

# TRADE SECRETS, TRADE, AND EXTRATERRITORIALITY

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## I. INTRODUCTION

Foreign espionage against United States companies' trade secrets is reportedly a large and growing problem that both the federal government and private businesses have long struggled to effectively confront.<sup>1</sup> A primary obstacle to doing so is the principle of territoriality—the notion that U.S. law applies only to acts that take place on U.S. soil.<sup>2</sup> As a consequence of this principle, American companies doing business abroad, or whose trade secrets are misappropriated abroad, have limited recourse against a potential infringer through either criminal or civil actions. The conflict presented between the territorial nature of our laws and the global nature of the way we do business is not one for which a one-size-fits-all solution exists.

In general, U.S. law provides two paths to address the misappropriation of a trade secret: criminal and civil. Criminal claims can be filed pursuant to the Economic Espionage Act (EEA), but because U.S. Attorneys have sole discretion to file such actions, criminal claims are a limited option for private companies.<sup>3</sup> Civil actions are therefore the most common and realistic option for aggrieved trade secret owners.<sup>4</sup> However, no framework exists for the extraterritorial application of U.S. trade secret law in the civil context.<sup>5</sup> Moreover, the fact that no federal civil law (but only state law) governs trade secrecy in the United States presents a further and still unaddressed challenge to dealing with extraterritoriality in this area.<sup>6</sup>

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1. See, e.g., Robin L. Kuntz, *How Not to Catch a Thief: Why the Economic Espionage Act Fails to Protect American Trade Secrets*, 28 BERKELEY TECH. L.J. 901, 903 (2013) (“[T]he legislative history behind the [Economic Espionage Act of 1996] reveals that Congress was especially worried about foreign threats to American economic prosperity.”).

2. See *Morrison v. Nat’l Austl. Bank Ltd.*, 561 U.S. 247, 255 (2010); Timothy R. Holbrook, *Territoriality and Tangibility After Transocean*, 61 EMORY L.J. 1087, 1100 (2012).

3. See Kuntz, *supra* note 1, at 908–09; see also Gerald O’Hara, *Cyber-Espionage: A Growing Threat to the American Economy*, 19 COMMLAW CONSPICUOUS 241, 251 (2010) (“Despite its aspirations to impose harsh criminal penalties, the EEA fails to provide a robust enforcement mechanism against foreign cybercriminals who initiate attacks on American corporations.”).

4. The civil cases will therefore be the focus of this Article.

5. See Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 VA. J. INT’L L. 505, 507 (1997) (“[T]he general rules governing the extraterritorial application of federal statutes are in a state of uncertainty.”).

6. See Elizabeth A. Rowe, *Striking a Balance: When Should Trade-Secret Law Shield Disclosures to the Government?*, 96 IOWA L. REV. 791, 798 (2010).

### A. *The Litigation Challenge*

The extraterritoriality problem applies to our intellectual property laws generally and is not unique to trade secret law.<sup>7</sup> To the extent trademark, patent, and trade secret law limit the ability of intellectual property owners in the United States to enforce their rights in this country, or allow for some degree of enforcement but subject that enforcement to unpredictable frameworks, the law places a substantial burden on commerce. The substantive law, procedural rules, and practical reality converge to present significant hurdles to litigation.

For a variety of reasons, domestic intellectual property holders strongly prefer litigation in the United States.<sup>8</sup> If, for instance, reports are true that the Chinese government has condoned or directed the espionage originating in that country, U.S. trade secret holders would be understandably leery of litigating in a Chinese forum.<sup>9</sup> In addition, U.S. intellectual property law is generally more developed than that in other countries, particularly in the countries that are the primary source of foreign misappropriation.<sup>10</sup> Moreover, plaintiffs generally see U.S. courts as an attractive venue in civil litigation due to, *inter alia*, broad discovery rules, the potential for high damage awards, acceptance of contingent fee agreements, and a general rule that litigants are not required to pay opposing party attorney's fees.<sup>11</sup>

An administration focused on combating international trade secret misappropriation (commonly referred to as corporate or economic espionage) should be supportive of American businesses' preference to enforce their trade secrets in U.S. forums. The U.S. government has increased its efforts to exert political pressure on jurisdictions where misappropriation is rampant,<sup>12</sup> but these efforts are hardly new.<sup>13</sup> While the

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7. See, e.g., Holbrook, *supra* note 2.

8. See generally, Rochelle Cooper Dreyfuss, *An Alert to the Intellectual Property Bar: The Hague Judgments Convention*, 2001 U. ILL. L. REV. 421, 422–25 (2001); see also Brendan J. Witherell, Note, *Trademark Law—The Extraterritorial Application of the Lanham Act: The First Circuit Cuts the Fat from the Vanity Fair Test*, 29 W. NEW ENG. L. REV. 193, 204 (2006) (“Typically, plaintiffs prefer to litigate in the United States where trademark laws are more protective than the laws of other countries. In addition, U.S. courts are more appealing because of favorable procedural rules and standards.”).

9. See Victoria Espinel, *Launch of the Administration's Strategy to Mitigate the Theft of U.S. Trade Secrets*, OFFICE OF MGMT. & BUDGET BLOG (Feb. 20, 2013, 2:59 PM), <http://www.whitehouse.gov/blog/2013/02/20/launch-administration-s-strategy-mitigate-theft-us-trade-secrets>.

10. See Bradley, *supra* note 5, at 506–07 (“U.S. intellectual property laws are often more protective than those of other countries . . .”); see also Marisa Anne Pagnattaro, “*The Google Challenge*”: *Enforcement of Noncompete and Trade Secret Agreements for Employees Working in China*, 44 AM. BUS. L.J. 603 (2007) (discussing the evolution of Chinese trade secret law).

11. See Bradley, *supra* note 5, at 506–07 (citing GARY B. BORN, *INTERNATIONAL CIVIL LITIGATION IN UNITED STATES COURT* 3–5 (3d ed. 1996)).

12. See Espinel, *supra* note 9.

13. See e.g., Bradley *supra* note 5, at 510–12 (describing efforts dating to the mid-1990s).

FBI and Department of Justice continue to assert that prosecution of trade secret misappropriation claims is a “top priority,”<sup>14</sup> trade secret owners themselves are likely to be the most vigilant and conscientious in asserting and prosecuting trade secret claims *if* they are given an appropriate forum in which to do so.

For all of these reasons, providing a domestic forum to prosecute extraterritorial infringement would substantially benefit domestic trade secret holders. However, the current cases demonstrate the wide divergence in the manner courts apply U.S. trade secret laws to redress extraterritorial misappropriation. In the absence of a coherent framework, courts have struggled to find consistency, which, in turn, has left trade secret owners unsure of the extent of their enforceable rights.

### B. A Trade-Based Approach

This Article is the first to suggest that while we await a comprehensive solution to this thorny issue, a focus on trade is a useful approach for dealing with the territoriality quagmire. Accordingly, the Article explores an illustrative case study of a trade-based approach to this problem. It examines a decision from the Court of Appeals for the Federal Circuit that appears to create a novel avenue for a U.S. court to reach extraterritorial conduct.<sup>15</sup> Specifically, in *TianRui Group Co. v. International Trade Commission*,<sup>16</sup> the Federal Circuit reviewed the International Trade Commission’s (ITC) use of section 337 of the Tariff Act of 1930<sup>17</sup> to cover extraterritorial misappropriation of trade secrets. Section 337 limits the remedy for extraterritorial misappropriation to a prohibition on importation into the United States. Given this limited remedy, the Federal Circuit held that the ITC could appropriately address what was otherwise purely extraterritorial conduct.<sup>18</sup>

In ruling as it did, the Federal Circuit highlighted what had been a largely unnoticed but potentially useful tool<sup>19</sup> by which businesses can address extraterritorial theft of their trade secrets.<sup>20</sup> Outside of this approach, businesses looking to enforce their trade secret rights internationally face the prospect of costly litigation in far-flung and

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14. See Espinel, *supra* note 9.

15. *TianRui Grp. Co. v. Int’l Trade Comm’n*, 661 F.3d 1322 (Fed. Cir. 2011).

16. *Id.*

17. 19 U.S.C. § 1337 (2012).

18. *TianRui*, 661 F.3d at 1335.

19. 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, 546 (2012).

20. See *infra* Part IV.A.3.

unfamiliar jurisdictions. By providing a domestic venue for businesses to at least partially address international violations of their trade secret rights, the ITC has taken an important, practical step toward addressing international trade secret espionage. This step has the potential for more immediate and far-reaching impact than the behind-the-scenes diplomatic efforts or uncertain legislative efforts that have heretofore been the United States' primary approach to addressing this problem. Moreover, the trade-based focus that is evident under *TianRui* is consistent with the approach that Congress has undertaken for patent law: making it an act of infringement to import into, sell in, or use in the United States an unpatented component "made by" a process covered by a U.S. patent.<sup>21</sup>

This Article begins in Part II by briefly framing the espionage problem. In Part III it reviews the prevailing judicial approach to extraterritorial application of intellectual property laws. It then, in Part IV, analyzes the *TianRui* opinion, providing background information on the International Trade Commission and comparing the proceedings therein to more familiar actions in federal and state trial courts. In Part V, the Article evaluates the trade-based alternative highlighted in *TianRui* that bars infringing products from entering the U.S. market and suggests it is a reasonable alternative to the gaping hole that currently exists in the traditional extraterritorial doctrinal framework. It is consistent with a similar statutory import ban in patent law, consistent with the U.S. government's sovereign right to control trade within its borders, and provides a viable, practical, and efficient alternative for trade secret owners who face foreign misappropriation. Finally, it concludes in Part VI that this approach is a necessary step toward providing a meaningful remedy for domestic victims of extraterritorial misappropriation.

## II. THE BACKDROP OF ESPIONAGE

International espionage of American trade secrets is reportedly a growing problem with wide-ranging significance implicating national security, economic, and political interests. The problem continues to receive increasing attention.<sup>22</sup> On Wednesday, February 20, 2013, for example, the Obama White House announced new efforts to combat

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21. See discussion regarding the Patent Process Amendment Act of 1988 and § 271(g) *infra* at Part III.B.2.

22. See generally, e.g., David S. Almeling, *Seven Reasons Why Trade Secrets Are Increasingly Important*, 27 BERKELEY TECH. L.J. 1091 (2012); O'Hara, *supra* note 3 at 241–42 ("Although threats of economic and industrial espionage have long existed, the international proliferation of the Internet makes cyber economic and industrial espionage an especially daunting and potentially economy-crippling threat.").

international theft of U.S. trade secrets.<sup>23</sup> The White House coordinator of intellectual property enforcement set forth the “whole government” efforts the White House would employ to combat theft of U.S. trade secrets abroad.<sup>24</sup> The announced strategy included five components: diplomatic “soft pressure” for the U.S. and a coalition of like-minded countries;<sup>25</sup> “support [for] industry-led efforts to develop best practices to protect trade secrets”;<sup>26</sup> a pledge to continue to prioritize investigation and prosecution of trade secret theft;<sup>27</sup> renewed legislative efforts; and, finally, an attempt to increase public awareness of trade secret theft and protection.<sup>28</sup>

The announcement came on the heels of a report detailing the “unrelenting campaign of cyberstealing linked to the Chinese government.”<sup>29</sup> The report identified Unit 6139 as an army of hackers run by the Chinese People’s Liberation Army.<sup>30</sup> The report described not a loose, underground operation but a sophisticated, systematic effort that is allegedly condoned, supported, and directed by the Chinese government.<sup>31</sup> The precise numbers and actual extent of espionage are difficult to ascertain. However, for the purposes of this Article, we accept the premise that it is a problem and one for which any solution will necessarily be multi-faceted.<sup>32</sup>

There is reason to be skeptical of any quick-fix approaches to the espionage problem, and some observers have so noted. For example, in response to the government’s announced plan, Jason Healey, the director of the Atlantic Council’s Cyber Statecraft initiative, expressed a degree of optimism but noted that the announced strategy lacked innovation.<sup>33</sup> He pointed out that the announcement used the word *continue* more than twenty times and joined Peter Toren, a computer-crimes expert, in calling

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23. EXECUTIVE OFFICE OF THE PRESIDENT, *Administration Strategy on Mitigating the Theft of U.S. Trade Secrets* (Feb. 2013), [www.whitehouse.gov/sites/default/files/omb/IPEC/admin\\_strategy\\_on\\_mitigating\\_the\\_theft\\_of\\_u.s.\\_trade\\_secrets.pdf](http://www.whitehouse.gov/sites/default/files/omb/IPEC/admin_strategy_on_mitigating_the_theft_of_u.s._trade_secrets.pdf).

24. See Espinel, *supra* note 9; Ellen Nakashima, *U.S. Launches Effort to Stem Trade-Secret Theft*, THE WASHINGTON POST (Feb. 20, 2013), [http://articles.washingtonpost.com/2013-02-20/world/37198630\\_1\\_trade-secret-theft-trade-secrets-commercial-secrets](http://articles.washingtonpost.com/2013-02-20/world/37198630_1_trade-secret-theft-trade-secrets-commercial-secrets).

25. Espinel, *supra* note 9.

26. *Id.*

27. *Id.*

28. *Id.*; see also Nakashima, *supra* note 24.

