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What's Up With All the Trade Secret Action at the ITC? Two Latham IP Litigators Weigh In

In the wake of a big trade secret win at the Commission for electric car battery maker LG Energy Solutions, Latham's David Callahan and Bert Reiser discuss how parties are harnessing the protections of the Defend Trade Secrets Act at the ITC.

By Ross Todd
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A couple of weeks back a team of intellectual property litigators at **Latham & Watkins** led by **David Callahan** and **Bert Reiser** landed Litigator of the Week **runners-up honors** after getting a big trade secret ruling for electric car battery maker LG Energy Solutions at the U.S. International Trade Commission. In a case where the company accused rival SK Innovation of trade secret misappropriation, the full commission largely upheld an administrative law judge's default judgment against SK last month based on the South Korean company's "document deletion campaign" in the runup to the ITC investigation. The full commission issued a 10-year exclusion order barring SK from importing batteries or components used to make them. The ITC offered SK limited carve-outs for three existing customers and will require SK to get commission sign-off on any "designed-around" products.

The battery brouhaha is hardly the only trade secret showdown currently playing out before the ITC, where fast-paced Section 337 proceedings are much more common in patent cases. Of late the ITC has overseen trade secrets disputes concerning **certain Botox products** and certain **bone cements**, the stuff used to fill gaps between artificial joints and bones. The Litigation Daily caught up with Callahan, global chair of Latham's IP practice and Reiser, who heads the firm's ITC litigation practice to see what's behind the uptick in trade secret action at the venue and what it means for litigators handling them. The following has been edited for length and clarity.

(Photo: Courtesy Photo)

Bert Reiser, left, and Dave Callahan, right, of Latham & Watkins.

Litigation Daily: Is the ITC the new it-venue for trade secrets litigation?

Bert Reiser: I don't know if the "it" jurisdiction for trade secrets but it has become a very popular forum. It has overwhelmingly been a patent jurisdiction in the past. I think it's certainly not a new cause of action at the Commission, but the Commission is hearing more of these cases right now than it's ever heard before.

Dave Callahan: I think this follows a trend of more trade secret cases and bigger trade secrets cases generally, which I think is a reflection of the Defend Trade Secrets Act. It was put in place to help give parties meaningful tools to fight trade secret misappropriation. Section 337 of the ITC has always been there to protect against "unfair acts." I think as we're seeing more trade secrets cases because of the view of the strength of DTSA, we're seeing more of those in the

ITC, which is a place to go to help defend yourself against someone's unfair trade practices.

Trade secrets disputes are peculiar beasts to litigate no matter the venue. I'm wondering what are the particular peculiarities of handling one of these trade secrets matters at the ITC?

Reiser: The number one thing that comes to mind is the amount of discovery you need to thoroughly understand whether you've got a trade secret misappropriation. In the context of the ITC, which is a forum that moves very, very quickly, you have the opportunity to take a lot of discovery, but not necessarily a lot of time to do it. So, that raises or presents some particular challenges: To make sure you have the right kinds of documents, enough of the right kinds of documents, and access to the right kinds of witnesses who know about whether there's misappropriation, what the trade secrets were that were taken and how they were used.

That's a lot of information to digest quickly. You've only got five, maybe six months of discovery in ITC cases. That's really, really difficult. That leads to an important point in our case where we were deprived of the ability to take a lot of the discovery that we needed because of spoliation.

Callahan: In most district court cases you have time to do what you might think of as rounds of discovery: "In this first round, we're going to get all the documents related to X and Y and Z. And then in the second round we'll follow up with some specific documents, and then we'll start taking depositions." All of those things are compressed into such a short period of time that it places an even greater premium on complainants to really have thought through their case and really be ready to go and drive their case of discovery and not let weeks or even days slip where you're not on the other side to meet discovery obligations. It is a tactic sometimes in ITC cases to try to run out the clock. In a trade secret case, where your proofs are pretty exacting, that is something the complainants really have to fight.

What are the challenges once you get relief from the Commission?

