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# Secrecy for the Sake of It: The Defend Trade Secrets Act

## A DEVOLVING GLOBAL MARKET BASED ON THE LEGAL PROTECTION OF OVER-SECRECY

“Even when there is risk involved in keeping a secret, we believe there is greater risk in its disclosure.”<sup>1</sup>

### INTRODUCTION

At a time when bipartisanship on Capitol Hill may feel as if it is an unattainable fantasy, both sides of the aisle agree nearly unanimously on at least one subject: we must steadfastly defend our trade secrets.<sup>2</sup> This once-limited realm of intellectual property litigation has exploded in recent decades and has touched nearly every industry,<sup>3</sup> from automakers to military technology innovators, healthcare researchers to food manufacturers, and entertainment conglomerates to fashion magnates.<sup>4</sup> Trade secrets, however, are distinct from other forms of intellectual property, as the term typically pertains to information that is

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<sup>1</sup> Gina Roberts-Grey, *Keeping Secrets Can Be Hazardous To Your Health*, FORBES (Oct. 23, 2013), <http://www.forbes.com/sites/nextavenue/2013/10/24/keeping-secrets-can-be-hazardous-to-your-health/#2bc8f0737efc> [https://perma.cc/K5YB-SSXP] (statement of Peter Zafirides, a psychiatrist of Columbus, Ohio).

<sup>2</sup> Sebastian Kaplan & Patrick Premo, *The Defend Trade Secrets Act of 2016 Creates Federal Jurisdiction for Trade Secret Litigation*, IPWATCHDOG (May 23, 2016), <http://www.ipwatchdog.com/2016/05/23/defend-trade-secrets-act-2016-creates-federal-jurisdiction-trade-secret-litigation> [https://perma.cc/CE3R-FYJN].

<sup>3</sup> See William E. Hammel, William J. McMahon, and Anna Rothschild, *The Defend Trade Secrets Act of 2016: A New Federal Claim for Misappropriation*, CONSTANGY (May 12, 2016), <http://www.constangy.com/communications-632.html> [https://perma.cc/7ACX-YHX3]; see also David S. Almeling et al., *A Statistical Analysis of Trade Secret Litigation in Federal Courts*, 45 GONZ. L. REV. 291, 301–02, 309–10 (2010).

<sup>4</sup> BRIAN T. YEH, CONG RESEARCH SERV., R43714, PROTECTION OF TRADE SECRETS: OVERVIEW OF CURRENT LAW AND LEGISLATION (2016), <https://fas.org/sgp/crs/secrecy/R43714.pdf> [https://perma.cc/78H9-WDEG] (“Well-known examples of trade secrets include the formula for Coca-Cola, the recipe for Kentucky Fried Chicken, and the algorithm used by Google’s search engine.”); see also *Latest Updates on Federal Trade Secrets Legislation*, SEYFARTH SHAW, <http://www.tradesecretslaw.com/latest-update-on-federal-trade-secret-legislation> [https://perma.cc/X4SE-2C5L].

not publicly available as a result of the holder taking pains to keep such information a mystery to the rest of the world.<sup>5</sup>

Lawmakers and government agencies, including the Federal Bureau of Investigation (FBI), have taken notice of and expounded upon the importance of trade secret protection in our ever-growing and continually-shifting global markets.<sup>6</sup> Indeed, a report released by the Obama Administration lists several cases of espionage that have been investigated since 2009,<sup>7</sup> including conspiracies to steal trade secrets related to hybrid technology from General Motors and a multiple-year operation to steal trade secrets related to DuPont's Kevlar vests by "exporting sensitive U.S. military technology to China."<sup>8</sup> To stay apace with and outperform foreign nations, especially in areas of technology, over the past four decades forty-eight states have adopted the Uniform Trade Secrets Act (UTSA).<sup>9</sup> The UTSA provides a standardized legal structure for claims arising out of alleged misappropriation of trade secrets and outlines appropriate avenues of relief.<sup>10</sup>

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<sup>5</sup> See *What Is a Trade Secret?*, WORLD INTELL. PROP. ORG., [http://www.wipo.int/sme/en/ip\\_business/trade\\_secrets/trade\\_secrets.htm](http://www.wipo.int/sme/en/ip_business/trade_secrets/trade_secrets.htm) [<https://perma.cc/EVH4-7H65>] ("Broadly speaking, any confidential business information which provides an enterprise a competitive edge may be considered a trade secret."); see also Glenn R. Schieck, Note, *Undercutting Employee Mobility: The Computer Fraud and Abuse Act in the Trade Secret Context*, 79 BROOK. L. REV. 831, 834 (2014) ("In particular, trade secret law strikes an important balance between protecting valuable company information on the one hand, and promoting the mobility of knowledge-based workers on the other hand.").

<sup>6</sup> See *Chinese National Pleads Guilty to Stealing Ford Trade Secrets*, FBI (Nov. 17, 2010), <https://archives.fbi.gov/archives/detroit/press-releases/2010/de111710.htm> [<https://perma.cc/KJQ6-E2P8>] [hereinafter *Chinese National*]; *Former CME Group Software Engineer Pleads Guilty to Stealing Globex Computer Trade Secrets While Planning to Improve Electronic Trading in China*, FBI (Sept. 19, 2012), <https://archives.fbi.gov/archives/chicago/press-releases/2012/former-cme-group-software-engineer-pleads-guilty-to-stealing-globex-computer-trade-secrets-while-planning-to-improve-electronic-trading-in-china> [<https://perma.cc/BR5H-DWGH>]; *Top Executives at Kolon Industries Indicted for Stealing DuPont's Kevlar Trade Secrets*, FBI (Oct. 18, 2012), <https://archives.fbi.gov/archives/richmond/press-releases/2012/top-executives-at-kolon-industries-indicted-for-stealing-duponts-kevlar-trade-secrets> [<https://perma.cc/N2BR-TABU>] [hereinafter *Top Executives*]; *Two Convicted in Conspiracy to Steal GM Trade Secrets Sentenced to Prison*, FBI (Apr. 30, 2013), <https://archives.fbi.gov/archives/detroit/press-releases/2013/two-convicted-in-conspiracy-to-steal-gm-trade-secrets-sentenced-to-prison> [<https://perma.cc/PR9E-EY3P>] [hereinafter *Two Convicted*].

<sup>7</sup> See discussion *infra* Section I.B.

<sup>8</sup> EXEC. OFFICE OF THE PRESIDENT OF THE U.S., ADMINISTRATION STRATEGY ON MITIGATING THE THEFT OF U.S. TRADE SECRETS 2 (2013), [https://obamawhitehouse.archives.gov/sites/default/files/omb/IPEC/admin\\_strategy\\_on\\_mitigating\\_the\\_theft\\_of\\_u.s.\\_trade\\_secrets.pdf](https://obamawhitehouse.archives.gov/sites/default/files/omb/IPEC/admin_strategy_on_mitigating_the_theft_of_u.s._trade_secrets.pdf) [<https://perma.cc/9UD8-CUDU>]; see *supra* note 6 and accompanying text.

<sup>9</sup> Bradley E. Chambers, *Texas Joins 47 Other States to Adopt the Uniform Trade Secrets Act*, BAKER DONELSON (May 20, 2013), <https://www.bakerdonelson.com/texas-joins-47-other-states-to-adopt-the-uniform-trade-secrets-act-05-30-2013> [<https://perma.cc/D5JQ-DEHF>] (adoption by Texas in 2013 brought the state's law "into line with the 47 other states that have adopted the uniform act."). See discussion *infra* Section I.A.

<sup>10</sup> *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4.

The fatal flaw of the UTSA, however, is that it only governs state law claims.<sup>11</sup> If there is no basis for diversity of citizenship between the parties or a plaintiff cannot claim any violations of federal law, filing in often over-burdened state courts tends to lead to extended and delayed litigation.<sup>12</sup> Delays likely cause further exposure of the trade secrets at issue, which can defeat the purpose of pursuing misappropriation claims in the first place.<sup>13</sup> Small leaks and minor frustrations by disgruntled or dishonest employees<sup>14</sup> can ultimately morph into huge liabilities equaling millions in loss,<sup>15</sup> not only in economic terms, but lost time in the race to be first, and even loss of life.<sup>16</sup>

In the face of global terrorism and constant national security concerns, legislators faced increasing pressure to offer more vigorous protection for trade secrets under federal law.<sup>17</sup> Consequently, congressional leaders in both parties began to push for trade secrets legislation at the federal level.<sup>18</sup> President Barack Obama voiced his support early in the process,<sup>19</sup> and on May 11, 2016, signed the Defend Trade Secrets Act (DTSA) into law.<sup>20</sup> For the first time, there exists a statutory mechanism—the DTSA—to provide a basis for original federal jurisdiction for private civil actions alleging trade secret misappropriation.<sup>21</sup>

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<sup>11</sup> See UNIFORM TRADE SECRETS ACT §§ 7–8.

<sup>12</sup> Mark L. Krotoski & Greta L. Burkholder, *Time to Modernize and Strengthen Trade Secret Law*, MORGAN LEWIS (Dec. 1, 2015), <https://www.morganlewis.com/pubs/time-to-modernize-and-strengthen-trade-secret-law> [https://perma.cc/XH7A-ZW83]; see also Almeling et al., *supra* note 3, at 296.

<sup>13</sup> Krotoski & Burkholder, *supra* note 12.

<sup>14</sup> Almeling et al., *supra* note 3, at 294 (A study of over 394 trade secrets cases revealed that “[i]n over 85% of trade secret cases, the alleged misappropriator was someone the trade secret owner knew—either an employee or a business partner.”).

<sup>15</sup> Krotoski & Burkholder, *supra* note 12.

<sup>16</sup> “The illicit transfer of technology with military applications to a hostile state such as Iran or North Korea could endanger the lives of US and allied military personnel.” OFFICE OF THE NAT’L COUNTERINTELLIGENCE EXEC., EXEC. OFFICE OF THE PRESIDENT, FOREIGN SPIES STEALING U.S. ECONOMIC SECRET IN CYBERSPACE 3 (Oct. 2011), [https://obamawhitehouse.archives.gov/sites/default/files/omb/IPEC/admin\\_strategy\\_on\\_mitigating\\_the\\_theft\\_of\\_u.s.\\_trade\\_secrets.pdf](https://obamawhitehouse.archives.gov/sites/default/files/omb/IPEC/admin_strategy_on_mitigating_the_theft_of_u.s._trade_secrets.pdf) [https://perma.cc/Z9YG-6MNZ].

<sup>17</sup> See discussion *infra* Part I.

<sup>18</sup> S. Rep. No. 114-220, 114th Cong., 2d Sess., Defend Trade Secrets Act of 2016 9-10 (2016) [hereinafter Senate Judiciary Report]. The DTSA was enacted by Congress on April 27, 2016. *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4.

<sup>19</sup> Gene Quinn, *Obama Administration strongly supports Defend Trade Secrets Act*, IPWATCHDOG (Apr. 4, 2016), <http://www.ipwatchdog.com/2016/04/04/obama-administration-supports-defend-trade-secrets-act> [https://perma.cc/UY4A-HXUK] (In early April 2016, “the White House released a Statement of Administration Policy, which strongly supports passage of s. 1890, the Defend Trade Secrets Act of 2016 (DTSA).”).

<sup>20</sup> See *Trade Secret Legislation*, INTELL. PROP. OWNERS ASS’N, <https://www.ipo.org/index.php/advocacy/hot-topics/trade-secret-legislation> [https://perma.cc/ES6L-77XL].

<sup>21</sup> MARK L. KROTOSKI & GRETA L. BURKHOLDER, THE LANDMARK DEFEND TRADE SECRETS ACT OF 2016 7 (2016), <https://www.morganlewis.com/~media/files/publication/morgan%20lewis%20title/white%20paper/the-landmark-defend-trade->

Importantly, in an attempt to resolve grievances related to litigation delays under the UTSA, the DTSA directs that, “[b]ased on an affidavit or verified complaint . . . the court may, upon *ex parte* application but only in extraordinary circumstances, issue an order providing for the seizure of property necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action.”<sup>22</sup> This clause is the DTSA’s formidable *ex parte* seizure provision.

Such an unprecedented provision in trade secrets law must be broken down in order to fully grasp its significance. Most notably, the provision allows for a plaintiff to ask the court for relief *ex parte*.<sup>23</sup> Contrary to the nature of our adversarial system, notice to opposing parties is not required in an *ex parte* proceeding.<sup>24</sup> If a court rules in favor of an *ex parte* seizure application, an order will be issued to have the government, through and by its law enforcement officers (i.e., U.S. Marshals),<sup>25</sup> seize and hold the property of the unknowing opposing party until a preliminary hearing is set on the matter.<sup>26</sup> The statute is groundbreaking because federal jurisdiction for trade secrets claims has been proposed and failed several times before.<sup>27</sup> But the DTSA also opens a mysterious back door to an already teeming underworld of secrecy and cronyism. Will containing industry secrets under the DTSA protect society from harm, or does it signal the end of collaborative innovation and the codification of secrecy as the way the game has to be played? Is there a middle ground that protects both the value of secrets and knowledge sharing?

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secrets-act-of-2016-may2016.ashx?la=en [https://perma.cc/KFJ2-NVMT] (a detailed law firm paper offering suggestions for clients on how to interpret and work within the DTSA).

<sup>22</sup> Defend Trade Secrets Act of 2016, Pub. L. No. 114–153, § 2(b)(2)(A)(i), 130 Stat. 376, 376 (codified as amended at 18 U.S.C. § 1836(b)(2)(A)(i) (Supp. 2016)).

<sup>23</sup> *Id.* (permitting a complaining party to file an “*ex parte* application”).

<sup>24</sup> An *ex parte* proceeding is “of, relating to, or involving court action taken or received by one party without notice to the other,” and is usually “for temporary or emergency relief.” *Ex parte*, BLACK’S LAW DICTIONARY (10th ed. 2014).

<sup>25</sup> Eric Goldman, *The DTSA’s Ex Parte Seizure Order: The “Ex” Stands for “Extraordinary,”* TECH. AND MARKETING L. BLOG (Feb. 1, 2017), <http://blog.ericgoldman.org/archives/2017/02/the-dtsas-ex-parte-seizure-order-the-ex-stands-for-extraordinary-guest-blog-post.htm> [https://perma.cc/V2Y9-U7ZA] (where the author explains that if an *ex parte* seizure order is granted it “means federal marshals could show up at an offender’s doors to confiscate computers or servers without the defendant even being heard”).

<sup>26</sup> See 18 U.S.C. § 1836(b)(2)(A)(i) (Supp. 2016).

<sup>27</sup> Eric Goldman, *Congress Is Considering A New Federal Trade Secret Law. Why?*, FORBES (Sept. 16, 2014, 12:14 PM), <https://www.forbes.com/sites/ericgoldman/2014/09/16/congress-is-considering-a-new-federal-trade-secret-law-why/#7f03e59b43e8> [https://perma.cc/QP2Q-3G9X] (“For several years, bills have been introduced into Congress to fill this perceived gap. Those bills have gone nowhere, but they have helped coalesce a growing coalition of supporters for a new federal law.”).