29. Lolita C. Baldor, *US Ready to Strike Back on China Cyberattacks*, YAHOO NEWS (Feb. 19, 2013, 5:43 PM), <http://news.yahoo.com/us-ready-strike-back-china-cyberattacks-224303045--finance.html>.

30. *Id.*

31. *Id.*

32. In a forthcoming article, Professor Rowe will explore the current status of the law and policy of corporate espionage in greater depth.

33. Nakashima, *supra* note 24 (“[T]he strategy contains few new initiatives, [Healey] said, pointing out that the underlying report uses the word ‘continue’ more than 20 times.”).

for new laws that would give private parties the right to sue foreign companies in federal court for trade secret theft and for tougher sanctions against companies that benefit from the theft of U.S. trade secrets.<sup>34</sup>

New legislation is not likely the best means to address the entire scope of the problems international trade secret theft presents. Recent attempts at trade legislation have yielded only partial and limited fixes<sup>35</sup> and potentially distract from more effective uses of existing procedural and substantive tools. This Article explores one such existing tool. The ITC, as an alternative forum for litigation, presents a reasonable and meaningful alternative for U.S. trade secret owners hoping to take on the extraterritorial misappropriation of their trade secrets.

### III. THE EXTRATERRITORIALITY PROBLEM

The most noticeable feature of cases addressing extraterritoriality in trade secret law is their relative scarcity. The few cases that do exist evaluate extraterritoriality inconsistently and fail to produce a framework capable of generalized application. The absence of a federal civil trade secret law raises questions about whether courts should even attempt to apply state trade secret law to foreign conduct. While the Uniform Trade Secrets Act has been adopted by a majority of states, it is merely a uniform law, and it is uncertain whether it meets the apparent general principle of applying a federal statute or federal law extraterritorially.<sup>36</sup>

Part A of this section will explore two cases that are representative of how courts currently approach extraterritoriality in trade secret law in addition to the limited guidance offered by international treaties. Part B will compare the approach to extraterritoriality in trade secret law to that

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34. *Id.*

35. Consider, for example, the Theft of Trade Secrets Clarification Act of 2012, which amended the Economic Espionage Act of 1996 (EEA) by expanding the scope of prohibited conduct and increasing the maximum penalties. Theft of Trade Secrets Clarification Act of 2012, Pub. L. No. 112-236, 126 Stat. 1627. The amendment closes the loophole identified in *United States v. Aleynikov*, 676 F.3d 71 (2d Cir. 2012), by redefining a trade secret to include processes used internally in connection to services used in commerce.

In addition, the Foreign and Economic Espionage Penalty Enhancement Act of 2012 increased penalties for violations of the EEA, but only the penalties in § 1831, which targets only trade secret theft intended to benefit a foreign government, agent, or instrumentality. Foreign and Economic Espionage Penalty Enhancement Act of 2012, Pub. L. No. 112-269, 126 Stat. 2442 (2013).

These amendments, while potentially helpful in a handful of specific contexts, offer only a piecemeal approach to addressing a problem that would be more effectively and comprehensively addressed by increasing the usefulness of the laws that already exist. In this way, and by creating a perception that the problem has been solved, relatively modest legislative modifications have the potential to do more harm than good.

In any event, whether or not the White House's approach will be successful, its efforts demonstrate that foreign infringement of U.S. trade secrets is a large-scale problem in need of a comprehensive solution.

36. See *Morrison v. Nat'l Aust. Bank Ltd.*, 561 U.S. 247, 255 (2010).

taken in two other areas of intellectual property—namely, patent and trademark law. Part C will briefly mention why international treaties, in particular the Agreement on Trade-Related Aspects of Intellectual Property Rights, are not instructive or helpful in addressing the extraterritoriality problem.

#### A. *Existing Landscape in Trade Secrecy*

The following two cases demonstrate the wide divergence in the manner courts apply U.S. trade secret laws to redress extraterritorial misappropriation. In the absence of a coherent framework, courts have struggled to find consistency, which, in turn, has left trade secret owners unsure of the extent of their enforceable rights. In addition to the uncertainty already attendant to trade secret enforcement,<sup>37</sup> trade secret owners must address unpredictable procedural hurdles wholly independent from substantive trade secret law.

##### 1. *BP Chemicals Ltd. v. Formosa Chemical & Fibre Corp.*<sup>38</sup>

*Formosa* illustrates the procedural hurdles that can interfere with a plaintiff's ability to enforce its trade secret rights against foreign misappropriation. In *Formosa*, the court considered the allegation that Formosa Chemical & Fibre Corporation (Formosa Chemical) had copied secret designs for a plant that BP had provided to a licensee in China.<sup>39</sup> While the copying of BP's trade secrets occurred in Taiwan, BP sought to enjoin Formosa Chemical from taking possession of and exporting equipment manufactured using the secret designs in the United States.<sup>40</sup> Formosa Chemical intended to use the equipment in the construction of a plant in Taiwan.<sup>41</sup>

The Third Circuit Court of Appeals held that even assuming BP's claims arose under federal law, the district court lacked personal jurisdiction over Formosa Chemical.<sup>42</sup> The court found that "the primary tortious conduct giving rise to BP's claim," the misappropriation of its secret designs, occurred in Taiwan and that the resulting injury was felt by

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37. See generally, e.g., Richard F. Dole, Jr., *Permanent Injunctive Relief for Trade Secret Misappropriation Without an Express Limit upon Its Duration: The Uniform Trade Secrets Act Reconsidered*, 17 B.U. J. SCI. & TECH. L. 173 (2011) (discussing the conflict in case law concerning the duration and permanence of injunctions resulting from trade secret misappropriation).

38. *BP Chem. Ltd. v. Formosa Chem. & Fibre Corp.*, 229 F.3d 254 (3d Cir. 2000).

39. *Id.* at 257.

40. *Id.*

41. *Id.*

42. *Id.* at 258.



BP in the United Kingdom.<sup>43</sup> The court found that Formosa Chemical's contacts with the United States—which included contracts with equipment suppliers<sup>44</sup> and related correspondence—did not demonstrate purposeful availment of the privilege of conducting business in the United States.<sup>45</sup> It observed that the United States had little, if any, interest in adjudicating a dispute between two non-citizens regarding conduct in Taiwan and injury in the United Kingdom.<sup>46</sup> For similar reasons, the court found Formosa Chemical's contacts with the United States not “continuous and systematic” and determined that they could therefore not support general jurisdiction, either.<sup>47</sup>

With Formosa Chemical removed from the case, the court still had to consider the domestic manufacturer of the allegedly-infringing equipment. Even in the absence of jurisdictional questions, the court reversed the district court's entry of a preliminary injunction based on choice-of-law considerations.<sup>48</sup> Even if New Jersey law<sup>49</sup> would be the source of the general rule for trade secret misappropriation, as the district court had found, the district court erred by not evaluating the conflicts of laws on an issue-by-issue basis.<sup>50</sup> Every element of the claim, including the determination of what constitutes a protectable trade secret and what conduct amounts to wrongful misappropriation, must be analyzed separately.<sup>51</sup>

After undertaking this separate analysis, the court concluded that Taiwan had the greater interest in its laws defining what is protectable and what is misappropriation.<sup>52</sup> These issues would influence both “the development of new technology” in Taiwan and “the willingness of foreign companies to share their technology with Taiwanese businesses.”<sup>53</sup> In comparison, the court considered New Jersey's interest “to be virtually

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43. *Id.* at 261.

44. The court noted that these contracts were solicited and negotiated in Taiwan. *Id.* at 257–58.

45. *Id.* at 261 (quoting *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475 (1985)).

46. *Id.*

47. *Id.* at 262.

48. *Id.* at 264.

49. At the time of the decision, New Jersey followed the rule stated in the Restatement (First) of Torts:

One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if . . . (c) he learned the secret from a third person with notice of the facts that it was a [trade] 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. RESTATEMENT (FIRST) OF TORTS § 757 (1939).

50. In conflict-of-laws parlance, the notion that different sources of law can determine different issues within the same case is termed *dépeçage*. 15A C.J.S. *Conflict of Laws* § 35 (2014).

51. *Formosa*, 229 F.3d at 265.

52. *Id.* at 265–66.

53. *Id.*

nil.”<sup>54</sup> The court therefore found that Taiwanese law governed and remanded the case to be reconsidered in light of this determination.<sup>55</sup>

This case demonstrates two of the common procedural hurdles presented by actions based on foreign misappropriation: personal jurisdiction and choice of law. Each of these issues requires a subjective analysis, the outcome of which is difficult for a trade secret owner to predict. The analysis is further complicated by the prospect of the application of law from virtually any jurisdiction. Even when an infringer takes advantage of U.S. manufacturers to produce equipment derived from misappropriation, jurisdictional boundaries can shield the infringer, and even domestic defendants benefit from an intimidating mire of foreign and domestic laws.

## 2. *Cisco Systems, Inc. v. Huawei Technologies, Co., Ltd.*<sup>56</sup>

If *Formosa* demonstrates the difficulties a trade secret owner might encounter in enforcing its rights, *Cisco* demonstrates the other end of the spectrum. In *Cisco*, the plaintiff sought injunctive relief against a Chinese defendant on both copyright and trade secret theories, the latter relating to use of its source code.<sup>57</sup> At the outset, the court deftly avoided the choice-of-law analysis featured in *Formosa* by reasoning that “[i]n the absence of sufficient proof . . . of the foreign principles of law, . . . the law of the forum should be applied.”<sup>58</sup> In other words, because the parties did not discuss Chinese law sufficiently, the court simply applied Texas law by default. This seems a far less rigorous choice-of-law analysis than that employed by the Third Circuit in *Formosa*.

After finding a preliminary injunction appropriate using Texas law across the board, the court then considered the injunction’s scope. As to related copyright claims, the court limited its order to the United States, but in the portions of the order addressing the trade secret source code, the court issued a worldwide injunction against use, reproduction, dissemination, etc., with no discussion of the source of the court’s ability to regulate conduct extraterritorially.<sup>59</sup>

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54. *Id.*

55. The court was unable to determine whether Taiwanese and New Jersey law differed on the record before it. *Id.* at 268.

56. *Cisco Sys., Inc. v. Huawei Tech., Co.*, 266 F. Supp. 2d 551 (E.D. Tex. 2003).

57. ‘Source code’ refers to “any fully executable description of a software system.” Mark Harman, *Why Source Code Analysis and Manipulation Will Always Be Important*, 10 IEEE INT’L WORKING CONF. ON SOURCE CODE ANALYSIS & MANIPULATION 2 (2010), available at <http://www.cs.ucl.ac.uk/staff/M.Harman/scam10.pdf>.

58. *Cisco*, 266 F. Supp. 2d at 555 (quoting *Symonette Shipyards Ltd. v. Clark*, 365 F.2d 464, 468 (5th Cir. 1966) (internal quotation marks omitted)).

59. *Id.* at 557–58.

In contrast to *Formosa*, the court in *Cisco* applied domestic law and crafted worldwide relief despite its own recognition that Chinese law *could have* applied had the parties raised it.<sup>60</sup> In *Formosa*, the court reversed a preliminary injunction by evaluating which jurisdictions had the greatest interest in regulating the conduct at issue, a question the *Cisco* court ignored. It is easy to see how this broad divergence not only in outcomes, but in the very approach the courts take to foreign-misappropriation actions, creates practical and legal difficulties for a trade secret owner seeking to enforce its rights.<sup>61</sup> On largely similar fact patterns, the courts in *Formosa* and *Cisco* alternatively found themselves (a) incapable of any action for lack of a jurisdictional connection and bound to apply Taiwanese law, and (b) empowered to enter a worldwide injunction applying domestic law simply as a default.

### B. Extraterritoriality in Other Areas of Intellectual Property

There are a number of U.S. statutory schemes—e.g., admiralty law,<sup>62</sup> antitrust law,<sup>63</sup> and securities regulation<sup>64</sup>—that have been interpreted to apply extraterritorially. This interpretation has not been applied, however, in intellectual property (IP) law. This section will explore the ways in which two other IP areas—trademark law and patent law—have attempted to address extraterritorial concerns. That analysis reveals an overall trend toward extraterritorial reach in IP, but one that is inconsistent and patchy. Trademark law has attempted to expand through case law development while patent law has expanded by statutory development.

#### 1. Trademark Law

Trademark law was the first intellectual property regime to attempt to assert potentially transnational application. However, despite its very broad

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60. *Id.* at 555.

61. See Elizabeth A. Rowe, *Introducing a Takedown for Trade Secrets on the Internet*, 2007 WIS. L. REV. 1041, 1088–89 (2007).

62. 18 U.S.C. § 7(1) (2012).

63. See, e.g., Joseph P. Griffin, *Extraterritoriality in U.S. and EU Antitrust Enforcement*, 67 ANTITRUST L.J. 159, 159 (1999) (“Extraterritorial enforcement of antitrust and competition laws has become routine in both the United States and the European Union.”).

