EXTRATERRITORIAL PROTECTION OF TRADE SECRET RIGHTS IN CHINA: DO SECTION 337 ACTIONS AT THE ITC REALLY PREVENT TRADE SECRET THEFT ABROAD?

STEVEN E. FELDMAN & SHERRY L. ROLLO

ABSTRACT

With an ever increasing number of United States ("U.S.") companies conducting business abroad or conducting business with foreign entities there is more need than ever for the U.S. companies to consider how they can protect their intellectual property assets. The Federal Circuit’s recent TianRui Grp.Co. v. Int’l Trade Comm’n and Amsted Indus. decision highlights the potential of section 337 of the U.S. Patent Act as a tool to prevent the exploitation of misappropriated trade secrets embodied in products that are imported into the United States. This article explores the potential impact of the TianRui decision on business practices abroad, particularly on companies doing business with Chinese corporations, and whether the Federal Circuit’s decision can be used as a conduit for the U.S. to police foreign business practices. It also examines complex, international choice of law issues in situations trade secrets are misappropriated outside the United States. Finally, it examines whether section 337 really is an effective tool in preventing the misappropriation of U.S. trade secrets, ultimately concluding that while section 337 can prevent the exploitation of a misappropriated trade secret asset in the United States, it is powerless to prevent the exploitation of the trade secret abroad and ultimately the loss of the trade secret both abroad and in the United States.

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INTRODUCTION

Trade secret misappropriation by foreign entities is an ever-increasing concern for United States ("U.S.") corporations, particularly those doing business in China.¹ Trade secrets often embody the most valuable information a company possesses. The most recent data shows that United States industry, government, universities, and non-profits expended $398 billion on research and development, or 2.8% of the United States Gross Domestic Product.² The issue of how to protect a company’s trade secrets has taken on another dimension with companies increasingly off-

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¹ See OFF. OF NAT’L COUNTERINTELLIGENCE EXEC., FOREIGN SPIES STEALING U.S. ECONOMIC SECRETS IN CYBERSPACE: REPORT TO CONGRESS ON FOREIGN ECONOMIC COLLECTION AND INDUSTRIAL ESPIONAGE i (Oct. 2011) [hereinafter NCE REPORT TO CONGRESS] (“Chinese actors are the world’s most active and persistent perpetrators of economic espionage.”).

shoring the manufacturing of their most technical sophisticated technologies. Trade secret misappropriation abroad takes place in a variety of ways, ranging from more traditional methods of hiring away key employs to gain access to a competitor’s trade secrets to more sophisticated means involving cyber-attacks to gain access to sensitive electronic information.\(^3\) If a trade secret theft of this type took place on U.S. soil, the aggrieved party could typically obtain relief through a state law trade secret misappropriation claim, a claim under the Computer Fraud and Abuse Act,\(^4\) or could seek prosecution under the Economic Espionage Act.\(^5\)

However, companies doing business abroad also may have recourse in the International Trade Commission (“ITC”) under section 337 of the Tariff Act of 1930 (“section 337”) to prohibit the importation of products of extraterritorial trade secret misappropriation into the United States.\(^6\) The Federal Circuit’s recent decision in TianRui Grp. Co. v. Int’l Trade Comm’n and Amsted Indus. Inc.,\(^7\) clarifies that even where the alleged misappropriation takes place outside the United States, an action under section 337 is still available if the misappropriation harms a U.S. industry.\(^8\)

This article focuses on the potential impact the TianRui decision will have on U.S. entities and their ability to protect their trade secrets from being incorporated into products imported into the United States.\(^9\) This article will also explore the potential impact on foreign entities, particularly Chinese corporations, and whether the Federal Circuit’s decision can be used as a conduit for the U.S. to police foreign business practices. Next, it will explore complex, international choice of law issues in situations involving the theft of trade secrets outside the United States. Finally, it will examine the efficacy of section 337 in preventing the misappropriation of U.S. trade secrets.

I. THE HISTORICAL USE OF SECTION 337 IN TRADE SECRET CASES

Section 337 of the Tariff Act of 1930\(^10\) authorizes the ITC to prevent the importation of articles when it finds unfair methods of competition or unfair acts in the importation of articles.\(^11\) While, the unfair acts of section 337 explicitly cover statutory intellectual property claims relating to patents, trademarks, copyrights, mask works and design,\(^12\) section 337 also has been interpreted to apply to

\(^3\) NCE REPORT TO CONGRESS, supra note 1, at i.
\(^5\) Id. § 1831; see also NCE REPORT TO CONGRESS, supra note 1, at 5 (stating that six of the seven cases that were adjudicated under the Economic Espionage Act—both Title 18 U.S.C. sections 1831 and 1832 in the Fiscal Year 2010, involved a link to China).
\(^8\) Id. at 1334–35.
\(^11\) Id. § 1337(a)(1)(A)(i)–(iii).
\(^12\) Id. § 1337(a)(1)(B)–(E). Subsections B through E provide that:
nonstatutory claims – namely claims that are not brought pursuant to a Federal statute.\textsuperscript{13} Trade secret misappropriation has been interpreted to fall into this nonstatutory claim category.\textsuperscript{14} For example, in 1984, the ITC investigated a consolidated patent and trade secret section 337 action.\textsuperscript{15} The trade secret investigation (337-TA-169) was based on complainant’s allegation that respondents violated section 337 by importing skinless sausage casings manufactured in accordance with processes that infringe two U.S. patents, but also embody certain trade secrets owned by complainant.\textsuperscript{16} The complainant alleged that respondent engaged in a four-year conspiracy to misappropriate complainant’s proprietary information relating to skinless casings.\textsuperscript{17} In its initial determination the ITC noted that “[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 [s]ection 337."\textsuperscript{18} The ITC then reiterated the four criteria for establishing misappropriation of a trade secret as an unfair act under section 337: (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.\textsuperscript{19}

\begin{itemize}
\item[(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:
\begin{itemize}
\item[(i)] infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17; or
\item[(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.
\end{itemize}
\item[(C)] The importation into the United States, the sale for importation, of the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946 [15 U.S.C. 1051 et seq.].
\item[(D)] The importation in the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of a semiconductor chip product in a manner that constitutes infringement of a mask work registered under chapter 9 of title 17.
\item[(E)] The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignor, of an article that constitutes infringement of the exclusive rights in a design protected under chapter 13 of title 17.
\end{itemize}
To determine the existence of a trade secret the ITC applied section 757 of the Restatement of Torts and specifically cited to the six factors articulated in comment (b) to each of the seven trade secrets alleged by complainant. With respect to the question of whether a domestic industry exists, the Court found that while complainant’s subsidiary was not using the alleged trade secrets domestically, the fundamental technology was received from the complainant and in use in the United States.

