

PUBLIC VERSION

**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

In the Matter of

**CERTAIN CRAWLER CRANES AND
COMPONENTS THEREOF**

Inv. No. 337-TA-887

Order No. 21

Pursuant to Commission Rule 210.18(a), respondents Sany Heavy Industry Co., Ltd. and Sany America, Inc. (collectively, “Sany”) filed a motion for “summary determination that Complainant’s list of alleged trade secrets are not subject to trade secret protection or that Respondents have not misappropriated them.” Motion Docket No. 887-16.

Complainant Manitowoc Cranes, LLC (“Manitowoc”) and the Commission Investigative Staff (“Staff”) filed responses opposing the pending motion.

Commission Rules provide that “[a]ny party may move with any necessary supporting affidavits for a summary determination in its favor upon all or part of the issues to be determined in the investigation.” 19 C.F.R. § 210.18(a). Summary determination “shall be rendered if pleadings and any depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a summary determination as a matter of law.” 19 C.F.R. § 210.18(b).

By way of background, Manitowoc asserts that Sany violates section 337 based upon (1) infringement of claims 1, 2, 5, 6, 8, 10, 11 and 23-26 of United States Patent No. 7,546,928 (“the ‘928 patent”) and claim 1 of United States Patent No. 7,967,158 (“the ‘158 patent”); and (2)

misappropriation of trade secrets. *See* Order No. 10 (Initial Determination) (Dec. 13, 2013), *aff'd*, Notice of Commission Determination Not to Review an Initial Determination Granting-in-Part Complainants' Motion to Amend the Complaint and Notice of Investigation (Jan. 15, 2014).

Sany argues that Manitowoc's claims concerning trade secrets "fail as a matter of law for three reasons." Mot. at 1. First, Sany argues that "many of the items on Manitowoc's list of 'trade secrets' fall substantially short of providing the specificity and usefulness needed to have value and not be readily ascertainable that an idea must possess to enjoy trade secret protection. Accordingly, purely as a matter of law, many of the ideas found in Manitowoc's list of trade secrets do not qualify for legal protection as trade secrets." *Id.* Second, Sany argues that "many of Manitowoc's 'trade secrets' are not secret. As to each of the trade secrets in its list, Manitowoc either cannot reasonably dispute that the 'secret' was not secret or cannot reasonably deny that it failed to take steps to protect the 'secret' information." *Id.* at 2. Third, it is argued that "even assuming that one or more legitimate trade secrets exist, Manitowoc has failed to adduce any admissible evidence that would allow a fact-finder to conclude that Sany has misappropriated the trade secret." *Id.*

Trade Secrets Law

In *TianRui Group Co. Ltd. v. International Trade Comm'n*, 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 1322, 1327 (Fed. Cir. 2011) *citing, inter alia*, *Certain Processes for the Manufacture of Skinless Sausage Casings and Resulting Products*, Inv. No. 337-TA-148/169, USITC Pub. 1624, 1984 WL 273789 (Dec. 1984) ("*Sausage Casings*"), the Federal Circuit noted that the Commission has long interpreted section 337 to apply to trade secret misappropriation. *Id.* at 1326.

The Restatement of the Law of Torts defines a trade secret as:

any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, a treating or preserving materials, a pattern for a machine or other device, or a list of customers. It differs from other secret information in a business ... in that it is not simply information as to single or ephemeral events in the conduct of the business ... A trade secret is a process or device for continuous use in the operation of the business ...

The Restatement of the Law of Torts § 757, Comment b. Similarly, the Uniform Trade Secret Act (cited with approval by the Federal Circuit in *TianRui* (661 F.3d at 1327-28)) defines a Trade Secret as “information, including a formula, pattern, compilation, program, device, method, technique, or process, that: “(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain, economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” U.T.S.A., § 1(4) (as amended, 1985).

Sausage Casings identified six relevant factors to assist in determining whether or not a trade secret exists: “(1) the extent to which the information is known outside of complainant’s business; (2) the extent to which it is known by employees and others involved in complainant’s business; (3) the extent of measures taken by complainant to guard the secrecy of the information; (4) the value of the information to complainant and to his competitors; (5) the amount of effort or money expended by complainant in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.” *Sausage Casings* Initial Determination at *94 (July 31, 1984) (citing The Restatement of the Law of Torts § 757, Comment b (1939)). These factors are not a six-part test which must be met to find a trade secret. Rather, they are “instructive guidelines for ascertaining whether a

trade secret exists.” See e.g. *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, 342 F.3d 714, 722 (7th Cir. 2003); see also *Certain Cast Steel Railway Wheels, Certain Process for Manufacturing or Relating to Same and Certain Products Containing Same*, Inv. No. 337-TA-655, Initial Determination at 20 (Oct. 16, 2009) (non-reviewed) (“*Cast Steel Railway Wheels*”).

