

Defend Trade Secrets Act: Trends and Updates

AUGUST 7, 2017 -- The Defend Trade Secrets Act (“DTSA”), which created a federal private right of action for trade secret misappropriation, became law on May 11, 2016. Since that time, DTSA claims have increased, but still trail the number of state law trade secret claims by a significant margin. This alert provides an update to our [prior alert](#) of January 2017 and focuses on some recent developments in case law since the beginning of 2017.

- In the first year since the DTSA’s enactment, **more than 360 complaints with DTSA claims** were filed. At least 343 were filed originally in federal court, 11 in state court but removed to federal court, and 14 stayed in state court. Approximately **85% of the complaints with a DTSA claim also asserted a state law trade secret claim**.
- Over the same period, **more than 515 complaints with only state law trade secret claims** were filed—at least 200 in federal court and more than 315 in state court.
- Nationally, **California** federal and state courts have seen the most complaints with DTSA claims (**over 15%** of all complaints with DTSA claims filed have been filed in California).

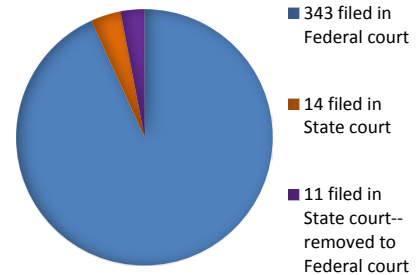
Since enactment, case law interpreting the DTSA has evolved, and some trends have emerged. We summarize some of recent key holdings:

Ex Parte Civil Seizure

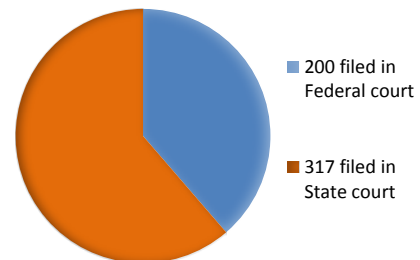
The DTSA provides for *ex parte* seizures of property “to prevent the propagation or dissemination” of trade secrets—but “only in extraordinary circumstances.” 18 U.S.C. § 1836(b)(2)(A)(i). Because of the requirement that *ex parte* seizures only be ordered in “extraordinary circumstances,” courts have rarely granted a seizure order under the DTSA. One such instance was in *Mission Capital Advisors LLC v. Romaka*, No. 1:16-cv-05878-LLS (S.D.N.Y. Jul. 29, 2016), where the court determined “another form of equitable relief would be inadequate,” after the defendant evaded personal service of a temporary restraining order and failed to appear for a hearing.

In contrast to *Romaka*, courts have continued to favor TROs and preliminary injunctions issued pursuant to Rule 65 of the Federal Rules of Civil Procedure to protect trade secrets. In *OOO Brunswick Rail Management v. Sultanov*, No. 5:17-cv-00017-EJD, 2017 WL 67119, at *2 (N.D. Cal. Jan. 6, 2017), the court found that seizure under the DTSA was “unnecessary,” given a Rule 65 TRO. Similarly, in *Jones Printing v. Adams Lithographing Co.*, No. 1:16-cv-442 (E.D. Tenn. Nov. 3, 2016), the court denied an *ex parte* seizure application because the plaintiff failed to specify why a Rule 65 TRO—“the preferred form of injunctive relief under § 1836 to date”—was inadequate. *Id.* at 3. Accordingly, some plaintiffs seeking to prevent the dissemination of trade secrets have petitioned for an *ex parte* TRO under Rule 65 rather than an *ex parte* seizure order under the DTSA. See, e.g., *Magnesita Refractories Co. v. Mishra*, No. 2:16-CV-524-PPS-JEM, 2017 WL 365619 (N.D. Ind. Jan. 25, 2017).