While allowing trade secret misappropriation to stand on its own as a federal cause of action is a huge step forward in this area of law,<sup>28</sup> this note argues that Congress overstepped the Constitution by including an *ex parte* seizure provision in the trade secrets context. The legislative history shows that the statute was drafted with the economic and security interests of the nation in mind, but the DTSA's *ex parte* seizure provision will likely not accomplish its lofty goals. The statute instead legally permits large corporations with sizeable resources to silence less financially robust competitors, mostly in the form of ex-employees.<sup>29</sup> Thus, both on its face and as applied, the DTSA's *ex parte* seizure provision violates the Due Process Clause of the Fourteenth Amendment of the U. S. Constitution.<sup>30</sup> Trade secrets constitute a fragile form of intellectual property, but should be considered a property-interest,<sup>31</sup> and the seizure of such property must be afforded due process of law. Due process is essential to the foundation of our democracy and is key to understanding how future trade secrets litigation will fairly commence and proceed.<sup>32</sup>

Part I of this note discusses the background of the DTSA, including an overview of actionable trade secrets claims, a

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<sup>28</sup> Krotoski & Burkholder, *supra* note 12.

<sup>29</sup> "Trade secret owners were twice as likely to prevail on a motion for preliminary relief when they sued employees as when they sued business partners." Almeling et al., *supra* note 3, at 294. *See, e.g.*, Universal Prot. Servs. v. Thornburg, No. 2:16-CV-0097-J, 2016 WL 4523905 (N.D. Tex. Aug. 22, 2016) (where a security company sued two former employees under the DTSA); Allstate Ins. Co. v. Rote, No. 3:16-CV-01432-HZ, 2016 WL 4191015 (D. Or. Aug. 7, 2016) (where an insurance company sued a former employee under the DTSA); Panera, LLC v. Nettles, No. 4:16-CV-1181-JAR, 2016 WL 4124114 (E.D. Mo. Aug. 3, 2016) (where a corporation that operates "bakery-cafes" sued a former employee under the DTSA); GTO Access Sys., LLC v. Ghost Controls, LLC, No. 4:16CV355-WS/CAS, 2016 WL 4059706 (N.D. Fla. June 20, 2016) (where a company that makes automated entry gates sued two former employees under the DTSA). *Compare* Henry Schein, Inc. v. Cook, 191 F. Supp. 3d 1072, 1078–80 (N.D. Cal. 2016) (granting a temporary restraining order ("TRO") "prohibiting [the] [d]efendant from accessing or using [the plaintiff's] information and from contacting or soliciting [the plaintiff's] customers," but denying an *ex parte* application for mirrors of all the data the defendants' personal devices), *with* Free Country Ltd. v. Drennen, 235 F. Supp. 3d 559, 563, 568 n.11 (S.D.N.Y. 2016) (distinguishing *Schein* when a plaintiff moved *ex parte* for an order to show cause for a preliminary injunction and TRO); Complaint, Magic Leap, Inc. v. Bradski, No. 5:16-cv-02852 (N.D. Cal. filed May 26, 2016) [hereinafter Magic Leap Complaint] (where a virtual reality company sued two former employees under the DTSA).

<sup>30</sup> U.S. CONST. amend. XIV, § 1 ("nor shall any State deprive any person of . . . property, without due process of law").

<sup>31</sup> *See* James A. Johnson, *Keeping Your Secrets Secret*, 87 N.Y. ST. B. ASS'N J. 24 (July/Aug. 2015).

<sup>32</sup> *See* David R. Fertig and Michael A. Betts, *The Defend Trade Secrets Act: Jurisdictional Considerations—Part II*, 29 No. 8 INTELL. PROP. & TECH. L.J. 12 (Aug. 2017) ("After all, due process of law, as guaranteed by the Constitution, requires that a federal court possess *both* subject matter jurisdiction over the controversy *and* personal jurisdiction over each and every defendant before it may proceed to consider the merits of the plaintiff's claim.") (emphasis in original).

discussion of the evolution of trade secrets law, and a review of notable cases that led to the DTSA's inclusion of an unprecedented *ex parte* seizure provision in trade secrets law. Part II examines the DTSA's *ex parte* seizure provision, including an in-depth comparison of *ex parte* seizures for other forms of intellectual property, Congress's rationale for including the provision, and the reasons that this provision is problematic through the lens of recent cases decided under the statute. Part III argues that the DTSA's *ex parte* seizure provision needlessly tramples due process in the trade secrets context and investigates the practical implications of the provision in terms of its effects on business and human relations as well as its considerable exposure to constitutional challenges. Finally, Part IV offers solutions and alternative approaches to the *ex parte* seizure provision, principally to narrow the definition of "extraordinary circumstances" so that parties will at least be afforded constructive notice when they are involved in circumstances that may fall within the potent provision's purview.

## I. CALLS FOR FEDERALLY ACTIONABLE CLAIMS: THE PATH TO THE DTSA

The term "trade secrets" must be unpacked, in order to understand the property-like interests the DTSA seeks to protect.<sup>33</sup> Although many have tried to pin it down into a digestible definition,<sup>34</sup> the full meaning of the term remains rather elusive. Simply demonstrating intent to have information be kept confidential is generally insufficient to legally render such information a legitimate and protectable trade secret.<sup>35</sup> The UTSA, the closest law that the DTSA has as a predecessor, provides an instructive and succinct definition of the fraught concept, characterizing a trade secret as:

[I]nformation, including a formula, pattern, compilation, program, device, method, technique, or process, that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.<sup>36</sup>

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<sup>33</sup> See Michelle L. Evans, J.D., *Establishing Liability for Misappropriation of Trade Secrets*, in 91 AM. JUR. PROOF OF FACTS 3D 95 § 2 (2017) [hereinafter *Establishing Liability*].

<sup>34</sup> See *infra* note 203 and accompanying text.

<sup>35</sup> *Establishing Liability*, *supra* note 33, at § 2.

<sup>36</sup> UNIFORM TRADE SECRETS ACT § 1(4).

More plainly, courts generally deem information to be a protectable trade secret when the plaintiff has (1) “derived independent economic value from the information;” and (2) made reasonable efforts to keep the information in question confidential.<sup>37</sup>

The second consideration, demonstrating reasonable secrecy measures, is often more easily satisfied (e.g., using computer passwords, confidentiality agreements, etc.).<sup>38</sup> The first prong, as it pertains to the protectability of the information, is where plaintiffs, and even courts, often get it wrong. In terms of deriving independent economic value, while a “secret combination, compilation, or integration of [well-known] individual components” may add up to a protectable trade secret, courts will not hold matters of common knowledge or easily retrievable information as protectable because it is likely that many others conceivably could, or are already, profiting from the information.<sup>39</sup> In most instances, courts determine that “plans, designs, negative information, computer software, customer lists, non-public financial information, cost and pricing information, manufacturing information, confidential information about business opportunities, and certain personnel information” constitutes information from which competitive financial value can be derived.<sup>40</sup> In short, the plaintiff, in seeking protection, must demonstrate that the information is unquestioningly and independently unique so as to provide an advantageous economic edge in the marketplace.

Not only do trade secret complainants have a high burden of proof to meet, but in many states, whether the information is protectable is a question of fact for a jury to determine, while in others it is a mixed question of fact and law.<sup>41</sup> Obscurity in the underlying concept and vast differences in interpretation across the states as to what actually constitutes trade secrets made this emerging area of law all the more mystifying and frustrating

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<sup>37</sup> *Establishing Liability*, *supra* note 33, at § 2.

<sup>38</sup> Courts have found that common tactics such as “using and enforcing computer passwords, releasing information on a ‘need to know’ basis, confidentiality agreements, or verbal instructions for confidentiality” generally demonstrate reasonable efforts of information protection. *Id.*; *see, e.g.*, *RKI, Inc. v. Grimes*, 177 F. Supp. 2d 859, 862 (N.D. Ill. 2001) (where an employee signed a non-disclosure agreement); *Liberty American Ins. Group, Inc. v. WestPoint Underwriters, L.L.C.*, 199 F. Supp. 2d 1271, 1303 (M.D. Fla. 2001) (where the trade secrets were deemed protected by confidentiality agreements); *AmeriGas Propane, L.P. v. T-Bo Propane, Inc.*, 972 F. Supp. 685, 694 (S.D. Ga. 1997) (holding a covenant of confidentiality “void and unenforceable”); *Curtis 1000, Inc. v. Suess*, 843 F. Supp. 441, 444 (C.D. Ill. 1994) (where the court examined a confidentiality provision within general terms of an employment contract), *aff’d*, 24 F.3d 941 (7th Cir. 1994).

<sup>39</sup> *Establishing Liability*, *supra* note 33, at § 2.

<sup>40</sup> *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4.

<sup>41</sup> *Establishing Liability*, *supra* note 33, at § 2.

over the years.<sup>42</sup> In recent decades, many intellectual property attorneys and scholars called for reformed trade secret legislation.<sup>43</sup> These calls for reform were especially loud with regard to trade secret claims being actionable at the federal level.<sup>44</sup>

### A. *State Adoption of UTSA and the Call for the DTSA*

Since its enactment in 1979, forty-eight states adopted either complete or altered versions of the UTSA.<sup>45</sup> As the vast majority of states have more or less operated under some form of the UTSA for the last forty years,<sup>46</sup> it is important to understand its pleading standards. To state a civil claim for trade secret misappropriation under the UTSA, a plaintiff must allege that a defendant “wrongfully *obtained* or *disclosed* trade secrets of plaintiff.”<sup>47</sup> In other words, inappropriate acquisition, wrongful disclosure, or both, are claims upon which a plaintiff may seek relief. Depending on each state’s interpretation of its adopted provisions of the UTSA, disclosure is typically more fact specific than the standard for wrongful acquisition and may be

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<sup>42</sup> See generally Krotoski & Burkholder, *supra* note 12, at 1–2 (where the authors expound upon ways in which trade secrets law could be modernized).

<sup>43</sup> See Letter from Intellectual Prop. Owners Ass’n, to Senate Judiciary Comm. in Support of S. 1890, the Defend Trade Secrets Act of 2015 (Nov. 30, 2015), <http://www.ipo.org/wp-content/uploads/2015/11/20151124-DTSA-Support-Senate-Final.pdf> [<https://perma.cc/YY9N-U3ZU>]; IPO Letter from Intellectual Prop. Owners Ass’n, Supporting Protection for Trade Secrets in H.R. 3534 (July 29, 2010), [https://www.ipo.org/wp-content/uploads/2013/03/IPO\\_Letter\\_Trade\\_Secret\\_Protection\\_in\\_HR\\_3534.pdf](https://www.ipo.org/wp-content/uploads/2013/03/IPO_Letter_Trade_Secret_Protection_in_HR_3534.pdf) [<https://perma.cc/G7MC-8P7F>]; see also David S. Almeling, *Four Reasons to Enact A Federal Trade Secrets Act*, 19 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 769, 770 (2009).

<sup>44</sup> See Almeling et al., *supra* note 43, at 770.

<sup>45</sup> See generally Joseph D. Mornin, *What You Need to Know About the Defend Trade Secrets Act*, 28 INTELL. PROP. & TECH. L.J. 20 (Sept. 2016) (a brief article summarizing the DTSA). New York and Massachusetts are the only two states that have not adopted any provisions of the statute and still govern misappropriation of trade secrets claims entirely at common law. Chambers, *supra* note 9; see also Almeling et al., *supra* note 3, at 306–07.

<sup>46</sup> Almeling et al., *supra* note 3, at 306–07.

<sup>47</sup> *Establishing Liability*, *supra* note 33, at § 6 (emphasis added). Plaintiffs alleging wrongful acquisition have a relatively low bar to meet. *Id.* Courts generally hold that inappropriate acquisition has occurred when information flows from or through a person by way of improper means and it was obtained “under circumstances giving rise to a duty to maintain its secrecy or limit its use; . . . or derived it from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use.” *Id.* The alleged discloser, whether an individual or corporation,

must have: (1) used improper means to acquire knowledge of the trade secret; (2) known or had reason to know that the information was a trade secret and the information had been acquired by accident or mistake; or (3) known or had reason to know at the time of disclosure or use that his knowledge of the trade secret was acquired inappropriately.

more difficult to adequately plead.<sup>48</sup> The DTSA was born, in part, to assist with assuaging uncertainty over varying state application of the UTSA. If a plaintiff and defendant reside in different states, for example, the plaintiff may run into a choice of law issue and will lack confidence about which state law the court will decide to apply under the forum's conflicts of law analysis.<sup>49</sup> Thus, new trade secrets legislation, some argued, was required to combat this uncertainty as well as other disadvantages, such as wasted time in overcrowded state courts.<sup>50</sup>

Other forms of intellectual property have longstanding original federal jurisdiction. Congress used its power under the commerce clause to enact laws like the Lanham Act, which includes “a federal private right of action . . . for unfair competition in misappropriation of commercial identity” for trademarks, as well as “for misappropriation of unpublished works” under the Copyright Act.<sup>51</sup> Yet no similar statute creating a federal cause of action to address unfair competition vis-à-vis trade secret misappropriation was able to get through Congress. This disconnect at the federal level is perhaps because trade secrets claims often “involve[] many more legal issues than are raised by copying a trademark,” or a copyrighted work and are mostly brought with claims that are exclusively governed by state law, such as breaching confidentiality (i.e., contract) or breaching a fiduciary relationship (i.e., tort).<sup>52</sup> Furthermore, examination of state law reveals vast differences in the definition of a trade secret itself. Such differences include items specifically barred from trade secret classification and which precautions actually constitute “reasonable secrecy measures.”<sup>53</sup> A handful of states require that the information must be novel in order to constitute a trade secret while others are quite

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<sup>48</sup> When the alleged misappropriation is a result of a wrongful disclosure a heightened standard in the form of a knowledge requirement kicks in. *See id.*

<sup>49</sup> Alissa Cardillo, Note, *Another Bite at the Apple for Trade Secret Protection: Why Stronger Federal Laws Are Needed to Protect a Corporation's Most Valuable Property*, 10 BROOK. J. CORP. FIN. & COM. L. 577, 601 (2016).

<sup>50</sup> Krotoski & Burkholder, *supra* note 12 (When in state court, “[f]or example, obtaining a deposition of a witness in another state can require multiple court orders in different jurisdictions and lengthy delays.”).

<sup>51</sup> Stephen Y. Chow, Essay, *DTSA: A Federal Tort of Unfair Competition in Aerial Reconnaissance, Broken Deals, and Employment*, 72 WASH. & LEE L. REV. ONLINE 341, 346 (2016).

<sup>52</sup> *Id.* at 346–47. *See* Eric Goldman, *Ex Parte Seizures and the Defend Trade Secrets Act*, 72 WASH. & LEE L. REV. ONLINE 284, 306 (2015) (“Trade secrets differ from registration-based IPs because the putative owner must establish ownership during the registration process.”).