64. See, e.g., Stephen J. Choi & Andrew T. Guzman, *The Dangerous Extraterritoriality of American Securities Law*, 17 NW. J. INT’L L. & BUS. 207, 208 (1996) (“[T]he United States often applies its own domestic laws extraterritorially to transactions in other countries, justifying its actions as necessary to protect American investors and the integrity of U.S. capital markets.”). *But see* Morrison v. Nat’l Austl. Bank Ltd., 561 U.S. 247, 264–65 (2010) (overturning the prevailing view that section 10(b) of the Securities Exchange Act applies to non-U.S. securities).

jurisdictional grant, the issue of the Lanham Act's<sup>65</sup> extraterritorial reach went unresolved until *Steele v. Bulova Watch Co.*<sup>66</sup> *Bulova* presented the question "whether a United States District Court has jurisdiction to award relief to an American corporation against acts of trademark infringement and unfair competition consummated in a foreign country by a citizen and resident of the United States."<sup>67</sup> In *Bulova*, the Bulova Watch Company sued Steele, a U.S. citizen residing in San Antonio, over a watch business he conducted in Mexico.<sup>68</sup> Although Steele, "without Bulova's authorization and with the purpose of deceiving the buying public . . . stamped the name 'Bulova' on watches" he assembled and sold in Mexico, the district court dismissed Bulova's claim because Steele "had committed no illegal acts within the United States."<sup>69</sup>

After the Court of Appeals reversed, the Supreme Court granted certiorari to address extraterritoriality under the Lanham Act for the first time.<sup>70</sup> The Court first pointed out that, "in prescribing standards of conduct for American citizens [Congress] may project the impact of its laws beyond the territorial boundaries of the United States."<sup>71</sup> The question was therefore one "of exercised congressional power, not the limitations upon that power itself."<sup>72</sup> To answer this question, the Court looked to the broad jurisdictional language in the Act,<sup>73</sup> and despite the general rule that the laws of the U.S. will not extend beyond the boundaries of the United States, it found that the particular facts at issue fell within the Lanham Act's jurisdictional scope.<sup>74</sup>

Despite the fact that the actual affixation of the infringing mark occurred abroad and none of Steele's domestic purchases violated U.S. law, the Court noted that "[t]hey were essential steps in the course of business consummated abroad" and therefore lost their legal character because they were part of an unlawful scheme.<sup>75</sup> In reaching its holding, however, the Court made several potentially crucial observations that limited *Bulova's* application to other fact patterns. For example, the Court observed that

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65. Lanham Act, Pub. L. No. 79-489, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. § 1051 (2012)).

66. See Witherell, *supra* note 8, at 204–05.

67. *Steele v. Bulova Watch Co.*, 344 U.S. 280, 281 (1952).

68. *Id.*

69. *Id.* at 281–82.

70. *Id.* at 282.

71. *Id.*

72. *Id.* at 283.

73. "The statute's expressed intent is 'to regulate *commerce within the control of Congress* by making actionable the deceptive and misleading use of marks in such commerce . . .'" *Bulova*, 344 U.S. at 283 (emphasis added) (quoting 15 U.S.C. § 1127 (2012)).

74. *Id.* at 285.

75. *Id.* at 287.

because Mexican courts had nullified Steele's Mexican registration of 'Bulova,' "there [was] thus no conflict which might afford [Steele] a pretext that such relief would impugn foreign law."<sup>76</sup> After *Bulova*, courts were left with little guidance in setting the metes and bounds of the Lanham Act's extraterritorial effect except insofar as a case presented the same factual scenario; specifically, a U.S. defendant whose conduct, though occurring abroad, affected U.S. commerce, and an absence of a conflict between U.S. and foreign law.<sup>77</sup>

The Second Circuit attempted to articulate a framework based on *Bulova* but was unable to produce a bright-line rule.<sup>78</sup> Instead, it could only state that "the absence of one of the [*Bulova*] factors might well be determinative and that the absence of [two] is certainly fatal."<sup>79</sup> In *Vanity Fair Mills, Inc. v. T. Eaton Co.*, Vanity Fair Mills, Inc. sued T. Eaton and his eponymous corporate entity for infringing its VANITY FAIR trademark for women's underwear.<sup>80</sup> Vanity Fair had been using the mark since 1914 in the United States and since 1917 in Canada.<sup>81</sup> Eaton, meanwhile, was a Canadian retailer with an established place of business in New York who had registered VANITY FAIR as a trademark for women's apparel generally in Canada in 1915.<sup>82</sup> Considering these and other details, the court attempted to determine whether the defendant was subject to the Lanham Act under *Bulova*.<sup>83</sup> Ultimately, the court held that he was not because the defendant was not a U.S. citizen and because there was arguably a conflict between U.S. and Canadian law with respect to ownership of the VANITY FAIR trademark.<sup>84</sup> The only factor present was a "substantial effect on United States commerce," which the court decided was not enough.<sup>85</sup>

In *Sterling Drug, Inc. v. Bayer AG*, a case involving the U.S. and German holders of the mark BAYER for their pharmaceutical products,<sup>86</sup> the German entity, Bayer AG, lost ownership of the mark in the United States when its U.S. subsidiary was seized during World War I, and controversy over the mark persisted since it was acquired by Sterling in

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76. *Id.* at 289.

77. *See* Witherell, *supra* note 8, at 206.

78. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956).

79. *Id.* at 643.

80. *Id.* at 637.

81. *Id.*

82. *Id.*

83. *Id.* at 641–43.

84. *Vanity Fair Mills, Inc.*, 234 F.2d at 642.

85. *Id.* It is important to note that the Second Circuit looked for a *substantial* effect on U.S. commerce, which appears to be a higher standard than the one applied in *Bulova*.

86. *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 736–37 (2d Cir. 1994).

1918.<sup>87</sup> Sterling and Bayer entered into a series of agreements delineating the extent to which Sterling would allow Bayer to use the BAYER mark in the United States.<sup>88</sup> As Bayer increased its use of the mark in the United States over time, Sterling eventually filed suit against it for breaching their agreements concerning the mark and for violating the Lanham Act.<sup>89</sup>

After a bench trial, the district court found for Sterling on both the contract and Lanham Act claims, and the Second Circuit affirmed.<sup>90</sup> The issue then became the scope of the remedy. The district court had entered an injunction that, “[w]ith a few narrow exceptions, . . . broadly enjoined Bayer AG and its subsidiaries from using the ‘Bayer’ mark in the United States, *or even abroad* if such foreign use might make its way to the American public.”<sup>91</sup> The injunction contained detailed restrictions on Bayer’s use of the mark all over the world, including limiting Bayer to “not more than two press releases a year ‘exclusively concerning extraordinary events involving Bayer AG, such as changes in corporate control,’” and allowing

press conferences held abroad and attended primarily by foreign journalists if (1) such press conferences were not conducted in English; (2) the subject of the conference did not include “any discovery, invention, activity, event, product or service within the United States”; or (3) the conferences related exclusively to Bayer AG’s worldwide activities, without any special prominence given to either health care matters or Bayer AG’s activities within the United States.<sup>92</sup>

During the press conferences, the injunction required Bayer to “instruct the attending journalists not to use the ‘Bayer’ name in the United States in connection with the subject matter of the press conference.”<sup>93</sup>

Remarkably, the district court granted this injunction with its “extensive extraterritorial effects” without any consideration under *Vanity Fair* of whether the Lanham Act afforded it the authority to do so.<sup>94</sup> However, rather than “appl[y] the *Vanity Fair* test mechanically,” the court allowed for a more relaxed application “when the plaintiff seeks the more

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87. *Id.*

88. *Id.* at 738–39.

89. *Id.* at 739.

90. *Id.* at 739–44.

91. *Sterling Drug, Inc.*, 14 F.3d at 744 (emphasis added).

92. *Id.* at 745.

93. *Id.* at 745 n.6.

94. *Id.* at 746.

modest goal of limiting foreign uses that reach the United States.”<sup>95</sup> Of central importance to the court’s ruling was “the Lanham Act’s goals of protecting American consumers against confusion, and protecting holders of American trademarks against misappropriation of their marks.”<sup>96</sup> The court explained that “[t]hrough Congress did not intend the Lanham Act to be used as a sword to eviscerate completely a foreign corporation’s foreign trademark, it did intend the Act to be used as a shield against foreign uses that have significant trademark-impairing effects upon American commerce.”<sup>97</sup>

Although many circuits followed the Second Circuit’s lead in applying *Bulova*, they have not done so uniformly.<sup>98</sup> Other circuits have adopted alternative approaches.<sup>99</sup> Notably, the First Circuit adopted a test that seems to depend solely on whether “the conduct [at issue] has a substantial effect on United States commerce.”<sup>100</sup> The *McBee* court explicitly rejected *Vanity Fair*, stating that although the *Vanity Fair* test considers substantial effects as part of a three-part test, “[w]e differ from the *Vanity Fair* court in that we disaggregate the elements of its test: we first ask whether the defendant is an American citizen, and if he is not, then we use the substantial effects test as the sole touchstone to determine jurisdiction.”<sup>101</sup> The *McBee* approach would then be to consider issues of comity on a prudential, rather than jurisdictional, basis.<sup>102</sup>

From the seed of *Bulova* a plethora of related tests have sprung up, each incorporating similar elements—citizenship of the defendant, comity, effect on U.S. commerce—but in inconsistent and at times unpredictable ways. Appropriately, trademark law does recognize the reality that its subject matter cannot be meaningfully regulated without addressing extraterritorial conduct. However, Congress’s jurisdictional grant was perhaps too expansive, leaving the courts to articulate the Lanham Act’s territorial limits. Congress provided no guidelines to courts or to those

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95. *Id.* (noting that a mechanical application of the *Vanity Fair* test would have precluded the extraterritorial aspects of the injunction because in other jurisdictions, including Germany, Bayer held superior legal rights to the mark).

96. *Id.*

97. *Sterling Drug, Inc.*, 14 F.3d at 746.

98. *See, e.g.,* *Witherell, supra* note 8, at 209 (“In the years following the establishment of the *Vanity Fair* test, district courts have continually relaxed the components of the three-pronged test.”).

99. *See, e.g.,* *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250–51 (4th Cir. 1994); *Reebok Int’l, Ltd. v. Marnatech Enters.*, 970 F.2d 552, 554 (9th Cir. 1992); *Am. Rice, Inc. v. Ark. Rice Growers*, 701 F.2d 408, 414 (5th Cir. 1983); *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 428 (9th Cir. 1977) (requiring *some* effect on U.S. commerce rather than a *substantial effect*); *see also* GRAEME B. DINWOODIE & MARK D. JANIS, TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY 441–42 n.4 (2d ed. 2007).

100. *McBee v. Delica Co., Ltd.*, 417 F.3d 107, 120 (1st Cir. 2005).

101. *Id.* at 121.

102. *Id.*

seeking to protect their intellectual property, and predictably, the outcome has been inconsistency across and even within circuits. Thus, on the whole, trademark law succeeds in duly recognizing the significance of extraterritorial conduct, but it fails to provide a sufficient *jurisdictional hook* to put all of the relevant actors on notice of their rights and potential liabilities with respect to the laws of the United States.

Before turning to patent law, a brief discussion of the Anticybersquatting Consumer Protection Act (ACPA)<sup>103</sup> is warranted. The ACPA, enacted in 1999, allows a trademark owner to bring a cause of action against an individual who registers an Internet domain name containing a trademark for the purpose of selling the domain rather than hosting a legitimate website.<sup>104</sup> Part of the ACPA's novelty is the ability it provides plaintiffs to proceed in rem against the domain name without obtaining personal jurisdiction over the defendant.<sup>105</sup> This is an additional mechanism by which a trademark plaintiff can reach extraterritorial conduct, though only in the narrow case of use of a trademark in a domain name.

## 2. Patent Law

Unlike trademark law, patent law has historically been territorial in nature.<sup>106</sup> This reflects the fundamental understanding of patent law as a social contract rather than a codification of natural rights. The Supreme Court, for example, has noted that “[t]he patent monopoly was not designed to secure to the inventor his natural right in his discoveries. Rather, it was a reward, an inducement, to bring forth new knowledge.”<sup>107</sup> In order to “foster and reward invention” and “promote[] disclosure of inventions . . . [that] permit the public to practice the invention once the patent expires,” society concedes a temporary monopoly not as an inventor's entitlement but as fair consideration for the aforementioned benefits.<sup>108</sup> In light of this understanding of patent law, patent laws should only be effective against the parties to the social contract, and

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103. 15 U.S.C. § 1125(d) (2012).

104. *Id.*

105. The need to proceed in rem in an ACPA claim has been obviated somewhat by the Uniform Domain-Name Dispute-Resolution Policy, which allows a trademark owner to obtain transfer or cancellation of a domain name that uses a trademark in bad faith without establishing a government's jurisdiction over a defendant. See Bradley P. Hartman, *The UDRP and the ACPA: Two Remedies to Combat Domain Name Cybersquatting*, 49 ARIZ. ATT'Y, Mar. 2013, at 38, 39. Moreover, UDRP proceedings can often be resolved more quickly and cheaply than ACPA claims. *Id.*

106. See Bradley, *supra* note 5, at 507–08 nn.8–9.

107. *Graham v. John Deere Co.*, 383 U.S. 1, 9 (1966).

108. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979).



extraterritorial practice of an invention is generally not actionable under U.S. patent law.<sup>109</sup>

Nevertheless, in 1984 Congress amended the Patent Act in a manner that increased its extraterritorial reach.<sup>110</sup> Congress's action came as a response to a scenario described in *Deepsouth Packing Co. v. Laitram Corp.*, in which a domestic entity avoided infringement by selling the *components* of a patented technology abroad rather than the finished product.<sup>111</sup> Because the components were not combined within the United States, there was no direct infringement; without underlying direct infringement, the defendant could not be guilty of induced or contributory infringement.<sup>112</sup> Thus, domestic entities could avoid liability merely by saving the last step in manufacturing a patented article for completion overseas.<sup>113</sup>

In response to the Court's holding in *Deepsouth*,<sup>114</sup> Congress enacted § 271(f) of the Patent Act,<sup>115</sup> which defines the *Deepsouth* scenario—i.e., the supplying of the components of a patented invention in a manner that induces would-be infringement outside of the United States—as infringement. Congress avoided the extension of patent rights beyond the United States and instead used domestic activity as a hook to reach foreign activity that caused domestic harm. Nevertheless, to the extent inducement of infringement requires activity that would constitute an underlying direct infringement if it occurred in the United States, courts are required to

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109. See *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972), *superseded by statute*, 35 U.S.C. § 271(f) (2004), *as recognized in* *Limelight Networks, Inc. v. Akamai Tech., Inc.*, 134 S. Ct. 2111, 2118 n.4 (2014) (“Our patent system makes no claim to extraterritorial effect; ‘these acts of Congress do not, and were not intended to, operate beyond the limits of the United States’ and we correspondingly reject the claims of others to such control over our markets.” (internal citations omitted)).

110. See Lauren Shuttleworth, *Is 35 U.S.C. § 271(f) Keeping Pace with the Times?: The Law after the Federal Circuit’s Cardiac Pacemakers Decision*, 29 J.L. & COM. 117, 119 (2010) (citing § 271(f) as one of the “limited exceptions to the territorial limit of patent laws”).

111. See, e.g., *Deepsouth Packing Co.*, 406 U.S. at 524. (“[Defendant] in all respects save final assembly of the parts ‘makes’ the invention. It does so with the intent of having the foreign user effect the combination without [the patent holder’s] permission. [Defendant] sells these components as though they were the machines themselves; the act of assembly is regarded, indeed advertised, as of no importance.”).

112. *Id.* at 526. (“Certainly if [Defendant]’s conduct were intended to lead to use of patented devices inside the United States its production and sales activity would be subject to injunction as an induced or contributory infringement. But it is established that there can be no contributory infringement without the fact or intention of a direct infringement.”).

113. *Id.* at 531–32; see also Michael Silhasek, *Closing One Loophole and Opening Another: Why § 271(f) Patent Infringement Should Apply to Method Patents after Cardiac Pacemakers*, 48 SAN DIEGO L. REV. 677, 679 (2011).

114. *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348, 1360 (Fed. Cir. 2009) (“In response to *Deepsouth*, Congress enacted Section 271(f).”).

115. 35 U.S.C. § 271(f) (2012).

scrutinize foreign conduct in order to determine whether a defendant has violated § 271(f).

The practical significance of § 271(f) is mitigated by the apparent dearth of cases brought under it,<sup>116</sup> and its impact has been curtailed further by the Federal Circuit's holding in *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, which precluded its application to method claims.<sup>117</sup> All the same, § 271(f) was a manifestation of Congress's understanding that in the modern global economy courts cannot fully vindicate the purposes underlying the intellectual property laws without considering extraterritorial conduct.

Congress took a second step in the same direction when it passed § 271(g) four years later in 1988.<sup>118</sup> "Prior to 1988, a patentee holding a United States patent claiming a method or process of making products had no cause of action if others used the method overseas to manufacture products and then imported, used or sold the products in the United States."<sup>119</sup> Congress sought to remedy this situation by creating liability for anyone who "imports into the United States or offers to sell, sells, or uses within the United States" a product made by a patented process, regardless of where the making of the product occurred.<sup>120</sup>

Mindful of the potentially broad impact of § 271(g), Congress included two escape clauses that preclude liability if the product made by the patented process "(1) . . . is materially changed by subsequent processes; or (2) . . . becomes a trivial and nonessential component of another product."<sup>121</sup> Still, § 271(g)'s application is far reaching and not always intuitive. For example, if a relatively inexpensive computer chip—costing say, \$2—is manufactured by a patented process and incorporated into the transmission of an automobile with a far greater cost—say, \$30,000—importation of the automobile into the United States would be an act of infringement.

Unfortunately, the statute does not attempt to define a "material change" or a "trivial and nonessential component," nor is it clear what role

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116. Timothy F. Myers, *Foreign Infringement of Business Method Patents*, 7 WILLAMETTE J. INT'L L. & DISP. RES. 101, 109 (2000).

117. *Cardiac Pacemakers*, 576 F.3d at 1365.

118. 35 U.S.C. § 271(g) (2012); see also Omnibus Trade & Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107.

119. M. Patricia Thayer & Michelle M. Umberger, *Enforcing U.S. Method Patents: How Much Protection Does 35 U.S.C. Section 271(g) Really Provide?*, 4 SEDONA CONF. J. 85, 85 (2003).

120. 35 U.S.C. § 271(g) (2012).

121. *Id.* § 271(g)(1)–(2). Notably, it is unclear whether these defenses would apply to actions under 19 U.S.C. § 337 for importation of products made by virtue of an unfair method of competition. See *infra* Part IV.A.1; see also generally Siddharth Fernandes, *A Realistic Analysis of § 271(g) and the ITC: Academic Hypotheses Aside, § 271(g) Does Not Violate the Paris Convention or TRIPS Because Its Affirmative Defenses Do Not Apply to § 337 Actions Before the ITC*, 17 FED. CIR. B.J. 473 (2008).

the manufacturer who used the patented process must play in the subsequent importation for liability to attach.<sup>122</sup> In addition, recovery under § 271(g) is complicated by the notice provisions of § 287, diminishing § 271(g)'s usefulness.<sup>123</sup> Practical and interpretational difficulties aside, however, it is clear that with § 271(g) Congress again created a statute that places focus on extraterritorial conduct but uses a territorial *hook*—importation into the United States—to rein in its potential extraterritorial effect. An individual is free to infringe a U.S. process patent in foreign territory. It is only to the extent that the products of that infringement interact with the United States via importation that U.S. patent laws come into play.

Recent patent case law has also appeared to continue the trend toward expansion of the extraterritorial reach of U.S. patents, and Professor Timothy Holbrook has provided excellent analyses of the implications of these cases.<sup>124</sup> U.S. patent law still features holes in protection,<sup>125</sup> and calls for increased harmonization of U.S. and international patent protection persist.<sup>126</sup> However, the international community has struggled to make intellectual property rights uniform across national boundaries, with IP-infringing countries resisting international standards and IP exporters negotiating enhanced agreements<sup>127</sup> with trade partners.<sup>128</sup> Thus, moving away from strict territoriality and toward an effects-based approach may be a more feasible way to facilitate the protection of intellectual property in the modern economy.

### C. *International Treaties*

Trade secret owners concerned with international misappropriation may look to international treaties, but in practice they provide limited guidance or assistance in extraterritorial matters. The primary source of international law governing intellectual property rights is the Agreement on

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122. See § 271(g)(1)–(2).

123. 3 R. CARL MOY, *MOY'S WALKER ON PATENTS* § 12:34 (4th ed. 2003).

124. See Holbrook, *supra* note 2, at 1099–1111; Timothy R. Holbrook, *The Potential Extraterritorial Consequences of Akamai*, 26 EMORY INT'L L. REV. 499, 506–12 (2012).

125. See Matthew Barthalow, Note, *Bayer AG v. Housey Pharmaceuticals: Protection for Biotechnological Research Tools under Section 271(g) Found Wanting*, 4 PIERCE L. REV. 95, 95–98 (2005); Thayer & Umberger, *supra* note 119 at 94–95.

126. Jacob Mackler, *Intellectual Property Favoritism: Who Wins in the Globalized Economy, the Patent or the Trade Secret?*, 12 WAKE FOREST J. BUS. & INTELL. PROP. L. 263, 288 (2012) (quoting Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT'L L. 603, 616 (1997)).

127. See *infra* Part III.C. (discussing “TRIPS-plus” agreements).

128. See Beatrice Lindstrom, *Scaling Back TRIPS-Plus: An Analysis of Intellectual Property Provisions in Trade Agreements and Implications for Asia and the Pacific*, 42 N.Y.U. J. INT'L L. & POL. 917, 920 (2010).

Trade-Related Aspects of Intellectual Property Rights (TRIPS),<sup>129</sup> promulgated by the World Trade Organization (WTO) in 1994. TRIPS sets a “minimum standard requiring members to implement national IP protection” and has become an “international standard for IP protection.”<sup>130</sup> However, in seeking to satisfy everyone, TRIPS’ one-size-fits-all approach has run a substantial risk of satisfying no one.

Lesser-developed countries, whose interests typically run counter to more stringent protection of intellectual property, have sought extensions on the dates by which they must provide comprehensive IP protection, seen by some as a “first step towards challenging the existing TRIPS status quo.”<sup>131</sup> Meanwhile, developed nations, whose interests coincide with strong IP protection and enforcement, have routinely replaced TRIPS’ multilateral approach with bilateral agreements that require signatory countries to enact domestic IP laws that provide protections exceeding those provided under TRIPS.<sup>132</sup> These so-called “TRIPS-plus” agreements are controversial<sup>133</sup> and emblematic of the struggle to establish international IP protections that are both uniform and satisfactory.

Until these political and diplomatic complications can ultimately (if ever) be resolved, the trade-based approach explored in this Article can serve as a viable and concrete middle ground for addressing cross-border misappropriation. Indeed, it is noteworthy that the type of exclusion order barring importation of infringing products discussed in this Article has been determined by the WTO to be compliant with TRIPS and the equal treatment required for foreign persons by the Paris Convention.<sup>134</sup> This further bolsters the support already provided under U.S. jurisprudence for a trade-based approach to the extraterritorial dilemma.

#### IV. *TIANRUI* AND THE ITC

Turning to trade secret law, in contrast to patent and trademark law, there has been essentially no effort to develop a comprehensive statutory framework empowering trade secret owners to combat extraterritorial

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129. See Ping-Hsun Chen, *Cross-Straits Economic Cooperation Framework Agreement, Cross-Strait Agreement on Intellectual Property Right Protection and Cooperation, and Implications of One-China*, 36 HOUS. J. INT’L L. 59, 66–67 (2014).

130. *Id.*; see also Beatrice Lindstrom, *Scaling Back TRIPS-Plus: An Analysis of Intellectual Property Provisions in Trade Agreements and Implications for Asia and the Pacific*, 42 N.Y.U. J. INT’L L. & POL. 917, 919 (2010).

131. Anselm Kamperman Sanders, *Intellectual Property, Free Trade Agreements and Economic Development*, 23 GA. ST. U. L. REV. 893, 902 (2007).

132. See Lindstrom, *supra* note 128, at 919.

133. See *id.* at 972–77.

134. See Ron Vogel, *The Great Brain Robbery: Tianrui and the Treatment of Extraterritorial Unfair Trade Acts*, 22 FED. CIR. B.J. 641, 671–72 (2013).

misappropriation. Because trade secrets are regulated by the states rather than the federal government, there is no federal scheme Congress can modify—the way it has for patents and trademarks—to address extraterritorial issues endemic to an increasingly global economy. However, in the recent case of *TianRui Group Co. v. International Trade Commission*,<sup>135</sup> the Federal Circuit approved a means of addressing foreign misappropriation of trade secrets that bears significant similarities to similar approaches in patent and trademark law—more specifically, permitting extraterritorial application of U.S. law premised on the jurisdictional hook of importation into the United States.

In *TianRui*, the Federal Circuit affirmed the International Trade Commission's determination that certain railway wheels should be barred from importation into the United States under section 337 of the Tariff Act of 1930 because they were the product of extraterritorial trade secret misappropriation.<sup>136</sup> This section will analyze the reasoning and implications of the Federal Circuit's opinion. To facilitate this analysis and to put *TianRui* in the appropriate context, the Article will first provide background information on the International Trade Commission and the section 337 proceedings that occur therein.

#### A. *Background on the International Trade Commission*

The United States International Trade Commission (ITC) is a quasi-judicial federal agency established as the United States Tariff Commission in 1916.<sup>137</sup> Created at a time of resurgent protectionism in the United States, the Commission's primary focus was to “investigate the administration and fiscal and industrial effects of the customs laws of [the United States] now in force or which may be hereafter enacted” and to otherwise “investigate the tariff relations between the United States and foreign countries.”<sup>138</sup> The Tariff Act targeted unfair competition in section 316, the precursor to today's section 337.<sup>139</sup> Section 316 gave the President discretionary authority to impose an “additional duty” of up to fifty percent of the cost of imported goods or, in extreme cases, direct that certain items be “excluded from entry into the United States.”<sup>140</sup> Such an order would follow a recommendation by the Commission, after an investigation and a

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

136. *Id.* at 1323–24.

137. *See* Revenue Act of 1916, ch. 463, title VII, § 700, 39 Stat. 795, 795.

