

---

THE COLUMBIA  
SCIENCE & TECHNOLOGY  
LAW REVIEW

---

VOL. XV

STLR.ORG

FALL 2013

---

ARTICLE

A SURVEY OF TRADE SECRET INVESTIGATIONS AT THE  
INTERNATIONAL TRADE COMMISSION: A MODEL FOR  
FUTURE LITIGANTS<sup>†</sup>

P. Andrew Riley<sup>\*</sup> and Jonathan R.K. Stroud<sup>\*\*</sup>

*The U.S. International Trade Commission (ITC) hosts some of the world's most contentious billion-dollar patent litigants, who seek quick turnaround times and the prospect of a broad exclusion order against infringing imports. For almost forty years, parties have treated it as an alternative (or supplement) to patent litigation. Yet the statutory authority governing ITC violations makes room for many other types of unfair intellectual property violations to be investigated by the Commission as well, including, significantly, trade secret misappropriation. Practitioners have begun to take notice. Since the notorious TianRui appellate decision, the ITC has initiated five trade secret*

---

<sup>†</sup> This article may be cited as <http://www.stlr.org/cite.cgi?volume=15&article=2>. This work is made available under the Creative Commons Attribution–Non-Commercial–No Derivative Works 3.0 License.

<sup>\*</sup> Mr. Riley is a Partner at Finnegan, Henderson, Farabow, Garrett & Dunner LLP (Finnegan). He focuses his practice on intellectual property litigation before the U.S. International Trade Commission and U.S. district courts. He would like to thank Allison for her continued love and support, Jonathan for his enthusiasm and hard work, and Christine Lehman, a Partner at Finnegan, for her thoughtful and insightful comments on this article.

<sup>\*\*</sup> Mr. Stroud is a Law Clerk at Finnegan, and worked as a judicial intern at the International Trade Commission from Oct. 2012 to January 2013 for former Judge Robert K. Rogers. While there, he worked on matters relating to Investigations No. 337-TA-562 and -849. The Authors garnered the information herein from the public record and nothing else, sensitive or otherwise, has been retained, cited, or used. Mr. Stroud is eternally indebted to Judge Rogers, P. Andrew Riley, and all of the rest of his colleagues at Finnegan. Professors Andrew Popper and Jonas Anderson provided early helpful comments. Viki Economides deserves the most credit as his wisest, most patient, and most understanding critic.

*investigations, all sharing similar fact patterns. The time has long come for an exhaustive survey of all of the trade secret cases the ITC has handled over the years, an elucidation of the current ITC law of trade secrets, and a comprehensive guide that future parties can follow in bringing an investigation. This article answers that long-felt need.*

## TABLE OF CONTENTS

I. Introduction .....	43
II. Background.....	46
A. A Brief History of the International Trade Commission .....	48
B. The International Trade Commission Today .....	52
C. Trade Secret Law and the ITC .....	54
1. The Uniform Trade Secrets Act and the Restatement of Unfair Competition .....	56
D. Survey of ITC Trade Secret Investigations Prior to <i>TianRui</i> .....	63
1. <i>Copper Rod</i> and Cease and Desist Orders.....	67
2. <i>Sausage Casings</i> and Broad Exclusion Orders .....	67
3. <i>Garment Hangers</i> and the Nexus Requirement between Importation and the Unfair Acts .....	68
4. Other Trade Secret Investigations Prior to the <i>TianRui</i> Decision.....	69
III. Advantages and Disadvantages.....	82
IV. Conclusion .....	85
V. Appendix .....	86

“If asked how to cope with a great host of the enemy in orderly array and on the point of marching to the attack, I should say: ‘Begin by seizing something which your opponent holds dear; then he will be amenable to your will.’”

– Sūn Wǔ (孙武), *The Art of War* (孙子兵法), Ch. XI (第十一章:行军), No. 18 (十八) (Samuel B. Griffith, Trans. 1963) (Est. 512 B.C.E.).

## I. INTRODUCTION

Be careful what you wish for. Companies clamoring for looser trade restrictions, expanded overseas market access, and advances in technology have achieved stunning successes in the last decade, but that internationalism has come at a price. Building factories, as well as researching, developing and manufacturing products, processes and computer systems in our globally connected world creates daunting challenges when a company suddenly faces the theft of intellectual property (IP). Bad actors steal; they always have. The Internet makes it easier. The technologies that have allowed businesses to grow rapidly have exposed those same businesses to employee turncoats, infiltrators, and thieves—the very Visigoths the Romans once employed as bodyguards.<sup>1</sup>

Uneven international enforcement of intellectual property—particularly economic espionage and the theft of trade secrets—strains companies seeking to protect innovative investments and compounds the problems. Worse still, the bad actor is often extranational, and the pilfered goods can be information or non-material, yet nonetheless valuable, goods. Due to recent developments in U.S. long-arm jurisdiction<sup>2</sup> and a U.S. legal presumption against the extraterritorial application of domestic

---

1. See generally MICHAEL KULIKOWSKI, *ROME’S GOTHIC WARS: FROM THE THIRD CENTURY TO ALARIC* (Cambridge Univ. Press 2007) (describing the Visigoth leader Alaric’s training at the hands of the Roman army and his subsequent sack of Rome).

2. See *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2785 (2011) (finding due process demands that a defendant “purposefully avail[] itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws” but indicating that there “may be exceptions, say, for instance, in cases involving an intentional tort” (citation omitted)).

laws,<sup>3</sup> plaintiffs in U.S. courts often fail to achieve results and frequently meet unresponsive defendants with little at stake. This is true for U.S. and overseas plaintiffs alike—companies originally based in the U.S. can relocate abroad, hiding behind the shield of extraterritoriality as easily as foreign companies can. The difficulty of enforcing rights in foreign courts exacerbates the difficulty of extra-national discovery for any party. Despite the limited legal harmonization promoted by the TRIPS<sup>4</sup> Agreement, foreign courts often play by vastly different rules.

Enter the U.S. International Trade Commission (“ITC” or “Commission”). In the wake of the revolutionary ruling in *TianRui Group Co. v. U.S. International Trade Commission (TianRui)*,<sup>5</sup> where the trade-secret owner Amsted Industries successfully obtained an exclusion order blocking products made using extra-nationally misappropriated secrets, savvy companies have sought to use this unique forum to protect their domestic U.S. market and achieve specific discovery goals. For international disputes, the ITC provides the threat of real litigation backed up by a powerful remedy and broad jurisdiction. The follow-on investigations of *Certain Rubber Resins and Processes for Manufacturing Same (Rubber Resins)*,<sup>6</sup> *Certain Robotic Toys and Components Thereof (Robotic Toys)*,<sup>7</sup> *Certain Paper Shredders, Certain Process for Manufacturing or Related to Same (Paper Shredders)*<sup>8</sup> and *Certain*

---

3. See *Morrison v. Nat’l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2883 (2010) (applying the presumption against territoriality); cf. *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 441-42 (2007) (holding patent infringement occurring entirely abroad was not within the scope of the statute).

4. TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 ILM 1197 (1994) (negotiated in 1994 and administered by the World Trade Organization (WTO)), reprinted in WORLD TRADE ORGANIZATION, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (Cambridge University Press, 1999).

5. *TianRui Grp. Co. v. U.S. Int’l Trade Comm’n*, 661 F.3d 1322, 1324, 1326 (Fed. Cir. 2011) (affirming the Commission’s issuance of an exclusion order).

6. *Certain Rubber Resins and Processes for Manufacturing Same*, Inv. No. 337-TA-849, 77 Fed. Reg. 38,083-01 (Int’l Trade Comm’n June 26, 2012) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

7. *Certain Robotic Toys and Components Thereof*, Inv. No. 337-TA-869, 78 Fed. Reg. 9,740-01 (Int’l Trade Comm’n Feb. 11, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

8. *Certain Paper Shredders, Certain Processes for Manufacturing or Relating to Same and Certain Products Containing Same and Certain Parts Thereof*, Inv. No. 337-TA-863, 78 Fed. Reg. 5,496 (Int’l Trade Comm’n Jan. 25, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

*Crawler Cranes and Components Thereof (Crawler Cranes)*<sup>9</sup> all demonstrate the value ITC actions provide companies faced with trade secret theft.<sup>10</sup> When we explore the advantages of this unique forum, it becomes clear that those seeking to follow Amsted's path are justified.

This Article seeks to explain § 337 trade secret actions—the resurgent and useful tool being used against international white-collar theft. Almost thirty years ago, Congress empowered the ITC, through trial-like investigations on a truncated timeline, to exclude goods from U.S. markets. Steadily increasing in frequency in recent years, this little-known means of enforcement has distinct advantages over federal and state court litigation. Powerful remedies and a shortened timeline often lead to faster conclusions for parties confronted with difficult situations. Importantly, the ITC's doors are open to both foreign-originating and domestic-based parties as long as the parties can establish the jurisdictional requirements.<sup>11</sup> In 2011, the U.S. Court of Appeals for the Federal Circuit (Federal Circuit) unequivocally held that for trade secrets, “there is no express requirement in the general provision that the domestic industry relate to the intellectual property involved in the investigation.”<sup>12</sup> This means that the ITC has even broader jurisdiction in a trade secret action than they do in other types of actions, and, in theory, trade secret owners have an easier time proving jurisdiction.

The advantages of § 337 continue. Even parties well-versed in ITC patent practice can find it valuable to include trade secret contentions in ITC complaints. Trade secret investigations involve different legal issues of proof and a distinct domestic industry requirement. Furthermore, the ITC allows for broader discovery, as it must fully address each claim raised—making the addition of a trade secret claim essential to garnering a complete picture of any suspected economic espionage. Additionally, the White House has signaled repeatedly that the Obama Administration supports

---

9. *Certain Crawler Cranes and Components Thereof*, Inv. No. 337-TA-887, 78 Fed. Reg. 42,800-01 (Int'l Trade Comm'n Jul. 17, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

10. For the remainder of the article, we drop the “Certain” that precedes every investigation name for the sake of convenience.

11. See Colleen V. Chien, *Protecting Domestic Industries at the ITC*, 28 SANTA CLARA COMPUTER & HIGH TECH. L.J. 169, 177 (2011) (“The ITC's in rem jurisdiction, over goods themselves, attaches to foreign manufacturers that might otherwise evade district court.” (footnote omitted)).

12. *TianRui Grp. Co. v. U.S. Int'l Trade Comm'n*, 661 F.3d 1322, 1335 (Fed. Cir. 2011).

aggressive enforcement of these national/international intellectual property protections.<sup>13</sup>

While the scholar Colleen Chien empirically analyzed most of the patent actions brought at the ITC,<sup>14</sup> no survey examining ITC trade secret investigations currently exists, and thus the authors have endeavored to create one. In so doing, we demonstrate that these actions are an intensive, complicated, and exciting means of investment protection that have developed into a potent option for the corporate victims of bad actors and economic espionage. This is especially true for technology that does not lend itself easily to patent or copyright protection, such as computer programming, chemical processes, or services. Our examination of ITC trade secret investigations reveals this type of enforcement action is experiencing a justified resurgence in attention. Trade secret ITC enforcement actions are an important part of any full-fledged intellectual property strategy.

## II. BACKGROUND

The ITC's popularity with businesses has grown in recent years.<sup>15</sup> Severe remedies against importers of goods and a fourteen to sixteen month turnaround time give the ITC several advantages—both procedural and substantive—over other forums and make it an attractive forum for important commercial intellectual property disputes. Commentators and litigators often overlook the ITC's broader mandate, however, focusing only on patent infringement claims governed by subsection (a)(1)(B).<sup>16</sup>

---

13. See, e.g., THE WHITE HOUSE, OFFICE OF MGMT. & BUDGET, ADMINISTRATION STRATEGY ON MITIGATING THE THEFT OF U.S. TRADE SECRETS, at 7–11 (2013).

14. See Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 67–68 (2008) [hereinafter Chien, *Patently Protectionist*].

15. See *Section 337 Statistical Information*, U.S. INT'L TRADE COMM'N, [http://www.usitc.gov/press\\_room/337\\_stats.htm](http://www.usitc.gov/press_room/337_stats.htm) (last visited Nov. 11, 2013).

16. 19 U.S.C. § 1337(a)(1)(B) (2012):

(1) . . . the following are unlawful . . .

(B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—

(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or

Indeed, nearly the entire ITC's docket dating back to its renaming in 1974 consists of patent-centric litigation.<sup>17</sup>

Yet the governing statute—and thus the forum's jurisdiction itself—is far broader than just subsection (a)(1)(B).<sup>18</sup> The ITC prevents parties competing unfairly when importing goods into the U.S. Its mandate includes both “federal” intellectual property (IP)—patents, copyrights, and trademarks—as well as state-law-based IP, such as trade secrets.<sup>19</sup> Indeed, through § 337, the U.S. Congress established a cause of action at the ITC for circumstances where a foreign or domestic company practices unfair competition in violation of federal or state laws, reserving the right to exclude that company's goods from the U.S. entirely.

The ITC's mandate includes remedies for all “unfair acts” that “destroy or substantially injure” an “industry in the United States.”<sup>20</sup> Unlike the “federal IP” subsections (a)(1)(B)–(E) (trademarks, copyrights, patents, mask works, designs), subsection (A) covers all other federal and state-based unfair methods of competition and “unfair acts.”<sup>21</sup> In addition, subsection (A) does not require the same level of proof that a patent complainant has for a “domestic industry.”<sup>22</sup> This distinguishes the U.S. from all other nations, and draws criticism from international free trade advocates, who often claim the ITC is a protectionist organization.<sup>23</sup> Additionally, the ITC's mandate allows broad

---

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

17. See *infra* App'x; see also Chien, *Patently Protectionist*, *supra* note 14, at 67–68.

18. See JOHN G. MILLS, ET AL., 7 PAT. L. FUNDAMENTALS § 21:42 (2d ed. 2012) (“[I]t has long been recognized that ‘unfair competition’ under § 337 has a broader purview.”); *id.* § 21:43 (“Although § 337—as did its predecessor § 216—always proscribed *unfair methods of competition* and *unfair acts*, its ‘impact’ has been predominately in the area of patent infringement against imported products.” (emphases in original) (footnote omitted)).

