

Session 9: International Issues

We will look at four different takes on how the international law regime matters for U.S. firms. The *Yahoo* case involves a tricky procedural situation, but the core legal conflict is straightforward to frame if difficult to solve. Microsoft has more recently been involved in issues regarding where it would locate data in the cloud (see [here](#) and [here](#) for readings). The *Tianrui* case raises issues about the circumstances under which the U.S. will block the importation of goods produced overseas. Finally, we will look at the Foreign Corrupt Practices Act (15 USC 78dd-1 to 15 USC 78dd-3) through the lens of a New York Times [story](#) on Walmart's practices in Mexico.

Yahoo! Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme

433 F.3d 1199 (9th Cir 2006) (en banc)

PER CURIAM: A majority of the en banc court (Judge W.A. Fletcher, joined by Chief Judge Schroeder and Judges Hawkins, Fisher, Gould, Paez, Clifton, and Bea) concludes that the district court had personal jurisdiction over the defendants. Of that majority, three judges (Chief Judge Schroeder, and Judges W.A. Fletcher and Gould) conclude that the action should be dismissed for lack of ripeness. Five judges (Judge Fisher, joined by Judges Hawkins, Paez, Clifton, and Bea) conclude that the case is ripe for adjudication. The three remaining judges (Judges Ferguson, O'Scannlain, and Tashima) conclude that the action should be dismissed because the district court lacked personal jurisdiction over the defendants.

A majority of the en banc court having voted therefor, the judgment of the district court is REVERSED and the case REMANDED with directions to dismiss the action without prejudice.

W. FLETCHER, Circuit Judge, with whom SCHROEDER, Chief Circuit Judge, and GOULD, Circuit Judge, join as to the entire opinion, and with whom HAWKINS, FISHER, PAEZ, CLIFTON and BEA, Circuit Judges, join as to Parts I and II: Yahoo!, an American Internet service provider, brought suit in federal district court in diversity against La Ligue Contre Le Racisme et L'Antisemitisme ("LICRA") and L'Union des Etudiants Juifs de France ("UEJF") seeking a declaratory judgment that two interim orders by a French court are unrecognizable and unenforceable. The district court held that the exercise of personal jurisdiction over LICRA and UEJF was proper, that the dispute was ripe, that abstention was unnecessary, and that the French orders are not enforceable in the United States because such enforcement would violate the First Amendment. The district court did not reach the question whether the orders are recognizable. LICRA and UEJF appeal only the personal jurisdiction, ripeness, and abstention holdings. A majority of the en banc panel holds, as explained in Part II of this opinion, that the district court properly exercised personal jurisdiction over LICRA and UEJF. A plurality of the panel concludes, as explained in Part III of this opinion, that the case is not ripe under the criteria of [Abbott Laboratories v. Gardner](#), 387 U.S. 136, 149 (1967). We do not reach the abstention question.

I. Background

Yahoo! is a Delaware corporation with its principal place of business in California. Through its United States-based website yahoo.com, Yahoo! makes available a variety of Internet services, including a search engine, e-mail, web page hosting, instant messaging, auctions, and chat rooms. While some of these services rely on content created by Yahoo!, others are forums and platforms for user-generated content.

Yahoo! users can, for example, design their own web pages, share opinions on social and political message boards, play fantasy baseball games, and post items to be auctioned for sale. Yahoo! does not monitor such user-created content before it is posted on the web through Yahoo! sites.

Yahoo!'s United States website is written in English. It targets users in the United States and relies on servers located in California. Yahoo!'s foreign subsidiaries, such as Yahoo! France, Yahoo! U.K., and Yahoo! India, have comparable websites for their respective countries. The Internet addresses of these foreign-based websites contain their two-letter country designations, such as fr.yahoo.com, uk.yahoo.com, and in.yahoo.com. Yahoo!'s foreign subsidiaries' sites provide content in the local language, target local citizens, and adopt policies that comply with local law and customs. In actual practice, however, national boundaries are highly permeable. For example, any user in the United States can type www.fr.yahoo.com into his or her web browser and thereby reach Yahoo! France's website. Conversely, any user in France can type www.yahoo.com into his or her browser, or click the link to Yahoo.com on the Yahoo! France home page, and thereby reach yahoo.com.

Sometime in early April 2000, LICRA's chairman sent by mail and fax a cease and desist letter, dated April 5, 2000, to Yahoo!'s headquarters in Santa Clara, California. The letter, written in English, stated in part:

[W]e are particularly choked [sic] to see that your Company keeps on presenting every day hundreds of nazi symbols or objects for sale on the Web.

This practice is illegal according to French legislation and it is incumbent upon you to stop it, at least on the French Territory.

Unless you cease presenting nazi objects for sale within 8 days, we shall seize [sic] the competent jurisdiction to force your company to abide by the law.

On April 10, five (rather than eight) days after the date on the letter, LICRA filed suit against Yahoo! and Yahoo! France in the Tribunal de Grande Instance de Paris. On April 20, UEJF joined LICRA's suit in the French court. LICRA and UEJF used United States Marshals to serve process on Yahoo! in California.

After a hearing on May 15, 2000, the French court issued an "interim" order on May 22 requiring Yahoo! to "*take all necessary measures to dissuade and render impossible* any access [from French territory] via Yahoo.com to the Nazi artifact auction service and to any other site or service that may be construed as constituting an apology for Nazism or a contesting of Nazi crimes" (emphasis added). Among other things, the French court required Yahoo! to take particular specified actions "[b]y way of interim precautionary measures." Yahoo! was required "to cease all hosting and availability in the territory of [France] from the 'Ya-

hoo.com' site . . . of messages, images and text relating to Nazi objects, relics, insignia, emblems and flags, or which evoke Nazism," and of "Web pages displaying text, extracts, or quotes from 'Mein Kampf' and the '[Protocols of the Elders of Zion]'" at two specified Internet addresses. Yahoo! was further required to remove from "all browser directories accessible in the territory of the French Republic" the "index heading entitled 'negationists'" and any link "bringing together, equating, or presenting directly or indirectly as equivalent" sites about the Holocaust and sites by Holocaust deniers.

The May 22 interim order required Yahoo! France (as distinct from Yahoo!) to remove the "negationists" index heading and the link to negationist sites, described above, from fr.yahoo.com. The order further required Yahoo! France to post a warning on fr.yahoo.com stating to any user of that website that, in the event the user accessed prohibited material through a search on Yahoo.com, he or she must "desist from viewing the site concerned[,] subject to imposition of the penalties provided in French legislation or the bringing of legal action against him."

The order stated that both Yahoo! and Yahoo! France were subject to a penalty of 100,000 Euros per day of delay or per confirmed violation, and stated that the "possibility of liquidation of the penalties thus pronounced" was "reserve[d]." The order also awarded 1 Franc in "provisional damages," payable by Yahoo! and Yahoo! France to UEJF, and awarded an additional 1 Franc against Yahoo! and Yahoo! France for expenses under Article 700 of the New Code of Civil Procedure. The French court also awarded 10,000 Francs against Yahoo! for expenses under Article 700, payable to LICRA, and 10,000 Francs each against Yahoo! and Yahoo! France under Article 700 (a total of 20,000 Francs), payable to UEJF.

