

USITC Inv. No. 337-TA-849 (U.S.Intern.Trade Com'n), 2014 WL 7497801

United States International Trade Commission (U.S.I.T.C.)  
\*1 Commission Determination

IN THE MATTER OF CERTAIN RUBBER RESINS AND PROCESSES FOR  
MANUFACTURING SAME  
COMMISSION OPINION

USITC Inv. No. 337-TA-849  
February 26, 2014

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On June 17, 2013, the presiding administrative law judge (“ALJ”) (Judge Rogers) issued his final initial determination (“ID”) in this investigation, finding a violation of Section 337. Specifically, the ALJ found misappropriation of trade secrets and injury to a domestic industry as a result thereof.

Having considered the ID, the submissions of the parties, and the relevant portions of the record, the Commission has determined to affirm-in-part and reverse-in-part the final ID. The Commission has determined that there has been misappropriation of trade secrets, that there is actual injury and the threat of injury to a domestic industry, and that certain of the Respondents have violated Section 337 in the importation, sale for importation, or sale after importation of rubber resins. The Commission has determined to adopt the ALJ’s findings that are consistent with the Commission’s opinion as set forth below.

**I. BACKGROUND**

**A. Procedural History**

\*2 The Commission instituted this investigation on June 26, 2012, based on a complaint filed on behalf of SI Group, Inc. of Schenectady, New York (“SI Group” or “SI”) on May 21, 2012, as supplemented on June 12, 2012. [77 Fed. Reg. 38083 \(June 26, 2012\)](#). The complaint alleged violations of Section 337 of the Tariff Act of 1930, as amended, [19 U.S.C. § 1337](#) (“[Section 337](#)”), in the sale for importation, importation, or sale after importation into the United States of certain rubber resins by reason of misappropriation of trade secrets, the threat or effect of which is to destroy or substantially injure an industry in the United States. The Commission’s notice of

investigation named as respondents Red Avenue Chemical Corp. of America of Rochester, New York; Thomas R. Crumlish, Jr. of Rochester, New York; Precision Measurement International LLC of Westland, Michigan (“PMI”); Sino Legend (Zhangjiagang) Chemical Co., Ltd. of Zhangjiagang City, China (“Sino Legend ZJG” or “Sino Legend”); Sino Legend Holding Group, Inc. c/o Mr. Richard A. Peters of Kowloon, Hong Kong; Sino Legend Holding Group Ltd. of Hong Kong; Hong Kong Sino Legend Group, Ltd. of North Point Hong Kong; Red Avenue Chemical Co. Ltd. of Shanghai, China; Ning Zhang of North Vancouver, Canada; Quanghai Yang of Beijing, China; and Shanghai Lunsai International Trading Company of Shanghai City, China. A Commission investigative attorney participated in this investigation.

On January 14, 2013, the Commission issued notice of its determination not to review an ID to amend the complaint and notice of investigation to add Red Avenue Group Limited of Kowloon, Hong Kong; Sino Legend Holding Group Inc. of Majuro, Marshall Islands; Gold Dynasty Limited c/o ATC Trustees (Cayman) Limited of Grand Cayman, Cayman Islands; and Elite Holding Group Inc. c/o Morgan & Morgan Trust Corporation (Belize) Limited of Belize City, Belize as respondents. [78 Fed. Reg. 3817 \(January 17, 2013\)](#).

On June 17, 2013, the presiding administrative law judge issued his final ID, finding a violation of [Section 337](#). On July 1, 2013, Complainant and the Respondents filed petitions for review. On July 9, 2013, Complainant, the Respondents, and the Commission investigative attorney filed responses thereto.

On July 16, 2013, Respondents filed a notice of new authority, bringing a Chinese decision in a parallel case to the Commission’s attention. On July 24, 2013, the Complainant submitted an objection to the notice of new authority, stating that the Chinese decision is not “new” because it issued the same day as the ID and could have been included in Respondents’ petition for review, and that Respondents have not challenged the ALJ’s order excluding the Chinese legal proceedings from evidence.<sup>1</sup>

**\*3** On July 17, 2013, Complainant filed a statement on the public interest, stating the issuance of a general exclusion order would not adversely affect the public health, safety, or welfare, consumers, or competitive conditions in the United States. On August 14, 2013, the New York State Chemical Alliance (“NYSCA”) submitted a statement on the public interest, stating that “it is not in the public interest to allow respondents to benefit financially from the sale of these products in the United States, particularly where there are other domestic manufacturers (beyond SI Group) of the products concerned” On August 14, 2013, the American Chemistry Council submitted a statement on the public interest, with a text similar to that of the NYSCA letter. On August 21, 2013, U.S. Senator Charles E. Schumer and U.S. Representative Paul D. Tonko filed a joint submission on the public interest noting that “Protecting this domestic industry against unfair competition is in the public interest.”

On September 9, 2013, the Commission issued notice of its determination to review the final ID

in its entirety, and requested briefing on the issues on review and on remedy, the public interest, and bonding. On September 23, 2013, each of the parties filed submissions in response to the Commission's notice, and on September 30, 2013, each of the parties filed submissions in reply thereto.

## B. Overview of the Technology

PTOP (p-tert-octyl phenol) tackifiers (also called "novalak resins") are used to manufacture tires. ID at 5. The tackifier bonds one layer of a tire to another. *Id.* at 6. "Tack" is defined as the force required to pull apart two pre-vulcanized rubber mixtures that have been pressed together under certain defined conditions. [U.S. Patent No. 8,030,418](#), col. 1, lines 46-48.

The process for synthesizing the resins involves two steps: an alkylation reaction followed by a condensation reaction. The alkylation reaction belongs to a class of reactions known as a Friedel-Crafts reaction, *i.e.*, the modification of an aromatic ring by the addition of an alkyl chain (in the presence of an acid catalyst). In the primary alkylation reaction, Complainant reacts[\* \* \*]

[\* \* \*]

ID at 65. The product of this alkylation reaction is PTOp:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

*See generally* Complaint ¶73; ID at 65; RX-510 at SINOZJG\_022250 (discussing Friedel-Crafts reactions); RX-508 at 849RESP 0004657.

In the condensation reaction, the PTOp (*i.e.*, the product of the alkylation reaction) is further reacted with formaldehyde to form a resin (by the cross linking of aromatic rings into a polymer):

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

where the alkylphenol is PTOp and where the acid is[\* \* \*]See Complaint ¶¶72-73; ID at 244. The use of a substituted phenol (to which class PTOp belongs) in a condensation reaction has been previously studied. *Cf.* RX-291 at 1:10-15; 2:13 ([U.S. Patent No. 3,005,797](#), issued in 1961) (using an octyl phenol).

\*4 Complainant has alleged as trade secrets the use of[\* \* \*]Complainant has several patents on various aspects of the technology, but states that certain features of its process are not contained in its patents or published patent applications. The parties further dispute whether and to what extent aspects of the process can be reverse-engineered from the final product. In all,

Complainant has asserted the existence of 7 alkylation trade secrets, 10 condensation trade secrets, and that the overall combination of the 17 individual trade secrets is itself a protectable trade secret.

### C. Accused Products

The accused products are Respondents' resins designated as SL-1801, SL-1801 LFP, SL-1802, SL-1802 LFP, and SL-7015. ID at 6. The ALJ found arguments relating to SL-1805 to be waived. *Id.* at 6-7. The SL-1805 product was not mentioned in Complainant's or Respondents' petitions for review or their responses, or in their submissions in response to the Commission Notice of Review; thus, the Commission affirms waiver as to SL-1805. We address whether SL-7015 is still part of the investigation in the section on injury, *infra*, as argued by Complainant in its contingent petition for review.

## II. STANDARD FOR DETERMINATION ON REVIEW

Once the Commission has determined to review the decision of the ALJ, the agency has all of the powers which it would have in making the initial decision except as it may limit the issues on notice or by rule, 5 U.S.C. § 557(b); *Certain Acid-Washed Garments and Accessories, Inv. No. 337-TA-324*, Comm'n Op. at 4-5 (Aug. 6, 1992). Commission Rule 210.45(c) implements 5 U.S.C. § 557(b). In other words, once the Commission decides to review the decision of the ALJ, the Commission may conduct a review of the findings of fact and conclusions of law presented by the record under a *de novo* standard.

## III. DISCUSSION

### A. The Law of Trade Secrets

Misappropriation of trade secrets is a method of unfair competition defined by the common law. *TianRui Group Co. Ltd. v. ITC*, 661 F.3d 1322, 1327 (Fed. Cir. 2011). Paragraph (a)(1)(A) of Section 337 governs the importation of articles derived from common law forms of unfair competition:

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

\*5 (iii) to restrain or monopolize trade and commerce in the United States.

19 U.S.C. § 1337(a)(1)(A). Therefore, there is a requirement not only that the complainant demonstrate the existence of a domestic industry, but also that there be actual substantial injury or the threat of substantial injury to a domestic industry.

In *TianRui*, the Federal Circuit held that “a single federal standard, rather than the law of a particular state, should determine what constitutes a misappropriation of trade secrets sufficient to establish an ‘unfair method of competition’ under section 337.” 661 F.3d at 1327. Sources of applicable law include the Uniform Trade Secrets Act (“UTSA”) and federal common law.

The elements of misappropriation of trade secrets are as follows: (1) the existence of a process that is protectable as a trade secret (*e.g.*, that is (a) of economic value, (b) not generally known or readily ascertainable, and (c) that the complainant has taken reasonable precautions to maintain its secrecy); (2) that the complainant is the owner of the trade secret; (3) that 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) that the respondent has used or disclosed the trade secret causing injury to the complainant. *Certain Sausage Casings*, Inv. No. 337-TA-148/169, Initial Determination (July 31, 1984) (nonreviewed in pertinent part); UTSA, § 1(4).

## B. Which Alkylation Steps are Protectable as Trade Secrets?

### 1. [\* \* \*]

The ALJ found that[\* \* \*]is a trade secret and used by the Complainant. ID at 113-114. (citing CX-1570C, QQ.74, 83). The ALJ found that Complainant had taken steps to protect the secrecy of the[\* \* \*]and had made a *prima facie* case of showing that the[\* \* \*]is not generally known or ascertainable. *Id.* at 114-116 (citing CX-1570C, Q. 7). The ALJ also relied on the finding that there was a lack of competitors and that other resins were inferior in quality. The ALJ found that the Respondents failed to rebut the complainant’s *prima facie* showing that the[\* \* \*]is not generally known or readily ascertainable. *Id.* at 117-118 (citing, *inter alia*, Tr. at 844:25-845:1; CX-1570C, Q.16). The ALJ rejected Respondents’ argument that the[\* \* \*]in the alkylation reaction could be determined through reverse engineering based on the[\* \* \*]in the finished resin. *Id.* at 118-19 (citing CX-1570, Q.96). Finally, the ALJ found that the [\* \* \*]had economic value. *Id.* at 119-122.

Respondents argue that the ALJ erred in finding the existence of a trade secret in the[\* \* \*]because the Complainant is not entitled to claim a property right to a single value where the art discloses a range of values and the alleged secret falls within that range. Resps. Pet. at 14-15. Respondents rely on *Ultimax Cement Manuf. Corp. v. CTS Cement Manuf. Corp.*, 587, F.3d 1339, 1354-56 (Fed. Cir. 2009), and characterize the case in a parenthetical as an affirmation by the Federal Circuit of a district court’s dismissal on summary judgment of a trade secret claim where the specific ratio of ingredients fell within the range of ratios disclosed in a patent *Id.* at

15. Respondents state that Complainant's[\* \* \*]. *Id.* at 15-16 (citing RX-510[\* \* \*]and [U.S. Patent No. 2,739,172](#)). Complainant argues that, to the contrary, the Federal Circuit has held that a plaintiff was entitled to trade secret protection for a specific value in a range in a case governed by the Uniform Trade Secrets Act (UTSA) based on testimony that the particular value was "very novel" and "very, very unusual." *Id.* at 31 (citing [BBA Nomvovens Simpsonville, Inc. v. Superior Nomvovens, LLC](#), 303 F.3d 1332, 1340 (Fed. Cir. 2002)). Both the Complainant and the IA argue that the ALJ found that[\* \* \*]allows Complainant to make a superior product, and should be affirmed. *Id.* at 33 (citing ID at 120); IA Resp. at 9, 16.

\*6 The Commission affirms the ALJ's finding and adopts the ALJ's reasoning, set forth in the ID at 113-122. We agree with the ALJ that Complainant's asserted[\* \* \*]is protectable as a trade secret. While certain publications (Kirk-Othmer (RX-510) and RX-512) disclose[\* \* \*]Dr. Swager conceded that they do not disclose[\* \* \*]Tr. at 845:2-848:3 (discussing RDX-5C (graphically representing RX-510, RX-514, RX-293, and RX-512)).

Respondents cite the Federal Circuit's decision in [Ultimax Cement Manuf. Corp. v. CTS Cement Manuf. Corp.](#), 587 F.3d 1339, 1354-56 (Fed. Cir. 2009), for the proposition that no one can claim a trade secret in a specific value where that value is part of a published range. In *Ultimax*, the Court explained that the district court stated on summary judgment that "the claimed trade secret of the use of a combination of lithium carbonate and citric acid in calcium sulphoaluminate cement had been publicly disclosed in a Japanese patent, [and] even if Plaintiffs were permitted to define the secret as a more specific ratio of the two compounds, the publication of the more general combination in the Japanese patent encompassed the specific ratio." Respondents understand this to mean that[\* \* \*]could not be protected as a trade secret because it was "encompassed" by a published range.

Complainant argues that other cases support trade secret protection for [\* \* \*]where a range is known, citing the Federal Circuit's decision in [BBA Nomvovens Simpsonville, Inc. v. Superior Nonwovens, LLC](#), 303 F.3d 1332, 1340 (Fed. Cir.2002). However, *BBA Nonwovens* does not address the question of whether protection of a specific value is precluded by a published range. Rather, in that case, the Court merely cited an expert who stated that the elements in a combination were "very novel," "really quite unusual," and "very, very unusual." *Id.*

The *BBA Nonwovens* decision indicates that if there is something special about the specific value[\* \* \*]then it may be protectable as a trade secret even where a range is known. The evidence shows that there is something special about[\* \* \*]ID at 113-14; 119. Indeed, the ALJ found that Dr. Banach explained that[\* \* \*]was first used in 1990 and was the "result of substantial expenditure on research and development by S1 Group." ID at 119 (quoting CX-1565C, Q.94). The ALJ did not make factual findings about whether Complainant still uses[\* \* \*], but the evidence shows that[\* \* \*]was at the very least used successfully for 15 years, and with[\* \* \*]Therefore, one can infer that Complainant believed that there is something beneficial about[\* \* \*]

\*7 Respondents have not proven that they could have reverse-engineered [\* \* \*]Dr. Swager conceded that his calculations were based on certain assumptions, and Dr. Hamed testified that “you would have to already know the process used to make the final resin product in order to make a correlation” between a sample of the finished product and [\* \* \*]CX-1570C at Q.96. As discussed in the section on misappropriation, Respondents used this exact [\* \* \*]in their 2006 experiments.

The Commission concludes that the ALJ was correct in finding that [\* \* \*]was entitled to trade secret protection.

## 2. [\* \* \*]

The ALJ found that using [\* \* \*]in the alkylation reaction is a trade secret and used by the Complainant. ID at 131-35. The ALJ found that Complainant has taken reasonable steps to protect the secrecy of the process, *Id.* at 132. The ALJ reaffirmed his findings in other sections regarding the lack of competition and inferior resins of competitors as putative support for the *prima facie* case that the process is not generally known or ascertainable. *Id.* Finally, the ALJ found that the use of [\* \* \*]is a valuable trade secret. *Id.* at 133-35.

Respondents argue that the ALJ erroneously found that [\* \* \*]is a trade secret. ID at 131-35. Respondents state that it is obvious that any chemical process must have [\* \* \*]Resps. Pet. at 21 (citing RX-421C (Swager Witness Statement), Q.108-17; RDX-7C). The Commission affirms the ALJ’s finding and adopts the ALJ’s reasoning, set forth in the ID at 131-135. Respondents cite the testimony of Dr. Swager who opined that [\* \* \*]was superior to other possible [\* \* \*]However, Dr. Hamed testified that Dr. Swager did not consider [\* \* \*]CX-1570C at Q.101. The Commission finds that the ALJ was correct in holding that [\* \* \*]is entitled to trade secret protection.

