Portfolio Media. Inc. | 111 West 19th Street, 5th Floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Justices' Patent Eligibility Denial Won't End Fight For Clarity

By **Dani Kass**

Law360 (June 30, 2022, 10:18 PM EDT) -- The U.S. Supreme Court on Thursday rejected a highly controversial case on patent eligibility, ignoring impassioned pleas from the U.S. Patent and Trademark Office and Federal Circuit that they need help interpreting the law consistently, and leaving attorneys to hope Congress will pick up the baton.

The elements of a strong Supreme Court petition had appeared to align in American Axle v. Neapco — a deep intra-circuit split, a number of high-profile amicus briefs, the solicitor general's strong endorsement and technology that was easy for nontechnical jurists to understand — but the justices ended the term by saying no. Attorneys say the denial was particularly frustrating because all parties charged with interpreting this law have said it's still unclear.

"The Federal Circuit has said they cannot interpret the law in a way that is consistent, which screams for intervention by the Supreme Court," said Michelle Holoubek of Sterne Kessler Goldstein & Fox PLLC.

The Supreme Court doesn't reveal why it turns down a case, leaving the patent community to mull over whether the justices are deeply uninterested in patent eligibility — as it appeared to be in prior terms — if they agree with the invalidation of American Axle's driveshaft patent, or if they agreed with Neapco that the eligibility question being presented altered from what the Federal Circuit had ruled.

Alternatively, in a Supreme Court term that overturned Roe v. Wade, reined in the Environmental Protection Agency's powers and narrowed when states can make laws restricting the concealed carry of firearms — and placed issues of contraception access, same-sex marriage and sodomy laws in their crosshairs for future terms — weedy questions of patent law may just not be on its agenda.

Sarah Guske of Baker Botts LLP suggested that if the justices did have a short-term agenda, it would reflect less on the patent case itself, opening the possibility for eligibility to get more support in the future. But attorneys agree it's frustrating to see it sidestepped for now.

"It's disappointing that if there's an agenda the Supreme Court is pursuing, clarifying the landscape of innovation is not on that agenda," Holoubek said. "There's going to be detractors and proponents of deciding a case one way or the other, but I don't think anyone can argue there isn't a need for clarification."

The Federal Circuit invalidated claims of American Axle's patent related to driveshaft technology in 2019. When asked to take the case en banc, the judges split 6-6 and penned more than 100 pages of

opinions on the state of patent eligibility in a plea for help. The case went to the Supreme Court in December 2020, and the justices asked the solicitor general to chime in.

In a May 2022 answer, the solicitor general — backed by the USPTO director — made it extremely clear that patent eligibility needed help, and that American Axle was the right vehicle to do so. But this marks the second patent eligibility case since the court's landmark precedent — 2014's Alice Corp. v. CLS Bank and 2012's Mayo v. Prometheus — where the court asked for the solicitor general's views, was told to take up a case and chose not to do so.

In the nearly 50 patent cases where the solicitor general has been invited to file briefing since the Federal Circuit was created in 1982, American Axle marks only the fourth where the court didn't follow the solicitor's suggestion, according to data compiled by Temple University Beasley School of Law professor Paul R. Gugliuzza. However, in each of the three other cases, the solicitor general suggested denying the case, and the court instead took it up.

That count doesn't include when the solicitor general urged the justices to take up Athena Diagnostics v. Mayo Collaborative Services, as a response to the justices asking whether they should review two other patent cases. The Supreme Court denied Athena.

The continued uncertainty at the Federal Circuit and brushoffs from the Supreme Court shouldn't change how Section 101 litigation will be handled, Holoubek said. A large portion of parties will still think it's worth appealing to the Federal Circuit, despite knowing that each case is a gamble depending on which judges are on the panel.

"It's so difficult to predict, but that means there's always a chance," she said. "Most businesses will do what it takes to keep that chance."

The Supreme Court's avoidance of patent eligibility may show it's time for Congress to tackle the underlying law, Guske said. Multiple senators have repeatedly addressed their frustrations with the state of patent eligibility law, but two large patent reform bills released in the last year didn't address Section 101 of the Patent Act. When the first one was released, attorneys speculated that Congress was waiting for the justices to deal with American Axle's petition.

"There have been ongoing discussions in Congress about fixing 101 that have increased and decreased in intensity over time," Nicholas Matich of McKool Smith said Thursday. "Maybe this will prompt [discussions] to increase again. To the extent that those who wanted to push reform were putting their eggs in the American Axle basket, it might change people's legislative strategies."

Holoubek said she can't blame the justices for punting to Congress.

"Ultimately, the Supreme Court has to interpret the laws based on Congress, and if there are inconsistencies that are uninterpretable, then Congress needs to fix this," she said.

Before leaving office in January 2021, former USPTO Director Andrei Iancu said the top priority for the office was patent eligibility reform, and current Director Kathi Vidal has likewise reflected on the importance of reform. Other former directors and former Federal Circuit judges have made similar comments over the last several years.

Representatives for the top members of the Senate Judiciary Committee's Subcommittee on Intellectual

Property — Sens. Patrick Leahy, D-Vt., and Thom Tillis, R-N.C., didn't immediately respond to requests for comments. Leahy, who will not be running for reelection in 2022, was hospitalized with a broken hip Thursday.

High-profile patent eligibility cases have often dealt with software and diagnostics, and the steep difference with the driveshaft patent at issue in the American Axle case was both a blessing and a curse. While there is debate about whether diagnostic patents cover laws of nature and software patents are directed to abstract inventions, American Axle's case seemed less philosophical to many attorneys.

"As a knee-jerk reaction, an axle made of steel — that's tangible. Certainly that constitutes patentable subject matter," Holoubek said.

But because it's rare to see patents for mechanical inventions invalidated under Section 101, Guske said it may make sense for the Supreme Court to wait for a case with wider applicability.

"I think that that was potentially a pretty big hurdle for the American Axle fact pattern," Guske said. "I think a lot of people are looking at it and saying, 'It might be useful clarification, but does it shed any extra light on life sciences or software?' It wasn't necessarily clear."

One major benefit though is that the mechanical patent at issue in American Axle is broadly easier to understand. Matich pointed to late Justice Antonin Scalia's concurrence in AMP v. Myriad Genetics — where the court held human genes aren't patent eligible, and he made it clear that the minutiae of molecular biology was over his head.

"I am unable to affirm those details on my own knowledge or even my own belief," he wrote in 2013.

The high court on Thursday turned down one additional patent eligibility case, where Spireon Inc. was trying to revive an inventory management patent that was invalidated under Alice as abstract.

Procon Analytics, which had gotten the patent invalidated after being sued for infringement, on Thursday said it's "obviously happy" that the petition was denied.

Counsel for Spireon didn't immediately respond to a request for comment.

The cases are American Axle & Manufacturing Inc. v. Neapco Holdings LLC, case number 20-891, and Spireon Inc. v. Procon Analytics LLC, case number 21-1370, before the U.S. Supreme Court.

--Editing by Andrew Cohen.

All Content © 2003-2022, Portfolio Media, Inc.