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NEWS ALERT

Federal Circuit Opinion Jeopardizes Many Software Patents

In an important case regarding the patentability of software, the Court of Appeals for the Federal Circuit in *CyberSource Corp. v. Retail Decisions, Inc.* (August 16, 2011) potentially invalidates many broadly written software claims, particularly those claiming computer-readable media (e.g., hard disk drives, CD-ROMs, DVDs, compact flash, etc.) containing program instructions for causing a computer to perform a method that otherwise would constitute an "unpatentable mental process." The decision potentially affects the validity of many software patents, and could very well impact the prosecution, litigation and licensing of any patent containing software claims.

In *CyberSource*, the Federal Circuit addressed two software claims, holding both invalid under 35 U.S.C. § 101 as being directed to patent ineligible subject matter. In particular, the court looked at the two independent claims which were asserted by CyberSource in an infringement action: a method claim and a so-called "Beauregard" claim.¹

The method claim (claim 3 of U.S. Patent No. 6,029,154) is directed to a process for "verifying the validity of a credit card transaction over the Internet." Apparently objecting to the breadth of the claims from the start, Judge Timothy Dyk (the author of the opinion) noted that the claims "are broad and essentially purport to encompass any method or system for detecting credit card fraud which utilizes information relating credit card transactions to particular 'Internet address[es].'" Dyk first held that claim 3 fails to satisfy the "machine or transformation" test for method claims, explaining, "[t]he mere collection and organization of data regarding credit card numbers and Internet addresses is insufficient to meet the transformation prong of the test, and the plain language of claim 3 does not require the method to be performed by a particular machine, or even a machine at all." Judge Dyk continued in holding that not only does claim 3 fail the machine or transformation test, but it further is patent ineligible as being drawn to an "unpatentable mental process" that otherwise could be "performed in the human mind, or by a human using pen and paper."

Next, the court considered claim 2, the "Beauregard" claim. Noting that "claim 2 recites nothing more than a computer readable medium containing program instructions for executing the method of claim 3," Judge Dyk held claim 2 invalid as "merely claiming a software implementation of a purely mental process that could otherwise be performed without the use of a computer." Dyk concluded the opinion by distinguishing the patent ineligible claims at issue from those previously held valid in prior cases, explaining, "[t]his is entirely unlike cases where, as a practical matter, the use of a computer is required to perform the claimed method."

¹ A so-called Beauregard claim is named for the Federal Circuit's decision in *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995), for a claim form tying software instructions to a physical medium ("a computer-readable medium...containing program instructions").

In view of this potentially far-reaching decision, Hayes Soloway encourages patentees to evaluate the validity of software claims, especially Beauregard claims. We are in the process of evaluating currently pending patent applications we are handling, in light of this latest decision, and will strive to ensure that all software claims are strategically drafted to comply with the framework provided by CyberSource, and, on request would be pleased to evaluate issued patent claims and make recommendations respecting the advisability of correcting such claims where practicable, e.g., by filing for re-issue.

Hayes Soloway PC continues to monitor changes to the practice of intellectual property law in the United States. We welcome your inquiries and would be pleased to assist you in preserving and maximizing the value of your intellectual property assets. Please contact us directly if you have any further questions or if you wish to enlist our services.

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