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INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

Court Requests Solicitor General's Views in Patent Eligibility Case

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Section 101 of the Patent Act defines the subject matter that is eligible for patenting. Nearly 10 years ago, in *Mayo* and *Alice*, the Supreme Court established a two-step test for eligibility under §101. The Federal Circuit's subsequent application of that test has met criticism from legal commentators and from members of the court, with now-Chief Judge Moore recently calling the court "bitterly divided" on this issue. The Supreme Court nevertheless denied certiorari in several recent §101 cases, including one involving a "unanimous" "plea for guidance" from the Federal Circuit.

Now, however, the Supreme Court is considering another petition in a §101 case, in which the Federal Circuit split six-to-six in denying rehearing en banc, and in which the Supreme Court recently called for the views of the Solicitor General. See *American Axle & Mfg. v. Neapco Holdings*, 939 F.3d 1355 (Fed. Cir. 2019), modified on panel rehearing, 967 F.3d 1285 (Fed. Cir. 2020), rehearing en banc denied, 966 F.3d 1347. We report here on this case.

Section 101 of the Patent Act

The Patent Act provides that "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof" is eligible for patent. 35 U.S.C. §101. The Supreme Court has "long held," however, that "[l]aws of nature, natural phenomena, and abstract ideas are not patentable." *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 216 (2014).

In *Alice* and in *Mayo Collaborative Servs. v. Prometheus Labs.*, 566 U.S. 66 (2012), the court set forth a two-step test to determine whether a patent claims eligible subject matter. First, a court determines whether the claims are directed to laws of nature, natural phenomena, or abstract ideas. *Alice*, 573 U.S. at 217. If so, the court moves to step two, under which it "examine[s] the elements of the claim to determine whether it contains an 'inventive concept' sufficient to 'transform' the claimed [patent-ineligible concept] into a patent-eligible application." Id. at 221.

The Federal Circuit Panel Decision

American Axle (AAM) sued Neapco for infringement of a patent that claimed a method of manufacturing driveline propeller shafts that required tuning the liner of the shaft to produce frequencies that dampen multiple types of vibra-

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tion, thereby reducing noise. 939 F.3d at 1358. The district court held the claims invalid under §101. Id. at 1360. At step 1, the court found that the claims were directed to two natural laws: Hooke's law—which "describes the relationship between an object's mass, its stiffness, and the frequency at which the object vibrates"—and "friction damping." Id. The court explained that "the claims' direction to tune a liner to attenuate to different vibration modes amounted to merely 'instruct[ing] one to apply Hooke's law to achieve the desired result of attenuating certain vibration modes and frequencies." Id. At step 2, the court found that the additional claim steps "consist of well-understood, routine, conventional activity." Id.

A divided panel of the Federal Circuit affirmed, in an opinion by Judge Timothy Dyk and joined by Judge Richard Taranto. At step 1, the court held that the claims are directed to ineligible subject matter because "the selection of frequencies for the liners to damp the vibrations of the propshaft at least in part involves an application of Hooke's law" and the claims "simply state that the liner should be tuned to dampen certain vibrations." Id. at 1361-62. The court concluded that AAM's patent is "directed to the utilization of a natural law (here, Hooke's law and possibly other natural laws) in a particular context" and "[w]hat is missing is any physical structure or steps for achieving the claimed result of damping two different types of vibrations." Id. at 1366-67.

At step 2, the Federal Circuit explained that "nothing in the claim qualifies as an 'inventive concept' to transform the claims into patent eligible matter." Id. at 1367. According to the court, the claims' "direction to engage in a conventional, unbounded trial-and-error process does not make a patent eligible invention, even if the desired result to which that process is directed would be new and unconventional." Id.

The Federal Circuit denied rehearing en banc in a six-to-six decision containing five separate opinions.

Now-Chief Judge Moore dissented, explaining that the "majority's decision expands §101 well beyond its statutory gate-keeping function." Id. at 1368. (Moore, J., dissenting). As to step 1, the dissent pointed out that "[e]ven the majority does not agree with the district court that the claims are directed to Hooke's Law" and that it instead identified "Hooke's law *and possibly other natural laws*." Id. at 1369 (emphasis in original). Chief Judge Moore continued that "Section 101 is monstrous enough, it cannot be that now you need not even identify the precise natural law which the claims are purportedly directed to." Id. According to the dissent, the majority's "problem with these claims is not one of eligibility, but enablement," and, "according to the majority, even if these claims are enabled, they are still ineligible because the claims themselves didn't teach *how*. That is now the law of §101. The hydra has grown another head." Id. at 1373-74.