The essential element to be considered in this respect is the development of standards and specifications over time, which results in proprietary information, the secrecy of which confers a competitive advantage on the trade secret owner. Many of these standards and specifications are dynamic, in that adjustments must be made to accommodate customer needs, or changes in other variables. The inherent dynamics of this process cannot be said to result in a forfeiture of the earlier standards, on which any alterations must of need be based.

In the present circumstances it is clear that the technology misappropriated from [complainant’s subsidiary] is in essence the same technology in use in the United States, and that this technology was originated in the United States. Thus, I find that there is a domestic industry for the trade secrets at issue . . .

For statutory claims, section 337 is clear that there must be an industry in the United States that relates to the articles protected by the statutory intellectual property right or, alternatively, an industry relating to those articles must be in the process of being established. Section 337 then further clarifies the domestic industry criteria for statutory claims by explaining an industry is found to exist in the United States if one of the following three factors are present with respect to the articles protected by the intellectual property right: (1) significant investment in plant and equipment; (2) significant employment of labor or capital; or (3) substantial investment in its exploitation, including engineering, research and development or licensing.

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20 RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939).
23 19 U.S.C. § 1337(a)(2) (“Subparagraphs (B), (C), (D), and (E) of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark, mask work, or design concerned, exists or is in the process of being established.”).
24 Id. § 1337(a)(3).

For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned: (A) significant investment in plant and equipment; (B) significant employment of labor or capital; or (C) substantial investment in its exploitation, including engineering, research and development, or licensing.
This is different from what section 337 requires for nonstatutory claims, such as those involving trade secrets. In those cases, section 337 lays out a different set of domestic industry criteria requiring that the threat or effect of the unfair act be: (1) to destroy or substantially injure an industry in the United States; (2) to prevent the establishment of such an industry; or (3) to restrain or monopolize trade and commerce in the United States.\(^{25}\)

However, the above-quoted language from section 337 did not end the debate on whether a company seeking to prevent the importation of articles based on a nonstatutory intellectual property claim is required to currently be exploiting the intellectual property. In 1985, the ITC investigated whether there was a violation of section 337 in the importation of certain floppy disk drives and components thereof by reason of, *inter alia*, misappropriation of trade secrets and proprietary information.\(^{26}\) In that investigation, the respondents brought various motions for summary determination.\(^{27}\) Of particular note, several of the respondents alleged summary determination was appropriate because the respondents stated that the complainant was not manufacturing the disk drives that are the subject of the investigation and therefore no domestic industry existed.\(^{28}\) The complainant admitted that not a single asserted trade secret or technology embodied in the accused products was currently being exploited by the trade secret owner.\(^{29}\) The Administrative Law Judge (“ALJ”) denied the motion for summary determination.\(^{30}\) However, in doing so the ALJ did not make a definitive finding that domestic industry was established. Rather, the ALJ determined “[t]he evidence shows substantial factual issues and complicated legal questions that need fuller development to determine whether there exists a domestic industry for purposes of relief under [section] 337.”\(^{31}\) It was not until the *TianRui* investigation and subsequent Federal Circuit decision that a definitive ruling was made regarding whether a domestic industry exists when a complainant is not exploiting the trade secrets in the United States.

This was not the only *first* tackled by the *TianRui* investigation. The *TianRui* investigation also dealt with whether the ITC has authority to act when all of the alleged acts of misappropriation take place outside of the United States.\(^{32}\) In yet another first, the *TianRui* Court purported to rely on a “federal trade secret law.”\(^{33}\) The next sections will explore the facts of *TianRui* and look at how the Federal Circuit reached its decision regarding domestic industry, extraterritorial jurisdiction, and choice of law.

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\(^{25}\) *Id.* § 1337(a)(1)(A).

\(^{26}\) *Id.* at 2. This investigation involved numerous respondents, namely: The Lucky-Goldstar Group; Gold Star Tele-Electric Co., Ltd.; Gold Star Co., Ltd.; Lucky-Goldstar International Corp.; Lucky-Goldstar International (Pacific), Inc.; Lucky-Goldstar International, Inc.; Format Corporation; Felix Markhovsky; Herbert Berger; G. Edward Wilka; and Jay J. Ahn. *Id.*

\(^{27}\) *Id.* at 3.

\(^{28}\) *Id.* at 3–4.

\(^{29}\) *Id.* at 5 n.6.


\(^{31}\) *Id.* at 1327.
II. FACTUAL AND PROCEDURAL BACKGROUND OF TIANRUI

The *TianRui* case involved a U.S. manufacturer of cast steel railway wheels, Amsted Industries, Inc.\(^{34}\) Amsted owns two processes for manufacturing the wheels known in this case as the “ABC process” and the “Griffin process”.\(^{35}\) Both processes are maintained as trade secrets by Amsted.\(^{36}\) Amsted previously practiced the ABC process at its Calera, Alabama location but no longer uses that process in the United States.\(^{37}\) Amsted, instead, uses the Griffin process at three of its United States locations.\(^{38}\) The ABC process was licensed by Amsted to several companies with foundries in China, including Datong ABC Castings Company Limited (“DACC”).\(^{39}\)

TianRui Group Company Limited and TianRui Group Foundry Company Limited (collectively “TianRui”) are Chinese companies that manufacture cast steel railway wheels in China.\(^{40}\) In 2005, TianRui attempted to license Amsted’s wheel manufacturing technology.\(^{41}\) The negotiations failed.\(^{42}\) However, TianRui proceeded to hire nine employees away from Amsted’s licensee, DACC.\(^{43}\) Some of these employees were trained in the ABC process at the Amsted plant in Alabama, while others received training at the Datong foundry in China.\(^{44}\) These employees were all notified through a written employee code of conduct that the ABC process was proprietary and confidential and that they had a duty not to disclose any information pertaining to the ABC process.\(^{45}\) All but one of the nine employees had signed confidentiality agreements before leaving DACC to work for TianRui.\(^{46}\)

TianRui then partnered with Standard Car Truck Company, Inc. (“SCT”) to form the joint venture Barber TianRui Railway Supply, LLC.\(^{47}\) It is through SCT and Barber that the TianRui wheels at issue were marketed to United States customers and imported into the United States.\(^{48}\) Other than Amsted, SCT and Barber are the only companies selling or attempting to sell cast steel railway wheels in the United States.\(^{49}\) Amsted’s complaint with the Commission alleging a violation of section 337

\(^{34}\) Id. at 1324.
\(^{35}\) Id.
\(^{36}\) Id.
\(^{37}\) Id.
\(^{38}\) Id.

