

# Accelerating patent eligibility decisions at the ITC

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SEPTEMBER 15, 2021

The United States International Trade Commission's (ITC or Commission) new Interim Initial Determination (Interim ID) pilot program will address case-dispositive, or at least very substantial, issues prior to an Administrative Law Judge (ALJ) holding a full hearing on all issues in a Section 337 investigation. The pilot program bridges the gap between the ITC's 100-day program for early case disposition, and the summary determination stage of an ITC case.

The 100-day program has had some success, primarily for the early investigation of domestic industry allegations. But it has been used much less often for patent-related issues, even though the majority of Section 337 investigations involve patent infringement allegations. Also, in contrast with the prevalence of pleadings-stage rulings in district court patent cases, relatively few ITC investigations have been resolved by summary determination.

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This article outlines the Interim ID program and explores its application in an area of patent law that has experienced explosive growth over the last decade, namely patent eligibility challenges under Section 101. This patent law issue, with its focus on the patent claims and specification and involving relatively few factual issues, is well suited for targeted discovery and legal review under the ITC's new program.

### Section 101

Section 101 of the Patent Act, 35 U.S.C.A. §101, provides that a patent may be obtained by "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof."

The United States Supreme Court, however, has long held that there are three categories of patent-ineligible subject matter: laws of nature, natural phenomena, and abstract ideas. Over the years, the Supreme Court's patent-eligibility test has morphed into its current form: the two-step *Alice* framework.

At step one, courts determine whether the claims are directed to one of the three categories of patent-ineligible subject matter.

*Alice Corp. v. CLS Bank International*, 573 U.S. 208, 217 (2014). And if the claims are, step two requires courts to determine whether the claims contain an "inventive concept" sufficient to transform the claimed idea into a patent-eligible application — i.e., the claims involve more than the performance of "well-understood, routine, [or] conventional activities." *Id.* at 217–18, 225.

Patent eligibility is ultimately a legal issue, but it may contain some underlying issues of fact.

### Application in district courts

Because the overall question of patent eligibility is a legal issue that often requires little more than the patent's specification and claims to resolve, it has become ripe for use at the pleadings stage of district court proceedings.

In the years since *Alice*, district courts have seen a sharp rise in Rule 12(b)(6) motions to dismiss and Rule 12(c) motions for judgment on the pleadings for lack of patent eligibility, going from at most 2 such motions per year pre-*Alice* to at least 90 motions per year since 2016.<sup>1</sup>

And even though the Federal Circuit's decisions in *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018) and *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121 (Fed. Cir. 2018) — where the Federal Circuit determined that whether a claimed invention is "well-understood, routine, or conventional" under *Alice* step two is a question of fact — have made it more difficult for defendants to dispose of patents at the pleadings stage, district courts still granted 51% of defendants' Rule 12(b)(6) and Rule 12(c) motions based on patent ineligibility in 2020.

Section 101 thus has, and will continue to be, a key mechanism for deciding patent cases at an early stage and with relatively little development of the factual record.

### Section 101 continues to evolve

Many in the patent community consider patent eligibility to be the most controversial doctrine in patent law, making it the subject of frequent debate and talk of reform.<sup>2</sup>

During a speech in early 2021, Andrei Iancu, then-Director of the U.S. Patent & Trademark Office (USPTO), called for reform to the current *Alice* framework when he asked if the courts or Congress will step in to "finally resolve this issue that has plagued our [patent] system for the past decade."<sup>3</sup>

And, in July 2021, the USPTO took important steps towards reform by seeking public comments regarding the impact of patent-eligibility jurisprudence on U.S. investment and innovation, as requested by the Senate.<sup>4</sup>

The Supreme Court may also soon reinsert itself into the patent eligibility discourse, as the Court has requested the Solicitor General's views on a certiorari petition filed in *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC*, an appeal of a 2020 patent eligibility decision from the Federal Circuit.

### The ITC and its new interim Initial Determination program

By way of background, the ITC is an administrative agency that investigates unfair methods of trade under Section 337 of the Tariff Act, 19 U.S.C.A. § 1337.

### *The Interim ID pilot program can be used in investigations for issues besides those involving questions of patent eligibility.*

When the Commission finds a violation of Section 337 — for example, where an imported product infringes a U.S. patent or trademark — it may issue an “exclusion order” blocking further importation of the infringing article.