<sup>53</sup> *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4. (For example, “Idaho expressly includes computer programs” as classifiable trade secrets.).

protective of wrongfully shared, but decidedly non-original and arguably publicly retrievable, customer databases.<sup>54</sup>

Federal courts also have exclusive jurisdiction over patent actions, a handy loophole that has resulted in an onslaught of plaintiffs combining trade secrets claims with patent claims to avoid state court.<sup>55</sup> The filing of trade secret suits in federal court under the guise of combination patent claims doubled three times since 1988.<sup>56</sup> In contrast, trade secrets litigation in state court “has not doubled in the past fifteen years and is not projected to double for at least the next twenty years.”<sup>57</sup> Thus, while state courts may be overworked in general, the evidence shows that federal trade secrets claims have been steadily increasing with state courts claims stagnating over recent decades.

The vast array of inconsistencies embedded within application of state trade secrets law, only some of which are mentioned above,<sup>58</sup> led legal scholars and intellectual property law practitioners to argue that making trade secret claims originally actionable at the federal level would help clear up this muddled area of law.

### B. *Notable Cases and Settlements Related to DTSA’s Enactment*

Proponents of the DTSA also argue that economic espionage for the benefit of foreign nations is a major threat to our national security.<sup>59</sup> In 2012, the FBI put up billboards in nine cities across the United States displaying the message: “\$13 Billion Lost—Protect America’s Trade Secrets.”<sup>60</sup> During this

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<sup>54</sup> *Id.*

<sup>55</sup> Cardillo, *supra* note 49, at 580–81; see Almeling et al., *supra* note 3, at 293.

<sup>56</sup> Combination claims “doubl[ed] from 1988 to 1995, double[d] again from 1995 to 2004, and is projected to double a third time by the year 2017.” Cardillo, *supra* note 49, at 581; see Almeling et al., *supra* note 3, at 293.

<sup>57</sup> *Id.* at 581; see Almeling, et al., *supra* note 3, at 293–94.

<sup>58</sup> See *supra* note 53 and accompanying text.

<sup>59</sup> See, e.g., EXEC. OFFICE OF THE PRESIDENT, ADMINISTRATION STRATEGY ON MITIGATING THE THEFT OF U.S. TRADE SECRETS 1 (2013), [https://obamawhitehouse.archives.gov/sites/default/files/omb/IPEC/admin\\_strategy\\_on\\_mitigating\\_the\\_theft\\_of\\_u.s.\\_trade\\_secrets.pdf](https://obamawhitehouse.archives.gov/sites/default/files/omb/IPEC/admin_strategy_on_mitigating_the_theft_of_u.s._trade_secrets.pdf) [<https://perma.cc/A3S8-43ZH>] [hereinafter Obama Report]. See *id.* at acknowledgement page (noting that the compilation is a comprehensive report resulting from “a collaborative effort and reflects the recommendations and input from various entities of the U.S. government”).

<sup>60</sup> *Economic Espionage. How to Spot A Possible Insider Threat*, FBI (May 11, 2012), <https://www.fbi.gov/news/stories/how-to-spot-a-possible-insider-threat> [<https://perma.cc/5L4M-YF5T>] (“[T]he cost of economic espionage to the U.S. can currently be seen on digital billboards.”). The FBI also “released a short film based upon an actual case, *The Company Man: Protecting America’s Secrets*, aimed at educating anyone with a trade secret about the threat and how they can help mitigate it.” *Latest Updates on*

same year, the Director of the National Security Agency suggested that recent instances of “cyber espionage” constitute “the greatest transfer of wealth in history.”<sup>61</sup> Computer security companies, such as “McAfee[,] estimate[] [that] global remediation costs a[re] \$1 trillion per year” as a result of economic espionage efforts to obtain confidential trade secret information.<sup>62</sup> In addition to these staggering statistics, in the years immediately preceding the DTSA, three alarming cases were frequently cited as proof that a massive upgrade in trade secrets protection was not only warranted, but also desperately needed to protect the interests of the United States.<sup>63</sup> Prosecuted in the criminal context, these FBI investigations ultimately resulted in plea bargains and substantial damage awards.<sup>64</sup> The harmed entities in these cases are among the United States’ corporate giants, including Ford Motor Company (Ford) in 2010, DuPont in 2012, and General Motors in 2013.<sup>65</sup> Although these three trade secrets cases are extreme examples, the government heavily publicized the economic interests at stake and highlighted the foreign actors involved, effectively allowing proponents to more easily pass the DTSA with the *ex parte* seizure provision included.<sup>66</sup>

In the Ford case, the FBI reported that, while employed by Ford, a Chinese national living in the United States copied thousands of company documents onto a hard drive, resigned his post, and transferred documents containing trade secrets to one of Ford’s direct competitors, “the Beijing Automotive Company.”<sup>67</sup> The trade secrets consisted of “specifications for engines and electric power supply systems estimated to be worth between \$50 million and \$100 million.”<sup>68</sup> Next, in the DuPont

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*Federal Trade Secrets Legislation*, *supra* note 4. Interestingly, the FBI-sponsored “film illustrates how one U.S. company was *targeted by foreign actors* and how that company worked with the FBI to address the problem.” *Id.* (emphasis added).

<sup>61</sup> Josh Rogin, *NSA Chief: Cybercrime constitutes the “greatest transfer of wealth in history,”* FOREIGN POLICY (July 9, 2012), <http://foreignpolicy.com/2012/07/09/nsa-chief-cybercrime-constitutes-the-greatest-transfer-of-wealth-in-history> [<https://perma.cc/P93H-J43K>].

<sup>62</sup> R. MARK HALLIGAN, PROTECTING U.S. TRADE SECRET ASSETS IN THE 21ST CENTURY 4 (Sept. 2013), [https://www.americanbar.org/content/dam/aba/publications/landslide/2013\\_september\\_october/protecting\\_us\\_trade\\_secret\\_assets\\_in\\_the\\_21st\\_century.authcheckdam.pdf](https://www.americanbar.org/content/dam/aba/publications/landslide/2013_september_october/protecting_us_trade_secret_assets_in_the_21st_century.authcheckdam.pdf) [<https://perma.cc/F942-ETWC>] (where the author argues that, “[n]ot a day goes by without another report of foreign economic espionage, computer attacks, and trade secret theft”).

<sup>63</sup> *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4.

<sup>64</sup> See discussion *infra* notes 67–69.

<sup>65</sup> See *supra* note 6 and accompanying text.

<sup>66</sup> See *supra* note 60 and accompanying text.

<sup>67</sup> See *Chinese National*, *supra* note 6.

<sup>68</sup> *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4.

case, the FBI found that a DuPont employee had engaged in a conspiracy to misappropriate trade secrets involving Kevlar, a complex synthetic fiber.<sup>69</sup> Kolon, DuPont's competitor, pled guilty to the indictment, and was "sentenced to pay \$85 million in penalties and \$275 million in restitution."<sup>70</sup> Finally, in the General Motors case, the FBI alleged that a former employee and her spouse wrongfully acquired company trade secrets "related to hybrid vehicle technology worth \$40 million" with intent to disclose the information to Chery Automobile, a Chinese competitor.<sup>71</sup> These three cases explicitly show that the economic stakes in losing these types of trade secrets are tremendously high, especially when dealing with foreign nations.

One could ostensibly operate under the assumption that these cases are representative of the majority of trade secret misappropriations to come (i.e., that most trade secrets cases are espionage-type acts perpetrated by foreign actors for the benefit of foreign interests to the detriment of the United States). In other words, these highly publicized cases are a shining illustration of the exact type of occurrences that many members of Congress may have had in mind when voting in favor of the DTSA. It remains to be seen, however, whether these cases are actually representative of most trade secret actions brought in the United States or whether these are the outliers.<sup>72</sup> These cases, thoroughly investigated by the FBI, are likely the most extreme form of trade secrets cases. Each case easily served as a shiny primer for fear-mongering tactics to paint all trade secrets cases in a dark and ominous hue and ensured that the legislation was speedily and nearly unanimously passed.

The Ford, DuPont, and General Motors cases, along with more recent reports of wrongdoing,<sup>73</sup> led to a renewed call to

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<sup>69</sup> See *Top Executives*, *supra* note 6.

<sup>70</sup> *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4. Five of the corporation's executives and employees were also indicted in the conspiracy. See *Top Executives*, *supra* note 6.

<sup>71</sup> *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4. See *Two Convicted*, *supra* note 6.

<sup>72</sup> For example, "virtually all trade secret disputes involve former employees" and many are not against foreign nationals. See Charles Tait Graves, *Trade Secrets as Property: Theory and Consequences*, 15 J. INTELL. PROP. L. 39, 43 (2007).

<sup>73</sup> See Press Release, U.S. Dep't of Just., Glendale Man Who Stole and Distributed Trade Secrets Belonging to Former Employer Sentenced to One Year in Federal Prison Taking Flight Man Sentenced for Distributing Avionics Trade Secrets (June 6, 2016), <https://www.justice.gov/usao-cdca/pr/glendale-man-who-stole-and-distributed-trade-secrets-belonging-former-employer> [<https://perma.cc/YY3V-TQJF>] (where an employee of an aircraft electronics company was found guilty of trade secret misappropriation in violation of the EEA in 2014); see also Press Release, U.S. Dep't of Just., Former PPG Employee Charged with Theft of Trade Secrets (May 8, 2015), <https://www.fbi.gov/contact-us/field-offices/pittsburgh/news/press-releases/former-ppg-employee->

action to create the DTSA to protect against foreign actors.<sup>74</sup> After all, the DTSA was enacted as an amendment to the 1996 Economic Espionage Act (EEA).<sup>75</sup> Until the DTSA, criminal law enforcement invoked the EEA to bring actions by the government against lawbreakers in the interest of the people, and the statute did not provide for a private right of civil action to protect the interests of a corporation, for example.<sup>76</sup> State officials often justify seizure of competitor assets under the EEA with the idea that “[t]heft, whether hands-on or through cyber intrusions, diminishes our competitive edge in technology and product development and deprives our citizens of economic opportunities.”<sup>77</sup> Pointing to the ability for U.S. companies to effectively compete in the global marketplace appears to be an all too repetitive chorus for those in favor of harsher and more stringent trade secret protection.

Staying in this protectionism vein in the lead up to the enactment of the DTSA, the FBI and the Obama Administration released several reports about trade secrets theft.<sup>78</sup> The external pressures pushing the United States toward more enforcement of trade secrets laws is evident throughout this 2013 report:

Emerging trends indicate that the pace of economic espionage and trade secret theft against U.S. corporations is accelerating. There appears to be multiple vectors of attack for persons and governments

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charged-with-theft-of-trade-secrets [https://perma.cc/4L82-2F8M] (where an ex-employee was arrested for delivering proprietary information to a Chinese company “that specializes in automotive and other specialty glass”).

<sup>74</sup> See Jessica L. Sblendorio, *The Defend Trade Secrets Act: A Remedy*, HAUG PARTNERS (Apr. 28, 2016), <http://www.haugpartners.com/article/the-defend-trade-secrets-act-a-remedy> [https://perma.cc/QP3P-KPXE] (“With the developing landscape of cybersecurity and globalization, an increased demand exists from both companies and consumers for further trade secret protections.”); see also Scott McDonald & Jackie Johnson, *Trade Secrets Finally Get Federal Law Protection*, LITTLER (May 2, 2016), <https://www.littler.com/publication-press/publication/trade-secrets-finally-get-federal-law-protection> [https://perma.cc/9QZY-5X8W] (“A significant part of the congressional focus on trade secret laws that gave birth to the DTSA was concern over international economic espionage.”).

<sup>75</sup> *Id.*

<sup>76</sup> *Id.*

<sup>77</sup> Former PPG Employee Charged with Theft of Trade Secrets, *supra* note 73 (statement of U.S. Attorney David J. Hickton).

<sup>78</sup> See, e.g., Obama Report, *supra* note 59. The opening quote by President Obama in his *Administration Strategy on Mitigating the Theft of U.S. Trade Secrets* report gives the most succinct rationale behind passing such a law: “We cannot look back years from now and wonder why we did nothing in the face of real threats to our security and our economy.” Obama Report, *supra* note 59, at 1; Victoria Espinel, *Launch of the Administration’s Strategy to Mitigate the Theft of U.S. Trade Secrets*, WHITEHOUSE.GOV (Feb. 20, 2013), <https://obamawhitehouse.archives.gov/blog/2013/02/20/launch-administration-s-strategy-mitigate-theft-us-trade-secrets> [https://perma.cc/7934-5YKM] (“In order to continue to lead, succeed, and prosper in the 21st Century global economy, we will use this Strategy to put in place an effective and coordinated approach to protect American trade secrets.”).

seeking to steal trade secrets. Foreign competitors of U.S. corporations, some with ties to foreign governments, have increased their efforts to steal trade secret information through the recruitment of current or former employees. Additionally, there are indications that U.S. companies, law firms, academia, and financial institutions are experiencing cyber intrusion activity against electronic repositories containing trade secret information. Trade secret theft threatens American businesses, undermines national security, and places the security of the U.S. economy in jeopardy. These acts also diminish U.S. export prospects around the globe and put American jobs at risk.<sup>79</sup>

The report goes further to stress that the U.S. government and its trading partners must treat trade secret theft as a “serious issue” and states that federal agencies will now be engaged in promoting best practices to private corporate entities while simultaneously strengthening the enforcement of trade secrets laws.<sup>80</sup> After reading the Obama Administration’s frank assessment of the risks our country faces, it is no wonder that lawmakers clamored to react by passing a law that would attempt to make the citizenry safer.<sup>81</sup>

A few years before the Obama Administration released its report, in 2010, the U.S. Attorney General created a Task Force on Intellectual Property within the FBI to investigate primarily “domestic offenses under the Economic Espionage Act, [which] increased the number of trade secret theft investigations by 29 percent” over the past three years.<sup>82</sup> The Department of Justice reports that the “FBI will continue its outreach and education efforts with the private sector through various local, regional and national initiatives.”<sup>83</sup> Here, the government has decidedly taken a hand in protecting private corporate interests using the judicial branch, law enforcement, and public funds, all in the name of national security. This revelation is rather perplexing because in reality “the data call[s] into question the extensive and expensive

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<sup>79</sup> See Obama Report, *supra* note 59, at 1 (footnotes omitted); see also Remarks by the President at Signing of S. 1890—Defend Trade Secrets Act of 2016, DAILY COMP. PRES. DOC. (May 11, 2016, 3:43 PM), <https://obamawhitehouse.archives.gov/the-press-office/2016/05/11/remarks-president-signing-s-1890-defend-trade-secrets-act-2016> [<https://perma.cc/RL88-QE6B>] (At the signing of the DTSA, President Obama remarked that, “all too often, some of our competitors, instead of competing with us fairly, are trying to steal these trade secrets from American companies. And that means a loss of American jobs, a loss of American markets, a loss of American leadership.”).