## 3. Use of [\* \* \*]

The ALJ found that the use of [\* \* \*]in the preparation of [\* \* \*]is not a trade secret. The ALJ found that Complainant made a *prima facie* case that the process was not generally known or readily available based on the same evidence of lack of competition as for other steps in the process, but found that the Respondents successfully rebutted the *prima facie* case. ID at 141. The ALJ relied on a 1990 article which reported that [\* \* \*]and an internal Complainant document acknowledging [\* \* \*]. *Id.* at 141-42 (RX-508 at 849RESP\_004654); 144 (citing RX-146 at SIGITC0000053452).

Complainant argues that the ALJ erred in finding the use of [\* \* \*]is not a trade secret. The Complainant argues that the literature commonly recommends [\* \* \*]Comp. Pet at 4, 6-7 (citing CX-1570C at Q.21). The Complainant also argues that there is no teaching to [\* \* \*]However,

this argument confuses the order of the steps. The [\* \* \*] is used to [\* \* \*] and the company would decide whether to [\* \* \*] Whether [\* \* \*] would not change [\* \* \*] The ALJ properly relied on the 1990 article in finding that it was generally known that [\* \* \*]. ID at 141-42 (citing RX-508 at 849RESP\_0004654). The Commission concludes that the ALJ was correct in finding that the use of [\* \* \*] is not protectable as a trade secret.

\*8 Therefore, the Commission affirms the ALJ's finding and adopts the ALJ's reasoning, set forth in the ID at 141-145.

#### 4. Use of [\* \* \*]

The ALJ found that Complainant's process of [\* \* \*] is a trade secret and used by the Complainant. ID at 159-63. The ALJ found that Complainant made a *prima facie* showing that the process was not generally known or readily ascertainable based on the same evidence of lack of competition set forth for other steps. *Id.* at 160. The ALJ concluded that the [\* \* \*] includes a goal not accounted for by Dr. Swager, Respondents' expert, *i.e.*, [\* \* \*]. *Id.* at 161-62. Finally, the ALJ found that the [\* \* \*] step had economic value. *Id.* at 162-63.

Respondents argue that Complainant's alleged [\* \* \*] trade secret is based on common sense and basic chemistry. Resps. Pet. at 27. Respondents argue that it is absurd to provide protection for [\* \* \*]. *Id.* at 28 (citing RX-421C at Q.159). Respondents argue that Complainant has not shown that [\* \* \*] is not generally known. *Id.*

The Commission affirms the ALJ's finding and adopts the ALJ's reasoning, set forth in the ID at 159-163, The ALJ's findings support that [\* \* \*] was more than just the [\* \* \*] because it included [\* \* \*] [\* \* \*] *i.e.*, more than just [\* \* \*] Tr. at 819. This means that there is a complex [\* \* \*] which is protectable as a trade secret.

Complainant does not engage in the conventional [\* \* \*] but rather the [\* \* \*] is a complex [\* \* \*] CX-1565C, Q. 83; Tr. at 232:24-233:6; 820:3-5. [\* \* \*] CX-1570C, Q.24-28. Complainant's [\* \* \*] process is [\* \* \*] CX-1570C, Q. 24. Mr. McAllister stated that "a large amount of work that was done to [\* \* \*] So it wasn't a straightforward [\* \* \*] Tr. 236:2-7.

The Commission concludes that the ALJ was correct in finding that the [\* \* \*] is protectable as a trade secret.

#### 5. [\* \* \*]

The ALJ found that the [\* \* \*] is not a trade secret because it is dictated by [\* \* \*] and is disclosed in the literature. ID at 168-71. The ALJ found that Complainant made a *prima facie* case that the [\* \* \*] was not generally known or readily ascertainable based on the same evidence of lack of competition set forth for other steps, but the ALI found that the Respondents rebutted this

*prima facie* showing. *Id.* at 168-69. The Commission affirms the ALJ's finding that the[\* \* \*]is not protectable as a trade secret and adopts the ALJ's reasoning, set forth in the ID at 168-171. Moreover, the Complainant did not petition for review of the ALJ's finding and did not raise the issue in its briefing on review. Therefore, this issue is waived.

## 6. [\* \* \*]

The ALJ found that the[\* \* \*]for the alkylation reaction was not a trade secret. The AD found that Complainant had made a *prima facie* case that [\* \* \*]was not generally known or readily ascertainable based on the same evidence of lack of competition set forth for other steps, but found that Respondents rebutted this showing with a number of printed references. *Id.* at 177-78. The ALJ further found that the Complainant failed to show how this process has economic value but found that the Complainant has taken reasonable steps to protect this limitation.

\*9 The Commission affirms the ALJ's finding that the[\* \* \*]of the alkylation reaction was not protectable as a trade secret and adopts the ALJ's reasoning, set forth in the ID at 177-181. Moreover, the Complainant did not petition for review of the ALJ's finding, and did not raise the issue in its briefing on review. Therefore, the issue is waived.

## 7. [\* \* \*]

The ALJ found that the combination of the following four features are a trade secret: [\* \* \*][\* \* \*]ID at 194-98. The ALJ found that Complainant made a *prima facie* showing that the limitation was not generally known or readily ascertainable for the same lack of evidence of competition as for the other steps. *Id.*

Respondents argue that the ALJ incorrectly concluded that aspects of Complainant's[\* \* \*]were protectable as trade secrets. Resps. Pet. at 33. Respondents argue that the ALJ erred in finding that Complainant made a *prima facie* showing that[\* \* \*]were not generally known based on the lack of competition absent a nexus between the lack of competition and the alleged trade secret. *Id.* (citing ID at 195; *Buffets*, 73 F.3d at 968-69 (9<sup>th</sup> Cir. 1996)). Respondents assert that[\* \* \*]was conventional, and that Complainant did not claim that any special[\* \* \*]. *Id.* at 35 (citing RX-422 at Q290-91).

The Commission affirms the ALJ's finding and adopts the ALJ's reasoning, set forth in the ID at 194-198. The evidence supports the ALJ's findings that the use of[\* \* \*]are part of a protectable trade secret based on Complainant's experience that[\* \* \*]Respondents argue in their petition that[\* \* \*]is standard, but Dr. Hamed testified that "[\* \* \*]" CX-1570, Q.33. Respondents are correct, however, that the[\* \* \*]is sold as a standard[\* \* \*]and that it is standard for there to be[\* \* \*]RX-422C at 34, 290-91. Nevertheless, the assertion of a trade secret is with respect to the combination of elements, including[\* \* \*]As noted by the Complainant and the IA, the ALJ found the combination of elements, including[\* \* \*]to be a trade secret because the

configuration offered[\* \* \*]ID at 197 (citing CX-1596C, Q.41; CX-608C). The Commission concludes that the ALJ was correct in finding that the[\* \* \*]is protectable as a trade secret.

### C. Which Condensation Steps are Protectable as Trade Secrets?

#### 1. Use of[\* \* \*]

The ALJ found that the use of[\* \* \*]is a trade secret and used by the Complainant. ID at 212-17. The ALJ found that Complainant made a *prima facie* showing that the use of[\* \* \*]was not generally known or readily ascertainable based on the same evidence of lack of competition as for other steps. *Id.* at 213. The ALJ found that Respondents did not rebut this *prima facie* showing. The ALJ found that Complainant has taken reasonable steps to protect the secrecy of its process and that the use of[\* \* \*]has economic value. *Id.* at 217.

\*10 Respondents argue that the ALJ's determination is contrary to Complainant's admissions that the use of[\* \* \*]is ascertainable through testing. Resps. Pet. at 43. Respondents argue that it was undisputed that resins made using[\* \* \*]will contain[\* \* \*]and Dr. Banach, Complainant's employee, testified that one can test for residuals in Complainant's product (SP-1068) which will tell them whether they are using[\* \* \*]*Id.* at 43-45 (citing RX-IC (Banach Depo. Tr.) at 249:6-251:6; Tr. at 184:4-23 (confirming deposition testimony)). Respondents acknowledge the ALJ's conclusion that testing would not differentiate between[\* \* \*]and[\* \* \*]*id.* at 46, or that testing would not differentiate the two without reference samples, *Id.* at 47, and argue that this is a litigation-inspired distinction and further aver that the ALJ is making a distinction between[\* \* \*]*Id.* at 45-46. Finally, Respondents argue that the ALJ was wrong to conclude that the use of[\* \* \*]was not well known in the industry. *Id.* at 48 (citing RX-510 at SLNOZJG\_0022260).

Respondents also argue that the '217 patent is still relevant and has not been waived. Resps. Sub. at 10. Respondents assert that although the ALJ distinguished the '217 patent because it was directed to phenol-aldehyde type resins that can be used for a variety of end uses, the underlying chemical reaction between[\* \* \*]to make resins had been known for a long time. *Id.* Respondents further argue that testing would allow one to reverse engineer the use of[\* \* \*]*Id.* at 12.

Complainant argues that the ALJ was correct in determining that the use of [\* \* \*]is not ascertainable through testing. Complainant points out that the [\* \* \*]*Id.* at 56 (citing CX-1570C at Q.37; CX-1565C at Q.13; Tr. at 183:5-184:3). Complainant argues that it would not be possible to reverse engineer the finished product unless one already knew that[\* \* \*]*Id.* at 57 (citing CX-1570C at Q97). Complainant further argues that one would not be able to distinguish between the use of[\* \* \*]and[\* \* \*]without knowing[\* \* \*]*See Id.* at 57-58 (discussing Tr. 181:12-21; 182:11-16; 436:18-464:18). Similar to the Complainant, the IA states that the ALJ properly rejected the possibility of reverse-engineering, finding that reverse engineering cannot differentiate between[\* \* \*]and[\* \* \*]IA Resp. at 22 (citing ID at 214-17).

The ALJ found that the use of [\* \* \*] in the condensation reaction was a trade secret. The question presented by the petitions is whether the use [\* \* \*] was generally known or readily ascertainable. The ALJ observed that the Encyclopedia of Chemical Technology, RX-510 (“Kirk-Othmer”), teaches that [\* \* \*] (citing RX-510 at SINOZJG\_0022260). We agree that Kirk-Othmer does not teach [\* \* \*]

The ‘217 patent mentioned the use of [\* \* \*] We agree with Complainant and the IA that Respondents waived reliance on the ‘217 patent because Respondents failed to include the ‘217 patent in their petition for review. 19 C.F.R. § 210.43.

\*11 There remains the question of whether [\* \* \*] was “readily ascertainable” by reason of reverse engineering. Complainant has argued that that reverse engineering could reveal [\* \* \*] but would not reveal that [\* \* \*] See ID at 214. On examination of the review briefing and on inspection of Respondents’ emails with non-party Sumitomo, we disagree with the ALJ because it appears that the analytical chemists inferred the possible use of [\* \* \*] from the reverse engineering, *i.e.*, [\* \* \*]<sup>2</sup> We are not persuaded by Complainant’s argument that Respondents did not appreciate that they were examining [\* \* \*] Indeed, Sumitomo appreciated that it was “a [\* \* \*]” and then went on to describe [\* \* \*] it observed based on the chemical fingerprint.<sup>3</sup>

Moreover, even if we agreed with Complainant, Complainant has not proven the independent economic value of [\* \* \*] Complainant has adduced testimony that [\* \* \*] yields tackier tackifier but Complainant has not proven that [\* \* \*] is superior to [\* \* \*] given that Sumitomo [\* \* \*] See CX-1584C at 849RESP\_0010291.

The ALJ also concluded that the reverse engineering was unsuccessful because there could be an alternative source of [\* \* \*] ID at 214. We disagree with the ALJ that this rendered the reverse engineering unsuccessful in the sense that the use of [\* \* \*] was still “readily ascertainable.” This infrared examination of the fingerprint of SP-1068 could be followed by experimentation to verify the process, and such verification would not detract from the fact that the use of “[\* \* \*]” was readily ascertainable from the infrared examination by analytical chemists.

We conclude that the Red-Avenue-Sumitomo reverse-engineering demonstrates that the use of [\* \* \*] was readily ascertainable but that other process steps, such as the use of [\* \* \*] were not, as explained elsewhere.

For these reasons, the Commission has determined to reverse the ALJ’s finding that Complainant has proven the existence of a trade secret in the use of [\* \* \*]

## 2.[\* \* \*]

The ALJ found that the use of [\* \* \*] is not a trade secret. ED at 229-30. The ALJ found that

Complainant used[\* \* \*]in its Shanghai plant from 2004-07. *Id.* at 230. The ALJ found that Complainant made a *prima facie* showing that [\* \* \*]was not generally known or readily ascertainable based on the same evidence of lack of competition set forth with respect to the other steps, but found that Respondents successfully rebutted the showing. *Id.* Namely, the ALJ found that Complainant's patents disclose the use of [\* \* \*]*Id.* at 231 (citing U.S. Patent Nos. 8,030,418 ("the '418" patent") and 7,425,602). Nevertheless, the ALJ found that the use of[\* \* \*]had economic value and that Complainant took reasonable steps to protect this process. ID at 234-35.

\*12 Complainant argues that the ALJ correctly found that U.S. Patent No. 7,772,345 (the "'345 patent") does not disclose the use of[\* \* \*]but erred in finding that the '418 and '602 patents do. Comp. Pet. at 8-9. As to the ' 418 patent, Complainant argues that Respondents' misappropriated the trade secret before the November 6, 2008, publication of the application that led to the '418 patent. *Id.* at 9. Complainant argues that Respondents misappropriated and used the[\* \* \*]trade secret in Nov. 2006, before the publication of the application which resulted in the '418 patent. Comp. Sub. at 31 (citing CX-1570C at Q.137; ID 515-16). Complainant argues that even if the information is now public, the UTSA permits the issuance of an injunction to negate the head start that a misappropriator gained. *Id.* at 10 (citing, *inter alia*, UTSA Sec. 1 cmt. (1985)).

The Commission affirms the ALJ's finding set forth in the ID at 229-235 that the use of[\* \* \*]was well known. In fact, Complainant's own patent, U.S. Patent No. 7,425,602, discloses the use of[\* \* \*]RX-498 (the '602 patent) at [\* \* \*]Tr. at 149; Tr. at 141-42; *see also* Tr. at 392. The Commission concludes that the use of the[\* \* \*]was not protectable as a trade secret.

### 3. [\* \* \*]

The ALJ found that the use of[\* \* \*]is a trade secret and used by the Complainant. ID at 244-50. The ALJ found that the[\* \* \*]in U.S. Patent No. 8,030,418 ("the '418 patent") is[\* \* \*]whereas in Complainant's process it is [\* \* \*]and as a result the '418 patent does not disclose[\* \* \*]*Id.* at 246 (citing RX-3 at[\* \* \*]Respondents' Post-Hearing Brief at 56-57). The ALJ further found that the '418 process is directed to the use of[\* \* \*]and does not address the use of[\* \* \*]The ALJ found that Complainant has taken reasonable steps to protect the secrecy of its process. *Id.* at 245. The ALJ found that Complainant made a *prima facie* showing of[\* \* \*]based on the same evidence of lack of competition set forth for the other steps. *Id.* at 245.

The ALJ found economic value to[\* \* \*]and that the improvement to Complainant's process was the "result of substantial expenditure on research and development [and] leveraged years of practical experience at the company running the alkylation and condensation reactions." ID at 248-49 (citing CX-1565C, Q.97).

\*13 Respondents argue that the ALJ erred because the[\* \* \*]which is equivalent to[\* \* \*]is

generally known because “[\* \* \*] appears in Complainant’s U.S. Patent No. 8,030,418, *i.e.*, [\* \* \*]” Resps. Pet at 50-51 (citing RX-421C at Q316-32; Tr. at 138:16-339:14). Respondents assert that Complainant has not proven that the [\* \* \*] is an improvement over the [\* \* \*] especially where Complaints admit that the [\* \* \*] *Id.* Respondents further argue that the ALJ erred in finding the ‘418 patent inapplicable because it was directed to [\* \* \*] rather than [\* \* \*] *Id.* at 52. Respondents counter that the ‘418 patent does not specify [\* \* \*] and Complainant [\* \* \*] *Id.* Respondents further argue that in making a public disclosure in a patent, Complainant has not followed the requirement of UTSA Sec. 1(4)(ii) to take reasonable steps to maintain secrecy. *Id.* at 53.

The Commission affirms the ALJ’s finding, set forth in the ID at 244-250. Complainant’s [\* \* \*] is [\* \* \*] CX-1565C, Q.22. Respondents have not shown that this was generally known or readily ascertainable. As to Respondents’ reliance on the ‘418 patent, the ALJ found that the ‘418 patent disclosed [\* \* \*] ID at 246 (discussing RX-3 (the ‘418 patent) at [\* \* \*] Tr. at 194:18-195:11 (Banach); RX-421C at Q.318 (Swager); Respondents’ Post-Hearing Br. at 56-57). Although the disclosed [\* \* \*] the ALJ found that the [\* \* \*] were different because Complainant uses [\* \* \*] We agree. Although in our view, the use of [\* \* \*] is not protectable as a trade secret, the [\* \* \*] is different [\* \* \*] and Complainant has shown that it has [\* \* \*] [\* \* \*] would have different composition than the [\* \* \*] in the patent. *See* Tr. 196:14-23. The [\* \* \*] therefore has independent economic value. We conclude that [\* \* \*] is protectable as a trade secret.