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DTSA Claims



State Claims Only

Pre-enactment Conduct

The DTSA applies to “any misappropriation of a trade secret for which any act occurs on or after the date of the enactment of this Act.” Pub. L. No. 114-153, § 2(e), 130 Stat. 376 (2016). Courts have generally held that the DTSA can apply to claimed misappropriations that started before its enactment date, so long as there is continuing misappropriation or use of the alleged trade secrets on or after the enactment date. See *Brand Energy & Infrastructure Servs., Inc. v. Irex Contracting Grp.*, No. 16-2499, 2017 WL 1105648, at *4 (E.D. Pa. Mar. 24, 2017); *Syntel Sterling Best Shores Mauritius Ltd. v. Trizetto Grp., Inc.*, No. 15-cv-211 (LGS) (RLE), 2016 WL 5338550, at *6 (S.D.N.Y. Sept. 23, 2016). In *AllCells, LLC v. Zhai*, No. 16-cv-07323-EMC, 2017 U.S. Dist. LEXIS 44808, at *2 (N.D. Cal. Mar. 27, 2017), the defendants, former employees of AllCells, acquired purported trade secrets before May 11, 2016, but because AllCells “sufficiently alleged that there was at least use of the trade secrets after that date,” the court held that the DTSA applied. *Id.* See also *SleekEZ, LLC v. Horton*, No. CV 16-09-BLG-SPW-TJC, 2017 WL 1906957, at *6 (D. Mont. Apr. 21, 2017) (finding that SleekEZ “plausibly alleged a continuing misappropriation” by claiming that defendant continued to sell a knockoff product based on the purportedly stolen trade secrets).

Some courts, however, have dismissed DTSA claims where plaintiffs failed to allege use of new or different information after the enactment date. For example, in *Avago Technologies U.S. Inc. v. Nanoprecision Products, Inc.*, No. 16-cv-03737-JCS, at *9 (N.D. Cal. Jan. 31, 2017), the court dismissed a DTSA claim because the plaintiff did not allege “any new information was disclosed” after the enactment date. Likewise, in *Cave Consulting Group, Inc. v. Truven Health Analytics Inc.*, No. 15-cv-02177-SI, 2017 WL 1436044, at *5 (N.D. Cal. Apr. 24, 2017), the court dismissed the DTSA claim because plaintiff failed to allege specific “facts about when post-enactment use occurred and whether the information disclosed was new or somehow different from the prior misappropriation.”

Identification of Trade Secrets with Specificity

Courts have required plaintiffs to identify trade secrets with varying levels of specificity under the DTSA. Some have required descriptions sufficient to allow defendants “to discern what trade secrets are at issue.” *Chatterplug, Inc. v. Dig. Intent, LLC*, No. 1:16-cv-4056, 2016 WL 6395409, at *3 (N.D. Ill. Oct. 28, 2016). In *Space Data Corp v. X*, No. 16-cv-03260-BLF, 2017 U.S. Dist. LEXIS 22571, at *4 (N.D. Cal. Feb. 16, 2017), the court granted a motion to dismiss a DTSA claim (with leave to amend) on the ground that Space Data’s alleged trade secrets—which included “data on the environment in the stratosphere” and “data on the propagation of radio signals from stratospheric balloon-based transceivers”—were not described with “sufficient particularity” to allow the court or defendant to ascertain the “boundaries” of the case. See also *Kuryakyn Holdings, LLC v. Ciro, LLC*, No. 15-cv-703-jdp, 2017 WL 1026025, at *6 (W.D. Wis. Mar. 15, 2017) (refusing “to hunt through the details in search of items meeting the statutory definition” of trade secret, and granting summary judgment for defendant).

At the same time, other courts have allowed more general identifications of trade secrets. In *SleekEZ, LLC v. Horton*, No. CV 16-09-BLG-SPW-TJC, 2017 WL 1906957 (D. Mont. Apr. 21, 2017), the court held that SleekEZ’s description of its trade secrets “in general terms” as “the components of its grooming tools, its manufacturers, distributors, retailers, industry contacts and customers, and its marketing and business strategies” was adequate. *Id.* at *4. Similarly, in *Aggreko, LLC v. Barreto*, No. 1:16-cv-353, 2017 WL 963170, at *2 (D. N.D. Mar. 13, 2017), the court denied a motion to dismiss, finding that the plaintiff only needed to allege a claim “sufficient to put the defense on notice as to the nature of the claim.” The court concluded that Aggreko’s description of its trade secrets—which included “customer lists and information regarding Aggreko’s operations,

customers, business proposals, pricing strategy, client preference and history, and proprietary pricing models”—was adequate. *Id.*