19. See 19 U.S.C. § 1337(a)(1)(A) (distinguishing “[u]nfair methods of competition” and “unfair acts” from patent, copyright, trademark, mask work and design infringement).

20. *Id.*

21. *Id.*

22. See *id.* at § 1337(a)(3) (explicitly excluding section (a)(1)(A) from its purview).

23. Scholars have commented on the unique nature of the ITC's § 337 requirement:

exclusion orders of all products that have—or perhaps, which may have<sup>24</sup>—benefited from any alleged trade secret misappropriation.

*A. A Brief History of the International Trade Commission*

Congress established the ITC in 1916 in its original iteration as the U.S. Tariff Commission.<sup>25</sup> Primarily, the Tariff Commission maintained and updated tariff schedules, which established duty rates for, and categories of, goods traded internationally.<sup>26</sup> The Tariff Commission also acted as an independent nonpartisan agency, studying the effects of customs laws. In 1921, Congress passed the all-important Antidumping Act of 1921, expanding the Tariff Commission’s powers significantly. Congress amended those powers again with the Tariff Act of 1930,<sup>27</sup> passing § 1337, which empowered the Tariff Commission to eliminate unfair acts and unfair methods of competition (including trade secret

---

Undeterred by international criticism, the United States continues to limit § 337 to complainants that have a domestic industry. The domestic industry requirement is unique to the United States. The EU has a process similar to § 337 that allows IP owners to have customs exclude infringing imports, but, in contrast to the United States, the EU does not have a domestic industry requirement—any IP owner can institute the proceeding. Japan has a similar law that allows any holder of an intellectual property right to file a petition to suspend importation of infringing goods.

Thomas A. Broughan III, *Modernizing § 337’s Domestic Industry Requirement for the Global Economy*, 19 FED. CIR. B.J. 41, 59-60 (2009) (footnotes omitted).

24. See *TianRui Grp. Co. v. U.S. Int’l Trade Comm’n*, 661 F.3d 1322, 1337 (Fed. Cir. 2011) (finding a product benefiting from a trade secret competing directly with a different product sufficient to establish ITC jurisdiction in a trade secret action, despite the owner’s non-practicing of the trade secret in the United States); see also Steven E. Feldman & Sherry L. Rollo, *Extraterritorial Protection of Trade Secret Rights in China: Do Section 337 Actions at the ITC Really Prevent Trade Secret Theft Abroad?*, 11 J. MARSHALL REV. INTELL. PROP. L. 523, 540 (2012) (arguing that “a domestic industry that does not practice a trade secret can still be harmed by its unauthorized disclosure and use.”).

25. See An Act to Increase the Revenues, and for Other Purposes (Revenue Act), Pub. L. No. 64-271, § 700, 39 Stat. 756, 795 (1916) (“That a commission is hereby created and established, to be known as the United States Tariff Commission . . . which shall be composed of six members . . .”).

26. Tariff Schedules exist today. See HARMONIZED TARIFF SCHEDULE OF THE U.S. (2013), available at <http://hts.usitc.gov/>. For instance, the schedule currently assigns coffee the number 0901 and indicates importation is free, while it assigns green tea the number 0902 and indicates green tea importers must pay a 6.4% general duty or a 20% “level 2” duty. *Id.*

27. Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46 Stat. 590, 703 (1930).



misappropriation) that injured any industry with a U.S. presence.<sup>28</sup> In 1975, Congress officially renamed the Tariff Commission the International Trade Commission.<sup>29</sup>

Notably, Congress did not limit § 337 actions to U.S. parties, either as complainants (the party requesting the investigation) or respondents (the party or parties who allegedly stole the complainant's IP).<sup>30</sup> However, Congress continued to require complainants to prove the domestic industry requirement of subsection (a)(1)(A) or (a)(2) & (3), limiting the ITC's jurisdiction as compared to other similar international bodies.<sup>31</sup>

As others have noted,<sup>32</sup> § 337 parallels § 5 of the Federal Trade Commission Act,<sup>33</sup> broadly declaring unlawful any unfair methods of competition and unfair acts in the importation or sale of imported articles. At first, § 337 did not include procedures for bringing an action and was not well understood. Notably, it was enacted in an age before outsourcing became commonplace. The passage of the Administrative Procedure Act (APA) in 1946 laid down procedural rules by which agencies could hold quasi-judicial administrative hearings—similar to Article III courts<sup>34</sup>—and led to an expanded understanding and use of such procedures, but it was unclear at the time whether the rules applied to ITC investigations.<sup>35</sup>

---

28. Antidumping Act of 1921, Pub. L. No. 67-10, 42 Stat. 9, 11-15 (codified as amended at 19 U.S.C. §§ 160-71 (1979)).

29. See Trade Act of 1974, Pub. L. No. 93-618, § 171, 88 Stat. 1978, 2009 (1975) (codified at 19 U.S.C. § 2231(a) (2012)) (“The United States Tariff Commission . . . is renamed as the United States International Trade Commission.”).

30. See DAVID W. QUINTO & STUART H. SINGER, *TRADE SECRETS: LAW AND PRACTICE* 87 (2d ed. 2012). (“Section 337 actions are not limited to U.S. companies; any company engaged in business in the United States may bring a Section 337 action based on the misappropriation of its trade secrets (or the infringement of its patents, copyrights, mask works, or hull designs).”).

31. *Id.* at 87-88 (citing 19 U.S.C. § 1337(a)(1)(A)).

32. See, e.g., William P. Atkins & Justin A. Pan, *An Updated Primer on Procedures and Rules in 337 Investigations at the U.S. International Trade Commission*, 18 U. BALT. INTELL. PROP. L.J. 105 (2010).

33. Compare 19 U.S.C. § 1337(a)(1)(A)–(E) (2012) (outlawing unfair trade practices) with 15 U.S.C. § 45(a)(1)–(4) (2012) (likewise outlawing unfair trade practices).

34. Meaning courts created by Congress under the power of the Constitution. See generally U.S. CONST. Art. III.

35. See Administrative Procedure Act (APA), Pub. L. No. 79-404, § 10(b), 60 Stat. 237 (1946) (codified at 5 U.S.C. §§ 551-59, 701-06) (exempting certain organizations from judicial review procedures under the APA if the organization's organic statute mandates specific judicial review).

Congress amended the statute significantly in 1974, bringing to bear the real muscle of exclusion orders and shortened timelines.<sup>36</sup> Prospectively, all investigations were to end within a year (or 18 months if “more complicated”).<sup>37</sup> The amendments also applied the APA “administrative trial” provisions to ITC § 337 hearings and determinations.<sup>38</sup>

The 1974 amendments led to a steady uptick in the number of § 337 investigations, but those investigations generally involved small companies and related to small tools or other easily identifiable basic consumer products.<sup>39</sup> Then in 1988, Congress eliminated two major substantive barriers for the institution<sup>40</sup> when it abolished 1) the requirement that the domestic industry be “efficiently and economically operated,”<sup>41</sup> and 2) the substantial injury requirement for federal IP, such as patents. Meanwhile, the rapid rise of the electronics industry and foreign sourcing rendered imported high technology fabrication and international piracy paramount, increasing the relevancy of the ITC’s exclusionary powers. This led to parties filing many investigations, as shown here:

---

36. See Trade Act of 1974, Pub. L. No. 93-618, 88 Stat. 1978 (1974).

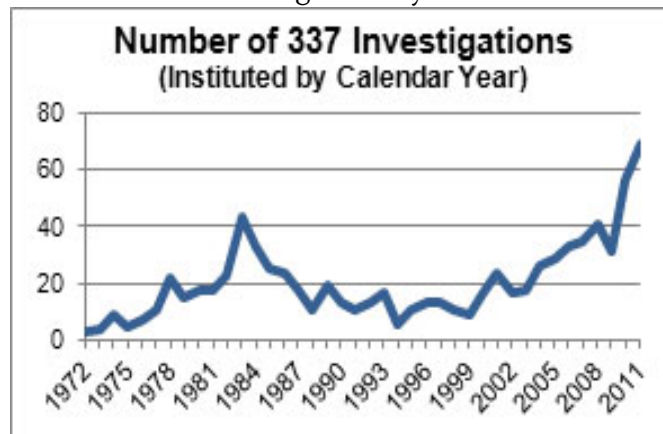
37. Interestingly, this is the exact same timeframe set down in the Leahy-Smith America Invents Act for Post-Grant Review provisions, which create a very similar administrative review procedure for domestic patent owners and those who wish to challenge existing patents. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6(d), 125 Stat. 284, 309 (2011) (codified in scattered sections of 35 U.S.C.).

38. See Trade Act of 1974, 88 Stat. 1978.

39. See generally *infra* App’x.

40. See Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107 (1988) (codified as amended in scattered sections of 19 U.S.C.).

41. See S. REP. NO. 100-71, at 128 (1987) (“The fundamental purpose of the amendments made by section 401 is to strengthen the effectiveness of section 337 in addressing the growing problems being faced by U.S. companies from the importation of articles which infringe U.S. intellectual property rights.”).

Table I—337 Investigations by Calendar Year<sup>42</sup>

The ITC instituted only three investigations in 1972. In contrast, parties filed forty-three in 1982. Ten years later, it was back down to thirteen—and to a relative low of six in 1994. In 2012, the ITC instituted forty investigations, a drop from the all-time high of sixty-nine in 2011. Between January and September 2013, the ITC instituted twenty-eight investigations, two of which consisted of trade secret-only actions against Chinese companies.<sup>43</sup> Of those twenty-eight, seven involved accused products or acts originating in China.<sup>44</sup> Of the three filed in April 2013, two named Chinese respondents. The vast majority of investigations filed in the past six

42. See *Section 337 Statistical Information*, U.S. INT'L TRADE COMM'N, [http://www.usitc.gov/press\\_room/337\\_stats.htm](http://www.usitc.gov/press_room/337_stats.htm) (last visited Mar. 20, 2013).

43. *Id.*

44. This statistic includes actions originating in Hong Kong (香港), which reverted to Chinese control in 1999. Hong Kong still maintains some sovereignty (it is a Special Administrative Region (SAR) of the People's Republic of China (中国)), but China governs it under the principle of "one country, two systems" (一国两制) which grants it special rights. See JOINT DECLARATION OF THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA ON THE QUESTION OF HONG KONG, 23 I.L.M. 1366 (1984); Dèng Xiǎopíng (邓小平), Remarks on Hong Kong (June 23–24, 1984), available in THE SELECTED WORKS OF DÈNG XIǎOPÍNG VOL. III (1994). When first introduced, the phrase consisted of eight Chinese characters: Yī Ge Guó Jiā, Liǎng Zhǒng Zhì Dù (一个国家两种制度). Later, the Chinese government simplified the phrase: Yī Guó Liǎng Zhì (一国两制). See generally IEONG WAN CHONG (楊允中), "ONE COUNTRY, TWO SYSTEMS" AND THE MODERN CONSTITUTIONAL SCIENCE (一國兩制)與現代憲法學 93 (Àomén dàxué (澳門大學) 1996) (Trans. & repub. Macao Univ. Press 1996) [author's note—the translation is more appropriately "the Modern Constitutional Law"—but American sources such as the Library of Congress list it as "Modern Constitutional Science."].

months involved Chinese, Taiwanese or Hong Kong companies.<sup>45</sup> Roughly 85-percent of all articles challenged at the ITC today originate in Asia.<sup>46</sup>

This “modern era” of ITC investigations—since roughly 1999—has seen litigators utilizing the pathway far more often. Since the modern era began, there have been roughly 20 investigations where parties raised trade secrets;<sup>47</sup> only one proceeded far enough to merit ITC review on the merits in the last ten years. Most ITC trade secret investigations fall into the modern era. *TianRui* is one of the few Federal Circuit appeals ever to review the ITC’s determination in a trade secrets context.<sup>48</sup> As of this writing, four investigations filed since the *TianRui* decision involved trade secrets: *Rubber Resins*,<sup>49</sup> *Robotic Toys*,<sup>50</sup> *Paper Shredders*,<sup>51</sup> and *Crawler Cranes*.<sup>52</sup>

### B. *The International Trade Commission Today*

The ITC is an independent quasi-judicial federal agency with broad investigative responsibilities.<sup>53</sup> The ITC boasts six commissioners, with no more than three Democrats or

---

45. See Section 337 Statistical Information, U.S. INT’L TRADE COMM’N, [http://www.usitc.gov/press\\_room/337\\_stats.htm](http://www.usitc.gov/press_room/337_stats.htm) (last visited Mar. 20, 2013).

46. *Id.*

47. See Marcia H. Sundeen et al., UNFAIR COMPETITION AND THE ITC, APP’X M (2012) (listing all investigations between 1974 and 2011, including country-of-origin, type of IP asserted, and investigation number).

48. The other known cases, decided on different grounds: *Farrel Corp. v. U.S. Int’l Trade Comm’n*, 949 F.2d 1147 (Fed. Cir. 1991), *reh’g denied* (Fed. Cir. 1991), *reh’g en banc declined* (Fed. Cir. 1992), *cert. denied*, 504 U.S. 913 (1992) (binding arbitration agreement); *Mass. Inst. of Tech. v. AB Fortia*, 774 F.2d 1104 (Fed. Cir. 1985); *Viscofan, S.A. v. U.S. Int’l Trade Comm’n*, 787 F.2d 544 (Fed. Cir. 1986); *Young Eng’rs v. U.S. Int’l Trade Comm’n*, 721 F.2d 1305 (Fed. Cir. 1983), discussed *infra* Appellate Decisions Prior to *TianRui*, Part II(D)(4)(a).

