No. 2010-1395

United States Court of Appeals for the Federal Circuit

TIANRUI GROUP COMPANY LIMITED AND
TIANRUI GROUP FOUNDRY COMPANY LIMITED,
Appellants,
and
STANDARD CAR TRUCK COMPANY, INC. AND
BARBER TIANRUI RAILWAY SUPPLY, LLC,
Appellants,
v.
INTERNATIONAL TRADE COMMISSION,
Appellee,
and
AMSTED INDUSTRIES INCORPORATED,
Intervenor.

INTERVENOR'S RESPONSE TO COMBINED PETITION FOR REHEARING AND REHEARING EN BANC

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December 27, 2011

CERTIFICATE OF INTEREST

Pursuant to Fed. Cir. R. 47.4, I hereby certify as follows:

1. The full name of every party represented by me in this appeal is:

Amsted Industries Incorporated

2. The name of the real party in interest, if different from the above, is:

None.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None.

4. The names of all attorneys and law firms whose partners or associates have appeared for the party identified above in the lower tribunal or in this Court are:

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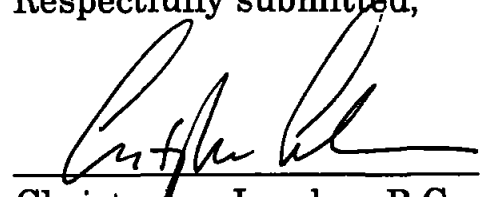

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INTRODUCTION

Rehearing is unwarranted because this case involves a straightforward issue of statutory interpretation, and the panel got it right. Section 337 of the Tariff Act of 1930 authorizes the International Trade Commission (ITC) to exclude articles from importation into the United States upon finding "[u]nfair methods of competition [or] unfair acts in the importation of [those] articles ... into the United States." 19 U.S.C. § 1337(a)(1)(A). The panel concluded that the statute authorizes the ITC to exclude from the United States goods manufactured abroad using misappropriated trade secrets, even if such misappropriation occurred abroad. That conclusion is plainly correct.

Appellants TianRui Group Co. Ltd. and TianRui Group Foundry Co. Ltd. (collectively TianRui), and the panel dissent, contend that the panel's conclusion violates the presumption against the extraterritorial application of United States law. But that presumption does not apply here at all. Section 337 governs the importation of articles into the United States, which by definition takes place in the United States. Whether the predicate acts of wrongdoing take place inside or outside the United States is immaterial; Section 337 regulates the importation,

not the predicate acts. Unless and until an article is imported into the United States, Section 337 does not apply.

Nor is there any basis in law or logic to conclude that Congress sought to exclude predicate acts of wrongdoing occurring abroad from Section 337's scope. Indeed, given that Section 337 is directed at the importation of foreign goods into the United States, it would be anomalous to construe the statute to encompass predicate acts of wrongdoing that occur in the United States, but not predicate acts of wrongdoing that occur abroad. TianRui all but concedes that its interpretation would open up a loophole in Section 337, and leave domestic industries vulnerable to unfair competition from abroad. The ITC certainly acted well within its discretion in rejecting that anomalous interpretation of the statute.

Accordingly, the petition presents no basis for rehearing. TianRui does not dispute that (1) it misappropriated trade secrets that belong to intervenor Amsted Industries Inc., (2) it used those secrets to manufacture railway wheels in China, and (3) those TianRui wheels were imported into the United States. Because the importation of articles manufactured abroad using misappropriated trade secrets is an

unfair method of competition or unfair act "in the importation" of those articles *regardless* of where the misappropriation occurs, the ITC correctly determined that the importation of TianRui wheels violated Section 337. And because the panel's decision affirming that determination is also correct, and does not conflict with any decision of the Supreme Court, this Court, or any other court, this Court should deny rehearing.

ARGUMENT

I. The Presumption Against Extraterritoriality Does Not Apply To Section 337.

TianRui argues, first and foremost, that the panel decision "violates" the presumption against the extraterritorial application of United States law. Pet. 3. That is so, according to TianRui, because "[n]one of the 'unfair acts' of alleged trade secret misappropriation occurred in the United States." *Id.* at 4; *see also id.* at 2 (asserting that the panel erred by allowing the ITC "to apply domestic law to 'unfair acts' that occur *entirely* outside the United States") (emphasis added).

As the panel recognized, that argument misses the point. *See* Slip op. 14-16. Section 337 regulates the *importation* of foreign goods into the United States, which by definition takes place in the United States.