<sup>80</sup> See Obama Report, *supra* note 59, at 3, 6.

<sup>81</sup> “On July 29, 2015, with bipartisan support, Congressional leaders in both the House and Senate, including Senators Orrin Hatch (R-UT), Christopher Coons (D-DE) and Representative Doug Collins (R-GA), introduced bills to create a federal private right of action for the misappropriation of trade secrets.” *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4.

<sup>82</sup> Obama Report, *supra* note 59, at 7.

<sup>83</sup> *Id.* at 9.

efforts to stop espionage from unrelated third parties.”<sup>84</sup> The unopposed passage of the DTSA and the inclusion of its unprecedented *ex parte* seizure provision highlights that national security risks may induce even the most courageous individuals to recoil. When widespread panic sets in, the underlying fear of risking erroneous and unnecessary deprivations of our most basic constitutional rights unfortunately appear to melt away.<sup>85</sup>

### C. *Legislative History of the DTSA*

Trepidation about national security shaped the DTSA. As news of the DTSA’s passage spread, law firms specializing in intellectual property practice described the federal statute as “the most significant trade secret reform legislation in several decades.”<sup>86</sup> The most prominent difference between the UTSA and the DTSA is the ability to file misappropriation claims as a federal cause of action under the jurisdictional element of the DTSA.<sup>87</sup> Additionally, related causes of action under the same common nucleus of operative facts are not preempted by bringing a misappropriation claim, as they generally are under the UTSA.<sup>88</sup> The jurisdictional element, however, is most certainly not the most troubling aspect of the new law. The reasons that Congress became compelled to draft the *ex parte* seizure provision must be examined to more fully comprehend the true purpose of this legislation.<sup>89</sup>

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<sup>84</sup> Almeling et al., *supra* note 3, at 303.

<sup>85</sup> See, e.g., David S. Levine, *School Boy’s Tricks: Reasonable Cybersecurity and the Panic of Law Creation*, 72 WASH. & LEE L. REV. ONLINE 323, 323–24, 331 (2015) (explaining that the DuPont case “sheds light on the panic that has taken hold around cyberespionage and policymaking, a panic reflected in the DTSA”). Similarly, lawmakers and scholars have argued that widespread fear after September 11, 2001, led to the enactment of the Patriot Act, which has been criticized for disregarding the reasonable right to privacy guaranteed in the Fourth Amendment of the U.S. Constitution. Peter Baker, *In Debate Over Patriot Act, Lawmakers Weigh Risks vs. Liberty*, N.Y. TIMES (June 1, 2015), <http://www.nytimes.com/2015/06/02/us/politics/in-debate-over-patriot-act-lawmakers-weigh-risks-vs-liberty.html> [<https://perma.cc/AS3K-J32F>] (reporting that “[j]ust one senator voted against the Patriot Act, calling it a violation of civil liberties,” demonstrating a “shift [that] underscores an evolution in thinking about the risks and trade-offs of terrorism”).

<sup>86</sup> KROTOSKI & BURKHOLDER, *supra* note 21, at 3. Until the DTSA’s enactment, misappropriation of trade secrets civil actions were entirely governed by state law. See Mornin, *supra* note 45, at 20. The DTSA maintains a similar definition of misappropriation as the UTSA, allowing for comparable remedies “including injunctive relief, compensatory damages, and exemplary damages and the recovery of attorneys’ fees in the event of willful or malicious misappropriation.” *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4.

<sup>87</sup> *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4.

<sup>88</sup> *Id.*

<sup>89</sup> To reiterate, in relevant part, the *ex parte* seizure provision in the DTSA states that, “[b]ased on an affidavit or verified complaint . . . the court may, upon *ex parte* application but only in *extraordinary circumstances*, issue an order providing for the

It is widely understood and accepted that once a trade secret is shared, it is no longer legally protectable.<sup>90</sup> While similar to the UTSA, the DTSA's definition of a trade secret allows for a broader interpretation of the term.<sup>91</sup> The most notable difference in the statutory text is that the UTSA requires that the measures taken to protect the information were "reasonable under the circumstances to maintain its secrecy" and the DTSA only mentions "reasonable measures" but fails to mention "under the circumstances."<sup>92</sup> This widens the purview of the statute to make nearly any "information" protectable rather than specific and particular information subject to a set of narrow circumstances and conditions.<sup>93</sup> The omission indicates that legislators intended to significantly expand a plaintiff's ability to plead misappropriation under federal law.<sup>94</sup>

The idea of using protective or injunctive orders in the name of equity developed early in this area of law. The first known trade secrets case—surrounding "[a] secret formula for

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seizure of property necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action." 18 U.S.C. § 1836(b)(2)(A)(i) (Supp. 2016) (emphasis added).

<sup>90</sup> See Levine, *supra* note 85, at 340 ("[T]rade secrets cease to exist once they are publicly disclosed . . ."); Johnson, *supra* note 31 ("A trade secret must be just that: secret.").

<sup>91</sup> Krotoski & Burkholder, *supra* note 12. The court in *M.C. Dean, Inc. v. City of Miami Beach* explains the DTSA's definition,

Under the DTSA, a trade secret is information for which: (A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information.

*M.C. Dean, Inc. v. City of Miami Beach, Fla.*, 199 F. Supp. 3d 1349, 1353 (S.D. Fla. Aug. 8, 2016) (citing 18 U.S.C. § 1839(3)).

<sup>92</sup> Compare UNIFORM TRADE SECRETS ACT § 1(4) (where a trade secret must be "the subject of efforts that are reasonable *under the circumstances* to maintain its secrecy") (emphasis added), with 18 U.S.C. § 1839(3)(A) ("the owner thereof has taken *reasonable measures* to keep such information secret") (emphasis added).

<sup>93</sup> Compare UNIFORM TRADE SECRETS ACT § 1(4) (where the UTSA identifies eight specific types of trade secret information, such as a "formula, pattern compilation, program device, method, technique, or process"), with 18 U.S.C. § 1839(3) (where the DTSA significantly expands the definition of trade secrets to include "all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing"); see also Peter J. Toren, *Five Things to Know About the Defend Trade Secrets Act*, IPWATCHDOG (May 11, 2016), <http://www.ipwatchdog.com/2016/05/11/five-things-know-defend-trade-secrets-act> [https://perma.cc/U8CD-YAX2].

<sup>94</sup> "In short, almost every type of information can qualify as a trade secret . . ." Toren, *supra* note 93.

treating gout”<sup>95</sup>—arose in England in 1817.<sup>96</sup> The first trade secrets case occurred in the United States two decades later when a Massachusetts court ordered specific performance of a contract governing the limited and private use of “a secret method for making chocolate.”<sup>97</sup> Consequently, many state courts interpreted trade secrets as “a property-like interest” using injunctive relief as a common remedy to put a stop to its illegal disclosure or use.<sup>98</sup> The history of parties using these types of injunctions and protective orders in related fields of intellectual property law,<sup>99</sup> and other determinative factors,<sup>100</sup> more or less gave Congress the green light to include the *ex parte* seizure provision in the DTSA, the first of its kind in the trade secrets context.<sup>101</sup>

Upon examination of the events leading up to the legislation, it is apparent that Congress invoked national security concerns as a basis for the DTSA, yet the law is primarily benefiting large corporations that have no discernable hand in such interests. Thus, as many parties that may not have previously maintained proper justification to seek such swift and unchecked relief now have federally sanctioned statutory authority to ask for it, this underlying motive of the law makes it especially more problematic that the *ex parte* seizure provision was included. Moreover, it was drafted in such a broad capacity as to signify the potential for gross misuse.

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<sup>95</sup> Christopher B. Seaman, *The Case Against Federalizing Trade Secrecy*, 101 VA. L. REV. 317, 324 n.31 (2015) (quoting *Newbery v. James*, 35 Eng. Rep. 1011 (Ch.) 1011–12 (1817)).

<sup>96</sup> *Id.* at 324.

<sup>97</sup> *Id.* (citing *Vickery v. Welch*, 36 Mass. (19 Pick.) 523, 525–27 (1837)).

<sup>98</sup> *Id.* Despite this long-held interpretation in most state courts, numerous scholars outright refute that a trade secrets holder possesses actual property, yet most agree that preventing the disclosure of such information is worth substantial efforts in the interest of public policy and the national economy. See *Chow*, *supra* note 51, at 347–50, 355 (“Instead of preventing unfair competition by targeting unauthorized use of specific information, employers use the less expensive, blunt instrument of prohibiting post-employment competition altogether . . .”); see also *Johnson*, *supra* note 31 (noting that “we need to develop a uniform standard of protecting trade secrets” because “[w]e live in the information age and trade secret law is specifically intended to protect information”).

<sup>99</sup> See discussion *infra* Section II.A.1.

<sup>100</sup> Such as threats to national security. See, e.g., Obama Report, *supra* note 59, at 3 (“The theft of U.S. trade secrets by foreign competitors or foreign governments has been and will continue to be raised by the most senior levels of the Administration with countries of concern.”).

<sup>101</sup> See Peter J. Toren, *Handle with Care: Civil Seizure Under the Defend Trade Secrets Act*, IPWATCHDOG (July 5, 2016), <http://www.ipwatchdog.com/2016/07/05/handle-care-civil-seizure-defend-trade-secrets-act> [<https://perma.cc/A5ZC-GXH3>].

## II. *EX PARTE* SEIZURE IS PARTICULARLY DANGEROUS IN THE TRADE SECRETS CONTEXT

### A. *Interpretation of the Ex Parte Seizure Provision*

The DTSA's *ex parte* seizure provision allows for a complaining party to petition the court to have the government confiscate and hold intellectual property by issuing a seizure order with no notice to the opposing party.<sup>102</sup> Critically, the provision does not permit a hearing on the merits before property is seized.<sup>103</sup> On its face, the DTSA appears to be unconstitutional, and denies citizens the right to due process.<sup>104</sup> Prior to the DTSA, “[t]he only existing seizure remedy in intellectual property law is found at 15 U.S.C. § 1116(d) of the Lanham Act, which applies to counterfeit marks.”<sup>105</sup> As there is “no comparable [*ex parte* seizure] provision in any state law” related to trade secrets,<sup>106</sup> the question then becomes, does the government have a compelling enough interest to override vitally important and fundamental constitutional considerations to specifically protect trade secrets?

#### 1. *Ex Parte* Orders Differ in Trademark and Copyright Cases

This is not the first instance that Congress has passed a law allowing the federal judiciary to issue orders in *ex parte*

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<sup>102</sup> 18 U.S.C. § 1836(b)(2)(A)(1) (Supp. 2016).

<sup>103</sup> Katherine A. Kelter, *Major Revisions to Federal Trade Secrets Law Now in Effect—Defend Trade Secrets Act of 2016 Signed by President Obama*, MASS. EMP. & BUS. LITIG. RESOURCE (May 17, 2016), <http://www.massemploymentbizlit.com/2016/05/major-revisions-to-federal-trade-secrets-law-now-in-effect-defend-trade-secrets-act-of-2016-signed-by-president-obama> [https://perma.cc/DW9E-W7E8].

<sup>104</sup> See, e.g., *Mathews v. Eldridge*, 424 U.S. 319, 326, 333, 349 (1976) (where the U. S. Supreme Court found that the government's seizure of property in civil cases with no opportunity to be heard is unconstitutional). To be clear, circumstances exist where the state does maintain a compelling interest in certain types of *ex parte* protective orders, for example, in instances of domestic violence or stalking. See, e.g., Peter Finn, *Statutory Authority in the Use and Enforcement of Civil Protection Orders Against Domestic Abuse*, 23 FAM. L. Q. 43, 43 (1989) (“Temporary orders may be obtained in an *ex parte* proceeding in order to provide for a victim's immediate safety when there is insufficient time to give notice to the batterer. Soon after the respondent receives notice, the court holds a hearing at which both parties have an opportunity to be heard.”). The compelling justification for an *ex parte* proceeding in such a situation is rooted in safeguarding the immediate physical safety of the complainant and thus, substantially outweighs the risk of erroneous deprivation of the non-present defendant's due process rights. See *id.* at 43–44.

<sup>105</sup> Toren, *supra* note 101 (internal quotations omitted). See 15 U.S.C. § 1116(d)(4)(B)(i), (vii) (2012).

<sup>106</sup> Toren, *supra* note 93.

proceedings, even in the sphere of intellectual property.<sup>107</sup> The most analogous example is that trademark owners are able to request comparable seizure orders specifically to protect “counterfeit use of their registered marks.”<sup>108</sup> Trade secrets, however, differ markedly from other forms of intellectual property. The owner of copyrighted material must *register* that work with the U.S. Copyright Office before it can be actionable for an infringement claim as federally protected intellectual property.<sup>109</sup> Similarly, a court will not even entertain the idea of granting an *ex parte* seizure order if allegedly counterfeit goods do not contain a *registered* trademark.<sup>110</sup> When considering a work for registration, a trademark or copyright examiner is tasked with evaluating the “eligibility for protection”<sup>111</sup> in terms of the subject matter of the material, in addition to other considerations.<sup>112</sup> This process leads to the conclusion that any *ex parte* seizure order request pertaining to registered trademarks or copyrighted works “provides the judge with well-informed and independent guidance about protectability.”<sup>113</sup> This type of guidance is independent because the complaining party is not the one opining about the reliability of its federally registered material’s protectability.

In the trade secrets context, there is no such process and the protectability of trade secrets is largely left to judicial discretion, often in areas where judges may have limited technical knowledge. Even in cases where the works or marks have been duly registered and vetted by administrative officials, courts are often disinclined to grant *ex parte* relief in the trademarks context and usually only entertain such applications if a preliminary injunction hearing would not sufficiently address the plaintiff’s claims.<sup>114</sup> Eric Goldman<sup>115</sup> found that trade secrets “work[] differently than copyright and trademarks in ways that affect the legitimacy of *ex parte* seizures,” making

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<sup>107</sup> See *supra* notes 94–98 and accompanying text.

<sup>108</sup> Adam W. Poff, *Changes on the Horizon for Trade Secret Misappropriation*, 33 DEL. LAW. 24, 27 (2015).

<sup>109</sup> Goldman, *supra* note 52, at 305.

<sup>110</sup> *Id.*

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> See Poff, *supra* note 108, at 27.

<sup>115</sup> “Eric Goldman . . . is on a list of 20 Most-Cited Intellectual Property & Cyberlaw Faculty from 2010–2014 on Brian Leiter’s Law School Reports.” Michelle Waters, *Eric Goldman is one of 20 Most-Cited Intellectual Property & Cyberlaw Faculty*, SANTA CLARA UNIV. SCH. L. (June 28, 2016), <http://law.scu.edu/news/eric-goldman-is-one-of-20-most-cited-intellectual-property-cyberlaw-faculty> [<https://perma.cc/G8UX-LYD9>].

it “so imitating their seizure provisions does not make sense.”<sup>116</sup> These differences are significant and should not be overlooked.