#### 4. The Use of [\* \* \*]

The ALJ found that the use of [\* \* \*] is not a trade secret but is used by the Complainant. ID at 257-60. The ALJ found that Complainant made a *prima facie* showing that the use of [\* \* \*] was not generally known or readily ascertainable based on the same evidence of lack of competition set forth with respect to the other steps but the ALJ found that the Respondents successfully rebutted the *prima facie* showing. The ALJ found that U.S. Patent No. 7,425,602 (“the ‘602 patent”) teaches the use of [\* \* \*] *Id.* at 259 (citing Tr. at 150:17-25; 368:23-396:6). Nevertheless, the ALJ found that the use of [\* \* \*] has economic value, *Id.* at 260, and that the Complainant took reasonable steps to protect its processes. *Id.* at 261.

\*14 Complainant argues that [\* \* \*] combined with [\* \* \*] avoids the need to [\* \* \*] Comp. Pet. at 15 (citing CX-1570C at Q.43). Complainant suggests that the ALJ erred in dismissing differences between the ‘602 patent and Complainant’s process, *i.e.*, that Complainant’s process uses [\* \* \*] and [\* \* \*] *Id.* at 16.

The Commission affirms the ALJ’s finding and adopts the ALJ’s reasoning, as set forth in the ID at 257-261. The ALJ was correct in finding that the ‘602 patent teaches [\* \* \*] ID at 259 (citing Tr. at 150:17-25; 368:23-396:6); RX-498 (the ‘602 patent) at 4:58-60. We conclude that the use of [\* \* \*] is not protectable as a trade secret. Further, Complainant has failed to prove that the use of [\* \* \*] has significance to the condensation process.

## 5. [\*\*\*]

Although the ALJ found that the use of [\*\*\*] was not a trade secret, the ALJ found that the use of [\*\*\*] was entitled to protection as a trade secret and was used by the Complainant. ID at 268-72. The ALJ found that Complainant had made a *prima facie* showing that [\*\*\*] was not generally known because of the same evidence of lack of competition set forth with respect to the other steps, and found that Respondents did not rebut this showing. *Id.* at 268. The ALJ found that the [\*\*\*] had economic value and that Complainant had taken reasonable steps to protect the process. *Id.* at 270-72.

Respondents argue that the ALJ erred in finding [\*\*\*] to be a trade secret because Complainant has admitted that [\*\*\*] is equivalent to [\*\*\*] which Complainant disclosed in the '379 patent application. Resps. Pet. at 54-57 (citing RX-355 at [\*\*\*] CX-1570C at Q.47; RX-302 [\*\*\*]). Both the Complainant and the IA argue that the ALJ properly concluded that the '602 patent does not disclose [\*\*\*] because the '602 patent is directed to [\*\*\*] IA Resp. at 26 (citing ID at 270). The IA states that Dr. Swager's testimony in support of Respondents' argument was conclusory whereas Dr. Banach gave un rebutted testimony regarding the difference in chemistry between [\*\*\*] *Id.* at 26-27 (citing ID at 270).

As discussed below, the Commission reverses the ALJ's determination that the use of [\*\*\*] was entitled to protection as a trade secret. Complainant uses [\*\*\*] ID at 268, which Complainant has admitted is equivalent to [\*\*\*] RX-555C at 51 n.12 (Complainant's Seventh Supplemental Response to Respondents' First Set of Interrogatories). The '602 patent discloses [\*\*\*] See RX-498 (the '602 patent) at 5:5-14. Complainant states that it uses [\*\*\*] which it states is different than [\*\*\*] although Dr. Banach conceded that [\*\*\*] ID at 263; CX-1570C at Q.47; RX421C, Q.354; Tr. at 148:1-5. The ALJ found that the '602 patent discloses a similar [\*\*\*] but does not so do with [\*\*\*] ID at 270 (citing Tr. 853:13-23). However, Complainant has admitted that [\*\*\*] See Comp. Resp. to Pet. at 65 ("Therefore, as stated in SI's interrogatory responses, it is equivalent to state [\*\*\*] RX-555C at 51, n.12."). Indeed, the [\*\*\*] See ID at 260 (discussing CX-1565C, Q.28). Thus, contrary to the ALJ's finding, it is irrelevant, for purposes of the asserted trade secret, whether [\*\*\*] because the [\*\*\*] Further, to the extent that there is difference between [\*\*\*] and [\*\*\*] Complainant has not proven that this difference has an independent economic value. For these reasons, the Commission has determined to reverse the ALJ's finding that [\*\*\*] is protectable as a trade secret

## 6. [\*\*\*]

\*15 The ALJ found that the use of [\*\*\*] was entitled to protection as a trade secret. ID at 281-87. The ALJ found that the Complainant used a [\*\*\*] at its Shanghai plant between 2004 and 2007, and has otherwise used [\*\*\*] *Id.* at 281. The ALJ found that Complainant has taken reasonable steps to protect the secrecy of its process. *Id.* at 282. The ALJ found that the

Complainant made a *prima facie* showing based on the same evidence of lack of competition set forth for other steps and found that the Respondents had not rebutted that showing. *Id.* at 282-83.

The ALJ observed that [U.S. Patent Application No. 2007/0060718 A1](#) discloses a similar[\* \* \*]but found that[\* \* \*]*Id.* at 283. The ALJ noted that [\* \* \*]The ALJ therefore concluded that[\* \* \*]was not generally known or readily ascertainable. The ALJ found that[\* \* \*]has economic value. *Id.* at 286.

Respondents argue that Complainant's '718 published patent application disclosed[\* \* \*]Resps. Pet. at 58-59. Respondents acknowledge the ALJ's reasoning that the '718 patent application did not disclose[\* \* \*]but argue that the '718 application is not limited to[\* \* \*]because it did not disclose [\* \* \*]*Id.* at 59. In response to the Commission's question as to whether Respondents benefited from a lead time before the publication of the '718 application, Respondents argue that[\* \* \*]was already known and typical, as evidenced by the '718 application and that Complainant's[\* \* \*]was[\* \* \*]and distributed to customers, Resps. Reply Sub. at 20-21 and n.18 (citing Tr. at 443:16-21; JX-7C; RX-496).

Complainant and the IA argue that the disclosure of the '718 application is not applicable to Complainant's[\* \* \*]because it does not disclose[\* \* \*]*Id.*; IA Resp. at 28 (citing ID at 283-84); IA Reply Sub. at 11. Complainant argues that Complainant uses[\* \* \*]and that Dr. Swager conceded that[\* \* \*]*Id.* at 69 (citing ID at 284). Complainant argues that its[\* \* \*]trade secret is not readily ascertainable through reverse engineering. *Id.* Complainant argues that the ALJ properly refused to credit the testimony of Dr. Swager that reverse engineering of[\* \* \*]was possible, and that any such reverse engineering was merely theoretical rather than actual. *Id.* at 69-70 (discussing ID at 286; Tr. at 862:24-863:5).

The Commission reverses the ALJ, ID at 281-287, and finds that there is not a trade secret in[\* \* \*]because it was generally known or readily ascertainable. The background of the '718 patent application indicates that it was already known in the art, *i.e.*, before the '718 application, that[\* \* \*]RX-496 (the '718 application) at[\* \* \*]("[\* \* \*]"). Dr. Banach, Complainant's employee, confirmed that[\* \* \*]was typical and in use: "the patent states that typical commercial ones are[\* \* \*]" Tr. 146:22-147:11; *see also* RX-531 (Pat. Appl. No.: 09/734,734, Published Jun. 21, 2001)[\* \* \*]; RX-291 (U.S. Patent No. 3,005,797, issued 1958) at SINOZJG 0023310[\* \* \*]). Further, to the extent that Complainant's[\* \* \*]may be slightly different, Complainant has not proven independent economic value in such a difference.

## 7. [\* \* \*]

**\*16** The ALJ found that the[\* \* \*]used in Complainant's Shanghai facility is a trade secret, *i.e.*,[\* \* \*]ID at 289-92. The ALJ found that Complainant made a *prima facie* showing that the[\* \* \*]was not generally known or readily ascertainable based upon the same evidence of lack of

competition set forth for other steps and found that Respondents had not rebutted this showing. ID at 290. The ALJ found that the ‘345 patent did not disclose[\* \* \*]and rejected Respondents’ argument that[\* \* \*]is required by[\* \* \*]because he found Dr. Swager’s testimony to be unsupported. *Id.* at 290-91. The ALJ found that the [\* \* \*]has economic value. *Id.* at 291-92.

Respondents assert that the difference between the alleged trade secret and the ‘345 patent was “razor thin” and the Complainant offered no meaningful evidence demonstrating that the[\* \* \*]had any independent value. Resps. Sub. at 13-14. Respondents state that the ALJ found that the value of the alleged trade secret was to[\* \* \*]*Id.* (citing ID at 292). Respondents argue that this problem and solution was disclosed in the ‘345 patent (RX-497 at[\* \* \*]), and that the[\* \* \*]does not relate to Complainant’s point of distinction from the ‘ 345 patent, *i.e.*, that[\* \* \*]*Id.* at 15.

Complainant asserts that Respondents have no evidence to dispute the ALJ’s finding that the ‘345 patent discloses a different[\* \* \*]than Complainant’s trade secret uses. Comp. Resp. at 71. Complainant asserts that Dr. Hamed’s argument refutes Dr. Swager’s claim that the[\* \* \*]is a common sense choice. *Id.* at 73 (citing CX-1570 at Q.108). Complainant asserts that the disclosure of the ‘345 patent is not limited to[\* \* \*]because it also teaches that [\* \* \*]*Id.* at 12-13 (citing RX-497,[\* \* \*]). The IA argues that the ALJ’s conclusion that the trade secret was not generally known or readily ascertainable is not based on clear error, and that the ALJ properly distinguished the ‘345 patent. IA Sub. at 11 (citing ID at 289-92). The IA asserts that the ALJ adequately distinguished the ‘345 patent from the asserted trade secret and that the ALJ correctly determined that the trade secret has independent economic value based on uncontested testimony from Dr. Banach. IA Reply Sub, at 5 (citing ID at 291-92).

\*17 The Commission has determined to reverse the ALJ’s holding that the [\* \* \*]is a trade secret. The Complainant’s own ‘345 patent discloses a similar[\* \* \*]ID at 290-91 (citing RX-497 at[\* \* \*]).

Respondents argue that it would be common sense to[\* \* \*]citing Dr. Swager’s testimony. See RX-421C at Q.387 (“It is natural for any chemist to[\* \* \*]”) The ALJ found Dr. Swager’s testimony to be unsupported and conclusory. ID at 291. We disagree. In our view, Dr. Swager provided a reasoned basis for his opinion.

Further, we agree with Respondents that the ALJ’s basis for the value of the alleged trade secret was to[\* \* \*]that this problem and solution was disclosed in the ‘345 patent (RX-497 at[\* \* \*]), and that the[\* \* \*]does not relate to Complainant’s point of distinction from the ‘345 patent, *i.e.*, that Complainant[\* \* \*][\* \* \*]Therefore, we agree with Respondents that Complainant has not proven independent economic value for its asserted trade secret.

For these reasons, the Commission has determined to reverse the ALJ’s finding that[\* \* \*]is protectable as a trade secret.

**8. [ \* \* \* ]**

The AU found that [ \* \* \* ] is not a trade secret and is used by the Complainant. ID at 298-302. The ALJ found that Complainant has taken reasonable steps to protect the secrecy of its process. *Id.* at 299. The ALJ found that Complainant had made a *prima facie* showing that [ \* \* \* ] is not generally known based on the same evidence of lack of competition set forth with respect to the other steps but the ALJ found that the Respondents successfully rebutted this showing. *Id.* at 299-300. The AU found that [U.S. Patent Application No. 2001/0004664](#) (“the ‘664 application’”) teaches [ \* \* \* ] *Id.* at 300. Nevertheless, the ALJ found that the [ \* \* \* ] has economic value. *Id.* at 301.

Complainant argues that in the relevant literature, [ \* \* \* ] *Id.* at 17 (citing CX-1570C at Q.52). Complainant argues that [ \* \* \* ] *Id.* at 18 (citing CX-1570C at Q.52; CX-1565C at Q.30). Complainant argues that the ALJ erred in finding that the ‘664 application discloses [ \* \* \* ] because the ‘664 application does not use [ \* \* \* ] and is conducted on a laboratory scale. *Id.* at 18-19 (citing CX-1570C at Q.139).

We affirm the ALJ and adopt the ALJ’s reasoning, set forth in the ID at 298-302. The ALJ was correct that [U.S. Patent Application No. 2001/0004664](#) (“the ‘664 application’”) teaches [ \* \* \* ] ID at 300 (citing RX-531 (the ‘664 application) at ¶5). We note that the ‘664 application does not specify [ \* \* \* ] Nevertheless, the ‘664 application renders [ \* \* \* ] readily ascertainable for [ \* \* \* ] The Commission concludes that [ \* \* \* ] is not protectable as a trade secret.

**9. [ \* \* \* ]**

**\*18** The ALJ found that [ \* \* \* ] is not a trade secret. ID at 310-14. The ALJ found that Complainant had made a *prima facie* showing that [ \* \* \* ] was not generally known based on the same lack of competition set forth for other steps but the ALJ found that Respondents successfully rebutted this showing. *Id.* at 311-12. The ALJ found that the ‘718 application teaches [ \* \* \* ] *Id.* at 312. Nevertheless, the ALJ found that [ \* \* \* ] has economic value. *Id.* at 313-14.

Complainant argues that [ \* \* \* ] Comp. Pet. at 20 (citing CX-1570C at Q.109). Complainant argues that [ \* \* \* ] [ \* \* \* ] *Id.* (citing Tr. at 201:14-202:12). Complainant asserts that the ALJ erred in relying on RX-496 (the ‘718 application) because it was published after the misappropriation occurred and because it discloses different features than Complainant’s process. *Id.* at 21.

The Commission affirms the ALJ’s finding, set forth in the ID at 310-314, that [ \* \* \* ] The [ \* \* \* ] ID at 312 (citing Tr. at 443:16-21; JX-7C). The Commission concludes that the [ \* \* \* ] is not protectable as a trade secret.

**10. [ \* \* \* ]**

The ALJ found that the combination of three features of [ \* \* \* ] is a trade secret, *i.e.*, (1) [ \* \* \* ] (2) [ \* \* \* ] and (3) [ \* \* \* ] ID at 327-31. The ALJ relied on testimony that “[ \* \* \* ] would be unique.” *Id.* at 327-28 (citing CX-1570C, Qs. 56-57). The ALJ found that these features have economic value and that Complainant has taken reasonable steps to protect the secrecy of these features. *Id.* at 329. The ALJ found that Complainant made a *prima facie* showing that the features were not generally known based on the same evidence of lack of competition set forth with respect to the other steps and found that Respondents had not rebutted this showing. *Id.* at 330.

Respondents argue that (1) [ \* \* \* ] confirms that Complainant’s use of [ \* \* \* ] was conventional; (2) the ALJ erred as a matter of law in extending trade secret protection to a combination of known features where Complainant provided no support for a finding that the combination’s value exceeded the sum of the values of each individual feature; and (3) Complainant has never claimed that [ \* \* \* ] as a whole is a trade secret and Complainant should not be allowed to rely on a subset of features if the whole is not a trade secret. Resps. Sub. at 15-16. Respondents argue that each of the features falls in the middle of the conventional range, *i.e.*, for [ \* \* \* ] and that a specific value in a disclosed range is publicly known. Resps. Sub. at 11; Resps. Reply Sub. at 16-17 (citing RX-532 at 849RESP0000560-61; RX-422C at Q.380-81; RX-270 at 214; RX-505 at 85; *Ultimax Cement Manuf. Corp. v. CTS Cement Manuf. Corp.*, 587 F.3d 1339, 1354-56 (Fed. Cir. 2009)). Respondents state that the component features were chosen by [ \* \* \* ], and that [ \* \* \* ] disclosed [ \* \* \* ] to Complainant. *Id.* at 16. Respondents argue that there is a heightened standard for combination trade secrets, and that a combination of features must exceed the value of the individual features. Resps. Sub. at 11-12; Resps. Reply Sub. at 17-18 (citing *Strategic Directions Group v. Bristol-Meyers Squibb*, 293 F.3d 1062 (8<sup>th</sup> Cir. 2002)).

