

NOTE

RETHINKING SECTION 337:
THE CASE FOR REMOVING THE SUBSTANTIAL INJURY
REQUIREMENT FOR TRADE SECRETS

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I. INTRODUCTION

The United States government is concerned about the foreign misappropriation of U.S. trade secrets.¹ This foreign misappropriation cannot be adequately handled by district courts because personal jurisdiction and the presumption against extraterritoriality prevent district courts from having jurisdiction over many foreign defendants.² The United States International Trade Commission (“ITC” or “Commission”), on the other hand, overcomes these concerns through its in rem jurisdiction³ and jurisdiction over trade secret misappropriation that occurs entirely abroad.⁴ The drawback to bringing a trade secret misappropriation claim in the ITC is the “substantial injury” requirement.

Under the “substantial injury” requirement, complainants must prove that the respondent’s importation of the accused product threatens or actually “destroy[s] or substantially injure[s] an industry in the United States.”⁵ Proving “substantial injury” is a fact-intensive, complex, and expensive inquiry that entails heightened pleading requirements,⁶ testimony from economic experts, and hiring economic counsel in addition to counsel for the intellectual property (“IP”) claim.⁷ Statutory causes of action, such as patent, registered copyright, and registered

¹ See Protecting American Intellectual Property Act of 2022, Pub. L. No. 117-336, § 1, Stat. 6147, 6147 (Jan. 5, 2023) (codified as amended at 50 U.S.C. § 1709).

² See *Trade Reform Legislation: Hearings Before the Subcomm. on Trade of the House Comm. on Ways and Means*, 99th Cong. (1986) (statement of Richard C. White, Vice President Intell. Prop. Owners, Inc.) (stating that district courts, due to personal jurisdiction, often are unable to enforce injunctions and damages against foreign defendants); see also *Morrison v. Nat’l Austl. Bank Ltd.*, 561 U.S. 247, 255 (2010) (stating that there is a presumption against extraterritoriality).

³ See *Sealed Air Corp. v. U.S. Int’l Trade Comm’n*, 645 F.2d 976, 986 (C.C.P.A. 1981).

⁴ See *Tianrui Grp. Co. Ltd. v. U.S. Int’l Trade Comm’n*, 661 F.3d 1322, 1329 (Fed. Cir. 2011) (holding that Section 337 applies to imported goods produced through the exploitation of trade secrets in which the act of misappropriation occurred abroad).

⁵ 19 U.S.C. § 1337(a)(1)(A) (2018).

⁶ 19 C.F.R. § 210.12(a)(8) (2022).

⁷ Terry Lynn Clark, *The Future of Patent-Based Investigations Under Section 337 After the Omnibus Trade and Competitiveness Act of 1988*, 38 AM. U. L. REV. 1149, 1168 (1989).

trademark infringement claims, however, do not have to prove “substantial injury” because the Omnibus Trade and Competitiveness Act of 1988 removed the “substantial injury” requirement with respect to cases involving statutory unfair acts.⁸ Because trade secrets are now statutory due to the Defend Trade Secrets Act of 2016,⁹ Congress should amend Section 337 to give trade secrets its own provision and, therefore, remove the difficult-to-prove and expensive-to-litigate “substantial injury” requirement.

This Note starts in Part II by providing background on Section 337 and the International Trade Commission, and discusses trends in trade secrets litigation generally and, more specifically, in the ITC.¹⁰ Part II then reviews the current landscape of trade secret litigation in the ITC, explaining how trade secrets fall in the general provision of Section 337 and that complainants must prove “substantial injury.”¹¹ It then discusses the challenges for complainants in litigating the “substantial injury” requirement, including extensive pleading requirements, a high burden to meet, and expense.¹² Part III analyzes the 1988 amendment to Section 337 removing the “substantial injury” requirement for cases involving statutory unfair acts, and suggests that because trade secrets are now statutory due to the Defend Trade Secrets Act of 2016, the same motivations for the 1988 amendment apply to removing the “substantial injury” requirement for trade secret cases.¹³ Part III also argues that the “substantial injury” requirement should be presumed due to the fragility of trade secret protection, difficulty in monetarily measuring injury to complainants, and the long-standing presumption of irreparable harm in federal courts.¹⁴ Finally, Part IV concludes that amending Section 337 to remove the “substantial injury” requirement for trade secrets would benefit domestic complainants harmed by foreign trade secret misappropriation and make the ITC a more attractive venue for trade secret litigation.¹⁵

⁸ Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, § 1342, 102 Stat. 1107, 1212-16 (1988) (codified as amended at 19 U.S.C. § 1337); H.R. 4848, 100th Cong. § 1342 (1988) (as reported by H.R., June 16, 1988).

⁹ See 18 U.S.C. § 1839 (creating a federal cause of action for trade secret misappropriation).

¹⁰ See *infra* Section II.A, B.

¹¹ See *infra* Section II.C.

¹² See *infra* Section II.D.

¹³ See *infra* Section III.A.

¹⁴ See *infra* Section III.B.

¹⁵ See *infra* Part IV.

II. BACKGROUND

In order to understand why the “substantial injury” requirement should be removed for trade secrets, it is important to understand Section 337, the International Trade Commission, and complainants’ challenges in litigating “substantial injury” for trade secrets claims.

A. SECTION 337 AND THE INTERNATIONAL TRADE COMMISSION

Congress initially established the International Trade Commission as the U.S. Tariff Commission in 1916.¹⁶ The ITC is a quasi-judicial federal agency that, among other duties, administers Section 337 investigations.¹⁷ Section 337 of the Tariff Act of 1930—as amended, 19 U.S.C. § 1337—makes unlawful “[u]nfair methods of competition and unfair acts in the importation of articles.”¹⁸ Once a complainant files a Section 337 action, the ITC commences an investigation that is delegated to an Administrative Law Judge (“ALJ”).¹⁹ The ALJ presides over the investigation, including discovery, evidence, and hearings, and then makes a final initial determination on whether respondents violated Section 337.²⁰ Another party to the investigation is the Office of Unfair Import Investigations (“OUII”), who can appoint a staff attorney to act as an independent party to the investigation and file its own discovery requests, conduct its own investigations, and take a position.²¹ Once the ALJ makes the final initial determination, the Commission, comprised of six commissioners, can review, or decline to review, the ALJ’s determination, resulting in the final determination.²² If the ITC orders a remedy, the President has sixty days to reconsider the Commission’s determination.²³ If the

¹⁶ Act to Increase the Revenues, and for Other Purposes, ch. 463, § 700, 39 Stat. 756, 795 (1916) (“That a commission is hereby created and established, to be known as the United States Tariff Commission.”).

¹⁷ *About the USITC*, U.S. INT’L TRADE COMM’N, https://www.usitc.gov/press_room/about_usitc.htm [<https://perma.cc/EA8Z-FDGV>].

¹⁸ 19 U.S.C. § 1337(a)(1)(A) (2018).

¹⁹ *See* 19 C.F.R. § 210.3 (2023).

²⁰ *Id.* § 210.42 (2023).

²¹ *Office of Unfair Import Investigations (OUII)*, U.S. INT’L TRADE COMM’N, <https://www.usitc.gov/offices/ouii> [<https://perma.cc/QY2R-5R2K>].

²² 19 C.F.R. § 210.45.

²³ 19 U.S.C. § 1337(j).

President disapproves the determination,²⁴ there is no appeal and the investigation ends.²⁵ If the President expressly approves the decision or fails to act at the end of sixty days, the determination becomes final.²⁶ Any person adversely affected by the ITC's final determination under specific subsections of Section 337 can appeal to the United States Court of Appeals for the Federal Circuit.²⁷

Section 337 began as Section 316 of the Tariff Act of 1922 and focused exclusively on unfair acts in trade and did not mention intellectual property.²⁸ The evolution of Section 337 from solely affecting trade into having a greater impact on intellectual property²⁹ was solidified by the Omnibus Trade and Competitiveness Act of 1988, in which statutory IP was explicitly written into Section 337.³⁰ For the ITC to have jurisdiction, a complainant must prove that the accused products are imported into the United States, sold for importation into the United States, or sold within the United States after importation.³¹ Section 337 investigates two categories of importation activities: (1) articles that infringe statutory intellectual property, like patents, copyrights, and trademarks,³² and (2) unfair methods of competition

²⁴ The President has only disapproved the ITC's determination five times. *See* Presidential Determination of April 22, 1978, 43 Fed. Reg. 17789, 17789 (Apr. 26, 1978) (disapproving Inv. No. 337-TA-20); Presidential Disapproval of Determination of the U.S. International Trade Commission in Investigation No. 337-TA-82, 46 Fed. Reg. 32361, 36361 (June 22, 1981); Presidential Disapproval of the Determination of the U.S. International Trade Commission in Investigation No. 337-TA-99, 47 Fed. Reg. 29919, 29919 (July 9, 1982); Presidential Disapproval of a Section 337 Determination, 52 Fed. Reg. 46011, 46011 (Dec. 3, 1987); Letter from Michael B.G. Froman, Ambassador, Exec. Office of the President, to Irving A. Williamson, Chairman, U.S. Int'l Trade Comm'n 1 (Aug. 3, 2013) (disapproving 337-TA-794).

