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Rarely Used ITC 100-Day Program Still Has Positive Effect

By **Ryan Davis**

Law360, New York (January 22, 2018, 10:02 PM EST) -- A U.S. International Trade Commission program to resolve some issues in patent cases within 100 days, launched nearly five years ago, has been used only a handful of times, but attorneys say it is an effective tool to streamline cases and improve the quality of patent complaints.

A total of six cases have been put in the early disposition pilot program since it began in mid-2013, and the commission has used it to hold that nonpracticing entities did not meet the requirements to file an ITC patent suit and to invalidate a patent for claiming only abstract ideas.

The relatively infrequent use of the program reflects that the ITC invokes it only when it can be used to dispose of an entire case. Nonetheless, the program has been effective in spurring ITC complainants to make sure their cases are up to the commission's standards and provides a way for accused infringers to swiftly prevail under the right circumstances, attorneys say.

"It's meant to eliminate the marginal cases, and I think it has been doing that," said Cono Carrano of Akin Gump Strauss Hauer & Feld LLP.

The number of patent complaints has increased at the ITC over the past few years, highlighting the importance of a program that can expeditiously resolve some cases, said Jamie Underwood of Alston & Bird LLP.

"If you have a lot of cases on the docket, and you think some can be easily disposed on in a quick fashion, this is always a tool you want to have available," she said.

F. Scott Kieff of McKool Smith PC, who was an ITC commissioner from 2013 to 2017, said that the program shows the commission is "ready, willing and able" to work with litigants and attorneys to come up with ways to improve litigation, and could lead to other pilot programs in the future.

"There's a lot of room for collaboration and problem-solving when the bar and other stakeholders collaborate and make suggestions," he said, adding that the program shows "the commission will address concerns in good faith and not wall itself off."

Under the program, the commission decides when an issue can resolve a case quickly through expedited fact-finding and abbreviated hearing. Of the six cases in which it has been used to date, respondents requested that the program be used in two of them, while the commission decided on its own to invoke the program in the other four.

The 100-day system was first used in a test case beginning in March 2013 and resulted in the commission finding that the complainant did not have a U.S. domestic industry, a requirement for filing suit at the ITC. The commission **announced** a pilot program to use that early disposition system in other cases that June.

When the program began, members of Congress and some companies accused of infringement had **expressed concern** that the ITC could become a haven for nonpracticing entities. The 100-day program was seen by many at the time as a way to crack down on such cases.

If a company does not make products and has a business model based solely on bringing patent litigation, it may not be able to meet the ITC's requirement that patent complainants have a domestic industry in the United States. The commission can address that issue in a short period of time early in a case, and has done so under the 100-day program, which Underwood said has made complainants more conscientious about filing suits that meet ITC rules.

"That has been a very effective use of the procedure," Underwood said. "It's partially what it was designed for, and it seems to have really worked."

According to ITC statistics, there were seven complaints in 2012 by what the commission calls "Category 2 NPEs," which have a primary business model of asserting patents, as opposed to "Category 1 NPEs," including inventors, universities and others that don't make products. In the four full years since the program started, there have been only one to three such cases per year.

In addition to the domestic industry requirement and cases in which the complainant may lack standing, the ITC has also used the program to evaluate whether a patent is invalid for claiming patent-ineligible abstract ideas under the U.S. Supreme Court's Alice ruling, which was issued after the program took effect.

In the one case where the ITC has addressed patent eligibility under the program, it invalidated a media player patent asserted against Sony Corp. and Samsung Electronics Co. Ltd., and the Federal Circuit affirmed that ruling **last year**.

That case shows that ITC is willing to expand the issues it may consider under the program beyond those envisioned when it began, attorneys say. But the commission has made clear that few issues are appropriate for expedited review, and that it will only consider those that are case-dispositive.

"Anything that doesn't actually resolve the entirety of the dispute or a large component of it just adds cost and delay," Kieff said.

The program can be useful if there is "an elephant in the room," a unique issue that can resolve an entire case, and the commission still seems to be exploring what those might be, said Brian Johnson of Sidley Austin LLP.

"It's still evolving," he said. "The commission is trying to decide where to emphasize this sort of proceeding."

The commission has denied requests to have a case put in the 100-day program when the issue would only resolve the case with regard to certain parties or certain patents. For instance, a company accused of infringing three patents that argues that one of them is invalid under Alice is unlikely to persuade the ITC to use the program.

"It can shorten the proceedings quite a bit, but it has to be the right case," Carrano said. The challenge of identifying an issue that can both fully resolve a case and that is simply enough to be addressed in 100 days accounts for how infrequently the program has been used, he said.

One concern that has been raised about the program is that if an issue is selected for 100-day review and does not actually resolve the case, it just ends up making the litigation longer. That happened in one early case when the target date to end the suit had to be extended, which may be part of the reason why the program has been used sparingly.

"If the program is not used appropriately, it could actually extend things. That's always been a concern," Johnson said.

Though it has only been used six times, the program has had an impact in other cases. In some instances, the ITC has said that while the issue raised by the respondent is not appropriate for the 100-day program, it may still be suitable for determination early in the case, potentially giving the respondent another way out of the case.

"Even if the program is requested and not granted, that can put a light on an issue that might be

case-dispositive on summary determination," Carrano said.

The low rate at which requests to put a case in the 100-day program have succeeded has not stopped respondents from making them, with between half a dozen and dozen filed each of the last four years.

"The commission has been very conservative in how it's applied this program, but the number of requests we've seen shows that parties and the bar are still very interested in having this alternative avenue," Underwood said.

The ITC proposed rules to make the pilot program permanent in 2015, but has not yet adopted them, though attorneys said they expect it to continue. Even with only a few examples to go on, the 100-day program has changed how litigants approach ITC patent cases in ways that can benefit both sides, Carrano said.

"On the complainant's side, it gives you pause to think. It's another hurdle to be concerned with if you have a weak, case-dispositive issue, so that's positive in terms of what's brought to the ITC," he said. "And for respondents, it's a chance get out from under an investigation relatively quickly and inexpensively."

--Editing by Katherine Rautenberg and Catherine Sum.
