

INTELLECTUAL PROPERTY LAW

ITC patent dispute over wind turbines turns political

The case developed into a battleground of public policy, with members of Congress weighing in.

BY LAWRENCE T. KASS

It's not easy being green. The clean-technology revolution presents new challenges and opportunities somewhat unique to green energy innovation, project development and finance. Clean-tech companies, financiers and their counsel must understand and appreciate more than ever how to navigate and even avail themselves of the interplay among public policy, politics and intellectual property. The patent litigation between General Electric Co. and Mitsubishi Heavy Industries Ltd. at the U.S. International Trade Commission (ITC) over certain wind turbines is a case in point. The case concluded on Jan. 8, when the full commission issued a final determination of no violation by Mitsubishi.

During the past several months, the case developed into a battleground of public policy and politics, with various senators and representatives weighing in for one side or the other. Already a closely watched case due to its high stakes for the renewable energy sector, the added political overtones and scrutiny increased the need to quickly appreciate and address sensitive economic and political issues when litigating clean-energy patents.

The ITC began an investigation in March 2008 based on GE's complaint that Mitsubishi was importing and selling wind turbines that allegedly infringe three GE patents. On Aug. 7, 2009, an ITC administrative law judge (ALJ) issued an initial determination that, for some (not all) asserted claims in two of three GE patents, Mitsubishi was infringing and violating § 337 of the Tariff Act of 1930 by importing and selling its accused turbines and components. Facing possible exclusion of its turbines from the U.S. market,



Mitsubishi petitioned the full commission to review the ALJ's adverse initial determinations.

An investigative staff attorney from the ITC's Office of Unfair Import Investigations also weighed in with a petition for review, disagreeing with some of the ALJ's determinations. The staff attorney questioned the infringement findings on certain patent claims and expressed concern about whether GE itself practices other claims in the U.S. wind turbine market, thereby satisfying a "domestic industry" requirement for a § 337 violation. On the other hand, the staff attorney said, the public interest should not preclude an exclusion order if Mitsubishi loses, even though Mitsubishi plans to open a \$100 million manufacturing plant in Arkansas for wind turbines. However, the staff attorney argued that, if Mitsubishi did lose, it nevertheless should be allowed to supply turbines to one wind farm project in Texas that received \$114 million in federal stimulus money.

In view of the petitions, the full commission announced on Oct. 8, 2009, that it would review the ALJ's initial determination. As part of the order for review, the commission noted that, if it were to

contemplate some form of remedy against Mitsubishi, it would have to consider the remedy's effect upon the public interest. The notice explained that a violation could mean excluding the accused turbines from the United States and/or requiring Mitsubishi to cease and desist from their importation and sale. The commission invited public submissions to address, among other things, any potential remedy as well as its effect on the public. Written submissions by the parties and public were due on Nov. 2, with replies due on Nov. 9. The commission twice extended its own deadlines, finally announcing that it would render a determination by Jan. 8.

The considerable economic, political and public interest in the outcome of the case is undeniable. The U.S. market for wind turbines is expected to reach \$60.9 billion by 2013. GE is the largest U.S. manufacturer and supplier to that market. Mitsubishi is one of the largest importers, and it continued to take on large U.S. orders while seeking investment in projects for its wind turbines despite the ALJ's initial determination. Jessica Dye, "ITC Extends Mitsubishi Wind Turbine Investigation," Law 360, Nov. 20, 2009. The market and the need for turbines is only expected to increase; indeed, the Obama administration has set a goal of generating 20% of U.S. electricity through wind energy by 2030.

POLITICIANS ON BOTH SIDES

With renewable energy being such a hot political and public policy issue, a number of politicians submitted letters to the commission. The letters tended to favor the company that maintains a major presence in the politician's respective state or district. Senators, representatives and the governor of Arkansas came out in force for



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Mitsubishi. They sent no fewer than seven letters, many including co-signatures of congressional colleagues outside Arkansas. Most met the commission deadlines of Nov. 2 or 9.

For example, Sen. Blanche Lincoln (D-Ark.) wrote a letter on Oct. 2, along with Sen. Ron Wyden (D-Ore.), urging the commission to look closely at the initial determination's "significant public policy implications." They argued that the ALJ's infringement determination was contrary to the staff attorney's views. On Nov. 9, Lincoln wrote a follow-up letter with Sen. Mark Pryor (D-Ark.) commending the ITC for ordering the full commission review. They emphasized a potential shortfall of capacity as the industry endeavors to meet the Obama administration's wind generation goal for 2030.

Other politicians also wrote letters tending to favor GE. They largely represent states such as South Carolina, home to a large GE facility for manufacturing wind turbines; Georgia, home to GE Energy; and New York, the global headquarters for GE Wind's business.

The first was a Dec. 8 letter from Rep. Bob Inglis (R-S.C.), followed on Dec. 23 by Sen. Lindsey Graham (R-S.C.). Graham argued that the case is vitally important to the nation's ability to attract investment in clean energy. He explained that attracting

companies like GE to invest in clean-energy research and development, engineering, testing, manufacturing, servicing and installation skills, requires strong protection of intellectual property.

Sens. Saxby Chambliss (R-Ga.) and Johnny Isakson (R-Ga.) wrote a brief letter on Dec. 23, pointedly suggesting that the dispute "may have become politicized" and urging the commission to decide the case on its merits. Sen. Charles Schumer (D-N.Y.), Sen. Kirsten Gillibrand (D-N.Y.) and Rep. Paul Tonko (D-N.Y.) wrote on Jan. 6 that weakening IP relating to clean technology poses a substantial risk of inhibiting "creation of new green jobs and the transition to a green economy."

The six letters for GE seemed somewhat belated, however. None of them met the commission's Nov. 2 and 9 deadlines. The earliest was dated Dec. 8, three were dated Dec. 23, one was dated Jan. 5 and one was dated Jan. 6—just two days before the commission's final determination target date of Jan. 8.

POLICY, POLITICS AND IP

The commission issued a largely procedural three-page notice on Jan. 8, simply stating that it had decided to terminate the investigation with a final determination of no violation and that an opinion would

issue shortly. This took many by surprise.

It may be fairly questioned how much the input from politicians actually influenced the commission's determination. Arguably, the public interest should affect only the remedy upon finding a violation and should have no bearing if the commission determines there was no violation. Yet the letters also clearly urged the commission to conduct a particularly careful review of the merits. To the extent they did have any effect, one may question whether the belated input from the politicians for GE was too little, too late.

Although not all situations will present the same high stakes and draw the same level of attention, the GE/Mitsubishi litigation illustrates that the interplay among public policy, politics and intellectual property can be particularly important in clean-energy cases. This interplay is not limited to ITC litigation because, for example, district courts also consider the public interest when evaluating whether to issue an injunction. Appreciation for this interplay, as well as a diverse legal team possessing not only litigation capacity, but also broad experience and insight into the economics and public policies of renewable energy, can be a valuable asset.

For example, project-finance counsel in this sector have valuable insight into the underlying market economics, including significant data, trends, dynamics, policies and players relating to investments in clean energy throughout the country. The ability to perceive opportunities for public interest support in a litigation and to quickly, effectively mobilize stakeholders may be aided by such capacities.

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