

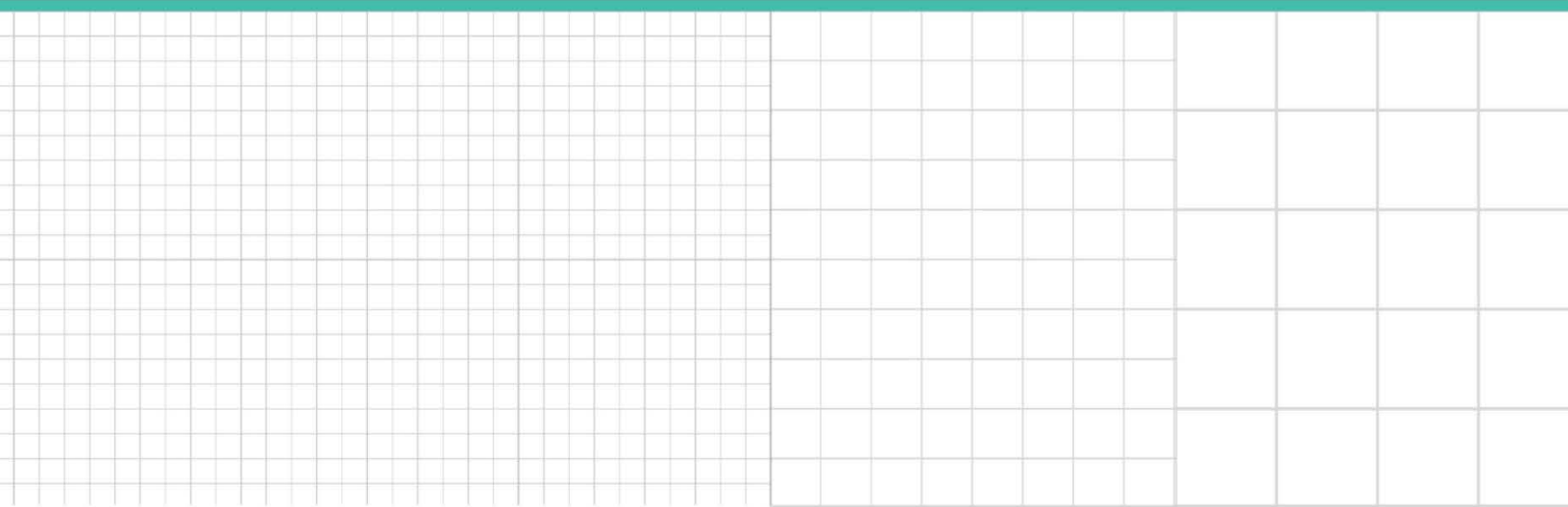


Professional Perspective

Protecting Trade Secrets at the ITC

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Protecting Trade Secrets at the ITC

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The [first article](#) of this series examined how the federal district courts have recently enhanced the relief afforded U.S. trade secret holders under the Defend Trade Secrets Act (DTSA) for the overseas misappropriation of trade secrets. This article explains how the U.S. International Trade Commission has allowed IP rights holders to address unfair methods of competition caused by the overseas misappropriation of trade secrets. It also includes practice tips for pursuing a claim at the International Trade Commission.

Trade Secret Law at the ITC

The Commission investigates unfair trade practices under section 337 of the Tariff Act of 1930, as amended, [19 U.S.C. § 1337](#). It has the authority "to provide an adequate remedy for domestic industries against unfair methods of competition and unfair acts instigated by foreign concerns operating beyond the in personam jurisdiction of domestic courts." *Sealed Air Corp. v. Int'l Trade Comm'n*, [645 F.2d 976](#), 985-86 (C.C.P.A. 1981). The Commission has nationwide, in rem jurisdiction over imported goods. Section 337 investigations are fast-paced and frequently involve foreign discovery.

Section 337 reflects the Congressional intent to allow wide discretion in defining unfair trade practices. Indeed, when section 316, the predecessor of section 337, was added to the Tariff Act, the Senate Finance Committee reported that "[t]he provision relating to unfair methods of competition in the importation of goods is broad enough to prevent every type and form of unfair practice." *In re Orion*, [71 F.2d 458](#), 467 (C.C.P.A. 1934). The Commission has long found the misappropriation of trade secrets to fall within the scope of section 337. See, e.g., *Certain Processes for the Manufacture of Skinless Sausage Casings & Resulting Product*, Inv. No. 337-TA-148/169, USITC Pub. 1624 (Dec. 1984); *Certain Apparatus for the Continuous Production of Copper Rod*, Inv. No. 337-TA-52, USITC Pub. 1017 (Nov. 1979).

