654 F.3d 1366, 99 U.S.P.Q.2d 1690
**(Cite as: 654 F.3d 1366)**

United States Court of Appeals,
Federal Circuit.
CYBERSOURCE CORPORATION, Plaintiff–Appellant,
v.
RETAIL DECISIONS, INC., Defendant–Appellee.

No. 2009–1358.
Aug. 16, 2011.

**Background:** Assignee of patent for method and system for detecting fraud in credit card transaction between consumer and merchant over Internet brought infringement action against competitor. Competitor moved for summary judgment of invalidity. The United States District Court for the Northern District of California, Marilyn H. Patel, J., 620 F.Supp.2d 1068, granted motion. Assignee appealed.

**Holdings:** The Court of Appeals, Dyk, Circuit Judge, held that:
(1) claimed method for verifying the validity of credit card transaction over the Internet was drawn to unpatentable mental process, and
(2) claim reciting computer readable medium containing program instructions for executing verification method was drawn to unpatentable mental process.

Affirmed.

West Headnotes

**[1] Federal Courts 170B 3604(4)**

170B Federal Courts
170BXVII Courts of Appeals
170BXVII(K) Scope and Extent of Review
170BXVII(K)2 Standard of Review
170Bk3576 Procedural Matters
170Bk3604 Judgment
170Bk3604(4) k. Summary judgment. Most Cited Cases
(Formerly 170Bk776)

Court of Appeals reviews grants of summary judgment de novo. Fed.Rules Civ.Proc.Rule 56, 28 U.S.C.A.

**[2] Patents 291 324.5**

291 Patents
291XII Infringement
291XII(B) Actions
291k324 Appeal
291k324.5 k. Scope and extent of review in general. Most Cited Cases

Issues of patent-eligible subject matter are questions of law and are reviewed without deference by Court of Appeals. 35 U.S.C.A. § 101.

**[3] Patents 291 7.14**

291 Patents
291I Subjects of Patents
291k4 Arts
291k7.14 k. Particular processes or methods as constituting invention. Most Cited Cases

Method claim for verifying the validity of a credit card transaction over the Internet was drawn to unpatentable mental processes and was therefore invalid; all of claim's method steps could be performed in the human mind, or by a human using a pen and paper, claim's scope was not limited to any particular fraud detection algorithm, and no algorithms were disclosed

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in patent's specification, rather, the broad scope of claim extended to essentially any method of detecting credit card fraud based on information relating past transactions to a particular Internet address. 35 U.S.C.A. § 101.

**[4] Patents 291 ⚿7**

291 Patents
291I Subjects of Patents
291k4 Arts
291k7 k. Process or methods in general. Most Cited Cases

A method that can be performed by human thought alone is merely an abstract idea and is not patent-eligible. 35 U.S.C.A. § 101.

**[5] Patents 291 ⚿7**

291 Patents
291I Subjects of Patents
291k4 Arts
291k7 k. Process or methods in general. Most Cited Cases

Methods 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 that can be performed entirely in the human mind are the types of methods that embody the basic tools of scientific and technological work that are free to all men and reserved exclusively to none. 35 U.S.C.A. § 101.

**[6] Patents 291 ⚿101(11)**

291 Patents
291IV Applications and Proceedings Thereon
291k101 Claims
291k101(11) k. Process or method claims. Most Cited Cases

A "*Beauregard* claim" is a claim to a computer readable medium, such as a disk, hard drive, or other data storage device, containing program instructions for a computer to perform a particular process. 35 U.S.C.A. § 101.

**[7] Patents 291 ⚿7.14**

291 Patents
291I Subjects of Patents
291k4 Arts
291k7.14 k. Particular processes or methods as constituting invention. Most Cited Cases

Claim reciting computer readable medium containing program instructions for executing method for verifying the validity of a credit card transaction over the Internet was drawn to unpatentable mental process and was therefore invalid; verification method was itself an unpatentable abstract idea, and merely requiring a computer to perform the method did not change method's basic character. 35 U.S.C.A. § 101.

**Patents 291 ⚿328(2)**

291 Patents
291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents
291k328 Patents Enumerated
291k328(2) k. Original utility. Most Cited Cases

6,029,154. Invalid.