²⁵ *See* *Duracell, Inc. v. U.S. Int'l Trade Comm'n*, 778 F.2d 1578, 1581 (Fed. Cir. 1985) (holding that a President's disapproval of an ITC determination was not reviewable).

²⁶ 19 U.S.C. § 1337(j)(4).

²⁷ *Id.* § 1337(c).

²⁸ *See* Tariff Act of 1922, ch. 356, § 316, 42 Stat. 858, 943.

²⁹ *See* H.R. REP. No. 100-40, pt. 1, at 155 (1987) ("[S]ection 337 is predominantly used to enforce U.S. intellectual property rights.").

³⁰ 19 U.S.C. § 1337(a)(1).

³¹ *Id.*

³² *Id.*

and acts that substantially injure a U.S. industry, prevent the establishment of an industry, or restrain or monopolize trade in the U.S.³³ The second category of importation activities falls in the general provision of the statute and includes non-statutory causes of action, like trade secret misappropriation, unregistered trade dress infringement, and antitrust violations.³⁴

For statutory IP, like patents, copyrights, and trademarks, the complainant must also prove the domestic industry requirement under Section 337(a)(2).³⁵ Domestic industry is “an industry in the United States, relating to the articles protected” by the statutory IP that “exists or is in the process of being established.”³⁶ A statutory IP holder may satisfy the domestic industry requirement by showing “significant investment in plant and equipment,” “significant employment of labor or capital,” or “substantial investment in its exploitation, including engineering, research and development, or licensing.”³⁷ The formal domestic industry requirements, on the other hand, do not apply to non-statutory IP, like trade secrets, because “there is no express requirement in the general provision that the domestic industry relate to the intellectual property involved in the investigation.”³⁸ Non-statutory IP’s version of the domestic industry requirement is that complainants must prove that the importation of accused products have the threat or effect of which is “to destroy or substantially injure *an industry in the United States.*”³⁹

³³ *Id.*

³⁴ Mareesa A. Frederick & Reginald D. Lucas, *The Injury Requirement in ITC Section 337 Investigations*, FINNEGAN (July 2023), <https://www.finnegan.com/en/insights/articles/the-injury-requirement-in-itc-section-337-investigations.html> [https://perma.cc/GXF6-YZGZ].

³⁵ 19 U.S.C. § 1337(a)(2).

³⁶ *Id.*

³⁷ *Id.* § 1337(a)(3)(A)(C).

³⁸ *Tianrui Grp. Co. Ltd. v. U.S. Int’l Trade Comm’n*, 661 F.3d 1322, 1335 (Fed. Cir. 2011).

³⁹ 19 U.S.C. § 1337(a)(1)(A)(i) (emphasis added).

ITC litigation differs from district court litigation in four prominent ways: (1) faster schedule;⁴⁰ (2) in rem jurisdiction;⁴¹ (3) ability to proceed against multiple respondents;⁴² and (4) injunctive relief as default remedy.⁴³ The first difference is that a litigant in the ITC will generally receive a decision faster than in district court.⁴⁴ In 2022, the average Section 337 investigation in which the Commission rendered a final determination on the merits was around 17 months.⁴⁵ In the United States District Court for the Eastern District of Texas, however, it takes, on average, “two years and six months to get to a jury trial and three years and 10 months to get to a bench trial.”⁴⁶ The second difference is that the ITC has in rem jurisdiction.⁴⁷ In rem jurisdiction is “a court’s power to adjudicate matters directed against property” instead of a person.⁴⁸ District courts, however, have only personal jurisdiction over a defendant and the defendant must satisfy “minimum contacts” with the forum state.⁴⁹ The implication of in rem jurisdiction is that

⁴⁰ Derek Freitas, *Patent Litigation Venue: US District Court Versus US International Trade Commission*, JD SUPRA (Apr. 5, 2022), <https://www.jdsupra.com/legalnews/patent-litigation-venue-us-district-2889047/> [<https://perma.cc/824R-X2VD>].

⁴¹ *See Sealed Air Corp. v. U.S. Int’l Trade Comm’n*, 645 F.2d 976, 986 (C.C.P.A. 1981).

⁴² Vincent Capati, *A Primer: IP Enforcement Before the International Trade Commission*, NIXON PEABODY LLP (Dec. 22, 2021), <https://www.nixonpeabody.com/insights/articles/2021/12/22/a-primer-ip-enforcement-before-the-international-trade-commission> [<https://perma.cc/LD5T-CZB4>].

⁴³ 19 U.S.C. § 1337(d)–(f).

⁴⁴ Section 337 mandates prompt investigations. *See* 19 U.S.C. § 1337(b)(1) (“The Commission shall conclude any such investigation and make its determination under this section at the earliest practicable time.”).

⁴⁵ *Section 337 Statistics: Average Length of Investigations*, U.S. INT’L TRADE COMM’N (Oct. 12, 2023), https://www.usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm. [<https://perma.cc/DY98-AD66>].

⁴⁶ Freitas, *supra* note 40.

⁴⁷ *See Sealed Air Corp. v. U.S. Int’l Trade Comm’n*, 645 F.2d 976, 486 (C.C.P.A. 1981) (holding that the ITC does not require in personam jurisdiction).

⁴⁸ *In rem*, WEX LEGAL DICTIONARY, https://www.law.cornell.edu/wex/in_rem [<https://perma.cc/9RLE-4XTP>].

⁴⁹ *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 474 (1985).

foreign defendants of an imported article will be subject to ITC jurisdiction while the defendants may not be subject to jurisdiction in district courts.⁵⁰ The third difference is that a complainant in the ITC only needs to file one complaint to proceed against multiple respondents.⁵¹ In district courts, however, plaintiffs commonly need to file separate complaints for each defendant to comply with venue laws.⁵² The fourth difference is that the ITC can only award injunctive relief and cannot award money damages.⁵³ The ITC's two available remedies include: (1) exclusion orders directed to U.S. Customs and Border Patrol to prevent infringing imports from entering the U.S.;⁵⁴ and (2) cease and desist orders directed to U.S. companies prohibiting unfair activity with infringing products that have been imported into the U.S. prior to the exclusion order's effective date.⁵⁵ To obtain an injunction in district court, however, the party seeking relief would have to satisfy the traditional four-factor test from *eBay v. MercExchange, LLC*:

- (1) that it has suffered an irreparable injury;
- (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury;
- (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and

⁵⁰ See *Sealed Air Corp.*, 645 U.S. at 486 (finding that the ITC does not require in personam jurisdiction to exclude the infringing goods of a foreign manufacturer).

⁵¹ Capati, *supra* note 42.

⁵² See 28 U.S.C. § 1400(b) ("Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."); see also *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 581 U.S. 258, 262 (2017) (holding that a domestic corporation "resides," for the purposes of 28 U.S.C. § 1400(b), only in its State of incorporation).

⁵³ 19 U.S.C. § 1337(d)–(f).

⁵⁴ *Id.* § 1337(d).

⁵⁵ *Id.* § 1337(f).

- (4) that the public interest would not be disserved by a permanent injunction.⁵⁶

Although the Supreme Court issued the *eBay* test in a patent dispute, courts have applied this test to other areas of intellectual property as well.⁵⁷ Circuits are split on how *eBay* affects injunctive relief for trade secrets cases.⁵⁸ The Tenth Circuit has distinguished *eBay* from trade secret cases since *eBay* dealt with a patent infringement claim and, instead, has relied on pre-existing trade secret precedent.⁵⁹ The Second Circuit, on the other hand, has rejected that there is a presumption of irreparable harm when trade secrets have been misappropriated and has applied the *eBay* test.⁶⁰ The *eBay* test, however, does not affect the ITC. The ITC does not apply the *eBay* test for injunctive relief because Congress intended injunctive relief to be the “normal remedy” for Section 337 violations.⁶¹

⁵⁶ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

⁵⁷ *See Herb Reed Enters., LLC v. Fla. Ent. Mgmt., Inc.*, 736 F.3d 1239, 1249 (9th Cir. 2013) (applying the *eBay* test to trademark injunctions); *see also Salinger v. Colting*, 607 F.3d 68, 77 (2d Cir. 2010) (applying the *eBay* test to copyright injunctions).

