American Axle - Driveshaft Patent Eligibility Has Full Fed. Circuit Bitterly Split

By Ryan Davis

Law360 (August 1, 2020) -- The full Federal Circuit decided Friday not to review a decision invalidating an American Axle driveshaft patent for claiming a natural law, as half the court said it simply applied precedent while the other half argued it sets confusing new law that one judge said will "lead to insanity."

The 6-6 vote on American Axle & Manufacturing Inc.'s petition for en banc rehearing means that the October panel decision stands because a majority of the court's judges did not vote to review it. Yet more than 100 pages of opinions filed by the judges exposed acrimonious divisions about patent eligibility.

In an opinion concurring with the denial of en banc review, U.S. Circuit Judge Timothy Dyk said the panel's majority decision, which he wrote, is "consistent with precedent and narrow in its scope," and merely holds that patents that claim nothing more than a natural law are not patent-eligible.

The dissenting judges argued that American Axle's patent claims specific mechanical technology, not simply a natural law. In the words of U.S. Circuit Judge Kara Farnandez Stoll, the majority's holding "will likely invite eligibility challenges to many other patents directed to mechanical inventions or otherwise."

She wrote that one can "reasonably ponder whether foundational inventions like the telegraph, telephone, light bulb, and airplane — all of which employ laws of nature — would have been ineligible for patenting" under the majority's approach.

The panel did agree to withdraw its original opinion and issue a new, considerably longer one, but it still led to a split decision. Rather than invalidate all the claims at issue, the new opinion remanded the case to the District of Delaware for further proceedings on some of them.

American Axle accused Neapco Inc. of infringing its patent on a method of making automobile driveshafts with liners to reduce noise and vibrations. The panel found several of the claims ineligible under Section 101 of the Patent Act because they cover 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.

In his revised majority panel opinion, Judge Dyk wrote that while the patent doesn't refer to Hooke's law by name, that doesn't matter because it "requires use of a natural law of relating frequency to mass and stiffness — i.e., Hooke's law." Since the claim at issue doesn't include any "physical structure or steps" for reducing noise and vibrations, it is ineligible, he said.

Judge Dyk concluded that because the patent "clearly invokes a natural law, and nothing more, to accomplish a desired result," it is invalid under U.S. Supreme Court precedent that claims describing a result that involves application of a natural law without limiting it to particular methods are not patent eligible.

While the original decision invalidated two independent claims of American Axle's patent, the revised opinion only invalidated one claim and remanded the other for further proceedings, saying it is "more general" and does not clearly cover only Hooke's law.

As she did with the original panel decision, U.S. Circuit Judge Kimberly Moore filed a heated dissent to the revised ruling, saying "the majority's holding is in direct conflict with our precedent and a dramatic expansion of Section 101," and that she "cannot fathom the confusion that will be caused" by the ruling.

American Axle's patent describes a driveshaft and clearly doesn't only cover Hooke's law, which is not mentioned anywhere in it, she said. The majority was only able to invalidate it by creating a new "Nothing More test," which holds that a claim is invalid if it clearly covers a natural law and nothing more, she said.

But that test inappropriately leaves it to judges to make a scientific determination of whether the claims recite "nothing more" than a natural law, which they are ill-equipped to do, Judge Moore said.

"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," she wrote. Under the test, "most patent claims will now be open to a Section 101 challenge" because "unstated natural laws lurk in the operation of every claimed invention," she said.

Judge Moore also objected to the majority's holding that the claim is ineligible because it does not describe how to reduce vibration, saying it improperly conflates eligibility with the separate issue of whether a claim is invalid for failing to enable someone to make the invention.

"The majority has imbued Section 101 with a new superpower — enablement on steroids," she wrote.

The sharp divide on the panel was just as apparent on the full court, where two judges filed opinions saying the panel's decision correctly applied settled law, and three judges filed caustic dissents arguing it threatens to send patent law into disarray.

Like Judge Dyk, U.S. Circuit Judge Raymond Chen wrote in a concurring opinion that far from being new, the "Nothing More test" dates back to Supreme Court decisions from 170 years ago. The majority decision just illustrates the challenges of evaluating patent eligibility, he wrote.

"Differences of opinion within our court on how to apply those principles to a particular case inevitably arise from time to time, given the inherently imprecise nature of the legal framework," he wrote. "But today's panel majority decision is consistent with both Supreme Court and our court's precedent."

In contrast, Judge Stoll wrote in dissent that the "Nothing More test" "appears to be a new development with potentially far-reaching implications in an already uncertain area of patent law." Unlike American Axle's patent, those at issue in the old cases the majority cited as the basis for the test covered a natural law on their face, she wrote.

Likewise, U.S. Circuit Judge Pauline Newman said American Axle's patent clearly covers a driveshaft, not Hooke's law, and stressed "the far-reaching consequences of the court's flawed Section 101 jurisprudence."

"The court's notion that the presence of a scientific explanation of an invention removes

novel and non-obvious technological advance from access to the patent system, has moved the system of patents from its once-reliable incentive to innovation and commerce, to a litigation gamble," she wrote.

And U.S. Circuit Judge Kathleen O'Malley said that in addition to being wrong, the majority "steps far outside the bounds of our role as appellate judges" by creating a new test and applying it without remand.

J. Michael Huget of Honigman LLP, an attorney for Neapco, said the company is pleased that the majority affirmed that some of the claims are invalid and "appreciates the significant attention given this case by the full court."

"As to the remaining claims, Neapco is confident, based on the court's guidance, that the district court will again rule that those claims are invalid, and Neapco intends to aggressively pursue invalidity multiple arguments, including arguments based on Section 101," he said.

Counsel for American Axle could not immediately be reached for comment Friday.

The patent-in-suit is U.S. Patent No. 7,774,911.

American Axle is represented by James Nuttall, John Abramic, Katherine Johnson, Robert Kappers and Christopher A. Suarez of Steptoe & Johnson LLP.

Neapco is represented by J. Michael Huget, Dennis Abdelnour and Sarah Waidelich of Honigman LLP.

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 Adam LoBelia.