***1367** J. Michael Jakes, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, of Washington, DC, argued for plaintiff-appellant. With him on the brief were Erika H. Arner and Justin R. Lowery. Of counsel on the brief was Marc J. Pernick, Morrison & Forester,

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LLP, of Palo Alto, CA.

Scott J. Bornstein, Greenberg Traurig, LLP, of New York, NY argued for defendant-appellee. With him on the brief was Allan A. Kassenoff. Of counsel was James W. Soong, of E. Palo Alto, CA.

Before BRYSON, DYK, and PROST, Circuit Judges.

DYK, Circuit Judge.

Plaintiff-appellant CyberSource Corporation ("CyberSource") appeals from a decision of the United States District Court for the Northern District of California. The district court granted summary judgment of invalidity of claims 2 and 3 of U.S. Patent No. 6,029,154 ("'154 patent") under 35 U.S.C. § 101 for failure to recite patent-eligible subject matter. *See CyberSource Corp. v. Retail Decisions, Inc.,* 620 F.Supp.2d 1068 (N.D.Cal.2009). We affirm.

BACKGROUND

CyberSource is the owner by assignment of the '154 patent, which recites a "method and system for detecting fraud in a credit card transaction between [a] consumer and a merchant over the Internet." '154 patent, at [57]. The ' 154 patent's specification explains that prior art credit card fraud detection systems—which generally rely on billing addresses and personal identification information—work well for "face-to-face" transactions and transactions where "the merchant is actually shipping a package ... to the address of a customer." *Id.* col.1 ll.21–24. But for online sales where the product purchased is downloadable content, the patent explains, "address and identity information are not enough to adequately verify that the customer who is purchasing the goods is actually the owner of the credit card." *Id.* col.1 ll.28–30.

The '154 patent purports to solve this problem by using "Internet address" information (IP addresses, MAC addresses, e-mail addresses, etc.) to determine whether an Internet address relating to a particular transaction "is consistent with other Internet addresses [that have been] used in ***1368** transactions utilizing [the same] credit card." *Id.* col.3 ll.15–16. As we discuss in detail below, the claims of the '154 patent 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]." [FN1]

FN1. Claim 3, as amended during reexamination, reads:

> 3. A method for verifying the validity of a credit card transaction over the Internet comprising the steps of:
>
> a) obtaining information about other transactions that have utilized 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.
>
> J.A. 32 ('154 Patent Reexamination Certificate), col.2 ll.38–47.

Claim 2, as amended during reexamination, reads:

> 2. A computer readable medium containing program instructions for detecting fraud in a credit card transaction between a consumer and a merchant over the Internet, 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:

a) obtaining credit card information relating to the transactions from the consumer; and

b) verifying the credit card information based upon values of plurality of parameters, in combination with information that identifies the consumer, and that may provide an indication whether the credit card transaction is fraudulent,

wherein each value among the plurality of parameters is weighted in the verifying step according to an importance, as determined by the merchant, of that value to the credit card transaction, so as to provide the merchant with a quantifiable indication of whether the credit card transaction is fraudulent,

wherein execution of the program instructions by one or more processors of a computer system causes that one or more processors to carry out the further steps of;

[a] obtaining information about other transactions that have utilized 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.

*Id.* col.2 ll.9–37.

CyberSource brought suit against Retail Decisions, Inc. ("Retail Decisions") on August 11, 2004, alleging infringement of the '154 patent. Retail Decisions thereafter initiated an *ex parte* reexamination of the '154 patent, and the district court stayed its proceedings while the U.S. Patent and Trademark Office ("PTO") conducted the examination. The district court resumed proceedings after the PTO reissued the '154 patent with amended claims on August 5, 2008. On October 30, 2008, this court decided *In re Bilski,* 545 F.3d 943 (Fed.Cir.2008) (en banc). Retail Decisions thereafter moved for summary judgment of invalidity under 35 U.S.C. § 101. After briefing and a hearing, the district court found that claim 3 recited "an unpatentable mental process for collecting data and weighing values," which did "not become patentable by tossing in references to [I]nternet commerce." *CyberSource,* 620 F.Supp.2d at 1077. The court further found with respect to claim 2 that "simply appending 'A computer readable media including program instructions ...' to an otherwise non-statutory process claim is insufficient to make it statutory." *Id.* at 1080. The district court thus granted summary judgment of invalidity. *Id.* at 1078.

