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Fed. Circ. Eon Ruling Offers Map For Clear Software Patents

By **Ryan Davis**

Law360, New York (May 08, 2015, 8:24 PM ET) -- A recent Federal Circuit decision invalidating an interactive TV patent owned by Eon Corp. IP Holdings LLC is the latest ruling by the appeals court stressing the need to make software patents clear by including an algorithm and provides guidance for writing software claims that can withstand scrutiny, attorneys say.

The Federal Circuit **ruled Wednesday** that Eon's patent, which it accused AT&T Mobility LLC, HTC America Inc. and others of infringing, is indefinite because it didn't disclose an algorithm illustrating how the software performs the claimed functions. The court rejected Eon's argument that its patent fell within an exception to the requirement, illustrating that most software patents require an algorithm so that it is clear how they operate.

The decision also sends a message that even when they are not required by the statute, algorithms provide important clarity that can help software patents survive challenges under the U.S. Supreme Court's Alice decision, attorneys say.

"There may be a path here for strong patents in the software world," Donald Puckett of Skiermont Puckett LLP said.

Eon's patent is written with so-called "means-plus-function" claims, or those written in a way that describes a "means for" performing a certain function. Many software patents are written that way because it is often easy to describe software in terms of what it does. Eon's patent, for instance, describes a means for "acknowledging a shipment of an order," among other things.

Means-plus-function claims must include a "corresponding structure" that performs the function and, if they do not, they are invalid as indefinite under Section 112(6) of the Patent Act. The Federal Circuit has held since 1999 that the corresponding structure for software patents in most cases is an algorithm, and not a general purpose computer.

Eon's patent did not disclose an algorithm, but it attempted to take advantage of a **2011 decision** known as Katz, which held that a standard computer can serve as the corresponding structure for software patents if they describe functions that a computer can perform without "special programming."

But the Federal Circuit ruled that the exception only applies when the claimed function is something a computer microprocessor can do by itself, such as storing and receiving data. Any other software function requires an algorithm, the court held.

The decision makes clear that "the exception in Katz, while it will continue to exist, is very narrow," said Adam Sanderson, a software litigation attorney at Reese Gordon Marketos LLP.

There are a fair number of software patents that include means-plus-function claims but do not disclose an algorithm because they were written before the court established that requirement, Sanderson noted. Most were issued in the 1990s and early 2000s, like Eon's, which was issued in 1997.

"We learned from Eon that there will be strong challenges on those patents and questions about whether they are enforceable," he said.

But anyone drafting software patents today is well-aware of the rule that means-plus-function claims require an algorithm. A patent like Eon's without one "is like a relic from a bygone era," said Puckett, who is also an adjunct professor at Texas A&M School of Law.

Nevertheless, he noted that software patents have been under intense scrutiny over the past year in the wake of the Alice decision, which held that abstract ideas implemented using a computer are not eligible for a patent under Section 101 of the Patent Act.

Many software patents have been invalidated under Alice, but patent prosecutors can help patents avoid that fate by taking to heart the Eon ruling's call for a high level of specificity in software patents.

Accused infringers seeking to invalidate software patents under Alice argue that the patent covers nothing more than an abstract idea, but including a detailed algorithm explaining in technical terms how the software works provides a strong rebuttal to that argument, Puckett said.

"It would really put meat on the bones to defend your patent in a 101 analysis," he said. "Very smart patent prosecutors are going to start doing that."

To satisfy Section 101, software patents should disclose the structure in detail, so "you're doing yourself a favor to do it anyway," according to James Muraff of Neal Gerber & Eisenberg LLP.

The Eon decision, he said, "is not really that significant in terms of changing the law, but it does reiterate that if you're going to take advantage of [means-plus-function claiming] and the invention is software, you really need to disclose some level of detail about what the software is doing."

Many attorneys who write software patents have in recent years stopped using the specific phrase "means" in order to avoid the requirements of means-plus-function claiming under Section 112(6), noted Lawrence Ashery of Caesar Rivise PC.

But the Federal Circuit has **recently held** that Section 112(6) can apply even to patents where the word "means" is not actually used, if the patent just describes a function and not how it is performed.

Anyone drafting software patents will therefore "have to be really careful on this point" and consider including an algorithm even if the claims are not written in the means-plus-function format, Ashery said.

"Patent attorneys put functional language into the claims partially in order to make the claims broad. But as claims get too functional, 112(6) can apply, even though the words 'means for' are not used," he said. "If 112(6) has been deemed to apply to claims directed to software, there still needs to be an algorithm, otherwise the patent could have problems, as happened in this case."

Even when software patents disclose an algorithm, the next round of fights might hinge on whether the patent provides enough information about it, Sanderson said.

"There will be plenty of arguments about how detailed an algorithm needs to be," he said. "It could come down to a battle of the experts arguing over whether an algorithm was sufficiently disclosed."

While the Eon decision emphasizes that software patents require a high level of detail and clarity, it also illustrates that such patents remain viable if they are written correctly, Sanderson said.

"This isn't the end of software patents, and that's a good thing because software patents drive our economy," he said.

The case is Eon Corp. IP Holdings LLC v. AT&T Mobility LLC et al., case number 2014-1392, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Chris Yates and Christine Chun.