

Trade Secrets, ET, and the ITC



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The U.S. International Trade Commission (ITC) has broad power to issue exclusion orders blocking the importation of goods determined to have infringed or misappropriated complainants' IP rights. Moreover, the ITC's *in rem* jurisdiction allows it to prohibit the importation of products developed through trade secret misappropriation, even where the misappropriation was extraterritorial (ET) and took place entirely outside of the United States. Thus, the ITC offers complainants a powerful injunctive remedy for trade secret theft occurring outside the U.S.

Late last month, Samsung Display Company (SDC) filed a complaint (No. 337-3704) in the ITC alleging that China's BOE Technology Group stole trade secrets concerning organic light-emitting diodes (OLEDs). By way of example, the complaint alleges that the Apple I-Phone 14 display uses SDC OLED technology stolen by BOE. It also points to the criminal convictions of BOE executives in South Korea for the theft of Samsung's trade secrets:

The misappropriated trade secrets have been the subject of a criminal action in the Suwon High Court in Korea,

which recently found 11 Toptec executives and employees guilty of intentionally stealing SDC's trade secrets and leaking them to Chinese display manufacturers.

Interestingly, the public version of the complaint does not allege any specific act taking place in the U.S. The only exception is the alleged importation of BOE OLEDs into the United States, which allows it to fall within the ITC's jurisdiction.

Why the ITC? *First*, an action in federal court under the DTSA might not have been available to Samsung. Under the DTSA, federal courts may exercise jurisdiction over conduct undertaken abroad if (i) the alleged misappropriator is a citizen of or an organization organized under the laws of the U.S., or (ii) an act in furtherance of the misappropriation was committed in the U.S. Moreover, the specific reach of the second prong of the ET provisions of the DTSA has not yet been vetted by any federal appeals court.

A Section 337 investigation in the ITC would not face the same jurisdictional constraints as in a DTSA action. In *TianRui Group v. ITC*, the Federal Circuit concluded that "the Commission has authority to investigate and grant relief based in part on [ET] conduct insofar as it is necessary to protect the domestic industry from injuries arising out of unfair competition in the domestic marketplace." That is, so long as the product satisfies the ITC's importation requirement, the ITC has authority to investigate the matter and issue a remedy.

Second, the ITC offers an expedited case schedule relative to federal district courts. Trial generally occurs 8-9 months after an investigation is instituted and the final Commission decision is frequently issued within 16 months.

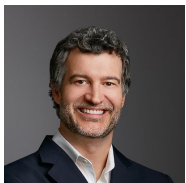
Third, the scope of discovery in the ITC can be even broader than in federal district court. The ITC discovery is not strictly governed by the Federal Rules of Civil Procedure. In some cases, that means there are fewer restrictions on what might be discoverable and admissible at trial. This carries the promise of more and faster access to an accused wrongdoer's documents than in federal courts or actions outside the U.S.

Fourth, an ITC exclusion order is a powerful remedy that literally stops a competitor's products at the gates. While compensatory damages for trade secret misappropriation are not recoverable in the ITC, complainants would not be foreclosed from seeking monetary damages for at least past conduct in parallel or subsequent court actions, as available, provided they abide by all applicable statutes of limitations. Unlike district courts, the ITC is permitted to issue these exclusion orders upon finding a violation occurred so long as it is not contrary to the public interest. It can do so without analyzing the four-factor *Ebay* test (or potentially the three-factor test if irreparable harm may be presumed for trade secret misappropriation), which acts as a gatekeeper to the issuance of permanent injunctions in the district court.

The ITC is widely viewed as an increasingly popular venue for bringing IP disputes. The ITC's ET reach and power to issue exclusion orders may be particularly inviting for trade secret owners alleging unlawful importation after a theft abroad.



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