CyberSource appealed to this court in April 2009. After the Supreme Court granted certiorari in ***1369***Bilski v. Doll,* 556 U.S. 1268, 129 S.Ct. 2735, 174 L.Ed.2d 246 (2009), we granted CyberSource's motion to stay the proceedings. Briefing was resumed on October 28, 2010, following the Supreme Court's decision. *See Bilski v. Kappos,* —— U.S. ——, 130 S.Ct. 3218, 177 L.Ed.2d 792 (2010). We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

## DISCUSSION

[1][2] We review grants of summary judgment de novo. *Tokai Corp. v. Easton Enters., Inc.,* 632 F.3d 1358, 1366 (Fed.Cir.2011). Issues of patent-eligible subject matter are questions of law and are reviewed without deference. *Research Corp. Techs., Inc. v. Microsoft Corp.,* 627 F.3d 859, 867 (Fed.Cir.2010).

I

Two claims of the '154 patent are at issue in this case. Claim 3 recites a process for verifying the validity of credit card transactions over the Internet. *See* J.A. 32 ('154 Patent Reexamination Certificate), col.2 ll.38–47. Claim 2 recites a computer readable medium containing program instructions for executing the same process. *See id.* col.2 ll.9–37.

The categories of patent-eligible subject matter are set forth in § 101, which provides:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 U.S.C. § 101. Section 100(b) of the Patent Act defines the "process" category tautologically, stating that:

> The term "process" means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.

35 U.S.C. § 100(b). "In choosing such expansive terms ... modified by the comprehensive 'any,' Congress plainly contemplated that the patent laws would be given wide scope." *Bilski,* 130 S.Ct. at 3225 (quoting *Diamond v. Chakrabarty,* 447 U.S. 303, 308, 100 S.Ct. 2204, 65 L.Ed.2d 144 (1980)).

In interpreting § 101, this court concluded in *Bilski* that the "machine-or-transformation" test was the appropriate test for the patentability of process claims. 545 F.3d at 943. Thus, we held that a claimed process would only be "patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus; or (2) it transforms a particular article into a different state or thing." *Id.* at 954. We further held that, to satisfy the machine prong of the test, the use of a machine "must impose meaningful limits on the claim's scope." *Id.* at 961. Applying this test, we found that Bilski's claimed "method of hedging risk in the field of commodities trading" was unpatentable under § 101. *Id.* at 949, 963–66. The Supreme Court affirmed our *Bilski* decision, but in doing so it rejected use of the machine-or-transformation test as the exclusive test for the patentability of a claimed process. *See Bilski,* 130 S.Ct. at 3226. While the "machine-or-transformation test is a useful and important clue," the Court stated, it "is not the sole test for deciding whether an invention is a patent-eligible 'process.' " *Id.* at 3227. The Court declined to "define further what constitutes a patentable 'process,' beyond pointing to the definition of that term provided in § 100(b) and looking to the guideposts in [the Court's precedents]." *Id.* at 3232. "The Court's precedents provide three specific exceptions to § 101's broad patent-eligibility principles: 'laws of nature, physical phenomena, and abstract ideas.' " *Id.* at 3225 (quoting *Diamond,* 447 U.S. at 309, 100 S.Ct. 2204). The Court noted that these judicially created***1370** exceptions "have defined the reach of the statute as a matter of statutory *stare decisis* going back 150 years," and are " 'part of the storehouse of knowledge of all men ... free to all men and reserved exclusively to none.' " *Id.* (quoting *Funk Bros. Seed Co. v. Kalo Inoculant Co.,* 333 U.S. 127, 130, 68 S.Ct. 440, 92 L.Ed. 588 (1948)). In holding that the machine-or-transformation test is not the exclusive test for a process's patent-eligibility, the Supreme Court expressly left open the door for "the Federal Circuit's development of other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text." *Id.* at 3231.

II

[3] We first address claim 3 of the '154 patent, which recites a method for verifying the validity of a credit card transaction over the Internet. Claim 3, as amended during reexamination, reads in its entirety:

> 3. A method for verifying the validity of a credit

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