To show a violation of Section 337, the Commission must find, among other things, importation into the United States, the sale for importation, or the sale after importation of articles that infringe statutory intellectual property (e.g., patent rights), or an unfair act or unfair method of competition in the importation, sale for importation, or sale after importation (e.g., trade secret misappropriation). 19 U.S.C.A. § 1337 (a)(1)(A) – (B); see also *Suprema, Inc. v. Int'l Trade Comm'n*, 796 F.3d 1338, 1345 (2015) (en banc).

Complainants allege patent infringement in a large majority of ITC investigations, and respondents have available the same defenses as defendants in district court, including patent invalidity. The ITC, however, does not adjudicate patent invalidity counterclaims.

### Section 101 and the ITC

Like defendants in district court, respondents in ITC investigations can raise the defense of subject matter eligibility under Section 101. ALJs at the ITC will apply the two-step *Alice* framework in deciding this issue. But because of the ITC's accelerated timelines (16–18 months for full adjudication, including discovery, an evidentiary hearing, and a post-hearing review process before the Commission legal staff), Section 101 issues are seldom addressed early during investigations.

In contrast with longer case timelines in most district courts, the expedited nature of ITC investigations often causes the Commission (in terms of the 100-day program) and ALJs (for standard cases) to postpone deciding fundamental issues such as patent eligibility until issuance of the post-hearing Initial Determination (ID).

By ruling on all issues in an ID, the ALJ presents the Commission with a full record to review. But this delay comes at a cost, when threshold, case-dispositive rulings about issues such as subject matter eligibility could have fully resolved an investigation.

Delayed ALJ decisions also contrast with Section 101 issues often being decided at early stages in district court litigation, such as at the motion to dismiss or judgment on the pleadings stages. So paradoxically, compared to how the district courts operate, accelerated ITC timelines result in more issues being decided, and being decided at a later stage of litigation.

Over the last several years, only a handful of case- or patent-dispositive Section 101 motions have been decided by ALJs at the ITC. For instance, five years ago in *Certain Portable Electronic Devices and Components Thereof*, Inv. No. 337-TA-994, Final Initial Determination, 2016 WL 4665956 (Int'l Trade Comm'n Aug 19, 2016), ALJ Shaw found the asserted patent invalid for embodying the abstract idea of organizing data in a hierarchical manner.

The Commission determined not to review any portion of ALJ Shaw's ID, thereby adopting its reasoning. As another example, in *Certain Movable Barriers Operator Systems and Components Thereof*, Inv. No. 337-TA-1209, the proposed respondents requested entry into the 100-day program.

There the Commission denied the request because resolving the Section 101 issues in that six-patent case “may be too complex to decide within 100 days of institution.” *Certain Movable Barriers*, Inv. No. 337-TA-1209, Comm'n Notice (Int'l Trade Comm'n Aug. 4, 2020). The parties litigated the remaining five asserted patents at a hearing in April and May of 2021, and this matter remains pending before the ALJ.

Over the past five years, at least 11 motions have been filed in other investigations seeking summary determination under Section 101 for at least one of the asserted patents. These motions were granted by the ALJs in four investigations<sup>5</sup> (and each upheld by the Commission in whole or in part in<sup>6</sup>) and denied in the seven other investigations.<sup>7</sup>

In investigations involving the denial of summary determinations, the patent eligibility issue carried over to the main evidentiary hearing before the ALJ. In the three most recent cases, the ALJs either found certain patents not patent eligible after the evidentiary hearing, or the issue remains pending.<sup>8</sup>

Recent rulings in *Certain Digital Video-Capable Devices and Components Thereof*, highlight the difficulties facing ALJs in addressing Section 101 challenges under traditional ITC timelines. In that investigation, the respondents moved for summary determination of patent ineligibility of all asserted claims, but ALJ Elliot initially decided that the motion was “sufficiently lacking in merit that it may be denied without briefing from Complainants.” Inv. No. 337-TA-1224, Order No. 27, 2021 WL 2375006, at \*1 (Int'l Trade Comm'n May 24, 2021).

Respondents had argued that the claims were directed to the abstract ideas of “authentication,” “timed challenged-response,” and “content transfer.” *Id.* at \*2. Applying *Alice* step one as a

threshold matter, ALJ Elliot sought to determine “whether the ‘focus’ of the claims, or their ‘character as a whole,’ is an abstract idea.” *Id.* at \*1 (quoting *CardioNet, LLC v. InfoBionic, Inc.*, 955 F.3d 1358, 1368 (Fed. Cir. 2020)).