**\*19** Complainant asserts that [ \* \* \* ], did not disclose [ \* \* \* ] and did not alone or in combination with any other reference disclose the combination of [ \* \* \* ] *i.e.*, (1) [ \* \* \* ] (2) [ \* \* \* ] [ \* \* \* ] and (3) [ \* \* \* ] Comp. Sub. at 13-14.

Complainant argues that *Ultimax* did not address the situation where a trade secret is a specific value within a previously disclosed range, citing *BBA Nonwovens Simpsonville, Inc. v. Superior Nonwovens, LLC*, 303 F.3d 1332, 1340 (Fed. Cir. 2002), and did not address the situation where a trade secret is combined with other features, which as a whole forms a unique trade secret. Comp. Reply Sub. at 8. Complainant, citing *Synthex Ophthalmics, Inc. v. Novicky*, 745 F.2d 1423, 1434 (Fed. Cir. 1984), disagrees with Respondents’ assertion that there is a heightened standard for the assertion of combination trade secrets. *Id.* Complainant asserts that Respondents are focused on immaterial differences between their [ \* \* \* ] and the asserted invention. *Id.* at 9 (citing ID at 562).

The IA makes similar arguments to the Complainant, and states that [ \* \* \* ] did not disclose [ \* \* \*

\*]used by Complainant (or the other features) when it disclosed[\* \* \*]IA Sub. at 12-13; IA Reply Sub. at 5. The IA argues that the ALJ properly relied on the corroborating testimony of Dr. Haraed and Mr. McAllister, in which they opined that the combination of features allows the Complainant to[\* \* \*]Id. at 6 (citing ID at 327-331).

The Respondents have demonstrated that[\* \* \*]because[\* \* \*]was using [\* \* \*]RX-532 at 849RESP0000560-61; RX-422C, Q.380-81,[\* \* \*]and the use of [\* \* \*]were publicly known, RX-422C at QQ.354-58, 384-85, and the use of [\* \* \*]is taught in textbooks because of the use of[\* \* \*]RX-270 at 212. Complainants have not demonstrated that there was anything unique about [\* \* \*]and Complainant has not demonstrated anything unique about the combination of publicly known elements. *Compare BBA Nonwovens Simpsonville, Inc. v. Superior Nonwovens, LLC*, 303 F.3d 1332, 1340 (Fed. Cir. 2002) (combination was “very unique”). Indeed, Complainant has not shown independent economic value for[\* \* \*]or that the combination of elements has independent economic value. For these reasons, the Commission has determined to reverse the ALJ’s finding that these features of the[\* \* \*]are protectable as a trade secret.

#### **D. Overall Process Flow Trade Secret**

The ALJ found that the overall process flow, defined as the seven alkylation reaction features[\* \* \*]combined with the ten condensation reaction features [\* \* \*]is a trade secret. ID at 342-45. The ALJ found that Complainant practiced each of the individual elements, and has not disclosed the elements. *Id.* at 342. The ALJ found that Complainant made a *prima facie* showing that the overall process flow was not generally known based on the same evidence of lack of competition set forth with respect to the other sections and found that the Respondents have not rebutted this *prima facie* showing. The ALJ found that the combination of seventeen elements is valuable. *Id.* at 344.

\*20 Respondents argue that the ID was “wrong” to conclude that Complainant’s so-called “overall process flow” was entitled to trade secret status. Resps. Pet. at 73-75. Respondents argue that the ALJ erred in finding the combination of 17 components to be secret where the ALJ found that 7 of the 17 alleged trade secrets were not legitimate. *Id.* at 75 (relying on *Fishing Concepts*, 1985 U.S. Dist. LEXIS 19763 at \* 13-14; *Arco Indus.*, 633 F.2d at 441-42).

The Commission affirms the ALJ’s finding and adopts the ALJ’s reasoning, set forth in the ID at 342-345. The ALJ did not err in finding that, just as certain elements are unique[\* \* \*]the combination of elements is also unique. The Commission concludes that the overall process is protectable as a trade secret.

#### **E. Respondents’ Access to the Trade Secrets Through Mr. Xu and Mr. Lai**

The AU found that Complainant has shown by a preponderance of the evidence that Mr. Jack Xu and Mr. C.Y. Lai, two high-level employees at Complainant’s Shanghai subsidiary had

unquestioned access to Complainant's trade secrets in the normal course of their employment. ID at 390. The ALJ found that Mr. Xu and Mr. Lai signed confidentiality and noncompetition agreements with Complainant's Shanghai subsidiary but left to work for Respondents where Respondents wrongfully took Complainant's SP1068 trade secrets by unfair means. *Id.* at 390-91; 392 (Lai agreement, CX-256C); 393-94 (Xu agreements, CX-317C at 5 and CX-318C-320C).

The ALJ found that Respondents have failed to explain how they proceeded from their pre-November 2006 parameters to the post-November 2006 parameters that strikingly resemble Complainant's parameters. *Id.* at 406. The ALJ thus found that strong circumstantial evidence compels the conclusion that Respondent Sino Legend ZJG wrongfully took Complainant's trade secrets by unfair means through Mr. Xu and Mr. Lai. *Id.* The ALJ found that copying is especially evident in the particular match in the[\* \* \*]in Mr. Fan's notebook, which is exact to the thousandth decimal point. *Id.* (citing Tr. 458:2-24).

The Respondents argue that the ALJ's finding of access by Mr. Xu or Mr. Lai to pre-2000 formulas is unsupported and clear error. Resps. Pet. at 10-13. Respondents state that they do not dispute that Mr. Xu and Mr. Lai saw Complainant's Formula 1 for making SP-1068 and the United States precedent for Formula 1 (post-2000) but argue that there was no evidence that anyone who worked at Sino Legend ever laid eyes on any pre-2000 process information relied on by Complainant. Resps. Pet. at 10-11.

The Commission affirms and adopts the ALJ's findings, set forth in the ID at 390-406, The ALJ was correct in finding that Mr. Lai and Mr. Xu had access to Complainant's trade secrets by virtue of their positions at the Shanghai plant. The email correspondence indicates that Mr. Lai was aware of the use of [\* \* \*]at other facilities even though this was not used in Shanghai. The Commission concludes that Mr. Lai and Mr. Xu had access to Complainant's trade secrets.

## **F. Respondents' Use of Trade Secrets**

**\*21** The Commission affirms and adopts the ALJ's findings, set forth in the ID at 424-428. The ALJ found that Respondents' processes used Complainant's alleged trade secrets. *Id.* at 424. Based on Dr. Qiao's witness statement, the ALJ found that (he Key in CDX-001C reflects that Dr. Chao made a comprehensive comparison for each of: (1) the lab scale experiments from Mr. Fan's notebook in 11/2006; (2) Sino Legend's pilot study in 12/2006; (3) Sino Legend's first commercial scale production of SL-1801 in 12/2007; (4) Sino Legend's[\* \* \*]SL-1801 importation batches in 2010-12; (5) Sino Legend's[\* \* \*]SL-1801 and SL-1802 importation batches in 2012; and (6) formula 1 with Respondents' products, whether or not included in the tables. *Id.* at 425. The ALJ found that the LFP products were modifications of the original 1801 formula with "low free PTOp." *Id.* at 426 (citing Tr. at 461:13-16 and 462:10-17).

The ALJ found that even without the explicit evidence of documentary copying, the later

versions of Sino Legend's products were at least derived from misappropriated proprietary information from Complainant. *Id.* at 426.

The ALJ rejected Respondents' argument that the trade secret is a patchwork of formulas from different times, places, and products. *Id.* at 427. The ALJ found that Complainant asserted that its own rubber resins at issue include SP-1068, HRJ-2765, SP-1045, and R-7578, and that it practices variations of the SP-1068 process at its Rotterdam Junction and Shanghai plants. *Id.*

We address the arguments as to whether there is misappropriation of the individual trade secrets (for the alkylation reaction, for the condensation reaction, and for the overall process) in the following sections.

## **G. Technical Proofs of Misappropriation of Each Alkylation Reaction Alleged Trade Secret**

### **1. [\* \* \*](and the Issue of the LFP Products)**

The ALJ found that Respondents' process for manufacturing[\* \* \*]tackifier resins uses and substantially uses (or is at least derived from) Complainant's trade secret. The ALJ found that a November 8, 2006, experiment from Mr. Fan's lab notebook shows[\* \* \*]*Id.* at 449 (citing CX-32C at SINOZJG\_005184, 88; CDX-2C at No. 10; CDX-3C at No. 10; CX-1566C, Q-24). The ALJ found that Sino Legend used[\* \* \*]for its December 2006 pilot study. *Id.* (citing CX-1566, Q.24). The ALJ rejected Respondents' argument that the[\* \* \*]would be different when taking into account[\* \* \*]for the reasons discussed with respect to the trade secret [*e.g.*,[\* \* \*]], and found that[\* \* \*]would in any event be substantially similar. *Id.* at 450-51. The ALJ rejected Respondents' argument that the LFP (low free PTOP) products use a different[\* \* \*]because Dr. Chao testified that they are derived from the same basic process as the SL-1801 and SL-1802 products. *Id.* at 451 (citing Tr. at 461:13-16; 462:10-17).

\*22 Respondents assert that there is no evidence that the[\* \* \*]for the LFP products is derived from Complainant's[\* \* \*]Resps. Reply Sub. at 5. Respondents argue that merely because the SL-1801 and 1802 products came first does not mean that the LFP[\* \* \*]was based thereon. *Id.* at 6. Respondents further contend that there is no evidence that the LFP[\* \* \*]was based on an historical formula of Complainant, and that the[\* \* \*]is different from Complainant's. *Id.* at 7.

Respondents argue that Sino Legend's LFP products should be outside the scope of any exclusion order because they argue that changing one component can negate . misappropriation. Mat 10 (citing *In re: John Wilson*, 1999 U.S. App. LEXIS 27340 at \*5-6 (4<sup>th</sup> Cir. 1999)). Respondents further argue that the remaining alleged trade secrets, such as[\* \* \*]cannot justify an exclusion order. Resps. Reply Sub. at 9.

Complainant asserts that the[\* \* \*]used to make the LFP products are based on Complainant's

historical formulae which had[\* \* \*]Comp. Sub. at 2-3 (citing CX-1565C at Q.61-62). Complainant asserts that modification does not remove the copied process from the realm of misappropriation because the process is derived from the misappropriated information. *Id.* at 4-6 (citing *Mangren Research and Development Corp. v. National Chem. Co., Inc.*, 87 F.3d 937, 943-45 (7<sup>th</sup> Cir. 1996); *Norbrook Labs. Ltd. v. G.C. Hartford Mfg. Co.*, 297 F.Supp.2d 463 (N.D.N.Y. 2003); *Pioneer Hi-Bred Int'l v. Holden Foundation Seeds, Inc.*, 35 F.3d 1226, 1239 (8<sup>th</sup> Cir. 1994); *Agilent Techs., Inc. v. Kirkland*, C.A. No. 3512-VCS, 2010 LW 610725, \*22 (Del. Ch. Feb. 18, 2010); *Sokol Crystal Prods, Inc. v. DSC Commc'ns. Corp.*, No. 91-C-974-S, 1993 WL 597382, \*3 (W.D. Wis. Mar. 30, 1993)). Similarly, in the IA's view, the importation of Respondents' LFP products violates Section 337 because the process for the LFP products is derived from SI's process and modifications that are based on misappropriated trade secrets do not negate a finding of misappropriation. IA Sub. at 6; IA Reply Sub. at 2.

As set forth in Section III.B.1. *supra*, Complainant has a protectable trade secret in the use of[\* \* \*]. As to whether that[\* \* \*]is present in Respondents' processes, the Commission adopts the ALJ's findings, set forth in the ID at 449-452, although the Commission reaches a different conclusion as to the presence of misappropriation with respect to the LFP products. The ALJ was correct in finding that Mr. Fan's lab notebook shows an experiment using [\* \* \*]and a pilot study using[\* \* \*]ID at 449 (citing CX-32C at SINOZJG\_005184, 88; CDX-2C at No. 10; CDX-3C at No. 10; CX-1566C, Q.24). This is classic misappropriation of trade secrets, with copying down to the thousandth decimal place.

\*23 Respondents' LFP products use[\* \* \*]ID at 429. The ALJ found that the LFP products were derived from the experiments[\* \* \*]and were also derived from Complainant's use of[\* \* \*]in Rotterdam Junction. *Id.* Complainant relies on *Mcmgren Research and Development Corp. v. National Chem. Co., Inc.*, 87 F.3d 937, 943-45 (7<sup>th</sup> Cir. 1996) (*cited in Certain Cast Steel Railway Wheels, Inv. No. 337-TA-655, USITC Pub. 4265 (March 19, 2010)*), for the proposition that a modification of[\* \* \*]does not lessen the misappropriation of [\* \* \*]However, Complainants narrowly defined the trade secret as[\* \* \*]in view of the ranges of values which were known in the art It is inconsistent for Complainants to attempt to capture in application what they gave up in definition. Complainant cannot now argue that the LFP products were derived from a trade secret relating to[\* \* \*]where Complainant has disclaimed [\* \* \*]used by the LFP products in obtaining trade secret protection for [\* \* \*]For these reasons, the Commission has determined to reverse the ALJ's finding of misappropriation of[\* \* \*]with respect to the LFP products. Nevertheless, because Respondents' processes have misappropriated other trade secrets, as set forth *infra*, the LFP products are still subject to exclusion by reason of misappropriation of other trade secrets.

## 2. [\* \* \*]

The ALJ found that Respondents' process for manufacturing[\* \* \*]tackifier resins uses Complainant's trade secret. *Id.* at 463-65. The ALJ relied on Dr. Chao's testimony that Sino

Legend ZJG's December 2006 pilot study shows a [\* \* \*][\* \* \*]*Id.* (citing CX-60C). The ALJ found that the trade secret does not require a specific[\* \* \*]and because the ALJ found that the evidence shows that Sino Legend does in fact use a[\* \* \*]

Respondents argue that Sino Legend has never practiced[\* \* \*]in combination with[\* \* \*]in any commercial production, and that the ALJ only found use in a 2006 pilot study. Resps. Pet. at 25. Respondents argue that Sino Legend uses a [\* \* \*]*Id.*

As set forth in Section III.B.2. *supra*, the Commission affirms the ALJ's finding that there is a protectable trade secret in the use of[\* \* \*]As to misappropriation, the Commission affirms the ALJ's finding and adopts the ALJ's reasoning, set forth in the ID at 463-465. We further agree with the IA that no specific[\* \* \*]is required by the trade secret, only the use of[\* \* \*]The Commission concludes that Respondents' processes misappropriated the[\* \* \*]

### 3. Use of[\* \* \*]

As set forth in Section III.B.3. *supra*, the Commission affirms the ALJ's finding that the use of[\* \* \*]is not a valid trade secret. Therefore, although Respondents use[\* \* \*]ID at 467-468, there is no misappropriation of a protectable trade secret with respect to the use of[\* \* \*]The Commission thus affirms the ALJ's findings of no misappropriation with respect thereto.

### 4. Use of[\* \* \*]

\*24 The ALJ found that Respondents' process for manufacturing [\* \* \*]tackifier resins uses Complainant's trade secret. *Id.* at 272. The ALJ relied on Dr. Chao's testimony to this effect and on Respondents' First Supplemental Response to Complainant's Requests for Admission that "the process for manufacturing SL-1801 [\* \* \*]" *Id.* (quoting CX-492C at 51).

Respondents argue that Complainant failed to present sufficient evidence that Sino Legend's[\* \* \*]is the same as Complainant's[\* \* \*]Resps. Pet at 32. Respondents argue that although Dr. Chao described Respondents' process, he never provided a comparison with Complainant's process and that the ALJ incorrectly placed the burden on Respondents to identify a difference. *Id.* at 32, Respondents further argue that Respondents' LFP products[\* \* \*]that Complainant has never used. *Id.*

As set forth in Section III.B.4. *supra*, the Commission affirms the ALJ's finding that the use of[\* \* \*]is a trade secret. The Commission further affirms and adopts the ALJ's findings, set forth in the ID at 472-480, as to misappropriation. The ALJ was correct in finding that the Respondents' processes[\* \* \*]based on Dr. Chao's testimony. ID at 472-80; CX-1566C, Q.31. The Commission therefore concludes that Respondents' processes have misappropriated[\* \* \*]

### 5. [\* \* \*]

As set forth in Section III.B.5. *supra*, the Commission affirms the ALJ's finding that the [redacted] is not a trade secret. Therefore, although Respondents' processes use the same [redacted] as Complainant, ID at 482484, there is no misappropriation of a protectable trade secret with respect to the [redacted]. The Commission thus affirms the ALJ's finding of no misappropriation with respect thereto.