Callahan: It is, I think, more challenging and requires more thought and interaction with the government to enforce whatever relief you get because of the difference between how a trade secret misappropriation might express itself and a typical patent infringement, which Customs and Border Protection (CBP) is accustomed to dealing with.

Reiser: The way these things are enforced is the Commission issues an exclusion order to customs and customs disseminates information to the ports, which is where the enforcement happens on a day-to-day basis. The instruction is "Keep out goods that use these trade secrets." You can imagine, that is a tall task for customs to police because they can't really get behind it: They don't really know much about how the goods are made and whether they're going to be using trade secrets. So, it's important working as a complainant to get customs to understand what the order calls for and, frankly, get a provision in the exclusion order like the one that we got in our case with SKI, where customs doesn't have to try to figure out all these shades of grey. If there's a change to the product, you can push it back to the Commission, and the Commission can make a determination over whether it can come in.

The nature of the piece of intellectual property in patent and trade secrets cases are almost night and day of each other. With a patent, everything is out there. It's in the public record. You've gone to the patent office to say, "This is what I invented, here it is!" A trade secret is just the opposite of that. It's something you hold close to the vest. How is the customs agent at the port of entry going to know? The very nature of a trade secret makes it hard for them to know what they're looking at, right?

Callahan: Right. Bert, who is our ITC pro, was honest about this in our case. You really have to think about your remedy: What is it that you want the Commission to tell CBP to keep out at the border?

Specifically, what is that? Then you get that order that requires you to go to CBP and provide them information to help them do their job easier, to try to be CBP's partner in helping enforce that order.

The Commission has lots of jurisprudence, lots of at-bats, lots of experience with patents. The CBP people have got a similar amount of experience with patents and how they enforce orders with respect to patents, but much less so with respect with trade secrets. I think it requires litigants to become much more thoughtful upfront about what kind of relief they're going to get, how specific it is, and then working with CBP to be a partner to help enforce that.

Reiser: It's important to keep in mind that Customs is aware of all of this. They know how new it is. They're willing to listen, and they're willing to involve the complainant, and they're willing to change procedures to find a better way of doing things. I expect we'll see that a lot as their enforcement of trade secret cases grows.

How does the relative dearth of precedent in trade secret cases at the ITC affect how you handle one of these cases?

Callahan: I kind of like it, myself. It's a relatively open field to work in and the judges are willing to sort of think it through together with you. To me, it makes it an awful lot more fun. It does make it challenging to provide predictability for your client on whichever side of the issue you're on. That's probably the most difficult part of the equation.

The predictability part of this is probably why so many of these are teed up now, right? If they were predictable, folks would be coming together before it got to this point.

Callahan: That's right. And it may well be for the defendant, for the person that's being accused of trade secret misappropriation, until recently this was not something that they spent a lot of time worrying about. But now they need to, because people who have been harmed know about it and are exercising their right to go and seek relief at the Commission. The Commission is learning about this and sharpening procedures. Certainly this is a meaningful tool in the arsenal of people who have had their trade secrets misappropriated.

Spoliation is a big part of the case you just handled. Courts, in general, look kindly on it, but it seems like the ITC really comes down hard on spoliators. Why do you think that's so?

Reiser: Yes, they have come down on spoliators. Our case is a good example of that. But they really have to. They're faced daily with having to deal with litigants that are not in the United States but overseas in a case that runs very, very quickly. If the Commission is going to be able to do its work, it absolutely has to have litigants who take care of their documents, who produce their documents in discovery, and who do it quickly. It simply can't have litigants who are hiding documents or destroying them.

Callahan: It goes back to this idea that you just don't have many laps of discovery in the ITC. It's sort of a one-lap thing and where someone is acting to obstruct or somehow frustrate what is supposed to happen in that single lap, the Commission has to act aggressively and the ALJs have to act aggressively, both to make sure that the case in front of them stays on track and the litigant in front of them is treated fairly, but also to let other parties know what the ground rules on this issue are going to be and the violations of the ground rules need to be handled harshly.

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