⁵⁸ *Compare Star Fuel Marts, LLC v. Sam’s East, Inc.*, 362 F.3d 639, 651 (10th Cir. 2004) (relying on pre-existing trade secret precedent and not mentioning *eBay* for trade secret) *with Faiveley Transp. Malmo AB v. Wabtec Corp.*, 559 F.3d 110, 118 (2d Cir. 2009) (applying the *eBay* test to trade secrets).

⁵⁹ *Star Fuel Marts, LLC*, 362 F.3d at 651.

⁶⁰ *See Faiveley Transp. Malmo AB*, 559 F.3d at 118 (rejecting the proposition that a “presumption of irreparable harm automatically arises upon the determination a trade secret has been misappropriated”).

⁶¹ *Spansion, Inc. v. Int’l Trade Comm’n*, 629 F.3d 1331, 1359 (Fed. Cir. 2010) (Fed. Cir. 2010) (“Given the different statutory underpinnings for relief before the Commission in Section 337 actions and before the district courts in suits for patent infringement, this court holds that *eBay* does not apply to Commission remedy determinations under Section 337.”).

B. TRADE SECRET LITIGATION

Trade secret misappropriation is both a federal and state cause of action.⁶² Prior to 2016, trade secrets were only protected under state law.⁶³ In order to improve consistency in trade secret law among states, the Uniform Law Commission created the Uniform Trade Secrets Act (“UTSA”), which has been adopted by the majority of states.⁶⁴ In 2016, Congress enacted the Defend Trade Secrets Act (“DTSA”), which created a federal private civil cause of action for trade secret misappropriation.⁶⁵ The DTSA is modeled after the UTSA.⁶⁶ Under the DTSA, trade secrets are defined as:

all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if—

- (A) the owner thereof has taken reasonable measures to keep such information secret; and
- (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain

⁶² See 18 U.S.C. § 1836; see also UNIF. TRADE SECRETS ACT (1979) (UNIF. L. COMM’N, amended 1985).

⁶³ Elizabeth A. Rowe, *Unpacking Trade Secret Damages*, 55 HOUS. L. REV. 155, 156-57 (2017) (explaining that prior to DTSA’s enactment “the development of civil trade secret law in the United States . . . occurred exclusively under state law and largely in state courts”).

⁶⁴ *Trade Secrets Laws and the UTSA: 50 State and Federal Law Survey*, BECK REED RIDEN LLP, (Jan. 24, 2017), <https://beckreedriden.com/trade-secrets-laws-and-the-utsa-a-50-state-and-federal-law-survey-chart/> [<https://perma.cc/MPR4-HVQE>].

⁶⁵ 18 U.S.C. § 1836 (b)(1).

⁶⁶ Elizabeth A. Rowe, eBay, *Permanent Injunctions, and Trade Secrets*, 77 WASH. & LEE L. REV. 553, 560 (2020) [hereinafter, eBay, *Permanent Injunctions, and Trade Secrets*].

economic value from the disclosure or use of the information.⁶⁷

Misappropriation under the DTSA entails (1) acquiring a trade secret and knowing, or having a reason to know, that it was acquired by improper means; or (2) disclosing or using the trade secret without express or implied consent.⁶⁸ “Improper means” includes theft, bribery, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage.⁶⁹ The ITC has the following elements for trade secret misappropriation:

- (1) a protectable trade secret exists
- (2) the complainant is the owner of the trade secret
- (3) the complainant disclosed the trade secret to respondent while in a confidential relationship or that the respondent wrongfully took the trade secret by unfair means; and
- (4) the respondent has used or disclosed the trade secret causing injury to the complainant.⁷⁰

The federal government has expressed concern about foreign misappropriation of United States companies’ trade secrets.⁷¹ On January 5th, 2023, President Biden signed into law the Protecting American Intellectual Property Act, which imposes sanctions on “any individual or firm that has “knowingly engaged in, or benefitted from, significant theft of trade secrets of United States persons.”⁷² The theft of U.S. trade secrets by foreign corporations, in particular, motivated the creation of the Protecting American Intellectual Property

⁶⁷ 18 U.S.C. § 1839(3).

⁶⁸ *Id.* § 1839(5).

⁶⁹ *Id.* § 1839(6).

⁷⁰ *In re Certain Botulinum Toxin Prods., Processes for Mfg. or Relating to Same and Certain Prods. Containing Same Comm’n Op.*, USITC Inv. No. 337-TA-1145, 2021 WL 141507, at *7–8 (Jan. 13, 2021).

⁷¹ 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.”).

⁷² See Protecting American Intellectual Property Act of 2022, Pub. L. No. 117-336, § 1–2, Stat. 6147, 6147 (2023) (codified as amended at 50 U.S.C. § 1709).

Act.⁷³ This concern over trade secret misappropriation is also reflected by an increase of trade secret filings.⁷⁴ In 2022, cases filed in district court under the DTSA grew by 111% (an increase of 314 cases).⁷⁵ Trade secret cases in the ITC are also increasing. From 2017 to 2019, there were only seven solely trade secret claims.⁷⁶ From 2020 to 2022, however, there were 20 solely trade secret claims.⁷⁷ This increase of alleged trade secret misappropriation can be attributed to a “more mobile workforce, increased use of contractors and consultants, and increased outsourcing of infrastructure.”⁷⁸

⁷³ See Press Release, Sen. Chris Van Hollen, *President Biden Signs Van Hollen Legislation to Curb IP Theft*, (Jan. 5, 2013), <https://www.vanhollen.senate.gov/news/press-releases/president-biden-signs-van-hollen-legislation-to-curb-ip-theft> [https://perma.cc/DU8V-LGUU] (“In China and other countries across the globe, foreign corporations are working – often in coordination with authoritarian regimes – to steal our cutting edge technologies to gain unfair advantages at America’s expense.”).

⁷⁴ See *Federal Judicial Caseload Statistics 2022*, U.S. COURTS, <https://www.uscourts.gov/statistics-reports/federal-judicial-caseload-statistics-2022> [https://perma.cc/N5GF-FQR7].

⁷⁵ See *id.*

⁷⁶ *Section 337 Statistics: Types of Unfair Acts Alleged in Active Investigations by Fiscal Year (Updated Annually)*, U.S. INT’L TRADE COMM’N, https://www.usitc.gov/intellectual_property/337_statistics_types_unfair_acts_alleged_active.htm [https://perma.cc/L8CW-A7MM].

⁷⁷ *Id.* These statistics do not state how many cases that allege a trade secret claim in combination with another unfair act claim.

⁷⁸ R. Mark Halligan & Richard F. Weyand, *The Sorry State of Trade Secret Protection*, TRADE SECRET OFF., <http://www.thetso.com/Article-SorryStateOfTradeSecretProtection.html> [https://perma.cc/QJC9-V7YQ].

C. CURRENT LANDSCAPE OF TRADE SECRET LITIGATION IN THE ITC

The Commission has long held that trade secrets fall under unfair acts within the scope of Section 337.⁷⁹ The ITC's in rem jurisdiction,⁸⁰ injunctive relief remedy,⁸¹ and potentially preclusive effect makes it a favorable venue for trade secret litigation.⁸² Although the U.S. government is concerned about the foreign misappropriation of U.S. trade secrets,⁸³ there are jurisdictional challenges to bringing a foreign trade secret misappropriation claim in district courts, such as personal jurisdiction⁸⁴ and the presumption against extraterritoriality.⁸⁵ District courts, because of their personal jurisdiction, often are unable to enforce injunctions and damages against foreign defendants.⁸⁶ The ITC overcomes this jurisdictional challenge for foreign defendants because it has in rem jurisdiction over products.⁸⁷

⁷⁹ See, e.g., *In re Certain Processes for the Manufacture of Skinless Sausage Casings & Resulting Prod.*, Inv. No. 337-TA-148/169, USITC Pub. 2812, 2814 (Sept. 1994) ("There is no question that misappropriation of trade secrets, if established, is an unfair method of competition of unfair act which falls within the purview of Section 337.").

⁸⁰ See *Sealed Air Corp. v. U.S. Int'l Trade Comm'n*, 645 F.2d 976, 986 (C.C.P.A. 1981).

⁸¹ 19 U.S.C. § 1337(d)–(f).

⁸² See *Manitowoc Cranes LLC, v. Sany Am. Inc.*, No. 13-C-677, 2017 WL 6327551, at *3 (E.D. Wis. Dec. 11, 2017).

⁸³ See Press Release, Sen. Chris Van Hollen, *supra* note 73.

⁸⁴ See *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 478 (1985).

⁸⁵ See *Morrison v. Nat'l Austl. Bank Ltd.*, 561 U.S. 247, 256 (2010).

⁸⁶ *Trade Reform Legislation: Hearings Before the Subcomm. on Trade of the House Comm. on Ways and Means*, 99th Cong. 679 (1986) (statement of Richard C. White, Vice President Intell. Prop. Owners, Inc.).