## 6. [redacted]

As set forth in Section III.B.6. *supra*, the Commission affirms the ALJ's finding that the [redacted] is not a valid trade secret. Therefore, although Respondents use Complainant's method of [redacted] ID at 487-489, there is no misappropriation of a protectable trade secret with respect to the [redacted]. The Commission thus affirms the ALJ's finding of no misappropriation with respect thereto.

## 7. The [redacted]

The ALJ found that Respondents' process for manufacturing [redacted] tackifier resins substantially uses or is at least derived from Complainant's trade secret ([redacted]. *Id.* at 502-503. The ALJ found that credible evidence shows that certain aspects of Sino Legend ZJG's [redacted] were changed to conform to the [redacted] in Complainant's plant, *i.e.*, based on a difference between 2005 and 2007. *Id.* (comparing CX-1345C and Tr. 436:3-437:11).

Respondents argue that the ALJ incorrectly found that Sino Legend misappropriated complainant's [redacted] because Respondents state that there are "dozens of differences" between Complainant's and Respondents' [redacted] Resps. Pet. at 37. Respondents assert that Dr. Chao acknowledged that he did not compare all aspects of the [redacted] but rather focused on certain aspects. *Id.*

**\*25** As set forth in Section III.B.7. *supra*, the Commission affirms the ALJ's finding that the [redacted] is a protectable trade secret. The Commission further affirms and adopts the ALJ's findings that Respondents' processes have misappropriated Complainant's trade secrets with respect to the [redacted] set forth in the ID at 502-505.

The ALJ was correct in finding that credible evidence shows that certain aspects of Sino Legend ZJG's [redacted] were changed to conform to the [redacted] in Complainant's plant. ID at 503. The ALJ relied on Dr. Chao's Witness Statement (CX-1566C). Dr. Chao analyzed Sino Legend's 2005 [redacted] (CX-1345C) and Sino Legend's 2007 [redacted] (CX-57C). Dr. Chao makes a comparison of different metrics inasmuch as the 2005 [redacted] and the 2007 [redacted]. Nevertheless, Dr. Chao gave the opinion that the 2007 [redacted] appears to copy Complainant's [redacted] as it has the same [redacted] and Sino Legend used the same [redacted] CX-1566C at Q.37. Sino Legend also uses a [redacted] *Id.* Dr. Chao stated that [redacted] of Sino Legend's [redacted] *Id.* (relying on CX-0853C, CX-0532C, and CX-0606C). It is immaterial whether there are other differences between the [redacted] not asserted

as part of the trade secret. The Commission therefore concludes that the ALJ was correct in finding misappropriation of the[\* \* \*]

## H. Technical Proofs of Misappropriation of Each Condensation Reaction Alleged Trade Secret

### 1. Use[\* \* \*]

As set forth in Section III.C.1, *supra*, the Commission has reversed the ALJ's finding that the use of[\* \* \*]was protectable as a trade secret because of the reverse engineering described above which revealed the use of[\* \* \*]Therefore, although Respondents' processes use[\* \* \*]ID at 514-516, there is no misappropriation of a protectable trade secret with respect to the use of [\* \* \*]The Commission has thus determined to reverse the ALJ's finding of misappropriation with respect thereto.

### 2. Use of[\* \* \*]

As set forth in Section III.C.2. *supra*, the Commission affirms the ALJ's finding that the use of[\* \* \*]is not a trade secret Therefore, although Respondents use[\* \* \*]which is equivalent to[\* \* \*]ID at 515, there is no misappropriation of a protectable trade secret with respect to the use of [\* \* \*]The Commission thus affirms the ALJ's finding of no misappropriation with respect thereto.

### 3. [\* \* \*]

The ALJ found that Mr. Fan's notebook indicates experiments from November 10-17, 2006, in which he used[\* \* \*]ID at 519 (CX-1566C, Q.44; CX-32C at 2-9). The ALJ thus found that Respondents used Complainant's[\* \* \*]in the early lab experiments for the production of SL-1801 and in the first commercial scale condensation reaction batch of 1802. *Id.* at 519 (citing CX-1566C, Q.44; CX-223C at 2-3; CX-232C at 1-2).

Respondents argue that its[\* \* \*]varies from[\* \* \*]and furthermore the use of [\* \* \*]is exactly consistent with the[\* \* \*]disclosed in Complainant's '418 patent. Resp. Pet. at 53-54.

**\*26** As set forth in Section III.C.3, *supra*, the Commission affirms the ALJ's finding that there is a trade secret in the[\* \* \*]based on a difference from the '418 patent, which taught[\* \* \*]*i.e.*, that Complainant has optimized[\* \* \*]Further, the Commission affirms and adopts the ALJ's findings, set forth in the ID at 518-520, that Respondents' processes used Complainant's [\* \* \*]in the early lab experiments for the production of SL-1801 and in the first commercial scale condensation reaction batch of 1802. ID at 519 (citing CX-1566C, Q.44; CX-223C at 2-3; CX-232C at 1-2). It is uncontested that the [\* \* \*]is equivalent to[\* \* \*]ID at 244. We agree with the ALJ that there was copying of the[\* \* \*]in the lab notebooks. ID at 244, 402-03. The

Commission therefore affirms the ALJ's finding that Respondents' processes misappropriated the[\*\*\*]

**4. [\*\*\*]**

As set forth in Section III.C.4. *supra*, the Commission affirms the ALJ's finding that Complainant's use of[\*\*\*]is not a valid trade secret. Therefore, although Respondents' processes use[\*\*\*]ID at 522, there is no misappropriation of a protectable trade secret with respect to the use of [\*\*\*]The Commission thus affirms the ALJ's finding of no misappropriation with respect thereto.

**5. [\*\*\*]**

As set forth in Section III.C.5. *supra*, the[\*\*\*]is not protectable as a trade secret. Therefore, although Respondents' processes use a similar[\*\*\*]as Complainant, ID at 525-526, there is no misappropriation of a protectable trade secret with respect to the[\*\*\*]The Commission has thus determined to reverse the ALJ's finding of misappropriation with respect thereto.

**6. [\*\*\*]**

As set forth in Section III.C.6. *supra*, the[\*\*\*]is not protectable as a trade secret. Further, there is no misappropriation because Sino Legend is using a different[\*\*\*]which Complainant asserted is a trade secret. CX-1566C at Q. 50; Tr. 424. The Commission therefore finds that there is no misappropriation of a protectable trade secret with respect to the[\*\*\*]The Commission has thus determined to reverse the ALJ's finding of misappropriation with respect thereto.

**7. [\*\*\*]**

As set forth in Section III.C.7. *supra*, the[\*\*\*]is not protectable as a trade secret. Therefore, although Respondents' processes use the same[\*\*\*]as Complainant, ID at 543-45, there is no misappropriation of a protectable trade secret with respect to the[\*\*\*]The Commission has thus determined to reverse the ALJ's finding of misappropriation with respect thereto.

**8. Use of [\*\*\*]**

As set forth in Section III.C.8. *supra*, the Commission affirms the ALJ's finding that[\*\*\*]is not a trade secret. Therefore, although Respondents' processes use a[\*\*\*]ID at 547-549, there is no misappropriation of a protectable trade secret with respect to the[\*\*\*]The Commission thus affirms the ALJ's finding of no misappropriation with respect thereto.

**9. Use of [\*\*\*]**

\*27 As set forth in Section III.C.9. *supra*, the Commission affirms the ALJ’s finding that the use of[\* \* \*]is not a valid trade secret, Therefore, although Respondents use[\* \* \*]ID at 550-551, there is no misappropriation of a protectable trade secret with respect to the use of[\* \* \*]The Commission thus affirms the ALJ’s finding of no misappropriation with respect thereto.

**10. [\* \* \*]**

As set forth in Section III.C.10. *supra*, the[\* \* \*]is not protectable as a trade secret. Therefore, although Respondents’ processes use a similar[\* \* \*]to Complainant’s, ID at 550-551, there is no misappropriation of a protectable trade secret with respect to the[\* \* \*]The Commission has thus determined to reverse the ALJ’s finding of misappropriation with respect thereto.

**I. Technical Proof of Misappropriation of the Overall Process Flow Alleged Trade Secret**

The ALJ found that Respondents’ process for manufacturing the accused tackifiers use, substantially use, and are substantially derived from Complainant’s trade secret, *i.e.*, the combination of the 17 aspects of Complainant’s process. ID at 574, The ALJ stated that he relied on the entries in Mr. Fan’s notebook, documents relating to the initial pilot study, documents relating to commercial scale production, and the manufacture of SL-1801 and SL-1802. *Id.* at 575.

Respondents argue that they cannot be found to use the alleged “overall process flow” because they are not using all of the 17 alleged individual trade secrets. Resps. Pet. at 76. Respondents provide the example that the LFP products do not use[\* \* \*]*Id.*

Here, even if certain of the 17 individual trade secrets are not protectable individually as trade secrets, or if Respondents have modified certain steps, it is our view that the overall combination of elements is protectable since it incorporates several valid trade secrets and has been misappropriated as discussed above. The Commission therefore affirms and adopts the ALJ’s finding, set forth in the ID at 574-575, that Respondents’ processes have misappropriated a protectable trade secret in the overall process (except with respect to the LFP products which do not practice the[\* \* \*])

**J. Affirmative Defenses**

**1. Independent Development**

We address this defense in the sections above with respect to each individual trade secret.

**2. Unclean Hands**

Respondents argued to the ALJ that Complainant itself improperly obtained and used Sino Legend's confidential process to modify SP1068 in China. ID at 604. The ALJ found this affirmative defense of unclean hands to be "ludicrous." ID at 607. The ALJ found that Respondents have come to this investigation with unclean hands in which "1068" was whited out, refused to provide Mr. Pu's deposition, and a page was torn from Mr. Pu's notebook. *Id.* at 608. The ALJ found that credible evidence shows that Respondents have taken steps to hide the relationships between the parties and the origin of products. *Id.* at 609. The ALJ further found that Respondents failed to provide any support for their very general allegation of unclean hands. *Id.*

\*28 No petitions for review were filed and the Respondents did not contest the ALJ's factual finding in their briefing on review. The Commission therefore affirms and adopts the ALJ's fact finding that Respondents have not shown unclean hands on the part of the Complainant.

### **K. Allocation of the Burden of Proof**

The ALJ found that "Complainant has made a *prima facie* showing that its process for making tackifier resins is not generally known." ID at 117. This is part of the ALJ's analysis for each of the trade secrets, for which he individually determined whether Respondents rebutted the *prima facie* showing for each asserted trade secret

In reaching his conclusion that Complainant has made a *prima facie* showing that the process is not generally known, the ALJ found that Dr. Hamed testified that "no company (other than Sino Legend) has been able to make a similar product effectively and economically capable of competing with SI Group's SP-1068 in the United States. This fact provides further support for my opinions that SI Group's trade secrets provide a clear economic advantage to SI Group and are novel and not generally known." CX-1570C, Q.7. The ALJ found that Dr. Putnam and Dr. Hart testified that the only competing product, made by Durez, was of inferior quality. ID at 117.

Respondents argue that there is no legally sufficient nexus between the cited evidence of Complainant's supposed market share and alleged inferior quality of its competitor's product, on the one hand, and whether each of the alleged trade secrets is generally known or readily ascertainable, on the other. Resps. Sub. at t 27, 29 (citing ID at 116-117, 132, 160, 195, 245, 269, 282-83, 290, 330, 343). Respondents assert that the mere existence of market share and allegations of a competitor's inferior quality are not enough to establish a *prima facie* showing that a trade secret is not generally known or readily ascertainable. *Id.* at 27. Respondents argue that there must be a "demonstrated relationship" (or nexus) between the lack of success of the plaintiff's competitors and the secrecy of its alleged trade secret recipes. *Id.* (citing [Buffets v. Klinke](#), 73 F.3d 965, 969 (9th Cir. 1996)). Thus, the Respondents state that Complainant did not establish a *prima facie* case sufficient to justify shifting the burden onto Respondents to disprove all of the alleged trade secrets. *Id.* at 28.

As noted above, the ALJ found that Complainant made a *prima facie* case of the existence of a trade secret for each of the trade secrets. *E.g.*, ID at 117. The Commission affirms the ALJ's finding and adopts his reasoning with the following clarification. Wright & Miller explain that the phrase "proving a *prima facie* case" is another way of saying that the party has satisfied the burden of production. [Wright & Miller, Federal Practice and Procedure § 5122](#) ("When the party satisfies the burden of production, she is sometimes said to have proved a "*prima facie* case.") Wright & Miller explain that in this situation, the party that has satisfied its burden of production retains the burden of persuasion, and indeed, proving a "*prima facie*" case does not mean that the party has satisfied the burden of persuasion - - it just means that the party has put in enough evidence to survive a motion for a directed verdict (or summary judgment motion). *Id.* Nevertheless, the opposing parties may very well wish to produce evidence for the contrary position. We thus affirm the ALJ with the clarification that, where the ALJ indicated that Complainant made a *prima facie* case, this means that Complainant satisfied the burden of production and retained the burden of persuasion.

**\*29** The ALJ held that Complainant made a *prima facie* case that each of the alleged trade secrets was not generally known or readily ascertainable based on testimony that Complainant occupies[\* \* \*]% of market share and on testimony that Sumitomo makes an inferior product. Tr. at 528:4-18, 547:22-548:8; CX-1567C at QQ. 147-48; CX-1586C at QQ. 64-66; JX-5C at 5; *see also* CX-1570C, Q.7 (Hamed). The testimony relied on by the ALJ is indirect evidence that Respondents did not know what process Complainant used. Nevertheless, we agree with Respondents that the testimony relied on by Complainant is by itself insufficient to prove that a given asserted trade secret is not generally known by organic chemists or readily ascertainable, because the testimony is conclusory and there is an insufficient nexus between market share and the conclusion that each alleged trade secret was not generally known or readily ascertainable.<sup>4</sup> *See Buffets v. Klinke*, 73 F.3d 965, 969 (9th Cir. 1996) ("the court made no finding as to whether the manuals were generally known or readily ascertainable").

However, there is further evidence, relied on by Complainant, that Respondents did not know what process Complainant used. Specifically, Red Avenue Chemical Co., Ltd. hired analytical chemists at Sumitomo to compare the molecular weight distribution of SP-1068 with that of a "typical" resin. RX-375C at SINOZJG\_0023132. The fact that Respondents hired Sumitomo to engage in reverse-engineering of Complainant's product is evidence that Respondents (and Sumitomo) did not know what process Complainant used and that such information was not public available. The Commission agrees that this is sufficient to satisfy Complainant's burden of production (with the exception of the use of [\* \* \*<sup>5</sup> Such evidence demonstrates a relationship between the success of Complainant's products and the conclusion that Complainant's trade secrets were not generally known or readily ascertainable. *See Buffets v. Klinke*, 73 F.3d 965, 969 (9th Cir. 1996). The Commission concludes that Complainant still bore the burden of proof and the burden of persuasion of the existence of each trade secret.

## L. Domestic Industry and Injury

In order to find a [Section 337](#) violation based on trade secret misappropriation, a complainant must show actual substantial injury, or threat of substantial injury, to a domestic industry from the misappropriation. [19 U.S.C. § 1337\(a\)\(1\)\(A\)](#) (“unfair methods of competition ... the threat or effect of which is -- to destroy or substantially injure an industry in the United States”).

As explained below, the Commission affirms the ALJ’s findings as to the existence of a domestic industry and affirms on modified grounds the ALJ’s findings of actual and threat of injury. The ALJ’s findings that are consistent with this opinion are adopted.

### 1. Existence of a Domestic Industry

**\*30** The ALJ found that the relevant domestic industry, based on the scope of the investigation, is rubber resins and that the industry should not be limited to tackifier resins. ID at 620. The ALJ determined that the evidence establishes that a domestic industry exists in the U.S. *Id.* at 620-624. The ALJ specifically found that Complainant maintained[\* \* \*]% of the tackifier resin market from 2007 to 2011, manufactured tackifier resin at a facility in Rotterdam Junction, NY, invested millions in research and development at its center in Niskayuna, NY and that Complainant’s investments were substantial. *Id.* No party petitioned for review of these findings. The Commission affirms the ALJ’s findings as to the existence of a domestic industry. ID at 611-624.

