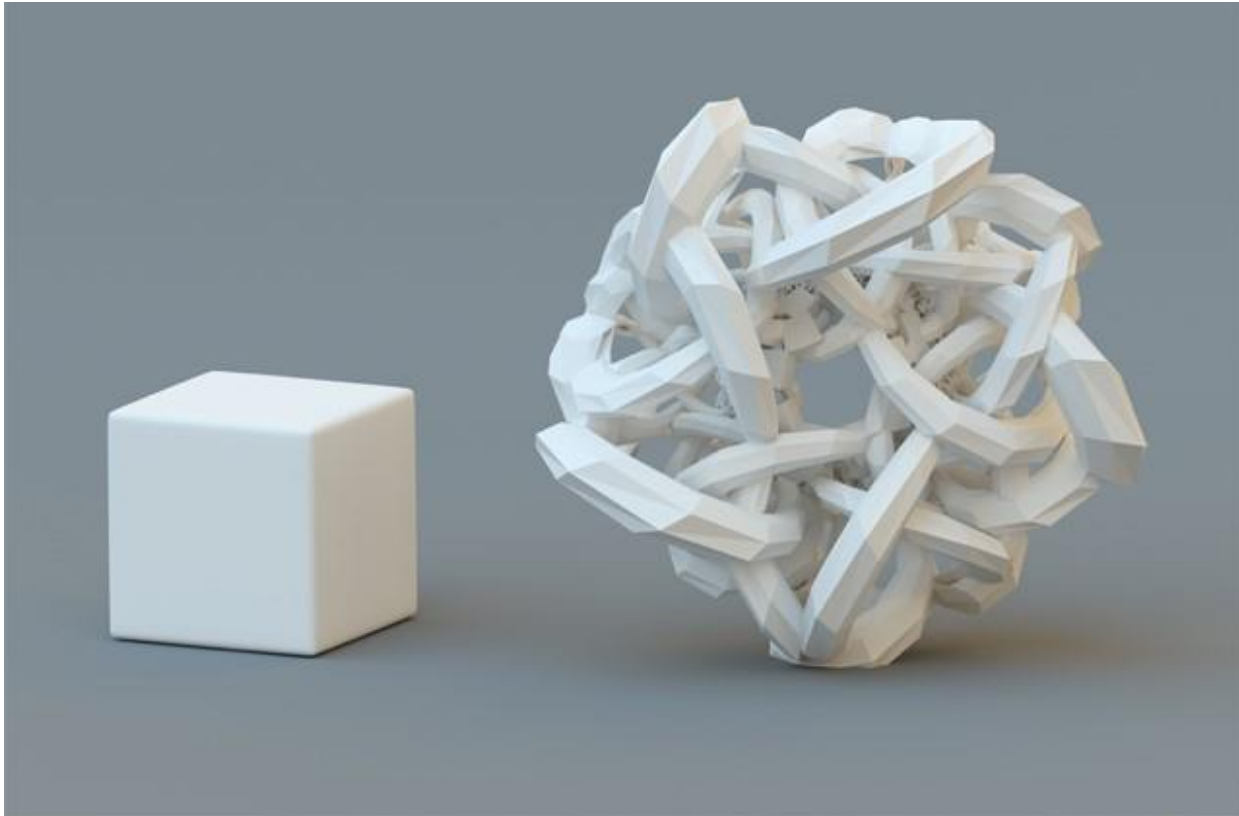


American Axle: Prolonging the controversy

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After the Supreme Court denied certiorari, the risk to patent holders has only grown, say Robert McFarlane and Rosanna Gan of Hanson Bridgett LLP.

For more than two centuries, American patent law has permitted inventors to obtain patents on new and useful processes, machines, manufactures, and compositions of matter. 35 USC §101. Alongside this broad statutory provision, the Supreme Court has long held that abstract ideas, laws of nature, and natural phenomena cannot be patented.

The Supreme Court's 2014 decision in *Alice Corp v CLS Bank Int'l*, 573 US 208 (2014) addressed these categorical exceptions and, unfortunately, created tremendous uncertainty regarding the scope of patentable subject matter.

In the absence of subsequent Supreme Court guidance, the patent bar has suffered through almost a decade of confusion regarding one of the fundamental questions in patent law, namely, what inventions are, and just as importantly are not, patentable after *Alice*.

Building on the Supreme Court's earlier ruling in *Mayo Collaborative Services v Prometheus Laboratories*, 566 US. 66 (2012), *Alice* articulated a two-step test to determine whether an invention is patent eligible. First, the court must determine "whether the claims at issue are directed to a patent-ineligible concept," such as an abstract idea, law of nature, or natural phenomena. If the answer is "yes," the court must then determine whether the claimed invention contains an additional feature—an "inventive concept"—that is sufficient to "transform" the patent-ineligible concept into a patent-eligible application (*Alice*, 573 US at 217-18).

Courts have struggled to apply the two-step *Alice* framework because the Supreme Court did not provide a clear definition of what constitutes an unpatentable concept under step one and did not offer clear guidance on what is "sufficiently" inventive to "transform" the underlying concept into a patentable invention under step two.

Despite these ambiguities, patents in fields ranging from medical diagnostic methods to software to business methods and eCommerce are now commonly invalidated on the grounds that they claim unpatentable subject matter. Indeed, an early motion to dismiss based on *Alice*, dubbed an "*Alice* motion", has become a powerful tool in litigation because it is one of the few ways that a defendant may gain dismissal of a patent suit prior to undergoing extensive discovery and claim construction.

