



# The Defend Trade Secrets Act one year in – four things we've learned

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One year has passed since the Defend Trade Secrets Act (DTSA) was enacted, providing a new federal cause of action for trade secret misappropriation and new remedies to trade secret owners. In that time, what have we learned? Here are four developments.

**1. Courts are reluctant to issue "ex parte seizure" orders.** To date, no court has ordered a seizure of property under the DTSA. The DTSA's ex parte seizure provision allows a plaintiff to obtain a court order to seize property when "necessary to prevent the propagation or dissemination of the trade secret." To prevent abuse of this provision, the DTSA appears to set out a very high standard that a plaintiff must meet before a court will issue an order, as where there is a demonstrable flight risk. The few courts that have considered the issue agree that the remedy is available only under exceptional circumstances.

In *OOO Brunswick Rail Management v. Sultanov*, the Northern District of California considered an employer's ex parte application to seize physical copies of data stored on a pair of former employees' email accounts, a company-issued laptop, and a company-issued mobile phone. The court refused, choosing instead to grant relief under Federal Rules of Civil Procedure 64 and 65. In a brief opinion, the court explained that seizure under the DTSA was "unnecessary" because less dramatic relief – ordering the preservation of the email data and relinquishment of the devices at the next hearing – would suffice under the circumstances.

Another case, *Magnesita Refractories Co. v. Mishra*, reinforces the perception that the DTSA's seizure remedy should be used only where alternative relief would prove ineffective. There, the Northern District of Indiana authorized seizure of an employee's laptop under the Federal Rules of Civil Procedure. In a subsequent motion, the employee argued that the seizure was improper because it should have been issued under the DTSA, rather than the Federal Rules. The court disagreed, finding, among other things, that a DTSA seizure order is appropriate only where alternative equitable relief would be inadequate. Under the DTSA, inadequacy exists where the party bound by the order "would evade, avoid, or otherwise not comply" with the order. "Obviously," the court mused, "in this case, Rule 65 did the trick."

The key takeaway from *Sultanov* and *Mishra* is that trade secret owners face an uphill battle if they wish to secure an ex parte seizure order under the DTSA. To secure an order, an owner must show why alternative remedies are inadequate – and courts, to date, have been unreceptive to owners' arguments.

**2. A claim is viable so long as use occurred after May 11, 2016.** Courts have clarified that a trade secret owner may assert a DTSA cause of action for misappropriation that occurred prior to the DTSA's enactment so long as unauthorized use continued beyond May 11, 2016, DTSA's date of enactment. This resolves ambiguity in the statute, which provides that the DTSA applies only to misappropriation occurring "on or after the date of the enactment of this Act."

In *Syntel Sterling Shores Mauritius Limited v. Trizetto Group*, the Southern District of New York allowed defendants to assert a DTSA counterclaim where the alleged misappropriation occurred prior to May 2016, but the wrongdoing continued after that date. According to the court, the "plain language" of the DTSA defines misappropriation as "disclosure or use of a trade secret without the consent of another," and so any post-enactment use is sufficient to support a DTSA claim. Citing *Syntel*, the Eastern District of Pennsylvania recently reached the same conclusion. Other courts will likely follow suit.

**3. The DTSA coexists with state law claims.** As intended, the DTSA does not preempt state law trade secret misappropriation claims. Multiple federal courts have endorsed this reading of the statute, clearing away any perceived ambiguity.

**4. Courts look to state law for guidance.** To a large extent, courts have interpreted the DTSA as a federal analogue of state-enacted variants of the Uniform Trade Secrets Act (UTSA). This should come as no surprise, because the DTSA is modeled upon the UTSA. For example, in *Henry Schein v. Cook*, the Northern District of California equated the definitions of "trade secret" under the DTSA and the California Uniform Trade Secret Act, finding that the plaintiff established a likelihood of success under each theory without distinguishing the two statutes. Accordingly, where a court is tasked with a *de novo* interpretation of the DTSA, the court will likely look to cases examining state law claims for guidance.

Interestingly, because most states have enacted modified versions of the Uniform Trade Secrets Act, federal district courts sitting in different states may adopt conflicting constructions of the DTSA. A federal court sitting in California, for example, may conclude that a party must disclose its claimed trade secrets with "reasonable particularity" before commencing discovery – as is required under California Code of Civil Procedure section 2019.210 – whereas courts sitting in other states may conclude otherwise. Ultimately, these interstate disagreements – should they arise – will be resolved in the federal appellate courts and a cohesive federal policy will hopefully congeal.

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While some questions have been answered, the DTSA remains largely unexplored only one year after its enactment. As new developments arise, look for additional updates from DLA Piper's Intellectual Property and Technology group, and find out more about the act by contacting any of the authors.

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