“Matters of general knowledge in the industry, or those that can be readily discerned are not eligible for trade secret protection.” *Sausage Casings*, Initial Determination (citing *Motorola, Inc. v. Fairchild Camera & Instrument Corp.*, 177 U.S.P.Q. 614, 620-21 (D. Ariz. 1973)). “Matters disclosed in patents also will destroy and claims of trade secret.” *Id.* (citing *Henry Hope XRay Products, Inc. v. Marron Carrel, Inc.*, 216 U.S.P.Q. 762, 765 (9th Cir. 1982)). A specific embodiment of general concepts or a combination of elements, some or all of which may be known in the industry, may be protectable as a trade secret. *Id.* (citing *Cybertex Computer Products, Inc. v. Whitfield*, 203 U.S.P.Q. 1020, 1024 (Col. 1977)); see also *Cast Steel Railway Wheels*, Initial Determination at 20 (“While matters of general knowledge in an industry are not eligible for trade secret protection, a specific embodiment of general concepts or a combination of elements, some or all of which may be known in the industry may be protectable as a trade secret.”); *Certain Apparatus for the Continuous Production of Copper Rod*, Inv. No. 337-TA-52, Comm’n Op. at 43 (Nov. 23, 1979) (“It is an established principle . . . that a trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, provided, however, that the unique combination of these elements is not published and affords the complainant a competitive advantage.”).

Information that may be eligible for protection as a trade secret may lose that protection if adequate steps are not taken to maintain secrecy. *Sausage Casings*, Initial Determination at *95. The burden on complainant is to establish that reasonable precautions were taken to

preserve secrecy to ensure that it would be difficult for others to discover the secret without the use of improper means. *Id.* (citing *Henry Hope X-Ray Products, Inc. v. Marron Correll, Inc.*, 216 U.S.P.Q. at 764).

As noted above, trade secret misappropriation constitutes an unfair act under 19 U.S.C. § 1337(a)(1)(A). *Sausage Casings*, Initial Determination. The Commission has four criteria for establishing misappropriation of a trade secret: (1) the existence of a trade secret which is not in the public domain; (2) the complainant is the owner of, or possesses a proprietary interest in, the trade secret; (3) the complainant disclosed the trade secret to respondent while in a confidential relationship or that respondent wrongfully took the trade secret by unfair means; and (4) the respondent has used or disclosed the trade secret causing injury to the complainant. *Id.*

Discussion

Manitowoc has alleged that Sany misappropriated Manitowoc trade secrets. Mr. John Lanning is central to the trade secret allegations. He was a long-time Manitowoc employee who left Manitowoc in December 2009 and joined Sany in January 2010. Manitowoc alleges that Mr. Lanning used Manitowoc's trade secrets when he joined Sany.

As noted above, Sany argues that Manitowoc's claims concerning trade secrets "fail as a matter of law for three reasons." Mot. at 1. First, Sany argues that "many of the items on Manitowoc's list of 'trade secrets' fall substantially short of providing the specificity and usefulness needed to have value and not be readily ascertainable that an idea must possess to enjoy trade secret protection. Accordingly, purely as a matter of law, many of the ideas found in Manitowoc's list of trade secrets do not qualify for legal protection as trade secrets." *Id.* Second, Sany argues that "many of Manitowoc's 'trade secrets' are not secret. As to each of the trade secrets in its list, Manitowoc either cannot reasonably dispute that the 'secret' was not secret or cannot reasonably deny that it failed to take steps to protect the 'secret' information." *Id.* at 2.

Third, it is argued that “even assuming that one or more legitimate trade secrets exist, Manitowoc has failed to adduce any admissible evidence that would allow a fact-finder to conclude that Sany has misappropriated the trade secret.” *Id.*

Information Sany Alleges Does Not Qualify As Trade Secrets

Sany argues that many of the trade secrets do not qualify as trade secrets because they are general engineering ideas that lack economic value. *See* Mem. at 8-13. Sany cites the Amended Trade Secret List (Mem. Ex. 1) and argues the information is too general. *See* Mem. at 6.

In addition to the information in Exhibit 1, Manitowoc has provided Sany with documents and interrogatory responses regarding the details of the trade secrets. For example, Sany argues that the trade secret 15 regarding [] lacks sufficient detail because [] have a specialized process. In support, Sany points to the deposition testimony of Bradley Closson where he allegedly didn’t know details about the []. Manitowoc, however, provided greater detail about its [] in its December 26, 2013 Amended Interrogatory Responses and in documents produced to Sany. Similarly, additional information on [] was provided including the testimony of Larry Weyers and information on the []. *See* Mem. Ex. 27 at 54-60.