138. *Id.* §§ 702, 704, 39 Stat. 795, 796; *see also* S. Alex Lasher, *The Evolution of the Domestic Injury Requirement in Section 337 Investigations Before the United States International Trade Commission*, 18 U. BALT. INTELL. PROP. L.J. 157, 159 (2010).

139. *See* Revenue Act of 1916, § 316.

140. *Id.* § 316(e).

hearing, of “unfair methods of competition [or] unfair acts in the importation of articles into the United States . . . the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States.”<sup>141</sup> “Unfair methods of competition” included infringement of U.S. patents and trademarks.<sup>142</sup>

In the Smoot–Hawley Tariff Act of 1930, Congress replaced section 316 with section 337.<sup>143</sup> Section 337 largely replicated the old section 316, with the omission of the provision authorizing the President to impose additional duties.<sup>144</sup> Although Congress and the President believed that section 337’s flexibility to address all varieties of “unfair competition” made it the most effective means of protecting domestic industries,<sup>145</sup> it was relatively seldom used,<sup>146</sup> and only recently has the number of investigations under section 337 grown substantially.<sup>147</sup> Perhaps because of the United States’ dominant position in the industrial world following World War II, it was not until growth slowed and imports increased in the 1970s that Congress again gave substantial attention to section 337.<sup>148</sup>

Thus, in the Trade Act of 1974, Congress modernized the Commission,<sup>149</sup> including by giving it its present name, the International Trade Commission.<sup>150</sup> Congress hoped to revitalize section 337 by remedying the procedural problems that, since its inception, made it difficult to utilize.<sup>151</sup> In addition to formalizing the procedural rules of section 337 adjudications by conforming them to the requirements of the Administrative Procedure Act,<sup>152</sup> the Trade Act effected the following

141. *Id.* § 316(a).

142. *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 250 (C.C.P.A. 1930) (“The complaint [filed on December 16, 1925] was based, in part, upon the alleged violation of certain patent rights . . . .”); *see also* Lasher, *supra* note 138, at 159.

143. *See* Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46 Stat. 590, 703 (codified as amended at 19 U.S.C. §§ 1202–1683 (2012)).

144. *Id.* § 337(e). This change left exclusion as the only remedy under section 337, which comported with the Commission’s view, expressed in its 1928 annual report, that exclusion was the only appropriate remedy for importation of items that infringed U.S. patent rights. Lasher, *supra* note 138, at 159 n.20.

145. *See* Lasher, *supra* note 138, at 160 nn.23–25. Despite its flexibility, modern application of section 337 tends to focus largely on unfair competition stemming from the infringement of intellectual property, perhaps because other applications have “been delegated to other statutes.” Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 72 n.38 (2008).

146. *See* Chien, *supra* note 145, at 73; Lasher, *supra* note 138, at 160 n.26.

147. *See* Chien, *supra* note 145, at 68 n.19.

148. *See* Lasher, *supra* note 138, at 162; *see also* Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 FLA. L. REV. 529, 541–42 (2009).

149. *See* Trade Act of 1974, Pub. L. No. 93-618, ch. 4, sec. 341, § 337, 88 Stat. 1978, 2053–56 (1974) (codified as amended at 19 U.S.C. §§ 2101–2497 (2012)).

150. Trade Act § 171.

151. *See* Chien, *supra* note 145, at 73.

152. Trade Act § 341.

changes: longer terms for the Commissioners,<sup>153</sup> strict time limits on the duration of an investigation,<sup>154</sup> the ability not only to restrict importation but also to halt the domestic distribution of previously imported articles,<sup>155</sup> and the authority of the Commission to issue remedies directly, subject only to the President's veto rather than his approval.<sup>156</sup>

### 1. *Section 337 and Intellectual Property*

Although the 1974 changes led to an increase in section 337 cases,<sup>157</sup> Congress still felt that utilization of section 337 had not provided United States intellectual property owners with adequate protection against foreign companies.<sup>158</sup> It further recognized that the United States was no longer a largely manufacturing-based economy.<sup>159</sup> Congress therefore enacted the Omnibus Trade and Competitiveness Act of 1988,<sup>160</sup> which liberalized access to section 337 for claims involving intellectual property rights.

With respect to statutory IP—most notably, copyrights, trademarks, and patents—Congress eliminated the need to demonstrate that the effect of the unfair act would be to “substantially injure” a domestic industry.<sup>161</sup> In addition, it eliminated the need to show that the domestic industry affected was “efficiently and economically operated,” language that had been in the statute dating back to its enactment in 1930.<sup>162</sup> Finally, to shed light on some of the confusion that had emerged regarding the existence of a domestic industry in the context of statutory IP, Congress provided a more elaborate definition of “industry” that accommodated its aspects unrelated to manufacturing. Whereas courts had previously focused on actual production in the United States,<sup>163</sup> the 1988 Amendments listed “significant investment in plant and equipment,” “significant employment of labor or

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153. *Id.* § 171 (longer terms).

154. *Id.* § 337 (time limit).

155. *Id.* § 337 (cease-and-desist orders).

156. *Id.* § 337.

157. *See* Chien, *supra* note 145, at 73.

158. *See* Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, § 1341(a)(2), 102 Stat. 1107, 1211–12 (1988) (codified as amended at 19 U.S.C. § 1337 (2012)).

159. *See* Lasher, *supra* note 138, at 166–67.

160. Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, 102 Stat. 1107 (1988).

161. *See* 19 U.S.C. § 1337(a)(1)(B)–(E). Notably, the “substantial injury” requirement still exists for other unfair acts. 19 U.S.C. § 1337(a)(1)(A).

162. *See* Tariff Act of 1930, Pub. L. No. 71-361, § 337, 46 Stat. 590, 703 (codified as amended at 19 U.S.C. §§ 1202–1683 (2012)).

163. *See, e.g.,* Schaper Mfg. Co. v. U.S. Int'l Trade Comm'n, 717 F.2d 1368, 1371 (Fed. Cir. 1983) (“In cases involving the claims of U.S. patents, the patent must be exploited by production in the United States, and the industry in the United States generally consists of the domestic operations of the patent owner, his assignees and licensees devoted to such exploitation of the patent.” (quoting H.R. Rep. No. 93-571 (1973)) (internal quotation marks omitted)).

capital,” and “substantial investment in . . . exploitation, including engineering, research and development, or licensing” as dispositive indicators of domestic industry as applied to articles protected by statutory IP laws.<sup>164</sup> Importantly, these presumptions do not apply to unfair acts not involving intellectual property or to trade secrets, which at the federal level are non-statutory. Unrelated to IP, the 1988 Amendments also added consent orders to the possible remedies available to the ITC<sup>165</sup> and provided for the enforcement of judgments through civil penalties in a federal district court.<sup>166</sup>

Although it appears the 1988 Amendments were successful in terms of increasing utilization of section 337,<sup>167</sup> problems arose in the form of conflicts between general intellectual property law as applied in federal district and appellate courts and the emerging doctrines applied in section 337 cases before the ITC.<sup>168</sup> In addition, international concerns emerged regarding the potentially discriminatory nature of section 337 proceedings against foreign respondents.<sup>169</sup> Indeed, in 1988 a panel of the General Agreement on Tariffs and Trade (GATT) found that procedural differences between section 337 proceedings and district court proceedings created an unfair advantage for domestic goods.<sup>170</sup>

As a result, certain changes were implemented in the Uruguay Round Agreements Act that modified section 337 to its current form.<sup>171</sup> For example, the strict time limit was replaced with an instruction that the Commission should make its determination “at the earliest practicable time,” and rather than prohibiting counterclaims, section 337 now allowed them to be raised and removed to federal district courts.<sup>172</sup> In addition, Congress created 28 U.S.C. § 1659, which directed district courts to stay actions between parties that are also litigating before the ITC and to use the

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164. 19 U.S.C. § 1337(a)(3)(A)–(C) (2012).

165. Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, sec. 1342(a)(2), § 337, 102 Stat. 1107, 1213 (1988) (codified as amended at 19 U.S.C. § 1337(c) (2012)). Authorization of consent orders allows the ITC to enforce settlement agreements regardless of whether an actual violation of section 337 had occurred.

166. 19 U.S.C. § 1337(f)(2) (2012).

167. See G. Brian Busey, *An Introduction to Section 337 and the U.S. International Trade Commission*, in 2 PATENT LITIGATION 2008, at 13 (2008), available at WL, 949 PLI/Pat 11; see also Lasher, *supra* note 138, at 169 (“Clearly, Congress had achieved its goal of making [s]ection 337 available to a broader variety of American industries . . .”).

168. See, e.g., Kumar, *supra* note 148 (discussing the impact of litigation under section 337 on the coherence of the patent system).

169. See Chien, *supra* note 145, at 67–68.

170. See *id.* at 77–78.

171. Uruguay Round Agreements Act, Pub. L. No. 103-465, sec. 321, § 337, 108 Stat. 4809, 4943–46 (1994) (codified as amended at 19 U.S.C. § 1337 (2012)).

172. *Id.* § 321 (codified as amended at 19 U.S.C. § 1337(b)(1)–(c) (2012)).



record of the ITC proceedings upon dissolution of the stay.<sup>173</sup> This provision aimed to prevent simultaneous litigation of the same issues in two different forums and to reduce re-litigation of the same issues following ITC litigation.<sup>174</sup>

## 2. *Procedures for Investigations Under Section 337*

A proceeding under section 337 commences with the filing of a complaint. Once filed, the complaint is reviewed, clarified, and supplemented upon request by the ITC, and then submitted to the six Commissioners,<sup>175</sup> who vote on whether to commence an investigation.<sup>176</sup> Often, the complaint is submitted for informal review by ITC staff prior to its official submission to the Commissioners.<sup>177</sup> Barring “exceptional circumstances,” the Commissioners reach a decision within thirty days of filing. If the Commissioners agree to investigate—and they usually do<sup>178</sup>—they assign the case to an Administrative Law Judge (ALJ), who holds a hearing in a manner similar to a trial in a federal district court.<sup>179</sup> When an investigation is ordered, the ITC issues a notice of institution, which is published in the *Federal Register* a few days later.<sup>180</sup> This publication marks the official institution of an investigation.<sup>181</sup> After a hearing, the ALJ issues an initial determination that the Commissioners may review at the discretion of any one Commissioner,<sup>182</sup> and, if the ITC finds a violation of section 337, its final determination is reviewable by the President for consistency with national trade policies.<sup>183</sup> The Commissioners’ decision is then appealable to the Federal Circuit.<sup>184</sup>

The Office of Unfair Import Investigations (OUII) and Office of the General Counsel (OGC) also participate in hearings.<sup>185</sup> The OUII

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173. *Id.* § 321 (codified as amended at 28 U.S.C. § 1659 (2012)).

174. *See, e.g.*, *In re Princo Corp.*, 486 F.3d 1365, 1368 (Fed. Cir. 2007); H.R. Rep. No. 103-826 (1994).

175. Busey, *supra* note 167 at 14. The Commissioners “are nominated by the President and are subject to Senate confirmation. No more than three Commissioners can be from the same political party and the Commissioners serve overlapping terms of nine years.” *Id.*

176. *Id.* at 21.

177. *Id.* at 20–21.

178. *Id.* at 21.

179. *Id.* at 22; 19 C.F.R. § 210.10(a)(1) (2012).

180. 19 C.F.R. § 210.10(b) (2012).

181. *Id.*

182. 19 C.F.R. § 210.43(d); Busey, *supra* note 167, at 27–28.

183. 19 U.S.C. § 1337(j) (2012); Thomas A. Broughan, III, *Modernizing § 337’s Domestic Industry Requirement for the Global Economy*, 19 FED. CIR. B.J. 41, 45 n.30 (2009). The President has rarely acted on this authority in modern practice. Busey, *supra* note 167, at 28.

184. Busey, *supra* note 167, at 28–29.

185. Broughan, *supra* note 183, at 44.

represents the public interest during hearings and also provides confidential input to complainants during an informal review of draft complaints prior to filing.<sup>186</sup> Meanwhile, the OGC advises the Commissioners in their reviews of initial determinations by the ALJs.<sup>187</sup>

### 3. *Advantages of Section 337 Proceedings*

Section 337 proceedings feature a number of differences between their counterparts in the federal district courts. To begin with, the ITC has its own pleading requirements distinct from the liberal pleading rules adopted in the district courts for the elements of a generic trade secret claim.<sup>188</sup> For example, a proper section 337 complaint must include a separate statement addressing the impact of the proceeding on the public interest.<sup>189</sup> Additionally, the complaint must “[d]escribe specific instances of alleged unlawful importations or sales,” including the Harmonized Tariff Schedule of the United States item numbers and a description of the domestic trade or industry affected.<sup>190</sup> For non-statutory IP, such as a trade secret, the complaint must “state a specific theory and provide corroborating data” regarding the threat or effect of substantially injuring a domestic industry.<sup>191</sup> These initial requirements make commencing a section 337 action—particularly one involving non-statutory IP—somewhat more burdensome than district court actions.