⁸⁷ See *Sealed Air Corp. v. U.S. Int'l Trade Comm'n*, 645 F.2d 976, 986 (C.C.P.A. 1981).

For district courts, there is also a presumption that federal statutes do not apply to foreign conduct and only apply within the United States' territorial jurisdiction unless congressional intent indicates otherwise.⁸⁸ The ITC overcomes this presumption against extraterritoriality with respect to trade secrets because Section 337 expressly deals with unfair acts in the "importation of articles."⁸⁹ Since Section 337 expressly deals with unfair acts in the importation of articles, the Federal Circuit held that it was "reasonable to assume that Congress was aware, and intended, that the statute would apply to conduct (or statements) that may have occurred abroad."⁹⁰ Additionally, the ITC's default remedies of exclusion orders and cease and desists benefit trade secret cases.⁹¹ Injunctive relief is especially valuable for trade secrets because public disclosure of a trade secret can destroy the information's status as a protected trade secret.⁹² Therefore, if the party misappropriating the trade secret has not yet revealed it, preventive action in the form of a cease and desist can be the difference between keeping and losing trade secret protection. Lastly, if a trade secret owner has a victory at the ITC, it is potentially preclusive in district court litigation.⁹³

⁸⁸ See *Morrison*, 561 U.S. at 256; Elizabeth A. Rowe & Daniel M. Mahfood, *Trade Secrets, Trade, and Extraterritoriality*, 66 ALA. L. REV. 63, 64 (2014).

⁸⁹ *Tianrui Grp. Co. Ltd. v. U.S. Int'l Trade Comm'n*, 661 F.3d 1322, 1329 (Fed. Cir. 2011).

⁹⁰ *Id.* (holding that Section 337 applies to imported goods produced through the exploitation of trade secrets in which the act of misappropriation occurred abroad).

⁹¹ 19 U.S.C. § 1337(d)–(f).

⁹² Peter J. Toren, *The Fragile Nature of Trade Secrets: Clues from the Courts on How to Keep Them*, IPWATCHDOG (Mar. 1, 2020, 12:15 PM), <https://ipwatchdog.com/2020/03/01/fragile-nature-trade-secrets-clues-courts-keep/id=119391/> [<https://perma.cc/QKG7-4FGD>].

⁹³ *Manitowoc Cranes LLC, v. Sany Am. Inc.*, No. 13-C-677, 2017 WL 6327551, at *5 (E.D. Wis. Dec. 11, 2017).

Currently, trade secret misappropriation falls under the general provision of Section 337, which states:

- (A) Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C), (D), and (E)) into the United States, or in the sale of such articles by the owner, importer, or consignee, the threat or effect of which is—
- (i) to destroy or substantially injure an industry in the United States;
 - (ii) to prevent the establishment of such an industry; or
 - (iii) to restrain or monopolize trade and commerce in the United States.⁹⁴

Other types of intellectual property like patents, copyrights, and trademarks, however, do not fall in the general provision of Section 337 and have their own provisions.⁹⁵ Patents and copyrights fall under Section 337(a)(1)(B)⁹⁶ and trademarks fall under Section 337(a)(1)(C).⁹⁷ Patents, copyrights, and trademarks have their own provisions because they are statutory, and the Omnibus Trade and Competitiveness Act of 1988 gave statutory intellectual property their own provisions.⁹⁸ The difference between acts in the general provision (i.e., trade secrets) versus acts having their own provisions (i.e., statutory IP like patents, copyrights, and trademarks) is that those acts in the general provision have to prove an extra requirement—that the importation of respondent’s articles have the threat or effect to *substantially injure* an industry in the United States.⁹⁹ Complainants alleging trade secret misappropriation must prove that the

⁹⁴ 19 U.S.C. § 1337(a)(1)(A) (2018).

⁹⁵ See 19 U.S.C. § 1337(a)(1)(B)–(C).

⁹⁶ See 19 U.S.C. § 1337(a)(1)(B)(i) (copyrights); 19 U.S.C. § 1337(a)(1)(B)(ii) (patents).

⁹⁷ See 19 U.S.C. § 1337(a)(1)(C) (2018).

⁹⁸ Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, § 1342, 102 Stat. 1107, 1212 (1988) (codified as amended at 19 U.S.C. § 1337). Prior to the Omnibus Trade and Competitiveness Act of 1988, all Section 337 actions, regardless of if statutory or not, required the complainant to prove the “substantial injury” requirement.

⁹⁹ See 19 U.S.C. § 1337(a)(1)(A) (2018) (emphasis added).

importation of the infringing articles have the “threat or effect of which is to (i) to destroy or substantially injure an industry in the United States; (ii) to prevent the establishment of such an industry; or (iii) to restrain or monopolize trade and commerce in the United States.”¹⁰⁰ Hereinafter, this is referred to as the “substantial injury” requirement.

D. CHALLENGES WITH LITIGATING THE “SUBSTANTIAL INJURY” REQUIREMENT

The “substantial injury” requirement is challenging to litigate because it requires a fact-intensive complaint, is burdensome to prove, and is expensive.

1. *Heightened Pleading Requirements*

The difficulty of the “substantial injury” requirement begins in the pleading requirements for the complaint.¹⁰¹ A complaint alleging non-statutory unfair acts, including trade secret misappropriation, must “state a specific theory and provide corroborating data” of substantial injury to a domestic industry.¹⁰² Corroborating data of substantial injury include (1) the volume and trend of production, sales, and inventories; (2) the facilities, number, and type of workers employed in its production; (3) profit-and-loss information covering overall operations and operations specific to the involved domestic article; (4) pricing information; (5) volume and sales of imports (when available); and (6) any other pertinent data.¹⁰³ These fact-intensive complaint requirements “make commencing a [S]ection 337 action – particularly one involving non-statutory IP – somewhat more burdensome than district court actions.”¹⁰⁴

¹⁰⁰ 19 U.S.C. § 1337(a)(1)(A)(i)–(iii).

¹⁰¹ 19 C.F.R. § 210.12(a)(8) (2022).

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ Rowe & Mahfood, *supra* note 88, at 88.

2. *Burdensome to Prove*

To satisfy the “substantial injury” requirement, a Section 337 complainant must establish that the U.S. industry is (1) suffering actual substantial injury from the accused imports; or (2) threatened with probable substantial injury.¹⁰⁵ For proof of actual “substantial injury” to the complainant, the ITC often considers: (1) respondent's volume of imports; (2) complainant's lost sales due to the unfairly traded imports; (3) underselling by the respondent; (4) evidence of complainant's declining production, profitability, and sales; and (5) harm to goodwill and reputation.¹⁰⁶ The ITC does not consider these factors in isolation, but considers them in the context of marketplace realities.¹⁰⁷ For example, in *Corning Glass Works v. ITC*, the Federal Circuit affirmed the Commission's holding that the respondent selling millions of dollars of the infringing optical waveguide fibers in the U.S. did not “substantially injure” the domestic industry because the infringing fiber sales were insubstantial in comparison with “the total sales of fiber in the U.S. market, as well as with the volume of sales of Corning and its domestic licensees.”¹⁰⁸

Since the ITC applies these factors in context and there is not an absolute rule by which to determine injury, there is a lack of predictability in the ITC's injury determinations.¹⁰⁹ Additionally, proving “substantial injury” is especially difficult if the complainant is profitable or has increasing sales.¹¹⁰ This is evident in *Combination Locks*, in which the Commission did not find substantial injury, noting that Presto's total sales on domestic and world markets were increasing and profits

¹⁰⁵ 19 U.S.C. § 1337(a)(1)(A) (2018) (stating that the importation of accused products must have the threat or effect of which is to destroy or substantially injure a U.S. industry).

¹⁰⁶ *In re Certain Digital Multimeters, & Prods. with Multimeter Functionality*, Inv. No. 337-TA-588, USITC Pub. 4210, 16 (Dec. 2010).

¹⁰⁷ See *Corning Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559, 1569 (Fed. Cir. 1986) (“[W]hether the amount [of sales] is ‘significant’ cannot be determined by the dollar amount *in vacuo*. ‘Significant’ requires some further inquiry once the amount of sales is found.”).

¹⁰⁸ See *id.* at 1562, 1569.

¹⁰⁹ Brian G. Brunsvold et al., *Injury Standards in Section 337 Investigations*, 4 NW. J. INT'L. L. & BUS. 75, 85 (1982).

