patent application on servitudes.<sup>42</sup>

The USPTO has opened a Pandora's box by endorsing the patentability of tax strategies.<sup>43</sup> As one author asserts:

Under the [USPTO's] interpretation of the Patent Act, there appears to be no distinction between a tax strategy and another type of legal strategy that would exclude other legal strategies from patentability. So long as it is new, and 'works' under the law as it currently stands, the [USPTO] appears to be of the view that any legal method would be patentable.<sup>44</sup>

Moreover, in determining whether to extend protection over a patent item, the USPTO looks only to the requirements of the Patent Act,<sup>45</sup> and does

37. See Seidenberg, *supra* note 3, at 44. The decision rendered in *State Street* "created a new awareness that business method claims could be patented. Patent applications in that area went from 1,500 filings in Fiscal Year 1998 to approximately 9,000 filings in Fiscal Year 2001." *Hearing on Issues Relating to the Patenting of Tax Advice Before the Subcomm. on Select Revenue Measures of the H. Comm. on Ways and Means*, 109th Cong. 5 (2006) [hereinafter *Hearing*] (statement of James Toupin, General Counsel, USPTO), available at <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5271>.

38. See *supra* text accompanying note 7 (explaining how one can retrieve published applications online). For lists and examples of tax patents and published applications, see the ABA Section of Taxation Task Force on Patenting of Tax Strategies, <http://www.abanet.org/tax/patents/home.html> (last visited on Sept. 22, 2008).

39. See, e.g., Method for Providing Property Rights Based Guarantees, *supra* note 30.

40. Seidenberg, *supra* note 3, at 44.

41. *Id.*

42. See *id.*

43. Schwartz, *supra* note 1, at 349.

44. *Id.*

45. See discussion *infra* Part II.B (describing the statutory requirements).

not consider other positive law when granting patent rights.<sup>46</sup> Because the USPTO does not preoccupy itself with other positive law when granting patents, it seems likely that the USPTO will continue to grant patent rights to other legal methods, in an almost mechanical fashion, so long as the method conforms with pre-existing requirements of the Patent Act.

These developments implicate all areas of legal practice,<sup>47</sup> and lawyers are taking notice. The surge in tax strategy patents has unleashed enough concern—whether legitimate or not—for some attorneys to pursue precautionary measures to avoid patent infringement.<sup>48</sup> With uncertainty looming in respective legal areas, the duty to keep abreast of newly issued patents may soon separate lawyers who wage litigation on behalf of clients from those lawyers against whom litigation will be waged.<sup>49</sup>

### B. *An Overview of the Elements of Patent Law*

Patent experts generally agree that patenting legal methods falls within the province of patent law.<sup>50</sup> A patent affords legal protection for intellectual property;<sup>51</sup> it represents a government-issued property right conferred on an inventor that serves to exclude others from creating, using, selling, or importing the patented invention for a term of years.<sup>52</sup> Patent

46. Schwartz, *supra* note 1, at 357–58.

47. ABA Section of Taxation Task Force on Patenting of Tax Strategies, Task Force on Patenting of Tax Strategies, <http://www.abanet.org/tax/patents/home.html#examples> (last visited Sept. 22, 2008).

48. Seidenberg, *supra* note 3, at 42, 45. After discovering patents issued on certain strategies for minimizing taxes in estate planning, Dennis Belcher, a trust and estate attorney in Virginia, realized the severity of the matter and now “follow[s] the topic for professional protection and to keep [his] clients out of a patent lawsuit.” *Id.* at 42. “Belcher says he is changing his morning routine to minimize that [patent infringement] risk. ‘Every morning, I’ve always read tax notes from the IRS . . . Now I should also be looking at the patent office classification for tax strategy patents.’” *Id.* at 45. “It now becomes important for many businesses that never considered themselves ‘researchers and developers’ to be sure they have practices and procedures in place to ensure the fruits of their intellectual labors are protected.” Tracht, *supra* note 7, at 6. Arguably, technological advances make it easier to track issued patents. Westlaw, for example, allows users to receive e-mail updates in the patent arena by setting up a WestClip from the Alert Center.

49. *See* Seidenberg, *supra* note 3, at 45.

50. *Id.* at 47; *see also* *Hearing*, *supra* note 37, at 56–57; MOY, *supra* note 16, at § 5:2 (stating that under the Constitution, “the patent system can apply to a broad range of the statutory subject matters”). *But see* Schwartz, *supra* note 1, at 335–36 (criticizing the USPTO for acting beyond the scope of its power in issuing legal method patents and arguing legal methods, though useful innovations, should not be patentable as they do not constitute “inventions” under the Patent Act); Schwartz, *supra* note 3 (“[I]t pays to stop and consider whether such [legal method] patents are valid at all. As 150 years of consistent Supreme Court precedent make plain, they are not . . . [O]nly ‘inventions’ may be patented[,] . . . [and] legal methods are not inventions in this sense.”).

51. MUELLER, *supra* note 1, at 5.

52. *See id.* at 14; Schwartz, *supra* note 1, at 336; *see also* MOY, *supra* note 16, at § 1:1 (A

law derives its validity from three primary sources: the U.S. Constitution, federal statutes and regulations, and case law.<sup>53</sup> The Constitution provides Congress broad authority 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.”<sup>54</sup> Patent laws promote this progress by providing inventors “exclusive rights for a limited period as an incentive for their inventiveness.”<sup>55</sup> Congress exerts this authority “in the hope that ‘[t]he productive effort thereby fostered will have a positive effect on society . . . [and make for] better lives for our citizens.’”<sup>56</sup>

---

patent “refers to a legal right given by the sovereign government to control the utilization of an invention.”). This property right is considered a negative right. MUELLER, *supra* note 1, at 14. Patents do not convey any affirmative rights to make, use, sell, or import an invention. *Id.* As a result, a patent holder might own a patent and yet be precluded from practicing the patented invention due to other governing laws and regulations. *Id.*

53. MUELLER, *supra* note 1, at 29.

54. U.S. CONST. art. I, § 8, cl. 8. This constitutional provision is known as the Intellectual Property Clause. MUELLER, *supra* note 1, at 29. The IP Clause really grants two congressional powers—the copyright power, which is derived from the word “Science,” and the patent power, which is derived from the phrase “useful Arts.” *Id.* at 29–30. This phrase is understood as referring to patentable subject matter, because historically “Arts” was construed to mean technologies and industries. *Id.* Despite this grant of wide congressional power, the Court has recognized a limitation on congressional authority to execute the “constitutional goal of ‘promot[ing] the progress of Science and Useful Arts.’” *Id.* (alteration in original) (quoting U.S. CONST. art. I, § 8, cl. 8). For instance, Congress is constitutionally prohibited from establishing a patent system where patents can be acquired for technology already existing in the public domain, or that is a mere obvious extension of an existing technology. *Id.*

55. *Diamond v. Chakrabarty*, 447 U.S. 303, 307 (1980).

56. *Id.* (quoting *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974)). One author explains the conventional economic theory underlying the rationale of our country’s patent system this way:

[W]ithout government intervention, a society will produce too little technological innovation, which is a suboptimal result. The animating concern of the patent system is that, once an inventor reveals her invention to the world, others may copy and sell it . . . .

[A]t least some people who might have otherwise spent time and money conceiving and developing new inventions will not do so, thus depriving society of valuable inventions . . . .

A patent system, whereby inventors are granted a monopoly over their inventions for a term of years, counters these tendencies. During the period of exclusivity, the inventor has monopoly pricing power over her invention, which should allow her to recoup her research and development (“R&D”) costs, and then turn a profit. This right provides an incentive to invent and encourages technological progress.

Schwartz, *supra* note 1, at 338 (footnote omitted).