Yahoo! objected to the May 22 order. It contended, among other things, that "there was no technical solution which would enable it to *comply fully* with the terms of the court order." (Emphasis added.) In response, the French court obtained a written report from three experts. The report concluded that under current conditions approximately 70% of Yahoo! users operating from computer sites in France could be identified. The report specifically noted that Yahoo! already used such identification of French users to display advertising banners in French. The 70% number applied irrespective of whether a Yahoo! user sought access to an auction site, or to a site denying the existence of the Holocaust or constituting an apology for Nazism.

With respect to auction sites, the report concluded that it would be possible to identify additional users. Two out of the three experts concluded that approximately an additional 20% of users seeking access to auction sites offering Nazi-related items for sale could be identified through an honor system in which the user would be asked to state his or her nationality. In all, the two experts estimated that almost 90% of such auction site users in France could be identified: "The combination of the two procedures, namely geographical identification of the IP address and declaration of nationality, would be likely to achieve a filtering success rate approaching 90%." The third expert expressed doubts about the number of additional users of the auction site who would respond truthfully under the honor system. He did not,

however, specify an alternative number of users—say, 15% or 10%—who would respond truthfully.

With respect to sites denying the existence of the Holocaust or constituting an apology for Nazism, the report was not able to “propose suitable and effective technical solutions” because no “grievance” against those sites had been made with “sufficient precision.” In consequence, as to these non-auction sites, the report did not estimate how many Yahoo! users above the base 70% number could be identified by an honor system.

In a second interim order, issued on November 20, 2000, the French court reaffirmed its May 22 order and directed Yahoo! to comply within three months, “subject to a penalty of 100,000 Francs per day of delay effective from the first day following expiry of the 3 month period.” (The May 22 order had specified a penalty of 100,000 Euros rather than 100,000 Francs.) The court “reserve[d] the possible liquidation of the penalty” against Yahoo!. The French court’s November 20 order required Yahoo! France (as distinct from Yahoo!) to display “a warning to surfers even before they have made use of the link to Yahoo.com, to be brought into effect within 2 months following notification of the present order.” However, the French court found “that YAHOO FRANCE has complied *in large measure* with the spirit and letter of the order of 22nd May 2000[.]” (Emphasis added.)

The November 20 order required Yahoo! to pay 10,000 Francs for a report, to be prepared in the future by one of the experts previously appointed by the court, to determine whether Yahoo! was in compliance with the court’s orders. It also awarded a total of 20,000 Francs against Yahoo! for expenses under Article 700, payable to LICRA and UEJF, and an unspecified amount of costs against Yahoo!, payable to LICRA and UEJF. The court specifically stated that it was not awarding any expenses or costs against Yahoo! France (which it had found to have complied “in large measure” with its order). LICRA and UEJF used United States Marshals to serve both orders on Yahoo! in Santa Clara, California.

Yahoo! did not pursue appeals of either interim order.

The French court has not imposed any penalty on Yahoo! for violations of the May 22 or November 20 orders. Nor has either LICRA or UEJF returned to the French court to seek the imposition of a penalty. Both organizations affirmatively represent to us that they have no intention of doing so if Yahoo! maintains its current level of compliance. Yet neither organization is willing to ask the French court to vacate its orders. As LICRA and UEJF’s counsel made clear at oral argument, “My clients will not give up the right to go to France and enforce the French judgment against Yahoo! in France if they revert to their old ways and violate French law.”

The record reveals that the French “public prosecutor” participated in the proceedings against Yahoo! and Yahoo! France in the French court, but it does not reveal whether he has the authority to seek a penalty against Yahoo! under the interim orders, either on his own or pursuant to a request by LICRA and/or UEJF. The public prosecutor was not made a party to the suit in the district court, and has made no appearance in the district court or on appeal to this court. If LICRA, UEJF, or the public prosecutor were to seek the imposition of a penalty by the French court pursuant to the interim orders, that court would have to deter-

mine the extent of Yahoo!'s violation, if any, of the orders, as well as the amount of any penalty, before an award of a penalty could be entered.

On December 21, 2000, Yahoo! filed suit against LICRA and UEJF in federal district court, seeking a declaratory judgment that the interim orders of the French court are not recognizable or enforceable in the United States. Subject matter jurisdiction is based solely on diversity of citizenship. 28 USC 1332(a)(2). In a thoughtful opinion, the district court concluded that it had personal jurisdiction over LICRA and UEJF. Several months later, in another thoughtful opinion, the district court concluded that the suit was ripe, that abstention was not warranted, and that "the First Amendment precludes enforcement within the United States."

In early 2001, after both interim orders had been entered by the French court, and after Yahoo! had filed suit in federal district court, Yahoo! adopted a new policy prohibiting use of auctions or classified advertisements on Yahoo.com "to offer or trade in items that are associated with or could be used to promote or glorify groups that are known principally for hateful and violent positions directed at others based on race or similar factors." Yahoo! has represented, in this court and elsewhere, that its new policy has not been adopted in response to the French court's orders, but rather for independent reasons. Yahoo's new policy eliminates much of the conduct prohibited by the French orders. However, after conducting its own Internet research on yahoo.com, the district court found that even after this policy change, Yahoo! "appear[s]" not to have fully complied with the orders with respect to its auction site. For example, the district court found that Yahoo! continued to allow the sale of items such as a copy of *Mein Kampf* and stamps and coins from the Nazi period on which the swastika is depicted. The district court also found that access was available through yahoo.com to various sites in response to searches such as "Holocaust/5 did not happen."

LICRA and UEJF timely appealed the district court's rulings on personal jurisdiction, ripeness, and abstention.

II. Personal Jurisdiction

The only bases for personal jurisdiction over LICRA and UEJF in the district court are the actions they have taken in connection with their French suit against Yahoo!. Those actions are sending a cease and desist letter to Yahoo! at its headquarters in Santa Clara, California; serving process on Yahoo! in Santa Clara to commence the French suit; obtaining two interim orders from the French court; and serving the two orders on Yahoo! in Santa Clara. *** We therefore analyze all of LICRA and UEJF's contacts with California relating to its dispute with Yahoo!, irrespective of whether they involve wrongful actions by LICRA and UEJF. There are three such contacts. The first two contacts, taken by themselves, do not provide a sufficient basis for jurisdiction. However, the third contact, considered in conjunction with the first two, does provide such a basis.

The first contact is the cease and desist letter that LICRA sent to Yahoo!, demanding that Yahoo! alter its behavior in California to conform to what LICRA contended were the commands of French law. A cease and desist letter is not in and of itself sufficient to establish

personal jurisdiction over the sender of the letter. There are strong policy reasons to encourage cease and desist letters. ***

LICRA and UEJF's second contact (or, more precisely, set of contacts) with California was service of process on Yahoo! in California. LICRA first effected service of process to commence the French suit. LICRA and UEJF later effected service of the French court's two interim orders. We do not regard the service of documents in connection with a suit brought in a foreign court as contacts that by themselves justify the exercise of personal jurisdiction over a foreign litigant in a United States court. ***

Third, and most important, LICRA and UEJF have obtained two interim orders from the French court directing Yahoo! to take actions in California, on threat of a substantial penalty. *** It is a close question whether LICRA and UEJF are subject to personal jurisdiction in California in this suit. But considering the direct relationship between LICRA and UEJF's contacts with the forum and the substance of the suit brought by Yahoo!, as well as the impact and potential impact of the French court's orders on Yahoo!, we hold that there is personal jurisdiction.

