

Intellectual Property Alert

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Judge Derides the “Pencil-and-Paper Analysis” for Software Patents, Finds Error-Correction Claims Valid

On November 3, 2014, Judge Mariana Pfaelzer issued an order in *California Inst. of Tech. v. Hughes Commc’ns Inc.*, No. 2:13-CV-07245-MRP, 2014 WL 5661290 (C.D. Cal. Nov. 3, 2014) denying the defendants’ motion for summary judgment that the asserted claims were invalid under 35 U.S.C. § 101. Judge Pfaelzer held that the asserted claims were directed to the abstract idea of “encoding and decoding data to achieve error correction,” but were nevertheless valid under § 101, because they contained inventive concepts, “such as the irregular repetition of bits and the use of linear transform operations.”

Following the first step of the Supreme Court’s *Mayo* test for eligibility under § 101, Judge Pfaelzer considered whether the asserted claims were directed to an abstract idea. In performing this analysis, Judge Pfaelzer first determined the “purpose” of the asserted claims. She used a “quick-look” test and found that the purpose of the asserted claims was “encoding and decoding data for error correction.” She then concluded that this “purpose” was abstract. She explained, “[t]hese ideas, stated at this level of generality, existed long before the patents and were very prevalent in the field,” and the “primary method of error correction is encoding and decoding data.” Even though the patent claims recite “specific methods of encoding and decoding,” the court’s step one analysis was limited to “the general purpose of the claims.”

Judge Pfaelzer’s analysis under step two of the *Mayo* test—whether the claims contain an inventive step—was more extensive. She found that the inventive step in the claims was the “irregular repetition of bits and the use of linear transform operations.” Notably, in coming to this determination, Judge Pfaelzer derided the so-called “pencil-and-paper analysis” “at least for this area of technology,” and, instead, she focused more on the claims’ novelty and preemptive effect. The pencil-and-paper analysis asks whether the claims involve mental steps that can be performed by a person with pencil and paper, and, if so, the claims fail step two. According to Judge Pfaelzer, this analysis “oversimplifies § 101 and ignores the fact that the [asserted] patent creates an algorithmic solution for a computing problem.” Judge Pfaelzer also cast aside dicta from Supreme Court cases that indicated there was a bright-line rule against patenting mathematical formulas, because such a rule would “make all error correction codes, and much of computer software, ineligible subject matter.”

Thus, instead of asking whether a human can do the math required by the claims, Judge Pfaelzer believes courts should ask “whether the formula in [the claim] constitutes an inventive concept that sufficiently limits the claim’s preemptive effect.” Despite the fact that the novelty of many of the asserted claims fail the pencil-and-paper analysis, Judge Pfaelzer found the claims valid, because these algorithms were not “necessary for achieving error correction” and were not “ubiquitous or obvious.”

Judge Pfaelzer concluded her analysis by professing that “[p]atent law should not protect inventions that simply apply long-standing ideas to a computer environment,” but “patents should encourage inventors to create new computing solutions to today’s computing problems.”

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