Pursuant to its constitutional authority, Congress has enacted (and revised) federal patent statutes.<sup>57</sup> The current U.S. Patent Act specifies four basic statutory requirements for a patent: (1) eligible subject matter and utility; (2) novelty; (3) nonobviousness to a person having ordinary skill in the art at the time the invention was created; and (4) sufficient disclosure in the text of the patent application to demonstrate the inventor possessed the claimed invention upon filing, and the skilled practitioner is able to make and use the claimed invention without undue experimentation.<sup>58</sup>

Section 101 of the U.S. Patent Act, which establishes patentable subject matter,<sup>59</sup> reads: “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.”<sup>60</sup> Prior case law supports broad construction for this provision.<sup>61</sup> In *Diamond v. Chakrabarty*,<sup>62</sup> the U.S. Supreme Court opined that “[t]he subject-matter provisions of the patent law have been cast in broad terms to fulfill the constitutional and statutory goal of promoting ‘the Progress of Science and the useful Arts.’”<sup>63</sup>

While legislative history suggests Congress intended that patent laws be granted wide scope, § 101 is not without limits.<sup>64</sup> The Court has held “laws of nature, physical phenomena, and abstract ideas” are not

57. Statutory provisions governing patentability are found in Title 35, U.S.C. MUELLER, *supra* note 1, at 31. These provisions directly affect the USPTO’s operation. *Id.* To implement these statutory provisions, the USPTO issues regulations, which are set forth in Title 37 of the Code of Federal Regulations (CFR). *Id.*

58. *See generally* MUELLER, *supra* note 1 (examining the particularities of modern patent law with significant regard to the impact recent judicial interpretation of the statutory requirements has had on the patent law field). Gunnarsson describes, “[i]n simplified terms, the item must be new and useful, not obvious to a person having ordinary skill in the area covered by the invention, and fully described in the patent application.” Gunnarsson, *supra* note 12, at 344.

59. For discussion on the development and evolution of the subject-matter inquiry, see generally Irwin, *supra* note 6.

60. 35 U.S.C. § 101 (2006). Since the Patent Act of 1793, the statutory definition of patentable subject matter has remained largely unaltered. Irwin, *supra* note 6, at 777 n.11. The sole change came about in the Patent Act of 1952, when Congress, only intending to merely clarify and not alter the meaning of the provision, replaced “process” with “art.” *Id.* Since the Patent Act of 1793, the requirements of novelty and utility had been the only statutory requirements; while the Patent Act was revised and amended “some 50 times between 1790 and 1950, Congress steered clear of a statutory set of requirements other than the bare novelty and utility tests.” *Graham v. John Deere Co.*, 383 U.S. 1, 10 (1966). Congress expressly added a third statutory requirement, the obviousness test, in the Patent Act of 1952. *Id.* at 3.

61. *Diamond v. Chakrabarty*, 447 U.S. 303, 307–08 (1980); see Irwin, *supra* note 6, at 777 (stating both Congress and the Supreme Court have interpreted § 101 broadly).

62. 447 U.S. 303 (1980).

63. *Id.* at 315.

64. *Id.* at 309; see Irwin, *supra* note 6, at 778.

patentable.<sup>65</sup> Yet, even with these judicially recognized limits in patentability, the Court has carved out exceptions. Namely, the Court has held that nonstatutory subject matter may be afforded patent protection where there is an application of an abstract idea or law of nature.<sup>66</sup> Indeed, the Court has acknowledged that “[t]he repetitive use of the expansive term ‘any’ in § 101”<sup>67</sup> indicates that Congress intended the provision to include “‘anything under the sun that is made by man.’”<sup>68</sup> Additionally, the Court has never articulated a principle “that inventions in areas not contemplated by Congress when the patent laws were enacted are unpatentable *per se*.”<sup>69</sup> Rather, the Court has interpreted Congress’ broad language in § 101 to protect unforeseeable inventions, recognizing that unanticipated inventions frequently come to fruition.<sup>70</sup>

Once a court determines that an invention satisfies the eligible subject matter test of § 101 of the Patent Act, the court must then scrutinize whether the invention meets the Act’s other three requirements. Section 102 of the Act sets forth the statutory novelty necessary for patentability;<sup>71</sup> § 103 sets forth the criteria for nonobviousness;<sup>72</sup> and, § 112 provides the

65. *Chakrabarty*, 447 U.S. at 309; see Irwin, *supra* note 6, at 778.

66. See, e.g., *Diamond v. Diehr*, 450 U.S. 175, 187–88 (1981). “[I]deas that are not merely abstract but do contain practical applications may indeed be patentable.” Gunnarsson, *supra* note 12, at 344.

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

68. *Id.* (quoting *Chakrabarty*, 447 U.S. at 309); *Diehr*, 450 U.S. at 182.

As James Toupin, General Counsel of the U.S. Patent and Trademark Office, noted in his testimony before the House Committee on Ways and Means on July 13, 2006[,] . . . the court [sic] has also acknowledged that Congress intended ‘anything under the sun that is made by man’ to be patentable under 35 USC section 101.

Gunnarsson, *supra* note 12, at 344.

69. *Diamond v. Chakrabarty*, 447 U.S. 303, 315 (1980).

70. *Id.* at 316. “[T]he courts have interpreted the broad language of the Patent Act that the Act is designed to provide innovative stimulus equally across the board and to all forms of innovation that meet the broad language of the statute.” *Hearing*, *supra* note 37, at 15.

71. 35 U.S.C. § 102 (2006).

72. 35 U.S.C. § 103 (2006). For an interesting discussion on this requirement’s conception, evolution, and eventual codification, see *Graham v. John Deere Co.*, 383 U.S. 1, 3–17 (1966). One author suggests Thomas Jefferson made the earliest reference to the nonobviousness element in a patent bill he drafted shortly after the Act of 1790. See E.C. Walterscheid, *Thomas Jefferson and the Patent Act of 1793*, 40 *ESSAYS IN HIST.* (1998), <http://etext.virginia.edu/journals/EH/EH40/walter40.html>. While case law recognized the nonobviousness requirement as early as 1851 in *Hotchkiss v. Greenwood*, 52 U.S. (11 How.) 248 (1850), Congress did not codify this condition until the Patent Act of 1952. *Graham*, 383 U.S. at 3–4, 11, 15 (citing *Hotchkiss*, which “posit[ed] the condition that a patentable invention evidence more ingenuity and skill than that possessed by an ordinary mechanic acquainted with the business”). The *Hotchkiss* test encapsulated the views suggested by Thomas Jefferson, whom some attribute to be the first administrator of the patent

disclosure requirements for a U.S. patent application.<sup>73</sup> To be sure, legal method patent applications face a formidable challenge to overcome the non-obvious prerequisite to patentability, a test that examines whether the eligible subject matter is obvious to a person of ordinary skill in the art.<sup>74</sup>

---

system. *Id.* at 7, 11. Among other things, Jefferson believed patent protection should not extend to “obvious improvements.” *Id.* at 9.

73. 35 U.S.C. § 112 (2006). Pursuant to prescribed statutory requirements, legal method patents would undergo similar scrutiny. To be sure, to qualify for patent protection, legal methods must not only pass constitutional muster, but must also meet the statutory conditions of patentability. It is beyond the scope of this Note to address whether legal method patents generally meet each of the statutory criteria. It would almost be a moot point. Of greater significance is the interpretation of the agency charged with granting patent rights. The USPTO applies its own interpretation of governing patent law. Unequivocally, the USPTO believes legal methods meet statutory conditions, as it has granted patent protection over various legal methods without much hesitation.

74. 35 U.S.C. § 103 (2006). The obviousness tests examines whether

the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

*Id.* The Court in *Graham*

concluded that the 1952 Act was intended to codify judicial precedents embracing the principle long ago announced by this Court . . . , and that, while the clear language of § 103 places emphasis on an inquiry into obviousness, the general level of innovation necessary to sustain patentability remains the same.

*Graham*, 383 U.S. at 3–4 (citation omitted). In addition to novelty and utility, “the ‘non-obvious’ nature of the ‘subject matter sought to be patented’ to a person having ordinary skill in the pertinent art” served as a third prerequisite to patentability. *Id.* at 14. In setting out a framework for applying § 103, the *Graham* Court provided an objective analysis:

Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

*KSR Int’l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1734 (2007) (quoting *Graham*, 383 U.S. at 17–18). “If a court, or patent examiner, conducts this analysis and concludes the claimed subject matter was obvious, the claim is invalid under § 103.” *Id.* In cases that followed, the Court has held “[i]f a person of ordinary skill can implement a predictable variation [or improvement], § 103 likely bars its patentability.” *Id.* at 1740. In *KSR International Co.*, the Court examined “the requirement of demonstrating a teaching, suggestion, or motivation to combine known elements in order to show

An ultimate rejection of patent protection based on these three statutory provisions, however, does not preclude an initial determination of the eligibility of the claimed subject matter under § 101.<sup>75</sup> Accordingly, a court must first determine whether legal strategies fall within the § 101 categories of possibly patentable subject matter—namely, process, machine, manufacture, or composition of matter—before subjecting a patent claim to further statutory scrutiny.<sup>76</sup>

### C. Do Legal Methods Qualify as Eligible Subject Matter?

There is little, if any, doubt that legal methods qualify as patentable subject matter, especially in light of the Court's liberal interpretation of eligible subject matter under § 1 of the Patent Act.<sup>77</sup> This Section provides a skeletal framework of the underlying theories in support of this notion.

