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# Is the ITC the right venue for trade secrets theft?


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**If the right steps are taken, the US International Trade Commission is an attractive option for firms fearing the loss of their valuable IP, say Mary Prendergast, Mark Whitaker and Nicole Ang of Morrison Foerster.**

Imagine this scenario: you suspect that an employee has walked out with your trade secrets or that a development partner has decided to make their own product using your IP. It seems increasingly likely you'll need to file a lawsuit to get your trade secrets back or prevent your competitor from using them.

You might consider filing in state court, likely under a version of the Uniform Trade Secrets Act (UTSA). But state court's reach is limited, and if there is an international aspect to your trade secret problem, you may want to file in federal court under the Defend Trade Secrets Act (DTSA).

The DTSA, however, requires that at least some act in furtherance of misappropriation takes place in the US, and you'll need to establish personal jurisdiction over the defendant. What if the perpetrator is located abroad, or the misappropriation took place abroad, with the fruits of that misappropriation sold in the US?

There is a third option: the US International Trade Commission (ITC). The ITC investigates unfair acts relating to the importation or subsequent sale of products into the US. Although the vast majority of ITC investigations involve patent infringement, the 'unfair competition' under the ITC's purview includes trade secret misappropriation that has injured (or may injure) an industry in the US.

In this article, we discuss the differences between litigating trade secret cases in federal court and the ITC.

**The ITC versus the federal route**

A plaintiff (called a complainant in the ITC) can bring a trade secret claim at the ITC, even if no misconduct occurred in the US. This is because the ITC's jurisdiction is based on imported articles resulting from the unfair acts.

There is no personal jurisdiction requirement, and complainants can name unrelated parties—such as other companies in the supply chain—as respondents. In federal court, however, plaintiffs must establish the court's personal jurisdiction over the defendants, and the DTSA requires "an act in furtherance of the offense" be committed in the US.

At the ITC, the only relief is injunctive; money damages are not available (however, a trade secrets complainant who prevails at the ITC can later file in district court, and district courts have given preclusive effect to ITC decisions —unlike in patent investigations).

## Injunctions

Unlike in federal court, where injunctions can be difficult to obtain, the ITC issues mandatory exclusion orders barring the importation of goods resulting from the misappropriation.

These are typically limited exclusion orders targeting imports from a specific source, but a complainant can also seek a general exclusion order (GEO), which bars all imports of the adjudicated articles—including from importers that are not respondents in the investigation.

GEOs may be available where the source of the goods is difficult to identify, or if there is a pervasive pattern of misappropriation and resulting importation from multiple sources.

The length of an exclusion order is defined by the 'independent development time' or 'reasonable research and development period' that would be required to reproduce the trade secrets using lawful means, and can vary from a few months to several years.

If, before the effective date of an exclusion order, a respondent imported and maintained a commercially significant inventory of violative product in the US, a complainant can also obtain a cease-and-desist order barring certain activities (such as marketing and sales) under threat of monetary penalties.

## Timeframes and discovery

At the ITC, the Commission usually issues its final determination around 16 months after institution. This means that ITC complainants can expect a hearing within seven to nine months, whereas plaintiffs in federal court might wait two or more years for trial.

In addition, exclusion orders from the ITC go into effect after the presidential review period (which expires 60 days after the final determination), and are highly unlikely to be stayed pending appeal. Because the ITC proceeds to a final decision so swiftly, however, obtaining interim relief (like a temporary restraining order) is more difficult and rare.

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Although cases in federal court are governed by the Federal Rules of Civil Procedure, the ITC has its own procedural rules (and the assigned Administrative Law Judge [ALJ] will have their own ground rules), which allow for much broader discovery. For example, plaintiffs in federal court are limited to 25 interrogatories, whereas the ITC's limit is 175. ITC parties also can take double the number of depositions (20 per side and 10 for staff).

This broader discovery can be attractive when a plaintiff is unsure of the scope of misappropriation, or when a plaintiff needs to depose and collect documents from international parties (which is routine in the ITC).

But broader discovery also means increased costs and effort, given the brisk pace of ITC cases. Discovery responses are due 10 days after they are served, for example.

**Proving misappropriation**

At the ITC, a trade secrets complainant must prove that: (1) there is an imported product; (2) the import or sale of the product arises from the misappropriation; (3) there exists a domestic US industry that would be destroyed, substantially injured, or prevented from forming due to the misappropriation; and (4) there is a specific or threatened injury to the domestic industry.

The complainant must show that the respondent has imported the article resulting from the misappropriation into the US. A single import can be sufficient, as can importation of a prototype. Even a "sale for importation", such as a contract for goods to be delivered to the US at a future date, can suffice. Exhibitions at trade shows, marketing, or clinical trials that indicate future importation can also be considered entry into the US.

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For a DTSA claim, a plaintiff can show that the defendant improperly retained, disclosed, or used the trade secret. At the ITC, however, misappropriation requires 'substantial use' of the trade secrets.

In *Certain Bone Cements and Bone Cement Accessories* (2021) for example, the ITC found no substantial use because the complainants relied on a compilation of customer-specific prices, but failed to show respondents used the compilation or even a majority of the information within it.

There also was no evidence that respondents saved the files that constituted the trade secrets or transferred information from those files to their own systems, or that other employees were aware of the trade secret files. Trade secret complainants therefore should be confident in their ability to show that most of the trade secrets were actually used, not just wrongfully possessed with an inference that they were accessed or used.

**The domestic question**

To obtain relief from the ITC, a complainant must establish a domestic industry that is or will be destroyed, injured, or prevented from forming. Unlike in patent cases, the complainant need not show that it (or its licensee) actually practices the trade secrets in the US.

In at least one investigation, *TianRui Group v ITC*, (2011), the Commission found a domestic industry where the complainant's US products competed with respondent's products, even though complainant's products did not practice the trade secrets. A complainant also must meet an economic component: the Commission considers the 'nature and significance' of the complainant's activities to determine whether the complainant is more than a 'mere importer'.

The complainant must prove an actual or threatened injury to the domestic industry. Injury can be established through, for example, lost sales or profits, underselling by respondents, or declining market share. Where the domestic industry is nascent, injury may be shown by foreign cost advantages, production capacity, or the ability of the imported articles to undersell the domestic product.

The Commission has found injury even when there existed only one imported article— in *Certain Crawler Cranes & Components Thereo*f (2015)—because respondent was able to target its pricing at complainant's competing product, lowering the complainant's profit margins.

In conclusion, the ITC is a very attractive venue for trade secrets plaintiffs, especially when foreign misconduct by foreign actors is involved and substantial discovery outside the US is required. Trade secrets plaintiffs should carefully weigh the additional cost and substantive requirements of the ITC along with its benefits of speed, breadth, and jurisdiction, when considering venue selection.

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