¹¹⁰ See, e.g., *In re Certain Combination Locks*, Inv. No. 337-TA-45, 1978 WL 50681, at *10 (Sept. 25, 1978) (Determination), *aff'd*, USITC Pub. 945 (Feb. 16, 1979) (Comm'n Op.).

were steady.¹¹¹ In effect, a non-statutory IP owner must meet a stronger test in getting relief from the ITC against infringing imports than that against domestic infringers in district court.¹¹²

For proof of threatened “substantial injury” to the complainant, the ITC often considers: (1) the extent of foreign manufacturing capacity; (2) the imported product’s ability to undersell the domestic product; (3) lower foreign production costs and prices; and (4) the respondent’s intention to penetrate the U.S. market, including efforts to certify its products for U.S. sale, attendance at U.S. trade shows, efforts to target, contact, or market to complainant’s customers, and aggressive promotional campaigns.¹¹³ The threat must be based on reliable evidence, not speculation.¹¹⁴

Furthermore, it is not sufficient to just show evidence of actual or threatened substantial injury to establish a Section 337 claim. The complainant must also prove that the substantial injury was foreseen and that there is “a causal connection between the action of the respondents and the threatened injury.”¹¹⁵ The ITC may find that the casual connection is severed by injury from other domestic competitors, decline in overall industry demand, modifications to the complainant’s operations, or by intervening events, such as changes in market trends or consumer preferences.¹¹⁶ For example, in *Vertical Milling Machines*, Textron alleged that respondents engaged in false advertising by using a photograph of Textron’s Bridgeport vertical milling machine in their advertising and infringed Textron’s “Bridgeport” trademark by using the name “Bigport” on

¹¹¹ *Id.*

¹¹² See *Trade Reform Legislation: Hearings Before the Subcomm. on Trade of the H. Comm. on Ways and Means*, 99th Cong. 354 (1986) (statement of Ambassador Clayton Yeutter).

¹¹³ See *In re Certain Lithium Ion Batteries*, Inv. No. 337-TA-1159, 35 (Mar. 4, 2021) (Comm’n Op.).

¹¹⁴ See *In re Certain Activity Tracking Devices, Sys., & Components Thereof*, Inv. No. 337-TA-963, USITC Pub. 4924, 77, 81 (Aug. 23, 2016) (Determination).

¹¹⁵ *In re Certain Rubber Resins & Processes for Mfg. Same*, Inv. No. 337-TA-849, USITC Pub. 4816 at 64 (Aug. 2018).

¹¹⁶ *In re Certain Vertical Milling Machs. & Parts, Attachments, & Accessories Thereto*, Inv. No. 337-TA-133, USITC Pub. 1512, 42–43 (Mar. 1984) (Final), *aff’d sub nom. Textron, Inc. v. U.S. Int’l Trade Comm’n*, 753 F.2d 1019, 1019 (Fed. Cir. 1985).

their machines.¹¹⁷ While the Commission found that respondents infringed Textron's trademark and engaged in false advertising, the Commission held that there was no violation of Section 337 because Textron failed to prove that the respondents' infringing acts caused its injury.¹¹⁸ The Commission found that non-infringing factors, such as the drastic decline in the entire machine tool industry's demand, Textron's change in method of distribution that increased expenses and lost goodwill with customers, and competitors decreasing their prices while Textron increased their prices, severed the causal connection between the respondent's importation of infringing products and Textron's decreased sales, net income, and employment.¹¹⁹

The complexity of the "substantial injury" requirement is evident from an ALJ's initial determination in the paragraph below:

Moreover, the un rebutted testimony of respondents' economic expert witness, Dr. Haldi, indicates an increased elasticity of demand, caused by buyers' perceptions of the functional equivalency among many screws in the drywall market, which has resulted in greater price competition. That Buildex recognizes the increasing importance of price in the protection of its market share is evidenced by its offer of discounts to Kass and other customers. Because complainant has traditionally outpriced all members of the market, it is possible that Buildex is especially susceptible to this recent market phenomenon. There is record evidence demonstrating that twenty workers, of which 28% or 5.6 people, are allocated to the S-12 product line, have been furloughed at Buildex's Mineral Wells plant. The record further indicates, however, that employee furloughs from the 1977-1981 period were a result of reduced business in Buildex's total product line, and thus were not necessarily directly attributable to Yamashina's activities.¹²⁰

¹¹⁷ *Id.* at 5-6.

¹¹⁸ *Id.* at 47.

¹¹⁹ *Id.* at 45-46.

¹²⁰ *In re* Certain Drill Point Screw for Drywall, Inv. No. 337-TA-116, USITC Pub. 1365, 59 (Mar. 1983) (Initial).

Recently, the ITC in *Certain Foodservice Equipment and Components Thereof* and *Certain Activity Tracking Devices, Systems, and Components Thereof* denied relief for trade secret misappropriation claims under Section 337 because the complainants failed to satisfy the “substantial injury” requirement.¹²¹ In *Certain Foodservice Equipment and Components Thereof*, complainants Illinois Tool Works, Vesta, and Adcraft brought a claim in the ITC against Rebenet for misappropriating complainants’ trade secrets for commercial kitchen equipment.¹²² Complainants argued that they met the “substantial injury” requirement because they could identify specific customers that had been lost to importers of Rebenet products, complainants’ had lost revenue, and Rebenets’ products were priced less than complainants’ products.¹²³ The administrative law judge (“ALJ”) determined that while complainants had been injured by respondents’ alleged unfair acts, the injury was “not substantial.”¹²⁴ The ALJ reasoned that complainants’ injuries “with respect to market share, goodwill, and price competition are primarily injuries to Vesta, a Chinese manufacturer that does not make any qualifying domestic industry investments” and the domestic industry participants’ “lost profits may affect their domestic industry investments, but the amounts of these investments are not substantial.”¹²⁵ Despite the ALJ finding that respondents had misappropriated complainant’s trade secrets, the ALJ denied complainants otherwise available relief in the ITC because they failed to meet the “substantial injury” requirement.¹²⁶

¹²¹ See *In re Certain Foodservice Equip. & Components Thereof*, Inv. No. 337-TA-1166, 2021 WL 2350652, at *2 (June 4, 2021), *aff’d*, 2021 WL 4902040 (Oct. 14, 2021); *In re Certain Activity Tracking Devices, Sys., & Components Thereof*, Inv. No. 337-TA-963, USITC Pub. 4924, 80 (Aug. 2019), *unrev’d* by USITC Pub. 4924 (Oct. 20, 2016) (Notice).

¹²² See *In re Certain Foodservice Equip. & Components Thereof*, 2021 WL 2350652, at *1.

¹²³ *Id.* at *91–92.

¹²⁴ *Id.* at *94.

¹²⁵ *Id.* at *96–97.

¹²⁶ *Id.* at *100.

In *Certain Activity Tracking Devices, Systems, and Components Thereof*, complainant Jawbone argued that respondent Fitbit's alleged misappropriation of Jawbone's trade secrets substantially injured Jawbone's domestic industry because:

- (1) The alleged trade secrets provide "cost and time avoidance" for Fitbit that allows products to be released earlier than expected;
- (2) the earlier release and lower cost of Fitbit products will impact the sales of Jawbone products; and
- (3) the lower sales of Jawbone products will injure Jawbone's domestic investments in research and development.¹²⁷

The ALJ determined that this was insufficient to establish "substantial injury" because Jawbone's expert failed to "quantify these advantages" and "any opinion regarding future injury [was] thus merely speculation"¹²⁸ These two ITC cases demonstrate how the "substantial injury" requirement negatively affects complainants in trade secret misappropriation cases.

3. *Expensive to Litigate*

Not only can the "substantial injury" requirement be difficult to prove, but it is expensive to litigate. Proving the "substantial injury" requirement typically requires detailed testimony from an economic expert to substantiate.¹²⁹ For non-statutory causes of action, there are essentially two trials: a technical trial and an economic trial.¹³⁰ The first trial deals with the technical issues in which the IP owner has to prove that the respondents infringed or misappropriated, depending on the cause of action, the intellectual property.¹³¹ The second trial deals with economic issues in which the IP owner has to prove that they have been substantially injured by the respondents unfair acts and that they satisfy domestic industry.¹³² "Normally, two separate groups of counsel, having particular

¹²⁷ *In re Certain Activity Tracking Devices, Sys., & Components Thereof, Inv.* No. 337-TA-963, USITC Pub. 4924, 77 (Aug. 23, 2016) (Determination).

¹²⁸ *Id.* at 79.

¹²⁹ *See In re Certain Television Sets, Television Receivers, Television Tuners, & Components Thereof, Inv.* No. 337-TA-910, USITC Pub. 4868, 178 n.32 (Feb. 2019).

¹³⁰ Clark, *supra* note 7, at 1168.

¹³¹ *Id.*

¹³² *Id.*

expertise on either the technical issues or the economic issues, present the respective trials.”¹³³ While removing the “substantial injury” requirement would not remove the domestic industry requirement, it lessens the cost of litigation because it is one less requirement to prove.