Section 101 delineates four categories of patentable subject matter: process, machine, manufacture, or composition of matter.<sup>78</sup> The term "process," which was not added to § 101 until 1952,<sup>79</sup> has undergone substantial litigation as processes have "historically enjoyed patent protection."<sup>80</sup> Section 100 provides that "[t]he term 'process' means process, art or method."<sup>81</sup> A method, therefore, is synonymous with a process.<sup>82</sup> In *Corning v. Burden*,<sup>83</sup> the Court explained:

---

that the combination is obvious" established by the Court of Customs and Patent Appeals, and held "[t]he obviousness analysis cannot be confined by [such] a formalistic conception[.]" and a court errs in judgment when it "transforms [this] general principle into a rigid rule that limits the obviousness inquiry." *Id.* at 1741.

75. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); see MUELLER, *supra* note 1, at 216; Irwin, *supra* note 6, at 806.

76. See *Diehr*, 450 U.S. at 191.

77. One author suggests this liberal construction of patentable subject matter has provided an astounding number of inventions to receive patent protection over the years. Schwartz, *supra* note 1, at 351.

78. 35 U.S.C. § 101 (2006).

79. See *supra* note 60. Since the original Patent Act set forth in 1790, statutory language has undergone some change. See MOY, *supra* note 16, at § 5:2; *supra* note 60. The original language granted the power to issue patents for "any useful art, manufacture, engine, machine, or device, or any improvement therein." Patent Act of 1790, ch. 7, § 1, 1 Stat. 109, 110. The Patent Act of 1793 added the novelty requirement so that the invention be "new and useful." Patent Act of 1793, ch. 11, § 1, 1 Stat. 318, 319. The Act of 1836, which carried through to the Act of 1870, revised the phrasing to read "any new and useful art, machine, manufacture, or composition of matter." Patent Act of 1836, ch. 357, § 6, 5 Stat. 119. The current language, which reads "any new and useful process, machine, manufacture, or composition of matter," has remained the same since 1952. 35 U.S.C. § 101 (2006).

80. *Diehr*, 450 U.S. at 182.

81. 35 U.S.C. § 100(b) (2006).

82. MUELLER, *supra* note 1, at 216.

83. 56 U.S. (15 How.) 252 (1853).

[i]t is for the discovery or invention of some practicable method or means of producing a beneficial result or effect, that a patent is granted, and not for the result or effect itself. It is when the term process is used to represent the means or method of producing a result that it is patentable, and it will include all methods or means which are not effected by mechanism or mechanical combinations.<sup>84</sup>

Some years later, the Court added: “[a] process is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts . . . to be transformed and reduced to a different state or thing. If new and useful, it is just as patentable. . . .”<sup>85</sup> Rather than viewed as a structural entity, a process is “‘an operation or series of steps leading to a useful result,’ and is ‘patentable in and of itself,’ independent of any machinery or equipment associated with it.”<sup>86</sup>

In 1981 the Court provided process claims must be considered as a whole “because a new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common use before the combination was made.”<sup>87</sup> As one author asserts, “[T]he end product of the process . . . need not itself be patentable; in other words, a process claim can be granted for a novel and nonobvious method of making an old product.”<sup>88</sup> Under this broad interpretation, the Court has consistently extended patent protection to subject matter previously considered unpatentable,<sup>89</sup> cautioning other courts not to “‘read into the patent laws limitations and conditions which the legislature has not expressed.’”<sup>90</sup> It comes as no surprise then that “novel methods . . . have long been held to be patentable. Method patents can be quite valuable because such a patent covers the method itself, rather than any specific machines or end products, and therefore sweeps broadly.”<sup>91</sup>

---

84. *Id.* at 267–68.

85. *Diehr*, 450 U.S. at 183.

86. Schwartz, *supra* note 1, at 342 (footnote omitted). A method is a “series of steps for accomplishing some result.” MUELLER, *supra* note 1, at 216.

87. *Diehr*, 450 U.S. at 188.

88. MUELLER, *supra* note 1, at 216.

89. *See supra* note 7.

90. *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980) (quoting *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199 (1933)).

91. Schwartz, *supra* note 1, at 342 (footnote omitted).

D. *Paving the Way for Legal Methods: Patent Protection  
Extended Even Further*

Against this backdrop, the Federal Circuit in *State Street Bank and Trust Co. v. Signature Financial Group*<sup>92</sup> contemplated whether business methods could receive patent protection.<sup>93</sup> *State Street* held a “method of doing business” fell within the statutory meaning of “process.”<sup>94</sup> As a result, the Federal Circuit concluded that business methods should be subject to the same requirements for patentability as any other method or process.<sup>95</sup> The Federal Circuit provided: “[t]he question of whether a claim encompasses statutory subject matter should not focus on *which* of the four categories of subject matter a claim is directed to—process, machine, manufacture, or composition of matter—but rather on the essential characteristics of the subject matter, in particular, its practical utility.”<sup>96</sup>

Stressing the significance of practical utility, the court held that any new, nonobvious process or method may be patented as long as the subject matter “produces a ‘useful, concrete, and tangible result.’”<sup>97</sup> Many patent law experts agree that the broader construction of eligible subject matter held in *State Street* should also be applicable to legal strategies<sup>98</sup> (particularly in light of the Court’s repeated warnings that judges not read into patent laws limitations that Congress has not expressed),<sup>99</sup> because legal strategies, when combined and considered as a whole, are a means of producing a beneficial result<sup>100</sup> and yield useful, concrete and tangible

---

92. 149 F.3d 1368 (Fed. Cir. 1998).

93. *Id.* at 1375. No congressional law explicitly authorizes tax patents. See Norris, *supra* note 8.

94. Schwartz, *supra* note 1, at 342–43.

95. *State Street*, 149 F.3d at 1375.

The original *State Street Bank* decision, which led to this growth [in tax strategy patents], was about a means of tracking transactions to maximize the accountability of capital gains so that those could be captured and used. It was a hub and spoke method for accomplishing that purpose. The Federal Circuit Court held that that kind of a method, which optimized the ability to use—among other things a tax advantage, was useful subject matter that could be patented.

*Hearing*, *supra* note 37, at 23.

96. *State Street*, 149 F.3d at 1375 (footnote omitted).

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

98. See, e.g., Seidenberg, *supra* note 3, at 46–47. Despite widespread criticism stemming from *State Street*, this decision remains good law, as the Supreme Court denied certiorari. Schwartz, *supra* note 1, at 343.

99. See *Diamond v. Diehr*, 450 U.S. 175, 182 (1981) (citing *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980)).

100. This is consistent with the Court’s understanding of processes in *Corning v. Burden*, 56 U.S. (15 How.) 252, 268 (1853), which was re-affirmed in *Diehr*, 450 U.S. at 182.

results.<sup>101</sup> Indeed, the USPTO has already extended the *State Street* doctrine in 2003 when it began granting patents for legal strategies, characterizing them as a certain kind of business method.<sup>102</sup> Although the predominant legal methods that have received patent protection from the USPTO are tax strategies and structures, it seems only a matter of time before the USPTO regularly issues patents for other legal methods.<sup>103</sup>

Patent experts generally disregard whatever fears lawyers share over this possibility, casting concerns aside as speculative at best.<sup>104</sup> After all, history illustrates the ease with which varied professions have adapted in response to patentability of inventions.<sup>105</sup> Legal strategy proponents counter that many professionals, including engineers and physicians, operate in fields where patents impose some restrictions on their work productivity.<sup>106</sup> “Under this view, there isn’t any real difference between a doctor whose access to certain medical devices is limited by patents and a lawyer who might need a license to employ certain . . . strategies on behalf of clients.”<sup>107</sup> Additionally, patent proponents purport that patent protection provides incentive for innovation, prompting practitioners to develop innovative responses to increasingly complex societal issues.<sup>108</sup>

---

101. This is consistent with the Federal Circuit’s construction of the term “process” in *State Street*. *State Street*, 149 F.3d at 1373 (citing *In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994)).