First, as it has been established that registered trademarks, patents, and copyrighted works undergo an extensive review process, the public is deemed to have constructive notice that they may be infringing on an individual or entity’s property rights.<sup>117</sup> When used to protect federal rights in a trademark, for example, the Lanham Act’s “seizure provision[] appl[ies] to chattel manufactured for sale that was designed to infringe,”<sup>118</sup> and thus a seizure, although not wholly anticipated, is an equitable remedy for such knowingly wrongful use. There is no such notice in the trade secrets context and others may arrive at an idea independently not knowing it is a protected trade secret.<sup>119</sup> Even though it may not be actual notice, being put on constructive notice in trademark and copyright actions effectively outweighs the risk of erroneous deprivation and allows requests for *ex parte* seizures to proceed in a constitutionally permissible fashion.<sup>120</sup>

Second, judges are forced to examine “the existence of a trade secret as a matter of first impression, without any guidance from an independent government examiner.”<sup>121</sup> This leads to the unfortunate possibility that a court may erroneously render its decision about the protectability of a trade secret. A distinct possibility exists that “a non-specialist judge . . . will make more mistakes” in trade secrets cases “than [in] *ex parte*

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<sup>116</sup> Goldman, *supra* note 52, at 306–07.

<sup>117</sup> William M. Borchart, *When Should and Should Not Be Used*, COWAN, LIEBOWITZ & LATMAN (May 1, 2001), [http://www.cll.com/newsroom-publications-When\\_Should\\_and\\_Should\\_Not\\_Be\\_Used](http://www.cll.com/newsroom-publications-When_Should_and_Should_Not_Be_Used) [<https://perma.cc/FY6M-EE9W>] (“Under the law, everyone is deemed to have constructive notice of federal . . . registrations.”).

<sup>118</sup> Goldman, *supra* note 52, at 306-07; *see* 15 U.S.C. § 1116(d) (2012).

<sup>119</sup> Goldman, *supra* note 52, at 306-07.

<sup>120</sup> For an examination of notice in the trademark context, see *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1123 (6th Cir. 1996) (“After registration, there can be no new ‘innocent’ users, and even an innocent prior user cannot expand the area of its use, because Lanham Act registration puts all would-be users of the mark (or a confusingly similar mark) on *constructive notice* of the mark.” (emphasis added) (quoting 15 U.S.C. § 1072; *Thrifty Rent–A–Car Sys., Inc. v. Thrift Cars, Inc.*, 831 F.2d 1177, 1181 (1st Cir. 1987)). Additionally, one case before the U.S. Customs and Patent Appeals Court originally established registration as akin to constructive notice in the patent law context. *Willson v. Graphol Products Co.*, 188 F.2d 498, 505 (1951) (“It is our opinion that appellants’ registration constituted *constructive notice* to appellee . . . .” (emphasis added)). As for copyright law’s treatment of notice, courts have found that a “copyright registration certificate in the Copyright Office provides ‘*constructive notice* as to the ownership of the copyright and the facts stated in the registration certificate.” *Latin Am. Music Co., Inc. v. The Archdiocese Of San Juan of Roman Catholic & Apostolic Church*, 499 F.3d 32, 40 (1st Cir. 2007) (emphasis added) (quoting *Saenger Org., Inc. v. Nationwide Ins. Licensing Assocs., Inc.*, 119 F.3d 55, 67 (1st Cir. 1997)).

<sup>121</sup> Goldman, *supra* note 52, at 305; *see* Levine, *supra* note 85, at 327–28.

proceedings based on registered copyrights and trademarks.”<sup>122</sup> While it is enticing to apply seemingly objective reasoning that trade secrets law should also provide for *ex parte* seizures simply because federal trademark and copyright statutes allow for it, this line of thinking is risky because it puts unknowing parties at risk for unjust consequences.<sup>123</sup>

## 2. Congress’s Rationale

The DTSA’s *ex parte* seizure provision is generally characterized as “an extremely powerful remedy.”<sup>124</sup> Congress grounds its rationale for the provision’s inclusion in “the possibility of destruction of evidence or its removal from the country” if the alleged misappropriators learn of impending legal action against them.<sup>125</sup> It would appear that the underlying rationale is really that drastic times, call for drastic measures. The sheer number of safeguards put firmly into place within the statutory text<sup>126</sup> permits the inference that Congress understood that including a provision that allows *ex parte* action comes with

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<sup>122</sup> Goldman, *supra* note 52, at 305; *see* Levine, *supra* note 85, at 327–28.

<sup>123</sup> *See* Goldman, *supra* note 52, at 306–07. “Trade secret cases routinely involve factual disputes that will not be appropriate for *ex parte* resolution and will increase the potential for erroneous seizures, even when trade secret owners are careful and well-meaning.” *Id.* at 287; *see also* Levine, *supra* note 85, at 327–28.

<sup>124</sup> *See* Toren, *supra* note 93.

<sup>125</sup> McDonald & Johnson, *supra* note 74.

<sup>126</sup> *See* 18 U.S.C. § 1836(b)(2)(B) (Supp. 2016) (These safeguards are built directly into the statutory language and expressly state that if a court executes an order for an *ex parte* seizure that the court must (1) “set forth findings of fact and conclusions of law required for the order,” (2) “provide for the narrowest seizure of property necessary . . . and direct that the seizure be conducted in a manner that minimizes any interruption of the business operations of third parties and, to the extent possible, does not interrupt the legitimate business operations” of the accused, (3) include an accompanying order to “protect[] the seized property from disclosure by prohibiting access by the applicant or the person against whom the order is directed,” and to “prohibit[] any copying[], in whole or in part, of the seized property, to prevent undue damage to the party against whom the order has issued or others,” and importantly this accompanying order must stand “until such parties have an opportunity to be heard in court,” and furthermore must, “provide that if access is granted by the court to the applicant or the person against whom the order is directed, the access shall be consistent with” the materials in custody of court and the confidentiality provision, (4) “provide guidance to the law enforcement officials executing the seizure that clearly delineates the scope of the authority of the officials, including . . . the hours during which the seizure may be executed,” and “whether force may be used to access locked areas,” (5) “set a date for a hearing . . . at the earliest possible time, and not later than 7 days after the order has issued,” and (6) “require the person obtaining the order to provide the security determined adequate by the court for the payment of the damages that any person may be entitled to recover as a result of a wrongful or excessive seizure or wrongful or excessive attempted seizure.”).

substantial risk and even took affirmative steps to prevent, or at least soften the blow from, erroneous deprivation of property.<sup>127</sup>

Lawmakers contend that such deprivations are limited, and perhaps even necessary collateral damage, in order to prevent far worse dissemination of trade secrets abroad to foreign competitors.<sup>128</sup> A primary argument in this vein is that existing state laws are unable to provide adequate remedies “when trade secrets are stolen by a foreign company.”<sup>129</sup> Under the DTSA, not only do all activities affecting interstate commerce fall within the statute’s purview, but the statute also covers “all products and services used in *foreign commerce*.”<sup>130</sup> This language about foreign commerce is fundamental to understanding the DTSA’s core purpose. Congress, urged on by the Obama Administration, the FBI, and others,<sup>131</sup> passed this law primarily in an attempt “to inform other countries that the U.S. views trade secrets to be just as important as patents, copyrights and trademarks.”<sup>132</sup> Many scholars and government agencies view the DTSA as a “significant step” in allowing the United States to pursue trade secrets claims abroad and opine that it encourages other countries to pursue misappropriators within their own borders.<sup>133</sup> The law is undoubtedly significant, but it remains to be seen whether the *ex parte* seizure provision will primarily be invoked for claims against foreign actors, or whether it will become a mere manipulative tool for corporations to lord over their employees.

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<sup>127</sup> Toren, *supra* note 93 (“Congress recognized the potential for abuse of this provision.”). Indeed, in January 2016, the DTSA underwent two rounds of amendments after input from the Senate Judiciary Committee, including “language expressing Congress’ notion of the importance of balancing the interests of all parties when issuing an *ex parte* seizure.” *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4. See Senate Judiciary Report, *supra* note 18.

<sup>128</sup> See discussion *supra* Section I.C.

<sup>129</sup> James Dowd, et al., *Federalizing Trade Secret Protection: A Close Look at the Ex Parte Seizure Provision*, CORP. COUNSEL (May 23, 2016), [https://www.wilmerhale.com/uploadedFiles/Shared\\_Content/Editorial/Publications/Documents/2016-05-31-Federalizing-Trade-Secret-Protection-A-Close-Look-at-the-Ex-Parte-Seizure-Provision.pdf](https://www.wilmerhale.com/uploadedFiles/Shared_Content/Editorial/Publications/Documents/2016-05-31-Federalizing-Trade-Secret-Protection-A-Close-Look-at-the-Ex-Parte-Seizure-Provision.pdf) [<https://perma.cc/6ZSX-PLTE>].

<sup>130</sup> *Id.* (emphasis added) (internal quotations omitted). This protection gives the court the ability to issue an order “to stop a defendant from sending stolen secrets out of the country.” *Id.*

<sup>131</sup> See generally *supra* note 6 and accompanying text; see also Obama Report, *supra* note 59.

<sup>132</sup> Stuart Meyer, *The Defend Trade Secrets Act Creates a Federal Option for Addressing Misappropriation*, 42 VT. B.J. 20, 20 (2016).

<sup>133</sup> *Id.* at 21.

*B. Recent Court Orders Signify Over-Broad Pleadings under the DTSA*

Lawmakers and government agencies maintain that the new law serves national security interests and that the *ex parte* seizure provision will primarily be invoked in instances of trade secret misappropriation affecting foreign commerce.<sup>134</sup> Despite scholars' prediction of parties pursuing trade secret claims abroad, the parties involved in the first DTSA suit were all U.S. citizens.<sup>135</sup> "The ink was barely dry"<sup>136</sup> on the newly passed law when a company used the DTSA to assert a cause of action for misappropriation against two former employees.<sup>137</sup> A mere two weeks later, another entirely domestic<sup>138</sup> suit was brought under the DTSA.<sup>139</sup> As the number of domestic corporations suing domestic ex-employees under the DTSA continues to grow,<sup>140</sup> there is a rising concern that the broadly drafted law does not properly balance the rights of employees and third parties against the persistently growing weight of trade secrets holders' rights.<sup>141</sup> This legitimate concern goes directly to the idea that the *ex parte* seizure provision, although drafted with good intentions, improperly denies due process as the vast majority of trade secrets suits involve non-threatening and non-lethal information.

An examination of recently filed cases under the DTSA demonstrates that the law is being broadly pleaded and is usually invoked against parties of more meager financial means.<sup>142</sup> In *Allstate Ins. Co. v. Rote*, the plaintiff, Allstate Insurance Company (Allstate), one of the largest insurance

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<sup>134</sup> Dowd, et al., *supra* note 129.

<sup>135</sup> See Magic Leap Complaint, *supra* note 29, at 2.

<sup>136</sup> Meyer, *supra* note 132, at 21.

<sup>137</sup> *Id.* (citing Magic Leap Complaint, *supra* note 29, at 1).

<sup>138</sup> This is by no means an argument that domestic suits regarding trade secrets do not have merit or should not be taken just as seriously as allegations dealing with foreign entities. This assertion is made to bring to light that the primary reason the DTSA was enacted with the *ex parte* seizure provision was to use in extraordinary circumstances in instances of cyber hacking and national security and thus far the vast majority requesters of such seizures do not fit this description. See, e.g., *Panera, LLC v. Nettles*, No. 4:16-CV-1181-JAR, 2016 WL 4124114 (E.D. Mo. Aug. 3, 2016).

<sup>139</sup> Complaint at 3, *Space Data Corp. v. X*, No. 5:16-cv-03260-EDL (N.D. Cal. filed June 13, 2016); see also Meyer, *supra* note 132, at 21.

<sup>140</sup> See *supra* note 29 and accompanying text.

<sup>141</sup> Meyer, *supra* note 132, at 21. Note that the DTSA does require notice of whistleblower immunity in employment contracts, but the only penalty for failure to provide such notice is that the employer is prevented from seeking punitive damages or attorney fees under the statute. See 18 U.S.C. § 1833(b)(3) (Supp. 2016).

<sup>142</sup> See, e.g., *Allstate Ins. Co. v. Rote*, No. 3:16-CV-01432-HZ, 2016 WL 4191015, at \*6-7 (D. Or. Aug. 7, 2016) (where the court found that "if a preliminary injunction as to this issue is erroneously granted, [the defendant] will suffer severe financial loss and ability to sustain her profession. This is enough to demonstrate that the balance of equities tips in [the defendant]'s favor.").

companies in the United States, alleged that former employee and *pro se* defendant Tanya Rote misappropriated trade secrets, which mostly constituted customer and local property information that Rote encountered through routine course of business as an employee.<sup>143</sup> Allstate was granted a preliminary injunction in part against Rote and the court generally justified its order on the basis of balancing the equities.<sup>144</sup> The *Allstate* court explained that the purpose of the DTSA is “to maintain the sanctity of trade secrets,” and that the court must uphold the new law.<sup>145</sup> The court ordered that Rote return any trade secrets of Allstate’s that she possessed until trial, but did not order her to cease operations of her competing insurance business entirely<sup>146</sup> as she was able to make compelling arguments against the validity of Allstate’s claims.<sup>147</sup>

In *Allstate*, the court was not protecting a corporation holding trade secrets that affect U.S. national security from foreign competitors.<sup>148</sup> Instead, a large corporation used the DTSA to impede an ex-employee’s autonomy and mobility by taking away her ability to run a local private insurance agency in the small town where she resides.<sup>149</sup> While the order in *Allstate* was not issued *ex parte*,<sup>150</sup> it demonstrates that from the outset the DTSA may be morphing into an advantageous, and perhaps underhanded, tool for corporations to control any slight hint of competitive activities from employees,<sup>151</sup> both during and after their employment.<sup>152</sup>

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<sup>143</sup> *Id.* at \*1–2 (where Allstate alleged its ex-employee misappropriated “confidential information, including customer names, addresses, and telephone numbers”).

<sup>144</sup> *Id.* at \*7.

<sup>145</sup> *Id.* at \*2–3 (“[T]he Court finds that the balance of the equities and the public interest tips in Allstate’s favor as to the confidential information issue.”).

<sup>146</sup> *Id.* at \*7 (“The Court finds that, based on the evidence presented to it thus far, Allstate will likely suffer only modest harm if [the defendant] is allowed to operate from her former Allstate sales location, assuming of course that she does not solicit any Allstate customers using the confidential information she misappropriated.”).

<sup>147</sup> *Id.* at \*6–7 (“However, the Court views Allstate’s demand that [the defendant] cease operating . . . differently . . . [I]f a preliminary injunction as to this issue is erroneously granted, [the defendant argues that she will] suffer severe financial loss and ability to sustain her profession.”).

<sup>148</sup> *Id.* at \*1 (the defendant, a U. S. citizen, allegedly misappropriated her ex-employer’s local insurance customer lists).