The Government Accountability Office (“GAO”), formally the General Accounting Office, issued a statement on strengthening IP rights protection under Section 337 before the Subcommittee on Trade and House Committee on Ways and Means, further showing the economic implications of the “substantial injury” requirement.¹³⁴ In 1986, the GAO estimated that the cost of Section 337 litigation “generally ranged between \$100,000 and \$1 million, with a few costing as much as \$2.5 million.”¹³⁵ The legal costs for satisfying the economic tests,¹³⁶ including the “substantial injury” requirement, can “equal more than 50 percent of the total litigation expenses.”¹³⁷

These economic requirements and legal costs affect the outcomes of Section 337 investigations, settlement rates of Section 337 investigations, and the amount of Section 337 claims filed.¹³⁸ The GAO found that eleven complainants from 1974 to 1986 were unable to meet the economic criteria, that firms have “terminated their proceedings or accepted settlement agreements which they judged not in their best interests because they could not meet all of the statute’s economic tests,” and that firms “may be discouraged from even initiating proceedings because of these tests.”¹³⁹ Relying in part on these GAO findings, Congress in the 1988 amendments to Section 337 removed the “substantial injury” requirement for statutory causes of action.¹⁴⁰

¹³³ *Id.*

¹³⁴ *Trade Reform Legislation: Hearings Before the Subcomm. on Trade of the House Comm. on Ways and Means, 99th Cong. 723, 731–32 (1986)* (statement of Alan Mendelowitz, Assoc. Dir., Nat’l Sec. and Int’l Affs. Div., U.S. Gen. Acct. Off.).

¹³⁵ *Id.* at 731.

¹³⁶ The economic tests, in 1986, for Section 337 actions included: (1) substantial injury; (2) domestic industry; and (3) efficiently and economically operated. *Id.* at 730.

¹³⁷ *Id.* at 731–32.

¹³⁸ *Id.* at 731.

¹³⁹ *Id.*

¹⁴⁰ H.R. REP. NO. 100-40, pt. 1, at 156 (1987) (stating that the “cost of section 337 litigation is extremely high . . . and the legal costs of satisfying the economic

Therefore, removing the “substantial injury” requirement for trade secrets would benefit complainants by lowering the current burdensome pleadings, reducing litigation expenses, and increasing the likelihood of being within ITC jurisdiction. Furthermore, the removal would benefit the ITC. By eliminating the “substantial injury” requirement, the ITC would have fewer issues to decide and more time to consider the technical issues and remaining economic issues.

III. ANALYSIS/DISCUSSION

Congress should remove the “substantial injury” requirement for trade secret cases because (1) the 1988 amendments to Section 337 removed the requirement for statutory IP¹⁴¹ and now trade secrets are statutory due to the Defend Trade Secrets Act of 2016;¹⁴² and (2) the “substantial injury” requirement should be presumed due to the fragility of trade secret protection,¹⁴³ difficulty in monetarily measuring injury to complainants,¹⁴⁴ and the long-standing presumption of irreparable harm in federal courts.¹⁴⁵

A. THE MOTIVATIONS BEHIND CONGRESS REMOVING THE “SUBSTANTIAL INJURY” REQUIREMENT FOR STATUTORY IP NOW APPLY TO STATUTORY TRADE SECRETS

The same motivations behind Congress removing the “substantial injury” requirement for statutory IP in the Omnibus Trade and Competitiveness Act of 1988 now applies to trade secrets because (1) trade secrets are statutory due to the DTSA¹⁴⁶ and (2) trade secret complainants have been denied otherwise available

criteria are reportedly equal to more than half of the total litigation expenses”).

¹⁴¹ Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, § 1342, 102 Stat. 1107, 1212 (1988) (codified as amended at 19 U.S.C. § 1337); H.R. 4848, 100th Cong. § 1342 (1988) (as reported by H.R., June 16, 1988).

¹⁴² See 18 U.S.C § 1836 (b)(1) (creating a federal cause of action for trade secret misappropriation).

¹⁴³ See Toren, *supra* note 92.

¹⁴⁴ David McGowan, *Irreparable Harm*, 14 LEWIS & CLARK L. REV. 577, 582 (2010).

¹⁴⁵ eBay, *Permanent Injunctions, and Trade Secrets*, *supra* note 66.

¹⁴⁶ See 18 U.S.C § 1836 (creating a federal cause of action for trade secret misappropriation).

relief under Section 337 because the complainants did not satisfy the “substantial injury” requirement.¹⁴⁷

1. *The Omnibus Trade and Competitiveness Act of 1988
Removed the “Substantial Injury” Requirement for Statutory
Intellectual Property*

Prior to 1988, all Section 337 actions required the complainant to prove the “substantial injury” requirement.¹⁴⁸ Congress passed the Omnibus Trade and Competitiveness Act of 1988 which amended Section 337 by removing the “substantial injury” requirement for statutory causes of action.¹⁴⁹ Statutory causes of action at the time of the 1988 amendment included patent infringement (Title 35 of the United States Code), registered trademark infringement (chapter 22 of Title 15), copyright infringement (Title 17), mask work infringement (chapter 9 of Title 17), and designs (chapter 13 of Title 17).¹⁵⁰ While Congress removed the “substantial injury” requirement for statutory causes of action, Congress maintained the requirement with respect to non-statutory based causes of action.¹⁵¹ Trade secrets, at the time of the 1988 amendments, were not statutory and, therefore, still have the “substantial injury” requirement.¹⁵² As of 2016, however, trade secret law is now statutory due to the DTSA.¹⁵³

¹⁴⁷ See *In re Certain Foodservice Equip. & Components Thereof*, Inv. No. 337-TA-1166, 2021 WL 2350652, at *1 (June 4, 2021), *aff’d*, 2021 WL 4902040 (Oct. 14, 2021); see also *In re Certain Activity Tracking Devices, Sys., & Components Thereof*, Inv. No. 337-TA-963, USITC Pub. 4924, (Aug. 2019), *unrev’d by* USITC Pub. 4924, 80 (Oct. 20, 2016) (Notice).

¹⁴⁸ See 19 U.S.C. § 1337(a)(1).

¹⁴⁹ Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, § 1342, 102 Stat. 1107, 1212 (1988) (codified as amended at 19 U.S.C. § 1337); H.R. 4848, 100th Cong. § 1342 (1988) (as reported by H.R., June 16, 1988).

¹⁵⁰ 19 U.S.C. § 1337(a)(1)(B)(ii) (patents); 19 U.S.C. § 1337(a)(1)(C) (trademarks); 19 U.S.C. § 1337(a)(1)(B)(i) (copyrights); 19 U.S.C. § 1337(a)(1)(D) (mask works); 19 U.S.C. § 1337(a)(1)(E) (designs).

¹⁵¹ H.R. REP. No. 100-40, pt. 1, at 156 (1987).

¹⁵² See 19 U.S.C. § 1337(a)(1).

¹⁵³ See 18 U.S.C. § 1836 (creating a federal cause of action for trade secret misappropriation).

2. *Trade Secrets Are Now Statutory Due to the Defend Trade Secrets Act of 2016*

The DTSA provides a federal cause of action for trade secret misappropriation.¹⁵⁴ This Act puts trade secrets on the same federally protected level as patents, registered trademarks, and registered copyrights. Because the Omnibus Trade and Competitiveness Act of 1988 removed the “substantial injury” requirement for statutory IP¹⁵⁵ and trade secrets are now statutory due to the DTSA,¹⁵⁶ Congress can amend Section 337 to remove the “substantial injury” requirement for trade secrets.

3. *Legislative History of the 1988 Amendment Supports Removing the “Substantial Injury” Requirement for Statutory Trade Secrets*

During the time of the 1988 amendments, Congress was concerned with foreign infringement of U.S. intellectual property.¹⁵⁷ Congress also was concerned with the Federal Circuit’s decisions in *Textron* and *Corning* in which the Federal Circuit denied otherwise available relief under Section 337 because the complainants did not satisfy the “substantial injury” requirement.¹⁵⁸ The removal of the “substantial injury” requirement for statutory unfair acts was “intended to make [S]ection 337 a more effective weapon against infringing imports by reducing

¹⁵⁴ *Id.*

¹⁵⁵ Omnibus Trade and Competitiveness Act, Pub. L. No. 100-418, § 1342, 102 Stat. 1107, 1212 (1988) (codified as amended at 19 U.S.C. § 1337); H.R. 4848, 100th Cong. § 1342 (1988) (as reported by H.R., June 16, 1988).

¹⁵⁶ *See* 18 U.S.C. § 1839 (creating a federal cause of action for trade secret misappropriation).

¹⁵⁷ 134 CONG. REC. 20086 (1988) (statement of Sen. Lautenberg) (“The continued broad jurisdiction of the International Trade Commission will help U.S. industry address the unfair activity of foreign competitors.”).

