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### PATENTS

A recent ITC ruling illustrates how the commission's 100-day pilot program has put weak patents at risk of invalidation early in a proceeding.

## Complainants Beware: Weak Patents Subject to Early Invalidation Through the ITC's 100-Day Pilot Program



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**T**he reach of the 100-day pilot program at the International Trade Commission has expanded to include substantive patent issues.

On Sept. 21, the commission decided not to review Administrative Law Judge David P. Shaw's first-of-its-kind initial determination in the 994 investigation's pilot program (*See Certain Portable Electronic Devices and Components Thereof*, Investigation No. 337-TA-994, Notice & Comm'n Determination (Sept. 21, 2016)). The initial determination held that the asserted patent claims are directed to patent ineligible subject matter and are therefore invalid under 35 U.S.C. § 101 (*Id.* at Final Initial Determination (Aug. 19, 2016)). In addition to being the first 100-day pilot program to address a

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substantive patent issue, the decision marks only the sixth time that the ITC has addressed Section 101 since the Supreme Court's *Alice* decision and the fourth time a Section 101 challenge has been successful.

The invalidation of the patent through the 100-day pilot program—a mere 15 weeks after the ITC instituted the investigation—signals the ITC's desire to quickly and efficiently terminate substantively weak cases. The pilot program shifts the offensive dynamic of an ITC investigation and gives respondents more power to highlight weaknesses in a complainant's case—whether related to ITC-specific issues or to patentability—before having to incur months of costly discovery. From the complainant's side, the pilot program reinforces the need for pre-suit diligence. Complainants must be prepared with their best patents and best case before filing or they risk an early, total loss.

### I. Pilot Program History

Launched in 2013, the goal of the pilot program is to test whether earlier rulings on dispositive issues can limit unnecessary litigation, saving time and expense (Press Release, U.S. Int'l Trade Comm'n, Faster Investigation Resolution, Lower Litigation Costs are Goals of USITC Section 337 Pilot Program, [https://www.usitc.gov/press\\_room/news\\_release/2013/er0624ll1.htm](https://www.usitc.gov/press_room/news_release/2013/er0624ll1.htm)). The ITC specifically identified domestic industry, importation, and standing as dispositive issues that could be addressed in the pilot program (*Id.*). None of the specifically enumerated dispositive issues addresses substantive patent issues.

Other than the 994 investigation, the ITC has invoked the 100-day pilot program on three occasions: twice on the issue of domestic industry (Investigation Nos. 337-TA-874 and 337-TA-1009) and once on the issue of standing (Investigation No. 337-TA-949). The pilot program in the 874 investigation found the complainant

failed to satisfy the economic prong of the domestic industry requirement, resulting in the termination of the investigation (*Certain Products Having Laminated Packaging, Laminated Packaging, and Components Thereof*, Investigation No. 337-TA-874, Order No. 15, Initial Determination on the Economic Prong of the Domestic Industry Requirement (July 5, 2013); *id.*, Commission Opinion (Sept. 3, 2013)). The parties to the 1009 investigation entered a consent order and terminated the investigation before the scheduled pilot program hearing (*Certain Inflatable Products with Tensioning Structures and Processes for Making the Same*, Investigation No. 337-TA-1009, Notice of a Commission Determination not to Review an Initial Determination Terminating the Investigation Based Upon a Consent Order (Aug. 18, 2016)). In the 949 investigation, Administrative Law Judge Thomas B. Pender found the complainant had standing. (*Certain Audio Processing Hardware and Software and Products Containing Same*, Investigation No. 337-TA-949, Order No. 8, Initial Determination Finding Complainant Andrea Electronics has Standing to Assert this Investigation (June 11, 2015)). Consistent with the ITC's list of exemplary issues, these pilot programs all addressed non-patent-specific issues.

## II. The 994 Investigation

The 994 investigation serves as an important decision, both as the first invocation of the pilot program on a substantive patent issue and as only the sixth time patent eligibility under Section 101 has been addressed by the ITC post-*Alice*. Each of the previous five times the issue was raised was on a motion for summary determination. Two of those challenges were denied: One because the claims had not yet been construed and one because the claims were found to satisfy Section 101. (*Certain Communications or Computing Devices and Components Thereof*, Investigation No. 337-TA-925, Order No. 32, Denying Google Inc.'s Motion for Summary Determination of Invalidity (May 19, 2015); *Certain Network Devices, Related Software and Components Thereof*, Investigation No. 337-TA-944, Commission Opinion (July 26, 2016).) The three other previous Section 101 challenges successfully invalidated at least some asserted claims.<sup>2</sup> (*Certain Activity Tracking Devices, Systems, and Components Thereof*, Investigation No. 337-TA-963, Notice of Commission Determination (Apr. 4, 2016); *id.*, Notice of Commission Determination (June 2, 2016); *Certain Automated Teller Machines, ATM Modules, Components Thereof, and Products Containing the Same*, Investigation No. 337-TA-972, Notice of Commission Decision (July 28, 2016); *Certain Wearable Activity Tracking Devices, Systems, and Components Thereof*, Investigation No. 337-TA-973, Order No. 24, Initial Determination (July 19, 2016).)