To find a violation of section 337 in connection with trade secret misappropriation, the Commission must find, among other things, an unfair act or unfair method of competition in the importation, sale for importation, or sale after importation of an article embodying or reflecting the trade secret. [19 U.S.C. § 1337\(a\)\(1\)\(A\)](#). For substantive trade secret law, the ITC looks to federal common law. *TianRui Grp. Co. Ltd. v. Int'l Trade Comm'n*, [661 F.3d 1322](#), 1327 (Fed. Cir. 2011). Thus, the ITC will apply state trade secret law, such as codifications of the Uniform Trade Secrets Act, for federal cases sitting in diversity or otherwise taking place in the federal courts, as well as, more recently, decisions from DTSA matters.

ITC Jurisdiction

A decade ago, the ITC determined that overseas acts of misappropriation do indeed violate section 337. See *Certain Cast Steel Railway Wheels, Certain Processes for Mfg. or Relating to Same & Certain Prods. Containing Same*, Inv. No. 337-TA-655, USITC Pub. 4265, Initial Determination at 87 (Oct. 16, 2009). The case involved Amsted Industries, an Illinois manufacturer of cast steel railway wheels, who filed an ITC complaint against a Chinese manufacturer, TianRui Group Company Limited and related entities (collectively, TianRui), alleging trade secret misappropriation.

Amsted owned two secret processes for making cast railway wheels, the "ABC process" and the "Griffin process." Amsted's predecessors in interest had practiced the ABC process at a foundry in Calera, Alabama, but at the time of filing, it was not used in the U.S. Instead, Amsted practiced the Griffin process in its domestic foundries.

Amsted licensed the ABC process to several firms with foundries in China, and at one point, TianRui sought to license Amsted's wheel manufacturing technology. But the parties could not agree on the terms of a license. Afterwards, TianRui hired nine employees away from one of Amsted's Chinese licensees, Datong ABC Castings Company Limited. Some of those employees had been trained on the ABC process at the Calera plant, and others had received training on that process at Datong's foundry in China.

Prior to the hearing, TianRui moved to terminate the investigation on the ground that the alleged misappropriation occurred in China, and that Congress had not intended for § 337 to be applied extraterritorially. The ALJ denied that motion based on his view that § 337 focuses not on where the misappropriation occurs, but rather on the nexus between

the imported articles and the unfair methods of competition. *Certain Cast Steel Railway Wheels*, Order No. 14 (Feb. 27, 2009). The ALJ also rejected a related argument that the Chinese courts would provide a more appropriate forum for adjudicating the dispute between Amsted and TianRui.

At the hearing before the administrative law judge, Amsted showed, among other things, that TianRui's manufacturing specifications were essentially identical to secret Datong documents outlining the ABC process (some TianRui documents even repeated typos in Datong's documents); that the factory floor layouts were largely the same; and that a TianRui expert admitted to TianRui's use of the asserted trade secrets, contending only that the information was not secret. The ALJ characterized the administrative record as showing "overwhelming direct and circumstantial evidence that TianRui obtained its manufacturing process for cast steel railway wheel [sic] through the misappropriation of ABC Trade Secrets."

Based upon his review of the record, the ALJ determined that TianRui had misappropriated Amsted's trade secrets under Illinois trade secret law, issued his Initial Determination, and recommended a 10-year limited exclusion order covering cast railway wheels made using the misappropriated trade secrets. *Certain Cast Steel Railway Wheels*, Initial Determination at 1; USITC Pub. 4265, Recommended Determination on Remedy and Bonding at 9 (Oct. 29, 2009). The Commission chose not to review the Initial Determination and entered the 10-year exclusion order. *Certain Cast Steel Railway Wheels*, USITC Pub. 4265, Commission Notice at 1 (Dec. 17, 2009).

TianRui appealed to the Federal Circuit. The principal issue before the court was "whether section 337 applies to imported goods produced through the exploitation of trade secrets in which the act of misappropriation occurs abroad." *TianRui*, 661 F.3d at 1328. In deciding this issue, the court acknowledged the "longstanding principle of American law 'that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.'"