\(^{39}\) Certain Cast Steel Railway Wheels, Certain Processes for Manufacturing or Relating to Same and Certain Products Containing the Same, Inv. No. 337-TA-655, USITC Pub. 4265 at 9 (Oct. 16, 2009) (Preliminary). DACC is a joint venture formed in 1996 by ABC Rail Products China Investment Corporation and Datong Locomotive Works. ABC Rail Products China Investment Corporation is a Delaware Corporation and was a wholly-owned subsidiary of ABC Corporation. ABC Corporation and ABC Rail Products Investment Corporation have gone through ownership changes as reflected in the ITC’s Initial Determination. At the time of this investigation, ANC Rail Products China Investment Corporation was a subsidiary of Amsted.

\(^{40}\) *TianRui*, 661 F.3d at 1324.
\(^{41}\) Id.
\(^{42}\) Id.
\(^{43}\) Id.
\(^{44}\) Id.
\(^{45}\) Id.
\(^{46}\) Id.
\(^{47}\) Id.
\(^{48}\) Id.
\(^{49}\) Id. at 1324–25.
based on TianRui’s violation of trade secrets followed. The Commission instituted an investigation to determine:

[W]hether there is a violation of subsection (a)(1)(A) of section 337 in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain case steel railway wheels or certain products containing same by reason of misappropriation of trade secrets, the threat or effect of which is to destroy or substantially injure an industry in the United States.

TianRui moved to terminate the proceedings because the alleged trade secret misappropriation occurred in China and Congress did not intend section 337 to be applied extraterritorially. The motion was denied by an ALJ who viewed section 337 as focusing on the nexus between the imported articles and the unfair methods of competition, not where the misappropriation took place. The same ALJ also rejected TianRui’s argument that a better forum for Amsted’s complaint would be the Chinese court system.

After a ten day evidentiary hearing, the ALJ determined that TianRui misappropriated 128 trade secrets relating to the ABC process. The ALJ reached the conclusion based on evidence, *inter alia*, an admission by TianRui’s expert that TianRui’s foundry used the asserted trade secrets. The expert’s only contention was that the trade secret was not actually secret. The ALJ also compared TianRui’s manufacturing specifications to proprietary DACC documents that outlined the ABC process. The ALJ found the documents to be strikingly similar – some of TianRui’s specifications contained the same typographical errors that were in DACC’s documents.

The alleged misappropriation of trade secrets was analyzed by the ALJ using Illinois trade secret law. Citing a 1979 and 1984 investigation, the ALJ recognized that the Commission traditionally has looked to general principals of tort or commercial law to determine whether there has been a trade secret misappropriation. The ALJ then cited the Federal Circuit’s decision in *Legget &
Platt, Inc. v. Hickory Springs Mfg.,\textsuperscript{62} stating that “the Federal Circuit has since held that trade secret misappropriation is a matter of state law.”\textsuperscript{63} With that direction, the ALJ determined it necessary to apply a specific state’s trade secret law.\textsuperscript{64} Because SCT and Barber have their principal place of business in Illinois, the ALJ determined it would be Illinois trade secret law that would govern.\textsuperscript{65} The ALJ also found that applying Illinois law would be consistent with section 145 of the Restatement (Second) of the Conflict of Laws, listing the following factors: (a) the place where the injury occurred; (b) the place where the conduct causing the injury occurred; (c) the domicile, residence, nationality, place or incorporation and place of business of the parties; and (d) the place where the relationship, if any, between the parties is centered.\textsuperscript{66} While the ALJ recited these Restatement factors, he did not analyze them in any detail and did not appear to recognize that certain factors arguably would point towards the application of Chinese rather than U.S. law.\textsuperscript{67} Nevertheless, the ALJ did note that in his view, Illinois trade secret law does not differ substantially from the law applied in previous trade secret investigations by the Commission.\textsuperscript{68}

During the investigation, TianRui not only contested the Commission’s authority to apply section 337 extraterritorially, but also asserted that Amsted did not satisfy the domestic industry requirement of section 337.\textsuperscript{69} TianRui argued that Amsted no longer practiced the ABC process within the United States and as such there was no injury to threat of injury to a “domestic industry” as required by section 337.\textsuperscript{70} The ALJ determined that it was not necessary for a domestic industry to use the proprietary process to be injured by the importation of products produced by the process.\textsuperscript{71} Using this standard the ALJ rejected TianRui’s argument.\textsuperscript{72} The Commission decided not to review the Initial Determination and issued a limited exclusion order prohibiting the importation of cast steel railway wheels
manufactured using any of the ABC trade secrets for a period of ten years. TianRui then appealed to the Federal Circuit.

III. THE FEDERAL CIRCUIT WEIGHS IN

On appeal, TianRui did not challenge (1) the factual finding that proprietary information belonging to Amsted was disclosed to TianRui in breach of confidentiality obligations; or (2) the finding that the proprietary information was used in manufacturing the imported cast steel railway wheels. TianRui argued that section 337 could not be applied to these alleged acts of trade secret misappropriation because they took place entirely China and not in the United States.

The Commission took the position that its application of section 337 was based on TianRui's conduct within or directed towards the United States, and as such it was not applying section 337 extraterritorially. However, the Commission went further and argued that regardless of whether any misappropriation was found to have taken place within the United States, section 337 applied to imported articles produced using misappropriated trade secrets regardless of whether the disclosure of the trade secrets occurred outside the United States.

Amsted, who intervened in the appeal, also argued that section 337 was not applied extraterritorially. Amsted argued that TianRui misappropriated trade secrets within the United States when the wheels manufactured using those trade secrets were imported into the United States and sold to customers. Amsted cited, among other things, the district court decision in Cognis Corp. v. Chemcentral Corp. to support its position that TianRui misappropriated trade secrets within the United States. The court in Cognis found that the 'use' requirement in the definition of misappropriation is a "very broad concept" that encompasses the marketing of goods that embody the trade secret as well as employing the trade secret in manufacturing or production, among other potential uses. Even more notable is the language in the comments of the Restatement (Third) of Unfair Competition stating:

There are no technical limitations on the nature of the conduct that constitutes ‘use’ of a trade secret .... As a general matter, any exploitation of the trade secret that is likely to result in injury to the trade secret owner or enrichment to the defendant is a “use” .... Thus,
marketing goods that embody the trade secret, employing the trade secret in manufacturing or production, relying on the trade secret to assist or accelerate research or development, or soliciting customers through the use of information that is a trade secret . . . all constitute “use.” The nature of the unauthorized use, however, is relevant in determining appropriate relief.82

Amsted also argued that TianRui misappropriated the trade secrets in the United States when TianRui disclosed the wheels to the Association of American Railroads for certification purposes.83 The Federal Circuit majority decision focused on “whether section 337 authorizes the Commission to apply domestic trade secret law to conduct that occurs in part in a foreign country.”84 The Federal Circuit concluded that “the Commission has authority to investigate and grant relief based in part on extraterritorial conduct insofar as it is necessary to protect domestic industries from injuries arising out of unfair competition in the domestic marketplace.”85 The Court also rejected Amsted’s argument that TianRui’s marketing and certification efforts constitute “use” of the trade secrets in the U.S.86 The Court stated that those acts may have exploited the product of earlier misappropriation, “but it cannot reasonably be viewed as misappropriative conduct without regard to whether there has been a breach of a duty of confidentiality.”87

With respect to the question of whether there is a section 337 violation when the underlying trade secret is not practiced in the United States, the Federal Circuit affirmed the Commission’s decision that the importation of the wheels manufactured in accordance with the trade secret process injures or threatens to injure an industry and therefore is in violation.88

The following sections will examine the Federal Circuit’s reasoning in determining choice of law, that section 337 applies to unfair conduct committed extraterritorially, and what constitutes an injury or threat of injury to a domestic industry for purposes of section 337.

