

100-Day Pilot Program Takeaways From ITC Invalidity Decision

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The U.S. International Trade Commission launched its 100-day pilot program in 2013 to provide a vehicle for an early resolution of investigations in view of potentially dispositive issues (e.g., standing and the economic prong of the domestic industry requirement) and requiring the administrative law judge to issue an initial determination within 100 days of the institution of the investigation. To date, the ITC has directed four investigations into the pilot program (or its earlier equivalent), and ALJs of the ITC have now issued final written decisions in three of these investigations.

On Aug. 19, 2016, ALJ David P. Shaw issued a final initial determination (“final ID”) in Certain Portable Electronic Devices and Components Thereof, 337-TA-994 (“994 investigation”), finding that the asserted claims of U.S. Patent No. 6,928,433 (the “433 patent”), titled “Automatic Hierarchical Categorization of Music by Metadata,” do not recite patent-eligible subject matter under 35 U.S.C. § 101, Section 101 of the Patent Act. This final ID is noteworthy because the investigation is the first instance in which the pilot program was used to address patent eligibility under Section 101. Further, the 994 investigation is the first investigation in the pilot program to be decided in favor of respondents.

Background of the Investigation

The complainants in the 994 investigation, Creative Technology Ltd. and Creative Labs Inc. (collectively “Creative”), filed their complaint on March 24, 2016, alleging infringement of the ’433 patent by numerous respondents, including smartphone and tablet manufacturers. Creative’s infringement allegations primarily focused on the organizational structure utilized to store and play music in the Google Play Music application, and also included infringement allegations relating to manufacturer-specific music applications.

The ’433 patent disclosed “an efficient user interface for a small portable music player” by categorizing musical tracks through a three-level series of hierarchical screens. For example, the ’433 patent disclosed selecting the “Artists” category (i.e., the first level), an album listed under the selected artist (i.e., the second level), and one of the tracks on that album (i.e., the third level).

Prior to institution, the respondents submitted correspondence to the ITC, requesting the ITC utilize the



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pilot program to determine whether the '433 patent recites patent-eligible subject matter under Section 101. Although not named as a respondent, Google Inc. also submitted a letter requesting entry into the pilot program, stating that it would likely seek to intervene in the investigation in view of Creative's infringing allegations relating to the Google Play Music application. The ITC instituted the investigation on May 11, 2016, and ordered:

Notwithstanding any [ITC] Rules that would otherwise apply, the presiding [ALJ] shall hold an early evidentiary hearing, find facts, and issue an early decision, as to whether the asserted claims of the '433 patent recite patent-eligible subject matter under 35 U.S.C. 101. Any such decision shall be in the form of an initial determination (ID). . . . The [ITC] expects the issuance of an early ID relating to Section 101 within 100 days of institution, except that the presiding ALJ may grant a limited extension of the ID for good cause shown. The issuance of an early ID finding that the asserted claims of the '433 patent do not recite patent-eligible subject matter under 35 U.S.C. 101 shall stay the investigation unless the [ITC] orders otherwise; any other decision shall not stay the investigation or delay the issuance of a final ID covering the other issues of the investigation.

Certain Portable Electronic Devices and Components Thereof Institution of Investigation, 81 Fed. Reg. 29307 (May 11, 2016).

Pursuant to the ITC's instructions, the parties developed a substantial record in the 994 investigation, including the exchange of proposed constructions for claim terms relevant to Section 101; fact and expert discovery and depositions; witness statements; and a two-day hearing addressing claim construction and patent eligibility under Section 101, as well as pre- and post-hearing briefing.

ALJ Shaw's Finding the Patent Claims Did Not Contain Patent-Eligible Subject Matter

In the final ID, ALJ Shaw analyzed the patentability of the '433 patent under the two-step test set forth by the U.S. Supreme Court in *CLS Bank Int'l v. Alice Corp Pty.*, 134 S. Ct. 2347 (2014). Under the Alice test, the ALJ is required to determine: (1) whether the '433 patent claims cover an abstract idea, and (2) whether the asserted claims identify an inventive concept sufficient to transform the abstract idea into a patent-eligible application.