But the court held that the presumption against extraterritoriality did not control for three reasons. First, the court noted that section 337 governed the importation of articles into the U.S., an inherently international transaction. Next, because of the statute's focus on the act of importation and the resulting domestic injury, the court determined that the Commission's exclusion order "does not purport to regulate purely foreign conduct." Instead, the Commission's interpretation of section 337 appropriately set the conditions under which products could be imported into the U.S. Last, the Federal Circuit determined that the legislative history of section 337 and its predecessor statutes supported the Commission's interpretation of the statute as permitting the ITC to consider conduct that occurs abroad.

While the *TianRui* court's application of section 337 to the overseas misappropriation of trade secrets was novel at the time, numerous cases have followed. A sampling of subsequent ITC cases that ultimately resulted in exclusion orders based on the overseas misappropriation of trade secrets includes *Certain Rubber Resins and Processes for Mfg. Same*, Inv. No. 337-TA-849; *Certain Crawler Cranes and Components Thereof*, Inv. No. 337-TA-887; and *Certain Stainless Steel Prods., Certain Processes for Mfg. or Relating to Same & Certain Prods. Containing Same*, Inv. No. 337-TA-933.

Most recently, an ALJ at the ITC ruled in a trade secret dispute involving two Korean companies, both with U.S. subsidiaries vying for automotive battery supply contracts in the U.S. In *Certain Lithium Ion Batteries, Battery Cells, Battery Modules, Battery Packs, Components Thereof, & Processes Therefor*, Inv. No. 337-TA-1159, Complainants LG Chem, Ltd. and LG Chem Michigan, Inc. (collectively, LG Chem) sued Respondents SK Innovation Co. (SKI), SK Battery America, Inc. (SKBA), and SK Battery Hungary Kft. over the alleged misappropriation of trade secrets that occurred in Korea.

LG Chem and SKI had been involved in previous litigation in Korea, over SKI's hiring of dozens of LG Chem employees involved in battery development, totaling over 80 employees. This and other information gathered during the Korean actions bolstered LG Chem's allegations in the ITC. After prevailing in the Korean courts in 2018 and 2019, LG Chem filed its ITC complaint on April 29, 2019, alleging, among other things, that SKI had used LG Chem's trade secret information in connection with SKBA's successful contract bids for Volkswagen's modular electric drive matrix platform and for batteries for Ford's F-150 battery electric vehicle program.

Discovery revealed that in 2018 and 2019, including after the filing of the ITC complaint, SKI personnel had been instructed to delete all documents relating to LG Chem, with special emphasis on materials pertaining to SKI's U.S. operations, which SKBA planned to use to supply VW and Ford. For this and other document spoliation in Korea, coupled with SKI's noncompliance with the ALJ's discovery order for a forensic computer inspection, also occurring in Korea, the ALJ determined that the harshest available sanction, in the form of a default judgment, was appropriate. *Certain Lithium Ion Batteries*, Initial Determination at 129-31 (Mar. 18, 2020).

While the parties will continue to litigate *Certain Lithium Ion Batteries* before the Commission and likely on appeal, the extraterritorial reach of section 337, as shown in *TianRui* and its progeny, exemplifies how far the Commission will go to protect domestic industries from unfair business practices tied to importation.

ITC Remedies

The ITC issues injunctive relief rather than a monetary remedy. If it finds a violation of section 337, “subsection (d) obligates the Commission to fashion prospective relief, typically involving the Commission directing that certain articles be excluded from entry into the U.S.,” unless the Commission finds that the public interest outweighs the need for an exclusion. *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1345 (Fed. Cir. 2015) (en banc); 19 U.S.C. § 1337(d). Thus, the typical relief under section 337 is an exclusion order.

Exclusion orders can be limited or general. A limited exclusion order, the default remedy at the ITC, is directed at the specific persons (i.e., the named respondents) found in violation of section 337. In the context of a trade secret investigation, such an exclusion order could be directed at the unlicensed importation of the subject article, or components thereof, that were manufactured abroad by or on behalf of, or imported by or on behalf of, the respondents or any of their affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns, that use any of the trade secrets found to have been misappropriated. Also in the context of a trade secret case, the Commission could instead issue a broader general exclusion order if it finds such an order is “necessary to prevent circumvention of an exclusion order limited to products of the named persons.” 19 U.S.C. § 1337(d)(2)(A).

In addition to an exclusion order, the Commission may issue a cease and desist order targeted at “commercially significant” inventory of the subject articles held by the domestic respondents. 19 U.S.C. § 1337(f). Unlike the issuance of an exclusion order, the statute makes cease and desist orders discretionary.