Turning to the facts of the 994 investigation, U.S. Patent No. 6,928,433 was the sole asserted patent. Claim 1, on which all of the asserted claims depend, is directed to a method of selecting a track from a computer-readable medium of a portable media player:

1. A method of selecting at least one track from a plurality of tracks stored in a computer-readable medium of a portable media player configured to present sequentially a first, second, and third display screen on the display of the media player, the plurality of tracks accessed according to a hierarchy, the hierarchy having a plurality of categories, subcategories, and items respectively in a first, second, and third level of the hierarchy, the method comprising:

selecting a category in the first display screen of the portable media player;

displaying the subcategories belonging to the selected category in a listing presented in the second display screen;

selecting a subcategory in the second display screen;

displaying the items belonging to the selected subcategory in a listing presented in the third display screen; and

accessing at least one track based on a selection made in one of the display screens ('433 Patent, 11:39-57).

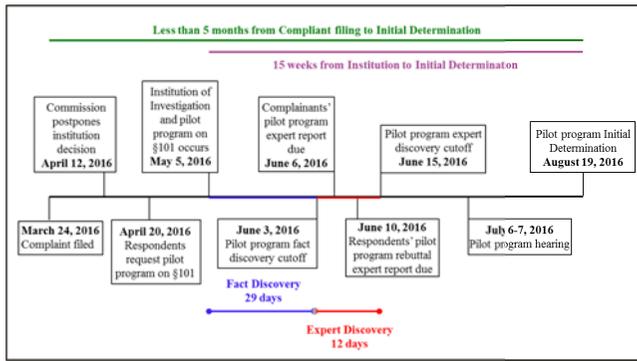
In the pilot program, the administrative law judge applied the two-part *Alice* test for patent-eligible subject matter. In step one, he found that "[t]he plain language of the claims of the '433 patent are directed to the abstract idea of using hierarchical categories to access content." (*Portable Electronic Devices*, Final Initial Determination at 33.) The administrative law judge noted that "conforming the presentation of a hierarchy's content to a display of limited size (*i.e.*, the 'technological environment') via sequential presentation of the hierarchy does not make the idea any less abstract as such a presentation method was a well-known and widespread practice in a variety of computing contexts." (*Id.* at 36.) He further noted that "[t]he fact that a claim does not preempt all organizational hierarchies, or may be limited to organizational hierarchies in the portable media player setting, does not make it any less abstract." (*Id.* at 40.) Having found the claims are directed to an abstract idea, the administrative law judge turned to the second *Alice* step and found that the claims "fail to add an 'inventive concept' sufficient to confer patent eligibility." (*Id.* at 45.)

The 994 investigation illustrates the speed of the pilot program and the need to prepare one's case early. Within five months of the filing of the complaint the administrative law judge issued his initial determination. The schedule provided less than a month for fact discovery and only 12 days for expert discovery. At the parties' joint request, the remaining issues of the investigation were deferred during the 100-day period. (*See Portable Electronic Devices*, Ltr to Hon. David P. Shaw regarding Parties' Preliminary Determinations on the Conduct of the Proceeding (May 18, 2016); Order No. 7 (May 26, 2016).)

## III. Conclusion

The 994 investigation is likely just the beginning of the expanded application of the pilot program. In addition to domestic industry, importation, standing, and patent eligibility, other potential subjects for the pilot

<sup>2</sup> In the 973 investigation, the commission vacated the summary determination of invalidity with respect to two asserted patents and chose not to review the Initial Determination of invalidity of the remaining patent. *Wearable Activity Tracking Devices*, Order (Sept. 7, 2016).



program include obviousness, anticipation, FRAND/

RAND, licensing, and public interest. Respondents have already begun asking for pilot programs on these subjects. For example, in the 984 investigation at least one Respondent requested a pilot program directed to public interest. (*Certain Computing or Graphics Systems, Components Thereof, and Vehicles Containing Same*, Investigation No. 337-TA-984, Public Interest Comments and Request for 100-Day Pilot Ruling (Jan. 12, 2016).) While the commission chose not to initiate a pilot program in that investigation, a holding that an exclusion order would be against the public interest would be dispositive of remedy, and therefore is a ground ripe for the next wave of development.