When the ITC excludes goods manufactured abroad from importation into the United States based on predicate acts of wrongdoing, the ITC is regulating the importation, not the underlying predicate acts. *See* Slip op. 15 ("[T]he determination of misappropriation was merely a predicate to the charge that TianRui committed unfair acts in importing its wheels into the United States."). The panel dissent thus missed the point by insisting that "[w]e have no right to police Chinese business practices." *Id.* at 3 (dissenting opinion). Section 337 does not "police Chinese business practices"; rather, it polices American importation practices. The statute does not come into play unless and until an article is imported into the United States. At that point, the United States is applying its own law within its own borders, just as it does when it restricts the importation of endangered species captured or killed abroad, *see* 16 U.S.C. § 1538(a)(1)(A), or when it restricts the entry of persons who have been convicted of certain crimes abroad, *see* 8 U.S.C § 1182(a)(2). There is nothing "extraterritorial" about an agency of the United States government applying United States law to restrict the importation of foreign goods into the United States (or its human analogue, the immigration of persons into the United States).

TianRui's reliance on cases applying the presumption against extraterritoriality is thus misplaced. *See, e.g.*, Pet. 1, 2, 4 (citing *Morrison v. National Austl. Bank Ltd.*, 130 S. Ct. 2869 (2010); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007); *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244 (1991) (*Aramco*)). In *Morrison*, the Supreme Court rejected an attempt to extend the federal securities laws to regulate the purchase and sale of securities on foreign exchanges. *See* 130 S. Ct. at 2877-88. In *Microsoft*, the Court rejected an attempt to extend the federal patent laws to regulate the manufacture and sale of products abroad. *See* 550 U.S. at 454-55. And in *Aramco*, the Court rejected an attempt to extend federal anti-discrimination law to regulate employment discrimination in foreign countries. *See* 499 U.S. at 248-59. In all of those cases, the conduct that the statute sought to regulate occurred outside the United States, even if there were "*some* domestic activity ... involved in the case." *Morrison*, 130 S. Ct. at 2884 (emphasis in original). In sharp contrast, as noted above, the conduct that Section 337 seeks to regulate occurs *within* the United States: the statute does not regulate unfair trade practices generally, but only unfair trade

practices "in the *importation* of articles ... into the United States." 19 U.S.C. § 1337(a)(1)(A) (emphasis added).

As the panel recognized, this case is like *Small v. United States*, 544 U.S. 385 (2005). *See* Slip op. 14-15. That case involved a federal statute that made it unlawful for "'any person ... who has been convicted in any court ... to ... possess ... any firearm.'" 544 U.S. at 387 (quoting 18 U.S.C. § 922(g)(1)). The defendant there bought a gun in the United States and was convicted under that statute based on a prior conviction in Japan. As relevant here, both the majority and the dissent agreed that the presumption against extraterritoriality *did not apply* in that case because the statute was regulating conduct in the United States—namely, the possession of a firearm in the United States. *See id.* at 389; *see also id.* at 399-400 (Thomas, J., dissenting). The presumption did not apply merely because a predicate act (the conviction in Japan) occurred abroad. *Id.*; *see also Pasquantino v. United States*, 544 U.S. 349, 371 (2005) (presumption against extraterritoriality does not apply to conduct in the United States directed at violating foreign law). TianRui identifies no case in the history of American law holding that a federal statute regulating the

importation of goods into the United States operates extraterritorially to the extent that it limits such importation on the basis of conduct that occurred abroad.

II. Section 337 Authorizes The ITC To Exclude From The United States Goods Manufactured Abroad Using Misappropriated Trade Secrets, Wherever The Misappropriation Occurred.

In any event, regardless of whether the presumption against extraterritoriality applies to Section 337, the panel correctly construed the statute to authorize the exclusion of goods manufactured abroad using misappropriated trade secrets, wherever the misappropriation occurred. *See* Slip op. 13-14.[1] As the panel recognized, Section 337

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[1] In a footnote, the panel rejected Amsted's argument that acts of trade secret misappropriation occurred in the United States as well as in China. *See* Slip op. 11-12 n.1. In particular, the panel asserted (without citation) that TianRui's use of Amsted's trade secrets in its marketing and certification efforts in the United States "may have exploited the earlier misappropriation, but it cannot reasonably be viewed as misappropriative conduct without regard to whether there has been a breach of a duty of confidentiality." *Id.* It is black-letter law, however, that a subsequent disclosure or use of a misappropriated trade secret is *itself* an act of misappropriation. *See, e.g., Restatement (Third) of Unfair Competition* § 40(b) (1995); Uniform Trade Secrets Act § 1.2(ii) (1985); Roger M. Milgrim, *Milgrim on Trade Secrets* § 1.01 (2010); Henry H. Perritt, Jr., *Trade Secrets: A Practitioner's Guide* § 1:2.2 (2d ed. 2010). Accordingly, this case does not involve predicate acts of wrongdoing that occurred "entirely in a foreign country." Pet. 1.
(Continued...)