A. What Exactly Is the “Federal” Law of Trade Secrets?

The Federal Circuit described the question of what law applies in a section 337 inquiry involving trade secrets as a matter of “first impression” for the Court.89 The Federal Circuit then held that “a single federal standard, rather than the law of a

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83 TianRui, 661 F.3d at 1328 n.1. Contrary to Amsted’s arguments that the ALJ found that Amsted’s trade secrets were misappropriated within the United States, the Court found that ALJ only implied that three out of the 128 were submitted to the Association of American Railroads for certification purposes. Id.
84 Id. at 1326.
85 Id. at 1324.
86 Id. at 1328 n.1.
87 Id.
88 Id. at 1324.
89 Id. at 1327.
particular state, should determine what constitutes a misappropriation of trade secrets sufficient to establish an 'unfair method of competition' under [section 337]."\(^90\) While paying lip service to choice of law, the Court largely was able to sidestep the issue because there was no apparent dispute regarding the substantive law of trade secrets to be applied in that case.\(^91\) TianRui did not take issue with the ALJ's findings with respect to the fact of misappropriation itself, and the Federal Circuit determined that those findings were sufficient to establish misappropriation under Illinois law or any of the generally understood laws of trade secrets.\(^92\) The majority opinion also recognized that in this particular case TianRui did not identify any conflict between the legal principals of misappropriation applied by the Commission and those used in Chinese trade secret law.\(^93\)

In future cases, there is at least the potential for genuine conflicts in the trade secrets law to be applied. The Court mentions the Uniform Trade Secrets Act ("USTA") and the Restatement (Third) of Unfair Competition as possible sources from which to derive a federal common law of trade secrets, and also notes that the definition of trade secrets in the federal criminal trade secrets statute, the Economic Espionage Act, draws its definition of trade secrets theft from the Uniform Trade Secrets Act.\(^94\) However, each of these potential sources of authority have subtle differences, which in an appropriate case could make a significant difference. Moreover, each state has its own trade secrets law and as of today, there is no single federal standard in place to determine what constitutes a trade secret and what constitutes trade secret misappropriation, at least in the civil context. Section 337 when applied to trade secrets misappropriation that takes place abroad adds another wrinkle in that the trade secrets law of another country might well apply under at least some choice of law analyses. This then raises the question of what if that act would constitute misappropriation under most U.S. trade secrets laws, but does not constitute misappropriation in the country where the act took place? Or, what if the allegedly misappropriated information does not even constitute a trade secret under the law of country where the information was taken, but would have constituted a trade secret under some U.S. state law?

\(^90\) Id. at 1327; cf. Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 479 (1974). In upholding the Ohio trade secrets statute as not preempted by Federal patent law, the Court confirmed that states have the power to regulate trade secrets and explained that:

> [...] as the States may exercise regulatory power over writings so may the States regulate with respect to discoveries. States may hold diverse viewpoints in protecting intellectual property relating to invention as they do in protecting the intellectual property relating to the subject matter of copyright. The only limitation on the States is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area passed by Congress, and it is to that more difficult question we now turn.

Id.

\(^91\) TianRui, 661 F.3d at 1327–28.

\(^92\) See generally id. (discussing the positions of the parties in the case and the ALJ's ultimate decision).

\(^93\) Id. at 1332–33 (explaining the Federal Circuit notes that China is part of the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS")). The Court states that it “cannot discern any relevant difference between the misappropriation requirements of TRIPS article 39 and the principles of trade secret law applied by the ALJ in this case.” Id.

\(^94\) Id. at 1328.
The choice of law analysis itself also is subject to significant variation. For example, some courts, treating trade secret misappropriation as a tort, apply the law where the misappropriation took place. Other courts treat trade secret misappropriation more like a breach of a confidentiality agreement and look to the place where the trade secrets were created or where the harm from unlawful disclosure would be felt. For instance, the court in the *Micro Data Base Sys. v. Dharma Sys.* found:

Since the parties' dispute over trade secrets (like the claim for restitution) grows out of the contract, and the trade secrets themselves were created in and are held in New Hampshire and it is there that the primary harm from their unlawful disclosure would be felt because that is where Dharma's business is located, we think it reasonably clear that New Hampshire law governs the trade secret issues as well. We can't find a case on point, but as with the choice of law issue involving the contract there is only one plausible candidate for the state whose law is to govern. It is true that the last act necessary to make MDBS's conduct tortious occurred in Virginia, where Unisys received the copies of the RDMS Emulation; until then Dharma's trade secret had not been taken out of authorized channels. And this means that the tort occurred in Virginia but that is the merest technicality and does not imply that Virginia law is the appropriate law to govern the trade secret issues. Virginia has no regulatory interest in the activity affected by the alleged tort.

In the context of section 337, the Federal Circuit's application of the so-called "federal" law of trade secrets, in a broad sense adopts the choice of law of the place where the injury is felt – namely, the United States. This, to a certain extent, is consistent with purpose of 337 to protect an established U.S. industry. However, it does not solve the issue of variations between the trade secrets laws of individual states. Nor does it help define what constitutes this "federal" law of trade secrets.

Most states presently employ a form of the UTSA. Other states, including New York, Massachusetts, and Texas apply the common law primarily as set forth in

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95 Manuel v. Convergys Corp., 430 F.3d 1132, 1139–40 (11th Cir. 2005). Under Georgia's conflict of law rules, "the choice of law provision in the contract will not apply to the tort claim of misappropriation of trade secrets." *Id.* For the trade secrets claim, the traditional Georgia rule of *lex loci delicti* will apply, which provides that "tort cases are governed by the substantive law of the state where the tort was committed." *Id.; see also* Salsbury Labs., Inc. v. Merieux Labs., Inc., 735 F. Supp. 1555, 1568 (M.D. Ga. 1989) ("In a trade secret misappropriation case, the *lex loci delicti* is not the place where the information was learned, but where the tortious act of misappropriation and use of the trade secret occurred.").