Preliminary Injunctions

Several recent cases have addressed when and to what extent preliminary injunctions are appropriate on DTSA claims. In *Waymo LLC v. Uber Technologies, Inc.*, No. C 17-00939, 2017 WL 2123560, at *13 (N.D. Cal. May 15, 2017), the court granted a preliminary injunction prohibiting Anthony Levandowski, a former Waymo engineer, from working on Uber’s Light Detection and Ranging (LiDAR) technology that allows self-driving cars to “see” their surroundings. Because the record showed that Levandowski downloaded and retained over 14,000 confidential Waymo files, that at least some information from those files (or the files themselves) “seeped into” Uber’s LiDAR development efforts, and that some of the information likely contained trade secrets, the court found there were serious questions going to the merits and likely irreparable harm. *Id.* at *10-11. Nonetheless, the court noted that Waymo had “overreached in attempting to claim ownership over general principles and approaches in the field.” *Id.* at *9. Hence, the court’s order mainly prohibited Levandowski from working on alleged trade secrets related to Uber’s LiDAR technology, without enjoining Uber from using other alleged trade secrets on which Waymo demonstrated serious questions going to the merits. *Id.* at *12.

By comparison, in *GTAT Corp. v. Fero*, No. CV 17-55-M-DWM, 2017 WL 2302973, at *1 (D. Mont. May 25, 2017), the court denied a preliminary injunction against a former employee who operated a competing polysilicon technology business. The defendant had nearly 20 years of experience in the industry, including many before being hired by the plaintiff, so “separating the man from the secrets” was “no easy task.” *Id.* at *3. Moreover, the plaintiff admitted that much of the polysilicon process is generally known. *Id.* at *3-4. *See also UCAR Tech. (USA) Inc. v. Li*, No. 5:17-cv-01704-EJD, 2017 U.S. Dist. LEXIS 59965 (N.D. Cal. Apr. 19, 2017) (denying a preliminary injunction because plaintiff failed to show irreparable harm—notwithstanding allegations that departing employees had downloaded, retained, and used trade secrets to set up a competing venture).

Whistleblower Provision

The DTSA provides immunity to individuals who disclose trade secrets either in confidence to a government official or attorney for the sole purpose of “reporting or investigating a suspected violation of law,” or in a complaint or other document filed under seal in a lawsuit. 18 U.S.C. § 1833(b)(1). After more than one year since the DTSA’s enactment, the provision has not yet been tested on the merits. As discussed in our last [update](#), one court characterized the immunity provision as an affirmative defense and denied a motion to dismiss because the record lacked “facts to support or reject [the] affirmative defense.” *Unum Group v. Loftus*, 220 F. Supp. 3d 143, 147 (D. Mass. Dec. 6, 2016).

Inevitable Disclosure Doctrine

The DTSA permits a court to grant an injunction to prevent actual or threatened misappropriation, but any conditions placed on an employee moving to a competitor must “be based on evidence of threatened misappropriation and not merely on the information the person knows.” Some have interpreted this provision as a rejection of the inevitable disclosure doctrine, under which a claim can be established by showing that a defendant’s new employment inevitably will lead him or her to rely on the trade secrets. On the one-year anniversary of the DTSA, one court in the Northern District of Illinois suggested otherwise. In *Molon Motor & Coil Corp. v. Nidec Motor Corp.*, No. 16 C 035345, 2017 WL 1954531, (N.D. Ill. May 11, 2017), the court denied the new employer’s motion to dismiss on the grounds that the allegations were sufficient to “trigger the circumstantial inference that the trade secrets inevitably would be disclosed” to the new employer. A recent Third Circuit

opinion also can be interpreted as applying the inevitable disclosure doctrine (albeit not by name) to the review of a preliminary injunction under the DTSA and the Pennsylvania Uniform Trade Secrets Act: “Given the substantial overlap (if not identity) between Hawkins’s work for Fres-co and his intended work for Transcontinental—same role, same industry, and same geographic region—the District Court was well within its discretion to conclude Hawkins would likely use his confidential knowledge to Fres-co’s detriment.” *Fres-co Sys. USA, Inc. v. Hawkins*, No. 16-3591, 2017 WL 2376568, at *3 (3d Cir. June 1, 2017) (remanding for other reasons).

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