Eligibility Law Keeps Evolving As American Axle Awaits SG

By Dani Kass · Listen to article

Law360 (May 5, 2022, 5:41 PM EDT) -- The U.S. Supreme Court has been waiting more than a full year for the federal government to weigh in on a contentious patent eligibility case that left the Federal Circuit messily divided. During that period, patent eligibility law has continued developing, and here, Law360 recaps some of the bigger updates you should know.

The justices on May 3, 2021, asked the solicitor general to file a brief in American Axle v. Neapco. American Axle is appealing a Federal Circuit decision invalidating its driveshaft patent for covering a law of nature, and its petition is one of many submitted each year asking the Supreme Court to clarify its 2014 decision in Alice Corp. v. CLS Bank, regarding when something is an abstract idea that cannot be patented under Section 101 of the Patent Act.

With the exclusion of newer petitions that remain pending, all bids outside of American Axle have been rejected. That includes Athena Diagnostics v. Mayo Collaborative Services, which the solicitor general in 2019 urged the court to take up.

American Axle, however, stands out among these petitions to patent attorneys. In July 2020, the Federal Circuit split 6-6 in denying en banc review and issued more than a hundred pages of opinions from the judges fighting over what is eligible for a patent. Since no other appellate court hears cases about patent law, this divide is the closest the issue can come to a circuit split.

This past year also has been full of transitions that likely slowed the process: Solicitor General Elizabeth Prelogar wasn't confirmed until October 28, while U.S. Patent and Trademark Office Director Kathi Vidal wasn't confirmed until April 5. Both seats had been run by acting or temporary officials since President Joe Biden took office in January 2021.

During the wait for the solicitor general's brief, courts have kept on reviewing patent eligibility cases, while both the USPTO and Congress have had the issue in its sights. Here's what's happened:

The Supreme Court

Each year, the Supreme Court receives seemingly endless petitions asking the justices — in increasingly colorful language — to review patent eligibility.

The last year was no different, with PersonalWeb Technologies LLC in February saying there is "chaos in the law" of patent eligibility. Meanwhile, the inventors of an invalidated camera patent in December claimed that recent rulings were a "patent shredder on the wrong side of today's unpredictable patent eligibility jurisprudence."

The justices have denied those petitions, along with several others. Those include a petition filed by a company that owns a social networking patent, which was asserted against dating app giant Match Group, and another from a patent-holding company that asserted a patent for backing up data against Dropbox.

Despite those denials, several petitions are pending. Universal Secure Registry has said its January petition is a "perfect case" to resolve patent eligibility gaps, which was backed by the Federal Circuit's former chief judge and 101 reform advocate, Paul Michel.

Interactive Wearables LLC and Ameranth Inc. — which had their patents for a smartwatch and digital menu, respectively, invalidated as an abstract idea — have suggested having their cases tied to American Axle.

One amicus brief representing Chicago patent attorneys argues that Interactive Wearables is a better choice for the justices than American Axle, as the smartwatch case concerns "intuitive technology" rather than American Axle's "highly technical subject matter."

U.S. Circuit Judge Leonard Stark

After U.S. Circuit Judge Kathleen O'Malley announced in July that she would be stepping down from the bench, Biden in November tapped Judge Leonard Stark, who is well-known for his patent eligibility work, to take her seat.

While serving as a federal judge in Delaware, Judge Stark — who was confirmed to the circuit court in February — held so-called 101 Days, where he would hear and decide the patent eligibility questions on his docket in one go. He's previously said the Federal Circuit's jurisprudence on eligibility is too unstable, so if he handled cases the standard way, the law may have changed between hearings and orders.

Judge Stark held a 101 Day in November, when he refused to invalidate patents in three cases.

He doesn't always see eye-to-eye with Federal Circuit judges on eligibility issues. Not long after his nomination, the Federal Circuit overturned one of Judge Stark's Alice invalidations, saying Mentone Solutions LLC's patent on packet data transmissions wasn't directed to an abstract idea.

Calls for Reform

Former Circuit Judge O'Malley had only been off the bench for a matter of days before telling Law360 what she thought about patent eligibility and the justices' aversion to it.

"Have you ever seen all 12 active judges on a single circuit court beg the Supreme Court for guidance, and the Supreme Court says no? It's absurd," she said in March.

Judge O'Malley has since joined Irell & Manella LLP, alongside another outspoken eligibility critic: former USPTO Director Andrei Iancu. When Iancu left office just before President Biden was sworn in, his final cry was for clarity on patent eligibility.

Judge Michel has also continued to speak out against the muddled rules on eligibility, writing in October article in Newsweek that the Supreme Court has created "enormous uncertainty over what kinds of inventions are even eligible for a patent, and wholly excluded medical diagnostic methods, no matter how useful."

District Courts

While the Supreme Court is waiting on the solicitor general, patent litigation has continued

in district courts, where patent eligibility is a common theme.