Under that standard, the ALJ found that the claims were “plainly directed to eligible subject matter.” *Id.* While it was possible to characterize the asserted claims at a high enough level of abstraction “to reach the stratum of abstract idea,” ALJ Elliot noted that this could be “accomplished with any patent claim, by the simple expedient of summarizing it vaguely enough.” *Id.* at \*2.

The story continued for *Certain Digital Video-Capable Devices*. Three weeks after denying the respondents’ motion, ALJ Elliot *sua sponte* reconsidered the subject matter eligibility of the asserted claims. Inv. No. 337-TA-1224, Order No. 30 (Int’l Trade Comm’n June 15, 2021).

He cited the Federal Circuit’s opinion in *Yu v. Apple Inc.*, 1 F.4th 1040 (Fed. Cir. 2021) and questioned whether *Yu* represented an intervening change in law. Inv. No. 337-TA-1224, Order No. 30, slip op. at 1–2. The ALJ noted that in *Yu*, the “directed to” inquiry under *Alice* step one involved assessing “what the patent asserts to be the focus of the claimed advance over the prior art.” *Id.* at 1 (quoting *Yu*, 1 F.4th at 1044–45).

In addressing that question for a patent claiming an improved digital camera, the Federal Circuit found that inventor *Yu*’s claims were “directed to a result or effect that itself is an abstract idea and merely invoke[s] generic processes and machinery.” *Yu*, 1 F.4th at 1043.

According to ALJ Elliot, the authority he had relied on for his earlier ruling involved inquiring into the claim’s “character as a whole” and noted that “an invention is not rendered ineligible for patent simply because it involves an abstract concept.” Inv. No. 337-TA-1224, Order No. 30, slip op. at 2 (quoting *CardioNet*, 955 F.3d at 1368).

In contrast, *Yu* required looking at a claim’s “result or effect,” and noted that for the asserted patent, the “solution to [the disclosed] problems is the abstract idea itself — to take an image and ‘enhance’ it with another.” *Id.* at 2. Accordingly, because of this intervening authority, the ALJ deferred resolution of respondents’ motion until after the evidentiary hearing. *Id.* at 2.

As shown above, the legal standards for deciding the threshold issue of patent eligibility remain challenging. As in the district courts, the ITC has grappled with the *Alice* two-step framework, and the *Alice* step one inquiry about whether a claim is “directed to” an abstract idea has been difficult to decide. In cases involving substantial Section 101 questions, a focused inquiry into this issue without the expense and time commitment of pursuing all other issues in an ITC investigation could prove useful.

## Using the new pilot program at the ITC

### The ITC’s pilot program

The ITC’s pilot program for Interim IDs will address case-dispositive, or at least very substantial, issues prior to the ALJs’ holding full hearings on all issues in Section 337 investigations.

As noted above, this program bridges the gap between the 100-day program for early case disposition, and the summary determination stage of an ITC investigation. Historically, relatively few ITC cases have been completely resolved by summary determination.

With this new pilot program, the ITC aims to resolve dispositive issues before the main evidentiary hearing, ideally facilitating early settlement or resolution of the entire dispute between the parties without the expense of a full trial.

The ITC announced its pilot program for Interim IDs on May 12, 2021.<sup>9</sup> A key difference between this program and the 100-day program is that investigations will enter the Interim ID program at the ALJ’s discretion, rather than at the Commission’s discretion when instituting an investigation.

As explained in the ITC’s press release, the program will permit an ALJ to hold an evidentiary hearing and receive briefing on one or more discrete issues before the main evidentiary hearing, in order to fully develop the factual record and resolve those issues.

These discrete issues “may include, but are not limited to, infringement, patent invalidity, patent eligibility, standing, or satisfaction of the domestic industry requirement.” The pilot program will apply to all investigations instituted on or after May 12, and to investigations instituted prior to that date at the discretion of the presiding ALJ.

According to the ITC’s press release, key features of this program include:

- Presiding ALJs will be able to put issues within the program as they deem appropriate. It will be within each ALJ’s discretion to allow parties to file motions to put particular issues within the program that they believe will resolve the investigation expeditiously or facilitate settlement.
- The presiding ALJ will fully develop the factual record and arguments on the discrete issues within the program, including, as appropriate, through an evidentiary hearing and briefing on those issues.
- Interim IDs are to be issued no later than 45 days before the scheduled start of the main evidentiary hearing in the investigation.
- The presiding ALJ may determine to stay discovery on other issues during the interim ID process.
- The presiding ALJ may also determine to place the remaining procedural schedule of an investigation on hold while an Interim ID is before the Commission.
- The Commission will normally determine whether to review an interim ID within 45 days of issuance, and resolve any review within another 45 days, but can set a different time frame for good cause.

