

INTELLECTUAL PROPERTY LITIGATION

STOPPING TRADE SECRET MISAPPROPRIATION AT THE BORDER: THE INTERNATIONAL TRADE COMMISSION PROVIDES A NEW SHIELD TO PROTECT AGAINST THEFT OF TRADE SECRETS

November, 2011

Introduction

Your company may have facilities spread across the globe, critical suppliers in far-flung locations, or simply an unscrupulous employee with an email account. Whatever your situation, trade secrets are highly portable and easy to steal and send abroad for duplication. If you knew your trade secrets were being used in Taiwan or Tanzania, the prospect of suing in federal court would be less than satisfying, starting with questions concerning how to obtain jurisdiction over the thief.

Domestic companies now have a new shield to protect their trade secrets from misappropriation by foreign competitors: The International Trade Commission. Recently, in *TianRui Group Company v. International Trade Commission*, the Federal Circuit upheld the International Trade Commission's decision to block importation of products produced by a foreign company using trade secrets stolen from a U.S. competitor.¹ As a result, ITC proceeding might now be your best, fastest and easiest tool to stop the erosion of your market share by an offshore thief.

The ruling in *TianRui*

Amsted Industries is a domestic manufacturer of cast steel railway wheels. It owns two secret processes for manufacturing such wheels. One of the processes it uses in its domestic production and the other process it licenses to firms in China, including the firm Datong. The firm TianRui sought Amsted's license for wheel manufacturing technology but the parties could not agree on the terms of such a license. After these failed efforts, TianRui hired Datong employees with knowledge of Amsted's wheel manufacturing processes. Amsted alleged that those employees disclosed confidential information to TianRui in China who then manufactured wheels with Amsted's secret process and imported those wheels into the United States.

The International Trade Commission ("ITC") found that TianRui had stolen the process from Amsted and blocked importation of the misappropriated products into the United States. The Federal Circuit, in addition to affirming the ITC's decision to block importation of the misappropriated products, found:

1. the ITC should apply federal trade secret law;
2. the ITC has authority to consider alleged misappropriations that occur in foreign countries; and,
3. a domestic manufacturer can assert a trade secret violation claim even if the manufacturer is no longer practicing the trade secret, provided the misappropriated product is able to compete with domestically produced products of the manufacturer.

What This Means for U.S. Companies: A New Shield

This ruling confirms that the ITC sits as a powerful enforcement body with regard to protecting trade secrets that are misappropriated by the foreign competitors of U.S. companies. A U.S. company is not restricted from seeking relief through the ITC merely because the conduct constituting misappropriation occurred in foreign countries or the trade secret is not currently practiced in the U.S.

For large automotive, industrial and technology companies, this ruling facilitates a more accelerated, efficient and cost-effective method of protecting proprietary information. There are several advantages to bringing a claim before the ITC when compared with traditional litigation in a federal district court.

Expanded Jurisdiction

- Plaintiff can obtain jurisdiction over foreign parties that he/she might not otherwise be able to reach in a traditional federal district court proceeding.
- Plaintiff is entitled to discovery from foreign entities that he/she might not ordinarily be permitted to obtain through traditional federal district court proceeding.

Fast-Track Procedure

- The ITC procedure of bringing a claim for misappropriation of trade secrets is completed in approximately one year. This is faster than most federal courts, which can often take several years.
- Discovery is fast-tracked and demanding of defendants accused of misappropriating trade secrets. Discovery begins all-but-immediately upon filing of a complaint. Failure to comply with such discovery requirements can result in a finding against the respondent.

Remedies

- The ITC's traditional remedy is an exclusion order prohibiting the entry of accused products into the United States. Accused products are seized at the border before they ever reach the U.S. market.

- Remedies can include a “general exclusion order.” This remedy prohibits any manufacturer, not merely the defendant, from importing products which are developed using misappropriated information.
- One can obtain a remedy excluding not only the misappropriated product, but any product which incorporates the misappropriated product. For example, if the manufacturing process of a computer chip is found to have been misappropriated, then, assuming the chip is also found to be core to the operations of a computer, then both the chip and the computer containing the chip could be seized at the border.

Clearly, the ITC has several advantages for companies trying to protect their trade secrets. In addition, a federal court considering a claim for damages will give great weight to a favorable ITC decision.

Conclusion

The International Trade Commission, with its authority recently reinforced by the Federal Circuit, stands as a formidable shield which U.S. companies can use to protect their trade secrets from infringement by foreign competitors.

For further information on bringing a claim before the International Trade Commission, and trade secret matters in general, please contact your DW attorney or either of the following:

¹ TianRui Group Company v. International Trade Commission, 2011 U.S. App. LEXIS 20607, *2-3 (Fed. Cir. Oct. 11, 2011).

FOR MORE INFORMATION, PLEASE CONTACT:



Daniel D. Quick, is a member in Dickinson Wright’s Troy office and is a commercial trial lawyer and author of Michigan Business Torts (ICLE) and Trade Secrets: Protection and Remedies (BNA). He can be reached at 248.433.7242 or dquick@dickinsonwright.com.



H. Jonathan Redway, is a member in Dickinson Wright’s Washington D.C. office and is an intellectual property litigator and trial attorney experienced in handling enforcement matters before the International Trade Commission. He can be reached at 202.659.6946 or jredway@dickinsonwright.com.