American Axle: the big hope

The patent bar hoped that *American Axle & Mfg v Neapco Holdings*, 967 F.3d 1285 (Fed Cir 2020), *cert denied*, 20-891, 2022 WL 2347622 (June 30, 2022), would clarify *Alice*. However, splintered opinions from the Federal Circuit, the appellate court with exclusive jurisdiction over patent cases, coupled with the Supreme Court's refusal to review the case have only served to make the post-*Alice* landscape even more difficult to navigate.

The patent at issue in *American Axle* claims a method of manufacturing an automotive drive shaft assembly that serves to dampen two forms of vibrations by tuning the mass and stiffness of a liner and by inserting that liner into a hollow shaft assembly.

In the modified opinion on rehearing, a two-judge majority ruled that faithfully following precedent in the narrow circumstances of the case compelled them to rule that two of the asserted claims were invalid "because [they] clearly invoke[] a natural law, and *nothing more*, to accomplish a desired result." *American Axle*, 967 F.3d at 1297 (emphasis added).

Judge Moore, who subsequently became Chief Judge of the Federal Circuit, vigorously dissented. She found that the claim was directed "to a method of manufacturing a drive shaft assembly for a car, [which] is the type of traditional manufacturing patent of automotive parts which has been eligible for patent protection since the invention of the car itself."

Judge Moore also argued the majority’s holding “sent shock waves through the patent community,” and quoted sources stating it was “unthinkable the courts found this . . . manufacturing process for making a key automotive part, [w]as patent ineligible,” and that the case was a “poster child for how the current test for patent eligibility is being applied to reach rather absurd results.”

Finally, she expressed concern that the majority opinion introduced yet *another* test for patent eligibility, which she christened the “nothing more” test, that was destined to create “a disturbing amount of confusion.”

After an initial opinion holding all the asserted claims were directed to a patent-ineligible law of nature (this opinion was subsequently withdrawn and replaced with the modified opinion on rehearing, discussed above), American Axle petitioned for a rehearing *en banc* before all active judges on the Federal Circuit.

The petition was denied on an evenly divided 6-6 vote that generated no less than six separate written opinions and demonstrates the deep divisions within the court on this important issue.

The judges who voted against *en banc* review found that the prior ruling majority opinion simply applied well-settled law to the facts of the case and broke no new ground. (Chen, J, concurring in the denial of the petition for rehearing *en banc*) (“What the dissent dubs the new “nothing more” test is actually a principle that has been part of patent law since at least 1853.”).

In contrast, the judges who voted for *en banc* review viewed the majority decision as a radical departure from basic tenants of US patent law. Judge Newman cautioned that “[t]he 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.” (Newman, J, dissenting from denial of the petition for rehearing *en banc*).

Judge Stoll voiced her concerns that the court’s precedential ruling might bring into question the patentability of “foundational inventions like the telegraph, telephone, light bulb, and airplane—all of which employ laws of nature,” and that “[w]ithout clear direction from this court, the Patent Office and district courts will likely reach inconsistent results when assessing the patent eligibility of mechanical inventions.” (Stoll, J, dissenting from denial of the petition for rehearing *en banc*).

The spirited debate among the Federal Circuit judges demonstrates their fundamental disagreement regarding foundational questions in American patent law that cries out for clarification from the Supreme Court. Following American Axle’s petition for Supreme Court review, the US Solicitor General’s *amicus* brief urged the justices to hear the case: “Historically, such industrial techniques have long been viewed as paradigmatic examples of the ‘arts’ or ‘processes’ that may receive patent protection if other statutory criteria are satisfied. The court of appeals erred in reading [the Supreme] Court’s precedents to dictate a contrary conclusion. The decision below reflects substantial uncertainty about the proper application of Section 101, and this case is a suitable vehicle for providing greater clarity.”

Despite the split at the Federal Circuit and the government's agreement that Supreme Court review was needed, the Supreme Court declined to take up the case.

Mounting uncertainty

Until the Supreme Court clarifies *Alice*, the patent community is left with mounting uncertainty regarding the scope of inventions that can predictably be patented in the US. *Yu v Apple*, 1 F.4th 1040 (Fed Cir 2021), *cert denied*, 142 S. Ct. 1113 (2022), closely parallels the result reached in *American Axle*. A two-judge majority of Federal Circuit judges ruled that the claimed digital camera using multiple sensors with multiple lenses was directed to patent ineligible subject matter. The majority held that the claims were directed to the “abstract idea of taking two pictures . . . and using one picture to enhance the other in some way” and did not require any special hardware or software.

And, just as in *American Axle*, one judge dissented, finding that “[t]he digital camera described and claimed in the [patent at issue] is a mechanical/electronic device that easily fits the standard subject matter eligibility criteria,” and that “the majority’s revision of Section 101 are contrary to the statute and the weight of precedent, and contrary to the public’s interest in a stable and effective patent incentive.”

Given the state of the law following the controversies reflected in *American Axle*, litigation strategy and advocacy will become even more important in many patent cases. Patent holders should carefully evaluate their patent claims prior to filing suit in order to understand the level of risk that their patents will be found invalid under the expanding reach of *Alice* as interpreted in *American Axle*.

Defendants, meanwhile, have the opportunity to creatively and aggressively argue that patent claims invoke abstract ideas or natural laws are invalid even if they claim subject matter that was previously patentable.

[Robert McFarlane](#) is a registered patent attorney, partner, and co-chair of the intellectual property practice at Hanson Bridgett. He can be contacted at: rmcfarlane@hansonbridgett.com.

[Rosanna Gan](#) is a senior counsel at Hanson Bridgett. She can be contacted at: rgan@hansonbridgett.com.