49. See *Rubber Resins*, Inv. No. 3370TA-849, 77 Fed. Reg. 38,083-01 (Int’l Trade Comm’n June 26, 2012) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

50. See *Robotic Toys*, Inv. No. 337-TA-869, 78 Fed. Reg. 9,740-01 (Int’l Trade Comm’n Feb. 11, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

51. See *Paper Shredders*, Inv. No. 337-TA-863, 78 Fed. Reg. 5,496 (Int’l Trade Comm’n Jan. 25, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

52. See *Crawler Cranes*, Inv. No. 337-TA-887, 78 Fed. Reg. 42,800-01 (Int’l Trade Comm’n Jul. 17, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

53. See *generally* CHRIS SCOTT GRAHAM, PROTECTING TRADE SECRETS: BEFORE, DURING, AND AFTER LITIGATION (2012).

Republicans, and the occasional independent.<sup>54</sup> The President appoints commissioners to a nine-year term as approved by the Senate.<sup>55</sup>

Today, the ITC has “broad investigative responsibilities on matters of trade,” and it specifically handles § 337 investigations, among other responsibilities.<sup>56</sup> The ITC adjudicates investigations involving imports that allegedly infringe intellectual property rights, as discussed in this paper.<sup>57</sup> The agency also investigates “dumped and subsidized imports” and the effects on domestic industries, and investigates global safeguards.<sup>58</sup> The ITC is also a Federal repository that gathers and analyzes trade and other trade-policy-related data.<sup>59</sup> In addition, the ITC counsels and informs the President, the Office of the United States Trade Representative (USTR), and Congress on developing sound and informed U.S. trade policy.<sup>60</sup> The ITC makes most of its data and conclusions available to the public, thus promoting public discussion of international trade issues.<sup>61</sup>

The ITC has five areas of operation, each with a separate intra-office space: Import Injury Investigations, Intellectual Property-Based Import Investigations, Industry and Economic Analysis, Tariff and Trade Information Services, and Trade Policy Support.<sup>62</sup> In administering Intellectual Property-Based Import Investigations (§ 337 investigations), the ITC has five full-time administrative law judges (ALJs or judges) to preside over these trial-like proceedings.<sup>63</sup> As of this writing, the ALJs (in alphabetical order) include Chief Judge Louis Bullock and Judges Theodore R. Essex, James Gildea, Thomas B. Pender, Sandra Dee Lord, and David P. Shaw.<sup>64</sup> Section 337 governs the Intellectual Property-Based Import Investigations, both for statutory and for common-law intellectual property (such as trade secrets or trade dress). The Commissioners review decisions by the ALJs and can adopt,

---

54. *See id.*

55. *See* 19 U.S.C. § 1330(a) (2012).

56. *About the USITC*, U.S. INT’L TRADE COMM’N, [http://www.usitc.gov/press\\_room/about\\_usitc.htm](http://www.usitc.gov/press_room/about_usitc.htm) (last visited Nov 9, 2013).

57. *See id.*

58. *See id.*

59. *See id.*

60. *See id.*

61. *See id.*

62. *See id.*

63. *See Staff Directory*, U.S. INT’L TRADE COMM’N., [http://www.usitc.gov/documents/staff\\_directory.pdf](http://www.usitc.gov/documents/staff_directory.pdf) (last visited Nov. 9, 2013).

64. *See id.*

modify, remand, and/or take no position on any portion of a decision. Before issuing an exclusion order, the ITC must consider the effect of the order on the public interest. If the Commission anticipates the order will have a negative effect on the public, it must then consider whether the order warrants modification or nullification—a relatively rare occurrence.<sup>65</sup> If an exclusion order is issued, parties can appeal to the Federal Circuit after the 60-day Presidential review period expires.<sup>66</sup> If the ITC does not find a violation, the decision is immediately appealable to the Federal Circuit.

### C. Trade Secret Law and the ITC

Congress mandated broad international intellectual property enforcement powers when it created § 337.<sup>67</sup> This includes all “unfair acts,”<sup>68</sup> including the misappropriation of trade secrets. The ITC has stated unequivocally “[t]here is no question that misappropriation of trade secrets, if established, is an unfair method of competition or unfair act which falls within the purview of Section 337.”<sup>69</sup>

Trade secret law emanates from a provision of Roman law that sought to protect information Roman slaves might disclose to competitors.<sup>70</sup> From those humble beginnings, and a tradition long-rooted in the common law, trade secret law is a powerful tool to protect such secrets as the Coca-Cola formula,<sup>71</sup> the original recipe

---

65. See 19 U.S.C. § 1337(d)(1); (e)(1) (2012).

66. See 19 U.S.C. § 1337(j)(2) (2012).

67. See *supra* A Brief History of the International Trade Commission, Part II(A).

68. See 19 U.S.C. § 1337(a)(1)(A).

69. Processes for the Manufacture of Skinless Sausage Casings and Resulting Prod., Inv. Nos. 337-TA-148, 337-TA-169, USITC Pub. 1624, at 244 (July 31, 1984) (Initial Determination) (citation omitted). Many other cases have held the same: Floppy Disk Drives and Components Thereof, Inv. No. 337-TA-203, USITC Pub. 1756, at 28 (Apr. 26, 1985) (Initial Determination) (“Misappropriation of trade secrets is an unfair method of competition or unfair act which falls within the purview of § 337.”) (citing *In re Von Clemm*, 229 F.2d 441 (C.C.P.A. 1955)); Apparatus for the Continuous Prod. of Copper Rod, Inv. No. 337-TA-52, USITC Pub. 1017 (Nov. 23, 1979) (Final).

70. ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 33–35 (5th ed. 2010) (explaining that trade secret violations originated from the Roman cause of action *actio servi corrupti*—literally, an action for corrupting the slave).

71. See *Coke Trade Secrets ‘Something Out of a Spy Novel,’* ASSOC. PRESS (July 5, 2006, 5:15 PM)

for Kentucky Fried Chicken,<sup>72</sup> and the baking method used to create the “nooks and crannies” of Thomas’ English muffins.<sup>73</sup>

As scholars often quote, “the law governing protection of trade secrets essentially is designed to regulate unfair business competition.”<sup>74</sup> Developed under equity, the tort of misappropriation of trade secrets seeks to provide a remedy for acts of unfair competition against companies acting in good faith, and balances the rights of the employer to the fruits of his capital investment with the interests of the laborer in mobility and retention of personal skills.<sup>75</sup> As discussed by one ITC Judge, any tribunal faced with a trade secret violation must “reconcile the conflicting rights of an employer to enjoy the use of secret processes and devices which were developed through the employer’s own initiative and investment and the rights of employees to earn a livelihood by utilizing their personal skill, knowledge, and experience.”<sup>76</sup>

---

[http://usatoday30.usatoday.com/money/industries/food/2006-07-05-coke-info\\_x.htm](http://usatoday30.usatoday.com/money/industries/food/2006-07-05-coke-info_x.htm).

72. See Colleen Kane, *7 Sought-After Trade Secrets*, CNBC.COM (Aug. 22, 2012, 9:00 PM), <http://www.cnbc.com/id/48755451/page/6>.

73. Rebel J. Pace, *The Case for a Federal Trade Secrets Act*, 8 HARV. J.L. & TECH. 427, 428 (1995) (“[T]he prevailing modern justification for protecting against trade secret misappropriation is that such protection permits businesses to reap the benefits of their activities—again a property concept distinguishable from the usual tort justification of requiring persons to bear the costs of their harmful activities.”).

The theory traces back to Aristotle:

That which is common to the greatest number has the least care bestowed upon it. Everyone thinks chiefly of his own, hardly at all of the common interest; and only when he is himself concerned as an individual.

ARISTOTLE, POLITICS, BK. II, CH. III (384–322 BC), translated by Benjamin Jowett in THE POLITICS OF ARISTOTLE: TRANSLATED INTO ENGLISH WITH INTRODUCTION, MARGINAL ANALYSIS, ESSAYS, NOTES AND INDICES (Oxford, Clarendon Press, 1885).

74. Univ. Computing Co. v. Lykes-Youngstown Corp., 504 F.2d 518, 539 (5th Cir. 1974) (footnote omitted), *reh’g denied* 505 F.2d 1304 (5th Cir. 1974).

75. See generally Andrew F. Popper, *Beneficiaries of Misconduct: A Direct Approach to IT Theft*, 17 MARQ. INTELL. PROP. L. REV. 27 (2013). One of the authors, Mr. Stroud, contributed research to this publication.

76. See *Garment Hangers*, ITC Inv. No. 337-TA-255, at 95 (June 17, 1987) (Initial Determination).

## 1. The Uniform Trade Secrets Act and the Restatement of Unfair Competition

While trade secret law is a state matter, it has nonetheless become nearly uniform thanks to the Uniform Trade Secrets Act (UTSA),<sup>77</sup> which attempts to normalize trade secret law across state borders.<sup>78</sup> Furthermore, *TianRui* held that the ITC applies a new “federal standard” for trade secret cases, and referenced the UTSA as the relevant law.<sup>79</sup>

To explain, states use two general approaches for trade secret law: The UTSA and the Restatement (Third) of Unfair Competition.<sup>80</sup> With Texas’s recent adoption of its version of UTSA, forty-seven states, the District of Columbia, all of the U.S. Territories and the ITC<sup>81</sup> prescribe in some way to the UTSA;<sup>82</sup> one of the remaining “hold-out” states is currently considering

---

77. UNIF. TRADE SECRETS ACT (UTSA) § 1(4) (1985).

78. See *TianRui Grp. Co. v. U.S. Int’l Trade Comm’n*, 661 F.3d 1322, 1327-28 (Fed. Cir. 2011) (“Fortunately, trade secret law varies little from state to state and is generally governed by widely recognized authorities such as the Restatement of Unfair Competition and the Uniform Trade Secrets Act.”).

79. *Id.* at 1324.

80. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. f (1995). The Restatement definition is a more subjective balancing test. A trade secret under the Restatement is “any formula, pattern, device,” or otherwise, that is secret and is not a matter “of public knowledge.” The Restatement then balances the following six factors:

- (1) the extent to which the information is known outside of [the plaintiff’s] business;
- (2) the extent to which it is known by employees and others involved in his business;
- (3) the extent of measures taken by him to guard the secrecy of the information;
- (4) the value of the information to him and to his competitors;
- (5) the amount of effort or money expended by him in developing the information; and
- (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

81. See *infra* Advantages and Disadvantages. Part III

82. See AMY E. DAVIS ET AL., GUIDE TO PROTECTING AND LITIGATING TRADE SECRETS 215-216 (2012) (indicating that 46 states have adopted the UTSA, sometimes in amended form). S.B. 953, 83rd Leg. Reg. Sess. § 4 (Tex. 2013).



adoption.<sup>83</sup> We analyze the UTSA here and the less-favored Restatement rule in the footnotes.

The UTSA requires that individuals seeking to prove actionable misappropriation show two elements: that an identifiable trade secret exists, and that the secret was misappropriated.<sup>84</sup> To prove that a party has a trade secret, the party must generally prove that the “secret” a) is qualified subject matter;<sup>85</sup> b) is the subject of reasonable efforts to maintain secrecy;<sup>86</sup> and c) derives independent economic value, actual or potential, from not being generally known to others who can obtain economic value from its disclosure or use.<sup>87</sup> Additionally, once proven, parties must show that the trade secret was

---

83. See H.R. 27, 188th Leg. (Mass. 2013); S.B. 953, 83rd Leg. (Tex. 2013); see also *Legislative Tracking*, UNIF. LAW COMM’N: THE NAT’L CONF. COMM’RS ON UNIF. ST. LS., <http://www.uniformlaws.org/Act.aspx?title=Trade%20Secrets%20Act> (last visited Mar. 28, 2013) (tracking nationwide enactment of the UTSA).

84. See UTSA § 1; see also *TianRui*, 661 F.3d at 1326–28 (discussing the non-appeal of the ITC’s finding of a trade secret, the appeal of the ITC’s finding of misappropriation, and framing the issue as “whether section 337 applies to imported goods produced through the exploitation of trade secrets in which the act of misappropriation occurs abroad,” answering yes).

85. See UTSA § 1(4).

86. See *id.* § 1(4)(ii).

87. See *id.* § 1(4)(i). Occasionally commenters describe as a fourth requirement that the trade secret cannot be readily ascertained by proper means by another person who can obtain economic value from its disclosure and use, but this is really a reiteration of the misappropriation prong, and so we (and most relevant courts) do not list it as a separate requirement. In 1979, the Commission recited the prevailing law and did not include this element, holding:

To prove misappropriation of a trade secret for purposes of establishing an unfair act within the purview of section 337, four elements must be proven:

- (1) the existence of a trade secret which is not in the public domain,
- (2) that the complainant is the owner of the trade secret or possesses a proprietary interest therein,
- (3) that the complainant disclosed the trade secret to respondent while in a confidential relationship or that the respondent wrongfully took the trade secret by unfair means, and
- (4) that the respondent has used or disclosed the trade secret causing injury to the complainant.

See also *Copper Rod*, Inv. No. 337-TA-52, USITC Pub. 1017, 1979 WL 445781, at \*19 (Nov. 23, 1979) (Final).

misappropriated. Effectively, this means showing that either a person acquired the trade secret knowing or having reason to know it was improperly acquired, or a person disclosed the trade secret, without express or implied consent, to someone they knew or should have known was unauthorized to see or receive it.<sup>88</sup>

The ITC's enforcement statute, § 337, provides for enforcement against respondents who violate any "unfair trade practices," long held by the ITC to include trade secret violations.<sup>89</sup>

---

88. See UTSA § 1.2. The UTSA defines misappropriation as:

- (i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
- (ii) disclosure or use of a trade secret of another without express or implied consent by a person who
  - (A) used improper means to acquire knowledge of trade secret; or
  - (B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was
    - (I) derived from or through a person who had utilized improper means to acquire it;
    - (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or
    - (III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or
  - (C) before a material change of his [or her] position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

89. In a published memorandum from 1983, the ITC officially laid out the elements of a theft of trade secrets violation as follows:

To prove theft or misappropriation of trade secrets, four elements must be established: (1) the existence of a trade secret, (2) that complainant is the owner of the trade secret or possesses a proprietary interest therein, (3) that complainant disclosed the trade secret to respondent while in a confidential relationship or that respondent took the trade secret by unfair means, and (4) that respondent has used or disclosed the trade secret causing injury to complainant.

Causes of Action under Section 337, 1983 WL 206913, 7 (U.S. Int'l Trade Comm'n September 30, 2003) [hereinafter "1983 ITC Memo"].

The Trade Secret “industry” requirement today stands very differently (both pleading-wise and otherwise) than the domestic industry standard for patents.<sup>90</sup> The pleading requirements are different in that they require the complainant to “state a specific theory and provide corroborating data to support the allegation(s).”<sup>91</sup> Commission Rule (6) provides stark contrast between the domestic industry requirement for patents and for trade secret actions.<sup>92</sup> Complainants must plead the “industry”

---

90. Commission Rule 210.12(a)(8) (19 C.F.R. § 210.12(a)(8)) (Noticed in Commission Rules, 59 Fed. Reg. 64,286 (Monday, Aug. 1, 1994) (commented on solely by the International Trade Commission Trade Lawyer’s Association (ITCTLA)).

