August 15, 2019

Federal Circuit Reverses Course, Revises *Swagway v. ITC* Opinion to Vacate Holding on Preclusive Effect of ITC Decisions

In an opinion issued in May of this year, the Federal Circuit ruled for the first time that the ITC's decisions regarding trademark disputes—just like its determinations on patent issues—do not have any preclusive effect on subsequent district court proceedings. (See our previous alert on the case here.) Relying heavily on prior cases involving the ITC's patent-related determinations, which have been long held not to be binding on district courts, the court saw "no reason to differentiate between" the effects of the ITC's trademark-related decisions and its patent-related decisions. Notably, this approach deviated with the approach espoused by other appellate courts such as the Second and Fourth Circuits, potentially teeing up the issue for Supreme Court review.

After the May opinion issued, intervenors Segway, Inc., DEKA Products Ltd. Partnership, and Ninebot (Tianjin) Technology Co., Ltd. (collectively, "Segway") (the complainants in the underlying ITC investigation) filed a combined petition for panel rehearing and rehearing en banc that questioned the preclusion findings in the panel opinion. The ITC—the appellee in the appeal—supported the petition for rehearing, arguing that (1) the issue of preclusive effect was not sufficiently briefed to be decided by the Federal Circuit, and (2) it should be the district court being asked to apply preclusion, not the Federal Circuit, who decides whether preclusive effect should be given to the prior judgment.

On August 14, 2019, the Federal Circuit granted the request for panel rehearing. It vacated the portion of its original opinion related to the preclusion question and issued a modified opinion. The revised opinion does not, however, affirmatively state that the ITC's decision *will* have preclusive effect in a related litigation, instead leaving that question for the district court to address in the first instance. It appears that the Federal Circuit agreed with the intervenors and the ITC that the issue of preclusion was not sufficiently briefed and was not necessary to the Federal Circuit's disposition of this appeal.

Given the uptick in non-patent ITC investigations in recent years—including trademark, trade secret, and false advertising claims—as well as the increasing stakes at issue in these proceedings, *Swagway* is not likely to be the last to address the interplay between ITC preclusion and non-patent claims. As noted in our prior alert on the original panel decision, other courts have had to address this issue in the past (and arrived at different conclusions), so this question may continue to percolate.