97 *Id.* at 653 (internal citations omitted).

98 *See generally* TianRui, 661 F.3d at 1327–29 (reasoning that Congress intended for some trade secret law to apply to actions that occur outside of the United States).


Regardless of whether the states adopt a form of the UTSA or a form of state common law, there are subtle, yet potentially

(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 the 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 has 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 position, knew or had a reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

Id. The Act defines a “trade secret” as information, including a formula, pattern, compilation, program device, method, technique, or process, that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Id. § 1(4).

101 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 cmt. c (1995); see also RESTATEMENT (FIRST) OF TORTS § 757. (1939). The section 757 definition of trade secret and misappropriation provides a different standard than the one mentioned in the Restatement of Unfair Competition. Comment (b) of section 757 provides six factors for determining whether there is a trade secret. These factors include, the amount of effort or money expended by the trade secret owner in developing the information, the ease or difficulty with which the information could be properly acquired or duplicated. Id. at cmt. b. Compare id. at § 757, stating that one who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if:

(a) he discovered the secret by improper means, or
(b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or
(c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other, or
(d) he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake.

Id. § 757; with RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40, stating that one is subject to liability for the appropriation of another's trade secret if:

(a) the actor acquires by means that are improper under the rule stated in [section] 43 information that the actor knows or has reason to know is the other's trade secret; or
(b) the actor uses or discloses the other's trade secret without the other's consent and, at the time of the use or disclosure,
   (1) the actor knows or has reason to know that the information is a trade secret that the actor acquired under circumstances creating a duty of confidence owed by the actor under the rule stated in [section] 41; or
   (2) the actor knows or has reason to know that the information is a trade secret that the actor acquired by means that are improper under the rule stated in [section] 43; or
significant, variations in the definitions of provisions, such as the statute of limitations, what constitutes a trade secret, what constitutes misappropriation, and whether “use” must be for a competitive purpose. These differences could make the choice of law outcome determinative in a section 337 case applying to misappropriated trade secrets.

For instance, not only does the length of statute of limitations for trade secret misappropriation cases vary from state to state, but the event triggering the statute of limitations also varies. While the UTSA provides for a three-year statute of limitations, Illinois, for example, adopts a five-year statute. Regarding when the statute begins to run, some states such as Pennsylvania and New York consider trade secret misappropriation a continuing tort, and therefore the statute of limitations would run anew with each wrongful use of a trade secret. Other states, such as California have rejected the continuing tort theory, and treat misappropriation as a single claim starting with the first act of misappropriation. With respect to section 337 cases, if a continuing tort applies then the differences in the statute of limitations may not matter because each act of importation might start the statute of limitations running anew. But is it legitimate to ignore the law of certain states, such as California, in defining the “federal” law of trade secrets? For example, what if a company knew that its trade secrets had been taken in China four years ago, but the products embodying the trade secret only began being imported into the U.S. this year? Depending on how misappropriation is defined, arguably a

(3) the actor knows or has reason to know that the information is a trade secret that the actor acquired from or through a person who acquired it by means that are improper under the rule stated in [section] 43 [improper acquisition of trade secrets] or whose disclosure of the trade secret constituted a breach of duty of confidence owed to the other under the rule stated in [section] 41 [duty of confidence]; or

(4) the actor knows or has reason to know that the information is a trade secret that the actor acquired through an accident or mistake, unless the acquisition was the result of the other's failure to take reasonable precautions to maintain the secrecy of the information.


102 Compare Trandes Corp. v. Guy F. Atkinson Co., 996 F.2d 655, 665 (4th Cir. 1993) ("The [Maryland UTSA] does not require proof of competition, but only proof of improper acquisition or improper use."); Merkle GmbH v. Johnson & Johnson, 961 F. Supp. 721, 734 (D.N.J. 1997) ("Ortho indisputably 'used' Merkle's information. To the extent such use is found to be detrimental to Merkle, the nature of Ortho's use is an issue rightly argued with respect to damages to Merkle."); with Omnitech International, Inc. v. Clorox Co., 11 F.3d 1316 (5th Cir. 1994).

103 Compare UNIF. TRADE SECRETS ACT § 6 (1985) ("An action for misappropriation must be brought within 3 years after the misappropriation is discovered or by the exercise of a reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim.") with 765 ILL. COMP. STAT. § 1065/7 ("An action for misappropriation must be brought within [five] years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this Act, a continuing misappropriation constitutes a single claim.").

new act of misappropriation would occur when the product is imported into the United States. Also, as explained below, if the misappropriation has been going on for several years abroad unabated, this may raise serious questions as to the reasonable measures taken to preserve the trade secret right.

Differences in state trade secrets statutes result in different levels of trade secret protection. Notably, Alabama’s trade secret statute requires that the information relate to a trade or business before it can qualify as a trade secret and as such provides less protection than that offered under the UTSA.105 Other states also have definitional differences that could be outcome determinative in a section 337 investigation. Even though California adopted a form of the UTSA, it dropped the requirement that a trade secret not be “readily ascertainable by proper means” from the definition of trade secret.106 Colorado departed almost entirely from the UTSA definition of trade secret using a test where information qualifies as a trade secret when “the owner thereof . . . [takes] measures to prevent the secret from becoming available to persons other than those selected by the owner to have access thereto for limited purposes.”107 Other differences can be found in the definitions of “misappropriation”108 and “improper means.”109 The nonuniformity in trade secret

105 ALA. CODE § 8-27-2(1) (2010). A ‘trade secret’ is information that:
(a) is used or intended for use in a trade or business;
(b) is included or embodied in a formula, pattern, compilation, computer software, drawing, device, method, technique, or process;
(c) is not publicly known and it not generally known in the trade or business of the person asserting that it is a trade secret;
(d) cannot be readily ascertained or derived from publicly available information;
(e) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; and
(f) has significant economic value.

Id.

106 CAL. CIV. CODE § 3426.1(d)(1) (West 2009). ‘Trade secret’ means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:
(1) derives independent economic value, actual or potential, from not being generally known to the public or other persons who can obtain economic value from its disclosure or use; and
(2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Id.

107 COLO. REV. STAT. § 7-74-102(4) (West 2009).
‘Trade secret’ means that whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, improvement, confidential business or financial information, listing of names, addresses, or telephone numbers, or other information relating to any business or profession which is secret and of value. To be a ‘trade secret’ the owner thereof must have taken measures to prevent the secret from becoming available to persons other than those selected by the owner to have access thereto for limited purposes.

Id.

