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Driveshaft Case Brings More Confusion To Patent Eligibility

By **Ryan Davis**

Law360 (August 6, 2020, 9:51 PM EDT) -- The Federal Circuit's latest fractured opinion on patent eligibility, this one invalidating a car driveshaft patent, has further muddled the law on the contentious issue and could lead to even more patents being invalidated, according to experts left frustrated by the ruling.

With a 6-6 vote last week, the full court fell short of the seven votes needed to initiate en banc review of a panel decision that an American Axle patent on an automobile component that reduces noise and vibrations covers nothing more than a patent-ineligible law of nature.

The judges who voted against rehearing said the decision followed U.S. Supreme Court precedent and was a narrow holding tied to the facts. But the dissenting judges called it a "dramatic expansion" of patent-eligibility law that could put many patents on physical objects at risk of invalidation because they involve a natural law in some way.

Many judges and attorneys have long complained that the law on what is patent-eligible is highly confusing, and the deep chasm on the court in this case "can only lead to further chaos, further unpredictability, further harm to the functionality of the patent system," former Federal Circuit Chief Judge Paul Michel said.

"The patent system needs the court to speak with a unified single voice, particularly on major issues like eligibility," he said. "And instead of a unified court, the users of the patent system are confronted with a bitterly divided court, divided in more than two directions, so it's creating chaos."

Judge Michel, who retired in 2010, said that in his 22 years on the Federal Circuit, it was rare for patents to be invalidated as ineligible, but there have been hundreds of decisions doing just that over the past decade, following the Supreme Court's Mayo and Alice rulings that inventions directed to laws of nature and abstract ideas are not patent-eligible.

While appeals courts are bound by high court precedent, "it looks to me like the Federal Circuit has actually expanded the ineligibility tests used to apply Mayo and Alice," he said.

Several of the dissenting judges in American Axle took that view as well. They said the decision that the driveshaft patent covers only a law of physics known as Hooke's law — which describes the relationship between an object's mass, its stiffness and the frequency at which it vibrates — will open the door for creative arguments that other types of inventions are ineligible.

"If you're challenging a patent in litigation, I think you'd be crazy not to at least raise that issue, and say, hey, there's a natural law here," Ryan Schermerhorn of Marshall Gerstein & Borun LLP said. "If they can get Hooke's law out of this claim, I'm sure you can get all sorts of natural laws out of other claims."

He noted that the Supreme Court's holding that abstract ideas are not patent-eligible has led to numerous software and electronics patents being invalidated for claiming only such ideas, so he expects the mechanical patents he often works with to now face similar attacks.

"It's quite scary," he said. "I try not to buy into the 'sky is falling' type of thing, but seeing what's happened in the electrical space, I fear that the same thing is going to happen here in the mechanical space."

In her American Axle dissent, U.S. Circuit Judge Kara Farnandez Stoll noted that that Hooke's law is not mentioned anywhere in American Axle's patent, and queried whether under the holding, inventions like the telegraph, telephone, light bulb, and airplane would be declared ineligible because they employ laws of nature.

"I grow more concerned with each passing decision," she said, that patent eligibility could "swallow all of patent law," something the Supreme Court warned about in Alice. Yet those who backed the decision said it was narrow and could not be used in that way.

That stark difference of opinion among the judges about the reach of the ruling left many attorneys dismayed that the full court did not take the case. Doing so could have provided clearer rules on patent eligibility, an issue that has repeatedly led to splintered Federal Circuit rulings with no consensus.

"I think a lot of people were hopeful that this might be an opportunity for the Federal Circuit to at least provide some guidance and some clarity, and unfortunately it seems like they did the opposite," Tripp Fussell of Mayer Brown LLP said.

The 6-6 decision illustrates that the judges have very different views on what makes an invention ineligible for a patent, which "highlights how fractured the Federal Circuit itself is, and how panel-dependent these patent-eligibility decisions turn out to be, which is very unfortunate," he added.

If the full court set some guidelines, "there would be at least some clarity that could streamline litigation," Fussell said. The Federal Circuit's refusal to do that "is extremely frustrating to me," he said.

After the Supreme Court's landmark Mayo and Alice rulings in 2012 and 2014 that laws of nature and abstract ideas are not patent-eligible, courts and litigants have struggled to determine exactly what falls into those categories, and the American Axle ruling is the latest example of that.

The judges who voted for rehearing seemed to take the view that because the driveshaft patent deals with a mechanical device, it should essentially be exempt from an eligibility challenge, according to Ted Mathias of Axinn Veltrop & Harkrider LLP. Yet the Supreme Court has repeatedly rejected such bright-line rules in patent law, and likely would do so again if they were drawn, he said.

"You can certainly read the decision as saying there's no category of technology that's off-limits, but I think that's probably what the Supreme Court wants," he said.

The potential for a wider swath of patents being open to eligibility challenges under American Axle "is a valid

concern," Mathias said, but "it's something I think has been with us for the past couple of years" because of the high court's rulings on patent eligibility.

Those frustrated by the state of the law on patent eligibility have only a few places to turn. They could hope that the full court takes up the issue to provide more clarity, but after the 6-6 vote in American Axle, and a 7-5 vote last summer not to rehear another eligibility case involving Athena Diagnostics, that may be a long shot.

Another possibility is for the Supreme Court to get involved, although it has denied dozens of petitions on patent eligibility since Alice, including in the Athena case earlier this year, even though the U.S. Solicitor General urged the court to take it up.

"My conclusion is [the justices] have no intention of doing that anytime soon," Judge Michel said, "so Congress is the only alternative left."

U.S. Sens. Chris Coons, D-Del., and Thom Tillis, R-N.C., held a series of hearings last year on a potential bill to rewrite the law and put limits on when patents can be invalidated as ineligible. That effort stalled out last year amid disputes among industry groups about what the bill should include, and it's unlikely to be revived in an election year.

However, Judge Michel said he and other stakeholders have been working to draft new legislation aimed at making it more palatable to the senators, so "there's reason to believe there may be some significant progress early in 2021."

The current uncertainty surrounding what is patent-eligible has broader economic ramifications, Judge Michel said. It has discouraged economic investment in the U.S. and led to more in Europe and China, where the law is clearer about what can be patented, he said.

"The long-run solution is obviously Congress, and I hope they act boldly and soon enough, because it's really needed for the future of the country," he said.

The case is American Axle & Manufacturing Inc. v. Neapco Holdings LLC, case number 18-1763, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Breda Lund.