102. Schwartz, *supra* note 1, at 343. Whether many of the claimed business methods meet other statutory requirements including novelty and nonobviousness remains to be seen. But, the § 101 requirement for business methods appears settled. See MUELLER, *supra* note 1, at 222.

103. See Schwartz, *supra* note 1, at 343; see also Method for Providing Property Rights Based Guarantees, U.S. Patent, *supra* note 30.

104. “Patent experts generally discount the worries of tax attorneys and trust and estate attorneys because they’ve heard similar concerns expressed before.” Seidenberg, *supra* note 3, at 47.

105. See *id.*; *supra* notes 17–20. One author reports:

Twenty-five years or so ago, when patents were first issued on living matter that was used to eat oil slicks, there was concern about whether living organisms should be patented . . . . When software patents [sic] first issued, there was concern about whether software should be patentable. The same thing happened for business method patents . . . . Every time there’s a technological development, people say, ‘Not in my backyard.’ That’s very understandable. It takes a while for folks to get their heads around what the patent system does and why it should be applied uniformly across all fields of technological endeavor.

Seidenberg, *supra* note 3, at 47 (quoting Pamela B. Krupka, chair-elect of the ABA Section of Intellectual Property Law) (internal quotation marks omitted).

106. Seidenberg, *supra* note 3, at 47.

107. *Id.*

108. *Id.*; cf. *Hearing*, *supra* note 37, at 17 (expressing that with concern to tax strategy patents, “people have been trying to lower their taxes for a long time, and I think there is plenty of activity here, so I would question this balance as to incentives and protections in this instance”).

Courts and commentators generally reflect the sentiment espoused by many patent advocates—namely, that this country continually benefits from emerging technologies and professional developments adapting to our patent laws.<sup>109</sup> Yet, while the legal profession may face little difficulty in adapting to patentability, and while lawyers may even find themselves revitalized to serve clients with greater creativity within the confines of patent law, there is some question whether patenting legal strategies undermines important societal interests.

### III. GENERAL SOCIETAL CONCERNS

While courts have generally found statutory subject matter to “include anything under the sun that is made by man,”<sup>110</sup> it at least appears questionable whether Congress, under the auspices of its authority established under Article I, § 8, of the Constitution, intended to exert patent protection over legal strategies.

#### A. *The Monopoly Effect*

As the *Graham* Court explained, “[I]t must be remembered that the federal patent power stems from a specific constitutional provision which authorizes the Congress ‘To promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries.’”<sup>111</sup> Importantly, this provision both grants and limits power.<sup>112</sup> The *Graham* Court cautioned that Congress in exercising its patent power must respect this constitutional purpose, and may neither overreach the constitutional restraints imposed “[n]or . . . enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to . . . restrict free access to materials already available.”<sup>113</sup>

It is difficult to fathom Congress ever intended legal professionals to secure a monopoly over legal strategies.<sup>114</sup> Patent protection over legal

109. *In re Schrader*, 22 F.3d 290, 297 (Fed. Cir. 1994) (Newman, J., dissenting).

110. *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980) (quoting S. REP. NO. 82-1979, at 5 (1952), reprinted in 1952 U.S.C.C.A.N. 2394, 2399).

111. *Graham v. John Deere Co.*, 383 U.S. 1, 5 (1966) (alteration in original) (quoting U.S. CONST. art. I, § 8, cl. 8).

112. *Id.* The Court explained, “[t]his qualified authority . . . was written against the backdrop of the practices—eventually curtailed by the Statute of Monopolies—of the Crown in granting monopolies to court favorites in goods or businesses which had long before been enjoyed by the public.” *Id.*

113. *Id.* at 5–6.

114. See generally *Diamond v. Chakrabarty*, 447 U.S. 303, 318 (1980) (Brennan, J., dissenting) (arguing that the ability to patent should be narrowly construed according to Congress’

strategies provides the opportunity for monopolization where a patent holder refuses to grant a license on any terms to another, choosing instead to use the patent to lure and secure more clients.<sup>115</sup> Though it may be, as one author suggests, that the common understanding of patent monopoly “confuses an exclusive right with an economic monopoly,”<sup>116</sup> courts have expressed concern with patent rights used for anticompetitive purposes.<sup>117</sup> Justice Brennan’s dissent in *Chakrabarty* explains, “The patent laws attempt to reconcile this Nation’s deep seated antipathy to monopolies with the need to encourage progress.”<sup>118</sup>

However one construes a patent right, one thing remains clear: while monopolies remain generally disfavored, “the Constitution takes the view that the benefits of a patent system outweigh its costs.”<sup>119</sup> The question becomes, however, whether this observation remains true for all professions.<sup>120</sup> Indiscriminately providing patent protection for all professions without forethought into the potential effects could prove detrimental and costly for society.

### B. *Taking the Good with the Bad*

Some fears may be laid to rest as patent laws only provide the right to control new, useful, and nonobvious innovations, and therefore preclude

intent to allow a monopoly).

115. See Seidenberg, *supra* note 3, at 46.

116. Richard A. Posner, *Transaction Costs and Antitrust Concerns in the Licensing of Intellectual Property*, 4 J. MARSHALL REV. INTELL. PROP. L. 325, 329 (2005), <http://www.jmripl.com/Publications/Vol4/Issue3/posner.pdf>.

117. MUELLER, *supra* note 1, at 21.

118. *Chakrabarty*, 447 U.S. at 319 (Brennan, J., dissenting). Antipathy toward monopolies is nothing new, and can be traced back to the American Revolution. See *Graham v. John Deere Co.*, 383 U.S. 1, 7 (1966). As the *Graham* Court explained, the constitutional provision that empowers Congress “[t]o promote the Progress of . . . useful Arts’ . . . was written against the backdrop of the practices—eventually curtailed by the Statute of Monopolies—of the Crown in granting monopolies to court favorites . . .” *Id.* at 5. Jefferson, an influential contributor to the development of our nation’s patent system, shared “an instinctive aversion to monopolies,” with many Americans at the time. *Id.* at 7. While Jefferson’s disdain for monopolies initially extended to patents, he shortly recognized the patent system’s social and economic rationales. *Id.* at 8–9. Still, he believed patent rights contravened the “inherent free nature of disclosed ideas—and [were] not to be freely given.” *Id.* at 9. The patent system’s underlying policy, as espoused by Jefferson, was “that ‘the things which are worth to the public the embarrassment of an exclusive patent[.]’ . . . must outweigh the restrictive effect of the limited patent monopoly.” *Id.* at 10–11. In conformity with this principal, the Court began formulating general conditions of patentability. See *id.* at 11.

119. Schwartz, *supra* note 1, at 338. This Note suggests that in the context of the legal profession, the costs associated with patent protection over legal methods exceed the benefits to society.

120. The way Congress has fashioned the Patent Act “encodes a social view of patenting that is very optimistic. The statute does not consider any field to be one in which the costs of patenting will exceed the benefits inherently.” MOY, *supra* note 16, at § 5:5.

the ability to extract from the public existing innovations.<sup>121</sup> Because of this limit, established legal methods will continue to be used free from fear of infringement. However, new methods or combinations of old strategies give rise to legitimate concern in the legal profession. Lawyers are constantly constructing, revising, and merging arguments. The ability to do so enables a lawyer to adapt legal strategies to address a client's issue with greater precision in hopes of attaining a favorable outcome. For these reasons, a legal method patent is a good thing. "[B]ecause a new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common use before the combination was made,"<sup>122</sup> there is no telling how far a lawyer's creativity can go. If our system recognizes that legal methods merit protection, it does so based on the assumption that inventors will pursue patentable innovations with greater vigor, and society will benefit from progress.<sup>123</sup> But this textbook rhetoric provides no guarantees. And because lawyers bear responsibilities unlike many other professions, we must be mindful of such hasty generalizations.

### C. *The Net Effect on Society*

The unavailability of favorable legal methods to the public poses another concern with patenting legal methods. Regarding tax strategies, one author notes that the prominent view within the tax bar is that tax ideas and methods should generally be available to all taxpayers.<sup>124</sup> "Many long time practitioners despair that if patents are permitted for tax strategies, 'tax practitioners may be discouraged from freely discussing tax issues with one another,' thus reducing the beneficial exchange of ideas that characterizes current tax practice."<sup>125</sup> In a similar fashion, legal strategies and methods should be available to all societal members. If our legal system is truly rooted in the notion of a common good, it seems illogical to strip away from the public the underlying legal mechanisms that help propel this nation forward.

