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Entire Class of Software Patent Claims Potentially Invalid

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The Federal Circuit banishes Beauregard claims in a software setting to unpatentable subject matter status.

Introduction and Summary

In a case with far-reaching implications within the software industry, the Federal Circuit held on August 16, 2011, that certain classes of patents covering software recorded on various media are potentially invalid. Unless the Supreme Court reverses, this decision will have immediate and significant impact on the prosecution, litigation, and licensing of software patents that contain subject matter now held to be unpatentable.

In light of Tuesday's ruling, patent infringement litigants, whether patentees or accused infringers need to reevaluate the validity of certain patent claims, commonly called "Beauregard claims." Patent applicants, for example, may wish to reevaluate pending Beauregard claims before receiving an Office Action rejecting such claims. Owners of recently issued patents, on the other hand, may want to consider initiating a reissue of patents containing possibly invalid claims to mitigate the effects of this ruling. And parties negotiating licenses, assignments, or acquisitions of software patents may need to reevaluate any Beauregard claims involved in the transaction in their calculus of the value and benefit of the patents in light of the ruling.

The Court's Ruling

The Federal Circuit's opinion in *CyberSource Corp. v. Retail Decisions, Inc.*, No. 2009-1358 (Fed. Cir. Aug. 16, 2011), held certain Beauregard claims drawn to a machine-readable medium containing software instructions invalid as non-statutory subject matter because the instructions stored on the medium are themselves drawn to "unpatentable mental processes (i.e. abstract ideas)." Patent prosecutors and their clients have used the Beauregard claim form, named for the decision in *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995), for the past decade and a half, to morph a business method into an apparatus by claiming "a computer-readable medium . . . containing program instructions" for performing the method. The rationale for allowing such claims has been that by tying the method to a physical medium containing instructions for performing the method, an otherwise unpatentable abstract idea becomes a patentable article of manufacture by virtue of its incorporation onto a reproducible medium.

Background

Beauregard claims have allowed patent owners to capture software companies as potential infringers with their patents where infringement might otherwise be minimal. A software company, for example, might not make, use, offer to sell, sell, or import patented computer systems. Likewise, its use of a patented method might be limited to development, testing or debugging. In this scenario, damages for infringement of system or method patents will be minimal. And once the software is written, tested, and debugged, the threat of an injunction may have no effect on future sales. But many software companies then transfer software onto "a computer readable medium" such as an optical disc, flash memory, or an ftp server for

distribution to users. Such companies may be found liable for infringing a Beauregard claim by making, using, offering to sell, selling, or importing the "computer readable medium" that contains program instructions for performing a patented method. Beauregard claims can be used in this fashion to cover every copy of a software program on the "medium" that the company makes or sells, thereby turning otherwise non-infringing acts into direct infringement, heightening the threat of damages and a injunctions for software companies.

Analysis

The validity of Beauregard claims has been premised on the published dismissal of *In re Beauregard*, an appeal from the patent office. In its two paragraph Beauregard opinion, the Federal Circuit summarized the patent office Commissioner's statement that "computer programs embodied in a tangible medium" are not a violation of the doctrine prohibiting patents on printed matter and are patentable subject matter. The Commissioner's statement and Federal Circuit summary led to widespread adoption of the Beauregard claim form in software- and computer-related patents.

When she granted Retail Decisions' motion for summary judgment invalidating CyberSource's patent claims, Judge Marilyn Hall Patel of the Northern District of California noted that "[t]he Beauregard case itself was not a decision on the merits of patentability," that "[t]here is at present no legal doctrine creating a special 'Beauregard claim' . . ." ¹ Judge Patel stated that even if a "Beauregard doctrine" survives the Supreme Court's recent *In re Bilski* decision regarding patentable subject matter, Beauregard claims are no more than "an exception to the traditional printed matter rule for computer programs embodied in a tangible medium." Judge Patel held that "simply appending '[a] computer readable media including program instructions' to an otherwise non-statutory process is insufficient to make it statutory [(i.e., patentable)]."

Without addressing Judge Patel's consideration of whether a Beauregard doctrine exists, the Federal Circuit seized upon the same logic. Judge Dyk stated: "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." The court distinguished several related opinions and noted that because CyberSource's method claim could be performed entirely by a human mind or with a pen and paper, it was "entirely unlike cases where, as a practical matter, the use of a computer is required to perform the claimed method." The Federal Circuit concluded that CyberSource's Beauregard claim was invalid because the method it attempted to capture was an unpatentable mental process (i.e., an abstract idea).

Practical Implications

As summarized above, litigants on both sides of infringement disputes should reevaluate the validity of asserted Beauregard claims in view of the CyberSource ruling. The USPTO may begin rejecting Beauregard claims in greater numbers in light of the court's opinion, and patent applicants may wish to reevaluate pending Beauregard claims before receiving a rejection. Owners of recently issued patents may want to consider reissue of patents with Beauregard claims within the two year window for broadening reissue. Re-examination, of course, is another avenue to address this, but not one where a broadening of claim scope is permissible. And parties to licenses, assignments, or acquisitions of software patents may need to reevaluate any Beauregard claims involved in the transaction. In short, for applications and issued patents alike, it's "back to the drawing board."

Your contact person at Kilpatrick Townsend & Stockton LLP or the authors of this alert can assist with the consideration of these issues.

^[1]*CyberSource Corp. v. Retail Decisions, Inc.*, 620 F. Supp. 2d 1068 (N.D. Cal. 2009).

For more information about these issues, please contact the author(s) of this Legal Alert or your existing firm contact.

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