### 2. Injury

#### a. Actual Substantial Injury

In determining whether unfair acts have substantially injured the domestic industry, the Commission considers a broad range of indicia, including: the volume of imports and their degree of penetration, complainant’s lost sales, underselling by respondents, reductions in complainants’ declining production, profitability and sales, and harm to complainant’s good will or reputation. [Certain Cast Steel Railway Wheels, ITC Inv. No. 337-TA-655](#), Unreviewed Initial Determination at 80 (quoting [Certain Electric Power Tools, Battery Cartridges and Battery Chargers, Inv. No. 337-TA-284](#), Unreviewed Initial Determination at 246, [USITC Pub. No. 2389 \(1991\)](#) (“*Electric Power Tools*”). When the complainant alleges actual injury, there must be a causal nexus between the unfair acts of the respondents and the injury. [Bally/Midway Mfg. Co. v. Int’l Trade Comm’n](#), 714 F.2d 1117, 1125 (Fed. Cir. 1983).

The ALJ concluded that Respondents have substantially injured the rubber resin industry in the U.S. ID at 648. In reaching his conclusion, the ALJ found that Respondents’ importation of SL-1801 and SL-1802 to[\* \* \*]was sufficient to manufacture 50,000 tires and that this was a substantial volume. *Id.* at 651. In 2010 and 2012, Complainant supplied[\* \* \*]% of[\* \* \*]U.S.

tackifier demand, except for these importations by Respondents. *Id.* In addition, the ALJ determined that Complainant supplies more than[\* \* \*]% of the U.S. tackifier demand. *Id.* The ALJ held that the sales by Respondents to [\* \* \*]are actual sales and therefore, there is actual injury to the Complainant. *Id.*

**\*31** Additionally, the ALJ found that it was more significant that the sales by the Respondents led to the qualification of their products for sale to [\* \* \*]which is Complainant's customer. *Id.* at 651-52. The ALJ determined that the qualification of Respondents to sell to[\* \* \*]represents penetration of the market that is disproportionate to the actual sales. *Id.* at 652. The ALJ found that the evidence shows that Respondents' qualification to sell to [\* \* \*]and their lower prices, allowed [\* \* \*]to apply pressure to Complainants during contract negotiations. *Id.* at 653. This pressure led to a lower contract price for Complainant *Id.* Therefore, the ALJ found that similar to *TianRui*, Complainant experienced actual injury because Respondents undersold their products and Complainant's profits have declined as a result. *Id.* at 654. Complainant also accepted unfavorable payment terms as a result of the negotiations. *Id.* Accordingly, the ALJ found that the price drop and payment terms are directly attributable to Respondents' entry and effect on the U.S. tackifier market and the sale of misappropriated articles resulted in actual injury. *Id.* at 655.

On review, Respondents argue that Complainant's alleged lost sales are to an unrelated third party and that Respondents did not make any sales to[\* \* \*]that created "negotiation pressure" that resulted in injury.<sup>6</sup> Resps. Pet. at 84. Respondents assert that it was legal error for the ALJ to find an injury to Complainant's domestic industry based on alleged offers for sale, without any lost sales to the Respondents. *Id.* at 85.

Complainant asserts the Commission does not have to find lost sales to find injury. Comp. Resp. at 80. Complainant contends that the Respondents' shipments and qualification of resin made possible the substantial price, revenue and profit reductions that SI suffered in its contract negotiations with[\* \* \*]*Id.* at 81. The importations made by Respondents and the subsequent negotiations caused a loss of \$[\* \* \*]million in tackifier resin profits from [\* \* \*]resulting in actual injury. *Id.* at 81-84.

The IA argues that the ALJ properly considered whether or not Respondents' importations had the threat or the effect of injuring Complainant's domestic industry. IA Resp. at 34. The IA argues that the sale of SL-1801 and SL-1802 is sufficient to manufacture 50,000 tires and that this is more than a qualification; there was evidence of actual injury when Complainant suffered \$[\* \* \*]million in margin loss based on negotiation pressure from Respondents and a[\* \* \*]term was also added to the contract; and there is a causal nexus between Respondents' unfair acts and the injury to Complainant's domestic industry. *Id.* at 34-35.

**\*32** The Commission finds that the evidence supports a finding of actual substantial injury based on the strong evidence of Respondents underselling and Complainant's reduced

profitability. The Commission adopts the ALJ's findings that are consistent with this determination. ID at 651-655. The Commission does not adopt the ALJ's findings that lost sales resulted from Respondents' importations. ID at 651.

Specifically, record evidence shows that Respondents imported tackifer resin into the United States. *E.g.*, CX-103C, CX-104C, CX-105C, CX-106C and CX-107C. The ALJ found that as a result of Respondents' importations, Respondents were qualified by [\* \* \*]Complainant's customer, as a supplier. ID at 651-52; *see also* Tr. at 547:24-548:4; CX-1568C at Q. 56. This qualification allowed Respondents to participate in contract negotiations with[\* \* \*]Respondents thereupon offered[\* \* \*]a reduced price per pound for tackifier resin which the ALJ found allowed[\* \* \*]to apply pricing pressure on Complainant during negotiations of an amended contract resulting in Complainant entering into a contract at a lower level of profitability. ID at 653; Tr. at 536:6-22; 537:8-24; CX-1588C. The contract price that[\* \* \*]obtained from Complainant thus went from \$[\* \* \*]per pound to[\* \* \*]per pound, *see* Tr. at 537:8-24, 540:17-541:20, with a lost margin of \$[\* \* \*]million. Tr. at 536:6-22. Therefore, although Respondents argue that there are no lost sales, the Commission finds that Complainant has sustained a showing of actual injury based on underselling and reduced profitability and a causal nexus between the injury and the unfair acts of Respondents. Accordingly, the Commission affirms the ALJ's conclusion on these grounds.

### **b. Threat of Substantial Injury**

19 U.S.C. § 1337(a)(1)(A) states that “[u]nfair methods of competition and unfair acts in the importation of articles...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” are unlawful.

In determining whether a threat to substantially injure exists, the Commission considers, *inter alia*, the following indicia:

- (1) substantial foreign manufacturing capacity;
- (2) ability of imported product to undersell the domestic product;
- (3) explicit intention to enter into the U.S. market;
- (4) the inability of the domestic industry to compete with the foreign products because of vastly lower foreign costs of production and lower prices; and
- (5) the significant negative impact this would have on the domestic industry.

*Certain Methods for Extruding Plastic Tubing*, Inv. No. 337-TA-110, 0082 WL 941574, Commission Opinion at \*9 (Sept. 1982); *Certain Digital Multimeters, and Products with Multimeter Functionality*, Inv. No. 337-TA-588, 2010 WL 5642165, Comm'nOp. at \*33 (Dec. 2010). The threatened injury must also be “substantive and clearly foreseen,” with a causal connection between the action of the respondents and the threatened injury. *Id.*

**\*33** The ALJ found that Respondents’ unfair acts presented a threat to injure or destroy Complainant’s domestic industry. *Id.* The ALJ found that Respondents have additional manufacturing capability, Respondents are able to undersell Complainant, and Respondents intend to enter the U.S. market. *Id.* at 656-657. The ALJ also found that Complainant’s production costs are higher than those of the Respondents, which allows Respondents to undersell Complainant. *Id.* at 658.

The ALJ found that Complainant has not provided any evidence of comparable production costs and only provided general statements. *Id.* However, the ALJ held that Complainant cannot compete with Respondents’ lower prices that are due to lower production costs. *Id.* Therefore, the ALJ found that “Respondents’ unfair acts have the effect of substantial injury and a tendency to substantially injure SFs domestic industry.” *Id.* at 659; *see also id.* at 660.

The Commission adopts the ALJ’s analysis and findings for indicia (1) and (3)-(5). ID 655-656, 657-660. Respondents did not challenge these findings. Resp. Pet. at 84-91. With respect to factor (2), the ability of the imported product to undersell the domestic product, we agree with ALJ that this factor is met. Respondents’ materials were qualified for sale to[\* \* \*]and they were able to influence the renegotiation of Complainant’s contract with[\* \* \*]by offering a lower price (\$[\* \* \*]per pound) for the tackifier resin. *See* CX-1588C at 5; Tr. at 540:17-541:20; CX-1567C at Q. 167-168; CX-1568C at Q. 54-61. The contract price that[\* \* \*]renegotiated with Complainant went from \$[\* \* \*]per pound to \$[\* \* \*]per pound. Tr. at 537:8-24, 540:17-541:20. This will result in a projected \$[\* \* \*]million injury over the contract term, 2013-2017. CX-343C; Tr. 537:8-24. In addition, Complainant agreed to a[\* \* \*]term. CX-1588 at 3; Tr. 541:-542:23. Moreover, we adopt the following of the ALJ’s findings:

Dr. Putnam’s un rebutted testimony is that in addition to[\* \* \*], [\* \* \*]has agreed to try Respondents’ SL-1801 tackifier resins. (CX-1567C, Qs. 156-158; and JX-25C) Also, the U.S. division of [\* \* \*]has requested internal approval to purchase SL-1801 from Respondents. (Citing CX-1567C, Qs. 156-158; and JX-025C).

Complainant argues reasonably that, as happened with[\* \* \*]it will suffer even more substantial injury if the foregoing customers apply pricing pressure and elect to renew agreements with Complainant only at lower prices. (*See* CX-1567C, Qs. 150, 180-181)

ID at 657. Based on this evidence, we affirm the ALJ’s conclusions:

**\*34** I find, too, that the threat to injury or destroy the domestic industry is substantive and

clearly foreseen as a result of Respondents' unfair acts. The evidence cited, *supra*, establishes that the recently signed amendment to contract between Complainant and[\* \* \*], represents a loss to Complainant of more than[\* \* \*]million dollars per year in annual revenue for a total of at least \$[\* \* \*]million corresponding to a margin loss of \$[\* \* \*]million for[\* \* \*]tackifier sales to[\* \* \*], which results from Sino Legend's negotiation pressure.

Sino Legend ZJG's tackifier resin products, SL-1801 and SL-1802, have been certified as meeting[\* \* \*]'s specifications and have been approved for sale to[\* \* \*]. (CX-1567C, Qs. 149-182; and Tr. at 532:3-11) Respondents have made clear that they intend to use their SL-1801 and SL-1802 products to compete in the United States tackifier market for other customers such as[\* \* \*]and [\* \* \*]. (*Id.*, Qs. 150, 156-160; JX-025C) Respondents' tackifier resins will compete directly and be interchangeable with Complainant's tackifier resins. *Id.*

The evidence shows that Respondents have substantial capacity to manufacture their SL-1801 and SL-1802 tackifiers, the ability to import their SL-1801 and SL1802 tackifiers to undersell SI Group's tackifiers, and an explicit intention to enter into the U.S. market to sell their SL-1801 and SL-1802 tackifiers. (CX-1567C, Qs. 149-182)

ID at 659-60. Accordingly, the Commission finds that there is a threat to substantially injure or destroy Complainant's domestic industry.

### 3. SL-7015

The ALJ found that there was "neither argument nor evidence provided by Complainant that Respondents' importation of the SL-7015 (curing resin) product results in any injury or threat of injury to the domestic industry arising out of 'unfair acts' by Respondents. . . . Based upon a record devoid of evidence regarding misappropriation of trade secrets related to curing resins, and more specifically the product identified as SL-7015, I find that there has been no violation of [19 U.S.C. § 1337\(a\)\(1\)\(A\)](#) in the importation of the SL-7015 product." ID at 647.

Complainant argues that it has consistently alleged SL-7015 of misappropriating its curing resin trade secret and that it provided allegations and evidence of domestic industry in its Complaint and during discovery. Comp. Sub. at 21. Complainant also argues that its discovery requests required Respondents to provide discovery on SL-7015, which Respondents did not do. *Id.* at 22-23. Complainant further contends that it is entitled to relief because Respondents made a decision to assert that they had not imported SL-7015 and refused to engage in discovery. *Id.* at 23. Complainant asserts, and the ALJ found, that Respondents failure to provide discovery prevented SI from addressing SL-7015 substantively in contention interrogatories. *Id.* Complainant explains that by allowing Respondents to violate the ALJ's discovery order, Respondents will be able to circumvent the Commission's jurisdiction. *Id.* at 24.

\*35 Respondents explain that Complainant did not meet its burden in establishing a [section 337](#) violation for SL-7015. Resps. Sub. at 24. Respondents assert that Complainant did not identify any trade secrets for SP-1045 and provide no comparison between SP-7015 and SP-1045 in briefing or in expert disclosures/testimony. *Id.* at 25. Respondents further assert that in response to interrogatories, Complainant did not identify any trade secrets for SP-1045. *Id.* at 25-26. This failure, according to Respondents, deprived the ALJ and Respondents from evaluating Complainant's allegations.

The IA asserts that the ID's finding to not grant relief for SL-7015 is not error, IA Sub. at 22. The IA argues that even though Respondents did not produce discovery on SL-7015, Complainant's failure to identify any trade secrets for SP-1045 deprived the IA, Respondents and the ALJ of the opportunity to investigate or evaluate the allegations with particularity. IA Reply Sub. at 8. The IA argues that without identifying any trade secrets, Complainant cannot establish a [section 337](#) violation. *Id.*

The Commission affirms the ALJ's finding that there is no violation for SL-7015 on modified grounds. ID at 647-648.

The ALJ based his findings that there was no threat of injury or any injury resulting from any unfair acts on the testimony of Quanghai Yang. Mr. Yang testified that Respondents have not manufactured SL-7015 and the ALJ found Mr. Yang's testimony was un rebutted. However, the ALJ found that Mr. Yang's testimony was not credible and that he was an impeached witness in other sections of the ID. ID at 401, 704 n. 106. Therefore, the Commission does not adopt the ALJ's findings that rely on the testimony of Mr. Yang.

In the complaint, Complainant alleged that Respondents had violated its trade secret for SP-1045. The complaint identified SL-7015 as the corresponding accused product. In Complainant's prehearing brief, SP-7015 is only addressed in the remedy section. Complainant's Pre-Hearing. Brief at 397-401. Complainant did not disclose a specific process of SP-1045 that they allege Respondents misappropriated. Nor did Complainant provide evidence of injury for SP-1045 in its prehearing brief.

Further, in Complainant's post hearing brief, SP-1045 and SL-7015 are primarily discussed in domestic industry and remedy sections.<sup>7</sup> Again, Complainant did not disclose a specific process of SP-1045 that they accuse Respondents of misappropriating. In addition, in its Contingent Petition for Review, Complainant still did not present evidence of what process was misappropriated.

The Commission finds that there is no violation of [section 337](#) for SL-7015. Specifically, the Commission finds that there is no evidence or argument that Respondents misappropriated any specific trade secret of SP-1045. In both the pre-hearing and post-hearing briefing, Complainants failed to assert a trade secret that was misappropriated in making SL-7015.

Accordingly, Complainants failed to meet their burden' of proving that violation of 337 occurred for SL-7015.

**M. Which Parties Have Violated [Section 337](#) Through Importation, the Sale for Importation, or the Sale After Importation?**

**\*36** The ALJ found Mr. Yang, Ms. Ning Zhang, Sino Legend ZJG, Sino Legend BVI, Sino Legend Hong Kong, Sino Legend Marshall Islands, Sino Legend Holding Group, Gold Dynasty, Elite, Red Avenue BVI, Red Avenue Hong Kong, and PMI to have misappropriated trade secrets.<sup>8</sup> ID at 714. The ALJ found that (1) Sino Legend ZJG is a manufacturing company; (2) Mr. Yang is the chairman of Sino Legend ZJG; (3) Ms. Zhang owns and controls Sino Legend ZJG; (4) PMI is the consignee of a shipment of tackifier; (5) Sino Legend Marshall Island shipped tackifiers to the United States; and (6) the other entities found by the ALJ to be in violation are owned or controlled by Mr. Yang and Ms. Zhang. *See* ID at 347-51. The ALJ found that certain of the companies are holding companies which own or control other companies as set forth in the ID at 349-350 (reproducing CX-258C at 3).

Respondents argue that the ALJ improperly applied piercing the corporate veil principles to find individuals Yang and Zhang in violation of [Section 337](#). Resps. Pet. at 95. Respondents argue that the ALJ did not discuss piercing the corporate veil other than by summarizing Respondents' arguments, and the Commission has routinely rejected invitations to pierce the corporate veil. Resps. Pet. at 95 (citing *Plastic Food Storage Containers*, 1983 WL 206916 at \*4; *Institution of Section 337 Investigation on Certain Office Desk Accessories*, 1983 206953 n.8 (July 1983)).

Respondents further submit that the record contains no evidence that Sino BVI, Red Avenue BVI, or Red Avenue HK participated in manufacturing or in the importation or sale of such articles, as required by [Section 337\(a\)\(1\)\(A\)](#). *Id.* Respondents state that Elite, Gold Dynasty, and Hong Kong SL possess ownership interests in other respondents but the ALJ has provided no basis for piercing the corporate veil, and that these respondents have not participated in manufacturing, importation, or sale. *Id.* at 24.

