

IP Client Alert

Patentability of Software-Implemented Inventions: Ineligible Method Claims Can Jeopardize Apparatus Claims As Well

This past Tuesday, August 16, 2011, the Court of Appeals for the Federal Circuit handed down its ruling in *Cybersource Corp. v. Retail Decision, Inc.*, finding that method claims which can be read broadly enough to encompass implementations that are strictly “mental activities” are not eligible for patenting under 35 U.S.C. § 101. More significantly, the court also held that claims directed to an apparatus in the form of a “computer readable medium containing program instructions” for causing a computer to implement a method (commonly referred to as “Beauregard” claims, after the court’s 1995 *In re Beauregard* decision) are also not eligible for patent protection— notwithstanding their classification as otherwise-statutory “apparatus” claims—if the underlying method is not eligible.

The method claim at issue in *Cybersource* recites:

A method for verifying the validity of a credit card transaction over the Internet comprising the steps of:

- a) obtaining other transactions utilizing an Internet address that is identified with the credit card transaction;
- b) constructing a map of credit card numbers based upon the other transactions; and
- c) utilizing the map of credit card numbers to determine if the credit card transaction is valid.

In assessing this claim, the court noted the so-called machine-or-transformation (MOT) test deemed by the Supreme Court to be a “useful and important clue” in determining patent eligibility of method claims in its 2010 *Bilski v. Kappos* decision: a “process” claim is patent eligible if “(1) it is tied to a particular machine or apparatus; or (2) it transforms a particular article into a different state or thing.” Here, the court found that the method claim “does not require the method to be performed by a particular machine, or even a machine at all,” and therefore it failed to satisfy the “machine” prong of the MOT test. In this regard, the court refuted the patentee’s argument that the method “would not be necessary or possible without the Internet,” noting that “[t]he Internet is merely described as the source of the data” and that “nothing in claim 3 requires an infringer to use the Internet to obtain [the credit card transaction data] (as opposed to obtaining the data from a pre-compiled database).” Likewise, to the extent that the method claim recited the “mere collection and organization of data regarding credit card numbers and Internet addresses,” the court ruled that the “transformation” prong of the MOT test also was not met.

Taking its analysis of the method claim further (noting that the MOT test is not the exclusive test of subject matter eligibility of method claims), the court found that the method claim encompassed “an unpatentable mental process—a subcategory of unpatentable abstract ideas.” More specifically, the court stated that “[a]ll of [the method claim’s] steps can be performed in the human mind, or by a human using pen and paper.” The court was careful, however, to clarify that “[m]ethods which can be

performed entirely in the human mind are unpatentable not because there is anything wrong with claiming mental method steps as part of a process containing non-mental steps, but rather because computational methods which can be performed *entirely* in the human mind . . . embody the ‘basic tools of scientific and technological work’ [and are therefore] free to all men.”

The court also noted the Beauregard claim at issue in *Cybersource*, which took the now-familiar form of “A computer-readable medium containing program instructions . . . wherein execution of the program instructions by one or more processors of a computer system causes the one or more processors to carry out the steps of [the method].” Setting the stage for this claim’s demise, the court clearly laid out its mode of analysis: “Regardless of what statutory category (‘process, machine, manufacture, or composition of matter,’ 35 U.S.C. § 101) a claim’s language is crafted to literally invoke, we look to the underlying invention for patent-eligibility purposes.” Comparing this case to the *In re Abele* decision, the court adhered to the lower court’s rationale that “[d]ue to its ‘broad’ and ‘functionally-defined’ nature . . . treating [the Beauregard claim] as an apparatus claim would ‘exalt form over substance since the claim is really to the method or series of functions itself.’” As a result, the court treated the Beauregard claim as a method claim, applied the MOT test and again arrived at the conclusion that the Beauregard claim did not satisfy the transformation prong. With particular regard to the machine prong, the court further stated:

Abele made clear that the basic character of a process claim drawn to an abstract idea is not changed by claiming only its performance by computers, or by claiming the process [is] embodied in program instructions on a computer readable medium. Thus, merely claiming a software implementation of a purely mental process that could otherwise be performed without the use of a computer does not satisfy the machine prong of the machine-or-transformation test.

Perhaps appreciating the scope and potential impact of its decision, the court further noted instances in which “as a practical matter, the use of a computer is required to perform the claimed method” and therefore is less likely to be viewed as capable of a “purely mental steps” implementation. For example, the court cited the example of claims directed to the calculation of the position of a GPS receiver in which “there was no evidence . . . that the calculations [could] be performed entirely in the human mind.” Likewise, claims directed to the pixel-by-pixel processing of digital image data were patentable because “[t]he method required the manipulation of computer data structures . . . and the output of a modified computer data structure [and, therefore,] the method could not, as a practical matter, be performed entirely in a human’s mind.”

If the decision is not overturned, this case represents another warning to those developing software-implementable innovations to take further steps to place more structural detail in the method and Beauregard-style claims to address the court’s concerns. Where possible, such claims (and the supporting specifications and drawings) should be phrased to minimize the likelihood of being interpreted as capable of a mental-steps-only implementation. Further still, the court’s approval of methods that “could not, as a practical matter” be performed solely as a mental exercise suggests the desirability of describing your invention in terms of complexity that could be reasonably performed only by a machine such as a computer.

Given the potential impact of this decision on software-implemented inventions, it may be advisable to review your portfolio for any relevant claims. If you have questions regarding this decision or how to respond in your particular circumstances, please contact your Vedder Price Intellectual Property attorney.

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