

## Lipstick on a Pig—A Claim’s Preamble Does Not Confer Patentability on an Otherwise Unpatentable Process

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In *CyberSource v. Retail Decisions* (decided August 16, 2011), the U.S. Court of Appeals for the Federal Circuit held that the claims in a software patent do not escape the patentability standards articulated in *Bilski v. Kappos* just by virtue of being drafted as so-called “Beauregard” claims.<sup>3</sup>

In *CyberSource*, the Federal Circuit reviewed the District Court’s summary judgment ruling that claims 2 and 3 of U.S. Patent No. 6,029,154 were invalid under 35 U.S.C. § 101 because the claims did not recite patent-eligible subject matter. The Federal Circuit first addressed claim 3—a pure method claim for “verifying the validity of a credit card transaction over the Internet” that included the steps of “obtaining information about other transactions,” “constructing a map of credit card numbers,” and “utilizing the map of credit card numbers to determine if the credit card transaction is valid.” Applying the *In Re Bilski* machine-or-transformation test, the Federal Circuit determined that organizing data related to credit card transactions falls short of a transformation and that the plain language of the claim did not require a particular machine. Finding that the method of claim 3 met neither prong of the machine-or-transformation test, the Federal Circuit went further—as instructed by the Supreme Court in *Bilski v. Kappos*—and analyzed whether the claim fell into one of the three exceptions to § 101’s broad principles for patentable subject matter eligibility. Drawing upon the older Supreme Court cases of *Benson* (1972) and *Flook* (1978), the court determined that the method of claim 3 could be performed mentally and, thus, was an unpatentable abstract idea.

The Federal Circuit next turned to claim 2 of the ‘154 patent, which, it noted, was little more than a computer readable medium containing program instructions for executing the method of claim 3. A claim reciting a computer readable medium is also referred to as a “Beauregard”-type claim. In its brief to the court, Cybersource argued that claim 2 was patent eligible because it recited a “manufacture” rather than a “process.” Specifically, it contended that a tangible, man-made article of manufacture—such as a computer readable medium—cannot possibly fall within any of the three patent-eligibility exceptions outlined by the Supreme Court (*i.e.*, laws of nature, physical phenomena, or abstract ideas). The Federal Circuit disagreed in no uncertain terms, stating that regardless of what statutory category a claim’s language is crafted to literally invoke, the court will look to the underlying invention for patent-eligibility purposes. Thus, although claim 2 recited a Beauregard-style preamble, the court noted that it was clear the underlying invention was a method for detecting fraud and not a manufacture for storing computer readable information. Moreover, the court held that 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 because the recited machine does not impose a sufficiently meaningful limitation on the claim’s scope.

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<sup>3</sup> *CyberSource Corp. v. Retail Decisions Inc.*, 99 USPQ 2d 1690 (Fed. Cir. 2011); *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

Although the *CyberSource* decision has received some notoriety for the manner in which it disregarded a Beauregard claim's preamble and applied the *Bilski* patent-eligibility test, it should not be surprising based upon a number of similar decisions that have recently issued from the federal district courts and the U.S. Patent Office's Board of Patent Appeals and Interferences. For instance, in *CLS Bank International v. Alice Corp* (decided March 9, 2011), the U.S. District Court of D.C. held that claims that recited data processing systems and data storage units in their preambles were invalid because they were ultimately directed toward abstract concepts.<sup>4</sup> Specifically, the court noted that, despite the fact that the system and apparatus claims nominally recited a non-process category of invention under § 101, they would have had an impermissible preemptive effect nonetheless because they were directed to fundamentally abstract concepts. Further, in *Ex Parte Choo* (decided July 28, 2010), the Board of Patent Appeals and Interferences looked past the recitation of a computer system in a claim's preamble and found the claim invalid because its body recited nothing more than data structures and software.<sup>5</sup> The Board noted that the claim must be construed in its entirety and subsequently found that the claim's computer system preamble only served to limit the underlying invention's intended use. Additionally, in *Ex Parte Birle et al.* (decided November 1, 2010), the Board found a claim reciting a financial document in its preamble invalid because it was merely directed toward the abstract idea of how to make money. The Board held that the nominal recitation of a financial document does not convert otherwise non-statutory subject matter to statutory subject matter.<sup>6</sup> Finally, in *Ex Parte Bates* (decided January 27, 2011), the Board held invalid a means-plus-function apparatus claim because the claim as a whole was directed to an abstract invention.<sup>7</sup> As these cases demonstrate, the Board, District Courts, and, now, the Federal Circuit all show a willingness to look past a claim's preamble to the underlying inventive concept.

Accordingly, as a practice tip, patent prosecutors should be wary of using system or apparatus-style preambles simply to avoid § 101 *Bilski* scrutiny. It seems that various patent tribunals will not hesitate to apply the machine-or-transformation test even if a claim does not recite "A method for . . ." in the preamble. And, as the foregoing decisions indicate, this heightened scrutiny appears to apply equally to Beauregard claims, system claims, apparatus claims, and means-plus-function claims.

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<sup>4</sup> 99 USPQ 2d 1898, 1921-22 (D.D.C. 2011).

<sup>5</sup> Appeal 2009-006352, U.S. Patent Application 09/896,019.

<sup>6</sup> Appeal 2009-010659, U.S. Patent Application 10/064,745.

<sup>7</sup> Appeal 2009-005673, U.S. Patent Application 10/821,146.