Perhaps with regard to legal strategy patents, Brennan's dissent resonates soundly when he warned,

[g]iven the complexity and legislative nature of this delicate

---

121. MUELLER, *supra* note 1, at 21.

122. *Diamond v. Diehr*, 450 U.S. 175, 188 (1982); *see supra* notes 87–91 and accompanying text.

123. *See generally* MOY, *supra* note 16, at § 5:4 (suggesting that the current patent system encourages innovation).

124. Schwartz, *supra* note 1, at 348–49.

125. *Id.* at 349; *see* Norris, *supra* note 8 (suggesting "[t]ax patents . . . amount to 'government-issued barbed wire' to keep some taxpayers from getting equal treatment under the tax code").

task, we must be careful to extend patent protection no further than Congress has provided. In particular, were there an absence of legislative direction, the courts should leave to Congress the decisions whether and how far to extend the patent privilege . . . .<sup>126</sup>

#### D. *General Costs and Benefits in Our Patent System*

With the decision to enforce patent rights come societal costs and benefits.<sup>127</sup> Aside from considerable administrative costs, overlapping research and development expenditures in the same field by different firms, and foregone research and development patent rights also have a discernible effect on competition.<sup>128</sup> In spite of these costs, our patent system yields important benefits for the public,<sup>129</sup> including technological progress and economic activity that results from the manufacture and sale of patented items—which generate jobs and further investment.<sup>130</sup> The underlying rationale for our patent system lies in providing members of society ongoing incentive to propel innovation.<sup>131</sup> Publication of patent applications discloses information to the public; members of society are given the opportunity to study the information; and, some even take it upon themselves to build on this information and develop better alternatives.<sup>132</sup> As a result, the patent system fosters evolutionary improvement, which is considered socially beneficial. Yet, consider:

‘In the context of tax strategy patents, however, some may argue that innovation is . . . not socially beneficial . . . and thus a fundamental premise behind a patent system is missing. Specifically, many would argue that no social gains from novel tax planning strategies exist as any gain to the user of the strategy is offset by losses to the Treasury, and therefore the resources devoted to producing and using such strategies represent a net loss to society.’<sup>133</sup>

Whether other legal method patents also represent a net loss to society has

---

126. *Diamond v. Chakrabarty*, 447 U.S. 303, 319 (1980) (Brennan, J., dissenting).

127. MUELLER, *supra* note 1, at 22.

128. *Id.* at 22–24.

129. *Id.* at 24.

130. *Id.* at 24–25.

131. *See supra* note 56 and accompanying text; *see also* Irwin, *supra* note 6, at 779 (suggesting the patent system exists to create incentives “to maximize invention”).

132. MUELLER, *supra* note 1, at 24–25.

133. Seidenberg, *supra* note 3, at 47 (alteration in original) (quoting a staff report to the House Ways and Means Subcommittee on Select Revenue Measures).

yet to be determined. But at the very least, the legal profession should examine the issue.

Overall, it is unlikely the classical rationale underlying our patent system serves the legal industry well. Providing incentives for innovation may make sense in industries where innovation is rare, but the endless creativity of lawyers in general, and tax lawyers in particular, makes this rationale less applicable to the legal profession.<sup>134</sup> Moreover, like tax strategies, patents over legal methods compromise public confidence in the legal system, jeopardize clients' best interests, and hamper a lawyer's professional obligations to the legal profession and to their clients.<sup>135</sup>

While society has grappled with—and in general accepted—the costs and benefits of our patent system,<sup>136</sup> it remains uncertain whether the legal profession will find that the benefits of patenting legal methods outweigh the costs. In the sections that follow, this Note will explore the social costs to the legal profession, as well as examine the repercussions to society, should the judiciary and Congress permit the extension of patent protection to legal strategies.

#### IV. SHOULD PATENT PROTECTION EXTEND TO LEGAL STRATEGIES?

For a variety of reasons, courts and the USPTO should exercise caution against extending patent protection over legal strategies. As the ABA Ethics Committee explained in 1961, “the practice of law is a profession, not a business, [and] clients are not merchandise . . . .”<sup>137</sup> In light of a lawyer's professional obligations, courts and the USPTO alike should be sensitive to the restrictions patent rights exert on the legal profession. Where courts and the USPTO fail to show this sensitivity, Congress should provide legislative direction.<sup>138</sup>

134. Tax lawyers in particular do not need incentive for innovation as they have been creative for years without patent incentives. *Id.*

135. *Id.*

136. MUELLER, *supra* note 1, at 22–25.

137. Spiegel v. Thomas, Mann & Smith, P.C., 811 S.W.2d 528, 530 (Tenn. 1991) (citing ABA Comm. on Prof'l Ethics, Formal Op. 300 (1961)).

138. To be sure, Congress has introduced bills aiming to reform patent law. *See e.g.*, Patent Reform Act of 2007, S. 1445, 110th Cong. (2007), available at <http://thomas.loc.gov/cgi-bin/query/D?c110:1:/temp/~c110SskWps::>; *see also* Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 10 (2007), available at <http://thomas.loc.gov/cgi-bin/query/F?c110:1:/temp/~c110Fxzej0:e0>: (proposing to render any tax planning method unpatentable). In 2007, Senators Carl Levin, Norm Coleman, and Barack Obama introduced the Stop Tax Haven Abuse Act, which aims to “stop tax shelter patents by prohibiting the U.S. Patent and Trademark Office from issuing patents for ‘inventions[] designed to minimize, avoid, defer, or otherwise affect liability for Federal, State, local, or foreign tax.’” Press Release, Carl Levin, Chairman, Senate Permanent Subcomm. on Investigations, Levin, Coleman, Obama Introduce Stop Tax Haven Abuse Act (Feb. 17, 2007), available at <http://levin.senate.gov/newsroom/release.cfm?id=269479> (citing Stop Tax Haven

### A. *What Distinguishes the Legal Profession from All Other Professions*

Generally speaking, the legal profession is self-governing.<sup>139</sup> Self-regulation not only obviates the need for government regulation, but also preserves the profession's independence from government domination and promotes the rule of government under law (since lawyers who do not depend on government for the right to practice law are more likely to challenge the abuse of legal authority).<sup>140</sup> Unlike other professions, the legal profession shares a unique connection with government.<sup>141</sup> "This connection is manifested in the fact that ultimate authority over the legal profession is vested largely in the courts."<sup>142</sup>

With this relative autonomy, self-government requires lawyers to exercise special responsibilities.<sup>143</sup> Lawyers play crucial roles in the preservation of government and society.<sup>144</sup> Among these responsibilities is providing reasonable assurance that the profession's regulations are rooted in public interest, rather than self-interest.<sup>145</sup> It is in this light that drafters fashioned the Model Rules of Professional Conduct.<sup>146</sup>

One might argue that the disciplinary rules that govern lawyers speak only to the relationship between the lawyer and the client, so that lawyer's obligations are individual in scope. To be sure, the ethical principles that guide lawyers require zealous advocacy in pursuit of a client's legitimate interests.<sup>147</sup> To this end, devising a legal method for a client fulfills this ethical obligation. If disciplinary rules are construed narrowly, a lawyer need not look beyond the representation of a client, and instead, must work only to serve the client's objective.<sup>148</sup> But examining the collective aim of

---

Abuse Act, S. 681, 110th Cong. § 303(g) (2007)). However, these bills have not been enacted into laws. As a result, patent protection remains, in large part, in the hands of patent examiners.

139. MODEL RULES OF PROF'L CONDUCT pmb. ¶ 10 (2002).

140. *Id.* at pmb. ¶ 11.

141. *Id.* at pmb. ¶ 10.

142. *Id.*

143. *Id.* at pmb. ¶ 12.

144. *Id.* at pmb. ¶ 13.

145. *Id.* at pmb. ¶ 12.

146. *Id.* at pmb. ¶ 1.

147. *Id.* at pmb. ¶ 4–6, 8, 9.