focuses on the importation of foreign goods into the United States. The statute authorizes the ITC, in regulating the importation of such goods, to consider "unfair methods of competition and unfair acts." 19 U.S.C. § 1337(a)(1)(A). TianRui does not deny that the statute allows the ITC to bar the importation of goods manufactured abroad using misappropriated trade secrets if the misappropriation occurred in the United States; rather, TianRui insists that the statute allows the ITC to bar the importation of such goods *only* if the misappropriation occurred in the United States. *See* Pet. 8 ("Section 337 ... provides a means for domestic manufacturers, where a *domestic* unfair act or unfair method of competition is established, to exclude from entry the articles concerned in the violation.") (emphasis added; internal quotation omitted). With all due respect, that is an unreasonable interpretation of a statute regulating the importation of foreign goods, and certainly not an interpretation that the ITC was compelled to adopt.

But even if it did, the panel correctly concluded that Section 337 authorizes the ITC to exclude goods manufactured abroad using misappropriated trade secrets, wherever the misappropriation occurred.

As the panel explained, a statute directed at regulating the importation of foreign goods into the United States "is surely not a statute in which Congress had only 'domestic concerns in mind.'" Slip op. 13 (quoting *Pasquantino*, 544 U.S. at 371-72). To the contrary, it would most naturally be expected that predicate acts of wrongdoing in the importation of foreign goods would themselves have occurred abroad. Congress hardly would have enacted a statute authorizing the ITC to exclude foreign goods from the United States based on wrongful predicate acts *only* if those acts occurred in the United States, given that imports by definition come from abroad. That interpretation would largely gut the statute, and leave domestic industries vulnerable to unfair competition from foreign imports. Were that even a permissible reading of the statute, it is certainly not one that the ITC is *compelled* to adopt. *See* Slip op. 20 ("[T]he Commission's reasonable interpretations of section 337 are entitled to deference.") (citing *Enercon GmbH v. ITC*, 151 F.3d 1376, 1381 (Fed. Cir. 1998); *Corning Glass Works v. ITC*, 799 F.2d 1559, 1565 (Fed. Cir. 1986)).[2]

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[2] Because, for the reasons explained in Part I of this brief, the presumption against extraterritoriality does not apply to Section 337 in (Continued...)

The panel dissent expressed concern that this interpretation of Section 337 had "staggering" breadth because it would allow the ITC to exclude foreign goods "produced by workers who operate under conditions which would not meet with United States labor laws or workers who were not paid minimum wage or not paid at all." Slip op. 3 (dissenting opinion); *see also* Pet. 11 ("As construed by the majority, Section 337 now reaches any foreign unfair methods of competition or unfair acts that the Commission deems inconsistent with U.S. standards."). But that concern has nothing to do with Section 337's *territorial* scope; rather, that concern has to do with the statute's *substantive* scope. Whatever the scope of "unfair methods of competition" and "unfair acts" within the meaning of Section 337 (wherever such conduct occurs), there is no dispute that trade secret

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the first place, this case does not call for this Court to explore the operation of that presumption. It is worth noting, however, that TianRui errs by insisting that the presumption applies because "Section 337 contains no ... language" specifying that the Act applies abroad. Pet. 4; *see also id.* at 1, 5. The Supreme Court in *Morrison* specifically *rejected* such a "clear statement" rule, and explained that "[a]ssuredly, context can be consulted as well" as text in analyzing statutory meaning. 130 S. Ct. at 2883; *see also United States v. Delgado-Garcia*, 374 F.3d 1337, 1344 (D.C. Cir. 2004); Slip op. 13 n.2.

misappropriation falls well within the heartland of those terms. Indeed, trade secret misappropriation is a *quintessential* act of unfair competition. *See, e.g., Restatement (Third) of Unfair Competition* § 40.

If the ITC were to attempt to exclude imports from China under Section 337 on the ground that the Chinese workers were not paid United States minimum wages, the issue would be whether the Commission had exceeded its authority to define "[u]nfair methods of competition and unfair acts," 19 U.S.C. § 1337(a)(1)(A), not its authority to regulate "the importation of articles ... into the United States" *id.*, based on predicate acts of misconduct abroad. That issue is simply not presented in this case, and indeed the panel emphasized that the ITC's discretion to define "unfair methods of competition" was not unlimited. *See* Slip op. 15 n.3 ("[T]he prohibition on 'unfair methods of competition' does not encompass 'practices never heretofore regarded as opposed to good morals because characterized by deception, bad faith, fraud or oppression, or as against public policy because of their dangerous tendency unduly to hinder competition or create monopoly.'") (quoting *FTC v. Gratz*, 253 U.S. 421, 427 (1920)); *see also In re Orion Co.*, 71 F.2d 458, 462-63 (C.C.P.A. 1934).