U.S. District Judge Alan Albright in the Western District of Texas, who has built a reputation in the patent world for his docket size and controversial view of venue law, cut his teeth in December with his first invalidation under Alice — a USC IP Partnership website navigation patent asserted against Facebook.

His second invalidation came later that month, finding that a Health Discovery patent asserted against Intel covers the "abstract idea of recognizing biological patterns."

Among a multitude of other decisions, U.S. District Judge Rodney Gilstrap, also of Texas, in April wiped a Miller Mendel patent for web-based background checks under Alice, and that same month, Netflix persuaded U.S. District Judge James Donato of California to invalidate a streaming patent owned by Broadcom as abstract. The Netflix ruling came less than a year after Judge Donato scrapped three other patents in that suit under Alice.

En Banc Federal Circuit

The Federal Circuit judges don't appear to think going en banc to review patent eligibility will be useful. In the last year, they have denied at least three en banc petitions on the issue.

In June 2021, a 2-1 panel upheld the invalidation of a digital camera patent asserted against Apple and Samsung as abstract, which led to an outcry from attorneys who claimed that the court has started mixing up when a patent is novel, as opposed to when it's not patent-eligible subject matter. The full Federal Circuit wasn't interested, and neither was the Supreme Court.

Likewise, the full court in May refused to revisit a panel's decision that a targeted ad patent can't hold up to Alice and a decision from September invalidating Universal Secure Registry's secure transaction patents — which is the subject of an aforementioned Supreme Court petition.

However, the Federal Circuit very rarely accepts en banc petitions on any issue, and the judges have noted in frustration that attorneys at this circuit tend to automatically file en banc petitions, even when the case doesn't merit one.

The USPTO

In July — before Vidal was confirmed to head the USPTO — the agency's temporary leader, Andrew Hirshfeld, asked for comments on the current state of patent eligibility, and how it's informing innovation and investment, so he could report findings back to Congress.

The responses diverged sharply based on industry, with the life sciences industry describing a crisis in which no one knows what can be patented and tech companies saying the law is clear and beneficial.

The USPTO also introduced a pilot program in January to have examiners review whether a patent covers eligible subject matter at the end of the prosecution process.

Congress

U.S. Rep. Thomas Massie, R-Ky., in November reintroduced a bill that would amend Section 101 of the Patent Act to do away with Supreme Court eligibility decisions, like Alice, among many other issues.

According to the Restoring America's Leadership in Innovation Act, which was first introduced in 2018, the goal is "to ensure that life sciences discoveries, computer software, and similar inventions and discoveries are patentable, and that those patents are enforceable."

A month earlier, Sens. Patrick Leahy, D-Vt., and John Cornyn, R-Texas, introduced the Restoring the America Invents Act, which aimed to strengthen the Patent Trial and Appeal Board by limiting when its judges can discretionarily turn away cases, among other changes. Attorneys told Law360 at the time that they were shocked to see patent eligibility unacknowledged in such an expansive overhaul bill.

No further actions have been taken on either bill.

Nomination Proceedings

Since the solicitor general was asked for her take on American Axle, the Senate has confirmed four officials who could have a large impact on patent law: USPTO Director Vidal,

U.S. Circuit Judges Stark and Tiffany Cunningham, and soon-to-be U.S. Supreme Court Justice Ketanji Brown Jackson.

During a December hearing before the Senate Judiciary Committee, Vidal said she would support efforts to create more clarity around patent subject-matter eligibility, which she called "an area that is always deserving of attention."

Vidal's prior work as a litigator at Winston & Strawn LLP featured a highly controversial case in which her client, the Chamberlain Group, had its garage door opener patent invalidated as abstract in 2019.

Judge Stark, in his written response to questions from the Senate, said it would be inappropriate for him to comment on patent eligibility, given that it's directly related to cases he was overseeing or matters he had decided that were pending appeal. He noted that he would "follow binding precedents of the Supreme Court and the Federal Circuit on Section 101, just as I have done as a District Judge."

During Judge Cunningham's May 2021 hearing, she sidestepped questions on patent eligibility, saying only that she was aware that more patents have been invalidated in the wake of cases like Alice.

When Justice Jackson was facing the Senate before her April confirmation, she was asked about her views on patent eligibility. She responded in writing that "patents play an important role in ensuring technological progress by pairing public disclosure of important innovations with protections for inventors' incentives to innovate."

Justice Jackson will replace Justice Stephen Breyer, who throughout his tenure, was consistently skeptical of patents. He wrote the court's unanimous 2012 opinion in Mayo v. Prometheus, a precursor to Alice saying laws of nature can't be patented, in which he expressed concern that patents on natural correlations used in diagnostics would inhibit science and innovation.

If American Axle's petition is granted, it remains to be seen whether Judge Jackson will follow in his footsteps.

--Additional reporting by Britain Eakin and Ryan Davis. Editing by Steven Edelstone.