III. Ripeness

Because we conclude that the exercise of personal jurisdiction over LICRA and UEJF is proper, we turn to the question of ripeness. *** The existence of Article III subject matter jurisdiction is, like personal jurisdiction, a close question, but we agree with the district court that the effect of the French court's orders on Yahoo! is sufficient to create a case or controversy within the meaning of Article III. However, we disagree with the district court's conclusion that there is prudential ripeness. In its current form, this case presents the sort of "[p]roblems of prematurity and abstractness" that counsel against reaching the First Amendment question that Yahoo! insists is presented by this case. See [Socialist Labor Party, 406 U.S. at 588](#). ***

It is thus important to a ripeness analysis that we specify the precise legal question to be answered. Depending on the legal question, the case may be ripe or unripe. If we ask the wrong legal question, we risk getting the wrong answer to the ripeness question. The legal question presented by this case is whether the two interim orders of the French court are enforceable in this country. These orders, by their explicit terms, require only that Yahoo! restrict access by Internet users located in France. The orders say nothing whatsoever about restricting access by Internet users in the United States. We are asked to decide whether enforcement of these interim orders would be "repugnant" to California public policy.

*** California, along with many other states, has adopted the Uniform Foreign Money-Judgments Recognition Act ("Uniform Act" or "Act"). Cal. Civ. Proc. Code §§ 1713-1713.8. The relevant standard for enforceability under the Act is whether "the cause of action or defense on which the judgment is based is *repugnant to the public policy* of this state." *Id.* § 1713.4(b)(3) (emphasis added). However, the Act is not directly applicable to this case, for it does not authorize enforcement of injunctions. See *id.* § 1713.1(2) ("Foreign judgment" means any judgment of a foreign state granting or denying recovery of a sum of money, other than . . . a fine or other penalty[.]") ***

The general principle of enforceability under the Third Restatement is the same as under California's Uniform Act. That is, an American court will not enforce a judgment if "the cause of action on which the judgment was based, or the judgment itself, is repugnant to the public policy of the United States or of the State where recognition is sought[.]" Restatement § 482(2)(d) (emphasis added). ***

Under the repugnancy standard, American courts sometimes enforce judgments that conflict with American public policy or are based on foreign law that differs substantially from American state or federal law. Inconsistency with American law is not necessarily enough to prevent recognition and enforcement of a foreign judgment in the United States. The foreign judgment must be, in addition, repugnant to public policy.

2. Fitness of the Question for Judicial Decision

With the suit in its current state, it is difficult to know whether enforcement of the French court's interim orders would be repugnant to California public policy. The first difficulty is evident. As indicated by the label "interim," the French court contemplated that it might enter later orders. We cannot know whether it might modify these "interim" orders before any attempt is made to enforce them in the United States.

A second, more important, difficulty is that we do not know whether the French court would hold that Yahoo! is now violating its two interim orders. After the French court entered the orders, Yahoo! voluntarily changed its policy to comply with them, at least to some extent. There is some reason to believe that the French court will not insist on full and literal compliance with its interim orders, and that Yahoo!'s changed policy may amount to sufficient compliance.

In its interim second order, entered on November 20, the French court found that Yahoo! France had "complied *in large measure* with the spirit and letter" of its May 22 order. (Emphasis added.) Based on that level of compliance, the French court was satisfied. It declined to enter any further orders against Yahoo! France. It also declined to award any expenses or costs against Yahoo! France, even though in that same order it awarded expenses and costs against Yahoo!. We thus know from this second order that compliance "in large measure" by Yahoo! is very likely to be satisfactory to the French court, just as compliance "in large measure" by Yahoo! France was satisfactory.

LICRA and UEJF insist that Yahoo! has now, in their words, "substantially complied" with the French court's orders. We take this to be a statement that, in their view, Yahoo! has complied "in large measure" with the orders. For its part, however, Yahoo! insists that it continues to be in serious violation of the orders. The district court did not hold that Yahoo! is in violation, substantial or otherwise, of the French court's orders. It wrote only that Yahoo! does not "appear" to be in full compliance with the French court's order with respect to its auction site, and that various anti-semitic sites continue to be accessible through yahoo.com. [169 F.Supp.2d at 1185](#). There is only one court that can authoritatively tell us whether Yahoo! has now complied "in large measure" with the French court's interim orders. That is, of course, the French court.

To the extent that we are uncertain about whether Yahoo! has complied “in large measure” with the French court’s orders, the responsibility for that uncertainty can be laid at Yahoo!’s door. In its November 20 interim order, the French court ordered the appointment of one of the experts who had previously reported on the technical feasibility of restricting access by French users to Yahoo.com. Under the November 20 order, Yahoo! was required to pay the expert, who would be charged “to undertake an assignment to prepare a consultancy report on the conditions of fulfillment of the terms of the aforementioned order.” Yahoo! has placed nothing in the record to tell us whether Yahoo! has paid the expert; whether the expert has prepared a report for the French court; and, if a report has been prepared, what it says. There is also nothing in the record to indicate what other steps, if any, Yahoo! has taken to obtain an indication from the French court whether it believes that Yahoo! is in compliance, “in large measure” or otherwise, with the terms of its interim orders. All we know for certain is that Yahoo! abandoned its appeal of the May 22 interim order and declined to appeal the November 20 interim order, and that on December 21, a month and a day after entry of the second interim order, it came home to file suit in the Northern District of California.

A third difficulty is related to the second. Because we do not know whether Yahoo! has complied “in large measure” with the French court’s orders, we cannot know what effect, if any, compliance with the French court’s orders would have on Yahoo!’s protected speech-related activities. We emphasize that the French court’s orders require, by their terms, only a limitation on access to anti-semitic materials *by users located in France*. The orders do not by their terms limit access by users outside France in any way. Yahoo! contended in the French court that it was technically too difficult to distinguish between users inside and outside France. As described above, the French court commissioned a report by three experts to determine if Yahoo!’s contention were true. The experts disagreed with Yahoo!, concluding that Yahoo! is readily able to distinguish between most users inside and outside France.

With respect to users seeking access to forbidden auction sites, two out of the three experts concluded that Yahoo! could identify almost 90% of its users located in France. The third expert did not dispute that 70% of such auction site users could be identified, but expressed doubt about how many additional such users could be identified. With respect to users seeking access to sites of Holocaust deniers and Nazi apologists, the experts declined to propose any solution by which a greater number than 70% of users located in France could be identified.

In its briefing to this court, Yahoo! contends that restricting access by French Internet users in a manner sufficient to satisfy the French court would in some unspecified fashion require Yahoo! simultaneously to restrict access by Internet users in the United States. This may or may not be true. It is almost certainly not true if Yahoo! is now complying “in large measure” with the French court’s orders, for in that event the French court will almost certainly hold that no further compliance is necessary. Even if the measures Yahoo! has already taken restrict access by American Internet users to antisemitic materials, this has no bearing on Yahoo!’s First Amendment argument. By its own admission, Yahoo! has taken these measures entirely of its own volition, for reasons entirely independent of the French court’s orders.

However, it is possible, as Yahoo! contends, that it has not complied “in large measure” with the French court orders, and that the French court would require further compliance. It is also possible, as Yahoo! contends, that further compliance might have the necessary consequence of requiring Yahoo! to restrict access by American Internet users. But Yahoo! has been vague in telling us in what ways, and for what reasons, it believes further compliance might have that consequence. One possible reason for Yahoo!’s vagueness might be that its contention is ill-founded, and that a detailed explanation would reveal that fact. We are not now in a position to judge this. Another, more important, reason—not merely a possible reason—for its vagueness is that Yahoo! has no way of knowing what further compliance might be required by the French court. Until it knows what further compliance (if any) the French court will require, Yahoo! simply cannot know what effect (if any) further compliance might have on access by American users.