Respondents argue that consenting to jurisdiction is not a concession of liability and does not trigger a finding of violation. Resps. Reply Sub. at 12. Respondents assert that the Complainant and the IA do not attempt to meet the tests for piercing the corporate veil, *i.e.*, do not cite any evidence that the individuals used the corporations as an alter ego or acted in an ultra vires manner. *Id.* at 13. Respondents contend that "acting in concert" does not trump the corporate form doctrine or allow individual liability and that the Restatement of Torts does not so provide. *Id.* (citing *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 552-53 (Fed. Cir. 1990)).

**\*37** Respondents further argue that Complainant points to no evidence that Sino Legend BVI, Red Avenue BVI, Red Avenue HK, Elite, Gold Dynasty, Hong Koag SL, or Shanghai Lunsai manufactured, distributed, or imported the accused tackifiers. *Id.* at 14.

Complainant responds that although personal jurisdiction is not required, Yang and Zhang submitted to the Commission's personal jurisdiction.<sup>9</sup> Comp. Resp. at 86-87. Complainant further responds that piercing the corporate veil is not required because each has engaged in activities with a sufficient nexus to the importation of the products at issue to be subject to an exclusion order. Complainant rejects as irrelevant Respondents' argument that Yang and Zhang acted in their official capacities. *Id.* at 88-89 (citing *Floppy Disk Drives, Inv. No. 337-TA-203, Order No. 11 (Oct. 23, 1984), 1984 WL 273857, at \*2*). Complainant argues that Respondents' corporate shell games further justify exercise of the Commission's personal jurisdiction over Zhang and Yang. *Id.* at 91-92.

On review, Complainant argues that piercing the corporate veil is not required because the Commission has jurisdiction. Comp. Sub. at 20-21 (citing the consent order's *in Floppy Disk Drives, Order No. 22 (Dec. 28, 1984), 1984 WL 273962*). Further, Complainant argues that the Commission does not require piercing the corporate veil in order to find liability of individual respondents if the respondents have acted in concert. Comp. Reply Sub. at 9-10. Complainant recounts Mr. Yang's statement that no agreements are needed for cooperation between Red Avenue and Sino Legend because they are both owned by the same person, Mr. Zhang. Comp. Sub. at 16 (citing CX-1352.1C at 119:4-17).

As to the individual acts, Complainant argues that Mr. Yang was personally involved in recruiting and hiring Xu and trying to hide Xu's involvement with Sino Legend, and that Yang served as the conduit through which Complainant's trade secrets passed. Comp. Sub. at 16-17 (citing CX-938C; CX-153C; CX-1563C at Q.42; CX-1372C; CX-170C; CX-1563C at Q.44; CX-938C; CX-153C; CX-154; ID at 398-404). Complainant argues that Mr. Crumlish owns and manages Red Avenue America, personally managed Sino Legend US's marketing campaign, and served as the U.S. contact for Sino Legend's importation of SL-7015. *Id.* at 17 (citing Tr. at 696:18-20). Complainant argues that Sino Legend ZJG is the undisputed manufacturer of the Sino Legend products at issue. *Id.* at 17. Complainant states that an order against Sino Legend ZJG's parent entities is necessary to provide relief, *i.e.*, Hong Kong Sino Legend; Sino Legend MI, Gold Dynasty, Elite, and Sino Legend BVI. *Id.* Complainant states that PMI is an SL distributor in the United States, which imports and sells SL-1801 in the United States after importation. *Id.* (citing CX-102C; CX-43C; CX-44C). Complainant asserts that Sino Legend HGL is responsible for shipping SL-1801 to PMI. *Id.* (citing CX-44C; CX-46C). Complainant argues that Red Avenue Chemical America is involved in the marketing of SL-1801 to U.S. customers through Mr. Crumlish's activities and was the importer and distributor for SL-7015. *Id.* (citing CX-1354C at 273:22-274:6, 274:12-19, 274:25-275:9m 275:15-21; Tr. at 696:14-17, 696:21-697:2; CX-1601C).

**\*38** Complainant asserts that Lunsai was involved in the misappropriation of trade secrets by Xu and Yang. *Id.* at 16 (citing ID at 398). Complainant argues that Red Avenue HK employs Mr. Xu, handles Sino Legend ZJG's U.S. sales and shares many employees with Sino Legend

companies. *Id.* at 17-18 (citing CX-1357.1C at 12:3-7; 23:17-24:5; CDX-6C). Finally, Complainant asserts that Red Avenue BVI provided funding for Tong Yue, which conducted Respondents' pilot studies for "1068 Resin" which became SL-1801. *Id.* at 16-18 (citing CX-1352.1C at 72:10-18, 117:20-118:2, 119:4-10). Complainant argues that each respondent has engaged in activities with a sufficient nexus between their unfair acts and the importation to confer jurisdiction. *Id.* at 18-19 (citing [Certain Floppy Disk Drives and Components Thereof, Inv. No. 337-TA-203, Order No. 11 \(Oct. 23, 1984\), 1984 WL 273857, at \\*2](#)).

We agree with Complainant that the following companies have acted in concert. *See* ID at 576, 707. Respondents admit that four corporate respondents have played roles in manufacturing, distribution, and importation as follows: Sino Legend ZJG (manufacturing); SLHG Ltd. (importation); Sino Legend Marshall Islands (importation); and PMI (importation and sale after importation). Resps. Sub. at 21. There is testimony that Sino Legend ZJG and Red Avenue Hong Kong work together "seamlessly" without any agreement. CX-1352.1C at 119:16-17. PMI is a Sino Legend distributor in the United States, which imports and sells SL-1801 in the United States after importation. CX-102C; CX-43C; CX-44C. Sino Legend HGL is responsible for shipping SL-1801 to PMI. CX-44C; CX-46C. Shanghai Lunsai was involved in the misappropriation of trade secrets by Xu. CX-154C; CX-938C. Red Avenue HK employs Mr. Xu, handles Sino Legend ZJG's U.S. sales and shares many employees with Sino Legend companies. CX-1357.1C at 23:17-24:5; CDX-6C. Red Avenue BVI provided funding for Tong Yue, which conducted Respondents' pilot studies for "1068 Resin" which became SL-1801. CX-1352.1C at 72:10-18, 117:20-118:2, 119:4-10.

Neither the ALJ nor any of the parties have attempted to conduct a "piercing the veil" analysis, which would enable the Commission to hold an individual liable for acts done in the course of his employment or to hold a shareholder liable for acts done by a corporation. [Wordtech Systems, Inc v. Integrated Networks Solutions, Inc.](#), 609 F.3d 1308, 1313 (Fed. Cir. 2010). In fact, Complainant has not even tried to argue that Mr. Yang or Ms. Zhang used one of the companies as an "alter ego." Further, although Mr. Yang participated in the hiring of Mr. Xu, and companies affiliated with them were involved in misappropriation, Complainant has not met its burden of proving personal responsibility by Mr. Yang or Ms. Zhang for the transfer or copying of Complainant's trade secrets. *Cf. Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1579 (Fed. Cir. 1986) (liability may exist where there is personal responsibility). We disagree with Respondents that the entry of consent orders in *Floppy Disk Drives* demonstrates that jurisdiction is sufficient for entry of an order because a finding of violation is not necessary for entry of a consent order.

**\*39** Similarly, although the ALJ made findings that there were parent holding companies, Hong Kong Sino Legend, Sino Legend MI, Gold Dynasty, Elite, were part of a convoluted structure of companies, ID at 347-351, mere ownership is not enough to hold a parent corporation liable for the acts of its subsidiaries absent further showing. [Dow Jones & Co., Inc. v. Ablaise Ltd.](#), 606 F.3d 1338, 1349 (Fed. Cir. 2010). Because the Complainant and the ALJ have not attempted a

“piercing the veil” analysis, we do not find these parent companies in violation absent other acts. Thus, Sino Legend Marshall Island is in violation, but these other companies affiliated with Sino Legend ZJG are not.

We further agree with the ALJ’s finding that Complainant has not demonstrated liability by Mr. Crumlish or Red Avenue North America. *See* ID at 350-51; 576.

The following Respondents are therefore in violation and subject to any order as set forth in the remedy section below: Sino Legend ZJG; SLHG Ltd.; Sino Legend Marshall Islands; PMI; Red Avenue Hong Kong; Sino Legend HGL; Shanghai Lunsai; and Red Avenue BVI.

### **N. Remedy, the Public Interest, and Bonding Remedy**

The ALJ recommended the issuance of a general exclusion order (GEO) extending for a period of ten years commencing on the target date with respect to SL-1801, SL-1801 LFP, SL-1802, and SL-1802 LFP. ID/RD at 700-706. In his analysis, the ALJ found that “Respondents created a convoluted set of corporate structures and relationships that involve a number of entities that manufacture, distribute and import the accused products.” ID/RD at 701. The ALJ recommended that if the Commission determines to issue a limited exclusion order (LEO), that the order be directed to Mr. Yang, Ms. Ning Zhang, Sino Legend ZJG, Sino Legend BVI, Sino Legend Hong Kong, Sino Legend Marshall Islands, Sino Legend Holding Group, Gold Dynasty, Elite, Red Avenue BVI, Red Avenue Hong Kong, PMI, and all affiliated companies. ID/RD at 707.

Complainant requests a GEO, or in the alternative an LEO, for a duration of 10-20 years. Comp. Sub. at 36. Complainant argues that the criteria of both [Section 337\(d\)\(2\)\(A\) and \(B\)](#) are met. *Id.* at 37. Complainant likens its predicament to that of the Complainant in *Handbags* where there is no practical way to prevent circumvention of an LEO because of the “shifting sands” of Respondents’ corporate names and forms and because it is difficult to identify the source of goods. *Id.* at 38 (citing [Certain Handbags, Luggage, Accessories and Packaging, Inv. No. 337-TA-754, 2012 WL 864789 \(March 5, 2012\)](#)).

Complainant asserts that Respondents’ steps to hide their activities from Complainant supports a GEO. *Id.* at 38. Specifically Complainant argues that Respondents hid the hiring of Jack Xu by hiring him through ZZPE and Shunsai Trading. *Id.* at 39 (citing ID at 702). Complainant contends that Respondents took steps to avoid suspicion about the relationship between its manufacturing and distribution arms, and that emails demonstrate a purposeful effort by Sino Legend to distance itself from Tong Yue and Red Avenue. *Id.* Complainant argues that Respondents engaged in deceit as to the origin of their shipments by preparing labels falsely indicating an origin in the United States. *Id.* at 40 (citing CX-644C; Tr. at 742:19-745:13). Complainant asserts that Respondents engaged in discoverer’ abuses to avoid a full investigation, that they unilaterally withheld discovery for two months at the start of the case, that they

avoided disclosure throughout discovery that certain importations were made with[\* \* \*]that they withheld the majority of their documents until after the close of fact discovery, and then still withheld email from the critical time period, that they tampered with key documents, and that they withheld discovery regarding SL-7015. Comp. Sub, at 41-44.

\*40 Complainant argues that Respondents' discovery abuses support a GEO (and LEO) regarding SL-7015. Complainant argues that Respondents had a duty to supplement their discovery responses to reflect three importations of SL-7015. *Id.* at 44-45.

Complainant requests that a GEO contain a certification provision. *Id.* at 46.

Complainant requests in the alternative an LEO that includes the individual Respondents Yang and Zhang because they are concerned that the Respondents may be dissolved and reconstituted as new entities. *Id.*

Complainant argues that any exclusion order should remain in effect for 20 years, or alternatively should remain in effect for at least 10 years. *Id.* at 47. Complainant points to the testimony of Dr. Banach that it took at least 45 years to develop the process that was implemented by Complainant in 2004 and he estimated that it would take 10-20 years of process development to recreate the process from scratch. *Id.* at 49 (citing CX-1565 at Q. 100).

Complainant argues that Respondents' sole challenge to a GEO misplaces reliance on *Spray Pumps*. Complainant asserts that while the Commission in the past has considered the *Spray Pumps* factors, the Commission now focuses principally on the statutory criteria. Comp. Reply Sub. at 17 (citing *Protective Cases, Inv. No. 337-TA-780, 2012 WL 5874344, \*12 (Nov. 19, 2012)* (quoting *Hydraulic Excavators, Inv. No. 337-TA-582, USITC Pub. 4115, Comm'n Op. at 16-18 (December 2009)*)).

Complainant contends that Respondents are proposing to make any exclusion order ineffectively narrow. Comp. Reply Sub. at 19. Complainant argues that Respondents' discovery abuse warrants an injunction, especially in a process of production case where it would be impossible to understand the process at issue. *Id.* Complainant argues that nothing suggests that its [\* \* \*]technology is obsolete. *Id.* at 20 (citing Tr. at 152:16-153:17; 220:25-222:3).

Complainant responds to Respondents' argument that Complainant's [\* \* \*]technology is outdated, and argues that Complainant uses[\* \* \*]solely because of[\* \* \*]and that it still uses[\* \* \*]in China. Comp. Reply Sub. at 20 (citing Tr. at 220:25-222:3; 152:16-153:17). Complainant submits that the Commission should not preclude an exclusion order merely because Complainant does not currently practice all embodiments. *Id.* Complainant submits that neither the UTSA nor the Restatement require current use for trade secret protection. *Id.* (citing *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, 342 F.3d 714, 727 and n.6 (7<sup>th</sup> Cir. 2003)).

**\*41** Complainant asserts that Mr. Xu's non-disclosure obligations are still in effect (and being breached) today. Comp. Reply Sub. at 21 (citing CX-318C at 2). Complainant states that Mr. Xu's non-disclosure agreement with SI Group committed Xu to permanently refrain from disclosing Complainant's confidential information. Complainant clarifies that Mr. Xu's agreement with SI Group affiliate SISL was limited to 3 years, but that does not take into account his agreement with SI Group which was permanent. *Id.* Complainant further states that the SISL Employee Handbook states a policy which restricts disclosure during or after employment *Id.* (citing CX-317C at 3; CX-321C at 2; Tr. 294:7-11).

Complainant counters Respondents' reliance on the testimony of Dr. Swager that the trade secrets could be independently developed in six months, stating that Dr. Swager had little industry experience and that his opinion lacked evidentiary support. *Id.* at 22.

Complainant asserts that the time of exclusion runs from the date of any exclusion order. *Id.* at 24 (citing *Sausage Casings*, Comm'n Op. at 22; *Cast Steel Railway Wheels*, Excl. Order at 2).

The Respondents argue that a general exclusion order is contrary to Commission precedent. Resps. Sub. at 34. Respondents argue that the RD runs afoul of *Spray Pumps* by recommending a GEO despite finding that there was no widespread pattern of unauthorized use, ID at 704-05, and by failing to address whether a GEO would "unintentionally stifle the flow of legitimate trade" by Complainant's competitors unrelated to Respondents including Durez (now owned by Sumitomo Bakelite), Kolon, and other international tackifier producers. *Id.* at 34-35 (citing *Spray Pumps*, 216 USPQ at 473). Respondents further argue that a GEO is not necessary to prevent circumvention because the accused products are shipped in large quantities with bills of lading, such that their identities and sources are easily recognized. *Id.* at 35 (citing CX-106C; CX-110C; CX327C; CX-1578).

Respondents assert that any remedy must be tailored to the specific products and processes subject to underlying misappropriation findings. *Id.* at 35. Respondents argue that a GEO directed to "resins manufactured using the Rubber Resin Trade Secrets" without defining "Rubber Resin Trade Secrets" would open the door to later-defined secrets, and should be limited to "SP-1068 Trade Secrets" defined as "trade secrets found to exist in this investigation." Resps. Reply Sub. at 22-23. Respondents state that Complainant seeks an exclusion order directed to SL-7015 when it admits that it never identified any allegedly misappropriated secrets. *Id.* at 23. Respondents request a certification provision permitting them to certify that future imports are beyond the scope of the order. Resps. Sub. at 35.

**\*42** Respondents argue that the length of any exclusion order should not exceed the time it would take to develop any trade secrets found to have been misappropriated. *Id.* at 36. Respondents contend that Complainant's 2007 process for making SP-1068 is into stale and obsolete, and Complainant itself has made subsequent changes. *Id.* at 36-37. Respondents suggest that Mr. Xu was under no obligation to maintain the confidentiality of any information

he learned from Complainant after April 2010 because the contract provided a three year limitation during which Xu was bound by confidentiality. *Id.* at 37-38 (citing *Minn. Mining & Mfg. Co. v. Pribyl*, 259 F.3d 587, 609 (7<sup>th</sup> Cir. 2001); Tr. at 229:12-24; CX-1372C). Respondents state that the nominal length of any remedy should reflect the fact that a party developing a tackifier process in 2006 would have the benefit of all of Complainant's public disclosures and the ability to chemically test samples of SP-1068. Respondents argue that Dr. Swager testified that it would take six months to one year to develop the trade secrets. *Id.* at 39 (citing Tr. at 865:14-866:9 (Swager)). Respondents argue that the ALJ relied on conclusory testimony in arriving at his recommendation of a 10 year exclusion period. *Id.* at 40 (citing CX-1566C at Q.78). Finally, Respondents argue that the remedy should run from the date of the misappropriation, not the date of any issued order. *Id.* at 41 (citing *Viscofan, S.A. v. ITC*, 787 F.2d 544, 551 (Fed. Cir. 1986)).