148. This holds true primarily in part because the legal community deems loyalty and a lawyer's independent judgment as essential to the lawyer's relationship to the client. *See, e.g., id.* at R. 1.7 cmt. 1 (2002). Indeed, these characteristics lie at the center of many disciplinary rules, and not surprisingly, most clients expect a lawyer to possess these characteristics. Where a lawyer frustrates these expectations, lawyer-client relations may become strained. The disciplinary rules aim to preserve optimal lawyer-client relations and are fashioned with these expectations in mind. Accordingly, only under a narrow set of circumstances may a lawyer represent a client where a conflict of interest exists. *Id.* Model Rule 1.7(a) states:

the legal profession reveals a different purpose. A lawyer's obligations extend beyond the relationship between lawyer and client on an individual basis.

As officers of the legal system, lawyers owe additional responsibility to the legal system in general.<sup>149</sup> The Preamble to the Model Rules states:

As a public citizen, a lawyer should seek improvement of the law, access to the legal system, the administration of justice and the quality of service rendered by the legal profession. As a member of a learned profession, a lawyer should cultivate knowledge of the law beyond its use for clients . . . . [A]ll lawyers should devote professional time and resources and use civic influence to ensure equal access to our system of justice for all those who because of economic or social barriers cannot afford or secure adequate legal counsel.<sup>150</sup>

When disciplinary rules governing the legal profession are viewed with this broader purpose in mind, it becomes clear that the profession should reconcile conflicting responsibilities to clients and the legal system in a manner that does not compromise the public interest.

### B. *Competence*

Defining the role of a lawyer can become problematic, for as a client's representative, a lawyer performs an array of critical functions. The preamble to the Model Rules best encapsulates the roles a lawyer must undertake to serve the client. Chief among these responsibilities is the lawyer's role as advisor. In this regard, "a lawyer provides a client with an informed understanding of the client's legal rights and obligations and explains their practical implications."<sup>151</sup> States across the country recognize the significance of this core role.<sup>152</sup> A lawyer must also provide

---

[A] lawyer shall not represent a client if . . .  
 (1) the representation of one client will be directly adverse to another client; or  
 (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.

*Id.* at R. 1.7(a)(1)–(2).

149. *Id.* at pmb. ¶¶ 5, 7, 8.

150. *Id.* at pmb. ¶ 6.

151. *Id.* at pmb. ¶ 2.

152. American Legal Ethics Library: Topical Overview—Index of Narratives, <http://www.law.cornell.edu/ethics/comparative/index.htm#2.1:100>. Cornell Law School maintains the site, and one may access links to ethics resources from every state and some narratives concerning legal ethics rules in many states. American Legal Ethics Library: Comments & Context, <http://www.law.cornell.edu/ethics>.

a client with competent representation.<sup>153</sup> The Model Rules define competence as requiring “the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation.”<sup>154</sup> If patents protected legal strategies, the rule on competence would require a lawyer to employ a number of precautionary measures before even sitting down to offer legal solutions to a matter.<sup>155</sup>

Patent laws would require the lawyer to first verify whether a patent for the desired legal strategy has been issued.<sup>156</sup> Assuming the USPTO has granted such a patent, the lawyer must then decipher precisely the patent’s “scope.”<sup>157</sup> To comport with the Model Rule on competence, the lawyer would essentially be obligated to study<sup>158</sup> the patent to ensure that the legal advice the lawyer wishes to render has not been compromised. This step in and of itself, is of no consequence; after all, all lawyers are obligated to continually study the law. Yet, in this instance, it seems excessive to require a lawyer to become an expert in patent law simply to render legal advice.<sup>159</sup>

Patent claims must be interpreted in light of the patent’s prosecution and any court rulings made about the patent.<sup>160</sup> “That calls for a review of a patent’s prosecution history—essentially, statements and amendments made during the approval process—to really understand what it covers.”<sup>161</sup> However, reviewing prosecution history can prove daunting.<sup>162</sup> Patents with multiple patent claims complicate the analysis.<sup>163</sup> Providing good legal services therefore requires mastering the art of patent law.<sup>164</sup> So, apart

153. MODEL RULES OF PROF’L CONDUCT R. 1.1 (2002).

154. *Id.*

155. *See generally* Schwartz, *supra* note 3 (warning that patenting legal methods will require lawyers to take extra precautionary measures before giving their clients legal advice); Seidenberg, *supra* note 3 (same).

156. Seidenberg *supra* note 3, at 42, 45; *see* Schwartz, *supra* note 3. *See generally* Hearing, *supra* note 37, at 11. In 2006, the chairman of an American Bar Association task force expressed disapproval and stated, “I can’t even imagine what it will be like in 5 or 10 years . . . if anytime a lawyer or accountant gives tax advice, they have to find out if there is a patent on this.” Norris, *supra* note 8. The chairman noted further “that researching patents, and then licensing them, would just [sic] make tax compliance more costly.” *Id.* By comparison, lawyers would encounter the same difficulties with respect to legal method patents.

157. Seidenberg, *supra* note 3, at 45.

158. MODEL RULES OF PROF’L CONDUCT R. 1.1 cmt. 2 (2002).

159. “Finding legal strategy patents that apply to a given area of practice is only half the battle.” Seidenberg, *supra* note 3, at 45.

160. *Id.*

161. *Id.* at 45–46.

162. *Id.* at 46.

163. *See* Hearing, *supra* note 37, at 55.

164. Commenting on the idea that estate-planning strategies might be subject to patents, Chicago attorney Christine Albright said: “We will have to become knowledgeable about patents issued in our area of the law, which will mean keeping an eye on patents that are published and

from keeping abreast of issues in a lawyer's practice area, a lawyer must subscribe to more than just "Patent 101" basics to gain a competitive edge. In the alternative, the lawyer may simply defer the client to another attorney, perhaps one who does not mind unraveling the perplexities that keep most lawyers away from patent infringement allegations.

Moreover, lawyers must remain on guard, for once the USPTO issues a legal strategy patent, a method may unexpectedly infringe upon patent rights unless it was established *before* the patent application was *filed*.<sup>165</sup> An infringer might receive protection from the "first inventor" defense<sup>166</sup> that Congress provided in 1999 in response to the flood of business method patents the USPTO received following *State Street*.<sup>167</sup> If narrowly construed, however, so as to preclude lawyers and clients from resorting to such a defense, the ever mindful lawyer might need to assume a more aggressive "watchdog" role; this role would entail continually verifying that the lawyer's strategies do not call for substantial modifications to prevent infringing upon some new patent.<sup>168</sup>

Such measures require skill, a required component of competence.<sup>169</sup> In the comment that follows the Model Rule on competence, the ABA drafters wrote: "the most fundamental legal skill consists of determining what kind of legal problems a situation may involve . . ."<sup>170</sup> In this regard, a lawyer cannot afford to remain aloof of evolving patent rights issued for legal strategies; otherwise, the lawyer and client alike remain susceptible to infringement suits. Lawyers routinely determine the kinds of legal problems a situation may involve; but throw in some patented advice and things become unduly complicated. This is not to suggest a general

granted in our industry." Gunnarsson, *supra* note 12, at 344.

165. Seidenberg, *supra* note 3, at 46.

166. 35 U.S.C. § 273(b) (2006); *see* Seidenberg, *supra* note 3, at 46 (stating the reason for the legislation was due to the rise in business method patents the USPTO initially received). Schwartz explains, "[a] defendant accused of infringing a business method patent has a complete defense if it had actually been using the method before the patentee filed her patent application." Schwartz, *supra* note 1, at 345–46. "The defense provides that a business method patent may not be enforced against anyone who independently reduced the patented method to practice at least one year before the effective filing date of the patent and who commercially used the patented method before the effective filing date." Seidenberg, *supra* note 3, at 46. Whether this defense applies here remains uncertain. *Id.*

167. *See supra* notes 25–28 and accompanying text.

168. If this does not sufficiently deter future practitioners from law practice, consider repeating these preliminary tasks *each* time a client approaches the lawyer with a new problem. Christine Albright, a Chicago attorney who chairs both the trust and estates practice group of Winston & Strawn in Chicago and the American Bar Association's Section of Real Property, Probate, and Trust Law, "foresees that a market may arise to notify lawyers and law firms of patents issued in their [law] practice area." Gunnarsson, *supra* note 12, at 344.

169. *See* MODEL RULES OF PROF'L CONDUCT R. 1.1 (2002).

170. *Id.* at cmt. 2.

practitioner cannot overcome these complexities, but patent attorneys do require a license to practice patent law for a reason. The additional daily tasks many lawyers would be required to undertake to provide competent representation may prove overwhelming.