91. *Id.* It reads:

(8) If the alleged violation involves an unfair method of competition or an unfair act other than those listed in paragraph (a)(6)(i) of this section, *state a specific theory and provide corroborating data to support the allegation(s) in the complaint concerning the existence of a threat or effect to destroy or substantially injure a domestic industry, to prevent the establishment of a domestic industry, or to restrain or monopolize trade and commerce in the United States.* The information that should ordinarily be provided includes the volume and trend of production, sales, and inventories of the involved domestic article; a description of the facilities and number and type of workers employed in the production of the involved domestic article; *profit-and-loss information covering overall operations and operations concerning the involved domestic article*; pricing information with respect to the involved domestic article; when available, volume and sales of imports; and other pertinent data.

(emphases added).

92. Compare Commission Rule 210(a)(6)(i) (2013) with Commission Rule 210(a)(6)(ii) (2013), and note the differences in the pleading requirements:

(6)(i) If the complaint alleges a violation of section 337 based on infringement of a *U.S. patent*, or a federally registered copyright, trademark, mask work, or vessel hull design, under section 337(a)(1) (B), (C), (D), or (E) of the Tariff Act of 1930, include a *description of the relevant domestic industry as defined in section 337(a)(3) that allegedly exists or is in the process of being established, including the relevant operations of any licensees. Relevant information includes but is not limited to:*

- (A) *Significant investment in plant and equipment;*
- (B) *Significant employment of labor or capital; or*

requirement differently for trade secrets than for patents, and must plead different types of information—simply citing to a patent-related domestic industry section will likely not suffice for the latter.

The ITC requires only “circumstantial evidence”<sup>93</sup> from which the trier of fact may draw inferences based on the reticence of the accused parties in determining “what actually happened.”<sup>94</sup> The standard adopted is thus whether it “*is more probable than not* that what plaintiffs allege . . . did in fact take place.”<sup>95</sup> Thus, parties unwilling to respond to circumstantial evidence may find themselves facing exclusion orders as the respondents found in default did in *Electric Fireplaces*.<sup>96</sup> Additionally, it is worth noting

---

(C) *Substantial investment in the exploitation of the subject patent, copyright, trademark, mask work, or vessel hull design, including engineering, research and development, or licensing; or*

(ii) If the complaint alleges a violation of section 337 of the Tariff Act of 1930 *based on unfair methods of competition and unfair acts* that have the threat or effect of destroying or substantially injuring an industry in the United States or preventing the establishment of such an industry under section 337(a)(1)(A) (i) or (ii), include *a description of the domestic industry affected*, including the relevant operations of any licensees.

*Id.* (emphases added).

93. *Id.*; accord *Metallurgical Indus. Inc. v. Fourtek, Inc.*, 790 F.2d 1195, 1202 (5th Cir. 1986) (explaining that “a trade secret can exist in a combination of characteristics and components each of which, by itself, is in the public domain, but the unified process, design and operation of which in unique combination, afford a competitive advantage and is a protectible [sic] secret.”) (quoting *Imperial Chem. Indus. Ltd. v. Nat’l Distillers & Chem. Corp.*, 342 F.2d 737, 742 (2d Cir. 1965)).

94. See 1983 ITC Memo, *supra* note 89 (“As one judge has put it—[p]laintiffs in trade secret cases, who must prove by a fair preponderance of the evidence disclosure to third parties and use of the trade secret by the third parties, are confronted with an extraordinarily difficult task. Misappropriation and misuse can rarely be proved by convincing direct evidence.”).

95. *Id.* (emphasis added) (calling proof in a trade secret case “a web of perhaps ambiguous circumstantial evidence from which the trier of fact may draw inferences . . . Against this often delicate construct of circumstantial evidence there frequently must be balanced defendants and defendants’ witnesses who directly deny everything.”).

96. *Electric Fireplaces, Inv. Nos. 337-TA-791 and 337-TA-826*, 2012 WL 2929417, Order No. 20 (July 16, 2013) (Initial Determination) (recommending adverse default ruling when parties failed to respond); see *infra* notes 196 and accompanying text (detailing those rulings); see also *Sausage Casings, Inv. Nos.*

that the Federal Circuit exercises administrative deference to the ITC as an agency in interpreting the governing statutes.<sup>97</sup>

In 2011, the Federal Circuit unequivocally adopted a new “uniform federal standard” as the law governing any trade secret violation at the ITC.<sup>98</sup> While unclear whether the court applied the UTSA or the Restatement, it referenced other criminal statutes as applying the UTSA, and commenters assume the court meant the new “uniform federal standard” to conform to the UTSA’s requirements.<sup>99</sup>

The ITC also has requirements specific to § 337. For a trade secret investigation, in order to prove a violation of § 337, a complainant must show that: 1) the respondent imported a product into the United States; 2) the product or act of importation “infringed” or “violated” the statutory definition, such as trade secret misappropriation under the UTSA; and 3) the respondent’s acts caused or threatened to cause injury to an industry in the U.S.,

---

337-TA-148 and 337-TA-169 USITC Pub. No. 1624, at 252-53 (July 31, 1984) (Initial Determination):

Specific instances of unexplained similarity between [the two parties’] equipment which go far beyond any possibility of coincidence provide ample circumstantial evidence that [Respondent] had significant information about [Complainant’s] operations beyond that which was available through legitimate means. [Respondent’s] attempts to disavow or explain away these remarkable similarities with often vague or improbable testimony create an even stronger inference of misappropriation.

97. See *Enercon GmbH v. U.S. Int’l Trade Comm’n*, 151 F.3d 1376, 1381 (1998) (deferring to the ITC’s interpretation of § 337 as a reasonable construction); *Farrel Corp. v. U.S. Int’l Trade Comm’n*, 949 F.2d 1147, 1151 (Fed. Cir. 1991) (“While this court generally reviews ITC interpretations of statutory provisions de novo, some deference to constructions by the agency charged with its administration may be appropriate, particularly if technical issues requiring some expertise are involved.”).

98. *TianRui Grp. Co. v. U.S. Int’l Trade Comm’n*, 661 F.3d 1322, 1327-28 (Fed. Cir. 2011) (“[W]here the question is whether particular conduct constitutes ‘unfair methods of competition’ and ‘unfair acts’ in importation, in violation of section 337, the issue is one of federal law and should be decided under a uniform federal standard . . .”).

99. See, e.g., Steven E. Feldman & Sherry L. Rollo, *Extraterritorial Protection of Trade Secret Rights in China: Do Section 337 Actions at the ITC Really Prevent Trade Secret Theft Abroad?*, 11 J. MARSHALL REV. INTELL. PROP. L. 523, 534 (2012); cf. Viki Economides, Note, *TianRui Group Co. v. International Trade Commission: The Dubious Status of Extraterritoriality and the Domestic Industry Requirement of Section 337*, 61 AM. U. L. REV. 1235, 1240-41 (2012) (explaining *TianRui* and drawing parallels).

prevented the establishment of such an industry, or restrained or monopolized trade and commerce in the U.S.<sup>100</sup>

Most importantly, § 337 and the ITC treat statutory (i.e., patent) and non-statutory (i.e., trade secret) IP rights differently. For patents, trademarks, and copyrights, the ITC applies 19 U.S.C. § 1337(a)(1)(B)–(E) and (a)(2), requiring that:

the product in question is imported into the United States;  
the importation constitutes infringement under the relevant statutory definition; and  
a domestic industry exists.

As the domestic industry doctrine has developed further, it has grown more complicated, requiring a two-pronged jurisdictional analysis: first, whether there is an economic domestic industry, and, second, whether there is a technical domestic industry.<sup>101</sup> Evidence of economic domestic industry includes but is not limited to licensing, engineering, research, and production.<sup>102</sup> Evidence of technical domestic industry asks if the complainant actually makes products that embody the IP at issue.<sup>103</sup> Investigations for trade secret violations have very different requirements.

For trade secret violations (which are non-statutory), the ITC applies a separate subsection, 19 U.S.C. § 1337(a)(1)(A), when examining the domestic industry. Despite the seeming lack of recognition of this point, § 337(a)(3), the formal domestic industry requirement for ITC complainants in statutory IP investigations, does not apply to non-statutory IP such as trade secrets. In fact, it specifically excludes trade secrets and other forms of unfair competition under § 337(a)(1)(A) from this stringent domestic industry requirement. Instead, the statute's subsection governing trade secrets applies only one of the following three sub-provisions:

(i) to destroy or substantially injure *an industry in the United States*;

---

100. 19 U.S.C. § 1337(a)(1)(A) (2012).

101. See *Stringed Musical Instruments*, Inv. No. 337-TA-586, USITC Pub. 4120, Comm'n Op. at 8 (May 16, 2008) (Initial Determination).

102. See § 1337(a)(3).

103. See *Crocs, Inc. v. U.S. Int'l Trade Comm'n*, 598 F.3d 1294, 1307 (Fed. Cir. 2010) ("The test for the technical prong of the industry requirement is essentially the same as that for infringement, i.e., a comparison of domestic products to the asserted claims.") (quotations and citation omitted).

(ii) to prevent the establishment of such an industry; or  
(iii) to restrain or monopolize trade and commerce in the  
United States.<sup>104</sup>

Thus, the trade secret complainant does not have to prove a domestic industry under § 337(a)(3) as a patent holder would. The trade secret complainant can prove a threat to “destroy or substantially injure” an “industry in the United States,” the prevention of such an industry, or the restraint of trade and commerce in general in the United States.<sup>105</sup> In other words, the trade secret complainant would only have to show the requisite “nexus” between the imported articles and the unfair methods of competition.<sup>106</sup> Under a fair reading of the limited precedent available, the nexus must causally connect the alleged unfair acts—the misappropriation itself—and the act of importation.<sup>107</sup> Access to the trade secrets does not suffice—complainants must show at least circumstantial evidence that respondents either used the secret to create an imported product, or used the secret to facilitate the importation of goods, thus resulting in substantial injury to the complainants.<sup>108</sup>

#### *D. Survey of ITC Trade Secret Investigations Prior to TianRui*

Since 1972, the ITC has instituted only forty-one investigations involving trade secrets.<sup>109</sup> Only a handful did not settle before a

---

104. 19 U.S.C. § 1337(a)(1)(A)(i)–(iii) (emphasis added).

105. *Id.*

106. *See, e.g.,* TianRui Grp. Co. v. U.S. Int’l Trade Comm’n, 661 F.3d 1322, 1330 n. 4 (Fed. Cir. 2011).

107. *See* Certain Garment Hangers, Inv. No. 337-TA-255, 51 Fed. Reg. 32,973-01 (Int’l Trade Comm’n Sept. 17, 1986) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337), *amended* 51 Fed. Reg. 41,163-03 (Nov. 13, 1986) (Consent Order); 337-TA-255, at 107–111 (June 17, 1987) (Initial Determination) (Luckern, J.).

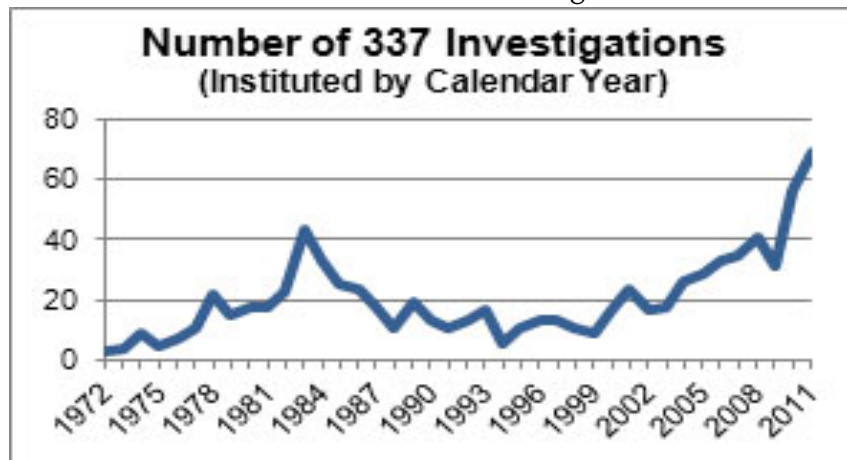
108. *See* Garment Hangers, 337-TA-255, Initial Determination, at 109–11. (Parties who steal information on market share or client lists may also create a provable nexus if used to substantially injure the domestic industry; likewise, trade secrets that facilitate the production of the good (for instance, trade secrets related to efficient manufacturing processes) could also qualify.)

109. The information relied upon was compiled carefully, but subject to some inherent limitations. The ITC has various ways of identifying under which type of intellectual property a party files. Thus, the authors listed only cases where a trade secret action was appropriately identified by the ITC, and addressed by the parties. Occasionally, parties will have added or removed a trade secret claim or attempted to raise similar facts, something nearly impossible to track

hearing, even fewer made it to a final determination, and only a small subset of those substantially comment on the law of trade secret violations at the ITC. Few cases have ever solely pled trade secrets violations (although that number rose dramatically early this year), and due to the primacy of patent violations, few rulings have survived settlement, a consent order, or a dismissal. Thus, the record and precedential body for ITC trade secret law (and the resulting literature) is limited.

The significant investigations and some statistics breaking down any discernible trends are included below. First, the authors analyzed the number of trade secret actions by year and compared them to the published numbers provided by the ITC for all instituted actions. Compare:

Table II—Total Number of 337 Investigations Instituted




---

precisely. The authors strove to identify these cases thoroughly. We have used our best judgment on which cases rise to the level of a “trade secret” action. For an empirical analysis of patent-centric actions, see Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 67–68 (2008).