The IA is of the view that the appropriate remedy will include a GEO "directed to rubber resins using any of the SP-1068 Rubber Resin Trade Secrets that are manufactured by, for, or on behalf of Respondents or any of their affiliated companies, parents, subsidiaries, licensees, contractors, or other related business entities, or their successors or assigns." IA Sub. at 28; IA Reply Sub. at 14. The IA agrees with the ALJ that there is a likelihood of circumvention because of the shifting sands of corporate names and structures. IA Reply Sub. at 15. The IA submits that a GEO would be beneficial because it would include manufacture by Respondents through non-party Tongyue, non-party Shanxi Chemical Research Institute, or any other newly formed corporate entity. *Id.* The IA agrees with the ALJ that the record fails to support commercially significant domestic inventories that would warrant the issuance of a cease and desist order. IA Sub. at 28-29.

A general exclusion order may issue if "(A) [it] is necessary to prevent circumvention of an exclusion order limited to products of named persons; or (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products." 19 U.S.C. § 1337(d)(2)(A) and (B).

**\*43** The ALJ found likelihood of circumvention based on the convoluted corporate structures of the Respondents. ID/RD at 701-02. We disagree. If a limited exclusion order includes those acting on behalf of the named Respondents, this would be sufficient in our view to prevent circumvention of an order. Complainants rely on *Certain Handbags, Luggage, Accessories and Packaging, Inv. No. 337-TA-754, 2012 WL 864789 (March 5, 2012)*, in arguing that a GEO is warranted to prevent circumvention of an exclusion order because of the "shifting names" of the corporations. However, the evidence shows that a new manufacturer cannot easily circumvent a limited exclusion order because tackifier-manufacturers must qualify their products with a sale to a domestic manufacturer such as[\* \* \*]to demonstrate that their product meets specifications. *See, e.g.*, CX-1567 at QQ. 30, 36, 148.

As to the existence of a pattern of violation, the ALJ found that Complainant had not identified

any violative acts by nonrespondents and did not recommend the issuance of an exclusion order under [Section 337\(d\)\(2\)\(B\)](#). ID/RD at 704-05. We agree.

As to whether it would be difficult to identify the source of “infringing” products, the ALJ did not make specific findings. Complainant states that Respondents have placed some labels on products to indicate a false origin in the United States. However, we do not believe that the tackifiers at issue are a fungible product because tackifier-manufacturers must have qualify their products with a sale to a domestic manufacturer such as[\* \* \*]to demonstrate that their product meets specifications. *See, e.g., CX-1567* at QQ. 30, 36, 148. Therefore, the identity of the manufacturer is known.

The Commission has therefore determined that the proper remedy is the issuance of a limited exclusion order, which would extend to those selling on behalf of the named respondents.<sup>10</sup>

There is one final issue as to remedy - - the duration of any order. The duration of an order in a trade secret misappropriation case is set as the time it would have taken to independently develop the trade secrets. *See Certain Cast Steel Wheels, Inv. No. 337-TA-655*, Comm’n Op. at 8-9. There is a dispute between the parties as to whether the trade secrets would have taken 6 months or 10-20 years to develop, based on testimony. The Commission has determined to set a period of 10 years from the date of issuance of the exclusion order. Complainant has adduced expert testimony that the totality of asserted trade secrets would take at least 10 years to independently develop given the time it took Complainant to develop the process, even if not all of the asserted trade secrets are protectable. *CX-1565C* at QQ.99-100. The Commission does not find credible the testimony adduced by Respondents that Complainant’s process could be independently developed in 6 months. In fact, Respondents were not successful in reverse-engineering most of Complainant’s process and resorted to hiring Complainant’s employees in order to copy Complainant’s processes. Respondents argue that one of the trade secrets (*i.e.*, [\* \* \*])is “obvious” in view of the economical and environmental benefits of[\* \* \*]This is speculative, especially because the [\* \* \*]which is part of Complainant’s trade secret. ID at 161 (citing Tr. at 818:5-820:5). Sumitomo inferred from reverse-engineering the use of[\* \* \*]but there is no evidence that anyone deduced the use of [\* \* \*]for example.

**\*44** The Commission therefore concludes that the most reasonable duration of the exclusion order is a 10 year remedy.<sup>11</sup>

## Public Interest

Respondents argue that the ALJ’s decision and remedy are in conflict with principles of abstention and international comity because a Chinese court proceeding culminated in a judgment adverse to Complainant. Resps. Sub. at 43.<sup>12</sup> Respondents further argue that consumers will have higher prices in the event of an exclusion order because Complainant by its own admission has [\* \* \*]% of the market share. *Id.* at 44. Finally, Respondents argue that there

is a public interest in enforcing the contracts written by the parties, specifically the three year limitation on disclosure in Mr. Xu's contract, which Respondents argue has now expired. *Id.* at 44.

Complainant's opening submission on review incorporates by reference its statement on the public interest. Comp. Sub. at 50. Complainant's Statement on the Public Interest explains that the imported tires are sold in direct competition with tackifiers made domestically. Comp. Pub. Interest Sub. at 1-2. Complainant states that a GEO would not adversely impact health, safety or welfare, that Complainant's process has environmental benefits because it [\* \* \*]citing CX-1570 at Q.39, and that public interest favors the protection of Plaintiffs. *Id.* at 2. Complainant states that Durez is a viable alternative to the other products, and the Complainant can also replace the volume sold by Respondents. *Id.* at 3 (citing Tr. at 528:4-18; 529:19-530:5; JX-28C; CX-1568C at 1; Tr. at 555:7-25; CX-306C; CX-843C). Complainant argues that a GEO would have effect on U.S. consumers or competition because an abundant supply of tackifiers will continue to be available in the U.S. market. *Id.* at 5.

Complainant argues that Respondents' defense that international comity and abstention would preclude an exclusion order is unsupported by ITC case law. Comp. Reply Sub. at 24. Complainant asserts that a remedy would favor the public interest because it would foster legitimate competition. *Id.* at 25. Complainant argues that honoring contracts does not detract from the public interest of issuing a remedy because Respondents have no standing to enforce Mr. Xu's contracts, and induced him to breach his contractual obligations. *Id.*<sup>13</sup>

The IA states that the rubber tackifier resins are not the types of products that raise concerns relating to public health and welfare or U.S. consumers. IA Sub. at 29. The IA suggests that the presence of the Durez products in the market which directly compete with Complainant's products minimizes the impact on competitive conditions. *Id.* at 30. As to Respondents' argument that the Commission should abstain because of legal proceedings in China, the IA states that the ID found that there is nothing in the record to suggest that any legal proceedings in China are or would be relevant to a violation of [Section 337](#). IA Reply Sub. at 18. As to Respondents' argument that consumer prices would increase, the IA states that this is an argument that would apply to any case involving the enforcement of valid IP rights, and that the public interest favors the protection of U.S. intellectual property. *Id.*

**\*45** The Commission has determined that there are no public interest factors which would preclude the issuance of a remedy. None of the parties have identified any public health or welfare considerations. To the extent that environmental issues have been raised, the evidence indicates that Complainant's process uses less formaldehyde than comparable processes. CX-1570 at Q.39.

Issuance of a limited exclusion order would not have an effect on U.S. consumers or competition because an abundant supply of tackifiers will continue to be available in the U.S.

market. *Id.* at 5. The Commission agrees with Complainant and the IA that consumer demand can be met by Complainant and by non-party Sumitomo Durez. Durez is a viable alternative to the other products, and the Complainant can also replace the volume sold by Respondents. *Id.* at 3 (citing Tr. at 528:4-18; 529:19-530:5; JX-28C; CX-1568C at 1; Tr. at 555:7-25; CX-306C; CX-843C).

In addition, issuance of an exclusion order would not have a detrimental impact on domestic production of tackifiers.

Further, the Chinese litigation does not preclude issuance of a remedy in this investigation which is an investigation. The Chinese judgment has no bearing on the public interest factors, which the Commission is required by statute to consider in connection with the issuance of a remedy for a violation of [Section 337](#) that has been established based on the administrative record of this proceeding.

### **Bonding**

The ALJ recommended a bond of \$0.22 per pound of imported tackifier resin (or 19% of the stated value). ED/RD at 713.

Complainant argues that the ALJ properly recommended a bond in the amount of 19% for the reasons set forth in the ID. Comp. Sub. at 50 (citing ID at 711-13).

Respondents argue that a bond is not necessary, but if one is imposed, it should be set at Complainant's admitted reasonable royalty rate of[\* \* \*]% *Id.* at 42. Respondents argue that a reliable price comparison is not possible because Respondents' only U.S. sales were for qualifying purposes, and argues that the[\* \* \*]% royalty rate from Complainant's agreement with SLSL is applicable. *Id.* (citing CX-341C). Respondents suggest that Complainant's recent contract with[\* \* \*]effectively ensures that there will be no injury during the period of Presidential review. *Id.* (citing CX-1588C at 1-2, 5).

The IA supports the ALJ's recommendation of a bond in the amount of 19% because evidence supports a finding of a price differential between SL-1801 and Complainant's as being \$0.22 per pound or 19%. IA Sub. at 31 (citing ID at 711-13).

The Commission agrees with the ALJ that a bond based on the price differential between Respondents' product and Complainant's competing product is appropriate. Respondents' price is based on record evidence of a sale to [\* \* \*]The purpose of the sale has not been shown to disqualify the transaction from consideration for bond. The Commission therefore determines that the appropriate bond is the price difference of 19% of entered value.

## **IV. CONCLUSION**

\*46 The Commission has determined to affirm-in-part and reverse-in-part the final IE) of the ALJ, and to find a violation of [Section 337](#) by reason of misappropriation of trade secrets in the importation, sale for importation, or sale within the United States after importation of rubber resins by certain respondents. The Commission has found that Sino Legend ZJG; SLHG Ltd.; Sino Legend Marshall Islands; PMI; Red Avenue Hong Kong; Sino Legend HGL; Shanghai Lunsai; and Red Avenue BVI are in violation of [Section 337](#). The Commission has determined to issue a limited exclusion order, By order of the Commission.

Lisa R. Barton  
Acting Secretary to the Commission

Footnotes

- 1 Respondents argued in their petition that “abstention and international comity warrant dismissal of Complainant’s trade secret claims” because a Chinese court has held that Sino Legend did not misappropriate Complainant’s alleged trade secrets under Chinese law. Respondents’ Petition at 97-98. However, abstention and international comity do not relieve the Commission of its statutory responsibility to determine whether there is a violation of Section 337. 19 U.S.C. § 1337(c); *see also Tian Kui Group Co. Ltd. v. International Trade Comm’n*, 661 F.3d 1322, 1327, 1332-33 (Fed. Cir. 2011) (holding that the question of whether there is a violation of [Section 337](#) by reason of misappropriation of trade secrets is governed by (U.S.) federal common law, even where that misappropriation occurs abroad) (“We therefore detect no conflict between the Commission’s actions and Chinese law that would counsel denying relief based on extraterritorial acts of trade secret misappropriation relating to the importation of goods affecting a domestic industry.”).
- 2 Red Avenue hired Sumitomo to attempt to analyze Complainant’s product. Sumitomo analyzed the infra-red spectrum of the product. On August 25, 2006, Sumitomo concluded that [redacted]RX-375C at SINOZJG\_0023133. The ALJ found that this was an unsuccessful attempt at reverse-engineering SP-1068 because Sumitomo inferred [redacted]and because the alternative explanations undercut the guess that [redacted]ID at 214. As discussed herein, we conclude that this evidence demonstrates that the use of [redacted]was readily ascertainable. CX-1584C (using PTO as an abbreviation for p-tert octyl phenol).
- 3 In some sense this issue may narrow down to whether there is a difference between “a [redacted]and ‘[redacted]’ *i.e.*, whether the article “a” that accompanies “[redacted]in the Sumitomo email changes the meaning of “[redacted]to something that is [redacted]Complainant relies on testimony that the presence of [redacted]does not allow one to tell the difference between [redacted]and completely [redacted]Comp. Resp. to Pet. at 57 (citing Tr. at 192:4-22). However, the Sumitomo email uses the word [redacted]and Complainant, who bears the ultimate burden of persuasion, has not proven that “[redacted]in “a [redacted]means something [redacted]In other words, the testimony of what one may learn from reverse engineering seems to conflict with the actual inference made by Sumitomo.
- 4 \* \* \*
- 5 On August 25, 2006, Sumitomo concluded that “[redacted]” *Id.* at SFNOZJG\_0023133. The ALJ found that this was an unsuccessful attempt at reverse-engineering SP-1068 because Sumitomo inferred the possible use of [redacted]put no one guessed that [redacted]and because the alternative explanations undercut the guess that a [redacted]ID at 214. We conclude that this evidence demonstrates that the use of [redacted]was readily ascertainable.
- 6 The parties’ arguments are not limited to actual injury and may also be applicable to threat of injury’).
- 7 Complainant presented the allegation that there has been an injury for SP-1045 in its post-hearing brief with respect to lost sales.
- 8 The ALJ did not find Red Avenue America, Shanghai Lunsai, or Thomas Crumlish to be in violation. ID at 714. Thomas Crumlish,

whom the ALJ found not to be in violation, is the Chairman or Chief Executive Officer of Red Avenue America. ID at 350. The ALJ stated that Respondents represent that Shanghai Lunsai does not manufacture any tackifiers at issue in this investigation and has not shipped to or received within the United States any tackifiers at issue in this investigation. *Id.*

9 The LA did not comment on this issue at the petition stage, and his briefing on review is similar to that of Complainant. IA Sub. at 14-21; IA Reply Sub. at 6-7.

10 Complainant has not expressly requested the issuance of a cease and desist order and the ALJ did not recommend a cease and desist order. The IA adds that there is insufficient evidence of domestic inventory and submits that the ALJ was correct not to recommend a cease and desist order. Based on the lack of request and the lack of evidence, the Commission has determined not to issue of a cease and desk order.

11 Respondents further argue that the time of exclusion should run from the time of the violation rather than the issuance of the order, Respondents, however, should not be allowed to profit from any delays in the legal process.

12 On July 16, 2013, Respondents submitted a paper styled “Respondents’ Notice of New Authority” in which they gave notice of a June 17, 2013 Civil Judgment of the Shanghai No. 2 Intermediate People’s Court of the People’s Republic of China, 2011 HEZMW(Z) CZ No. 50 (“Chinese Judgment”). Respondents state that the legal action leading to the Chinese Judgment is based upon the same allegations of trade secret misappropriation present in the present investigation, and resulted in a finding of no misappropriation.

On July 24, 2013, Complainant submitted a response in objection, arguing that this was not new authority because it issued on the same day as the ID, it is a Chinese decision, and it does not change Chinese law. Comp. Response to Notice of Authority at 1-2. Complainants state that Respondents have not challenged the order given by the ALJ at the pre-hearing conference excluding evidence relating to the Chinese legal proceeding. *Id.* at 3. Complainant argues that the Chinese proceeding was not fair. *Id.* at 4. Complainants submit that comity is an affirmative defense for which Respondents bear the burden. *Id.* at 5. Complainant argues that the United States through its Trade Representative has recently expressed concern about trade secret theft by Chinese companies and that it has been difficult for some U.S. companies to obtain relief [in China]. *Id.* at 6.

On July 25, 2013, the IA submitted a response to the notice of authority, arguing that the appealable Chinese Judgment is of limited or no relevance to the Commission’s determination on whether to the Commission’s determination or with respect to the ID’s conclusion that Respondents have violated [Section 337](#), IA Response to Notice of Authority at 3. The IA states that in *Sausage Casings*, foreign judgments were admitted into the record and given little weight, but that here the ALJ ruled that the Chinese litigation would not be admitted into the record. *Id.* at 4.

13 There were three additional public interest submissions on behalf of Complainants, arguing for enforcement of IP rights and stating that Complainant employs workers in New York: by: (1) U.S. Sen. Charles E. Schumer and U.S. Rep. Paul D. Tonko, (2) American Chemistry Council, and (3) New York State Chemical Alliance.

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## USITC Inv. No. 337-TA-849 (U.S.Intern.Trade Com’n), 2014 WL 7497801

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