<sup>149</sup> See *id.* (note that, within the preamble of the opinion, the defendant’s listed address is located in West Linn, Oregon). As of July 1, 2016, the population of West Linn, Oregon was estimated to be 26,859. *QuickFacts selected: West Linn city, Oregon*, U.S. CENSUS BUREAU, <https://www.census.gov/quickfacts/fact/table/westlinncityoregon/PST045216> [<https://perma.cc/D875-CBHP>].

<sup>150</sup> *Allstate*, 2016 WL 4191015, at \*6–7 (where the defendant makes several contentions that the court determines tips the balance of equities in her favor).

<sup>151</sup> Such as starting a similar line of business or even the simple act of moving jobs.

<sup>152</sup> See discussion *infra* Section III.B (examining the effects of over-secrecy on innovation).

*Allstate* illustrates just how problematic an *ex parte* proceeding could be with similar parties and a similar set of facts with no opportunity for the defendant to be heard.

In an action filed shortly after *Allstate*, the court in *Earthbound Corp. v. MiTek USA, Inc.* found that “the Defend Trade Secrets Act . . . defines trade secrets similarly to but even more broadly than the UTSA. Under the EEA, [as amended by the DTSA,] the Court may grant an injunction to prevent actual or *threatened* misappropriation of trade secrets.”<sup>153</sup> Similar to the court’s reasoning in *Allstate*, the court in *Earthbound* leaned on the public interest component of the DTSA, expounding that “[t]heft of trade secrets, and allowing the thieves to retain and use the confidential information they purloined, undermines business development and stability; preventing such conduct in is the public’s best interest.”<sup>154</sup> The court certainly made a valid point that the public is harmed if society allows unscrupulous individuals to illegally profit off the backs of others. Yet, the main takeaway from this decision, which granted a temporary restraining order (TRO), is that the DTSA allows for a broader interpretation of what constitutes a trade secret than ever before.<sup>155</sup> Thus, the door is open to all sorts of claims,<sup>156</sup> and perhaps, some that are not so “extraordinary” after all.

### C. Ex Parte Seizure Only under “Extraordinary Circumstances” is Overly Broad

The statutory text’s requirement that the *ex parte* seizure provision shall only be used in “extraordinary circumstances” does not override the vitally important considerations of due process in the trade secrets context.<sup>157</sup> Congress appears to have been concerned about due process enough to drop the “extraordinary circumstances” language into the law.<sup>158</sup> Despite that fact, the provision is broadly construed allowing for loopholes.<sup>159</sup> The DTSA’s definition of trade secrets, stemming from the EEA, covers any form of information “tangible or intangible . . . stored, compiled, or memorialized physically,

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<sup>153</sup> *Earthbound Corp. v. MiTek USA, Inc.*, No. C16-1150 RSM, 2016 WL 4418013, at \*10 (W.D. Wash. Aug. 19, 2016) (emphasis added).

<sup>154</sup> *Id.* at \*10.

<sup>155</sup> *Id.*

<sup>156</sup> See *supra* note 29 and accompanying text.

<sup>157</sup> See 18 U.S.C. § 1836(b)(2)(A)(1) (Supp. 2016) for usage of the “extraordinary circumstances” language.

<sup>158</sup> See *supra* note 127 for discussion regarding amending the DTSA to address concerns about *ex parte* seizure.

<sup>159</sup> See discussion *supra* Section II.B.

electronically, graphically, photographically, or in writing.”<sup>160</sup> The word “physically” implies that information housed only within the mind of an individual could possibly be the subject of a civil claim for trade secret misappropriation.<sup>161</sup> This definition points to the DTSA’s ability to target wrongful sharing of information by any means possible, no matter how absurd, inadvertent, or unlikely.

Our judicial system is expressly designed for *inter partes* proceedings and the Constitution and centuries of common law reflect these values.<sup>162</sup> Are *inter partes* injunction standards truly effective in preventing irreparable harm in the *ex parte* context? Should corporations be able to engage in *ex parte* actions over wrongfully obtained or shared customer lists,<sup>163</sup> food ordering systems,<sup>164</sup> or other similarly non-hazardous items? Parties who should request a preliminary injunction *inter partes* will be tempted by the *ex parte* seizure provision because the “extraordinary circumstances” language gives plaintiffs wide latitude for two reasons.

First, the DTSA does not clearly identify the type of circumstances that would need to occur to trigger an *ex parte* seizure.<sup>165</sup> Indeed, there are several ways to prove to a court that an *ex parte* seizure order is necessarily justified. To demonstrate “extraordinary circumstances” the plaintiff could provide the court with evidence that the alleged wrongdoer will flee, disregard, or refuse to abide by a court order after becoming aware of the action.<sup>166</sup> The plaintiff could also attempt to show “that immediate irreparable injury will occur absent seizure,” most likely because the information at issue will be exposed and lose its trade secrets status, and that not granting a seizure order poses a threat to plaintiff “greater than that [of] the misappropriator or third parties.”<sup>167</sup> The court in *Earthbound* cautioned the parties that “[m]otions for temporary restraining

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<sup>160</sup> Toren, *supra* note 93 (quoting 18 U.S.C. § 1839(3)).

<sup>161</sup> *Id.*

<sup>162</sup> *See, e.g.*, Goldman, *supra* note 52, at 299.

<sup>163</sup> *See, e.g.*, Allstate Ins. Co. v. Rote, No. 3:16-CV-01432-HZ, 2016 WL 4191015, at \*1 (D. Or. Aug. 7, 2016) (where Allstate primarily sued over local customer lists and initially sought *ex parte* relief).

<sup>164</sup> *See, e.g.*, Panera, LLC v. Nettles, No. 4:16-CV-1181-JAR, 2016 WL 4124114, at \*1 (E.D. Mo. Aug. 3, 2016) (where Panera sued over the possibility of food ordering systems information being shared and applied for an *ex parte* TRO).

<sup>165</sup> Similar to deciding a standard preliminary injunction, a party bringing a misappropriation action must also establish a “substantial likelihood of success on the merits.” *See, e.g.*, GTO Access Sys., LLC v. Ghost Controls, LLC, No. 4:16CV355-WS/CAS, 2016 WL 4059706, at \*2 (N.D. Fla. June 20, 2016).

<sup>166</sup> McDonald & Johnson, *supra* note 74.

<sup>167</sup> *Id.*

orders without notice to and an opportunity to be heard by the adverse party are disfavored and will rarely be granted,” pointing to a local procedural rule.<sup>168</sup> The court’s hesitation about the plaintiff’s request is palpable, and rightly so.

Second, the statute attempts to justify the no-notice seizure order by stating that a hearing on the matter must be set within seven days.<sup>169</sup> Even for a brief hearing, however, delays in the discovery process are common, if not expected, with frequent requests by attorneys, and even the courts, for extended and excluded time.<sup>170</sup> While it is optimistic to trust that hearings would be timely in a vast majority of cases, it is unfortunately unlikely.<sup>171</sup> Not maintaining possession of intellectual property, even for a short period of time, could cause irreparable harm to individuals and businesses since, under the law, the government could seize their property at a critical time, such as a product release, without providing prior notice.<sup>172</sup> Thus, the question of how courts determine what constitutes an “extraordinary circumstance” becomes critically important.

One must examine early court interpretation of the extraordinary circumstance language to fully understand its implications. In *GTO Access Sys., LLC v. Ghost Controls, LLC*,<sup>173</sup> the district court found that the plaintiff did not adequately plead circumstances extraordinary enough to justify a TRO.<sup>174</sup> The court based its decision largely on timing,<sup>175</sup> and concluded that the circumstances must not have been extraordinary because the plaintiff discovered that its former employees were starting a competitor company more than two years earlier, and it took a full

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<sup>168</sup> *Earthbound Corp. v. MiTek USA, Inc.*, No. C16-1150 RSM, 2016 WL 4418013, at \*7 (W.D. Wash. Aug. 19, 2016) (quoting W.D. WASH. LCR 65(b)).

<sup>169</sup> 18 U.S.C. § 1836(b)(2)(B)(v) (Supp. 2016) (specifically directing the hearing be set “at the earliest possible time, and not later than 7 days after the [ex parte] order has issued”).

<sup>170</sup> See Victor Marrero, *The Cost of Rules, the Rule of Costs*, 37 CARDOZO L. REV. 1599, 1602 (2016).

<sup>171</sup> See, e.g., *Henry Schein, Inc. v. Cook*, 191 F. Supp. 3d 1072, 1078 (N.D. Cal. 2016) (where the court granted an *ex parte* TRO against a former employee of plaintiff’s business ordering that “this temporary restraining order shall remain in effect through June 21, 2016,” which was eleven days after the order was issued, even though the DTSA prescribes that a hearing must occur within seven days); see also Marrero, *supra* note 170, at 1602–03 (an article where a U. S. District Judge examines “increasing concerns that problems in the civil justice system, especially those relating to discovery, have resulted in unacceptable delays and prohibitive expense” (internal quotations omitted)).

<sup>172</sup> See McDonald & Johnson, *supra* note 74.

<sup>173</sup> *GTO Access Sys., LLC v. Ghost Controls, LLC*, No. 4:16CV355-WS/CAS, 2016 WL 4059706, at \*3 (N.D. Fla. June 20, 2016) (where the court examined instances when a TRO should be issued finding that “[a] preliminary injunction is an extraordinary and drastic remedy and should not be granted unless the movant ‘clearly carries the burden of persuasion’” (citations omitted)).

<sup>174</sup> *Id.* at \*1–4.

<sup>175</sup> *Id.* at \*4.

year for the company to perform “forensic analysis” on the former employees’ computers.<sup>176</sup> The primary takeaway from *GTO Access* is that harm must be current or imminent to constitute an extraordinary circumstance and the alleged misappropriation cannot be old news. While not the most exacting standard, this interpretation does narrow the scope of extraordinary circumstances slightly around this unique set of facts.

In other circumstances, however, the DTSA’s *ex parte* seizure provision is proving so enticing that parties are already attempting to use it to gain *ex parte* access to personal data. The court in *Henry Schein, Inc. v. Cook*, on facts similar to those in *Allstate*,<sup>177</sup> granted an *ex parte* TRO under the DTSA in part, to prohibit a former employee from using company information and from contacting customers.<sup>178</sup> The court granted an *ex parte* order specific to the non-participating defendant’s known *business* contacts under the facts alleged.<sup>179</sup> The court, however, expressly denied the plaintiff’s specific request for an *ex parte* order “directing a forensics expert to obtain mirrors of the former employees’ *personal* devices and accounts.”<sup>180</sup> While the court denied the second part of plaintiff’s request on the basis that it would be “an intrusive excursion into [the ex-employee’s] private data, much of which is likely unrelated to this case,”<sup>181</sup> a different court’s discretion under similar facts may come out another way as there is little to no guidance as to what constitutes extraordinary circumstances within the provision itself.<sup>182</sup> This level of discovery extends beyond the bounds of traditional disclosures in preliminary matters of a civil suit and resembles more of a criminal investigation. As such, this is an especially egregious request of the court given that the non-present party has had no opportunity to defend herself. This case further demonstrates the problematic and vague drafting of the DTSA’s *ex parte* seizure provision.

While the DTSA sets a time limit between an *ex parte* seizure and subsequent *inter partes* hearing, in reality this limit

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<sup>176</sup> *Id.* at \*3.

<sup>177</sup> For a summary of the facts in *Allstate*, see *supra* notes 143–47 and accompanying text.

<sup>178</sup> *Henry Schein, Inc. v. Cook*, 191 F. Supp. 3d 1072, 1076 (N.D. Cal. 2016).

<sup>179</sup> *Id.*

<sup>180</sup> *Id.* at 1080 (emphasis added). This request was for “data in [the ex-employee’s] *personal* e-mail accounts, her *personal* iPad, iPhone, computers, other mobile devices, and any other computer storage drives.” *Id.* at 1078 (emphasis added).

<sup>181</sup> *Id.* at 1079.

<sup>182</sup> The court in *OOO Brunswick Rail Mgmt. v. Sultanov* dealt with this same issue when denying an application for an *ex parte* seizure to obtain mirrors of the defendant’s mobile phone and laptop by stating that it was “unnecessary” to preserve this specific information. No. 5:17-CV-00017-EJD, 2017 WL 67119, at \*2 (N.D. Cal. Jan. 6, 2017).

does not result in meaningful notice for would-be defendants. To address the second point, that no notice is cured by setting a hearing on the matter within seven days,<sup>183</sup> in granting the *ex parte* TRO the court in *Schein* stated “this temporary restraining order shall remain in effect through June 21, 2016.”<sup>184</sup> This date was already eleven days after the order was issued even though the DTSA prescribes that a hearing must occur within seven days.<sup>185</sup> Although the delay may seem slight, “[t]he target of a seizure order could face significant business challenges if its assets” are frozen or taken into custody with no notice, especially as the order stays in place until a court’s order is issued following the preliminary hearing.<sup>186</sup> While the DTSA assures targets that they will have the fundamental “right to a prompt post-seizure hearing and the right to recover damages, backed by a security bond,”<sup>187</sup> in *Schein* no bond was required, thus leaving the door open for future “potential abuses by unscrupulous plaintiffs.”<sup>188</sup>

Cases filed under the DTSA are more often than not against individuals, usually former employees, and few complaints have been filed against foreign nationals, hackers, or by companies that have a hand in national security in some way or another.<sup>189</sup> The *ex parte* seizure provision was included to protect a certain kind of information, information that is valuable to the economic and national security of the United States, but as applied, courts have broadly construed the “extraordinary circumstance” language.<sup>190</sup> Based on Congress’s intent, the *ex parte* seizure provision should rarely be invoked.<sup>191</sup> The provision’s inclusion, however, gives large businesses the legal ability to effectively silence ex-employees and limit their mobility.<sup>192</sup> Sophisticated and wealthy parties will be able to take various preventative measures by hiring corporate counsel to cope with the threat of *ex parte* seizure orders. Parties of more restricted financial means, on the other hand, will likely be hung out to dry.

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<sup>183</sup> *OOO Brunswick*, 2017 WL 67119, at \*3. See discussion accompanying *supra* note 169.

<sup>184</sup> *Henry Schein, Inc. v. Cook*, 191 F. Supp. 3d 1072, 1072, 1080 (N.D. Cal. 2016).

<sup>185</sup> *Id.* See *supra* note 169 and accompanying text.

<sup>186</sup> *Dowd et al.*, *supra* note 129.

<sup>187</sup> *Id.*

<sup>188</sup> *Id.*

<sup>189</sup> See *supra* note 14 and accompanying text.

<sup>190</sup> See discussion *infra* Part III.

<sup>191</sup> See discussion *supra* Section II.A.2.

<sup>192</sup> See discussion *supra* Section II.C.