¹⁵⁸ *See Corning Glass Works v. U.S. Int’l Trade Comm’n*, 799 F.2d 1559, 1569 (Fed. Cir. 1986) (upholding an ITC holding that no substantial injury existed); *see also Textron, Inc. v. U.S. Int’l Trade Comm’n*, 753 F.2d 1019, 1028 (Fed. Cir. 1985) (upholding an ITC holding that no substantial injury existed); *see also Trade Reform Legislation: Hearings Before the Subcomm. on Trade of the H. Comm. on Ways and Means*, 99th Cong. 67284 (1986) (statement of Richard C. White, Vice President Intell. Prop. Owners, Inc.) (discussing reasons for eliminating the substantial injury requirement).

the complainant's burden of proving injury resulting from the infringement."¹⁵⁹ Congress rationalized the removal of the "substantial injury" requirement for statutory IP by explaining:

Unlike dumping or countervailing duties . . . the owner of intellectual property has been granted a temporary statutory right to exclude others from making, using, or selling the protected property. The importation of any infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms the public interest. Under such circumstances, the Committee believes that requiring proof of injury . . . should not be necessary.¹⁶⁰

Essentially, Congress enacted a presumption of substantial injury once the complainant proves infringement of a statutory cause of action.¹⁶¹ In a hearing before the House Committee on Ways and Means, the Vice President of Intellectual Property Owners, Inc. recommended "covering trade secrets and semiconductor chip 'mask works,' as well as patents, trademarks, and copyrights, in subparagraphs (B) and (C) in section 337(a)(1)."¹⁶²

¹⁵⁹ Clark, *supra* note 7, at 1160.

¹⁶⁰ H.R. REP. No. 100-40, pt. 1, at 156 (1987).

¹⁶¹ See 134 Cong. Rec. 20086 (statement of Sen. Lautenberg) ("To exclude foreign goods, proof of piracy should be enough. That is what this trade measure would do, by removing the requirement that injury be proved. Infringement is injury.").

¹⁶² *Trade Reform Legislation: Hearings Before the Subcomm. on Trade of the H. Comm. on Ways and Means*, 99th Cong. 678 (1986) (statement of Richard C. White, Vice President Intell. Prop. Owners, Inc.).

Like how Congress was concerned with foreign infringement of U.S. intellectual property during the 1988 amendments,¹⁶³ today the United States government is concerned about the foreign misappropriation of U.S. trade secrets.¹⁶⁴ Additionally, like how Congress during the 1988 amendments was concerned with the Federal Circuit's decisions in *Textron* and *Corning* in which the Federal Circuit denied otherwise available relief under Section 337 because the complainants failed to satisfy "substantial injury,"¹⁶⁵ the ITC recently in *Certain Foodservice Equipment and Components Thereof* and *Certain Activity Tracking Devices, Systems, and Components Thereof* denied relief for trade secret claims under Section 337 because the complainants failed to satisfy the "substantial injury" requirement.¹⁶⁶ Therefore, the legislative history of the 1988 amendment supports removing the "substantial injury" for trade secret misappropriation.

B. THE "SUBSTANTIAL INJURY" REQUIREMENT SHOULD BE PRESUMED FOR TRADE SECRETS

The "substantial injury" requirement should be presumed for trade secret cases in the ITC because (1) the value of a trade secret is destroyed if the information is no longer secret;¹⁶⁷ (2) the harm from trade secret misappropriation

¹⁶³ 134 CONG. REC. 20086 (statement of Sen. Lautenberg) ("The continued broad jurisdiction of the International Trade Commission will help U.S. industry address the unfair activity of foreign competitors.").

¹⁶⁴ Protecting American Intellectual Property Act of 2022, Pub. L. No. 117-336, § 2, Stat. 6147, 6147 (2023) (codified as amended at 50 U.S.C. § 1709).

¹⁶⁵ See *Corning Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559, 1569 (Fed. Cir. 1986); see also *Textron, Inc. v. U.S. Int'l Trade Comm'n*, 753 F.2d 1019, 1028 (Fed. Cir. 1985); see also *Trade Reform Legislation: Hearings Before the Subcomm. on Trade of the H. Comm. on Ways and Means*, 99th Cong. 672-84 (1986) (statement of Richard C. White, Vice President Intell. Prop. Owners, Inc.) (discussing reasons for eliminating the substantial injury requirement).

¹⁶⁶ See *In re Certain Foodservice Equip. & Components Thereof*, Inv. No. 337-TA-1166, 2021 WL 2350652, at *3 (June 4, 2021), *aff'd*, 2021 WL 4902040 (Oct. 14, 2021); see also *In re Certain Activity Tracking Devices, Sys., & Components Thereof*, Inv. No. 337-TA-963, USITC Pub. 4924, 80 (Aug. 2019), *unrev'd* by USITC Pub. 4924 (Oct. 20, 2016) (Notice).

¹⁶⁷ See Matt Bauer, *The Risk of Pervasive Trade Secret Practices Within the Life Sciences*, PETRIE FLOM CTR. AT HARV. L.: BILL OF HEALTH (Feb. 18, 2022), <https://blog.petrieflom.law.harvard.edu/2022/02/18/the-risk-of-pervasive-trade-secret-practices-within-the-life-sciences/> [<https://perma.cc/DA6H-95M5>].

is difficult to quantify;¹⁶⁸ and (3) federal courts have long held that the comparable doctrine of “irreparable injury” is presumed for trade secrets.¹⁶⁹

1. *Fragility of Trade Secret Protection*

It is extremely easy to lose trade secret protection.¹⁷⁰ Once a trade secret is revealed, it can never be recovered.¹⁷¹ The fragility of trade secret protection is unlike patent protection. Once the United States Patent and Trademark Office (“USPTO”) issues a patent, the inventor receives twenty years of exclusive rights, even if the invention becomes independently discovered or becomes public knowledge.¹⁷² Trade secrets, however, are no longer protected if the information was leaked, reverse engineered, or independently discovered.¹⁷³ Losing trade secret protection is especially devastating for businesses with information that is unpatentable and for small businesses that cannot afford to protect their information through patents.¹⁷⁴ Trade secret law covers all types of information while patent law only covers information with subject matter eligibility.¹⁷⁵ Pure data, such as customer and supplier lists, proprietary distribution schemes, and business plans, are not patent eligible but are trade secret eligible.¹⁷⁶ Furthermore, patent prosecution is expensive and can quickly escalate into the “\$100,000-\$200,000 plus range for a global strategy.”¹⁷⁷ In addition to legal fees and filings costs, prior art searches and translation costs all add to the expense.¹⁷⁸ Due to the high stakes involved, the threat of trade secret

¹⁶⁸ McGowan, *supra* note 144, at 582.

¹⁶⁹ eBay, *Permanent Injunctions, and Trade Secrets*, *supra* note 66, at 557.

¹⁷⁰ Toren, *supra* note 92.

¹⁷¹ *Id.*

¹⁷² 35 U.S.C. § 154.

¹⁷³ Bauer, *supra* note 167.

¹⁷⁴ See Trygve Meade, *Indecision: The Need to Reform the Reasonable Secrecy Precautions Requirement Under Trade Secret Law*, 37 S. ILL. U. L.J. 717, 721(2013).

¹⁷⁵ 35 U.S.C. § 101 (stating subject matter eligible for patent protection as a process, machine, manufacture, or composition of matter).

¹⁷⁶ Michael R. McGurk & Jia W. Lu, *The Intersection of Patents and Trade Secrets*, 7 HASTINGS SCI. & TECH. L.J. 189, 200 (2015).

¹⁷⁷ *Id.* at 208.

¹⁷⁸ *Id.*

misappropriation in and of itself constitutes a substantial injury and, therefore, substantial injury should be presumed.

2. *Injury From Trade Secret Misappropriation is Immeasurable*

Trade secret misappropriation “combines a reasonably high probability of some adverse effect on the plaintiff’s business with a low probability of specifying that effect with any precision, given that competition is dynamic and probabilistic in the first place.”¹⁷⁹ The ITC measures “substantial injury” by respondent’s volume of imports, lost sales, underselling by respondent, decline in profitability and sales, and harm to reputation.¹⁸⁰ The most persuasive of these measurements are quantifiable measurements, like respondent’s import volumes and complainant’s lost sales. Injury by trade secret misappropriation, however, oftentimes cannot be measured by quantifiable indicators, especially monetary indicators.

A complainant’s injury from trade secret misappropriation can manifest through unquantifiable indicators, such as loss of business reputation, decline in employee morale, and incentive for others to misappropriate.¹⁸¹ Trade secret misappropriation can also heavily impact business reputation, which can be manifested through loss of customer goodwill.¹⁸² Loss of consumer goodwill could result in “untold losses in future sales of unrelated products,” which is extremely difficult to quantify.¹⁸³ Trade secret misappropriation can additionally result in the decline of employee morale and productivity when employees feel like “the fruits of their labor are being siphoned off by the misappropriator, or when employees react adversely to stricter security measures instituted by their employer to prevent further appropriations of information.”¹⁸⁴ Furthermore, if an employee sees others benefitting from misappropriating their employer’s trade secret, it

¹⁷⁹ McGowan, *supra* note 144, at 588 (citing Hess Newmark Owens Wolf, Inc. v. Owens, 415 F.3d 630, 632 (7th Cir. 2005)).

