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Federal Circuit Rules That Losing Parties May Appeal Any Issue Noticed For Review By The ITC

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The Federal Circuit's recent decision in *General Electric Co. v. Int'l Trade Comm'n*, No. 2010-1223 (Feb. 29, 2012) vindicates the right of a losing party to appeal any issue noticed for review by the International Trade Commission, regardless of whether the Commission actually decides the issue in its Final Determination.

The General Electric investigation originated when General Electric Co. ("GE") filed a complaint with the Commission under Section 337, accusing Mitsubishi Heavy Industries, Ltd. and Mitsubishi Power Systems Americas, Inc. (collectively, "Mitsubishi") of infringing three GE patents for wind turbine technology, including U.S. Patent No. 6,921,985 ("the '985 patent"). The investigation proceeded and the Administrative Law Judge ("ALJ") found that Mitsubishi infringed all three patents; that none of the three patents were invalid or unenforceable; that GE had a domestic industry with respect to two of the three patents, including the '985 patent; and there was a violation of Section 337. The parties petitioned the Commission for review of the ALJ's decision and the Commission issued a Notice of Review, indicating it would review all issues in the ALJ's decision, except importation and the "intent" prong of an inequitable conduct defense. However, upon completing its review, with regard to the '985 patent, the Commission addressed only the issue of whether GE met the technical prong of the domestic industry requirement, *i.e.*, whether GE practiced the '985 patent, and determined that GE's products did not. The Commission reversed the ALJ's determination, and found there was no violation of Section 337. The Commission took no position on the other issues it had previously indicated were subject to review.

Following the Commission's Final Determination, GE appealed to the Federal Circuit on all issues related to the '985 patent that the Commission had noticed for review, including the issues the Commission declined to take a position on.

Federal Circuit review of Commission decisions is governed by 19 U.S.C. § 1337(c) which provides that "[a]ny person adversely affected by a final determination of the Commission ... may

appeal such determination ... to the United States Court of Appeals for the Federal Circuit." Commission review of an ALJ's initial determination is governed by 19 C.F.R. § 210.42(h)(2) which provides that "[a]n initial determination [on issues of § 337 violations] shall become the determination of the Commission ... unless the Commission ... shall have ordered review of the initial determination or certain issues therein." Reading these provisions in concert, the Federal Circuit ultimately held that "issues not selected for review by the full Commission may be appealed to the Federal Circuit." *General Electric*, slip op. at 23.

On appeal, the Commission argued that GE had no statutory authority to appeal issues that the Commission noticed for review but did not address in its Final Determination, citing a 1984 Federal Circuit decision in *Beloit Corp. v. Valment Oy*, 742 F.2d 1421 (Fed. Cir. 1984), and a 2008 amendment to a federal regulation related to Commission review of initial determinations (19 C.F.R. § 210.45(c)). More particularly, the Commission argued that *Beloit* held that the Federal Circuit cannot hear an appeal on any issue noticed for review but not decided by the Commission.

The Federal Circuit rejected this argument, noting that its holding in *Beloit* stood only for the proposition that unreviewed issues cannot be appealed by the party *prevailing* on those issues. According to the Federal Circuit, nothing in *Beloit* allows the Commission to strip the right to appeal from a *losing* party. The Federal Circuit also rejected the Commission's argument that the 2008 amendment to 19 C.F.R. § 210.45(c) – which provides "the Commission may take no position on specific issues or portions of the initial determination of the administrative law judge" – removed issues not decided by the Commission from appellate review, noting that "no statutory or regulatory provision contemplates excluding a fully litigated ITC decision from access to judicial review." *General Electric*, slip op. at 24. Citing comments from both the ITC Trial Lawyers Association and the Intellectual Property Owners

Association praising the “prompt and effective resolution” of Section 337 actions by the Commission, the Federal Circuit reasoned that such promptness and effectiveness would be ill-served by a rule destroying appellate rights for issues selected for review, but then not actually reviewed by the Commission. In closing, the Court highlighted the inconsistencies that the rule being advanced by the Commission would create, and restated its authority to review issues noticed and reviewed by the Commission, as well as its authority to review issues not noticed by the Commission at all.

In *Beloit*, one reason the Federal Circuit approved the Commission’s approach of disposing of a case based on a single dispositive issue and taking no position on other

issues was because such an approach could “greatly ease the burden on a Commission commonly faced with a Section 337 proceeding involving numerous complex issues and required by statute to reach its conclusion with rigid time limits.” *Beloit*, 742 F.2d at 1423. The decision in *General Electric* requires the Commission to consider every issue noticed for review in order to avoid remands, such as occurred in *General Electric*. If the Commission must now decide every issue noticed for review, the review process may very well take longer and result in more time for the ITC to complete Section 337 investigations. Thus, *General Electric* may ultimately serve to work against the “prompt and effective resolution” of Section 337 proceedings.