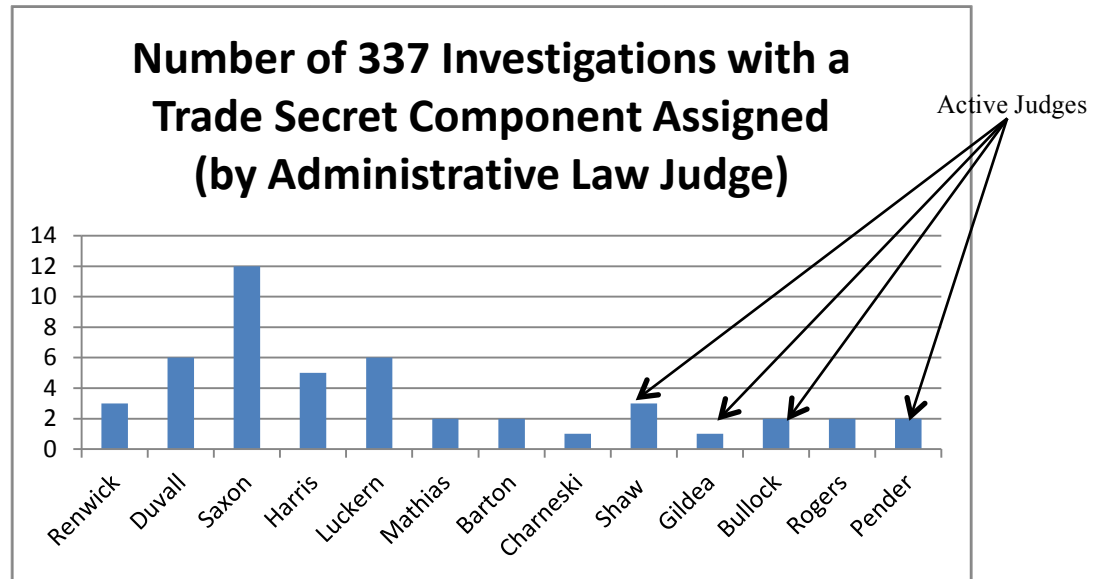
Table III—Total Number of 337 Trade Secret Investigations Instituted (\*as of 11/23/13)



The data indicate that whatever early comfort practitioners had filing ITC investigations in general has also applied to trade secret investigations specifically. That comfort evaporated for both property types between 1990 and 2000, although we are at a loss as to why. The reasserted importance of the ITC in patent litigation appears to be the primary driver behind the ITC's recent uptick in filings, although since *TianRui* associated trade secret claims are on the rise as well. As patent practitioners rediscover this underutilized cause of action, that number may grow in the coming years, particularly after the Federal Circuit's decision in *TianRui* directed a spotlight on the doctrine, expanding jurisdiction to include violations that occur entirely outside of the United States.<sup>110</sup>

Breaking down the investigations by presiding administrative law judge (and double- or triple-counting if more than one judge has worked on an investigation) it appears that the ITC ALJ's office assigned most of the early trade secret investigations to ALJs Saxon, Duvall, and Luckern. The recent trade secret investigations have been spread relatively evenly among four of the six active ALJs, as well as the recently retired Judge Rogers: Judges Shaw, Glidea, Bullock, and Pender:

110. For those interested, the authors have appended a chart at the end of this Article showing the thirty-nine completed or pending ITC § 337 investigations with a trade secret component, in chronological order of the original date of institution.



Notably, to date, only twenty of these § 337 investigations have involved trade secrets without any underlying patent infringement claims—and five were filed in the last two calendar years. Of the thirty-eight investigations instituted that have been disposed of (two are pending and one remains under commission review at the time of publication), almost two-thirds—twenty-two—settled. Another ten were the subject of a consent order. Two are listed as “other.” It is unclear if the parties settled, withdrew, or fell under a consent or co-pending exclusion order.<sup>111</sup>

Of the thirty-eight terminated investigations (whether through settlement, final determination, or dismissal, etc.), only nine resulted in a final determination. Of those eight, four found no violation, and five found at least one violation. Perhaps significantly, the three most recently decided trade secret-related investigations found violations. Three dealt only with trade secret violations, while two contained underlying patents.<sup>112</sup>

In terms of relation to the law of trade secrets, only five § 337 investigations garner any serious discussion, and only three before the *TianRui* decision: *Copper Rod*,<sup>113</sup> *Sausage Casings*,<sup>114</sup> and *Garment Hangers*.<sup>115</sup> A discussion of each follows.

111. ITC records before 1995 are difficult to locate if not part of an ITC official publication.

112. Interestingly, President Ronald Reagan overturned one of the four decisions finding a violation—*Molded-In Sandwich Panel Inserts*—during the presidential review period. See *Molded-In Sandwich Panel Inserts*, Inv. No. 337-TA-99, USITC Pub. 1246 (Apr. 9, 1982), *modified by* *Molded-In Sandwich Panel Inserts*, Inv. No. 337-TA-99, USITC Pub. 1297 (Sept. 17, 1982).

113. *Copper Rod*, Inv. No. 337-TA-52, USITC Pub. 1017 (Nov. 23, 1979).

### 1. *Copper Rod* and Cease and Desist Orders

*Copper Rod* was the first investigation where the ITC issued a remedy based on trade secret misappropriation. There, the ITC issued only a cease and desist order, declining to issue an exclusion order:

A trade secret violation involves a personal relationship between the parties. Although a party before the Commission may be violating the trade secret, other persons may have a legitimate right to use that trade secret through, for instance, independent research and development of the subject matter thereof. Accordingly, an exclusion order is an inappropriate remedy for trade secret violations under section 337 and a remedy for trade secret violations should be directed at the person . . . determined to have misappropriated it [sic] within the meaning of section 337.<sup>116</sup>

However, *Copper Rod* also held that a combination of characteristics and components could be a trade secret despite each element being public individually.<sup>117</sup>

### 2. *Sausage Casings* and Broad Exclusion Orders

Years later, *Sausage Casings* reversed the ITC's course, putting to rest the notion that an exclusion order might not be available for trade secret violations. It held resoundingly that such orders were appropriate. The Commission issued a Limited Exclusion Order prohibiting, for ten years, the importation of any "small caliber cellulose skinless sausage casings manufactured by Viscofan" based on the trade secret violation. The ITC held that, while a

---

114. *Sausage Casings*, Inv. Nos. 337-TA-148 and 337-TA-169, USITC Pub. 1624 (July 31, 1984).

115. *Garment Hangers*, Inv. No. 337-TA-255, 51 Fed. Reg. 32,973-01 (Int'l Trade Comm'n Sept. 17, 1986) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337) *amended* 51 Fed. Reg. 41,163-03 (Nov. 13, 1986) (Consent Order).

116. *Copper Rod*, Inv. No. 337-TA-52, USITC Pub. No. 1017, Comm'n Op., at 66-67 (Nov. 23, 1979).

117. *Id.* at 43; *accord Metallurgical Indus. v. Fourtek, Inc.*, 790 F.2d 1195, 1202 (5th Cir. 1986) ("A trade secret can exist in a combination of characteristics and components each of which, by itself, is in the public domain, but the unified process, design and operation of which in unique combination, afford a competitive advantage and is a protectable secret.").

personal relationship in a trade secret violation “makes a cease and desist order appropriate, other considerations aside, it does not make a cease and desist order the exclusive remedy in such cases.”<sup>118</sup> The *Sausage Casings* Commission, relying on *Copper Rod*, found a trade secret violation and opted for far broader relief. To distinguish *Copper Rod*, the Commission noted that no personal relationship existed in *Sausage Casings*.<sup>119</sup> In contrast, the Commission emphasized this point in its decision in *Copper Rod*. In addition, “the limited exclusion order was not part of the Commission’s arsenal of remedies until two years after *Copper Rod* was decided.”<sup>120</sup>

Additionally, the ITC held that the duration of exclusionary relief in trade secret investigations should be the time it would have taken independently to develop the product using lawful means.<sup>121</sup> Most notably, the ITC in *Sausage Casings* approved a broad exclusionary order that covered an entire class of products for ten years. It held that all infringing sausage casings should be “excluded from entry” and interpreted that to mean all entry, for whatever reason, even under bond.<sup>122</sup> The significance of this cannot be overstated. Contrast that with the average patent-based exclusion order, which is highly limited to the technologies embodied by the patents-at-issue and the remaining term of the patent. Thus, *Sausage Casings* held that the remedy for trade secret violations is potentially broad and open-ended and can include an exclusion order.

### 3. *Garment Hangers* and the Nexus Requirement between Importation and the Unfair Acts

In *Garment Hangers*,<sup>123</sup> the ITC dismissed the investigation when the complainant failed to show a nexus between the

---

118. *Sausage Casings*, Inv. Nos. 337-TA-148, 337-TA-169, USITC Pub. 1624, Comm’n Action and Order, at 6 (Nov. 26, 1984).

119. *Id.* at 21.

120. *Id.*

121. *Id.*; see also Gary M. Hnath & James M. Gould, *Litigating Trade Secret Cases at the International Trade Commission*, 19 AIPLA Q.J. 87, 115 (1991).

122. See *Sausage Casings*, Comm’n Action and Order, at 5-6 (explaining customs had taken the position that an order prohibiting “entry into the United States” would not affect an importer’s right to have merchandise shipped in bond through the United States; the Commission disagreed).

123. *Garment Hangers*, Inv. No. 337-TA-255, 51 Fed. Reg. 32,973-01 (Int’l Trade Comm’n Sept. 17, 1986) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337), amended 51 Fed. Reg. 41,163-03 (Nov. 13, 1986) (Consent

importation and the unfair acts forming the basis of the complaint.<sup>124</sup> There, while the various respondents imported and produced clothes hangers, the complainant had no evidence that the respondents produced the imported hangers with the particular trade secrets. Thus highlighting the “nexus” requirement, Judge Luckern concluded that the complainants failed to meet their burden of proof and dismissed the investigation.<sup>125</sup> One writer argued in 1991 that this left the door open as to whether the ITC would have jurisdiction if the imported items were merely used in the act of, or benefited from, the theft of trade secrets.<sup>126</sup>

#### 4. Other Trade Secret Investigations Prior to the *TianRui* Decision

For the remaining trade secret investigations that warranted publication by the ITC, the following, in order of general importance, are legally relevant. In a Commission determination in *Floppy Disk Drives & Components Thereof*, Inv. No. 337-TA-203,<sup>127</sup> the Commission denied summary determination on the issue of whether trade secrets existed. Notably, the Commission held that: “[t]he fact Tandon does not currently use the claimed technology in its business has no bearing on whether or not this technology may be considered a trade secret of Tandon.”<sup>128</sup> This demonstrates again that the complainant need not currently practice the trade secret alleged in order to obtain relief.<sup>129</sup>

---

Order); 337-TA-255, Initial Determination, at 107–111 (June 17, 1987) (Luckern, J.).

124. See Hnath & Gould, *supra* note 121, at 91.

125. See *Garment Hangers*, 337-TA-225, Initial Determination, at 107-111.

126. See Hnath & Gould, *supra* note 121, at 91–92.

127. *Floppy Disk Drives and Components Thereof*, Inv. No. 337-TA-203, USITC Pub. 1756 (Apr. 26, 1985) (Initial Determination).

128. *Id.* at 33.

129. *Id.* The Commission’s language evokes the equity appropriate for trade secrets:

Surreptitious employees share certain habit patterns. They ‘plot’ with other employees who appear to be discontent. They stay in the corporation, gather information that will be of value, all the while going through the formalities of creating a corporate vehicle, often in their wives’ names. Then one or more of the plotters quits, often leaving other plotters behind to keep on eye open for new developments which might be of use to the newly formed competitor. The courts do not tolerate this kind of double-dealing by the employee; the guise of the independent corporation is penetrated in cases where it

*Coamoxiclav Products, Potassium Caluvanate Product, and Other Products Derived from Clavulanic Acid*, ITC Inv. No. 337-TA-479,<sup>130</sup> is significant in three respects. First, Judge Luckern assumed that three things were protectable trade secrets: an organism; “the genetic information encoded in that organism; and the associated process information.”<sup>131</sup> This has implications for the biologicals and diagnostic industries both domestically and abroad.

Second, the Judge conducted a survey of persuasive state court law, determining that petitioners had failed to maintain “reasonable efforts to maintain secrecy” due to the presence of an unrestricted settlement agreement.<sup>132</sup> Third, Judge Luckern held that the Illinois version of the UTSA preempted a charge of conversion of computer files, and trade secret misappropriation was instead the appropriate cause of action for stolen computer files.<sup>133</sup> Although these decisions provide practitioners some guideposts, none are as relevant to today’s business environment as the recent decision by the Federal Circuit in 2011.

#### a. Appellate Decisions Prior to TianRui

The relatively small number of ITC investigations involving trade secrets means there are even fewer published court decisions. The authors are aware of only eight investigations that have directly related court decisions such as appeals. Further, few of these appellate decisions directly address trade secret claims at the ITC. The first appellate decision from an investigation involving trade secret was in *Refractarios Monterrey v. Ferro Corp.*<sup>134</sup> That decision, however, related to whether an order that the ITC declined to review was a “final determination” within the

---

appears that the corporation is the alter ego of such employees.

*Id.* at 31 (quoting 1 Milgrim § 5.04[3]).

130. *Coamoxiclav Prods., Potassium Caluvanate Prod., & Other Prods. Derived from Clavulanic Acid*, Inv. No. 337-TA-479, 2003 WL 1793272, at \*4-6 (Mar. 6, 2003); *see also* *Mechanical Gear Couplings and Components Thereof*, Inv. No. 337-TA-343, Order No. 10, , at 8 (Mar. 23, 1993) (“[T]he Commission retains an interest in determining whether respondents’ products are manufactured or sold using trade secrets that were misappropriated from complainant.”).

131. *Coamoxiclav Products*, 2003 WL 1793272, at \*7.

132. *Id.* at \*5.

133. *Id.* at \*6-7.