¹⁸⁰ *In re Certain Digital Multimeters, & Prods. with Multimeter Functionality*, Inv. No. 337-TA-588, USITC Pub. 4210, 16 (Dec. 2010).

¹⁸¹ Edmond Gabbay, All the King’s Horses-Irreparable Harm in Trade Secret Litigation, 52 *FORDHAM L. REV.* 804, 825–26 (1984).

¹⁸² *Id.* at 825.

¹⁸³ *Id.*

¹⁸⁴ *Id.* at 826.

creates an incentive for the employee “to exploit their inside know how,” causing their employer injury for which there is no accurate measure.”¹⁸⁵

3. *Long-Lasting Presumption of Irreparable Injury in Federal Courts*

The “substantial injury” requirement in the ITC resembles the “irreparable injury” requirement for injunctions in district courts.¹⁸⁶ District courts, however, traditionally have applied a presumption of irreparable injury for injunctions when the court determines that trade secrets have been misappropriated.¹⁸⁷ The rationale behind the presumption is that “if in most cases Y follows from X, then presuming Y once X is shown saves everyone time and expense.”¹⁸⁸ Therefore, for trade secrets, if in most cases irreparable harm follows from misappropriation, then presuming irreparable harm once misappropriation is shown saves the parties and the courts time and expense. The irreparable harm that results from trade secret misappropriation is that “[a] trade secret once lost is, of course, lost forever.”¹⁸⁹ An additional reason, as observed by the Sixth Circuit in *Allied Erecting & Dismantling Co. v. Genesis Equip. & Mfg., Inc.*, is that it is difficult or impossible to measure monetary damages resulting from loss of a trade secret.¹⁹⁰

While courts have abandoned the presumption of irreparable harm for patent cases due to *eBay*, “there has not been an abrupt shift away from the application of general equitable principles or effective abandonment of the presumption of irreparable harm” for trade secret cases.¹⁹¹ Even for the courts that have shifted away from the presumption of irreparable harm after *eBay*, the

¹⁸⁵ *Id.* (quoting *Ecolaire Inc. v. Crissman*, 542 F. Supp. 196, 205 (E.D. Pa. 1982)).

¹⁸⁶ *eBay Inc. v. MercExchange, L.C.C.*, 547 U.S. 388, 391 (2006) (stating that to obtain an injunction in district courts, plaintiffs must prove that it has suffered an irreparable injury).

¹⁸⁷ *eBay, Permanent Injunctions, and Trade Secrets*, *supra* note 66, at 557.

¹⁸⁸ McGowan, *supra* note 144, at 582.

¹⁸⁹ *See FMC Corp. v. Taiwan Tainan Giant Indus. Co., Ltd.*, 730 F.2d 61, 63 (2d Cir. 1984).

¹⁹⁰ *See Allied Erecting & Dismantling Co. v. Genesis Equip. & Mfg., Inc.*, 511 F. App’x 398, 6 (6th Cir. 2013) (noting that the presumption of irreparable harm rests on the assumption that harm will be difficult to measure in monetary terms).

¹⁹¹ *eBay, Permanent Injunctions, and Trade Secrets*, *supra* note 66, at 607 (conducting an empirical analysis of *eBay*’s effect on injunctions in trade secret cases).

concerns behind the shift do not apply to the ITC. First, the federal courts want to comply with the precedential effect of *eBay*. This is not a concern for the ITC, however, because the ITC does not apply the *eBay* test for injunctive relief since Congress intended injunctive relief to be the “normal remedy” for Section 337 violations.¹⁹² Second, some federal courts have been hesitant with permanent injunctions for trade secrets misappropriation when the plaintiff is already receiving monetary relief.¹⁹³ This double relief, however, is not a concern in the ITC as there are no monetary damages. Therefore, because district courts have long applied a presumption of irreparable injury for trade secret injunctions and the justifications for the slow shift away from the presumption in light of *eBay* do not apply to the ITC, the “substantial injury” requirement should be presumed for trade secret cases in the ITC.

C. THE DOMESTIC INDUSTRY REQUIREMENT MAINTAINS SECTION 337
AS A TRADE STATUTE

Opponents of removing the “substantial injury” for trade secret misappropriation may argue that it transforms Section 337 into a solely IP statute, which deviates from the statute’s origins as a trade statute. However, removing the “substantial injury” requirement does not transform Section 337 into a solely IP statute because complainants alleging trade secret misappropriation still must prove domestic industry.¹⁹⁴ For statutory IP holders to prove domestic industry, they must satisfy the technical prong and the economic prong.¹⁹⁵ The technical prong is that the “industry in the United States, relat[es] to the articles protected” by the IP.¹⁹⁶ The economic prong is that the industry in the U.S. has “significant investment in plant and equipment,” “significant employment of labor or capital,” or “substantial investment in its exploitation, including engineering, research and

¹⁹² See *Spansion, Inc. v. Int’l Trade Comm’n*, 629 F.3d 1331, 1358 (Fed. Cir. 2010) (“Given the different statutory underpinnings for relief before the Commission in Section 337 actions and before the district courts in suits for patent infringement, this court holds that *eBay* does not apply to Commission remedy determinations under Section 337.”).

¹⁹³ See *CardiAQ Valve Tech., Inc. v. Neovasc Inc*, 708 F. App’x 654, 12 (Fed. Cir. 2017) (denying a permanent injunction because the injunction would have been duplicative of the monetary relief received by plaintiff).

¹⁹⁴ See 19 U.S.C. § 1337(a)(1)(A) (2018).

¹⁹⁵ See *InterDigital Commc’n, LLC v. Int’l Trade Comm’n*, 707 F.3d 1295, 1298 (Fed. Cir. 2013).

¹⁹⁶ See 19 U.S.C. § 1337(a)(2).

development, or licensing.”¹⁹⁷ Conversely, for non-statutory IP holders, such as trade secret holders, to prove domestic industry, they do not have to prove the technical prong that “an industry in the United States, relat[es] to the articles protected” by the IP¹⁹⁸ because “there is no express requirement in the general provision that the domestic industry relate to the intellectual property involved in the investigation”¹⁹⁹ and must only prove the economic prong. The ITC often considers the same economic prong criteria that apply to statutory causes of action, such as plant and equipment, labor and capital, research and development, and licensing in the United States, when determining domestic industry for non-statutory causes of action.²⁰⁰ If Congress amended Section 337 to give trade secrets its own provision, it can make trade secrets subject to 19 U.S.C. § 1337(a)(2) like the rest of the statutory IP and add the technical prong or keep in line with precedent and have trade secrets be only subject to the economic prong of domestic industry. Either way, trade secret complainants will still have to prove domestic industry and importation of an infringing article which maintains Section 337 as a trade statute.

IV. CONCLUSION

The “substantial injury” requirement is a high hurdle for complainants bringing trade secret misappropriation claims in the ITC. The “substantial injury” requirement is burdensome to prove due to the heightened pleading requirements and causal nexus requirement, and expensive to litigate due to the expert testimony and extra-counsel needed to establish the economic injury. Additionally, the ITC’s two recent decisions in *Certain Foodservice Equipment and Components Thereof* and *Certain Activity Tracking Devices, Systems, and Components Thereof* in which the ITC denied relief for trade secret claims under Section 337 because the complainants did not satisfy the “substantial injury” requirement illustrates the requirement’s adverse effect on trade secret complainants. Removing the “substantial injury” requirement for trade secrets aids the U.S. government in its initiative against foreign trade secret misappropriation by

¹⁹⁷ See *id.* § 1337(a)(3)(A)–(C).

¹⁹⁸ See *id.* § 1337(a)(2).

¹⁹⁹ See *Tianrui Grp. Co. Ltd. v. U.S. Int’l Trade Comm’n*, 661 F.3d 1322, 1335 (Fed. Cir. 2011).

²⁰⁰ See *In re Certain Hand Dryers & Housings for Hand Dryers*, Inv. No. 337-TA-1015, 2017 WL 2709424, at *20 (June 2, 2017) (analyzing the categories of investments listed in Section 337(a)(3) when determining whether there is a domestic industry under Section 337(a)(1)(A)).

making it easier, through a reduction in burden and litigation expense, for complainants in trade secret cases. Like how the 1988 amendments to Section 337 removed the “substantial injury” requirement for statutory IP, Congress can amend Section 337 to remove “substantial injury” requirement for trade secrets since trade secrets law is now statutory due to the DTSA of 2016.