Accordingly, there are genuine issues of material fact regarding whether the purported trade secrets are general engineering ideas or something more specific, and therefore, protectable. Sany has not shown that it is entitled to summary determination that the trade secrets are general engineering concepts without economic value.

Information Allegedly Publicly Known

Sany argues that trade secret 1 was publicly known before Mr. Lanning left Manitowoc in December 2009 and that trade secrets 2-4, 7-11 and 14 were publicly known before Sany began designing the SCC8500. *See* Mem. at 13, 16.

Trade Secret 1

According to Sany, trade secret 1 was generally known in the industry prior to Mr. Lanning's departure from Manitowoc in December 2009. Mem. at 13.

Trade secret 1 states:

[

]

Sany argues that several crane companies were making cranes with the capabilities listed in trade secret 1 and that Sany had independently learned of the information through customer feedback. Mem. at 14. In support, Sany cites to several documents showing that cranes existed in, or soon came on to, the market capable of performing one or more of the operations of trade secret 1.

For example, Sany argues that the Voice of the Customer ("VOC") Feedback shows that the information in trade secret 1 was publicly known and in support it points to exhibits showing a [

]. Mem. at 14. However, as the Staff argued,

Sany's July 21, 2011 presentation entitled "SCC8500 Gate 0" authored by Mr. Lanning discusses

[], but lists the [] only in relation to [

], not in relation to []. Staff Opp'n Ex. 1 at SANY013466 and SANY013470-72. Furthermore, expert witness Bradley Closson testified that the need for a

crane [] was not known in the industry.

Mem. Ex. 5 at 77-78.

Accordingly, there is a genuine issue of material fact regarding whether Sany, and the industry, appreciated the combination of elements in trade secret 1. Sany has not shown that it is entitled to summary determination as a matter of law.

Trade Secrets 2-4, 7-11 and 14

Sany argues that trade secrets 3 and 4 were publicly known before Sany began the “initial specification for the SCC8500 in April of 2011.” Mem. at 16. The April 2011 date, however, is not the proper date from which to determine public knowledge of the trade secrets. The April 2011 date relates to approval of the SCC8500, but Mr. Lanning first drafted a proposal for Sany to produce a crane capable [].

Mem. Ex. 19 at 82-85. This earlier date raises a genuine issue of material fact regarding whether Sany (1) independently learned of the disadvantages of [] in the January 2011 VOCs; and (2) independently developed the SCC8500.

Sany argues that trade secret 2 is not a trade secret because the Terex 2800 has a [] and also because Sany independently developed specifications for such a crane based on []. Mem. at 18. Manitowoc has consistently referred to [] to mean a system of []

[]. Thus, there is a genuine issue of fact regarding whether the brochure for the Terex 2800 discloses []

[]. See e.g. Mem. Ex. 24 at SANYITC0020424.

Sany argues that the twenty-three subparagraphs of trade secret 3 are either known in the industry or were disclosed by U.S. Patent App. 2011/031202/A1 (“the ‘202 application”). Mem. at 19. The subparagraphs of trade secret 3 relate to [

]. Although many of the elements may be publicly known or used, there is a genuine issue of material fact regarding whether the [

] are known. As to the ‘202 publication, Sany has failed to provide an analysis of the ‘202 application sufficient to demonstrate that it discloses the trade secrets. Thus, a genuine issue of material fact remains.

Sany groups trade secrets 7-11 together and argues that the information is “generally known or easily obtainable.” Mem. at 19-20. Sany cites evidence that Manitowoc obtained the information through [] and argues that the information is not a trade secret. However, there exists a genuine issue of material fact regarding whether the information compilation is a trade secret.

Finally, Sany argues that trade secret 14, relating to [] is publicly known. Mem. at 20-21. Sany points to the fact that Manitowoc [] as evidence that the information is publicly known. However, trade secret 14 also relates to [

]. It is not clear from the evidence cited by Sany whether the [] quoted in Exhibit 28 is the [] and Exhibit 28 does not provide information on [].

Sany’s also argues that, even if trade secret 14 is not publicly known, Manitowoc has not shown how the information has been used by Sany. Sany relies on Manitowoc’s complaint that the SCC8500 was [] as evidence that Manitowoc cannot prove that

the information was misused by Sany. Mem. at 21. However, Sany may have used the information [] and could have used it to calculate the [] of the SCC8500. Thus, there are genuine issues of material fact regarding whether the information in trade secret 14 is publicly known, and whether it was used by Sany.

Sany has not shown that it is entitled to summary determination as a matter of law.