108 See, e.g., WIS. STAT. ANN. § 134.90(2)(b)(2)(d) (West 2009). Wisconsin considers the acquisition of a trade secret by accident or mistake a misappropriation and eliminates the UTSA requirement that the person acquiring the trade secret know or have reason to know that the information was a trade secret and that the information was acquired by accident or mistake. Id.

109 See, e.g., 765 ILL. COMP. STAT. § 1065/2(a) (West 2009). Illinois Trade Secret Act changed the UTSA language “breach or inducement of a breach of a duty to maintain confidentiality” to “breach or inducement of a breach of a confidential relationship or other duty to maintain secrecy or
Extraterritorial Protection of Trade Secret Rights in China: Do Section 337 Actions at the ITC Really Prevent Trade Secret Theft Abroad?

Extraterritorial protection from state to state could make the choice of law in a section 337 investigation critical. The Economic Espionage Act (“EEA”) of 1996 provides a possible source of federal trade secrets law, but it is a federal criminal statute and does not have a corresponding civil prong. The EEA garnered substantial attention as an avenue to seek criminal sanctions for certain forms of trade secret misappropriation. The Act is concerned primarily with unauthorized acquisition and disclosure of trade secrets and includes a section directed to theft of trade secrets to benefit a foreign government, instrumentality or agent. A separate section makes it a criminal offense to carry out trade secret theft purely for economic or commercial advantage. However, the EEA also has provisions criminalizing the destruction of trade secrets (e.g., by destroying a hard drive containing a company’s trade secret information). The type of acts constituting trade secret misappropriation under the Act are broadly defined, essentially following the UTSA definition, and include traditional instances of theft involving the physical removal of a trade secret from the owner’s possession. However, the prohibited acts also include copying, duplicating, sketching, drawing, photographing, downloading, uploading, altering, destroying, photocopying, replicating, transmitting, delivering, sending, mailing, communicating, or conveying. “With many of these methods the original property may not necessarily leave the custody or control of the owner.” As a criminal statute, the EEA also includes a mens rea element, that is typically absent from civil trade secrets laws.
B. A Domestic Industry That Does Not Practice a Trade Secret Can Still Be Harmed by Its Unauthorized Disclosure and Use

When nonstatutory unfair practices, such as trade secrets, are at issue, section 337 requires that the unfair practices at issue threaten to “destroy or substantially injure” a domestic industry.\(^{119}\) There is no express provision that the domestic industry relate to the intellectual property in question. Citing legislative history, TianRui argued that there must be a domestic industry that relates to the intellectual property in question when nonstatutory intellectual property is at issue in the same manner it is required for statutory intellectual property.\(^{120}\) The Court rejected TianRui’s arguments finding that the TianRui wheels manufactured by the ABC process could directly compete with the wheels produced by the owner of the proprietary process.\(^{121}\) The Court determined that the Commission was correct in finding that competition of this type is sufficient to qualify as an injury to a domestic industry within the meaning of section 337.\(^{122}\) Therefore, whether the injured party is currently exploiting the trade secrets does not bar a section 337 action.\(^{123}\) This is consistent with more general trade secret law and policy, which recognizes that a trade secret need not be practiced to be valuable.\(^{124}\) Rather, a trade secret is information which provides a competitive advantage because it is not known by others.\(^{125}\) This can include so-called negative know-how (i.e. it can be valuable to know what does not work as well as what works) as well as keeping processes and methods that are alternatives to the methods that a company is using secret from competitors.\(^{126}\)

But what if the company never exploited the trade secrets in the United States or abroad? Should it make a difference? Again, because a trade secret need not be practiced to be valuable and because an industry can exist that does not employ a

\(^{122}\) Id.
\(^{123}\) Id. at 1324.
\(^{124}\) Id.
\(^{125}\) 765 ILL. COMP. STAT. § 1065/2(d) (West 2010); UNIF. TRADE SECRET ACT § 1(4) (1985). The definition of ‘trade secret’ contains a reasonable departure from the Restatement of Torts definition which required that a trade secret be ‘continuously used in one’s business.’ The broader definition in the proposed Act extends protection to a plaintiff who has not yet had an opportunity or acquired the means to put a trade secret to use. The definition includes information that has commercial value from a negative viewpoint, for example the results of lengthy and expensive research which proves that a certain process will not work could be of great value to a competitor.
\(^{126}\) See, e.g., Affiliated Hospital Prods., Inc. v. Baldwin, 373 N.E.2d 1000, 1006 (Ill. App. 1st Dist. 1978) (“Even accepting their denial of any literal copying of MPL drawings, these drawings aided defendants in the design of Hypomed machinery, if only to demonstrate what pitfalls to avoid.”); Glaxo Inc. v. Novopharm Ltd., 931 F. Supp. 1280, 1299 (E.D.N.C. 1996) (“A trade secret need not necessarily be comprised of positive information . . . but can include negative, inconclusive, or sufficiently suggestive research data that would give a person skilled in the art a competitive advantage he might not otherwise enjoy but for the knowledge gleaned from the owner’s research investment.”), aff’d, 110 F.3d 1562 (Fed. Cir. 1997).
particular trade secret but might be harmed if the trade secret became known and practiced by a competitor, in our view the answer should be no.127

C. While a Section 337 Action Can Apply to Prevent the Importation of a Product Embodying a Misappropriated Trade Secret in the U.S., It Might Not Be Sufficient to Preserve the Trade Secret Itself

The primary argument raised by TianRui on appeal and taken up by the dissent was whether section 337 applies to acts of trade secret appropriation occurring entirely on Chinese soil. However, it appears that TianRui may have missed the larger issue, which is whether the allegedly misappropriated trade secrets can still subsist when TianRui continues to use the trade secrets in China.128

The Federal Circuit recognized a presumption that, absent a clear intent of Congress, our laws are meant to apply only within the United States.129 However, the Court quickly dismissed the notion that it was applying section 337 improperly for the following three reasons: (1) section 337 is expressly directed to unfair methods of competition and unfair acts committed in the importation of products into the United States; (2) section 337 only applies when a product is imported and injures or threatens to injure a domestic industry; therefore, the law is not regulating purely foreign conduct; and (3) the legislative history of section 337 supports the Commission’s interpretation that the statute permits the Commission to consider conduct that occurs abroad.130

In his dissent, Judge Moore argued that “[w]e have no right to police Chinese business practices” and when the only unfair acts that take place do so extraterritorially, [s]ection 337 does not apply.131 The dissent proposes the potential situation where, under the majority’s decision, the United States government could decide to use section 337 to prohibit the importation of any goods it decided were produced in an unfair manner.132 This, according to Judge Moore, would include banning the importation of goods produced by workers who operate under conditions that do not meet the United States labor laws.133