Issue Preclusion for Trade Secret Rulings

Trade secret litigation at the ITC may provide complainants with a tactical advantage. As opposed to patent-based investigations, where ITC findings regarding patent infringement or validity have no preclusive effect in the district courts, at least one district court has ruled that collateral estoppel applies to ITC decisions in connection with trade secret misappropriation. This ruling stems from the filings of Manitowoc Cranes, LLC (Manitowoc) on June 12, 2013, against *Sany America, Inc. and Sany Heavy Industries Co.* (collectively Sany) in the ITC and in the Eastern District of Wisconsin District Court. *Certain Crawler Cranes; Manitowoc Cranes LLC v. Sany Am. Inc.*, 125 U.S.P.Q.2d 1325, 1327, 2017 BL 441547, at *1 (E.D. Wis. Dec. 11, 2017).

Manitowoc alleged both patent infringement and trade secret misappropriation. As is common, the ITC investigation proceeded first and the district court case was stayed. The ALJ found both patent infringement and trade secret misappropriation, and while the Commission reversed several patent infringement findings on review, it affirmed the findings regarding trade secret misappropriation. *Certain Crawler Cranes*, Comm’n Op. at 1-2 (May 6, 2015). Sany appealed and the Federal Circuit summarily affirmed. *Sany Heavy Indus. Co. v. Int’l Trade Comm’n*, 669 F. App’x 569 (Fed. Cir. 2016). Thereafter, the district court lifted its stay and reopened the case.

Before the district court, Sany attempted to dispute that trade secrets had been stolen, and Manitowoc filed a motion for partial summary judgment as to Sany’s liability for trade secret misappropriation. Manitowoc argued that ITC decisions in non-patent cases are entitled to preclusive effect, and that for its case, the only remaining trade secret issue involved the relief to be granted.

Sany opposed, likening ITC trade secret misappropriation decisions to patent infringement determinations, where ITC rulings do not have preclusive effect under settled law. See *Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996). Sany also argued that the ITC ruling should not have preclusive effect because the Commission had not applied Wisconsin trade secret law in reaching its decision.

The district court held that “Sany is precluded from relitigating issues regarding Manitowoc’s misappropriation of trade secret claims and is therefore liable for trade secret misappropriation under Wisconsin law.” In so holding, the court noted that unlike in *Texas Instruments*, there had been no expression of Congressional intent against preclusion for methods of unfair competition involving trade secret misappropriation.

As for the choice of law issue, the court noted that the ITC had applied the UTSA and the Restatement (Third) of Unfair Competition, rather than Wisconsin's version of the UTSA (the WUTSA). But after analyzing the respective definitions of "trade secret" and "misappropriation" under the UTSA and the WUTSA, and finding that Sany had failed to identify any substantive difference between the two or show that "Wisconsin courts would apply a 'significantly different ... analysis' to the issue presented here," the court concluded that the issue before it was substantively the same as in the ITC. Because the same issue was involved and the other elements of collateral estoppel had been satisfied, the court found that preclusion should apply. Consequently, liability for trade secret misappropriation was established. *Manitowoc Cranes*, 125 U.S.P.Q.2d at 1331, 2017 BL 441547, at *7. The potential for issue preclusion in a later matter counsels for the inclusion of state-level UTSA and DTSA claims in ITC complaints alleging trade secret misappropriation.

Limits of Current Trade Secret Remedies

Through the federal courts, the DTSA can provide monetary relief for trade secret misappropriation occurring overseas, as long as there is some related domestic contact. The DTSA can also provide monetary and injunction relief for activities occurring inside the U.S. While the ITC cannot provide a damages remedy, it can enjoin the importation of products into the U.S. that are related to trade secret misappropriation that happened overseas. And as held in *Manitowoc*, a finding of trade secret misappropriation in an ITC investigation can be used by a trade secret holder to establish elements of a trade secret misappropriation in a later district court action.

Conclusion

Domestic trade secret owners enjoy far greater protection today than before. Congress was well aware of the overseas misappropriation of valuable trade secret information when it passed the DTSA, and the courts have applied the DTSA flexibly to cover activities largely occurring abroad. The ITC has employed a similarly expansive application of section 337 when investigating unfair methods of competition in the importation of goods involving allegations of trade secret misappropriation. Together, these bodies of law provide substantial protection for companies seeking to safeguard their technological innovations.