The *Cybersource* case and the *Ultramercial* case – Continuing confusion in the Federal Circuit?

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The US Supreme Court decision in the *Bilski* case is often considered as both path-breaking as well as incomplete – path-breaking in that it ruled against the exclusivity of the *Machine or Transformation test*[1] (hereinafter *MOT*)[2] in applying 35 USC 101 and incomplete in that it failed to provide any consolidated test. Some consider that this decision has only added more confusion to the existing scenario and one of the recently cited instance to highlight this confusion are two decisions of the Federal Circuit, namely, *Ultramercial* v. *Hulu*[3] and *Cybersource Corporation* v. *Retail Decisions Inc.*[4] This short article will examine whether these two decisions have led to an incorrigible departure from each other or merely represent an apparent aberration that could, in reality, be harmonized by some logic.

Cybersource Corporation v. *Retail Decision Inc.*

In the case of *Cybersource* case the claims in question (*viz.* claim 3 and claim 2) related to a method and a computer readable medium containing a program that executed such method, respectively. The invention was essentially a credit card fraud detection system which made use of *'Internet Address Information'* (IP address, MAC address, E-mail etc.)[5] to secure online transactions relating to purchase of downloadable content.

In relation to the method claim (Claim 3) the court observed that the claimed method anyway did not satisfy the MOT test. The mere collection and organization of data regarding credit card numbers and internet addresses was held to be insufficient to satisfy the transformation prong of the test.[6] The court observed that the plain language of claim 3 did not require the method to be executed on a particular machine or any machine at all.[7] Although 'internet' was mentioned in the claim, the Court noted that the 'internet' did not form part of the execution of the fraud detection method; it merely served as a source for providing data and *data gathering steps cannot make an otherwise non-statutory claim statutory.*[8]

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1 *Bilski* v. *Kappos,* slip op at 1 ("*MOT, though an important investigative tool, is not the sole test for determining Patent-eligibility u/s 101 U.S.C. 35"*)

2 *Bilski* v. *Kappos,* slip op at 10 ("*a process or product would be patent-eligible if – (a) it is tied to a particular machine or apparatus; or (b) it transforms a particular article into a different state or things"*)

3 *Ultramercial, LLC* v. *Hulu, LLC,* Case No. 09-CV-6918

4 *Cybersource Corporation* v. *Retail Decision Inc.,* Case no. 04-CV-03268

5 *Id.* at 2

6 *Id.* at 9

7 *Id.*

8 *In re Meyer,* 688 F.2d 789, 794 (CCPA 1982)

The Court went on to hold that the claimed method was drawn towards a mental process - a sub-category of "abstract ideas".[9] The court analysed all of the steps involved in claim 3 and observed that the claim scope was not limited to any specific algorithm[10] and deduced that they <u>*can be performed mentally*</u> by the human mind or by merely using a pen and paper.[11]

In relation to claim 2, though the claim specifically recited a computer readable medium, the Court treated it as a process claim only.[12] The Court observed that in determining patent eligibility under 35 USC 101, one has to "*look at the underlying invention*".[13] The Court referred to the case of *In re Abele*,[14] wherein an apparatus claim was treated as a method claim since the claim was not drawn to a "*specific apparatus distinct from other apparatus[es] that can perform identical functions*."[15] Obviously, the claim in *Cybersource* was not a means-plus-function claim and was instead, directed to a specific apparatus – a computer readable medium. Yet, the Court was of the opinion that *CyberSource* had failed to demonstrate that claim 2 was truly drawn to a specific computer readable medium and not to the underlying method of credit card fraud detection.[16] The Court specifically rejected the application of the principle laid down in *In re Alappat*[17] in the facts of the case.[18]

The patentee contended that claim 2 satisfied the machine prong of MOT test since it recites a computer readable medium and can be executed by one or more processors of a computer system. This was rejected by the Court stating that the recited machine used did not "*impose meaningful limits on the claim's scope.*[19] Since claim 2 was considered to be a process claim similar to claim 3, which was already declared to be a mental process, the use of the computer was held to be incidental.[20]

Ultramercial LLC.* v. *Hulu LLC.

This case related only to a process claim – a method for enabling consumer viewing of copyrighted media products along with advertisements, over the internet and receiving

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9 *See* e.g., *Gottschalk* v. *Benson*, 409 U.S. 63 (1972) ("*[p]henomena of Nature, Mental Processes and abstract intellectual concepts are not patentable as they are the basic tools of scientific and technological work.*")

10 *Cybersource Corporation* v. *Retail Decision Inc.*, Case no. 04-CV-03268, slip op at 12

11 *Id.*

12 *Cybersource Corporation* v. *Retail Decision Inc.*, Case no. 04-CV-03268, slip op at 18

13 *Id.* at 17

14 *In re Abele*, 684 F.2d. 902 (CCPA, 1982)

15 *Cf. Cybersource Corporation* v. *Retail Decision Inc.*, Case no. 04-CV-03268, slip op at 17; the claim in the *Abele* case was more in the nature of a means-plus-function claim.

16 *Id.*

17 *In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994) (*"programming a general purpose computer to perform an algorithm "creates a new machine, because a general purpose computer in effect becomes a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software."*)

18 *Cybersource Corporation* v. *Retail Decision Inc.*, Case no. 04-CV-03268, slip op at 17

19 *Id.*

20 *Id.* at 19

payment from the advertiser to sponsor the media product.[21] While the district court held that the '545 patent was invalid as being directed to the abstract concept of "advertising as currency", the Federal Circuit reversed the decision.

The Federal Circuit observed that the claim required controlled interaction with a consumer via an internet website, thereby clearing them from being purely mental steps.[22] Despite the claims not referring to any particular hardware other than the internet and a generic 'facilitator', the Court was of the view that the claimed method *would necessarily involve intricate and complex computer programming*;[23] that is, the invention necessarily involved an extensive computer interface.[24] Effectively, the Federal Circuit held that the claimed method was a sufficiently practical implementation of an abstract idea in order to cross the 35 USC 101 barrier, which was *merely a threshold check*.[25]

Conclusion

Both cases seem to follow a simple guiding rule as regards process claims – if a machine (including a general purpose computer programmed for this specific purpose) is indispensible in executing the steps of the process claim, the requirement under 35 USC 101 would be cleared.[26] However, at a broad level, a contradiction lurks – while in the *Ultramercial* case, the Court seems to have been willing to go beyond the claim language in determining patent-eligibility, in the *Cybersource* judgment, the court seems to have ignored claim terms in determining patent-eligibility. Solving this contradiction may require a deeper examination as to whether the court in *Cybersource* read and applied prior judgments in proper light.

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21 *Ultramercial, LLC.* v. *Hulu, LLC*, slip op at 2
22 *Id.* at 13
23 *Id.* at 11
24 *Id.*
25 *Id.* at 6; *see also Classen Immunotherapies Inc.* v. *Biogen*, Case No. 04-CV-2607, slip op at 6
26 *See also id.* at 13-14