However, the ITC and Federal Circuit did not really apply section 337 extraterritorially to prevent misappropriation of trade secrets abroad.134 The ITC decision did not order TianRui to stop manufacturing the wheels outside of the United States.135 Rather, section 337 was used only to prevent the importation of wheels manufactured pursuant to misappropriated trade secrets into the United

127 TianRui, 661 F.3d at 1324.
129 TianRui, 661 F.3d at 1328.
130 Id. at 1329.
131 Id. at 1338.
132 Id.
133 Id.
135 Id.
States. More specifically, in the case of TianRui the Exclusion Order was a limited exclusion order preventing the respondents and affiliate companies and companies related to respondents from engaging in conduct in which the respondents are prohibited from engaging. Thus, section 337 was not being applied generally to prevent misappropriation of trade secrets abroad. It only applies when products embodying the misappropriated trade secrets are brought into the United States and only when such products may harm an existing U.S. industry. Using section 337 in trade secret misappropriation cases is not so much a matter of regulating foreign business practices, but rather preventing unfair competition in the U.S. when goods embodying the misappropriate trade secrets are brought into this country. Both the UTSA and the Restatement similarly permit injunctions to prevent the exploitation of misappropriated trade secrets. The ITC’s order preventing the importation of goods embodying misappropriated trade secrets is consistent with these injunction provisions.

Precisely because the ITC exclusion order does not apply extraterritorially to prevent TianRui from continuing to the trade secrets in China, but instead is limited to preventing the importation of products embodying the trade secrets, an open question remains as to whether Amsted’s alleged trade secrets remain secret. Trade secrets are fragile. Once they become generally known to competitors, they are lost and once a trade secret is lost it is lost forever. For example, in Flotec, Inc. v.

136 Id.

137 Certain Cast Steel Railway Wheels, Process for Manufacturing or Relating to Same and Certain Products Containing Same, Inv. No. 337-TA-665, USITC Pub. 4265, at 5–7 (Mar. 19, 2010) (Final) (referring to the Commission Opinion). The Commission noted that “Amsted failed to present enough evidence to sustain issuance of a general exclusion order.” Id. at 6. The Commission noted that “[t]he Commission’s authority to order exclusion from the United States is restricted to a limited exclusion order unless (A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing goods.” Id. at 6 n.1.

138 TianRui, 661 F.3d at 1337.

139 Id. at 1325.

140 See UNIF. TRADE SECRETS ACT § 2(a) (“Actual or threatened misappropriation may be enjoined. . . . an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.”); see also RESTATEMENT (FIRST) OF TORTS § 757, cmt. e (1939).

One who has a right under the rule stated in this Section is entitled to a remedy or remedies appropriate under the circumstances. He may recover damages for past harm, or be granted an injunction against future harm by disclosure or adverse use, or be granted an accounting of the wrongdoer's profits, or have the physical things embodying the secret such as designs, patterns and so forth, surrendered by the wrongdoer for destruction. Moreover, he may have two or more of these remedies in the same action if the court is competent to administer them. Defenses generally available in tort actions and action for injunctive relief are also available here, insofar as they are applicable.


142 Religious Tech. Ctr. v. Netcom On-Line Comm’n, 923 F. Supp. 1231, 1256 (N.D. Cal. 1995) (“Although a work posted to an Internet newsgroup remains accessible to the public for only a limited amount of time, once that trade secret has been released into the public domain there is no
Southern Research, the Southern District of Indiana denied plaintiff’s motion for preliminary injunction based at least partially plaintiff’s failure to show reasonable measures to protect its trade secrets. In Flotec, plaintiff manufactured and sold oxygen regulators for medical uses. Defendant met plaintiff and discussed the possibility of having defendant manufacture some components of plaintiff’s devices. After plaintiff provided drawings and product samples, defendant provided a quote for the work. Plaintiff thought the quote was too high and negotiations ceased. Plaintiff never asked defendant to return the drawings. Defendant then began to produce a competing line of oxygen regulators. Plaintiff then moved for the preliminary injunction. The court determined that while plaintiff took “substantial measures” to protect the confidentiality of its manufacturing and business information internally, plaintiff did not take sufficient measures when it came to disclosure to a third party (i.e. the defendant). In making this determination the court stated plaintiff’s “disclosure destroyed the secrecy of all the information.”

Here, while Amsted has, at least for the time being, prevented TianRui from importing wheels manufactured pursuant to the trade secrets, it has not really done anything to prevent the continued use of the trade secret in China. The ITC denied Amsted’s request to include language in the cease and desist order that would require TianRui to return or otherwise purge themselves of documents containing, based on, or derived from the asserted trade secrets. In addition to using the trade secrets, TianRui could conceivably post the trade secrets on the internet tomorrow for all to see and exploit or sell them to a third party competitor in China. There is retrieving it.”); see also Chem-Trend, Inc. v. McCarthy, 780 F. Supp. 458, 462 (E.D. Mich. 1991). Judge Newblatt explained that:

The problem I have is that [Plaintiff] wants the injunction to stop [Defendant] from servicing [Plaintiff’s] former customers that are now [Defendant’s] present customers. The plaintiff’s brief, and the supporting deposition testimony ... seeks 'a level playing field,' which would bar [Defendant] and his company from former [Plaintiff] customers in order to permit [Plaintiff] to reestablish its relationship with those entities. The plaintiff is trying to slam the door of the barn after the horses are long gone.

Id. at 1008.

Id. at 995.

Id. at 994.


TianRui, 661 F.3d at 1337.
nothing in the ITC order stopping them from doing so. To maintain a trade secret there must be reasonable measures taken to protect and preserve the trade secrets. Arguably, by failing to take some action in China to prevent the continued use of the trade secret by TianRui, the trade secret has been lost. A somewhat analogous situation arose in *Alamar Biosciences, Inc. v. Difco Labs., Inc.* There, the plaintiff Alamar brought an action against defendant Difco alleging Difco improperly used information obtained from plaintiff under a confidentiality agreement to develop a testing kit. MicroScan intervened alleging that plaintiff’s founder and former employee of MicroScan misappropriated MicroScan’s trade secrets in the test technology prior to any relationship between plaintiff and defendant. Plaintiff moved for summary judgment against MicroScan arguing, among other things, that MicroScan had lost its trade secret when it failed to take reasonable measures to stop the misappropriation. The court granted summary judgment stating:

“[i]t is undisputed that MicroScan strongly suspected [defendant] of misappropriating its trade secrets, but did nothing. . . . [It]s suspicions concerning [defendant’s] use of resazurin arose to the level of knowledge based on strong circumstantial evidence. MicroScan’s failure to bring suit, or even approach and warn [defendant] establishes that MicroScan did not take reasonable steps to protect its trade secrets.”