134. *Refractarios Monterrey v. Ferro Corp.*, 606 F.2d 966 (C.C.P.A. 1979), *cert. denied*, 445 U.S. 943 (1980) (appeal from *Ceramic Tile Setters*, Inv. No. 337-TA-41, BNA/PTCJ 385: A – 21 (Int’l Trade Comm’n 1978)).

jurisdiction of the Court of Customs and Patent Appeals (CCPA), the Federal Circuit's predecessor. Indeed, the complainant failed to allege trade secret misappropriation in its prehearing statement, effectively dropping that issue from the investigation.<sup>135</sup> The CCPA dismissed the appeal, finding its jurisdiction of ITC matters only extended to "final determinations," which did not include the order at issue.<sup>136</sup>

In the second appellate decision, *Krupp International, Inc. v. U.S. International Trade Commission*,<sup>137</sup> the ITC found two of the respondents not in violation of § 337, and Krupp International appealed certain findings by the ITC to the CCPA.<sup>138</sup> The CCPA dismissed the appeal. Because the ITC did not find either of the two appellants in violation, the CCPA found the ITC's decision did not adversely affect the companies and thus the companies lacked standing to appeal.<sup>139</sup>

In a short per curiam opinion in *FMC Corporation v. U.S. International Trade Commission*,<sup>140</sup> the CCPA denied FMC's request for a writ of mandamus and vacated a stay in Compressed Air Powered Tire Changers, Inv. No. 337-TA-73.<sup>141</sup> Similarly, although the Federal Circuit granted an appeal from the ITC's decision in Molded-In Sandwich Panel Inserts, Inv. No. 337-TA-99,<sup>142</sup> the complainant had already dropped its misappropriation of trade secrets claim prior to a final determination by the ITC.

---

135. *See id.* at 968–69.

136. *Id.* at 971–72.

137. *Krupp Int'l, Inc. v. U.S. Int'l Trade Comm'n*, 626 F.2d 844 (C.C.P.A. 1980).

138. *Copper Rod*, Inv. No. 337-TA-52, USITC Pub. 1017, Comm'n Op. at 1, 38 (Nov. 23, 1979) (Complaint) (alleging infringement of five patents and fourteen trade secrets).

139. *Krupp Int'l*, 626 F.2d at 845 (C.C.P.A. 1980) (finding the ITC's decision in *Copper Rod* favored appellants, and so both lacked standing to challenge the ruling). There were myriad appeals and cross-appeals of no consequence from this investigation: *Southwire Co. v. U.S. Int'l Trade Comm'n*, 629 F.2d 1332 (C.C.P.A. 1980) (denying motions by Krupp and Bell to dismiss the cross-appeal as untimely); *Southwire Co. v. U.S. Int'l Trade Comm'n*, No. 80-30 (C.C.P.A. 1980) (self-dismissed on Southwire's motion); *AT&T v. U.S. Int'l Trade Comm'n*, 626 F.2d 841 (C.C.P.A. 1980) (dismissing appeal for lack of standing); and *Krupp Int'l v. U.S. Int'l Trade Comm'n*, 626 F.2d 843 (C.C.P.A. 1980) (dismissing the appeal and stating Krupp and Bell could participate as appellees in Southwire's cross-appeal but could not sustain the appeal).

140. *FMC Corp. v. U.S. Int'l Trade Comm'n*, 613 F.2d 825, 825 (C.C.P.A. 1980).

141. *See id.*

142. *Young Eng'rs v. U.S. Int'l Trade Comm'n*, 721 F.2d 1305, 1306 (Fed. Cir. 1983).

Therefore, the Federal Circuit's decision in *Young Engineers* did not relate to a trade secret determination by the ITC. Also similarly, the complainant dropped its trade secret misappropriation claims in Limited-Charge Cell Culture Microcarriers, Inv. No. 337-TA-129,<sup>143</sup> prior to a determination by the ITC. Thus, the appeal from that investigation does not address trade secret claims at the ITC.<sup>144</sup>

As discussed above, the ITC found in *Sausage Casings*<sup>145</sup> that respondent Viscofan misappropriated six trade secrets and issued a 10-year exclusion order.<sup>146</sup> On appeal to the Federal Circuit, Viscofan attacked certain aspects of the ITC's exclusion order, but to no avail. Specifically, the Federal Circuit found that the ITC had proper justification to issue an exclusion order rather than a cease-and-desist order.<sup>147</sup> Further, the *Viscofan* Court found that the ITC's order still allowed Viscofan to prove in a later proceeding that it did not manufacture its new imports using misappropriated trade secrets.<sup>148</sup> Finally, the Federal Circuit found that the ITC did not abuse its discretion in tying the length of the exclusion order—ten years—to the time it would require Viscofan to independently create the technology at issue.<sup>149</sup> Nor did the ITC abuse its discretion in ordering that the ten-year exclusion order start from issuance, rather than from when the theft occurred.<sup>150</sup>

The Federal Circuit reversed the ITC's decision to terminate the investigation in *Internal Mixing Devices and Components Thereof*<sup>151</sup> on appeal.<sup>152</sup> The ITC had terminated the investigation

---

143. Ltd.-Charge Cell Culture Microcarriers, , Inv. No. 337-TA-129, USITC Pub. 1486, Views of the Comm'n, at 2 n. 5 (Nov. 18, 1983) (indicating that the complainant amended and removed the trade secret claim).

144. *Mass. Inst. of Tech. v. AB Fortia*, 774 F.2d 1104, *passim* (Fed. Cir. 1985).

145. *See Sausage Casings and Resulting Prod.*, Inv. Nos. 337-TA-148, 337-TA-169, USITC Pub. 1624, at 244 (July 31, 1984) (Initial Determination) ("There is no question that misappropriation of trade secrets, if established, is an unfair method of competition or unfair act which falls within the purview of Section 337.") (citation omitted), *aff'd in relevant part*, *Viscofan, S.A. v. U.S. Int'l Trade Comm'n*, 787 F.2d 544 (Fed. Cir. 1986).

146. *See Viscofan*, 787 F.2d at 546.

147. *See id.* at 549–50.

148. *See id.* at 550.

149. *See id.* at 550–51.

150. *See id.* at 551.

151. *Internal Mixing Devices and Components Thereof*, Inv. No. 337-TA-317, USITC Pub. 2414, (Nov. 2, 1990).

152. *See Farrel Corp. v. U.S. Int'l Trade Comm'n*, 949 F.2d 1147, 1148 (Fed. Cir. 1991), *reh'g denied* (Fed. Cir. 1991), *reh'g en banc declined* (Fed. Cir. 1992), *cert. denied*, 504 U.S. 913 (1992).



due to a prior agreement between the parties to arbitrate certain disputes.<sup>153</sup> The Federal Circuit found the plain language of § 337 requires the ITC to determine whether a violation exists before terminating the investigation due to an arbitration agreement.<sup>154</sup> The trade secret allegations in the underlying investigation were not addressed.

b. TianRui Group Company v. U.S. International Trade Commission

In 2011, the Federal Circuit made waves when it upheld the ITC's decision in Inv. No. 337-TA-665 to exclude goods based on a trade secret violation, where the theft itself happened in China.<sup>155</sup> There, Amsted Industries, Inc.—an American manufacturer of cast steel railway wheels—licensed a discontinued secret process (the “ABC” process) to a Chinese foundry. Amsted also developed and used its own newer process domestically. Unfortunately, Chinese manufacturers TianRui Group Company Limited and TianRui Group Foundry Co. Ltd. (along with the co-respondent U.S. importers, collectively, “TianRui”), hired a number of employees away from the licensed foundry. After TianRui hired them, the former employees disclosed Amsted's confidential information and enabled TianRui to begin using the ABC process to make steel railcar wheel parts bound for destinations in the U.S.<sup>156</sup> The parties did not dispute that the acts of misappropriation occurred entirely in China.

In 2008, Amsted filed a complaint alleging that the four TianRui companies imported and sold products manufactured using misappropriated trade secrets. The ALJ issued an initial determination in October 2009 finding that the Respondents had stolen Amsted's trade secrets. The ITC adopted the ALJ's determination and issued an exclusion order and a cease-and-desist

---

153. See *id.* at 1148.

154. See *id.* at 1152-53.

155. See *Cast Steel Ry. Wheels, Processes for Mfg. or Relating to Same & Certain Prods. Containing Same*, Inv. No. 337-TA-665, USITC Pub. 4265, Limited Exclusion Order, at 1-2 (Feb. 16, 2010), *aff'd sub nom*; *TianRui Grp. Co. v. U.S. Int'l Trade Comm'n*, 661 F.3d 1322, 1324 (Fed. Cir. 2011); see also Matthew A. Werber, *Using the International Trade Commission to Address Trade Secret Misappropriation Occurring Abroad*, LEXOLOGY, August 24, 2012 (“The Federal Circuit caught the attention of the ITC and trade secret litigators alike when it ruled in *TianRui Group Co. v. ITC* that the ITC can exercise its jurisdiction over acts of misappropriation occurring entirely in China.”).

156. See *TianRui*, 661 F.3d at 1325.

order prohibiting the importation and sale by the Respondents of products made using Amsted's trade secrets for ten years. The Respondents appealed; however, their appeal did not delay implementation of the ITC's exclusion order, effective February 16, 2010. In October 2011, the U.S. Court of Appeal for the Federal Circuit affirmed the ITC's decision.<sup>157</sup>

The panel majority of the Federal Circuit found that § 337 focuses on the nexus between the imported articles and the unfair methods of competition rather than on where the misappropriation occurs: the determination of misappropriation was merely a predicate to the charge that TianRui committed unfair acts in importing its wheels into the United States. In other words, the ITC's interpretation of § 337 does not, as the dissent contends, give it the authority to "police Chinese business practices."<sup>158</sup> It only sets the conditions under which products may be imported into the United States.

The majority acknowledged that the Supreme Court had discussed a "presumption against extraterritoriality" in the context of SEC law in *Morrison*.<sup>159</sup> The presumption counsels judges to interpret statutes in such a way as to avoid extraterritorial application where it is not explicit.<sup>160</sup> But the court found that the presumption against extraterritoriality is just that—a presumption—and parties overcome it when the statutory history speaks to preventing harm to companies from violations occurring abroad.<sup>161</sup>

The ITC found Amsted's licensing of a trade secret to a foreign corporation satisfied the domestic industry requirement—that the domestic industry was undeniably injured by the misappropriation of a valuable trade secret that allowed TianRui to compete unfairly in the domestic market.

The ALJ found for Amsted, agreeing that TianRui hired nine employees away from Amsted at much higher wages—all of whom had access to Amsted's trade secrets. In addition, the ALJ found

---

157. *See id.* at 1322.

158. *Id.* at 1338 (Moore, J., dissenting).

159. *Morrison v. Nat'l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2878 (2010); *see also* *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 250–51 (1991) (finding Congressional intent to extraterritorially apply a statute "must be deduced by inference from boilerplate language"), *superseded by statute*, Civil Rights Act of 1991, Pub. L. No. 102-166, § 109, 105 Stat. 1071, 1077.

160. *Id.*

161. *See TianRui*, 661 F.3d at 1328–29 (alternatively calling it a "principle," a "canon," and a "presumption" that is "not an end in itself, but functions as a tool for ascertaining congressional intent" and finding the presumption "does not govern this case").

that TianRui had confidential Amsted documents explaining the manufacturing methods Amsted kept as trade secrets.

Rather than let its story be added to the long list of corporate espionage woes in today's global business environment, Amsted instead sought, and obtained, ten years of relief by pursuing a § 337 investigation at the ITC. Notably, the record at the Federal Circuit and the ITC reflects that TianRui and its co-respondents did not petition either the ITC or the Federal Circuit for a stay of the exclusion order pending the resolution of the appeal. Amsted's success has encouraged the complaints filed by Innovation First (*Robotic Toys*) and Fellowes (*Paper Shredders*), as well as two other complaints filed last year alleging trade secret misappropriation.

### c. ITC Investigations Post-TianRui

The ITC has instituted four solely trade-secrets-focused investigations since the 2011 Federal Circuit decision in *TianRui*. One good example, filed less than 8 months later, is *Rubber Resins and Processes for Manufacturing Same*.<sup>162</sup> The complainant, SI Group, Inc., a chemical rubber tackifier manufacturer, filed against multiple respondents from China, Hong Kong, and Canada (collectively, Sino Legend).<sup>163</sup>

SI Group's complaint accuses Sino Legend of hiring away one of SI Group's plant managers from one of SI Group's wholly owned Chinese subsidiaries. That manager, SI Group alleges, misappropriated and disclosed some of SI Group's chemical processes, which were trade secrets, to Sino Legend. Specifically, SI Group alleged Sino Legend misappropriated trade secrets related to tackifier and curing resins used to manufacture tires. The alleged misappropriation, occurring entirely within China, stole a chemical formula to create superior rubber tackifiers, a substance

---

162. Rubber Resins, Inv. No. 337-TA-849, 77 Fed. Reg. 38,083-01 (Int'l Trade Comm'n June 26, 2012) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

163. The respondents include: Red Avenue Chemical Corp. of America, Rochester, NY; Thomas R. Crumlish, Jr., Rochester, NY; Precision Measurement International LLC, Westland, MI; Sino Legend (Zhangjiagang) Chemical Co., Ltd., China; Sino Legend Holding Group, Inc., Hong Kong; Sino Legend Holding Group Limited, Hong Kong; HongKong Sino Legend Group, Ltd., Hong Kong; Red Avenue Chemical Co., Ltd., China; Ning Zhang, Canada; Quanhai Yang; China; and Shanghai Lunsai International Trading Company, China. *Id.* at 38,083.

important in tire production.<sup>164</sup> The fifty-page complaint includes facts stretching back to 2004.<sup>165</sup> On June 20, 2012, the ITC instituted an investigation based on SI Group's complaint.

ALJ Rogers held a hearing in April 2013 and issued his initial determination on June 17, 2013.<sup>166</sup> The ALJ concluded that SI failed to show that the Respondents misappropriated trade secrets related to curing resins.<sup>167</sup> He found, however, that SI had met its burden on its tackifier claims and concluded that Sino Legend's unfair acts "had the effect to substantially injure the rubber resin industry in the United States."<sup>168</sup> To determine whether the Respondents' actions threatened "to destroy or substantially injure" the domestic industry, the ALJ examined five indicia established by the ITC in *Certain Electric Power Tools, Battery Cartridges and Battery Chargers*, Inv. No. 337-TA-284.<sup>169</sup> Those indicia include:

1. the respondent's volume of imports and penetration into the market;
2. the complainant's lost sales;
3. underselling by the respondent;
4. the complainant's declining production, profitability, and sales; and
5. the harm to complainant's goodwill and reputation.<sup>170</sup>

The ALJ found Respondents had imported and sold enough tackifier to manufacture 50,000 tires and that such amount met the substantial requirement. In addition, the ALJ found these sales caused an actual injury to SI as they caused SI to lose sales.<sup>171</sup> The ALJ also found that Sino Legend had undersold SI, causing SI's

---

164. *Id.*

165. *Rubber Resins*, Inv. No. 337-TA-849, 77 Fed. Reg. 38,083-01 (Int'l Trade Comm'n June 26, 2012) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

166. *Rubber Resins & Processes for Mfg.* Same, Inv. No. 337-TA-849, 2013 WL 3128256, Notice Regarding Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond, at 3 (June 17, 2013).