For similar reasons, TianRui's reliance on *In re Amtorg Trading Corp.*, 75 F.2d 826 (C.C.P.A. 1935), is misplaced. That case involved the question whether the ITC could exclude certain imports from Russia under Section 337 on the ground that they infringed a United States patent. As *Amtorg* explained, the imports did *not* infringe a United States patent, because federal patent law at that time did not apply extraterritorially, *see id.* at 831-32 (citing, *inter alia, Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641, 650 (1915)), and did not proscribe the sale within the United States of a product manufactured abroad by a process patented in the United States, *see id.* at 832 (citing *Holland Furniture Co. v. Perkins Glue Co.*, 277 U.S. 245, 255 (1928)). Because the challenged predicate acts were beyond the scope of substantive United States patent law, *Amtorg* held, the ITC could not characterize those predicate acts as "unfair methods of competition" within the meaning of Section 337.

TianRui thus errs by characterizing *Amtorg* as "holding that Section 337 does not authorize the extraterritorial application of substantive U.S. law." Pet. 3. That case was about the substantive scope of patent law, not the territorial scope of Section 337. As the

panel explained, there is no limitation on the scope of trade secret law analogous to the limitation on the scope of patent law at issue in *Amtorg*. "Because there is no parallel federal civil statute regulating trade secret protection, there is no statutory basis for limiting the Commission's flexible authority under section 337(a)(1)(A) with respect to trade secret misappropriation." Slip op. 23.

Undeterred, TianRui tries to find refuge in the fact that Congress *overturned* the result in *Amtorg* by amending Section 337 to allow the ITC to exclude from the United States articles manufactured abroad by a process patented in the United States. *See* Pet. 3 (referencing former 19 U.S.C. § 1337a, Pub. L. 76-710, 54 Stat. 724 (July 2, 1940), *repealed*, Pub. L. 100-418, 102 Stat. 1107, 1215 (Aug. 23, 1988)). TianRui argues that this amendment "provided the Commission with express and very narrow authority to apply U.S. process patent law extraterritorially," and that "Congress could have addressed *Amtorg* with a broad expansion of Section 337's extraterritorial reach but did not do so." *Id.*

That argument turns *Amtorg*, and the subsequent amendment to Section 337, upside down. As noted above, *Amtorg* was about the scope of substantive United States patent law, not the ITC's authority under

Section 337 to exclude imports based on predicate acts of wrongdoing occurring abroad. It is perfectly natural that Congress responded to *Amtorg* by broadening the scope of "unfair methods of competition and unfair acts" to fill the patent-related loophole that came to light in that case. Because *Amtorg* did not hold that Section 337 was categorically inapplicable to predicate acts of wrongdoing abroad, Congress had no need to amend the statute "with a broad expansion of [its] extraterritorial reach" to address a non-existent holding. *Id.*; *see also id.* at 10. *Amtorg* was a narrow decision focused on substantive patent law, and Congress appropriately responded with a narrow amendment to Section 337 focused on substantive patent law.

Finally, TianRui hypothesizes that the panel decision "will likely lead to a substantial increase in cases brought to the Commission" and "create a serious risk of challenge by our trading partners." Pet. 11. Again, TianRui's hyperbole is unavailing. As an initial matter, TianRui identifies nothing to suggest that "our trading partners" would object to a limitation on imports based on predicate acts of trade secret misappropriation. As the panel recognized, *see* Slip op. 21, trade secret misappropriation is illegal in China just as it is here.

In any event, numerous checks on the ITC's authority under Section 337 belie TianRui's hypothesis that this case will create friction with trading partners. No remedial action by the Commission can become final without review by the President, who can be expected to ensure compliance with our treaty obligations, *see* 19 U.S.C. § 1337(j); in this case, for example, the President expressed no concern over the ITC determination at issue here. Furthermore, as this case underscores, an aggrieved party always has the opportunity to challenge the Commission's decision in court, which will ensure that the decision falls within proper statutory bounds.

CONCLUSION

For the foregoing reasons, this Court should deny the combined petition for rehearing and rehearing en banc.

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CERTIFICATE OF SERVICE

The undersigned certifies that on this 27th day of December 2011, he caused two copies of the foregoing Intervenor's Response To Combined Petition For Rehearing And Rehearing En Banc to be served upon the following by Federal Express:

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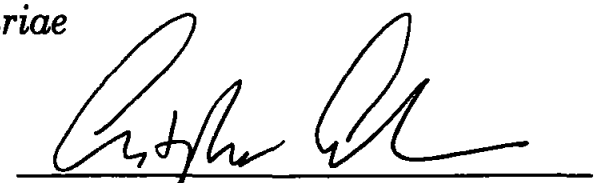

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