### III. PRACTICAL IMPLICATIONS OF THE DTSA'S OVERBROAD *EX PARTE* SEIZURE PROVISION

#### A. *The DTSA Needlessly Tramples Due Process of Law*

Due process, which includes fair notice of the charges against a defendant, “the opportunity to be heard,”<sup>193</sup> and an impartial decision-maker,<sup>194</sup> is a cornerstone in the U.S. justice system. The Due Process Clause of the Fourteenth Amendment states that the government shall not “deprive any person of . . . property, without due process of law.”<sup>195</sup> Trade secrets have often been considered a subset, or even a “stepchild”<sup>196</sup> or “poor cousin,”<sup>197</sup> of intellectual property.<sup>198</sup> An important distinction between trade secrets and other forms of intellectual property, such as copyrighted works or patented inventions, is that “once a trade secret is released to the public, it loses its legal protection against being copied, and thus its financial value.”<sup>199</sup> Additionally, trade secrets do not undergo vetting like the other forms of registered intellectual property making *ex parte* proceedings error prone.<sup>200</sup> Therefore, trade secrets are distinctive and distinguishable from other forms of intellectual property and *ex parte* seizures will be inappropriate in the vast majority of trade secrets cases brought under the DTSA. Because trade secrets are property, and the storage drives and Internet clouds that often house the information are property, a court order for law enforcement to seize such property without a hearing needlessly violates due process.<sup>201</sup>

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<sup>193</sup> Mathews v. Eldridge, 424 U.S. 319, 326 (1976).

<sup>194</sup> Goldman, *supra* note 52, at 299 (“Our system relies on adversarial proceedings, where advocates make their case before a neutral adjudicator.”).

<sup>195</sup> See U.S. CONST. amend. XIV; see also U.S. CONST. amend. V (“No person shall . . . be deprived of life, liberty, or property, without due process of law.”).

<sup>196</sup> Johnson, *supra* note 31.

<sup>197</sup> Meyer, *supra* note 132, at 20.

<sup>198</sup> See, e.g., Graves, *supra* note 72, at 24 (examining “whether or not trade secrets are property rights”).

<sup>199</sup> Dowd et al., *supra* note 129.

<sup>200</sup> See discussion *infra* Section III.A.1.

<sup>201</sup> See discussion *infra* Part IV. The Supreme Court has held in other contexts that this type of seizure is impermissible. See *supra* note 104 for due process discussion. See Kevin J. Burns, *Securing An Ex Parte Seizure Remedy Under DTSA*, LAW360 (Feb. 17, 2017), <https://www.law360.com/articles/890149/securing-an-ex-parte-seizure-remedy-under-dtsa> [https://perma.cc/83VQ-SZAU] (“Armed with such an order, law enforcement can appear at a place of business and seize physical property containing allegedly misappropriated trade secrets.”).

## 1. Establishing Trade Secrets as Property

There is a longstanding debate as to whether trade secrets constitute intellectual property.<sup>202</sup> The property lens through which a trade secret is viewed is directly related, and not ancillary, to whether the *ex parte* seizure provision needlessly violates due process. In a trade secrets action, if a court is persuaded by the “property rights approach,” the outcome of two cases with analogous facts will likely come out quite differently than if the court is following “an employer-centric, relational approach.”<sup>203</sup> Essentially, courts following the property approach are likely to favor employees, whereas courts basing their reasoning in the relational approach (i.e., contract theory) will tend to favor the employer.

The concept of trade secrets as property has evolved considerably, and not necessarily in ways that have benefited this contentious area of law.<sup>204</sup> An advisory committee comment on misappropriation in the Restatement (First) of Torts stated that “[t]he suggestion that one has a right to exclude others from the use of his trade secret because he has a right of property in the idea has been frequently advanced and rejected.”<sup>205</sup> This assertion essentially underlines the difficulty courts face when presented with *ex parte* trade secrets actions. Author of numerous articles on trade secrets, Charles Tait Graves explains, “a property conception calls upon a reviewing court to define the boundaries of the right with greater specificity, and may lead the court to rule that not all

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<sup>202</sup> Graves, *supra* note 72, at 62 (“One reason scholars debate whether trade secret law reflects property rights is that trade secret law itself does not provide a definitive answer.”).

<sup>203</sup> *Id.* at 42 (where the author argues that the property-based conception of trade secrets is more defensible than a contract-based theory, or the “employer-centric approach”). The employer-centric approach is a “subjective . . . approach to trade secret law that undermines the policy goal of promoting a wider pool of unrestricted knowledge and information,” while “scholars who have offered property-based conceptions of trade secret law all employ some form of the ‘bundle’ approach to property rights or a set of powers and restrictions imposed based on calculations about their utility for desired ends.” *Id.* at 70, 76. The “familiar bundle of rights concepts” dictates that property-based rights “are variable sets of rights and obligations that differ widely for each item deemed property, and that these rights are constructed based on a weighing of varying social interests and ends.” *Id.* at 69.

<sup>204</sup> Michael P. Simpson, Note, *The Future of Innovation: Trade Secrets, Property Rights, and Protectionism—An Age-Old Tale*, 70 BROOK. L. REV. 1121, 1122 (2005) (“By rooting trade secret law in an intellectual property based rationale, both the common law and recent Congressional enactments have expanded trade secret law well beyond its original parameters. This expansion is unfortunate, both from a theoretical and practical vantage point: aside from drawing false analogies to patent and copyright law, this new regime is causing society to suffer by unduly constricting the spread of useful and innovative ideas.”).

<sup>205</sup> See Chow, *supra* note 51, at 347 (quoting RESTATEMENT (FIRST) OF TORTS § 757 (AM. LAW. INST. 1939)).

valuable information learned on the job is protectable.”<sup>206</sup> Such instances include circumstances where the items at issue are truly deemed trade secrets, and a plaintiff thinks she owns it, but in reality, does not.<sup>207</sup> When trade secrets are jointly created or developed by a succession of individuals, “each contributor may have a tenable claim to own any resulting trade secrets.”<sup>208</sup> Situations where trade secrets were developed in a collaborative fashion could be particularly problematic if one of the joint creators requests an *ex parte* seizure against other collaborators.<sup>209</sup> For, how can a court properly determine the validity of a plaintiff’s claim of ownership without all joint owners present? Does it even need to under the DTSA?

For other forms of intellectual property, the court can be better assured of valid ownership claims if a mark or copyrighted work has been properly registered or vetted through administrative agency tribunals.<sup>210</sup> As the DTSA’s *ex parte* seizure provision stands now, it “does not require the judge to rigorously review the plaintiff’s ownership claim,”<sup>211</sup> and even more surprisingly, the plaintiff does not even have to prove they own the trade secret.<sup>212</sup> The standard is merely that the plaintiff must establish that the trade secrets in question were “misappropriat[ed] by improper means.”<sup>213</sup> In this same vein, but slightly different than the ownership problem, frequently plaintiffs are hopelessly unaware that they failed to maintain the level of secrecy required to make their trade secrets legally protectable.<sup>214</sup> When this type of situation arises, “[a] court has almost no chance of discovering the lost secrecy on its own.”<sup>215</sup> Not having to substantiate ownership claims could allow for the plaintiff bringing the *ex parte* application to “present a one-sided story in an expedited, nonadversarial setting to obtain improvidently granted seizure orders from a federal judge.”<sup>216</sup> It is inherently problematic that these types of “plaintiffs can

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<sup>206</sup> Graves, *supra* note 72, at 45.

<sup>207</sup> *Id.* at 52. See Goldman, *supra* note 52, at 306 (“Although the subsequent chain of title might get murky (IP ownership transfers do not have to be recorded), the initial registration provides at least some useful information about ownership to the judge.”).

<sup>208</sup> See Chow, *supra* note 51, at 349.

<sup>209</sup> Goldman, *supra* note 52, at 306.

<sup>210</sup> See discussion *supra* Section I.A.2; see also Chow, *supra* note 51, at 349 (“[T]he UTSA is not based on a property theory of entitlement: The Uniform Act codifies the basic principles of common law trade secret protection, preserving its essential distinctions from patent law.”); Goldman, *supra* note 52, at 306.

<sup>211</sup> Goldman, *supra*, note 52, at 306.

<sup>212</sup> *Id.*

<sup>213</sup> *Id.*

<sup>214</sup> *Id.* at 304.

<sup>215</sup> *Id.*

<sup>216</sup> Burns, *supra* note 201.

pursue an *ex parte* action based on their uninformed, but erroneous, belief that they still have trade secret protection.”<sup>217</sup>

To be fair, in general, courts have treated applications for *ex parte* orders with caution.<sup>218</sup> The necessities for procuring such an order “are far more onerous than the requirements for obtaining” an *inter partes* TRO.<sup>219</sup> The glaring reality remains, however, that our adversarial judicial system “was not built for *ex parte* proceedings.”<sup>220</sup> Goldman has advanced a promising theoretical explanation as to why this is so:

In theory, in adversarial proceedings, self-interested advocates will highlight their strongest arguments and highlight the weaknesses of their opponent’s arguments; and in theory, this back-and-forth between advocates helps the truth emerge. Because the advocates are trashing each other’s arguments, the judge can focus on enforcing the applicable rules of engagement to ensure that the advocates do not overreach procedurally. . . . While the petitioner will showcase its case’s strengths, a self-interested opponent will not be present to point out the case’s weaknesses. As a result, the judge only hears the petitioner’s glossiest story. For judges used to picking between the advocates’ narratives after they have been picked apart by their opponents, only hearing one side of the story runs contrary to the judge’s traditional decision-making process.<sup>221</sup>

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<sup>217</sup> Goldman, *supra* note 52, at 304.

<sup>218</sup> See *OOO Brunswick Rail Mgmt. v. Sultanov*, No. 5:17-CV-00017-EJD, 2017 WL 67119, at \*1–4 (N.D. Cal. Jan. 6, 2017) (where, in the case of two individual defendant employees, the court granted a TRO under the DTSA, but denied an *ex parte* seizure request on the basis that such a request was not available to the plaintiff because it was “unnecessary” to preserve the information); see also *Order, Jones Printing, LLC v. Adams Lithographing Co.*, 1:16-cv-442 (E.D. Tenn. filed Nov. 3, 2016) (where the court denied an *ex parte* seizure application because the “Plaintiff d[id] not specify why relief under Rule 65 is inadequate in this case,” and specifically mentioned that traditional injunctive relief “appears to be the preferred form of injunctive relief . . . to date.”).

<sup>219</sup> Poff, *supra* note 108, at 27; see Graves, *supra* note 72, at 64–66 (examining various scholarly arguments regarding the legal classification of trade secrets; for example, “Professor Richard Epstein views trade secrets as property,” but “Professor Pamela Samuelson takes the opposite position by arguing . . . that trade secret law should be seen as a form of unfair competition, not property rights, so that certain types of trade secret disclosures have a better chance of receiving First Amendment protection,” and in contrast “Professor Robert Bone argues that contract is the most convincing theory for protecting rights in trade secrets.”). Graves subscribes to the notion that “[t]rade secret law is most defensible as a weak property-based right.” *Id.* at 89. He admits, however, that “we can imagine a scenario where trade secrets are simultaneously viewed as property for takings purposes, not the type of property that precludes First Amendment protection, and property rights rather than relational obligations in the employment [and thus, contractual] context.” *Id.* at 65.

<sup>220</sup> Goldman, *supra* note 52, at 299. See Sarah R. Wasserman Rajec, *Patents Absent Adversaries*, 81 BROOK. L. REV. 1073, 1073 (2016) (explaining that the evolving patent system is also moving in a disconcerting direction because now “certain cases proceed without the benefit of participation from adverse parties” and that “[a]bsent adversaries, the public interests that are served by robust adversarial participation in patent disputes go unrepresented”).

<sup>221</sup> Goldman, *supra* note 52, at 299.

When it comes to trade secrets, even if the plaintiff can prove ownership to a judge who is hearing only one side of the story, there is no existing law that would “confer a monopoly on the owner.”<sup>222</sup> This concept is generally understood because any individual or corporation could arrive at the same trade secret independent of others in the field.<sup>223</sup> Trade secrets are supposed to be secrets, after all, thus giving rise to the inference that to compete in business, employees will have to come up with creative solutions to problems and sometimes those solutions may be mirror images of each other. As there are loose ownership requirements in the DTSA,<sup>224</sup> the fact that the other party has no opportunity to be heard prior to a seizure order’s execution is alarming because the complaining party may not even have exclusive rights over the property it seeks to protect. “In fact, the DTSA may actually put more trade secrets at risk of misappropriation as a result” of the *ex parte* provision.<sup>225</sup>

## 2. Built-in Safeguards Fail

Supporters of the DTSA’s *ex parte* seizure provision argue that the many safeguards that Congress wove into the law will greatly diminish risk of erroneous deprivation.<sup>226</sup> These views are misguided. While *ex parte* seizures may arguably make sense for counterfeit trademark claims, as discussed above, the “distinctive features about trade secrets make *ex parte* seizures involving trade secrets especially error-prone.”<sup>227</sup>

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<sup>222</sup> Peter J. Toren, *The Defend Trade Secrets Act*, 28 INTELL. PROP. & TECH. L. J. 3, 10 (2016).

<sup>223</sup> *Id.* (“Thus, the DTSA does not in any way prohibit companies, manufacturers, or inventors from using their skills, knowledge, and experience to solve a problem or invent a product they know someone else is working on.”).

<sup>224</sup> “The DTSA speaks in terms of the ‘owner’ of a trade secret, but the term ‘owner’ is defined to include not only the legal owner (i.e., the party with legal title to the trade secret), but also an equitable title holder and a licensee of the trade secret.” Eric E. Bensen, *Defending Trade Secrets Under the Economic Espionage Act*, LEXIS PRAC. ADVISOR J. (Sept. 13, 2016), <https://www.lexisnexis.com/lexis-practice-advisor/the-journal/b/lpa/archive/2016/09/13/defending-trade-secrets-under-the-economic-espionage-act.aspx> [<https://perma.cc/V64B-UQ8Z>] (footnotes omitted). Note that this is not a defense to misappropriation through improper means. *See id.* (“This does not mean, however, the theoretical ability of others to ascertain the invention through proper means is a defense to where the defendant has acquired the trade secret through improper means.” footnote and internal quotations omitted).

<sup>225</sup> Levine, *supra* note 85, at 327; *see* Goldman, *supra* note 52, at 307 (“The procedural fast lane comes with the potential for significant competitive abuse, where a competitor can potentially kick its rival out of the industry—at least for a little while—before the rival gets a chance to make its case in court.”) (footnote omitted).

<sup>226</sup> *See* discussion *supra* Part I; *see also* IPO Comments to Senate Judiciary Committee in Support of S. 1890, the Defend Trade Secrets Act of 2015 (Nov. 30, 2015); IPO Letter Supporting Protection for Trade Secrets in H.R. 3534 (July 29, 2010).

<sup>227</sup> Goldman, *supra* note 52, at 303.