The possible—but at this point highly speculative—impact of further compliance with the French court’s orders on access by American users would be highly relevant to the question whether enforcement of the orders would be repugnant to California public policy. But we cannot get to that question without knowing whether the French court would find that Yahoo! has already complied “in large measure,” for only on a finding of current noncompliance would the issue of further compliance, and possible impact on American users, arise.

Without a finding that further compliance with the French court’s orders would necessarily result in restrictions on access by users in the United States, the only question in this case is whether California public policy and the First Amendment require unrestricted access by Internet users in France. In other words, the only question would involve a determination whether the First Amendment has extraterritorial application. The extent of First Amendment protection of speech accessible solely by those outside the United States is a difficult and, to some degree, unresolved issue.

We are thus uncertain about whether, or in what form, a First Amendment question might be presented to us. If the French court were to hold that Yahoo!’s voluntary change of policy has already brought it into compliance with its interim orders “in large measure,” no First Amendment question would be presented at all. Further, if the French court were to require additional compliance with respect to users in France, but that additional compliance would not require any restriction on access by users in the United States, Yahoo! would only be asserting a right to extraterritorial application of the First Amendment. Finally, if the French court were to require additional compliance with respect to users in France, and that additional compliance would have the necessary consequence of restricting access by users in the United States, Yahoo! would have both a domestic and an extraterritorial First Amendment argument. The legal analysis of these different questions is different, and the answers are likely to be different as well.

B. Hardship to the Parties

*** Yahoo! contends that it will suffer real hardship if we do not decide its suit at this time. Yahoo! makes essentially two arguments. First, it argues that the potential monetary penalty under the French court’s orders is mounting every day, and that the enforcement of a penalty

against it here could be extremely onerous. Second, it argues that the French court's orders substantially limit speech that is protected by the First Amendment. We take these arguments in turn.

1. Enforceability of the Monetary Penalty

Yahoo! contends that the threat of a monetary penalty hangs like the sword of Damocles. However, it is exceedingly unlikely that the sword will ever fall. We may say with some confidence that, for reasons entirely independent of the First Amendment, the French court's orders are not likely to result in the enforcement of a monetary penalty in the United States. The French court's orders threaten monetary sanctions against Yahoo!, which that court explicitly labels "penalties." In order to obtain an award of a penalty from the French court, LICRA and UEJF would have to return to the French court, to explain to the French court why they believe Yahoo! has violated its interim orders, and to persuade the French court that Yahoo!'s violation merits the imposition of a penalty. In the nearly five years since the entry of the French court's second interim order and Yahoo!'s change of policy, LICRA and UEJF have taken none of these steps. Further, LICRA and UEJF have represented that they have no intention of seeking a monetary penalty by the French court so long as Yahoo! does not revert to its "old ways."

More important, even if the French court were to impose a monetary penalty against Yahoo!, it is exceedingly unlikely that any court in California—or indeed elsewhere in the United States—would enforce it. California's Uniform Act does not authorize enforcement of "fines or other penalties." Cal. Civ. Proc. Code § 1713.1(2). The Act includes a savings clause, see Cal. Civ. Proc. Code § 1713.7, but the fine is equally unenforceable under California common law doctrine. ***

There are a number of indications that the French judgments are penal in nature. First, the word used by the French court ("astreinte") is consistently translated as "penalty" in the record in this case. For example, the May 22 order provides that Yahoo! and Yahoo! France are "subject to a penalty of 100,000 Euros per day of delay and per confirmed violation[.]" The November 20 order provides that Yahoo! is "subject to a penalty of 100,000 Francs per day of delay[.]"

Second, the French court held that Yahoo! was violating Section R645-1 of the French Penal Code, which declares it a "crime" to exhibit or display Nazi emblems, and which prescribes a set of "criminal penalties," including fines. Fr. C. Pén. § R645-1, translation available at <http://www.lex2k.org/yahoo/art645.pdf>. The monetary penalties against Yahoo! do not lose their character as "penalties" simply because they were obtained in a civil action. ***

Third, the penalties the French court imposed on Yahoo! are primarily designed to deter Yahoo! from creating, in the words of the November 20 order, "a threat to internal public order." The penalties are payable to the government and not designed to compensate the French student groups for losses suffered. Judgments designed to deter conduct that constitutes a threat to the public order are typically penal in nature.

The French court awarded nominal damages of one Franc to LICRA and UEJF in its first (but not its second) order. Balanced against the far more substantial penalties payable to the

government (up to 100,000 Francs per day under the second order), this award of one Franc cannot render the orders primarily remedial rather than punitive in nature. Even the “restitution” the court ordered—the printing of its judgment in publications of UEJF’s and LICRA’s choosing—benefits the general public and does not specifically compensate the two student groups for a particular injury.

2. First Amendment

Yahoo! argues that any restriction on speech and speech-related activities resulting from the French court’s orders is a substantial harm under the First Amendment. We are acutely aware that this case implicates the First Amendment, and we are particularly sensitive to the harm that may result from chilling effects on protected speech or expressive conduct. In this case, however, the harm to First Amendment interests—if such harm exists at all—may be nowhere near as great as Yahoo! would have us believe. Yahoo! has taken pains to tell us that its adoption of a new hate speech policy after the entry of the French court’s interim orders was motivated by considerations independent of those orders. Further, Yahoo! refuses to point to anything that it is now not doing but would do if permitted by the orders. In other words, Yahoo! itself has told us that there is no First Amendment violation with respect either to its previous (but now abandoned) speech-related activities, or to its future (but not currently engaged in) speech-related activities. Any restraint on such activities is entirely voluntary and self-imposed.

The only potential First Amendment violation comes from the restriction imposed by the interim orders—if indeed they impose any restrictions—on the speech-related activities in which Yahoo! is now engaged, and which might be restricted if further compliance with the French court’s orders is required. For example, Yahoo! continues to allow auctions of copies of *Mein Kampf*, and it maintains that the French court’s orders prohibit it from doing so. The French court might find that Yahoo! has not yet complied “in large measure” with its orders, and that Yahoo! is prohibited by its orders from allowing auctions of copies of *Mein Kampf*.

Even if the French court took this step, Yahoo!’s claim to First Amendment protection would be limited. We emphasize that the French court’s interim orders do not by their terms require Yahoo! to restrict access by Internet users in the United States. They only require it to restrict access by users located in France. That is, with respect to the *Mein Kampf* example, the French court’s orders—even if further compliance is required—would by their terms only prohibit Yahoo! from allowing auctions of copies of *Mein Kampf* to users in France.

The core of Yahoo!’s hardship argument may thus be that it has a First Amendment interest in allowing access by users in France. Yet under French criminal law, Internet service providers are forbidden to permit French users to have access to the materials specified in the French court’s orders. French users, for their part, are criminally forbidden to obtain such access. In other words, as to the French users, Yahoo! is necessarily arguing that it has a First Amendment right to violate French criminal law and to facilitate the violation of French criminal law by others. As we indicated above, the extent—indeed the very existence—of such an extraterritorial right under the First Amendment is uncertain.