In comparison to the 100-day program, the new pilot program gives ALJs more flexibility and control over their investigations. At the same time, given the tight time constraints of Section 337 investigations, ALJs might be hesitant to use the pilot program

if it is not clear that an issue likely will fully resolve the case or if resolution of an issue will give an advantage to one party over the other. If both parties agree on the issue to be resolved, ALJs might be more inclined to utilize the pilot program.

### Applying the pilot program to questions of patent eligibility

The ITC's new pilot program allows a focused inquiry of specific issues, including the threshold issue of patent eligibility. At first blush, this program may appear to primarily benefit respondents, as it may facilitate the early resolution of issues in their favor. But this would be no different than motion to dismiss or judgment on the pleadings practice before the district courts.

Moreover, complainants could benefit by strategically seeking to use this program to get early resolution of a subset of critical issues in their favor, especially where a complainant is seeking a monetary settlement rather than an exclusion order.

The legal framework for analyzing Section 101 issues continues to evolve, and the Supreme Court may provide further guidance if it grants the *American Axle* cert. petition. In the meantime, the Interim ID program may provide meaningful assistance to ALJs as they manage their busy caseloads.

For investigations where Section 101 issues predominate, or at least impact a significant number of the asserted patents, use of the pilot program could potentially resolve the overall dispute between the private parties.

Also, given the focus of Section 101 motions on the claims, the patent specification, and possibly narrow factual issues such as what a person of skill would understand a claim term to mean, the substantial cost of discovery into all other issues involved with an ITC investigation — including infringement, invalidity, importation, and the technical and economic prongs of domestic industry — could be avoided or at least deferred.

At the same time, the narrow scope of Section 101 determinations would facilitate Commission review of ALJ decisions under the program.

The Interim ID pilot program can be used in investigations for issues besides those involving questions of patent eligibility. And the program has the potential for lengthening ITC investigations, just as unsuccessful challenges under the 100-day program ultimately led to longer timelines.

But in contrast with the 100-day program, requests for entry into the Interim ID program do not need to be made within weeks of an ITC complaint having been filed, thereby giving the parties more time to consider the merits of their arguments.

Also unlike the 100-day program, the ITC's Office of Unfair Import Investigations (OUII), for those investigations where it participates, will be able to provide input to ALJs about the appropriateness of a given case for entry into the pilot program.

This input may help guard against requests to enter the program for purposes of tactical delay. Similarly, the Commission's commitment to determine whether to review an Interim ID within 45 days of issuance, and resolve any review within another 45 days,

will help minimize delays to the overall schedule in the event the Commission disagrees with the ALJ with respect to issues in an Interim ID.

Accordingly, the pilot program presents a useful tool for ALJs as they manage their busy schedules in their ITC investigations.

### Conclusion

The ITC's Interim ID pilot program is well suited to resolving challenges to patent eligibility. In contrast with the many issues presented to the ALJ during a full evidentiary hearing, questions of patent eligibility focus mainly on the patent claims and specification, and may require only limited additional discovery. So of the many issues that could fall within the scope of the Interim ID program, patent eligibility would certainly rank near the very top.

### Notes

<sup>1</sup> Statistics retrieved from Docket Navigator Analytics.

<sup>2</sup> See, e.g., David O. Taylor, *Confusing Patent Eligibility*, 84 Tenn. L. Rev. 157, 158–59 (2016); Paul R. Gugliuzza, *The Procedure of Patent Eligibility*, 97 Tex. L. Rev. 571, 574–75 (2019).

<sup>3</sup> Remarks by Director Iancu at the U.S. Chamber of Commerce event “How innovation and creativity drive American competitiveness,” (Jan. 19, 2021), <https://bit.ly/3DHJNHS>.

<sup>4</sup> Public comment sought on the current state of patent eligibility jurisprudence and its effect on investment and innovation (July 8, 2021), <https://bit.ly/3kRuweO>.