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157 Certain Cast Steel Railway Wheels, Process for Manufacturing or Relating to Same and Certain Products Containing Same, USITC Pub. 4265 (2010) at 3 (referring to the Commission Opinion). This Order requires that for a period of ten (10) years from the effective date of this Order, Respondent shall not:

- (A) import or sell for importation into the United States covered products;
- (B) market, distribute, offer for sale, sell, or otherwise transfer (except for exportation), in the United States imported covered products;
- (C) advertise imported covered products;
- (D) solicit U.S. agents or distributors for imported covered products; or
- (E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer (except for exportation), or distribution of covered products.

*Id.*


It is unreasonable to suggest that a party may cease its efforts to maintain the confidentiality of its secrets for months or years (allowing the secrets to be breached and the unsuspecting public or competitors to locate and use these secrets), and then may sue those who have innocently employed that information. The holder of a trade secret may certainly lose the protection of California law despite many years of diligent efforts to maintain confidentiality if, through voluntary action or inadvertence, it ceases those efforts.

*Id.*


160 *Id.* at *2.

161 *Id.*

162 *Id.*

163 *Id.* at *18–19.
In the TianRui situation, when the DACC employees left to work for TianRui Amsted did not take action against them.\textsuperscript{164} This could be seen as a failure to protect the trade secrets. After the former DACC employees began working for TianRui and the wheels were being imported into the United States, Amsted did not bring a civil action for the misappropriation of trade secrets. While it remains unclear if the United States would have personal jurisdiction over the former DACC employees or TianRui, it does not appear Amsted pursued an action in China either. Regardless of Amsted’s reasonable measures leading up to the section 337 investigation, Amsted currently is in a situation where TianRui is freely using the trade secret process in China.\textsuperscript{165} The question then follows, if Amsted has effectively lost its trade secrets, what is the legal basis for the ten-year exclusion order? Section 210.76 of the Commission’s Rules of Practice and Procedure, provides:

> Whenever any person believes that changed conditions of fact or law, or the public interest, require that an exclusion order by modified or set aside, in whole or in part, such person may file with the Commission a petition requesting such relief. The Commission may also on its own initiative consider such action.\textsuperscript{166}

Has such a change in circumstances occurred if Amsted’s trade secrets no longer exist to provide a basis for the exclusion order itself? The answer remains to be seen. However, the more probable answer is that section 337 is not so much a tool for preventing continued use of misappropriated trade secrets as it is a tool to prevent a misappropriator from benefitting from its unfair acquisition of the trade secrets. In other words, while the ITC is not enjoining foreign entities from continuing to use misappropriated trade secrets abroad, the ITC is prohibiting those entities from importing the goods utilizing the misappropriated trade secrets into the United States and competing with the U.S. entity within the United States.\textsuperscript{167} This is demonstrated by the way the ITC determines the length of the injunction. For instance, in TianRui, despite TianRui’s argument that the trade secrets could be independently developed in one year,\textsuperscript{168} the ITC said “[t]he record evidence shows

\textsuperscript{164}PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1268 (7th Cir. 1995). In some cases, actual disclosure of the trade secret is not required as long as the facts and circumstances surrounding an employee’s departure create a threat of misappropriation. \textit{Id.} Thus, a trade secret owner need not wait until the horse is out of the barn to try to enforce its trade secret rights and may proceed on an “inevitable disclosure” theory. \textit{Id.}


\textsuperscript{166}19 C.F.R. § 210.76 (2011).

\textsuperscript{167}Certain Cast Steel Railway Wheels, Process for Manufacturing or Relating to Same and Certain Products Containing Same, Inv. No. 337-TA-665, USITC Pub. 4265, at 3 (Feb. 16, 2010) (Final) (referring to the Order to Cease and Desist).

\textsuperscript{168}Certain Cast Steel Railway Wheels, Process for Manufacturing or Relating to Same and Certain Products Containing Same, USITC Pub. 4265 (2010), at 9 (referring to the Commission Opinion). TianRui argued that the ten-year injunction was too long and that it would take only one year to independently develop the trade secrets. However, TianRui’s argument was based on the expertise of TianRui’s employee, Mr. Liu Guanfu, in manufacturing cast steel railway wheels. \textit{Id.} While Mr. Liu was currently employed by TianRui, it is noteworthy that Mr. Liu was one of the key employees hired by TianRui from DACC. \textit{Id.}
that it would take [ten] years to independently develop the asserted trade secrets in this investigation.” It is noteworthy that while the UTSA states that an injunction shall be terminated when there is no longer a trade secret, the UTSA provides that the injunction may be continued for an additional reasonable period of time in order to eliminate a commercial advantage. This could very well be the effect of section 337 actions on trade secrets. While section 337 does provide some remedy to the trade secret owner by preventing the misappropriator from exploiting the trade secret in the U.S. thereby limiting the commercial advantage unfairly gained by the misappropriation of trade secrets, section 337 is not adequate to preserve the trade secret by preventing its continued use and dissemination in other countries.

IV. CONCLUSION

The TianRui decision highlights the potential of section 337 to be used as a powerful tool to prevent the exploitation of misappropriated trade secrets embodied in products that are imported into the United States. Lurking just below the surface of the decision, remain a number of significant issues of substantive trade secret law. While the Court purported to apply a “federal” trade secret standard, in reality there is no federal common law of trade secrets to apply. The trade secret laws applied by the various states have significant differences ranging from the definitions of trade secrets and misappropriation to the statute of limitations that can be outcome determinative. The Court’s decision also largely ignores choice of law issues. The Court’s de facto choice of law analysis applies the law of the place (the United States) where the injury (to a domestic industry) is felt. But other courts have applied the law of the place where the acts of misappropriation occurred. If that law were to apply, then potentially the law of a foreign country would govern the misappropriation analysis. The issue becomes much more complicated when the country where the misappropriation occurs does not consider the alleged acts to be improper. Finally, while the Court spent much time explaining that it was not applying U.S. trade secret law extraterritorially, but rather was merely preventing the importation of goods that are the product of the misappropriation, it may have missed the biggest potential shortcoming of section 337 as a tool to prevent trade secret theft. Precisely because section 337 does not apply extraterritorially it cannot prevent the continued use of the trade secrets abroad, only the importation of goods embodying the trade secrets into the United States. Because trade secrets once

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169 Id. at 9.
170 UNIF. TRADE SECRETS ACT § 2 (1985).
172 Compare 765 ILL. COMP. STAT. § 1065/2 (West 2010); D.C. CODE § 36-401 (West 2009); 765 ILL. COMP. STAT. § 1065/7 (West 2010) with D.C CODE § 36-406 (West 2009).
173 TianRui, 661 F.3d at 1328.
174 Id. at 1324, 1327.
generally known cease to exist as trade secrets, section 337 ultimately may fail to prevent the loss of trade secret rights.