3. Summary

In sum, it is extremely unlikely that any penalty, if assessed, could ever be enforced against Yahoo! in the United States. Further, First Amendment harm may not exist at all, given the possibility that Yahoo! has now “in large measure” complied with the French court’s orders through its voluntary actions, unrelated to the orders. Alternatively, if Yahoo! has not “in large measure” complied with the orders, its violation lies in the fact that it has insufficiently restricted access to anti-semitic materials by Internet users located in France. There is some possibility that in further restricting access to these French users, Yahoo! might have to restrict access by American users. But this possibility is, at this point, highly speculative. This level of harm is not sufficient to overcome the factual uncertainty bearing on the legal question presented and thereby to render this suit ripe.

C. The Dissent Addressed to Ripeness

*** The dissent repeatedly states that the French court’s interim orders are facially unconstitutional. It writes, “The French orders on their face . . . violate the First Amendment and are plainly contrary to one of America’s, and by extension California’s, most cherished public policies.” It later refers to the French court’s orders as “foreign court orders that so obviously violate the First Amendment.” It writes further, “[T]he absence of a discernible line between the permitted and the unpermitted . . . makes the orders facially unconstitutional.”

The dissent is able to conclude that the French court’s interim orders are facially unconstitutional only by ignoring what they say. The dissent appears to assume that the orders, on their face, require Yahoo! to block access by United States users. It writes, “[T]he question we face in this federal lawsuit is whether our own country’s fundamental constitutional guarantee of freedom of speech protects Yahoo! (and, derivatively, at least its users in the United States) against some or all of the restraints the French defendants have deliberately imposed upon it *within the United States*.” (emphasis in original). Further, “Yahoo! confront[s] the dilemma of whether or not to stand by its United States constitutional rights or constrain its speech and that of its user[.]” “Legions of cases permit First Amendment challenges to governmental actions or decrees that on their face are vague, overbroad and threaten to chill protected speech. Indeed, the sweeping injunction here presents just such a paradigmatic case.” Still further, “Under the principles articulated today, a foreign party can use a foreign court decree to censor free speech here in the United States[.]”

If it were true that the French court’s orders by their terms require Yahoo! to block access by users in the United States, this would be a different and much easier case. In that event, we would be inclined to agree with the dissent. But this is not the case. The French court’s orders, by their terms, require only that Yahoo! restrict access by users in France. The boundary line between what is permitted and not permitted is somewhat uncertain for users in France. But there is no uncertainty about whether the orders apply to access by users in the United States. They do not. They say nothing whatsoever about restricting access by users in the United States.

The dissent’s conclusion that the French court’s orders are unconstitutional may be based in part on an assumption that a necessary consequence of compliance with the French court’s

orders will be restricted access by users in the United States. But if this is the basis for the dissent's conclusion, it could hardly say that the orders are unconstitutional "on their face." Whether restricted access by users in the United States is a necessary consequence of the French court's orders is a factual question that we cannot answer on the current record.

If the only consequence of compliance with the French court's orders is to restrict access by Internet users in France, Yahoo!'s only argument is that the First Amendment has extraterritorial effect. The dissent fails to acknowledge that this is inescapably a central part of Yahoo!'s argument, let alone acknowledge that it may be Yahoo!'s *only* argument. ***

Conclusion

First Amendment issues arising out of international Internet use are new, important and difficult. We should not rush to decide such issues based on an inadequate, incomplete or unclear record. We should proceed carefully, with awareness of the limitations of our judicial competence, in this undeveloped area of the law. Precisely because of the novelty, importance and difficulty of the First Amendment issues Yahoo! seeks to litigate, we should scrupulously observe the prudential limitations on the exercise of our power.

Yahoo! wants a decision providing broad First Amendment protection for speech and speech-related activities on the Internet that might violate the laws or offend the sensibilities of other countries. As currently framed, however, Yahoo!'s suit comes perilously close to a request for a forbidden advisory opinion. There was a live dispute when Yahoo! first filed suit in federal district court, but Yahoo! soon thereafter voluntarily changed its policy to comply, at least in part, with the commands of the French court's interim orders. This change in policy may or may not have mooted Yahoo!'s federal suit, but it has at least come close. Unless and until Yahoo! changes its policy again, and thereby more clearly violates the French court's orders, it is unclear how much is now actually in dispute.

It is possible that because of Yahoo!'s voluntary change of policy it has now complied "in large measure" with the French court's orders. It is also possible that Yahoo! has not yet complied "in large measure." If further compliance is required, Yahoo! will have to impose further restrictions on access by French users. The necessary consequence of such further restrictions on French users may or may not be that Yahoo! will have to impose restrictions on access by American users. Until we know whether further restrictions on access by French, and possibly American, users are required, we cannot decide whether or to what degree the First Amendment might be violated by enforcement of the French court's orders, and whether such enforcement would be repugnant to California public policy. We do not know whether further restrictions are required, and what they might be, because Yahoo! has chosen not to ask the French court. Instead, it has chosen to come home to ask for a declaratory judgment that the French court's orders—whatever they may or may not require, and whatever First Amendment questions they may or may not present—are unenforceable in the United States.

An eight-judge majority of the en banc panel holds, as explained in Part II of this opinion, that the district court properly exercised specific personal jurisdiction over defendants LICRA and UEJF under the criteria of *Calder*. A three-judge plurality of the panel con-

cludes, as explained in Part III of this opinion, that the suit is unripe for decision. When the votes of the three judges who conclude that the suit is unripe are combined with the votes of the three dissenting judges who conclude that there is no personal jurisdiction over LICRA and UEJF, there are six votes to dismiss Yahoo!'s suit.

We therefore REVERSE and REMAND to the district court with instructions to dismiss without prejudice.

Tianrui Group Company Ltd. v. International Trade Commission

661 F.3d 1322 (Fed. Cir. 2011)

BRYSON, Circuit Judge: This appeal arises from a determination by the International Trade Commission that the importation of certain cast steel railway wheels violated section 337 of the Tariff Act of 1930, 19 USC 1337. The Commission found that the wheels were manufactured using a process that was developed in the United States, protected under domestic trade secret law, and misappropriated abroad. We are asked to decide whether the Commission's statutory authority over "[u]nfair methods of competition and unfair acts in the importation of articles . . . into the United States," as provided by section 337(a)(1)(A), allows the Commission to look to conduct occurring in China in the course of a trade secret misappropriation investigation. We conclude that the Commission has authority to investigate and grant relief based in part on extraterritorial conduct insofar as it is necessary to protect domestic industries from injuries arising out of unfair competition in the domestic marketplace.

We are also asked to decide whether the Commission erred by finding that the imported wheels would injure a domestic industry when no domestic manufacturer is currently practicing the protected process. In light of the evidence before the Commission regarding the marketplace for cast steel railway wheels, we affirm the Commission's determination that the wheel imports threaten to destroy or substantially injure an industry in the United States, in violation of section 337.

I

A

Amsted Industries Inc. is a domestic manufacturer of cast steel railway wheels. It owns two secret processes for manufacturing such wheels, the "ABC process" and the "Griffin process." Amsted previously practiced the ABC process at its foundry in Calera, Alabama, but it no longer uses that process in the United States. Instead, Amsted uses the Griffin process at three of its domestic foundries. Amsted has licensed the ABC process to several firms with foundries in China.

