

Federal Circuit Reflections, 2020: The Good and (Mostly) Bad



By **Judge Paul Michel (Ret.)** & **John Battaglia**
December 28, 2020

1
[Print Article](#)

“What is certain is that nothing will happen to fix, modify, or solidify anything on Section 101 law if good-and-knowledgeable patent advocates don’t take up the charge, whether in the court room or beyond. May 2021 be such a year.”

If you’re looking for some positive patent news from 2020, count the heightened civic awareness of our intellectual-property/innovation policies, as a result of the global pandemic, as a silver lining. But our present task is to report on the 2020 highlights from the Federal Circuit; unfortunately, it’s all downhill from here.

Expanding 101 Ever Farther



and Supreme Court's slate of rulings and non-rulings, 2020 only seemed to make the Section 101 exclusions even broader. The capstone was [AAM, Inc. v. Neapco Holdings LLC](#), 966 F.3d 1347 (Fed. Cir. 2020), the Federal Circuit's denial of en-banc consideration (again) of Section 101 rulings that, all judicial protests aside, seemed to plainly expand a reviewing court's power under Section 101 (again). And in ways many would've thought unimaginable just six-to-eight years ago, when *Mayo-Alice* emerged from the Supreme Court with only "inventive-concept" tests ringing about. *Neapco's* [panel ruling in the fall of 2019](#) was the proverbial shot across the Section 101 bow. For what seemed like a simple mechanical invention—and claims on a new industrial way to make certain auto-parts—the *Neapco* panel majority reached beneath the face or text of the claim and agreed that the inventors there were really just applying your standard-issue "Hooke's Law" doctrine, rendering the claims ineligible. See 939 F.3d 1355, 1359-63 (Fed. Cir. Oct. 3, 2019). Along the way, the Federal Circuit drew more Section 101 attention in cases such as *Chamberlain*—the "garage-door opener" case, in which the panel again rendered ineligible subject matter that, in broad brushes, seemed beyond the

“abstract idea” or natural-law reach. These aren’t the claims written on formulas or algorithms that gave rise to the Supreme Court’s well-known quartet of Section 101 precedents in the 1970s and early 1980s (*Benson, Flook, Chakrabarty, Diehr*) and still draw attention today.

Otherwise, we can’t tell from the case law evidence whether 2020 and *Neapco* have presented the long-lasting word on Section 101’s incorporation of an enablement-like test, or if the Federal Circuit might be willing to revisit it. To be sure, the court’s ongoing refusal to take any patent issue en banc, whether big or small, notorious or low-key, weighs against such belief in an “en-banc fix.” But six members of the court did vote to go en banc in *Neapco*, one vote shy. That was at the end of July 2020. In mid-December 2019, a flurry of party and *amici* filings in *Neapco* preceded a long seven-months-plus silence on the Section 101 case and request for en-banc treatment. (We were among the many *amici* filers.) Where did the case go? In the interim, the court seemed to issue precedents that cut both ways on the question, at least insofar as suggesting in *dicta* that it wouldn’t conflate Section 101 eligibility and Section 112, paragraph 1 enablement. Contrast, for example, *Customedia Technologies, LLC v. Dish Network Corp.*, 951 F.3d 1359, 1365-66 (Fed. Cir. March 6, 2020) (applying *Mayo*’s Section 101 query on whether claims do more than simply say “apply it” [i.e., apply the natural law or abstract idea] in terms of whether the claim text alone sufficiently “enabled” “how to” practice the invention), with *ECT, LLC v. ShoppersChoice.com, LLC*, 958 F.3d 1178, 1183 (Fed. Cir. May 14, 2020) (holding claims ineligible but stating that “just because a patent claim is enabled does not mean that the claim is patent eligible” under Section 101; “*subject matter eligibility and enablement are separate inquiries, irrespective of any overlap between the two*”) (emphases added).

While reversing itself as to one claim, the *Neapco* panel majority (Judges Dyk and Taranto) nonetheless managed to uphold its original Section 101 rulings on the en-banc vote. Will the Supreme Court grant review? Might Congress pass a Section 101 “fix”? We have our doubts. What is certain is that nothing will happen to fix, modify, or solidify anything on the law here if good-and-knowledgeable patent advocates

don't take up the charge, whether in the court room or beyond. May 2021 be such a year.

Rebuffing the Rebuttable Presumption

We view the next biggest case development on our list as noteworthy as any other, but perhaps more for what the ruling tells us about the Federal Circuit rather than its particular outcome. [*Fox Factory v. SRAM*](#) is technically a late 2019 development that stretched into 2020 with its en-banc and reconsideration rulings. There, the court vacated a Board decision that rejected an obviousness challenge to claims on a type of bike chain, relying on the chain product's commercial success and other "objective evidence." 944 F.3d 1366, 1372-74 (Fed. Cir. Dec. 2019). Indeed, the Board described this objective showing as "extremely strong." *Id.* The Federal Circuit not only didn't flinch or defer to an agency fact-finding that, in the usual course, would produce a summary affirmance (different issue; see below); they used the case instead as the vehicle to run over some 30 years of settled law on the "presumption" of a nexus between the claims and objective indicia. For years, the court had held that a patentee would obtain this "rebuttable presumption" if it showed what patentees often must show in the invalidity and damages context: (1) the commercial success or other "proffered objective evidence relates to" a specific product; and (2) the product is an "embodiment[]" of the invention as claimed in the asserted claims." *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1329, 1331 (Fed. Cir. 2016). Indeed, the court's cases from the 1980s onward have emphasized that this is *all* a patentee need show to trigger this presumption—and that it's an "error" to make a patentee show that an "unclaimed feature" or any other factor (like marketing) didn't contribute to, cause or have the "nexus" with whatever objective evidence. *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392-93 (Fed. Cir. 1988).