With respect to the first step, the ALJ agreed with the respondents, Google and staff that "claim 1 is directed to the abstract idea of three-leveled organizational hierarchy." The ALJ further found that the asserted dependent claims are directed to abstract ideas because they "contain additional limitations relating to the claimed organizational method, and simply recite functional limitations." In addition, the ALJ determined that the Federal Circuit's recent decision in *Enfish LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), which was relied upon by Creative in its pre- and post-hearing briefs, was not applicable in this instance because the "[t]here is no specific asserted improvement, such as in the structure or implementation, of the three-leveled hierarchy described in claim 1 of the '433 patent," unlike the "particular, unconventional type of data structure" recited in *Enfish*.

Having determined that the '433 Patent claims are directed to an abstract idea under the first step of the Alice test, the ALJ again agreed with the respondents and Google that "accessing a track" using the three-level hierarchy is not inventive and does not depart from the routine and conventional use of an organizational hierarchy. The ALJ reached the same conclusion for the asserted dependent claims, finding, for example, that "using well-known musical categories such as "artist," "album," and "genre," in the organizational hierarchy does not disclose a limiting inventive concept." The ALJ therefore disagreed with Creative's argument that the asserted claims provide a technological solution to a

problem arising in computers that departs from the routine and conventional use of the technology. Therefore, the ALJ determined that the asserted claims of the '433 Patent did not recite patentable subject matter under either step of the Alice test, and was invalid under Section 101.

Creative recently submitted a petition for review by the ITC on Aug. 29, 2016, requesting the ITC reverse the final ID. Any response to the petition by the respondents and/or Google is due by Sept. 5, 2016.

Pre-Institution Requests for an Investigation To Be Sent to the Pilot Program by the Respondents

In view of ALJ Shaw's final ID in the 994 investigation, proposed respondents in an investigation should consider whether to request that the ITC direct an investigation into the pilot program based on patent ineligibility under Section 101.

The ITC has not provided specific guidelines or deadlines to submit requests for an investigation to be entered into the pilot program. Any such requests, however, should be filed well in advance of the ITC's decision whether to institute an investigation, which will issue within 30 days after the filing of a complaint. Typically, proposed respondents submit requests for investigations to be entered into the pilot program simultaneously with the filing of statements on the public interest relating to the complaint, which are due eight days after the ITC's notice that a complaint has been filed is published in the Federal Register. Like a statement on the public interest, a request for an investigation to be entered into the pilot program should be filed as a letter to the secretary to the commission, however, there is no specific page limit for such a request.

In the 994 investigation, the proposed respondents filed three letters requesting entry into the pilot program on and after the deadline for public interest statements. Creative filed a response opposing the requests, to which the LG respondents filed a reply. Notably, the ITC rules do not include a deadline or requirement for filing either a response to a request for an investigation to be entered into the pilot program, as Creative did prior to the ITC instituting the 994 investigation, or for a requester to file a reply in support of a request for entry into the pilot program, as LG did in the 994 investigation.

In addition, the requests in the 994 investigation varied from two to six pages in length, and all requests focused on the single, dispositive issue of patent eligibility under Section 101. This approach is consistent with other instances in which the ITC has directed an investigation into the pilot program, as the purpose of the request is to concisely identify a dispositive issue that can be effectively resolved within 100 days of institution. Thus, proposed respondents should not submit an "issue spotting" request or include issues in the request that are not dispositive of the entire investigation. Each of the investigations that have been entered into the pilot program involved potentially case-dispositive issues, including the economic prong of the domestic industry requirement, standing, and patent eligibility under Section 101, and limiting the request to be entered into the pilot program to these — and potentially other — case-dispositive issues is sufficient.

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DISCLOSURE: Akin Gump represented respondents HTC Corporation and HTC America Inc. in the 994 investigation before ALJ Shaw issued the final ID.

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