TianRui Group Company Limited and TianRui Group Foundry Company Limited (collectively, "TianRui") manufacture cast steel railway wheels in China. In 2005, TianRui sought to license Amsted's wheel manufacturing technology, but the parties could not agree on the terms of a license. After the failed negotiations, TianRui hired nine employees away from one of Amsted's Chinese licensees, Datong ABC Castings Company Limited. Some of

those employees had been trained in the ABC process at the Calera plant in Alabama, and others had received training in that process at the Datong foundry in China.

Datong had previously notified those employees through a written employee code of conduct that information pertaining to the ABC process was proprietary and confidential. Each employee had been advised that he had a duty not to disclose confidential information. Eight of the nine employees had also signed confidentiality agreements before leaving Datong to begin working for TianRui. In the proceedings brought by Amsted before the International Trade Commission, Amsted alleged that the former Datong employees disclosed information and documents to TianRui that revealed the details of the ABC process and thereby misappropriated Amsted's trade secrets.

TianRui partnered with Standard Car Truck Company, Inc., ("SCT") to form the joint venture Barber TianRui Railway Supply, LLC. SCT and Barber have marketed TianRui wheels to United States customers and have imported TianRui wheels into the United States. Other than Amsted, SCT and Barber are the only companies selling or attempting to sell cast steel railway wheels in the United States.

B

Amsted filed a complaint with the Commission alleging a violation of section 337 based on TianRui's misappropriation of trade secrets. Section 337(a)(1)(A) prohibits "[u]nfair methods of competition and unfair acts in the importation of articles . . . into the United States, . . . the threat or effect of which is . . . to destroy or substantially injure an industry in the United States."

TianRui moved to terminate the proceedings on the ground that the alleged misappropriation occurred in China and that Congress did not intend for section 337 to be applied extra-territorially. An administrative law judge at the Commission denied that motion based on his view that section 337 focuses not on where the misappropriation occurs but rather on the nexus between the imported articles and the unfair methods of competition. The administrative law judge also rejected TianRui's argument that Chinese courts would provide a better forum for Amsted's complaint.

At the merits stage, the administrative law judge analyzed the alleged misappropriation under Illinois trade secret law. *** He applied Illinois law because Amsted, SCT, and Barber all have their principal place of business in Illinois. He noted, however, that "the Illinois law relating to trade secrets does not differ substantially from the law applied in previous Commission trade secret investigations," and he then applied general principles of trade secret law, including the six factors defining a trade secret set forth in the comments to section 757 of the Restatement (First) of Torts.

Following a 10-day evidentiary hearing, the administrative law judge found that TianRui had misappropriated 128 trade secrets relating to the ABC process from Datong. That conclusion was based on evidence that included an admission by TianRui's expert that TianRui's foundry used the asserted trade secrets; his only contention was that the trade secrets were not actually secret. In addition, the administrative law judge compared TianRui's manufacturing specifications with secret Datong documents outlining the ABC process and

found them essentially identical. In fact, some of the TianRui specifications contained the same typographical errors that were found in the Datong documents. The administrative law judge also relied on similarities in foundry layout between the Datong and TianRui plants. The administrative law judge summarized the evidence as to the appropriation of the trade secrets by saying that “there is overwhelming direct and circumstantial evidence that TianRui obtained its manufacturing process for cast steel railway wheel[s] through the misappropriation of [Amsted’s] ABC Trade Secrets.”

Besides contesting the Commission’s authority to apply section 337 extraterritorially, TianRui contended that Amsted did not satisfy the domestic industry requirement of section 337 based on the fact that Amsted no longer practiced the ABC process in the United States. Because none of Amsted’s domestic operations used the ABC process, TianRui argued that there was no “domestic industry” that could be injured by the misappropriation of trade secrets relating to that process.

The administrative law judge rejected that argument, holding that it was not essential that the domestic industry use the proprietary process, as long as the misappropriation of that process caused injury to the complainant’s domestic industry. Applying that standard, the administrative law judge concluded that Amsted’s domestic industry would be substantially injured by the importation of TianRui wheels.

The Commission decided not to review the administrative law judge’s initial determination and issued a limited exclusion order. TianRui then appealed to this court.

II

The main issue in this case is whether section 337 authorizes the Commission to apply domestic trade secret law to conduct that occurs in part in a foreign country. Section 337 authorizes the Commission to exclude articles from entry into the United States when it has found “[u]nfair methods of competition [or] unfair acts in the importation of [those] articles.” 19 USC 1337(a)(1)(A). The Commission has long interpreted section 337 to apply to trade secret misappropriation. *** TianRui focuses on the fact that the disclosure of the trade secret information occurred in China. According to TianRui, section 337 cannot apply to extraterritorial conduct and therefore does not reach trade secret misappropriation that occurs outside the United States.

Amsted argues that the Commission did not apply section 337 extraterritorially, because trade secrets were misappropriated in the United States as a legal matter when railway wheels made by exploiting those trade secrets were imported into the United States and sold to customers or disclosed to the Association of American Railroads for certification purposes. ***

A

At the outset, we reject Amsted’s argument that Illinois trade secret law governs the section 337 inquiry in this case. The question of what law applies in a section 337 proceeding involving trade secrets is a matter of first impression for this court. We hold 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. ***

In any event, there is no dispute in this case pertaining to the substantive law of trade secrets. The administrative law judge's findings establish that TianRui obtained access to Amsted's confidential information through former Datong employees, who were subject to duties of confidentiality imposed by the Datong code of employee conduct, and that TianRui exploited that information in producing the subject goods. TianRui does not take issue with those findings, which are sufficient to establish the elements of trade secret misappropriation under either Illinois law or the generally understood law of trade secrets, as reflected in the Restatement, the Uniform Trade Secrets Act, and previous Commission decisions under section 337. Therefore, the choice of law issue, although it could be important in other cases, does not affect the outcome of this case.

In this case, TianRui argues that section 337 is inapplicable because Amsted's confidential information was disclosed in China. The legal issue for us to decide is thus whether section 337 applies to imported goods produced through the exploitation of trade secrets in which the act of misappropriation occurs abroad. To answer that question, we must review the principles that apply to federal statutes that create causes of action based in part on conduct that occurs overseas.

B

It is a "longstanding principle of American law 'that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.'" [EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 248 \(1991\)](#) ("Aramco"). That presumption expresses a canon of construction that is rooted in the "commonsense notion that Congress generally legislates with domestic concerns in mind." [Smith v. United States, 507 U.S. 197, 204 n.5 \(1993\)](#). ***

The presumption against extraterritoriality does not govern this case, for three reasons. First, section 337 is expressly directed at unfair methods of competition and unfair acts "in the importation of articles" into the United States. *** The focus of section 337 is on an inherently international transaction—importation. In that respect, section 337 is analogous to immigration statutes that bar the admission of an alien who has engaged in particular conduct or who makes false statements in connection with his entry into this country. See, e.g., 8 USC 1101(f)(6), 1182(a). In such cases, the focus is not on punishing the conduct or the false statements, but on preventing the admission of the alien, so it is reasonable to assume that Congress was aware, and intended, that the statute would apply to conduct (or statements) that may have occurred abroad.

Second, in this case the Commission has not applied section 337 to sanction purely extraterritorial conduct; the foreign "unfair" activity at issue in this case is relevant only to the extent that it results in the importation of goods into this country causing domestic injury. In light of the statute's focus on the act of importation and the resulting domestic injury, the Commission's order does not purport to regulate purely foreign conduct. Because foreign conduct is used only to establish an element of a claim alleging a domestic injury and seeking a wholly domestic remedy, the presumption against extraterritorial application does not apply.