### C. *Restrictions on Right to Practice*

A central tenet of the legal profession is the preservation of a client's choice of counsel. Primarily for this purpose, "[t]he ethics rule clearly forbids outright prohibitions on an attorney's practice of law, and in most states, this prohibition extends to indirect restrictions on the practice of law, such as financial disincentives to competition."<sup>171</sup> Indeed, the ABA's Model Rule entitled "Restrictions on Right to Practice"<sup>172</sup> suggests an ethical intolerance for improper restraints on a lawyer's right to practice.<sup>173</sup> The comment accompanying this model rule<sup>174</sup> "reflects the obligation of our legal institutions to give the client the right to choose his or her own counsel."<sup>175</sup> Lawyers therefore share a professional obligation to "assist the legal profession in fulfilling its duty to make legal counsel available" to the public.<sup>176</sup> Agreements that frustrate this professional obligation and interfere with the availability of counsel are void as against public

---

171. 54A AM. JUR. 2D *Monopolies and Restraints of Trade* § 942 (2008) (footnote omitted).

172. MODEL RULES OF PROF'L CONDUCT R. 5.6 (2002). The rule reads:

A lawyer shall not participate in offering or making: (a) a partnership, shareholders, operating, employment, or other similar type of agreement that restricts the right of a lawyer to practice after termination of the relationship, except an agreement concerning benefits upon retirement; or (b) an agreement in which a restriction on the lawyer's right to practice is part of the settlement of a client controversy.

*Id.* While the model rule aptly addresses anti-competitive provisions in a lawyer's employment contract, there is no suggestion that it would bar a broader construction on the rule, particularly in light of underlying rationale that fashioned the rule, as expressed in the comments that follow. *See id.* at cmt. 1.

173. *Id.*

174. "An agreement restricting the right of lawyers to practice after leaving a firm not only limits their professional autonomy but also limits the freedom of clients to choose a lawyer." *Id.* Noting law firms are unable to protect themselves from future competition of former employees by including reasonable anti-competitive provisions in an attorney's employment contract, John Levin, a member of the Chicago Bar Association Record Editorial Board, observed "Rule 5.6 protects both a lawyer's autonomy to practice law and a client's right to choose the lawyer of choice." John Levin, *Protecting Your Business: What You Can and Cannot Do*, CBA RECORD, Apr. 2008, at 53, 53.

175. Levin, *supra* note 174, at 59.

176. *Spiegel v. Thomas, Mann & Smith, P.C.*, 811 S.W.2d 528, 530 (Tenn. 1991) (quoting MODEL CODE OF PROF'L RESPONSIBILITY Canon 2 (1980)).

policy.<sup>177</sup> As one court held, even “thinly-disguised” arrangements, which in effect restrict the practice of law and infringe on the availability of counsel, are void against public policy.<sup>178</sup>

### 1. Interference with a Client’s Counsel of Choice

The legal impediments that accompany the patenting of legal strategies may not only infringe on a lawyer’s professional duty, but may also interfere with a client’s freedom to select counsel of her choice—an overarching objective of our justice system.<sup>179</sup> The history of the model rule governing restrictions on a lawyer’s right to practice demonstrates that its objective is to ensure the client’s freedom to select counsel of her choice.<sup>180</sup> “The rule is intended to serve the public interest by ensuring a client’s maximum choice among lawyers . . . . [T]he focus of the rule is that the affected clients have the right to decide for themselves which lawyer they wish to handle their affairs without interference . . . .”<sup>181</sup> Imposing on a lawyer a third-party obligation to a patent holder undermines this fundamental societal objective.

By requiring lawyers to master patent law<sup>182</sup> in addition to mastering the law in their practice area, some attorneys will forego disclosing a patented legal idea to their clients.<sup>183</sup> This may deter otherwise qualified lawyers from providing counsel where legal strategies must comport with a patent, thereby limiting a client’s freedom to counsel of choice. Critics may counter this argument, by pointing to other professional relationships, such as a doctor-patient relationship, where patents do not necessarily deter practitioners from providing professional services.<sup>184</sup> However,

---

177. *Id.*

178. *Id.* at 529.

179. See generally Neil W. Hamilton, *Are We a Profession or Merely a Business? The Erosion of Rule 5.6 and the Bar Against Restrictions on the Right to Practice*, 22 WM. MITCHELL L. REV. 1409, 1430–31 (1996) (suggesting that although a conflict exists between the lawyer’s right to practice and the client’s choice of counsel, the right of the client to select the counsel of his choice should ultimately prevail).

180. *Id.* at 1413.

181. *Id.*

182. See Seidenberg, *supra* note 3, at 45. The average lawyer must keep abreast of what ideas are being patented. *Id.* Recommending a particular course of action may render a lawyer, a firm and/or a client liable for patent infringement. *Id.* Some suggest looking at the patent office classification website daily for issued patents. *Id.*

183. Some attorneys would forego mention of a legal idea if patented “because that takes control of the planning process out of [our] hands and makes it dependent on a third party.” *Id.* at 46.

184. See, e.g., Hamilton, *supra* note 179, at 1431.

[t]he legal profession has its own standards, differing from those of other professions, deriving from the profession's role in the justice system . . . . [F]or the [justice] system to work, . . . [t]he client must have free choice of counsel who enjoys the client's maximum trust and confidence. Our society's goal that our adversary system results in our best approximation of justice depends upon the trust in the lawyer-client relationship.<sup>185</sup>

The stakes are not only different in the legal profession—they are higher and more complex. Perhaps because of the nature of the lawyer-client relationship, some lawyers would be less willing to provide legal counsel where control, to a large extent, would lie in the hands of some third party.<sup>186</sup>

In a similar fashion, if the patent holder inhibits other lawyers from providing clients with the most effective legal services, then the patent holder implicitly narrows the pool of competent lawyers. Yet, an intermediary's ability to interfere with the practice of law is precisely the situation that the ethics rules are designed to avert.<sup>187</sup> Indeed, this result directly contravenes the ethical ideology many ABA drafters espoused when drafting rules on professional conduct.<sup>188</sup> The ABA's drafting history on the ethics of professional lawyering reveals the drafters' disdain for legal services controlled by intermediaries.<sup>189</sup> The ABA Canons of Professional Ethics stated:

The professional services of a lawyer should not be controlled or exploited by any lay agency, personal or corporate, which intervenes between client and lawyer. A lawyer's responsibilities and qualifications are individual. He should avoid all relations which direct the performance of his duties by or in the interest of such intermediary. A lawyer's relation to his client should be personal, and the responsibility should be direct to the client.<sup>190</sup>

Yet adherence to this view proves difficult, if not impossible, in light of the third-party obligations owed to patent holders. Where a patent over a legal strategy has been issued, the patent holder owns the right to issue or refuse a license at her discretion. Consequently, the patent serves as a

---

185. *Id.* at 1430–31.

186. *See supra* text accompanying notes 179–81.

187. ABA CANONS ON PROF'L ETHICS Canon 35 (1923).

188. *Id.*

189. MODEL RULES OF PROF'L CONDUCT (2002) (outlining the legislative history of Model Rule 5.4).

190. ABA CANONS OF PROF'L ETHICS Canon 35 (1923).

controlling mechanism manipulated at the whim of some remote third party. With regard to a particular patented legal theory the lawyer and client both wish to pursue, the scope of a lawyer's professional services essentially lie in the hands of another. Thus, the effects of granting patents for legal strategies are twofold: (1) patent protection would deter lawyers from taking on cases encumbered with patent restrictions, and (2) patent protection would strip away a lawyer's professional autonomy, as such a legal obligation would subject the lawyer to answer not only to the client, but to some other third party.

