



The Claims as a Whole, Including ‘Conventional’ Physical Components, Must Be Considered at Step One of the Alice Test for Determining Patent Eligibility Under Section 101

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On remand from the Federal Circuit following an appeal and petition for cert to the Supreme Court, the District of Delaware considered whether the claims remaining in dispute in *American Axle v. Neapco* were invalid for failing to claim patent eligible subject matter. In this latest iteration, the district court found, as a matter of law, that the claims were **not** directed to an abstract idea and granted summary judgment in American Axle’s favor.

Prior to deciding the Section 101 issue, the district court addressed two preliminary issues. First, the district court considered Neapco’s argument that the claims should be found ineligible based on the law of the case doctrine. Specifically, Neapco argued that claim 1 of the ’911 patent was not meaningfully different from claim 22 of the same patent, which the Federal Circuit already held to be ineligible. And as a result, the law of the case doctrine dictates that claim 1 and its dependent claims are directed to ineligible subject matter. The district court rejected this argument. According to the district court, the issue presented here—whether claim 1 and its dependent claims are directed to a patent ineligible **abstract idea**—is distinct from the issue previously decided by the Federal Circuit—whether claim 22 was directed to a patent ineligible **natural law**. The district court further reasoned that the law of the case doctrine could not apply in view of the Federal Circuit’s directive on remand to the district court that it address the eligibility of claim 1 and its dependent claims in the first instance.

Next, the district court considered American Axle's argument that Neapco waived its right to assert that claim 1 and its dependent claims are directed to an abstract idea by not raising the argument earlier in the case. Here again, the district court pointed to the Federal Circuit's remand order, which instructed the district court "to address this alternative eligibility theory in the first instance," and held that, because the argument fell squarely within the Federal Circuit's remand order, it was not waived.

Turning to the question of patent eligibility, Neapco argued the claims recite the broad concepts of tuning and positioning, and defines those concepts only in terms of the results they are intended to achieve. But the claims lack any particular means or method of achieving the desired results, and thus fail to transform the abstract ideas of tuning and positioning into patent eligible subject matter. American Axle countered that the claims recite a new industrial process for manufacturing an improved driveshaft that includes specific steps for manufacturing the shaft assembly.

The district court agreed with American Axle, finding "[f]ar from an abstract idea, the claims are directed to a tangible system, or a method of using such a system, with an observable real-world impact." By focusing on just the "tuning" and "positioning" limitations, Neapco failed to evaluate the character of the claims as a whole. And by characterizing the tangible components in the claim as old technology that should be ignored, Neapco improperly conflated step one with step two of the *Alice* test. The district court explained that *Alice* step two evaluates whether the addition of routine or conventional steps transforms an otherwise unpatentable method into a patentable one, "which is different from arguing that the physical components are conventional." The latter argument being "more directed to novelty instead of eligibility." Accordingly, the district court concluded that the claims are not directed to an abstract idea under *Alice* step one and therefore are patent eligible.

Practice Tip: The district court's analysis in this case emphasizes two important points. First, step one of the *Alice* test looks at the claim as a whole read in light of the disclosures in the specification. Second, the presence of tangible components or methods of using them, even if conventional, may be sufficient to defeat a Section 101 challenge at step one. But specificity matters. Thus, the question of whether a claim is directed to an abstract idea may turn on the ability of a party to show that the claim covers a concrete application of an idea that is specifically tethered to tangible equipment having a real world impact.

Case: *American Axle & Mfg Inc. v. Neapco Holding LLC*, C.A. No. 15-1168-GBW (D. Del. July 19, 2023)

Categories

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Patent Litigation

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