The dissent disregards the domestic elements of the cause of action under section 337 and characterizes this case as involving “conduct which *entirely* occurs in a foreign country.” That characterization accurately describes most of the events constituting the misappropriation, but the determination of misappropriation was merely a predicate to the charge that TianRui committed unfair acts in importing its wheels into the United States. In other words, the Commission’s interpretation of section 337 does not, as the dissent contends, give it the authority to “police Chinese business practices.” It only sets the conditions under which products may be imported into the United States.

Under the dissent’s construction of section 337, the importation of goods produced as a result of trade secret misappropriation would be immune from scrutiny if the act of misappropriation occurred overseas. That is, as long as the misappropriating party was careful to ensure that the actual act of conveying the trade secret occurred outside the United States, the Commission would be powerless to provide a remedy even if the trade secret were used to produce products that were subsequently imported into the United States to the detriment of the trade secret owner. We think it highly unlikely that Congress, which clearly intended to create a remedy for the importation of goods resulting from unfair methods of competition, would have intended to create such a conspicuous loophole for misappropriators.

Third, the legislative history of section 337 supports the Commission’s interpretation of the statute as permitting the Commission to consider conduct that occurs abroad. ***

C

TianRui argues that the Commission should not be allowed to apply domestic trade secret law to conduct occurring in China because doing so would cause improper interference with Chinese law. We disagree. In the first place, as we have noted, the Commission’s exercise of authority is limited to goods imported into this country, and thus the Commission has no authority to regulate conduct that is purely extraterritorial. The Commission does not purport to enforce principles of trade secret law in other countries generally, but only as that conduct affects the U.S. market. That is, the Commission’s investigations, findings, and remedies affect foreign conduct only insofar as that conduct relates to the importation of articles into the United States. The Commission’s activities have not hindered TianRui’s ability to sell its wheels in China or any other country.

Second, TianRui has failed to identify a conflict between the principles of misappropriation that the Commission applied and Chinese trade secret law. Indeed, in its *forum non conveniens* motion TianRui argued that Chinese trade secret law would provide a “more than adequate” remedy for any alleged misappropriation. In addition, China has acceded to the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”), Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C. We cannot discern any relevant difference between the misappropriation requirements of TRIPS article 39 and the principles of trade secret law applied by the administrative law judge in this case. 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.

Finally, even apart from the acts of importation, the conduct at issue in this case is not the result of the imposition of legal duties created by American law on persons for whom there was no basis to impose such duties. The former Datong employees had a duty not to disclose Amsted's trade secrets arising from express provisions in the Datong employee code and, in the case of most of the employees, from confidentiality agreements that they signed during their employment with Datong.⁷ Thus, the question in this case is whether the disclosure of protected information in breach of that duty is beyond the reach of section 337 simply because the breach itself took place outside the United States. To answer that question in the affirmative would invite evasion of section 337 and significantly undermine the effectiveness of the congressionally designed remedy.

D

Our conclusion that section 337 authorized the Commission's actions in this case is not inconsistent with court decisions that have accorded a narrow construction to the extraterritorial application of U.S. patent law ***. By contrast, as we have noted, the statutory prohibition on "unfair methods of competition and unfair acts in the importation of articles . . . into the United States" naturally contemplates that the unfair methods of competition and unfair acts leading to the prohibited importation will include conduct that takes place abroad. Because the statute applies to goods that are presented for importation, it would be a strained reading of the statute to bar the Commission from considering acts of trade secret misappropriation that occur abroad. In cases in which misappropriated trade secrets are used in the manufacture of the imported goods, the misappropriation will frequently occur overseas, where the imported goods are made. To bar the Commission from considering such acts because they occur outside the United States would thus be inconsistent with the congressional purpose of protecting domestic commerce from unfair methods of competition in importation such as trade secret misappropriation.

III

TianRui's second ground for appeal focuses on the requirement of section 337 that the acts of unfair competition threaten "to destroy or substantially injure an industry in the United States." 19 U.S.C. § 1337(a)(1)(A)(i). TianRui contends that in trade secret cases, the domestic industry must practice the misappropriated trade secret in order for the Commission to be authorized to grant relief. Because Amsted has no domestic operations practicing the misappropriated ABC process, TianRui argues that its imported wheels cannot be held to injure or threaten injury to any domestic industry within the meaning of section 337.

Section 337 contains different requirements for statutory intellectual property (such as patents, copyrights, and registered trademarks) than for other, nonstatutory unfair practices in

⁷ TianRui does not argue that those duties were unenforceable for public policy reasons in any jurisdiction, and we do not presently address whether policy choices in a foreign jurisdiction can nullify a contractually imposed duty for the purposes of section 337.

importation (such as trade secret misappropriation). The provisions that apply to statutory intellectual property require that an industry relating to the protected articles exists or is in the process of being established. 19 USC 1337(a)(2). Such an industry will be deemed to exist if there is significant domestic investment or employment relating to the protected articles. *Id.* § 1337(a)(3). In contrast, the general provision relating to unfair practices is not satisfied by evidence showing only that a domestic industry exists; it requires that the unfair practices threaten to “destroy or substantially injure” a domestic industry. *Id.* § 1337(a)(1)(A). On the other hand, there is no express requirement in the general provision that the domestic industry relate to the intellectual property involved in the investigation. Notwithstanding that textual distinction, TianRui contends that investigations involving intellectual property under the unfair practices provision require the existence of a domestic industry that relates to the asserted intellectual property in the same manner that is required for statutory intellectual property. ***

In sum, we conclude that the Commission did not err in defining the domestic industry in this case. The parties submitted evidence indicating that the imported TianRui wheels could directly compete with wheels domestically produced by the trade secret owner. That type of competition, the Commission concluded, is sufficiently related to the investigation to constitute an injury to an “industry” within the meaning of section 337(a)(1)(A). We hold that the Commission’s conclusion in that regard is based on a proper construction of the statute and that its factual analysis of the effect of TianRui’s imports on the domestic industry is supported by substantial evidence.

AFFIRMED.

MOORE, Circuit Judge, dissenting: The majority in this case expands the reach of both 19 USC 1337 (§ 337) and trade secret law to punish TianRui Group Company Limited (TianRui) for its completely extraterritorial activities. As a court, however, we must act within the confines set out by the text of the law. Here, there is no basis for the extraterritorial application of our laws to punish TianRui’s bad acts in China. As a result, I respectfully dissent.

The majority in this case holds that 19 USC 1337(a)(1)(A), which applies to “unfair acts in the importation of articles . . . into the United States,” allows the International Trade Commission (Commission) to bar imports because of acts of unfair competition occurring entirely *in China*. The majority states the issue: “The main issue in this case is whether § 337 authorizes the Commission to apply domestic trade secret law to conduct that occurs in part in a foreign country.” With all due respect, that is not the issue. The issue is whether § 337 authorizes the Commission to apply domestic trade secret laws to conduct which *entirely* occurs in a foreign country.

The facts of this case are not disputed. A Chinese company, Datong, had a license from a United States company, Amsted, to use in China a process which Amsted kept secret. TianRui, the Chinese company accused of violating § 337 in this case, hired several employees from its Chinese competitor, Datong. These employees disclosed the trade secrets to

TianRui *in China* who used them *in China* to make railway wheels *in China*. The acts which arguably constitute misappropriation (theft of a trade secret) all occurred in China.