Whether Manitowoc Took Reasonable Steps to Protect the Trade Secrets

Sany argues that it is entitled to summary determination because Manitowoc allegedly did not take reasonable steps to protect its trade secrets. Sany argues that Manitowoc's public display of the [] strips the information of trade secret protection. Mem. at 21-22. In support, Sany cites the deposition of Manitowoc expert Mr. Fred Smith to argue the [] embodies the trade secrets. Mr. Smith, however, testified only that he "believe[d]" the [] is covered by the patents – not the trade secrets. Mem. Ex. 2 at 54. Sany's invitation to compare the Amended Trade Secret List with United States Patent 7,967,158 is not sufficient to show that no factual disputes exist.

Sany also argues that Manitowoc failed to keep trade secret 6 confidential inasmuch as Manitowoc publicly announced it would build a crane capable of []

[]. The evidence Sany cites is for a wind attachment to the Manitowoc 16000, which has a base capacity of 400 tons, not [] as recited in trade secret 6. See Mem. Ex. 19 at 171. In addition, Sany argues that Manitowoc 18000 was capable of such lifts, which also makes the information publicly available. Mem. at 22. Sany's evidence is deposition testimony from Mr. Lanning in which he testified that he believed the Manitowoc 18000 was capable of the lifts "from [his] time at Manitowoc." *Id.* Genuine issues of material fact exist about whether the Manitowoc 16000 is capable of such lifts and whether information about the

Manitowoc 18000 was publicly available or known only because of Mr. Lanning's employment with Manitowoc.

Sany argues that "Manitowoc makes no efforts to keep its []" Mem. at 22. In particular, Sany cites three elements of the [] it claims are not kept secret. First, Sany argues how a [] is information that can be obtained by the integrators. Sany does not, however, provide any evidence of whether an integrator would actually disclose information about specific customers. Second, Sany contends that how []]. However, Manitowoc's expert Bradley Closson testified that the [] involves a number of variables including []. This raises a genuine issue of material fact about whether a mere plant tour would disclose the process. Sany then argues that certain [] are available from material suppliers. The real issue here is Manitowoc's [], not whether general [] are known to the public. There is, therefore, a genuine issue of material fact regarding whether Manitowoc has taken proper steps to keep the information secret. Sany has not shown that it is entitled to summary determination as a matter of law.

Whether Manitowoc Can Show Sany Has Used Misappropriated Trade Secrets

Sany argues that Manitowoc cannot prove Sany's use of the trade secret (1) pricing information, or (2) manufacturing processes. Mem. at 23-26.

Sany repeats many of the arguments it put forth in arguing that Manitowoc's trade secrets were generally known. For example, Sany argues its pricing for the SCC8500 is []. As discussed above, however, this allegation is insufficient to show that the information was not misappropriated or used.

Sany also argues that Manitowoc has put forward no evidence that would show use of Manitowoc's [

]. However, although Manitowoc's expert was unable to provide direct evidence of use of the trade secrets, there are still outstanding factual disputes. For example, Mr. Lanning provided Sany with a presentation on [] as part of a discussion about a "new building." Mem. Ex. 19 at 579-80. Likewise, Sany asked Mr. Lanning about Manitowoc's [] and Manitowoc's Charpy requirements. *Id.* at 575, 564. This testimony and accompanying exhibits raise a factual issue about whether Sany used the information. Sany has not shown that it is entitled to summary determination as a matter of law.

For the reasons set forth above, Motion No. 887-16 is denied.



David P. Shaw
Administrative Law Judge

Issued: February 20, 2014

CERTAIN CRAWLER CRANES AND COMPONENTS THEREOF

INV. NO. 337-TA-887

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **Order No. 21** has been served by hand upon the Commission Investigative Attorney, **Andrew Beverina, Esq.**, and the following parties as indicated, on **FEB 25 2014**.



Lisa R. Barton, Acting Secretary
U.S. International Trade Commission
500 E Street SW, Room 112A
Washington, DC 20436

FOR COMPLAINANT MANITOWOC CRANES, LLC:

Mark L. Whitaker, Esq.
BAKER BOTTS LLP
The Warner
1299 Pennsylvania Ave., NW
Washington, DC 20004-2400

- () Via Hand Delivery
() Express Delivery
(☒) Via First Class Mail
() Other: _____

FOR RESPONDENTS SANY HEAVY INDUSTRY CO., LTD., AND SANY AMERICA, INC.:

Bryan G. Harrison, Esq.
MORRIS, MANNING & MARTIN, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, NE
Atlanta, GA 30326

- () Via Hand Delivery
(☒) Express Delivery
(☒) Via First Class Mail
() Other: _____