However, once a complaint is accepted and an investigation commenced, other procedural differences of section 337 actions begin to favor the complainant. The compressed time frame of a section 337 investigation relative to a district court action increases the speed with which a trade secret holder can obtain a remedy, reduces litigation expense,<sup>192</sup> and can put pressure on the respondent(s) to prepare a defense quickly enough. While Congress removed the hard-and-fast eighteen-month time limit, section 337 actions usually take only fifteen to eighteen months to complete.<sup>193</sup> In addition, discovery requests typically require a response within only ten days.<sup>194</sup> While a prudent complainant will have

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186. *Id.* at 44–45; *see also* Busey, *supra* note 167, at 15.

187. *See* Broughan, *supra* note 183, at 44–45.

188. *See* Busey, *supra* note 167, at 20.

189. 19 C.F.R. § 210.8(b) (2012).

190. *Id.* § 210.12(a)(3), (6)(i)–(ii) (2012).

191. *Id.* § 210.12(a)(8) (2012).

192. Although litigation time is reduced, the compressed time-frame may actually harm the complainant by forcing costs to be “front loaded” rather than spread out over a longer period of discovery. *See* Busey, *supra* note 167, at 36.

193. *See id.* at 35.

194. *See id.* at 20.

gathered the relevant documents prior to filing a complaint, respondents will have to work quickly to evaluate and respond to such requests.<sup>195</sup>

Another facet of a section 337 action that works to a complainant's advantage is that the ITC's jurisdiction to issue exclusion orders is nationwide and in rem over the imported goods.<sup>196</sup> This eliminates the need to establish personal jurisdiction over a respondent—a particularly useful feature when addressing foreign misappropriations—and avoids the difficulty of collecting monetary judgments against foreign defendants.<sup>197</sup> And while the potential relief a complainant or plaintiff can seek is narrower before the ITC than in a traditional trade secret action, the standard for obtaining injunctive relief is less burdensome in the former than the latter.<sup>198</sup> Whereas injunctions relating to trade secret misappropriation typically require a showing of, *inter alia*, irreparable injury and the lack of an adequate remedy at law,<sup>199</sup> the ITC grants exclusion orders without consideration of the adequacy of a legal remedy and would possibly only require a showing of injury sufficient to demonstrate a violation of section 337.<sup>200</sup> Finally, although Congress has amended section 337 to allow counterclaims,<sup>201</sup> these claims must be removed to a district court.<sup>202</sup> Thus, they are not likely to be adjudicated as rapidly as the primary claim and do not benefit from any of the procedural distinctiveness of the ITC.

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195. *See id.*

196. *See Sealed Air Corp. v. U.S. Int'l Trade Comm'n*, 645 F.2d 976, 985 (C.C.P.A. 1981) (“An exclusion order operates against goods, not parties. Accordingly, that order was not contingent upon a determination of personal or ‘*in personam*’ jurisdiction over a foreign manufacturer. The Tariff Act of 1930 (Act) and its predecessor, the Tariff Act of 1922, were intended to provide an adequate remedy for domestic industries against unfair methods of competition . . . beyond the *in personam* jurisdiction of domestic courts.”); *see also* Robert G. Krupka et al., *Section 337 and the GATT: The Problem or the Solution?*, 42 AM. U. L. REV. 779, 789 (1993).

197. *See* Chien, *supra* note 145, at 74–75.

198. *See id.* at 78–79 nn.92–98.

199. *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006); Ruth E. Leistensnider, *Trade Secret Misappropriation: What Is the Proper Length of an Injunction After Public Disclosure?*, 51 ALB. L. REV. 271, 280 (1987).

200. *See, e.g.*, Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets, Inv. No. 337-TA-543, USITC Pub. 4258, at 62–63 n.230 (Oct. 2011), *available at* [www.usitc.gov/publications/337/pub4258vol1of2.pdf](http://www.usitc.gov/publications/337/pub4258vol1of2.pdf). The Commission found that the 1988 Amendments to section 337 eliminating the “substantial injury” requirement for statutory IP demonstrated Congress’s intent to abrogate the traditional equitable requirement of irreparable harm. Although Congress did not eliminate the requirement to show substantial injury with respect to non-statutory IP—like trade secrets—the same reasoning can be applied to argue that Congress did not intend exclusion orders, the sole relief available under section 337, to depend on any showing beyond those listed in the statute.

201. *See, e.g.*, Uruguay Round Agreements Act, Pub. L. No. 103-465, sec. 321, § 337, 108 Stat. 4809 (Dec. 8, 1994) (codified as amended at 19 U.S.C. § 1337(c) (2012)).

202. *Id.* § 321.

Some argue that these differences, on balance, make section 337 proceedings advantageous for plaintiffs.<sup>203</sup> Whatever the case, section 337 investigations have become significantly more prevalent in recent years. A 2013 ITC report states that “[s]ection 337 investigations have increased significantly over the past five years and are expected to remain at elevated levels.”<sup>204</sup> Throughout the 1990s, the most ITC investigations instituted in a given year was seventeen.<sup>205</sup> Since 2000, the number of investigations has never been fewer than seventeen, and since 2006, the number has never fallen below thirty.<sup>206</sup> This trend also applies to investigations involving trade secret claims. In the 1990s, only three trade secret investigations were instituted, while ten such investigations have been instituted since 2004.<sup>207</sup> It is in this context that the Commission decided *TianRui* and the Federal Circuit reviewed it.

### B. *The TianRui Dispute*

In *TianRui*, Amsted Industries, Inc., a domestic manufacturer of railway wheels, sought to enjoin the importation of wheels produced by competitors, TianRui Group Company Limited and TianRui Group Foundry Company Limited (collectively, TianRui), that had allegedly been manufactured using Amsted’s secret process—specifically, the “ABC process.”<sup>208</sup> The parties had unsuccessfully attempted to negotiate a license in 2005, and after the failed negotiations, TianRui hired away nine employees from one of Amsted’s Chinese licensees.<sup>209</sup> Some of those employees had been trained in the ABC process, and all of them had been advised of their duty not to disclose the company’s confidential information.<sup>210</sup> TianRui then partnered with Standard Car Truck Company, Inc. to market TianRui wheels to U.S. customers.<sup>211</sup>

Aside from the merits of the case—i.e., whether TianRui had actually misappropriated Amsted’s trade secrets and whether importation of its wheels would substantially injure domestic industry—the case turned on whether the Commission had the authority to apply section 337 to

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203. See, e.g., Chien, *supra* note 145, at 68. *But cf. id.* at 71.

204. *Facts & Trends Regarding USITC Section 337 Investigations*, U.S. Int’l Trade Comm’n (Apr. 15, 2013), [http://www.usitc.gov/press\\_room/documents/featured\\_news/337facts.pdf](http://www.usitc.gov/press_room/documents/featured_news/337facts.pdf).

205. *Number of Section 337 Investigations Instituted by Calendar Year*, U.S. Int’l Trade Comm’n, [http://www.usitc.gov/intellectual\\_property/documents/cy\\_337\\_institutions.pdf](http://www.usitc.gov/intellectual_property/documents/cy_337_institutions.pdf) (last visited Aug. 18, 2014).

206. *Id.*

207. *Id.*

208. *TianRui Grp. Co. v. Int’l Trade Comm’n*, 661 F.3d 1322, 1323–24 (Fed. Cir. 2011).

209. *Id.* at 1324.

210. *Id.* (“Eight of the nine employees had also signed confidentiality agreements . . .”).

211. *Id.*

misappropriation that occurred in China.<sup>212</sup> TianRui argued that it did not because Congress did not intend section 337 to apply extraterritorially.<sup>213</sup> The Commission's ALJ rejected this argument, finding that "section 337 focuses not on where the misappropriation occurs but rather on the nexus between the imported articles and the unfair methods of competition."<sup>214</sup> This holding was the primary focus of the Federal Circuit's review.<sup>215</sup>

### 1. *The Federal Circuit on TianRui*

The Federal Circuit first rejected the view that it could find domestic misappropriation based on TianRui's marketing efforts in the United States because this "use" of Amsted's trade secret could only be viewed as "misappropriative" by reference to an earlier breach of confidence that would have occurred in China.<sup>216</sup> Thus, the Commission was, in fact, applying section 337 extraterritorially, and the question was whether such an application is permissible in light of the general principle of territoriality.<sup>217</sup>

In analyzing this question, the court held that the presumption against extraterritoriality did not apply to section 337 for three reasons. First, the presumption governs "unless a contrary intent appears,"<sup>218</sup> and the court found such an intent in section 337 because it focused on "an inherently international transaction—importation."<sup>219</sup> Accordingly, the court reasoned that Congress must have intended that the statute would apply to conduct (or statements) that may have occurred abroad.<sup>220</sup> Second, the court noted that the Commission applied section 337 not to sanction *purely* extraterritorial conduct but to sanction partially extraterritorial conduct with a jurisdictional nexus to the United States.<sup>221</sup> "Because foreign conduct is used only to establish an element of a claim alleging a domestic injury and seeking a wholly domestic remedy, the presumption against

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212. *Id.* at 1325.

213. *Id.*

214. *Id.*

215. *Id.* at 1326 ("The main issue in this case is whether section 337 authorizes the Commission to apply domestic trade secret law to conduct that occurs in part in a foreign country.").

216. *Id.* at 1328 n.1.

217. *Id.* at 1328 (quoting *E.E.O.C. v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1999)).

218. *Id.* (internal quotation marks omitted).

219. *Id.* at 1329.

220. *Id.* (citing *United States v. Villanueva*, 408 F.3d 193, 199 (5th Cir. 2005)) ("Immigration statutes, by their very nature, pertain to activity at or near international borders. It is natural to expect that Congress intends for laws that regulate conduct that occurs near international borders to apply to some activity that takes place on the foreign side of those borders."); see also *United States v. Delgado-Garcia*, 374 F.3d 1337, 1345 (D.C. Cir. 2004).

221. *TianRui*, 661 F.3d at 1324.

extraterritorial application does not apply.”<sup>222</sup> Finally, the court looked to section 337’s legislative history, including section 337’s predecessor, section 316.

The court went on to dispel TianRui’s concerns that the Commission’s application of section 337 would improperly interfere with Chinese law in three ways. First, it again pointed to the jurisdictional nexus with the United States—i.e., the requirement that the goods at issue be imported into the United States.<sup>223</sup> It is only when a party attempts to import the good into the United States that extraterritorial conduct becomes significant and only to that extent that a court would enforce principles of U.S. trade secret-law in other countries. The court also pointed out that TianRui could not identify any relevant difference between the definition of misappropriation it applied and principles of misappropriation under Chinese trade secret law, noting that “China ha[d] acceded to the Agreement on Trade-Related Aspects of Intellectual Property Rights.”<sup>224</sup>

Finally, the Federal Circuit observed that the basis for finding a breach of confidentiality (and therefore misappropriation) in TianRui’s extraterritorial conduct was not a principle of American law.<sup>225</sup> Rather, entirely independent from U.S. law, the employees hired by TianRui were under a contractual duty to their former employer to maintain its confidences. Importantly, TianRui did not offer any argument that those contractual duties were against the policy of any jurisdiction, including China. The court apparently reasoned that extraterritorial enforcement of section 337 is less likely to interfere with a jurisdiction’s own law when the basis for finding misappropriation is a voluntary contract rather than a duty imposed by American law.<sup>226</sup>

It is unclear how much importance the court attached to each of these reasons. Clearly, the case for application of section 337 would be strongest when, as in *TianRui*, there is no conflict with the law of the foreign jurisdiction and when the misappropriation is based on a breach of a voluntarily and affirmatively assumed duty of confidence rather than domestic laws. However, *TianRui*’s reasoning does not foreclose the possibility that extraterritorial application of section 337 could be upheld based solely on the court’s first reason—i.e., the jurisdictional nexus to the United States of attempted importation.

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222. *Id.* at 1329.

223. *Id.* at 1332.

224. *Id.* at 1332–33.

225. *Id.*

226. *Id.*

## 2. *The Dissent*

Judge Kimberly Moore dissented from the majority opinion in *TianRui*, rejecting the majority's finding of a sufficiently clear intent by Congress to overcome the presumption against extraterritorial application of U.S. laws.<sup>227</sup> In the dissent's view, the inherent international nature of importation of foreign goods was not enough to demonstrate Congress's extraterritorial intent.<sup>228</sup> Judge Moore noted that the statute referred only to "unfair acts *in* the importation of articles," not the importation of articles that *resulted from* unfair acts, and suggested this meant the statute only applied when the importation of the article itself involved an unfair act.<sup>229</sup> By reading section 337 as it did, she feared the majority had expanded the statute to "staggering" breadth, allowing it to reach goods produced in a manner that falls short of U.S. labor standards.<sup>230</sup>

On this last point, the majority's observation that the case involved no conflict between U.S. and Chinese law may provide a degree of reassurance. The dissent found the lack of conflict irrelevant,<sup>231</sup> but the lack of conflict would at least exclude many of the scenarios the dissent seemed to fear. Specifically, applying section 337 extraterritorially only in the absence of a conflict would preclude exclusion of goods on the basis of things like a foreign nation's lower minimum wage or other labor conditions that fall below U.S. standards. While the dissent correctly pointed out that the presence or absence of a conflict would have no bearing on the applicability of the presumption against extraterritoriality,<sup>232</sup> once a court determined that the presumption had been rebutted, as in the instant case, the presence or absence of a conflict of laws could serve as a discretionary consideration in determining whether an extraterritorial act was sufficiently unfair to warrant exclusion under section 337. Arguably, the local laws of a jurisdiction are informative of whether conduct is unfair.<sup>233</sup>

In addition to the reasons described above, the dissent voiced a degree of hostility toward trade secrets in general. For example, the dissent

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227. *Id.* at 1338.