167. *See id.*

168. *Rubber Resins & Processes for Mfg.* Same, Inv. No. 337-TA-849, Initial Determination on Violation of Section 337 and Recommended Determination on Remedy and Bond, at 648, 2013 WL 4495127 at \*239 (June 17, 2013) (Initial Determination).

169. *Id.* at 650-55, 2013 WL 4495127 at \*240-43.

170. *Certain Elec. Power Tools, Battery Cartridges & Battery Chargers*, Inv. No. 337-TA-284, USITC Pub. 2389, (June 2, 1989) (Initial Determination).

171. *See Rubber Resins & Processes for Mfg.* Same, Inv. No. 337-TA-849 (June 17, 2013) (Initial Determination).

profitability to decline significantly as a result.<sup>172</sup> The underselling also resulted in further injury, the ALJ found, by causing SI to lose its competitive edge in contract negotiations.<sup>173</sup> Examining the indicia from *Electric Power Tools*, the ALJ concluded that the Sino Legend's activities resulted in an actual injury to SI's domestic industry.<sup>174</sup> Moreover, there was a causal nexus between the Sino Legend's actions and the injury to SI.<sup>175</sup>

The ALJ also concluded that Sino Legend's actions presented a threat to the domestic industry.<sup>176</sup> The ALJ examined five factors to make this determination:

1. substantial foreign manufacturing capacity;
2. the ability of imported product to undersell the domestic product;
3. explicit intention to enter into the U.S. market;
4. the inability of the domestic industry to compete with the foreign products because of vastly lower foreign costs of production and lower prices; and
5. the significant negative impact this would have on the domestic industry.<sup>177</sup>

The ALJ concluded that Sino Legend had substantial additional capacity to manufacture tackifiers—enough to nearly match SI's annual sales.<sup>178</sup> He also found undisputed that Sino Legend had the ability to undersell SI's tackifiers, satisfying the second factor.<sup>179</sup> For the third factor, the ALJ found that Sino Legend did not dispute that they intended to enter the U.S. market and sell tackifier resins.<sup>180</sup> For the fourth factor, the ALJ found against SI because they had failed to provide sufficient cost comparisons. Sino Legend admitted, however, that SI could not compete with their lower prices due in part to lower production costs and their misappropriation of SI's trade secrets.<sup>181</sup> Given these findings, the ALJ concluded that “[r]espondents’ unfair acts have the effect of substantial injury and a tendency to substantially

---

172. *See id.* at 654, 2013 WL 4495127 at \*243.

173. *See id.* at 655, 2013 WL 4495127 at \*243 .

174. *See id.*

175. *See id.*

176. *See id.*

177. *Id.* at 611, 2013 WL 4495127 at \*217.

178. *See id.* at 656, 2013 WL 4495127 at \*243.

179. *See id.* at 657, 2013 WL 4495127 at \*244.

180. *See id.*

181. *See id.* at 658-59, 2013 WL 4495127 at \*245.

injure SI's domestic industry."<sup>182</sup> He recommended a ten-year exclusion order, similar to *Sausage Casings* and *Cast Steel Railway Wheels*.

The ITC determined to review the entirety of the ALJ's initial determination in *Rubber Resins*.<sup>183</sup> A final decision by the ITC on whether to adopt or modify the ALJ's Initial Determination is due on January 13, 2014.<sup>184</sup>

Another investigation instituted in 2012, *Electric Fireplaces*,<sup>185</sup> and three investigations instituted in 2013, *Robotic Toys*,<sup>186</sup> *Paper Shredders*,<sup>187</sup> and *Crawler Cranes*,<sup>188</sup> represent a trend toward a larger number of filings directed toward Chinese companies primarily based on trade secret violations. All investigations target Chinese companies for trade secret violations occurring within Chinese borders, and are indicative of the justifiable resurgence in trade secret actions at the ITC.

In *Electric Fireplaces*, Florida-based Twin-Star International, Inc. and TS Investment Holding Corp.<sup>189</sup> filed a complaint naming a Chinese company, an individual and a U.S. importer based out of San Diego on facts similar to *TianRui* and *Rubber Resins*. The complainants, manufacturers of electric fireplaces with LED hardware, alleged copyright infringement and the misappropriation of trade secrets regarding the fireplaces. The complainants also alleged breach of contract and tortious interference with contract. Again, the facts are strikingly similar—a Twin-Star employee, Mr. Yue, left Twin-Star to form his own company, Reliap, to make

---

182. *Id.* at 659, 2013 WL 4495127 at \*245.

183. *See Rubber Resins*, 78 Fed. Reg. 56,734, 56,735 (Sep. 13, 2013) (Notice of Comm'n Determination to Review the Final Initial Determination of the Administrative Law Judge).

184. *See Rubber Resins*, Order No. 20, Ex. A (Dec. 14, 2012) (Amending the Procedural Schedule), *amended by Rubber Resins* (Nov. 13, 2013) (Notice of Commission Determination to Extend the Target Date for Completion of the Investigation to January 13, 2014).

185. *Electric Fireplaces*, Inv. No. 337-TA-791, 77 Fed. Reg. 2,757, 2,758 (Int'l Trade Comm'n Jan. 19, 2012) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

186. *Robotic Toys*, Inv. No. 337-TA-869, 78 Fed. Reg. 9,740, 9,740 (Int'l Trade Comm'n Feb. 11, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

187. *Paper Shredders*, Inv. No. 337-TA-863, 78 Fed. Reg. 5,496, 5,496-97 (Int'l Trade Comm'n Jan. 25, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

188. *Crawler Cranes*, Inv. No. 337-TA-887, 78 Fed. Reg. 42,800, 42,800 (Int'l Trade Comm'n Jul. 17, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

189. *Electric Fireplaces*, 77 Fed. Reg. at 2,758.

fireplaces in China and sell them in the U.S. When he left, he allegedly took valuable trade secrets with him. The Chinese parties responded to the complaint, but then stopped participating after counsel withdrew.<sup>190</sup> The U.S. importer and Twin-Star reached an agreement and the ITC approved the settlement and consent order in July 2012.<sup>191</sup> The Complainant then filed a motion to terminate and find Yue and Reliap in default. Because they failed to respond, on July 13, 2012 Judge Shaw ruled against Reliap and Mr. Yue in default, and recommended a limited exclusion order against them.<sup>192</sup> The ALJ also denied a motion, filed by Yue and Reliap before their counsel withdrew, that sought to exclude Twin-Star's breach of contract claim from the investigation.<sup>193</sup>

The ITC determined to review the ALJ's default finding only to the extent the ruling relied upon on the breach of contract claim. The ITC also determined to review the ALJ's denial of Yue's motion to exclude the breach of contract claim from the investigation.<sup>194</sup> Because the ITC did not review the ALJ's default finding of a violation of § 337 based on trade-secret misappropriation, copyright infringement, and tortious interference with contract, those findings were adopted in the final decision of the ITC.<sup>195</sup> Thus, Twin-Star's allegations of injury or threatened injury to a domestic industry remained unchallenged. This decision illustrates the power the ITC has over non-responsive foreign parties—failure to participate in an ITC investigation can

---

190. See *Electric Fireplaces, Inv. Nos. 337-TA-791 and 337-TA-826*, 2012 WL 2929417, Order No. 20, at \*2 (Jul. 13, 2012).

191. See *Notice of Commission Decision Not to Review an Initial Determination Terminating the Investigation as to Respondent Whalen Furniture Manufacturing, Inc. Based on a Consent Order Stipulation, Settlement Agreement, and Partial Withdrawal of the Complaint; Issuance of Consent Order*, EDIS Doc. ID 484632 (U.S. Int'l Trade Comm'n Jul. 3, 2012).

192. See *id.*

193. See *Electric Fireplaces, Inv. Nos. 337-TA-791 and 337-TA-826*, 2012 WL 2917829, Order No. 19, at \*1-2 (Jul. 13, 2012).

194. See *Electric Fireplaces, Inv. Nos. 337-TA-791 and 337-TA-826*, 77 Fed. Reg. 58,407, 58,408 (Sep. 20, 2012) (determination to review in part ALJ initial determination); see also *Elec. Fireplaces, Comm'n Op.* at 6.

195. See *Id.* at 6 (“To the extent that Order No. 20 found a violation of section 337 based on trade secret misappropriation, copyright infringement, and tortious interference with contract, those findings became final determinations of the Commission as of September 14, 2012 given that they were not reviewed.”).

result in a default determination and a limited exclusion order against foreign companies.<sup>196</sup>

Two of the nine ITC investigations initiated in January and February of 2013 involved trade secret misappropriation allegations. In the first investigation, *Paper Shredders*, Fellowes, Inc. and Fellowes Office Products (Suzhou) Co., Ltd., filed a complaint alleging that eight companies and one individual did and continue to make, sell for importation in the U.S., import, and sell shredders manufactured using stolen trade secrets and that some of those products infringe two of Fellowes's design patents. Specifically, Fellowes alleges that a former business partner in China orchestrated the failure of their joint venture. He then started a separate company using many of the joint venture's former employees, and using equipment and documents from that joint venture that Fellowes alleges embody its trade secrets. A hearing in this investigation—Investigation No. 337-TA-863—was scheduled for November 4, 2013. Similar to *TianRui* and *Rubber Resins*, *Paper Shredders* names nine Chinese parties.<sup>197</sup> Distinctively, a Chinese company (and its U.S. affiliate) filed this case against another Chinese company. On November 20, 2013, just a few days prior to this article publishing, Judge Pender entered a sealed consent order terminating the investigation.<sup>198</sup>

The second investigation was Inv. No. 337-TA-869, *Robotic Toys*. There, three related companies based in Texas—First International, Inc., Innovation First, Inc., and Innovation First

---

196. See *Electric Fireplaces*, Inv. Nos. 337-TA-791 and 337-TA-826, 78 Fed. Reg. 26,653 (May 7, 2013) (issuance of limited exclusion order; termination of investigation).

197. New United Co. Group Ltd. of Changzhou, Jiangsu, China; Jiangsu New United Office Equipments Co. Ltd. of Yaoguan, Jiangsu Province, China; Shenzhen Elite Business Office Equipment Co. Ltd. of Shenzhen City, Guangdong Province, China; Elite Business Machines Ltd. of Mong Kok, Kowloon, Hong Kong Special Administrative Region, China; New United Office Equipment USA, Inc., of Northbrook, IL; Jiangsu Shinri Machinery Co. Ltd. of Changzhou, Jiangsu Province, China; Zhou Licheng of Changzhou City, Jiangsu Province, China; Randall Graves of Changzhou City, Jiangsu Province, China; and Jessica Wang Chongge of Xi'an City, Shaanxi Province, China. See *Paper Shredders*, Inv. No. 337-TA-863 78 Fed. Reg. at 5,496-97 (Int'l Trade Comm'n Jan. 25, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

198. *Paper Shredders*, Inv. No. 337-TA-863, Order No. 6, (Nov. 20, 2013) (Initial Determination Granting Joint Motion to Terminate the Investigation Based on a Consent Order).



Labs, Inc.<sup>199</sup>—filed a complaint alleging that Zuru Inc. and Zuru Ltd. manufactured toys in China using misappropriated trade secrets and that CVS Pharmacy Inc. sold those Zuru toys in the U.S. The complaint alleges that Zuru hired a former Innovation First employee in violation of his separation agreement and that the former employee provided Zuru with trade secrets. In June 2013, the parties filed a joint motion to terminate Inv. No. 869 based on a proposed consent order and settlement agreement. The ALJ granted the motion and the ITC determined not to review the ALJ's decision, terminating the investigation.<sup>200</sup>

In June 2013, Manitowoc Cranes, LLC filed a complaint alleging patent infringement and trade secret misappropriation by Sany Heavy Industry Co., Ltd. of China and Sany America, Inc. of Peachtree City, Georgia. In July 2013, the ITC instituted this investigation as Certain Crawler Cranes and Components Thereof, Inv. No. 337-TA-887, and the Chief ALJ assigned the investigation to ALJ Shaw.<sup>201</sup> Manitowoc alleged that a former employee passed its trade secrets relating to transformable variable position counterweight technology to Sany and that Sany imported products that incorporate that technology.<sup>202</sup> The hearing is set to begin on March 25, 2014, and ALJ Shaw will issue his Initial Determination on July 3, 2014. A final decision from the ITC is due November 3, 2014.<sup>203</sup>

The corporate structure model in *Robotic Toys* is quite similar to that in *Rubber Resins*, *TianRui*, and other China-centric sets of litigation—that of a parent company in China attached to a web of foreign holdings and a U.S. importer. Similarly, *Paper Shredders* names numerous Chinese parties (nine in this case).<sup>204</sup> *Electric Fireplaces* differs in that it names a Chinese company and involves

---

199. These parties are the creators of HexBugs, the U.S.-made micro robots that made their way into McDonald's Happy Meals. See *Hexbugs Headed for McDonald's Goldan Arches*, Hexbug (Feb. 5, 2013, 9:00 PM) <http://www.hexbug.com/news/tag/happy-meals/>.

200. See *Robotic Toys*, Inv. No. 337-TA-869, 78 Fed. Reg. 44,971 (USITC Jul. 25, 2013) (Determination Not to Review Initial Determination).

201. See *Crawler Cranes and Components Thereof*, Inv. 331-TA-887, 78 Fed. Reg. at 42,800 (Int'l Trade Comm'n Jul. 17, 2013) (Notice of Institution of Investigation Pursuant to 19 U.S.C. § 1337).

202. *Crawler Cranes*, Inv. No. 337-TA-887, Complaint at 19-23 (Int'l Trade Comm'n Jun. 12, 2013).

203. See *Crawler Cranes*, Inv. No. 337-TA-887, 2013 WL 3972384, Order No. 5 (Int'l Trade Comm'n July 31, 2013).

204. See *supra* note 159.

two U.S. complainants out of Florida, Twin-Star International, Inc. and TS Investment Holding Corp.