As to step 2, Judge Moore stated that "I am deeply troubled by the majority's disregard for the second part of the [two-step] test, its fact finding on appeal and its repeated misrepresentation of the record, in each instance to the patentee's detriment." Id. at 1369.

The Decision on Panel Rehearing

The Federal Circuit granted panel rehearing. 967 F.3d at 1285. The court, again divided, held one of the representative claims at issue ineligible but revised its step-one determination as to that claim, holding that it was directed only to Hooke's law, rather than "Hooke's law and possibly other natural laws." 939 F.3d at 1366. The majority again explained that "[w]hat is missing is any physical structure or steps for achieving the claimed result." 967 F.3d at 1295. According to the majority "[c]laiming a result that involves application of a natural law without limiting the claim to particular methods of achieving the result runs headlong into the

very problem repeatedly identified by the Supreme Court." *Id.* Under step two, the court reiterated its prior holding that nothing in the claim "qualifies as an 'inventive concept.'" Id. at 1298.

Again dissenting, Judge Moore explained that "[t]he majority's holding that these claims to manufacturing an automotive drive shaft are ineligible has sent shockwaves through the patent community." Id. at 1306 (Moore, J., dissenting). According to the dissent, the majority "inflate[s] §101 beyond the statutory language and Supreme Court precedent" by "creat[ing] a new test for when claims are *directed to* a natural law despite no natural law being recited in the claims, the *Nothing More* test." Id. (emphases in original). Thus, according to the dissent, this "case turns the gatekeeper into a barricade," and the "majority's *Nothing More* test, like the great American work *The Raven* from which it is surely borrowing, will, as in the poem, lead to insanity." Id. at 1305, 1309.

The Court's Denial of Rehearing En Banc

The Federal Circuit denied rehearing en banc in a six-to-six decision containing five separate opinions: (1) Judges Dyk, Evan Wallach, and Taranto concurring; (2) Judges Raymond Chen and Wallach concurring; (3) Judges Pauline Newman, Kimberly Moore, Kathleen O'Malley, Jimmie Reyna, and Kara Farnandez Stoll dissenting; (4) Judges Stoll, Newman, Moore, O'Malley, and Reyna dissenting; and (5) Judges O'Malley, Newman, Moore, and Stoll dissenting. 966 F.3d at 1347. In dissent, Judge Newman explained that the "court's rulings on patent eligibility have become so diverse and unpredictable as to have a serious effect on the innovation incentive in all fields of technology." Id. at 1357 (Newman, J., dissenting). And Judge O'Malley's dissent asks "why, if appellate judges will reach their desired result regardless of outside input and untethered from the arguments of others, we should bother with the dog and pony show of the full development of a trial record." Id. at 1366 (O'Malley, J., dissenting).

Notably, *American Axle* is not the first case in which the Federal Circuit was divided as to §101. In *Athena Diagnostics v. Mayo Collaborative Services*, the Federal Circuit denied rehearing en banc—by a seven-to-five margin in a decision with four concurrences and four dissents—of a divided panel decision invalidating under §101 a patent directed to a method of diagnosing a neurological disorder by detecting certain antibodies. See 927 F.3d 1333, 1339 (Fed. Cir. 2019). In dissent, then-Judge Moore pointed out that "[n]one of my colleagues defend the conclusion that claims to diagnostic kits and diagnostic techniques, like those at issue, should be ineligible. The only difference among us is whether the Supreme Court's *Mayo* decision requires this outcome." Id. at 1352 (Moore, J., dissenting).

Following the denial of rehearing en banc in *American Axle*, the court denied a stay of its mandate. 977 F.3d 1379 (Fed. Cir. 2020). Concurring in the denial, Judge Moore stated:

> What we have here is worse than a circuit split—it is a court bitterly divided. As the nation's lone patent court, we are at a loss as to how to uniformly apply §101. All twelve active judges of this court urged the Supreme Court to grant certiorari in *Athena* to provide us with guidance regarding whether diagnostic claims are eligible for patent protection. There is very little about which all twelve of us are unanimous, especially when it comes to §101. We were unanimous in our unprecedented plea for guidance.

Id. at 1382 (Moore, J., concurring).

AAM petitioned for certiorari. On May 3 the court invited the Solicitor General to provide the views of the United States in this case. A response may take at least several months.