228. *Id.* at 1339.

229. *Id.* at 1340.

230. *Id.* at 1338.

231. *Id.* at 1342 n.8 (noting that the presumption against extraterritoriality applies equally regardless of whether U.S. and foreign law conflict).

232. *Id.*

233. The majority dealt with the dissent's concern by citing Supreme Court precedent to the effect that the phrase "unfair methods of competition" generally refers to practices "characterized by deception, bad faith, fraud or oppression, or [practices] against public policy because of their dangerous tendency unduly to hinder competition or create monopoly." *Id.* at 1330 n.3 (quoting *FTC v. Gratz*, 253 U.S. 421, 427 (1920) (internal quotation marks omitted)).

appeared to fault Amsted for “deny[ing] the public full knowledge of its innovation while simultaneously exploiting [its] trade secret by licensing it to a Chinese corporation.”<sup>234</sup> American law clearly gives society a choice between protecting its intellectual property with a patent, which requires public disclosure but grants a period of legally-enforced monopoly, or under trade secret law, which requires strict secrecy and does not grant a monopoly, but has the benefit of potential perpetuity. Other than the benefits and burdens particular to each system, the law does not express a preference for one over the other. For that reason, it is unclear why Amsted’s legitimate decision to utilize its intellectual property as a trade secret rather than a patent should have muted Judge Moore’s sympathy.<sup>235</sup> Along the same lines, the dissent criticized the majority’s holding because it expanded protection of trade secrets and provided incentives for inventors to keep their innovation secret rather than getting a patent.<sup>236</sup> Similarly, Judge Moore expressed concern that competition would be harmed and American consumers might not receive the benefit of lower prices from TianRui’s products.<sup>237</sup>

Whatever the dissent’s views toward trade secret law generally, it was right to focus on whether section 337’s text and legislative history make sufficiently clear Congress’s intent to allow courts to consider extraterritorial conduct in applying the statute. This question incorporates a fair degree of subjectivity, and it may fall to the Supreme Court to ultimately settle this issue. Alternatively, Congress always has the ability to clarify its intent by amending the statute.

#### V. SECTION 337: A REASONABLE ALTERNATIVE

The conflict presented between the territorial nature of our laws and the global nature of the way we do business is not one for which a one-size-fits-all solution exists. For trade secret law, the absence of a federal civil cause of action may present another wrinkle.<sup>238</sup> Given these considerations, and those discussed earlier, section 337 and the focus on trade provides a reasonable alternative for now and is a positive step toward effective IP

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234. *Id.* at 1343.

235. *Id.* (“My sympathy, however, is somewhat muted since Amsted had a ready-made solution to its problem: obtain a process patent. . . . In the alternative, Amsted could have also protected its intellectual property by keeping the various processes completely secret. Instead, Amsted chose to deny the public full knowledge of its innovation while simultaneously exploiting the trade secret by licensing it to a Chinese corporation for use in China.”).

236. *Id.*

237. *Id.*

238. *See id.* at 1327 (holding that single federal standard governs trade secret issues arising in the section 337 context). *See also supra* note 36 and accompanying text.



protection. It strikes the right balance between having no recourse against foreign misappropriation through traditional channels on the one hand, and on the other, a loose interpretation of extraterritoriality that focuses only on the effect on U.S. commerce, as in trademark law.

The focus on trade is a useful and insightful approach for dealing with the territoriality quagmire. The remedy under section 337 for trade secret misappropriation is limited. It bans importation of the accused product into the United States. It does not prohibit the use of the trade secrets outside of the country. It is therefore not a cure-all. Because this exclusion order is limited, it becomes a less offensive remedy than an inappropriate extraterritorial application of U.S. law by a district court,<sup>239</sup> or the grant of an expansive worldwide injunction.<sup>240</sup> It therefore regulates conduct that would be illegal if done in the United States without directly regulating conduct outside of the United States.

In this vein, it is worth considering exactly how we should define the extraterritorial application of U.S. law. In one sense, section 337 does not apply extraterritorially because a Chinese business is free to misappropriate trade secrets in China with no involvement of U.S. courts. It is only when it attempts to import goods resulting from the misappropriation into the United States that it would run afoul of U.S. courts. On the other hand, it is fair to suggest that any time U.S. law imposes a negative consequence based on conduct that occurs purely outside U.S. territory, U.S. law is being applied extraterritorially—the only conduct that determined that TianRui would not be able to import its products into the United States occurred in China. However, any number of U.S. laws could conceivably affect foreign individuals negatively. Distinguishing between extraterritorial application of U.S. laws that do or do not have a jurisdictional hook could therefore be a key to the policy analysis courts undertake when facing the extraterritoriality problem. Generally, the law appears to view the imposition of a negative consequence based on extraterritorial conduct more favorably when it is limited to a context in which the actor voluntarily establishes a nexus with the United States.

#### A. *Border Control*

While extraterritorial application of U.S. law raises important issues of comity, the *TianRui* interpretation of section 337, which requires a jurisdictional hook of importation, counterbalances comity concerns with a border-control perspective. The emphasis under section 337 is on trade through the United States' physical borders. The U.S. government has a

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239. See discussion of *Formosa Chemicals*, *supra* Part III.A.1.

240. See discussion of *Formosa Chemicals*, *supra* Part III.A.1.

sovereign right to control trade and commerce within its borders.<sup>241</sup> In so doing it is also entitled to enforce IP rights in its regulation of trade, and doing so does not impinge on other countries' sovereignty.<sup>242</sup> This is evident in other areas of the law that seek to regulate and balance trade against important public policy concerns.

In criminal procedure for instance, there is a border-search exception to the general constitutional limitations on government searches.<sup>243</sup> It is based on the power granted to Congress under Article 1, Section 8 of the Constitution "[t]o regulate Commerce with foreign Nations."<sup>244</sup> This power has been used to ban prohibited articles and prohibited persons from entering the United States.<sup>245</sup> In light of this power to regulate international commerce, even American citizens' powerful Fourth Amendment rights are qualitatively different at the border than inside the country.<sup>246</sup> Similarly, our immigration policies that bar undocumented immigrants from entry into the United States,<sup>247</sup> and trademark rights and copyright protections are enforced by customs officials to ban infringing goods from entering the United States.<sup>248</sup> Clearly then, the importance of the United States' interest in controlling its borders is often sufficient to counterbalance countervailing interests, and this should include the general presumption against extraterritorial application of U.S. laws.

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241. See generally Paul S. Rosenzweig, Comment, *Functional Equivalents of the Border, Sovereignty, and the Fourth Amendment*, 52 U. CHI. L. REV. 1119, 1129–31 (1985).

242. See *id.*

243. See, e.g., *United States v. Seljan*, 547 F.3d 993 (9th Cir. 2008) (upholding opening of FedEx package at the functional equivalent of a border even in the absence of individualized suspicion); *United States v. Ickes*, 393 F.3d 501 (4th Cir. 2005) (holding that officials do not require reasonable suspicion to search electronic storage devices at the border); *United States v. Nieves*, 609 F.2d 642 (2d Cir. 1979) (finding no justification required to search a defendant's shoes beyond his decision to cross a national boundary).

244. *United States v. Ramsey*, 431 U.S. 606, 619 (1977) (alteration in original) (quoting U.S. CONST. art. 1, § 8, cl. 3) (internal quotation marks omitted); *id.* at 620 ("The border-search exception is grounded in the recognized right of the sovereign to control . . . who and what may enter the country.").

245. See Jon Adams, *Rights at United States Borders*, 19 BYU J. PUB. L. 353, 355 (2005).

246. For instance, government officials are allowed to conduct routine searches at the U.S. border even without individual suspicion. They also have the authority to inspect packages and prevent the introduction of contraband and dangerous goods into the United States. See Christine A. Coletta, Note, *Laptop Searches at the United States Borders and the Border Search Exception to the Fourth Amendment*, 48 B.C. L. REV. 971, 979 (2007).

247. See *Ramsey*, 431 U.S. at 619. In effect, this border-control approach treats infringing trade secret goods like illegal aliens at the border with zero tolerance, since the quantity of goods is irrelevant.

248. The owner of a federally registered trademark or copyright is entitled to record the mark or copyright so that infringing goods can be excluded by customs. See 19 CFR § 133.1–.53 (2012).

### B. *Similar to Patent Law's Approach*

The focus on trade that is evident under *TianRui* is consistent with the approach that Congress has undertaken for patent law. As discussed above,<sup>249</sup> the Process Patent Amendment Act of 1988, contained in § 271(g), made it an act of infringement to import into, sell in, or use in the United States an unpatented component “made by” a process covered by a U.S. patent.<sup>250</sup> Like the *TianRui* interpretation of section 337, that legislation focuses on foreign conduct insofar as the patented process was used in another country. However, the Act has been interpreted to have no extraterritorial effect because infringement arises only if and when the product is imported into the United States.<sup>251</sup> Without this amendment, a competitor could circumvent a U.S. patent that covered the process of making a product (but not the product itself).<sup>252</sup> Section 271(g) has been interpreted to require that one actually import the product into the United States.<sup>253</sup> A mere possibility of importation is not sufficient.<sup>254</sup>

An earlier piece of patent legislation in § 271(f) made it an act of infringement to export a component of a patented product.<sup>255</sup> Thus, one who exports the unassembled components of a patented device and induces its assembly outside of the United States is an infringer.<sup>256</sup> These sections demonstrate the approach through which Congress escapes the extraterritorial trap by not extending patent rights to conduct that occurs outside the United States, but instead relies on a domestic act (importation into or exportation out of the United States) to protect an IP right.

### C. *Better Tool for Trade Secret Owners*

From a practical perspective, the *TianRui* approach is far preferable to the lack of a viable means to pursue foreign misappropriators stemming from the uncertainty of regular civil actions against foreign defendants. Under the existing legal framework in trade secrecy, the choice-of-law analysis is subject to significant variation resulting in much uncertainty for

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249. See discussion of 35 U.S.C. § 271(g) *supra* Part III.B.2.

250. 35 U.S.C. § 271(g).

251. See Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT'L L. 603, 607 (1997).

252. *Id.*

253. *Id.*

254. *Id.*

255. 35 U.S.C. § 271(f); see also Melissa Feeney Wasserman, Note, *Divided Infringement: Expanding the Extraterritorial Scope of Patent Law*, 82 N.Y.U. L. REV. 281, 286 (2007).

256. 35 U.S.C. § 271(f).

trade secret owners and litigants in the traditional court process.<sup>257</sup> Moreover, some courts treat trade secret misappropriation as a tort, applying the law of the state where the misappropriation took place,<sup>258</sup> while other courts treat trade secret misappropriation like a breach of contract and look to the place where the trade secrets were created or where the harm from unlawful disclosure would be realized.<sup>259</sup>

Taking the facts of *TianRui*, it is unclear whether there would have been personal jurisdiction over the former DACC employees who disclosed the trade secrets or over TianRui. Whether a court could exercise jurisdiction over the former employees would probably depend on the relevant provisions of their confidentiality agreements. Either way, choice-of-law questions remain. Finally, if the defendants were Chinese citizens, there may be no personal jurisdiction in the United States.<sup>260</sup> As for TianRui, regarding the conduct of misappropriation in China—i.e., hiring away employees and using trade secrets—there probably would be no jurisdiction.<sup>261</sup> For the conduct of importing the goods into the United States, however, it might have been possible to establish jurisdiction. One would need to show the nexus between TianRui's acts of misappropriation in China and sales of wheels in Illinois (or another forum state). A stream of commerce theory may also be applicable, depending on whether sales occurred in Illinois or elsewhere in the United States.<sup>262</sup>

Accordingly, the *TianRui* approach presents an easier, quicker, more efficient option to trade secret owners dealing with an incident of foreign misappropriation. As between the costs and uncertainty of obtaining jurisdiction (discussed above) through the traditional route or feeling like it is not worth pursuing the alleged infringement at all, the ITC may be an attractive option. Indeed, it may become a new trend. In the five years prior to the *TianRui* decision (1995-2010), there had been only two investigations (including *TianRui*) at the ITC dealing with trade secret misappropriation.<sup>263</sup> However, in the two-year period since the *TianRui*

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257. See discussion *supra* Part III.A.

258. See, e.g., *Manuel v. Convergys Corp.*, 430 F.3d 1132, 1139–40 (11th Cir. 2005) (applying Georgia law).

259. See 3 Terrence F. MacLaren, *Trade Secrets Throughout the World* § 40:79 (West 2013) (recognizing that in some states, trade secret actions are grounded in contract); see also *American Nonwovens, Inc. v. Non Wovens Eng'g S.R.L.*, 648 So. 2d 565, 567 (Ala. 1994) (noting that in contract actions, the law of the place of execution applies).

