WINSTON & STRAWN LLP

BLOG

Rights-Holding Complainant in U.S. ITC Investigation Need Not Re-Litigate Trade Secret Theft Issue in U.S. District Court

DECEMBER 27, 2018

Since the United States District Court for the Eastern District of Wisconsin first determined that an ITC finding of trade secret misappropriation should be given preclusive effect in subsequent litigation between the same parties—an issue of first impression—no other court has addressed the issue. *Manitowoc Cranes LLC v. Sany America Inc.*, 2017 WL 6327551 (E.D. Wis. Dec. 11, 2017). The district court declined certifying its order under 28 USC § 1292(b) and so no interlocutory appeal was taken.

In general, for collateral estoppel (issue preclusion) to apply against a prior litigant, the issue must be the same as that actually litigated in prior litigation, and its determination essential to the final judgment in that litigation. Such was the situation here, as prior to Manitowoc's asserting state law misappropriation of trade secrets in the Wisconsin venue, the International Trade Commission (ITC) had already looked to the Uniform Trade Secret Act (UTSA) and found that Sany had misappropriated the complainant's trade secrets.

The district court having granted partial summary judgment on the substantive elements of trade secret theft in favor of Manitowoc, the ensuing battle largely shifted over to the issue of damages. On December 6, 2018, Manitowoc moved under *Daubert* to disqualify opinions from the defendant's damages expert that either were inconsistent with the ITC investigation's factual findings or attempted to parse Manitowoc's legal bills from the ITC proceedings. Case no. 1:13-cv-00677-WCG, D.I. 110, p.2. Sany's opposition brief is due December 28, 2018.

These parallel cases tell a cautionary tale. To recapitulate, Sany had sought to re-litigate the issues of misappropriation and liability in district court, arguing that the court should follow Federal Circuit precedent that held an ITC determination regarding patent validity had no preclusive effect in later district court proceedings. *See Manitowoc*, 2017 WL 6327551, at *2-3 (*citing Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F. 3d 1558, 1569 (Fed. Cir. 1996)). Manitowoc countered that *Texas Instruments* dealt with preclusion of patent issues, not trade secret issues, and was therefore distinguishable.

Congress had expressly indicated in the legislative history of the Trade Reform Act of 1974 that while the ITC may consider the status of imports, its determinations over *patent validity and enforceability* should **not** be given preclusive effect. *See* S.REP. NO. 1298, 93d Cong., 2d Sess. 196 (1974). In view of Congressional silence about any similar preclusive effect with respect to the Commission's *trade secret misappropriation* findings, the district court

ruled that estoppel **does** apply, and so Sany could not challenge the general elements of misappropriation or the protectability of Manitowoc's trade secrets. *Manitowoc*, 2017 WL 6327551, at *5.

TIP: This case clarifies that ITC determinations on trade secret misappropriation may preclude re-litigating the same issues in subsequent district court proceedings, offering speed and judicial efficiency to prevailing ITC complainants who later seek damages in the lower courts. Going forward, where the complainant at the ITC invokes the more recent DTSA (rather than UTSA), subsequent federal- and state-law-based trade secret misappropriation assertions are likely to be estopped in federal court, so long as the same standard applies in the action.
2 Min Read

Authors

Steven Grimes

Gino Cheng

Related Locations

Los Angeles

Related Topics

Trade Secret

Related Capabilities

Privacy & Data Security

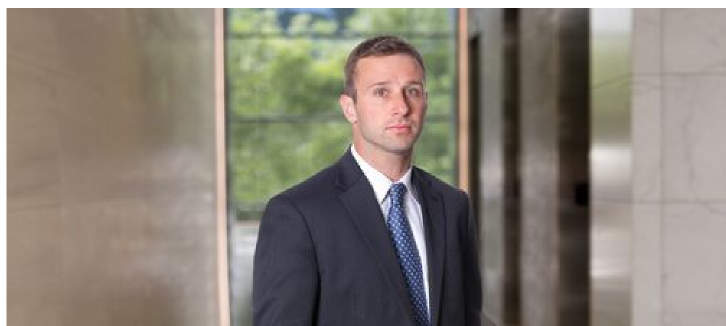
Trade Secrets, Non Competes & Restrictive Covenants

ITC – Section 337

Related Regions

North America

Related Professionals



Steven Grimes

Gino Cheng

This entry has been created for information and planning purposes. It is not intended to be, nor should it be substituted for, legal advice, which turns on specific facts.

© 2024 Winston & Strawn LLP.