## 2. Interference with Independent Professional Judgment

Patenting legal strategies also has the effect of materially interfering with the lawyer's exercise of independent professional judgment in considering alternatives, and potentially foreclosing courses of action that should reasonably be pursued.<sup>191</sup> Florida's Rules of Professional Conduct, for instance, prohibit a lawyer from representing a client "if the lawyer's exercise of independent professional judgment in the representation of that client may be materially limited by the lawyer's responsibilities to . . . a third person or by the lawyer's own interest . . ."<sup>192</sup> To pursue a patented legal course of action, the lawyer must first secure a license from the patent holder.<sup>193</sup> If the patent holder refuses to grant this license, or will do

---

191. *Id.*

192. FLA. RULES OF PROF'L CONDUCT R. 4-1.7(b) (2008), available at <http://www.floridabar.org/divexe/rtrfb.nsf/FV/2E30A65D3638C6B485257171004B3C67>. Exceptions to this rule include: (1) the lawyer reasonably believes the representation will not adversely affect the lawyer's responsibilities to and relationship with the other client; and (2) each client consents after consultation. *Id.* Cf. N.Y. LAW.'S CODE OF PROF'L RESP. EC 5-21 (2008), available at [http://www.law.cornell.edu/ethics/search/display.html?terms=EC%205-21&url=/ethics/ny/code/NY\\_CODE.HTM#EC\\_5-21](http://www.law.cornell.edu/ethics/search/display.html?terms=EC%205-21&url=/ethics/ny/code/NY_CODE.HTM#EC_5-21). The full text of the ethical considerations to the New York rule reads:

The obligation of a lawyer to exercise professional judgment solely on behalf of the client requires disregarding the desires of others that might impair the lawyer's free judgment. The desires of a third person will seldom adversely affect a lawyer unless that person is in a position to exert strong economic, political, or social pressures upon the lawyer. These influences are often subtle, and a lawyer must be alert to their existence. A lawyer subjected to outside pressures should make full disclosure of them to the client; and if the lawyer or the client believes that the effectiveness of the representation has been or will be impaired thereby, the lawyer should take proper steps to withdraw from representation of the client.

*Id.*

193. Seidenberg, *supra* note 3, at 46. "Once a relevant patent is found and its scope determined, lawyers and their clients have to decide whether to challenge the patent, seek a license, or ignore the patent and hope they don't get caught." *Id.*

so only in exchange for some unreasonable fee, the responsibilities owed to the patent holder inhibits the lawyer's exercise of independent professional judgment. Lawyers will be legally impaired from pursuing a legal theory that could render the most favorable outcome for the client. As a result, legal strategy patents essentially barricade the lawyer's exercise of independent professional judgment.

A related concern is the extent to which a patent restricts how others can employ a method or process for personal use.<sup>194</sup> Suppose a patent holder decides to hold out on issuing a license, places insurmountable conditions on issuance, demands an exorbitant sum of money, or refuses to grant a license no matter the terms, preferring instead to use the patent as leverage for attaining more clients.<sup>195</sup> Imagine a scenario either where the lawyer has exhausted other alternatives to no avail or where the *only* viable option for the client lies within the scope of this patent. "Even if the patent owner is willing to negotiate a license on reasonable terms, the process 'will create some friction in terms of expense, timing and availability of concepts.'"<sup>196</sup>

By foreclosing alternatives that otherwise would be available to the client, legal strategy patents potentially leave the client dissatisfied with the outcome of a case or discouraged in seeking advice in the future. Ultimately, the foreclosure of legal alternatives can hamper the structure of creative deals<sup>197</sup> and interfere with the nation's economy. Furthermore, the steps required for obtaining a license raises the possibility of disclosing confidential client information.<sup>198</sup> Overall, patent protection could frustrate public confidence in the legal system.

Additionally, legal strategy patents may inhibit a lawyer from rendering full, frank, and candid advice to a client, as required by the rules of professional conduct.<sup>199</sup> In giving legal advice, a lawyer is not limited to discussing legal considerations with the client.<sup>200</sup> Rather, the lawyer may refer to other considerations, including moral, economic, social, and political factors.<sup>201</sup> Ideally then, the lawyer will propose a number of legal

---

194. *Id.* at 44.

195. Seidenberg, *supra* note 3, at 46. *Cf.* Norris, *supra* note 8 (suggesting a patent holder can raise the cost of conducting business by refusing to issue licenses to competitors).

196. Seidenberg, *supra* note 3, at 46 (quoting Christine Albright, chair of the ABA Section of Real Property, Probate and Trust Law); *see also* Schwartz, *supra* note 3 ("There is something deeply disturbing about granting a private citizen a monopoly, enforceable by the courts, over a method of complying with the tax code or, for that matter, any other law.").

197. Tracht, *supra* note 7, at 5.

198. Seidenberg, *supra* note 3, at 46.

199. MODEL RULES OF PROF'L CONDUCT R. 2.1 (2002).

200. *Id.*

201. *Id.*; *see also* RONALD D. ROTUNDA & JOHN S. DZIENKOWSKI, LEGAL ETHICS: THE LAWYER'S DESKBOOK ON PROFESSIONAL RESPONSIBILITY 645 (2006–2007 ed. 2006).

options (including patented strategies) for a client to pursue and discuss the advantages and disadvantages of each. With regard to a patented strategy, the lawyer may express reservation to the client, explaining the complexities—including the expense—that accompany the use of the patented legal method. Certainly,

[t]he lawyer who couches her advice too narrowly is a lawyer who ill-serves her client. Of course, the client, not the lawyer, ultimately must make the final decision whether to accept the lawyer's judgment based on nonlegal considerations. But the client cannot make this judgment to ignore the lawyer's nonlegal considerations if the lawyer never tells the client.<sup>202</sup>

Indeed, the obstacles a lawyer encounters before even proposing a course of legal action may preclude some lawyers from ever mentioning the patented legal idea.<sup>203</sup> Some legal professionals may find rendering such advice cumbersome, and may arguably justify failure to even share patented legal options with clients with the notion that lawyers are under no obligation to expose *all* legal courses of action readily available to a client. Where the lawyer weighs client interests, legal options, and professional costs in these scenarios, the lawyer may be left wondering, “damned if you do, doomed if you don’t.”

#### V. WHO BEARS THE ULTIMATE COSTS?

With all the additional tasks a lawyer would necessarily undertake if legal strategies are patented, the question becomes: Who bears the ultimate costs? It is unlikely lawyers will assume the brunt of patent-related expenses. After all, in exerting an extra effort to serve client interests, the lawyer rightfully expects a fee commensurate with those efforts. But unless lawyers absorb some of the financial costs for these measures, clients will be less willing to seek legal advice in the first place. Most clients lack the financial stamina to afford higher fees.

From a client's perspective, substantial familiarity with patent law and awareness of emerging legal patents would become part and parcel of any lawyer's general job description. If lawyers across the board are expected to execute additional measures to avoid patent infringement, well then, that is their job, is it not? Clients should not incur larger fees in exchange for what they expect from their lawyer—the best legal advice.<sup>204</sup> On the other hand, if a client chooses to pursue a patented legal method in spite of

---

202. ROTUNDA & DZIENKOWSKI, *supra* note 201, at 648 (footnotes omitted).

203. *See* Seidenberg, *supra* note 3, at 46.

204. What's more, what client wants to pay an attorney extra to cover the cost of licensing fees? Schwartz, *supra* note 3.

whatever caveats a lawyer presents, then the client should absorb these costs.<sup>205</sup> Varying circumstances will likely call for clients and firms alike to share these costs. The extent to which firms project such expenditures unto clients will surely be an issue courts will consider in awarding attorney fees in the not so distant future.

## VI. CONCLUSION

Following the Federal Circuit's decision in *State Street* to extend patent protection over business methods, the USPTO has opened a Pandora's box by endorsing the patentability of tax strategies. Patent protection over other legal methods will likely continue given the USPTO's interpretation of the Patent Act and its understanding of the *State Street* doctrine.

Deeply embedded in our patent system is the optimistic view that patents spur innovation and benefit society as a whole. While this may hold true for the legal profession, there is some question as to whether patenting legal methods overrides important societal interests, especially in light of a lawyer's professional responsibilities. The possibility remains that costs will exceed the benefits. Placing endless caveats, foreclosing promising alternatives, raising costs for adequate representation, and potentially even closing the door on surefire legal strategies all effectively serve as deterrents in seeking professional advice. Moreover, the legal profession will likely suffer a substantial decline in public confidence as legal patents pose new barriers to effective counsel, including limits on professional autonomy, limits on a client's freedom of counsel of choice, and limits on independence of professional judgments. These barriers not only contravene sound public policy but also preclude lawyers from fulfilling their professional obligations to clients and to the profession.

Where the USPTO exceeds its authority and courts prove slow to respond, prompt legislative reform seems well-advised.

---

205. Under Model Rule 1.4, a lawyer must "reasonably consult with the client about the means by which the client's objectives are to be accomplished." MODEL RULES OF PROF'L CONDUCT R. 1.4(a)(2) (2002). Under Model Rule 1.5, "[t]he scope of the representation and the basis or rate of the fee and expenses for which the client will be responsible shall be communicated to the client." *Id.* at R. 1.5(b).