Lastly, Judge Pender granted a motion to amend the complaint in Certain Opaque Polymers, Investigation No. 337-TA-883, on November 7, 2013 to include a claim of trade secret misappropriation not originally pled.<sup>205</sup> The decision in that case is under seal.

Likely, Fellowes, Twin-Star, and Innovation First hope to be as successful at the ITC as Amsted. These investigations illustrate the renewed life the *TianRui* decision breathed into trade secret investigations at the ITC. These investigations also show that both foreign companies and domestic companies that manufacturer overseas and import products into the U.S. should defensively prepare for future ITC litigation. Furthermore, all parties—domestic and foreign alike—who have interests harmed by competing imports should consider the ITC as a viable forum for trade secret disputes.

### III. ADVANTAGES AND DISADVANTAGES

Trade secret litigation at the ITC is high-risk and high-reward. It is high risk mostly because companies have been reticent prior to *TianRui* to bring an investigation solely on a trade secret violation (or even in addition to an underlying patent claim, for that matter), resulting in a limited number of precedential ITC opinions to provide guidance. Trade secret litigation is high-reward because, as many commentators have said, it provides a “powerful remedy against misappropriation.”<sup>206</sup> Indeed, as our research shows, many of the cases decided since *TianRui* have resulted in successful outcomes for the complainant, either through leveraging settlement, or through a favorable final decision.

Despite the relative discomfort companies have shown for doing so, pursuing trade secret violations at the ITC has distinct advantages, both procedural and substantive, over normal trade secret litigation. First, a successful ITC determination often results in a broad, prospective exclusion order, severely limiting the

---

205. Opaque Polymers, Inv. No. 337-TA-883, 2013 WL 6139997, Order No. 10 (Int'l Trade Comm'n Nov. 18, 2013).

206. Gary M. Hnath, *Section 337 Investigations at the US International Trade Commission Provide A Powerful Remedy Against Misappropriation of Trade Secrets*, INTELL. PROP. & TECH. L.J. 1, 1 (June 2010).

usefulness of any misappropriated trade secrets.<sup>207</sup> Second, experienced ITC judges are familiar with all aspects of IP law and are experienced in dealing with reluctant foreign parties. This can also be particularly beneficial for foreign companies with significant U.S. market presence considering action against U.S.-based competitors who still largely import their goods from abroad. Third, the ITC decides investigations relatively quickly, with final decisions typically issued fourteen to sixteen months after an investigation starts, affording a number of distinct advantages over more time consuming state court claims. Fourth, ITC claims are not limited the way state court claims necessarily are by long-arm personal jurisdiction issues enduring post-*Nicastro*.<sup>208</sup>

*TianRui* fills a gap in international enforcement. As many have commented, dealing with international defendants can be difficult due to myriad procedural, substantive, and practical problems. For one, service of process can be difficult or impossible, even under the Hague Convention (to which, for instance, Taiwan is not a party).<sup>209</sup> For another, there can be little practical effect for summons, subpoenas, or motions to compel. It may be difficult to obtain discovery, and costly as well. Moreover, even if a client is successful, the foreign jurisdiction may ultimately refuse to enforce any resulting U.S.-based order.<sup>210</sup> Thus, it may be impossible to reach a foreign bad actor at all using traditional forums.

Substantively, if the acts occurred abroad, the above-mentioned “presumption against extraterritorial application” as well as the machinations of civil procedure, may render the claim moot. The Supreme Court in *Nicastro* required state courts, in order to exercise jurisdiction over defendants in personam, to decide if the defendant “purposefully avail[ed] itself of the privilege of conducting activities within the forum state, thus invoking the benefits and protections of its laws.”<sup>211</sup> This stricter standard of long-arm jurisdiction makes it convenient for parties to base importation business out of Canada, have domestic importation

---

207. See, e.g., *Sausage Casings and Resulting Product*, Inv. Nos. 337-TA-148 and 337-TA-169, USITC Pub. 1624, Comm’n Action and Order, at 5 (Nov. 26, 1984).

208. *J. McIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780 (2011).

209. The Hague Service Convention, signed in 1965, allows for service of process of judicial documents from one nation to another nation without using diplomatic channels.

210. See CHRIS SCOTT GRAHAM, *PROTECTING TRADE SECRETS: BEFORE, DURING AND AFTER LITIGATION* 52–55 (2012).

211. See *J. MacIntyre Mach., Ltd. v. Nicastro*, 131 S. Ct. 2780, 2784 (quoting *Hanson v. Denckla*, 357 U.S. 235, 253 (1958)).

partners, and maintain minimum contacts or business presence in the United States. This hurdle sits too high for many.

Now, those businesses with a colorable claim to trade secret violations and industrial espionage occurring internationally can seek the powerful remedy of domestic exclusion of the product<sup>212</sup>—not a complete remedy, of course, but a significant one. These parties can receive discovery, a trial, and a potential exclusion of any good benefiting from the misappropriated trade secrets.

*TianRui* also set the bar low in terms of establishing the domestic industry requirement for trade secret violations. To be sure, the party still has to prove a nexus between the product and the substantial injury, but with *TianRui* the ITC seems to have relaxed this requirement. In *TianRui*, the mere fact of importing wheels that would compete with the complainants' primary business—not with the exact product in question—was sufficient to establish the nexus required. Thus, under *TianRui* complainants can show a nexus as long as the importation of the good that has benefited from the misappropriation abroad harms some domestic industry of the complainant. The domestic industry requirement therefore seems easier to prove on substance for trade secret violations than for patent infringement, as the nexus requirement seems tenuous and much less restrictive.

While the ITC's flexibility as a venue means companies should consider it when deciding where to file, potential complainants should keep in mind that turning to the ITC also has disadvantages as compared to state courts, federal courts, international courts, or international trade arbitrations. For example, federal and state court actions do not require trade secret owners to prove that they have a domestic industry and that trade secret theft threatens or substantially injures that domestic industry, as ITC proceedings do under § 337(a)(1)(A). Another significant disadvantage is that the ITC does not award monetary damages for trade secret misappropriation. The ITC thus will not make a trade secret owner

---

212. See Matthew A. Werber, *Using the International Trade Commission to Address Trade Secret Misappropriation Occurring Abroad*, TRADING SECRETS (August 24, 2012), <http://www.tradesecretslaw.com/2012/08/articles/trade-secrets/using-the-international-trade-commission-to-address-trade-secret-misappropriation-occurring-abroad/> (“Exclusion orders are enforced, in part, by U.S. Customs and Border Protection officials who are instructed to identify articles subject to the exclusion order and prevent their entry into the U.S. While not a monetary award, an exclusion order is nevertheless a very powerful remedy. In *TianRui*, for example, the Commission issued an exclusion order prohibiting entry of the subject TainRui steel railway wheels for a period of ten years.”).

whole for the economic damage done by the foreign theft. Any trade secret owner seeking damages should proceed with a district court or state court trade secret action. Parties considering the ITC should further recognize that an ITC investigation is not a light undertaking. Trials, while fast, are still costly, requiring significant attorney time to prepare and submit discovery requests, responses, and exhibits. Parties, as always, should carefully choose their forum ahead of any planned litigation.

#### IV. CONCLUSION

As shown above, the ITC affords a number of distinct advantages over federal and state court litigation, both substantively and procedurally, when it comes to trade secret violations. The ability to turn a backward-looking tort into a forward-looking right to exclude all U.S. imports means that parties can protect product lines and intellectual property indefinitely as trade secrets, then seek to exclude from the U.S. any misappropriator's products. That alone justifies the recent resurgence in companies using the ITC as a forum to prosecute their IP claims, and in particular, their trade secret claims. The powerful remedies recently issued—such as ten-year exclusion orders—are longer than the useful terms of many patents. Companies should take heed, and the trade secret misappropriation resurgence should continue.

## V. APPENDIX

## APPENDIX—Trade Secret 337 Investigations

SHORT NAME	COUNTRY	NO.	TYPE	RESULT
Dot Matrix Impact Printers	Germany (West)	032	PI, TS	SETTLEMENT
Numerically Controlled Machining Centers	Japan	034	PI, RTI, TS	SETTLEMENT
Ceramic Tile Setters	Mexico	041	TS, CM, PI, PR	NO VIOLATION FOUND
Apparatus for the Continuous Production of Copper Rod	Germany (West)	052	PI, TS	VIOLATION FOUND; CEASE & DESIST ORDER
Swivel hooks/Mounting Brackets	Japan	053	CTI, FDO, PI, TD, TS	SETTLEMENT
Precision Resistor Chips	France	063	CM, DE, LI, PM, TS, UP	SETTLEMENT
Precision Resistor Chips	Israel	065	CM, DE, LI, PM, TS, UP	SETTLEMENT
Compressed Air Powered Tire Changers	Canada	073	PI, PO, PR, TS	WITHDRAWN (SECOND ATTEMPT DENIED)
Mass Flow Devices	Netherlands	091	PI, PO, TD, TS	SETTLEMENT
Wet Motor Circulating Pumps	Denmark	094	PI, TS	SETTLEMENT
Molded-In Sandwich Panel Inserts	Japan	099	PI, TS	VIOLATION FOUND, PRESIDENTIAL VETO
Power Woodworking Tools, Their Parts, Accessories and Special Purpose Tools	Taiwan	115	CPI, CTI, FA, FDO, PD, PO, RTI, TD, TIC, TS	SETTLEMENT
High Precision Solenoids and Components Thereof	Japan	119	CPI, CTI, FDO, TIC, TS	SETTLEMENT
Cupric Hydroxide Formulated Fungicides and Cupric Hydroxide Preparations Used in the Formulations	Mexico	128	FDO, PD, PO, TS, UC	SETTLEMENT
Limited-Charge Cell Culture Microcarriers	Sweden	129	FA, PI, R, TS	NO VIOLATION FOUND
Process for the Manufacture of Skinless Sausage Casings and Resulting Product	Spain	169	TS	VIOLATION FOUND; GENERAL EXCLUSION ORDER

SHORT NAME	COUNTRY	NO.	TYPE	RESULT
Plastic Light-Duty Screw Anchors	Liechtenstein, Germany	158	FDO, PO, RTI, TS	SETTLEMENT
Floppy Disc Drives	Korea	203	BC, BFD, ESP, FRD, THF, TIC, TS	NO VIOLATION FOUND; CONSENT ORDER
Shoe Stiffener Components	United Kingdom	208	PI, TS	SETTLEMENT
Fluidized Bed Combustion Systems	Sweden	213	PI, TS	OTHER
Non-Contact Laser Precision Dimensional Measuring Devices and Components Thereof	Japan	239	PI, TS	SETTLEMENT
Electronic Stud Wall Finders	Hong Kong	257	PI, TS	CONSENT ORDER
Garment Hangers	Brazil, Hong Kong, Taiwan	255	PI, TS	NO VIOLATION FOUND; CONSENT ORDER
Ink Jet Printers Employing Solid Ink	Japan	261	PI, TS	SETTLEMENT
Picture-in-a-Tube Video Add-on Products and Components Thereof	Hong Kong	269	TD, TS	OTHER
Aramid Fiber Honey-comb	Luxembourg	305	TS	SETTLEMENT; CONSENT ORDER
Internal Mixing Devices and Components Thereof	Italy	317	FDO, RTI, TS	SETTLEMENT
Mechanical Gear Couplings and Components Thereof	Canada	343	TS	SETTLEMENT, CONSENT ORDER
Removable Hard Disk Cartridges and Products Containing Same	France	351	FDO, PO, RTI, TD, TS	SETTLEMENT; CONSENT ORDER
Coamoxiclav Products, Potassium Clavulante Products, and Other Products Derived From Clavulanic Acid	Austria, Italy, Switzerland	479	TS	SETTLEMENT
Semiconductor Devices and Products Containing Same	China	525	PI, TS	SETTLEMENT
Modified Vaccine Ankara ("MVA") Viruses and Vaccines and Pharmaceutical Compositions Based Thereon	United Kingdom	550	PI, TS	CONSENT ORDER

SHORT NAME	COUNTRY	NO.	TYPE	RESULT
Incremental Dental Positioning Adjustment Appliances and Methods of Producing Same	British Virgin Islands, Pakistan	562	PI, TS	CONSENT ORDER
Cast Steel Railway Wheels, Processes for Manufacturing or Relating to Same and Products Containing Same	China	655	TS	VIOLATION FOUND; CEASE & DESIST ORDER; LIMITED EXCLUSION ORDER
DC-DC Controllers and Products Containing the Same	Taiwan, Hong Kong	698	PI, TS	SETTLEMENT; VIOLATION FOUND; CONSENT ORDER
Electric Fireplaces, Components Thereof, Manuals for Same, Manufacturing or Relating to Same and Products Containing Same	China	791	CPI, TS, UC	ID (Default); AWAITING COMM. REV.
Rubber Resins and Processes for Manufacturing the Same	China	849	TS	ID; EXCLUSION ORDER; AWAITING COMM. REV.
Robotic Toys and Components Thereof	China	869	TS	SETTLEMENT
Paper Shredders, Process for Manufacturing or Related to Same	China	833	TS	ID; SETTLEMENT; CONSENT ORDER
Certain Crawler Cranes and Components Thereof	China	887	TS	AWAITING ID
Certain Opaque Polymers	Turkey	883	PI, TS	COMPLAINT AMENDED; TRADE SECRET MISAPPROPRIATION ADDED

Sources relied upon: UNFAIR COMPETITION AND THE ITC, APP'X M (2012 WEST ed); U.S. INT'L TRADE COMM'N, [http://www.usitc.gov/press\\_room/337\\_stats.htm](http://www.usitc.gov/press_room/337_stats.htm) (last visited Mar. 20, 2013); various public filings at the ITC for individualized investigations.

TS = trade secret misappropriation; PI = patent infringement; CPI=copyright infringement; FDO=false designation or representation or misrepresentation of origin, sponsorship or



source; PO=passing or palming off; TI=trademark infringement; TD=trade dress misappropriation; TIC=tortious interference with contractual relations; BC=breach of contract; BFD=breach of fiduciary duty; ESP=industrial espionage; FRD=fraud; THF=theft; FA=false advertising; R=refusal to deal or sell; UC=unfair competition; PD=product disparagement; FA=false advertising