260. See *supra* Part III.A.1 discussing *Formosa*.

261. See *supra* Part III.A.1 discussing *Formosa*.

262. See, e.g., *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994).

263. All Section 337 Cases, U.S. Int'l Trade Commission, <http://info.usitc.gov/ouii/public/337inv.nsf/All?OpenView> (last visited January 11, 2014). Analytical data on the cases is on file with the authors.

decision (2011-2013), the ITC has seen an uptick in trade secret misappropriation cases: five investigations were instituted.<sup>264</sup>

#### *D. Questions Remain*

To be fair, *TianRui* and its implications raise legitimate questions that ought not be ignored. Along with Judge Moore's dissenting opinion, others have also criticized the ruling.<sup>265</sup> Admittedly, many valid questions remain, not only about the interpretation of section 337 but also about the implications going forward. One question is whether it is fair that an act that would constitute misappropriation under most U.S. trade secret laws, but does not constitute misappropriation in the country where the act occurred, can be penalized with an exclusion order under section 337.

The *TianRui* opinion leaves as an open question what would happen if there were a conflict with the foreign law.<sup>266</sup> However, under the trade-based argument presented in this Article, the issue does not necessarily present a problem.<sup>267</sup> That is because, as long as the conduct is illegal in the United States, it is defensible to apply U.S. law to ban the goods from entering U.S. soil. This limited remedy does not control conduct of the foreign defendant in the foreign jurisdiction. The legal question section 337 presents is whether Congress made clear its intent to give the statute extraterritorial reach, but Congress's power to do so as a matter of the United States' sovereign authority to patrol its borders cannot be questioned. Moreover, as a matter of policy, doing so would be an important, positive step in addressing the increasingly pressing issue of foreign IP infringement.

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264. *See id.*

265. *See, e.g.,* 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, 1251-52 (2012) (arguing that the court should not have applied the law extraterritorially and that there was no domestic industry).

266. *TianRui Grp. Co. v. Int'l Trade Comm'n*, 661 F.3d 1322, 1333 n.7 (Fed. Cir. 2011). The court acknowledged that there was no conflict with Chinese trade secret law. *Id.* at 1333. China's basic trade secret law is similar to that of the United States. *See* JAMES POOLEY, POOLEY ON TRADE SECRETS § 15.05[3] (2014).

267. The presence or absence of a conflict of laws may bear, however, on discretionary issues of comity and separation of powers. Where a conflict of laws exists, for example, there is greater likelihood that barring importation could demean another nation's policies, laws, or judicial decisions. Similarly, if barring importation could interfere with the Executive Branch's role in negotiating trade and otherwise conducting diplomacy, separation-of-powers principles may militate against utilizing section 337. A degree of flexibility for extreme cases is likely warranted and would not render section 337 as uncertain as the proceedings described above.

There is also a larger and related theoretical question about what exactly it means to “apply extraterritorially” a U.S. law.<sup>268</sup> Does it mean receiving punishment in the United States for what one did on foreign soil? If so, then as in *TianRui* the penalty is limited because it encompasses only a ban on importation. The severity of the importation ban will depend on the value of the U.S. market to the defendant. Does it mean receiving punishment in a foreign country for what one did on that foreign soil? Such would be the situation in the cases granting worldwide injunctions and prohibiting conduct, such as use or disclosure of a trade secret, on foreign soil. Finally, does it mean getting punished anywhere for what one did on foreign soil? Is it about the penalty at all? Based on these questions it is unclear whether *TianRui* was an extraterritorial or quasi-extraterritorial application of U.S. law, if at all. The court’s import ban did not prevent the defendants from selling to consumers outside the United States. Is it a question of scope?

Perhaps the question is one of degree rather than being binary. There are degrees of extraterritorial reach, and the extraterritoriality applied in *TianRui* is comparatively limited because, while it does punish extraterritorial conduct, it does so in direct proportion to the defendant’s interaction with the United States. This is something far different than attempting to police conduct around the world in an effort to impose our values on other sovereign nations. Moreover, it is increasingly rare that U.S. trade secret law would conflict with that of the jurisdiction in which the conduct took place. While this should have no bearing on a court’s interpretation of section 337, it does diminish the theoretical argument against extraterritoriality generally. Section 337 would not impose U.S. values to the exclusion of a foreign nation’s; it would merely facilitate a trade secret owner’s enforcement of his rights as they are implicated in the United States. This sort of facilitation is important because (a) a U.S.-based trade secret owner would have difficulty enforcing its rights in a foreign jurisdiction, and (b) if the primary harms arising from the misappropriation occur in the United States, potential claimants in the foreign jurisdiction may not be sufficiently motivated to prosecute possible claims.

On some level, it probably does not matter whether *TianRui* constituted an extraterritorial application or not. The case was about the application and interpretation of a specific administrative provision—section 337. Thus, perhaps the more interesting question is the propriety of the in rem

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268. See Kenneth S. Gallant, *What Exactly Is “Extraterritorial Application” of a Statute?*, JURIST (May 28, 2013, 9:00 AM), <http://jurist.org/forum/2013/05/kenneth-gallant-extraterritorial-application.php>.

jurisdiction asserted in the case.<sup>269</sup> While an in rem action, such as that provided under section 337, is a way around establishing personal jurisdiction in cases, constitutional concerns may arise in cases like these. Accordingly, whether it is constitutional to exercise in rem jurisdiction both in general and in cases like *TianRui* is worth exploring. Due process concerns and the propriety of imposing harm on a foreign defendant's property without personal jurisdiction raise interesting and thorny issues.<sup>270</sup> Moreover, in that context, it may also be worth considering whether the level of adversarial rigor at the ITC meets the standard or is sufficient to justify the remedy imposed without having to establish personal jurisdiction.<sup>271</sup>

### *E. Exploring Alternative Approaches*

Other alternatives to this trade-focused ITC approach exist but none seem significantly better. All have shortcomings. For instance, one could consider a contributory infringement scheme, and courts have found foreign manufacturers that sold infringing products that were later resold or used in the United States liable as contributory infringers under § 271(c), even though the manufacturer's acts took place entirely outside the United States.<sup>272</sup> This substantive remedy is supported by the liberal minimum contacts test for establishing personal jurisdiction.<sup>273</sup> While these fact patterns appear similar to the scenario presented in *TianRui*, there is no contributory infringement in trade secret law.<sup>274</sup> Consequently, this is not a feasible alternative for trade secret owners.

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269. See Xuan-Thao N. Nguyen, *The Digital Trademark Right: A Troubling New Extraterritorial Reach of United States Law*, 81 N.C. L. REV. 483, 543–44 (2003) (exploring question in context of trademark law and the ACPA).

270. See *id.*

271. The question would be whether in practice, the procedural and substantive rigor is similar to those in other courts. However, the burden of proving trade secret misappropriation at the ITC appears to be essentially the same as that in other courts. See *Certain Processes for the Manufacture of Skinless Sausage Casing and Resulting Products*, Inv. No. 337-TA-148/169, USITC Pub. 1624, at 244 (Dec. 1984), available at <http://www.usitc.gov/publications/337/pub1624.pdf>.

272. Chisum, *supra* note 251, at 615.

273. See Bradley, *supra* note 5, at 522–23; see also *GB Mktg. USA Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763, 769 (W.D.N.Y. 1991).

274. Sharon K. Sandeen & Elizabeth A. Rowe, *TRADE SECRET LAW IN A NUTSHELL*, § 4.8.1 (2013).

### 1. *The Economic Espionage Act*

Another possibility for trade secret owners might be the Economic Espionage Act (EEA)<sup>275</sup>—the only existing federal law governing trade secret theft. The EEA, a criminal statute, has expansive jurisdictional reach to punish and deter the theft of domestic trade secrets and economic espionage that occurs abroad.<sup>276</sup> The EEA’s long arm reaches U.S. citizens and corporations for acts that occur abroad even if no other connection exists to the United States.<sup>277</sup> If the defendants are not U.S. citizens or permanent residents, the statute may still apply if an act in furtherance of the offense occurred in the United States.<sup>278</sup> The statute thus requires *some* U.S. connection, either via citizenship of the defendants or activity on U.S. soil.

Despite this potentially broad reach, the Department of Justice has not relied on this extraterritorial provision for any prosecutions to date.<sup>279</sup> There are also practical limitations to prosecuting foreign citizens under the Act. In one case, for instance, a Tokyo court rejected the U.S. government’s request to extradite a Japanese scientist to the United States.<sup>280</sup> He was charged with misappropriation of genetic materials relating to Alzheimer’s research at the Cleveland Clinic Foundation.<sup>281</sup> Given these kinds of limitations, the EEA has not proven a particularly useful tool for trade secret owners, which further enhances section 337’s appeal.

### 2. *Possible Legislative Alternative*

A new statute resembling the ACPA or § 27(g) of the Patent Act might be worth consideration as a means to address the extraterritoriality problem. As discussed earlier,<sup>282</sup> the ACPA provides, *inter alia*, for the “owner of a mark” to file a civil action against the holder of a domain name if the “domain name violates any right of the owner of a mark registered in the Patent and Trademark Office.”<sup>283</sup> This provision is meaningless and

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275. Economic Espionage Act, Pub. L. No. 104-294, 110 Stat. 3488 (1996) (codified as amended at 18 U.S.C.A. §§ 1831–1839 (2012)).

276. 18 U.S.C. § 1837 (2012).

277. *Id.*

278. *Id.*

279. A review of the cases prosecuted since the EEA’s enactment does not reveal any cases in which § 1837 was utilized.

280. See Michael L. Rustad, *The Negligent Enablement of Trade Secret Misappropriation*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 455, 484 (2006).

281. *Id.*

282. See *supra* text accompanying notes 103–05.

283. 15 U.S.C. § 1125(d) (2012).



unenforceable, however, unless U.S. courts can obtain personal jurisdiction over the alleged infringer (who often is located outside of the United States).

The ACPA thus has additional language that provides for in rem jurisdiction over the domain name itself when the trademark holder is unable to locate or obtain in personam jurisdiction against the alleged infringer.<sup>284</sup> Therefore, “although a plaintiff may not be able to find, sue, or even identify the alleged cybersquatter,” she may “nonetheless bring an action” in the judicial district in which the domain name is registered.<sup>285</sup> A legislative model for trade secrets which provides for a similar kind of in rem jurisdiction may be the way to tackle the problem. In the meantime, the trade-based approach represented in *TianRui* offers a less drastic remedy than the ACPA because it permits only an exclusion order. It does not transfer the *res* to the trade secret owner, nor does section 337 provide statutory damages like the ACPA.<sup>286</sup>

It is also possible that a statutory provision similar to patent law’s § 271(g) could be enacted.<sup>287</sup> Section 337 and its interpretation in *TianRui* is already remarkably similar to § 271(g). Both allow for banning the importation of infringing goods into the country. It is therefore conceivable that legislation could be crafted that is consistent with the language of *TianRui*’s interpretation of section 337 in a framework similar to § 271(g). An advantage to this federal legislative approach may be that the statute could be used in courts of general jurisdiction and not be limited to the ITC, as is currently the case. New legislation, however, is not likely the best means to address the entire scope of the problems international trade secret theft presents. Recent attempts at trade legislation have yielded only partial and limited fixes<sup>288</sup> and potentially distract from more effective uses of existing procedural and substantive tools.

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284. *Id.* § 1125(d)(2)(A)(ii)(I).

285. See John A. Greer, Note, *If the Shoe Fits: Reconciling the International Shoe Minimum Contacts Test with the Anticybersquatting Consumer Protection Act*, 61 VAND. L. REV. 1861, 1864 (2008).

286. See 15 U.S.C. § 1117(d) (2012).

287. See *supra* Part III.B.2.

288. Consider, for example, the Theft of Trade Secrets Clarification Act of 2012, which amended the EEA by expanding the scope of prohibited conduct and increase the maximum penalties. Pub. L. No. 112-236, 126 Stat. 1627 (Dec. 28, 2012) (codified as amended at 18 U.S.C. § 1832 (2012)). The amendment closes the loophole identified in *United States v. Aleynikov*, 676 F.3d 71 (2d Cir. 2012), by redefining a trade secret to include processes used internally in connection to services used in commerce. In addition, the Foreign and Economic Espionage Penalty Enhancement Act of 2012 increased penalties for violations of the EEA, but only the penalties in § 1831, which targets only trade secret theft intended to benefit a foreign government, agent, or instrumentality. Pub. L. No. 112-269, 126 Stat. 2442 (Jan. 14, 2013).

These amendments, while potentially helpful in a handful of specific contexts, offer only a piecemeal approach to addressing a problem that would be more effectively and comprehensively addressed by increasing the usefulness of the laws that already exist. In this way, and by creating a perception that the

## VI. CONCLUSION

The trade-based approach to dealing with the extraterritoriality challenge is both a useful and a necessary step toward providing a meaningful remedy for domestic victims of extraterritorial misappropriation. The ITC, as an alternative forum for litigation, presents a reasonable and meaningful alternative for U.S. trade secret owners who wish to enforce their trade secret rights, but for whom traditional litigation in state or federal courts is too burdensome and uncertain. While the application of section 337 and its exclusion orders provide only a limited remedy, it is nonetheless a step in the right direction for handling the global nature of business today.

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problem has been solved, relatively modest legislative modifications have the potential to do more harm than good.

In any event, whether or not the White House's approach will be successful, its efforts demonstrate that foreign infringement of U.S. trade secrets is a large-scale problem in need of a comprehensive solution.