The panel disregarded these points and precedential rules for the presumption. Two-part test? Nah. Prohibitions on making it three? No matter. "To be sure," *Fox Factory* acknowledged, "we have **never** held that the existence of one or more **unclaimed features**, ... means nexus may not be presumed. *** [W]hat we do

require [now] is that the patentee demonstrate that the ***product is essentially the claimed invention.***” 944 F.3d at 1374, 1376 (emphases added). With this, its new “co-extensive” definition, the panel meant your product and your patent claim had to be “essentially” identical, with **no** unclaimed features between product and claim, unless you could show that the “extra” unclaimed feature was not “significant.” *Id.* at 1374-75. Mind you, the court’s precedents have also held, for a long time, that the factfinder can still have the nexus, the presumption, and unclaimed features all present—and still be right. This is, after all, simply part-and-parcel of deferring to the fact-finder on this very factual issue. *PPC Broadband, Inc. v. Corning Optical*, 815 F.3d 734, 747 (Fed. Cir. 2016). The decision went up for en-banc consideration and we submitted an *amicus* supporting the precedential rules that we believe are in place on this nexus-presumption. In the spring of 2020, the court declined the en-banc request.

What does it all mean? Here are a few thoughts, not comprehensive and certainly not certain. First, that was and is a lot of litigating—a lot of fighting—for just getting an evidentiary “presumption” of a nexus. And a rebuttable one at that. But make no mistake: That presumption can mean the difference between having an “overwhelming” showing of objective evidence in one forum and, in another, having your whole case (and patent) undone without it. That is a blow to patent rights. So too is the fact that *Fox Factory* has now altered the two-part test and imposed another “proof” requirement on patentees. How often can they meet *Fox Factory*’s “insignificant” or “essentially”-identical step? Beyond that, it does seem like *Fox Factory* was willing to sidestep precedent to reach a particular legal outcome. It may be a reasonable outcome, and it might even be the one-and-true outcome. But precedent-and-process must have their day.

And they still might. In a new Federal Circuit appeal from the Board, *Zaxcom v. Lectronics*, No. 20-1921 (docketed June 23, 2019), the *Fox Factory* issue is at-issue again on these presumption rules. (We’ve filed another *amicus* in the case.) Will the court clarify its nexus rules and reconcile precedent? Will it restore some balance to this area? We are hopeful on both counts. Stay tuned.

Rule 36 Maintains Its Reign

Staying tuned is part of the thrill of the legal profession. Or it can be (especially when you're on a certain winning side). You've done a lot of long nights and weekends working on a Federal Circuit appeal, for example, and before that, the patent case that you helped develop and present in full to the Board. Countless hours, a half-million dollars went into this. At long last, you argued the appeal on Friday, confident you had connected with your panel and had at least cleared away concerns about the complexity of the technology.

By Monday morning, you had your answer—all on one page, in one sentence. Another Federal Circuit Rule 36 summary affirmance of the Board's decision against your client and you.

Not so thrilling after all. Worse still for clients. Not an explanation in sight as to why the court ruled as it did. And our third pick on the 2020 list of biggest case developments: The prevalence of Rule 36 summary affirmances of Board rulings.

In 2020, the indications are that the Federal Circuit has kept pace or even exceeded the summary-affirmance rate of Board decisions in years past. In 2017 and 2018, for example, the Federal Circuit summarily affirmed about 50% of the 600 appeals or so lodged annually from its final decisions.

That's too often. In a different time, patent cases nearly always yielded a written opinion of one kind or another, i.e., published or unpublished. Indeed, for a time in the early 2000s, the big controversy was with federal courts not issuing *precedential opinions* in every case. Now it's whether you get more than a sentence.

Part of the problem, we suggest, is the approach that views a patent appeal as an all-or-nothing proposition: Either write a 30-page masterpiece on the issues presented, or nothing at all, per Rule 36. But not every patent appeal deserves 30 pages, or 20, or 10. Five pages, setting out the main points for the panel's reasoning

and judgment, can suffice. And internally it may help promote a discipline where panels indeed have to dig-in deeper and flesh-out their thinking more.

Doing so would enhance the reputation of and confidence in the patent system and the judicial system that enforces it. You will still surely disagree with the five-page unpublished opinion. As with every litigant and advocate, ever. But at least you'll understand it, maybe even respect it.

And that alone would put 2021 ahead of 2020. For patent lawyers, the thrill would be back.