To be clear, I agree that trade secret misappropriation falls squarely within the terms of § 337: if TianRui carried out its acts of misappropriation in the United States—namely if TianRui came to the United States and stole Amsted’s trade secrets here—then § 337 could be used to bar import of any goods made with the stolen technology. But, as the majority concedes, these are not the facts of this case, and to the extent there was a misappropriation of any Amsted trade secret that misappropriation occurred abroad. In this case, *none* of the acts which constitute misappropriation occurred in the United States. While TianRui is certainly not a sympathetic litigant—it poached employees to obtain confidential information—none of the unfair acts occurred in the United States and, as such, there is no violation of United States law which amounts to an unfair trade practice under the statute.

United States trade secret law simply does not extend to acts occurring entirely in China. We have no right to police Chinese business practices. Under the majority’s rule today, if the United States government should decide that goods were being produced in a foreign country using what we consider to be unfair business practices, § 337 allows for their exclusion from the United States. The potential breadth of this holding is staggering. Suppose that goods were produced by workers who operate under conditions which would not meet with United States labor laws or workers who were not paid minimum wage or not paid at all—certainly United States industry would be hurt by the importation of goods which can be manufactured at a fraction of the cost abroad because of cheaper or forced labor. Would we consider these business practices unfair? Absent clear intent by Congress to apply the law in an extraterritorial manner, I simply do not believe that we have the right to determine what business practices, conducted entirely abroad, are unfair. According to the majority, its interpretation of § 337 does not give the Commission “the authority ‘to police Chinese business practices’”, “[i]t only sets the conditions under which products may be imported into the United States.” This holding could not be clearer—the Commission cannot police Chinese business practice *unless* the Chinese wish to import the goods into the United States. The act of importation opens the door to scrutiny of all business practices of the importer associated with the goods including those conducted entirely within China. Section 337 simply does not authorize this level of scrutiny of entirely foreign acts.

I.

Section 337 provides that “[u]nfair methods of competition and unfair acts in the importation of articles . . . into the United States” which substantially injure a domestic industry are unlawful. 19 U.S.C. § 1337(a)(1)(A). The unfair act alleged to violate the statute is not the importation of the wheels into the United States. There is nothing inherently unfair about the wheels or the process by which they are imported in this case. Nor is the presence of the wheels in the United States somehow itself an unlawful act—a stark contrast to the illegal immigration cases relied on by the majority where the mere presence of the person in the United States *is* the unlawful act. The unfair act in this case is the alleged trade secret misap-

propriation. And both the majority and dissent agree that the conduct related to the misappropriation occurred entirely in China. Any “unfair act” in this case is wholly extraterritorial.

The question is thus whether § 337 contains a clear indication of congressional intent to extend its reach to wholly extraterritorial unfair acts. Analysis of § 337 must be carried out in view of the “longstanding principle of American law ‘that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.’” [EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 248 \(1991\)](#) (*Aramco*) (quoting [Foley Bros., Inc. v. Filardo, 336 U.S. 281, 285 \(1949\)](#)). “Unless there is the affirmative intention of Congress clearly expressed to give a statute extraterritorial effect, we must presume it is primarily concerned with domestic conditions.” [Morrison v. Nat’l Austl. Bank Ltd., 130 S.Ct. 2869, 2877 \(2010\)](#) (internal quotations omitted). When applying this principle, “we look to see whether ‘language in the [relevant Act] gives any indication of a congressional purpose to extend its coverage beyond places over which the United States has sovereignty or has some measure of legislative control.’” *Id.* (alteration in original) (quoting [Foley Bros., 336 U.S. at 285](#)).

I see nothing in the plain language of the statute that indicates that Congress intended it to apply to unfair acts performed entirely abroad. The majority points to no statutory language that expresses the *clear* intent for it to apply to extraterritorial unfair acts. As a result, this is a simple case: without any indication of a congressional intent to extend § 337’s coverage beyond places over which the United States has sovereignty or has some measure of legislative control, we must limit the reach of the statute to unfair acts in the United States. When the statute is silent as to extraterritorial application, the law is clear: “it has none.” Indeed, based on this presumption the Supreme Court has rejected extraterritorial scope for a number of statutes with much stronger textual support than § 337.

The majority claims that importation “is an inherently international transaction,” and analogizes imports to illegal immigrants, false statements during entry into the United States, the failure to pay an excise tax, and the Economic Espionage Act. In each of those circumstances, however, the courts were confronted either with express statutory language indicating their extraterritorial application or the Court held their was no extraterritorial application of the statute at issue.

The proper focus to determine whether there is “an affirmative intention of Congress clearly expressed” is the language of the statute. Section 337 limits the unfair acts to “unfair acts *in* the importation of articles” into the United States. The majority reads this limitation out of the statute, and claims that Congress “clearly intended to create a remedy for the importation of goods *resulting from* unfair methods of competition.” Our predecessor court rejected essentially the same argument nearly eighty years ago, and held that § 337 could not be used to exclude from importation goods produced by a process patented in the United States but carried out abroad. [In re Amtorg Trading Corp., 75 F.2d 826, 834 \(CCPA 1935\)](#). *** Section 337 was enacted to solve the problem faced by domestic industry when individuals outside the United States imported products which, upon release into the domestic stream of commerce, gave rise to a domestic cause of action. Section 337 provided a means to prevent

the unfair act at its source, during the act of importation, thereby avoiding an impossible multiplicity of suits. ***

In sum, there is no indication in § 337 that Congress intended it to apply to wholly extraterritorial unfair acts. In light of the plain language of the statute, the legislative history, the selective Congressional action to grant extraterritorial effect to process patents, and the contrast to other extraterritorial statutes, I conclude § 337 does not reach the misappropriation and use of trade secrets in China, even if the product of the misappropriated process is ultimately imported into the United States.

II.

The problem underlying the majority's analysis is that "[f]oreign conduct is generally the domain of foreign law." [Microsoft Corp. v. AT&T Corp., 550 U.S. 437, 455 \(2007\)](#) (internal quotations omitted). I sympathize with Amsted and, if the bad acts were carried out in the United States, would not hesitate to find for Amsted. My sympathy, however, is somewhat muted since Amsted had a readymade solution to its problem: obtain a process patent. The statute is clear that the extraterritorial acts in this case are subject to § 337 if the process is protected by a patent. In the alternative, Amsted could have also protected its intellectual property by keeping the various processes completely secret. Instead, Amsted chose to deny the public full knowledge of its innovation while simultaneously exploiting the trade secret by licensing it to a Chinese corporation for use in China.

By broadening the scope of trade secret misappropriation to the extraterritorial actions in this case, the majority gives additional incentive to inventors to keep their innovation secret. Of course, this also denies society the benefits of disclosure stemming from the patent system, which are anathema to trade secrets. Moreover, while Amsted (or more likely its Chinese licensee) will benefit from this decision, the burden of preserving Amsted's trade secret now falls squarely on the American consumer who misses out on the opportunity for increased competition and concomitant lower prices offered by TianRui's products.

I understand a restrictive approach to extraterritoriality is not immediately popular in this case. We must, however, work within the confines of the statute and the clear presumption against extraterritoriality. It is not our role to decide what the law should be but to apply it as we find it.