<sup>5</sup> Summary determination motions granted in *Certain Road Construction Machines and Components Thereof*, Inv. No. 337-TA-1088, Order No. 18, Initial Determination, 2018 WL 2459016 (Int'l Trade Comm'n May 24, 2018) (for one asserted patent); *Certain Wearable Activity Tracking Devices, Systems, and Components Thereof*, Inv. No. 337-TA-973, Order No. 24, Initial Determination, 2016 WL 4662428 (Int'l Trade Comm'n July 19, 2016) (for all three asserted patents); *Certain Automated Teller Machines, ATM Modules, Components Thereof and Products Containing The Same*, Inv. No. 337-TA-972, Order No. 21, Initial Determination, 2016 WL 3771333 (Int'l Trade Comm'n June 28, 2016) (for one asserted patent); *Certain Activity Tracking Devices, Systems, and Components Thereof*, Inv. No. 337-TA-963, Order No. 40, Initial Determination, 2016 WL 1459535 (Int'l Trade Comm'n Mar. 3, 2016) (for two asserted patents).

<sup>6</sup> Summary determination rulings affirmed in *Certain Road Construction Machines and Components Thereof*, Inv. No. 337-TA-1088, Order No. 26, 2018 WL 3387499 (Int'l Trade Comm'n July 5, 2018) (granting complainant's motion to withdraw patent subject to Section 101 ruling from investigation), unreviewed, Comm'n Notice (Int'l Trade Comm'n July 25, 2018); *Certain Wearable Activity Tracking Devices, Systems, and Components Thereof*, Inv. No. 337-TA-973, Comm'n Notice (Sept. 7, 2016) (affirming patent ineligibility ruling for one of three asserted patents); *Certain Automated Teller Machines, ATM Modules, Components Thereof, and Products Containing The Same*, Inv. No. 337-TA-972, Comm'n Notice, 2016 WL 10688992 (Int'l Trade Comm'n Apr. 28, 2016) (not reviewing Section 101 ruling for asserted claims of one patent); *Certain Activity Tracking Devices, Systems, and Components Thereof*, Inv. No. 337-TA-963, Comm'n Notice (Int'l Trade Comm'n Apr. 4, 2016) (affirming patent ineligibility ruling with modification for two asserted patents).

<sup>7</sup> Summary determination motions denied in *Certain Digital Video-Capable Devices and Components Thereof*, Inv. No. 337-TA-1224, Order No. 27, 2021 WL 2375006 (Int'l Trade Comm'n May 24, 2021) (initially denying motion as to three asserted patents but later sua sponte reconsidered); *Certain Light-Emitting Diode Products, Fixtures, and Components Thereof*, Inv. No. 337-TA-1213, Order No. 22 (Int'l Trade Comm'n Apr. 20, 2021) (denying Section 101 motion regarding two patents, although the ALJ later found these same patents invalid for claiming patent ineligible subject matter after the evidentiary hearing and in part based on Federal Circuit's *Yu* decision); *Certain Electronic Devices, Including Streaming Players, Televisions, Set Top Boxes, Remote Controllers, and Components Thereof*, Inv. No. 337-TA-1200, Order No. 21, 2020 WL 6441422 (Int'l Trade Comm'n Sept. 14, 2020) (denying Section 101 motion directed to two patents due to disputed material facts, although the ALJ later found these patents invalid after the evidentiary hearing); *Certain Smart Thermostats, Smart HVAC Systems, and Components Thereof*, Inv. No. 337-TA-1185, Order No. 19, 2020 WL 8213187 (Int'l Trade Comm'n Nov. 2, 2020) (denied on the merits); *Certain Wireless Mesh Networking Products and Related Components Thereof*, Inv. No. 337-TA-1131, Order No. 19, 2019 WL

3522443 (Int'l Trade Comm'n July 17, 2019) (denying Section 101 motion directed to all four asserted patents for disputed material facts); *Certain Semiconductor Devices and Consumer Audiovisual Products Containing Same*, Inv. No. 337-TA-1047, Order No. 36, 2017 WL 6350229 (Int'l Trade Comm'n Dec. 1, 2017) (denial on the merits); *Certain Mobile and Portable Electronic Devices Incorporating Haptics (Including Smartphones and Laptops) and Components Thereof*, Inv. No. 337-TA-1004,

Order No. 43, 2017 WL 1352670 (Int'l Trade Comm'n Apr. 6, 2017) (denial on the merits).

<sup>8</sup> See *Supra*, note 8.

<sup>9</sup> *Pilot Program Will Test Interim ALJ Initial Determinations on Key Issues in Sec. 337 Investigations*, (May 12, 2021), <https://bit.ly/3kNK8Af>

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This article was first published on Westlaw Today on September 15, 2021.