An *ex parte* seizure order will only be issued if the following can be adequately demonstrated to the court from a clear recitation of facts that:

(1) injunctive relief under Federal Rule of Civil Procedure 65 is inadequate; (2) the plaintiff will suffer “immediate and irreparable injury”; (3) the harm to the plaintiff outweighs the harm to both the defendant and any third parties who may be affected by the order; (4) the plaintiff is likely to show both misappropriation and that the defendant is in possession of the trade secret; (5) a particular description of the subject of the seizure and its location; (6) the defendant would move, hide or destroy the materials if notice were provided; and (7) the plaintiff has not “publicized” the requested seizure.<sup>228</sup>

If a plaintiff is able to satisfy the above requirements, there are several caveats to the seizure order.<sup>229</sup> Unless the parties both agree to a later date, the court is required to set a hearing “no more than seven days after a seizure order issues.”<sup>230</sup> The plaintiff must provide the court with “specific instruction for law enforcement when the seizure can take place and whether force may be used to access locked areas.”<sup>231</sup> The seizure also must not be designed to suspend lawful business activities isolated from the trade secrets at issue.<sup>232</sup> A defendant served with a seizure order can also request *ex parte* encryption of any seized assets and the law specifically does not permit copying of such assets.<sup>233</sup> The order is not made public as the court must “protect the alleged perpetrator,” especially a competitor, “from publicity about the order and the resulting seizure.”<sup>234</sup>

The DTSA does provide a remedy for victims of wrongful seizures. If, after granting an order, a court determines that the seizure order was sought in bad faith, and therefore improperly granted, the defendant may be able “to recover damages for lost profits, cost of materials, loss of good will, and attorney fees as well as punitive damages.”<sup>235</sup> The numerous safeguards that were legislated to combat the high risk of erroneous deprivation under the DTSA should have had the constitutional violation alarm bells ringing for members of Congress during the law’s enactment.

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<sup>228</sup> Poff, *supra* note 108, at 26. See 18 U.S.C. § 1836(b)(2)(A)(ii) (Supp. 2016).

<sup>229</sup> See Kurt A. Kappes & Richard C. McCreary Jr., *The Defend Trade Secrets Act of 2016*, GREENBERG TRAURIG (May 4, 2016), <http://www.gtlaw.com/News-Events/Publications/Alerts/194604/The-Defend-Trade-Secrets-Act-of-2016> (“The *ex parte* seizure provision contains a number of procedural safeguards to deter litigation abuse.”).

<sup>230</sup> Dowd et al., *supra* note 129.

<sup>231</sup> See Toren, *supra* note 93.

<sup>232</sup> Dowd et al., *supra* note 129; see Toren, *supra* note 93.

<sup>233</sup> See Dowd, et al., *supra* note 129.

<sup>234</sup> *Id.*

<sup>235</sup> *Id.*

The first safeguard, that a hearing will occur within seven days, is an optimistic prospect at best.<sup>236</sup> Notwithstanding the probable delays that defendants would experience, even if for only a few days, a “seizure could massively disrupt a targeted business or even temporarily shut it down.”<sup>237</sup> If the requested seizure was for source code<sup>238</sup> of a smartphone application<sup>239</sup> for a new start-up company, for example, the “resulting business interference could kill the targeted business permanently” if brought at a precarious moment in time.<sup>240</sup> A supporter of the DTSA could argue even in this instance that no irreparable harm occurred because the company can seek punitive damages for a wrongful seizure under the statute.<sup>241</sup> While this contention might be appealing, “a disrupted start-up may lose billions of dollars of market cap potential,”<sup>242</sup> and without being a proven or longstanding entity, courts “will be reluctant to award large and seemingly speculative compensating damages.”<sup>243</sup> Additionally, it is quite possible that “[e]ach quick seizure could produce a multi-year litigation hangover.”<sup>244</sup> That is, if the parties both have the financial means to keep it going.<sup>245</sup>

For the same reasons, requiring that the plaintiff post bond if the seizure order is granted may also not successfully alleviate irreparable harm experienced by a wrongfully accused defendant. In fact, the court in *Schein* did not even require the

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<sup>236</sup> See discussion *supra* Section II.C.

<sup>237</sup> Goldman, *supra* note 52, at 293–93.

<sup>238</sup> *Id.* at 290 (“It is unclear if the Seizure Provision would extend to all executable code versions of the software; if it does, then the Seizure Provision would allow the trade secret owner to take its rival out of the market, at least for a short while.”); see *C.D.S., Inc. v. Bradley Zetler, CDS, LLC*, 190 F. Supp. 3d 375, 375–78 (S.D.N.Y. 2016) (In this case, the president of a software company for a modeling agency app “testified that due to the inability to fix or improve its software product, C.D.S. would suffer harm by inability to retain clients, damage to its reputation, and loss of business. According to [her] testimony: ‘one of the worst parts of this industry is that your reputation is everything. The minute our clients start talking, our reputation becomes tarnished and it’s a domino effect.’”). Note that this case was not filed under the DTSA, but is an example set forth to demonstrate the type of irreparable harm that might be suffered by a software company with *live* code.

<sup>239</sup> Better known as an “app.” Anita Campell, *What the Heck is an “App”?*, SMALL BUS. TRENDS (Mar. 7, 2011), <https://smallbiztrends.com/2011/03/what-is-an-app.html> [<https://perma.cc/799T-K7KV>].

<sup>240</sup> Goldman, *supra* note 52, at 293–94.

<sup>241</sup> *Id.* at 293 (“For example, several Congress members indicated that punitive damages should eliminate any risk of competitive misuse.” (footnote omitted)).

<sup>242</sup> *Id.* at 294.

<sup>243</sup> *Id.* Additionally, “[t]he odds of a court awarding punitive damages, however, are extremely low . . . . [W]hile truly egregious seizures may trigger punitive damages, it is overly optimistic to think that punitive damages will eliminate abusive seizures.” *Id.* at 293.

<sup>244</sup> *Id.* at 292.

<sup>245</sup> See *id.* at 294 (predicting that the safeguards will backfire as “it would set up costly battles over the trade secret owner’s scienter when seeking the seizure”).

plaintiff to post bond because it was determined that enforcement of “the TRO [would] not cause any damage to [the defendant’s] legitimate business.”<sup>246</sup> One wonders whether a non-specialized court is truly equipped to make this type of determination in an *ex parte* setting (i.e., without hearing the other side’s story, especially if the trade secrets in issue are highly technical in nature).

The additional requirement that seizures remain non-publicized does not appear to give any discernable benefit to the defendant and “necessitates a level of secrecy about court rulings that is unprecedented.”<sup>247</sup> Given that an *ex parte* seizure in the trade secrets context is now possible for the first time, orders executing such seizures may appear confusing to those looking in from the outside.<sup>248</sup> Proponents of the DTSA argue that innocent parties can now better protect their rights while also not risking sullyng their reputation by bringing a lawsuit that may not necessarily be looked upon favorably by the public.<sup>249</sup> These procedural safeguards, while well-intentioned, do not adequately protect would-be defendants from erroneous deprivation of property, and thus do not cure the provision’s violation of due process. Perhaps there may be a worthy reason that this tool has not existed in this area of law before.

### B. DTSA’s Effects on Policy and the Human Psyche

Compelling over-secrecy not only impedes innovation and progress,<sup>250</sup> but has potentially drastic negative consequences on the human condition.<sup>251</sup> It is vital to consider the practical implications of the DTSA’s *ex parte* seizure provision’s existence as it may have considerable effects on business relations and the human psyche. In a recent article, intellectual property scholars

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<sup>246</sup> Henry Schein, Inc. v. Cook, 191 F. Supp. 3d 1072, 1078 (N.D. Cal. 2016).

<sup>247</sup> Poff, *supra* note 108, at 27. “Further, a court may protect the defendant from ‘publicity’ relating to the seizure order ‘by or at the behest of the person obtaining the order.’” *Id.* at 26.

<sup>248</sup> *See id.* at 26–27.

<sup>249</sup> *See id.* at 27.

<sup>250</sup> Charles Tait Graves & James A. Diboise, *Do Strict Trade Secret and Non-Competition Laws Obstruct Innovation?*, 1 ENTREPRENEURIAL BUS. L. J. 323, 323–24 (2007).

<sup>251</sup> *See* Christie Nicholson, *Keeping Secrets Weighs You Down, Literally*, SCI. AM. (Apr. 29, 2012), <https://www.scientificamerican.com/podcast/episode/keeping-secrets-weighs-you-down-lit-12-04-29> [<https://perma.cc/4AL8-SFWQ>] (“We refer to keeping secrets as if they are material things. And a new study suggests that when we know a secret, we perceive ourselves as being physically burdened.”); *see also* Art Markman, *This Is The Secret To Keeping Secrets*, FAST COMPANY (May 31, 2016), <https://www.fastcompany.com/3060357/how-to-be-a-success-at-everything/the-secret-to-keeping-secrets> [<https://perma.cc/KA58-XQCC>] (“When you have a piece of information that’s being withheld from other people for any of those reasons, it takes a certain amount of mental effort to keep it secret.”).

Charles Tait Graves and James A. Diboise examined whether “overbroad trade secret laws operate to restrict innovation and impede the growth of small, creative businesses—especially those founded by former employees of larger, established companies.”<sup>252</sup> Graves and Diboise found that:

a less restrictive regime in these areas of law is more likely to foster the growth of entrepreneurial, creative companies. That conclusion may seem counter-intuitive or even controversial. After all, much of the mythology of intellectual property law holds that strong laws protect inventors and foster innovation. We take the opposite approach with respect to non-competition agreements, overbroad trade secret rules, and other practices that make it difficult for creative employees to quickly and easily change jobs.<sup>253</sup>

The DTSA’s seizure provision is next in the line of a string of statutory and common law rules that seek to protect big companies from individual employees. If the true purpose of the DTSA is to be realized, to protect the safety of U.S. citizens and provide economic security, the *ex parte* seizure provision must be amended to narrow its focus.

Upon the DTSA’s enactment, multiple intellectual property law firms issued papers informing clients about implementing tactics to protect themselves from seizure orders.<sup>254</sup> The release of these recommendations demonstrates that firms expect an explosion of litigation under the DTSA. The most problematic implication from these law firm papers is that this type of “trade secret law may not add much to existing incentives to invent,”<sup>255</sup> and, worse, could discourage collaborative innovation.<sup>256</sup> The effect on innovation is that this type of fear could “dissuade former employees from using information they believe to be non-secret.”<sup>257</sup> Consider the implication that certain innovations may never exist because of the *ex parte* seizure provision’s potentially chilling effect on professional relationships.<sup>258</sup>

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<sup>252</sup> Graves & Diboise, *supra* note 250, at 323. “We take issue with the concept that protecting an employer from competition by its former employees should be the primary aim of state trade secret and employee mobility regimes.” *Id.* at 328.

<sup>253</sup> *Id.* at 323.

<sup>254</sup> See Kappes & McCrea, *supra* note 229; see also Krotoski & Burkholder, *supra* note 12; McDonald & Johnson, *supra* note 74; *Latest Updates on Federal Trade Secrets Legislation*, *supra* note 4.

<sup>255</sup> Graves, *supra* note 72, at 81.

<sup>256</sup> It is an unfortunate reality that “the risk of threats and litigation increases with the similarity of the new job.” *Id.* at 88 (making there that this is “a context in which the individual will suffer personal character attacks”). *Id.*

<sup>257</sup> *Id.*

<sup>258</sup> Additionally, this type of trade secrets legislation also disrupts the legitimacy and undermines the purpose of other areas of intellectual property, such as patents. The point of registration for intellectual property is to put others on notice that

The mere existence of a legal option for corporations to seize a competitor's assets may send business relations tumbling down a rabbit hole with more suspicion floating around than ever before, especially because in trade secrets suits the majority of "competitors" are usually individual ex-employees.<sup>259</sup> We need to invest more in innovation,<sup>260</sup> and should not be cultivating a breeding ground for continuous, unnecessary, or even harmful, litigation.

*Panera, LLC v. Nettles* demonstrates a corporate giant's attempt to limit employee mobility with pinpoint accuracy.<sup>261</sup> Defendant Michael Nettles, a vice president in the Information Technology department of popular bakery café chain Panera, asked permission in writing from Panera's CEO to waive his non-compete agreement as he needed a change of pace after his wife's recent and unexpected death.<sup>262</sup> The CEO refused and fired Nettles, who then ended up accepting a position at Papa John's, a fast food pizza restaurant chain.<sup>263</sup> Panera sought a TRO under the DTSA to "enjoin Papa John's from employing Nettles" and asked the court to seize Nettles personal devices, such as his laptop.<sup>264</sup>

The court issued the TRO, but it almost appeared to do so reluctantly and ordered Panera to post a hefty \$200,000 bond for the seizure and for stopping Nettles from working in case the allegations of misappropriation turned out to be false.<sup>265</sup> The court suggested its hands were tied when it stated that "denying injunctive relief will undermine the enforcement of statutes including the Defend Trade Secrets Act."<sup>266</sup> With the court's hands tied by the broad statute, and a victory for Panera under a not-so-convincing set of facts, the outcome of this case is troubling. For the well-being of society and the economy,

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it is their property and "a trade secret-based incentive to invention may detract from the patent system by keeping inventions out of the public eye." *Id.* at 81.

<sup>259</sup> *Id.* at 43 (pointing out that "virtually all trade secret disputes involve former employees").

<sup>260</sup> Levine, *supra* note 85, at 335.

<sup>261</sup> *Panera v. Nettles*, No. 4:16-CV-1181-JAR, 2016 WL 4124114, at \*1-6 (E.D. Mo. Aug. 3, 2016).

<sup>262</sup> *Id.* at \*1.

<sup>263</sup> *Id.*

<sup>264</sup> *Id.* at \*2 ("Panera asks the Court to order Nettles to provide his personal laptop and any other materials that may have housed Panera information for review and inspection."). Fortunately, the TRO hearing was held as an *inter partes* proceeding. *Id.* at \*1. Nettles was able to have his opportunity to argue in court that he was forced to sign the non-compete agreement under duress in 2013 for fear of being terminated while his wife underwent expensive cancer treatments, more than a year after he had been initially hired in 2012. *Id.* at \*1-2. He also argued that Papa John's was not a direct competitor of Panera, an assertion that is highly unlikely to have been made by Panera had the proceedings occurred *ex parte*. *Id.* at \*1.

<sup>265</sup> *Id.* at \*5.

<sup>266</sup> *Id.*

employees should be encouraged to be honest with their employers. Here, the employee, a top performer, was honest with his boss about his intentions and even went so far as to ask for permission in writing before he acted. In return, he was punished for wishing to move on, immediately fired, prevented from using his technical skills to work elsewhere, and the DTSA legally permitted the corporation to inflict such punishment.

Cases such as *Panera* illustrate that some corporate plaintiffs are already using the *ex parte* seizure provision to unnecessarily squash an ex-employee's due process rights with the goal of restricting flexibility in an increasingly mobile and global workforce.<sup>267</sup> In the business world, employee mobility is finally starting to be recognized for its "crucial benefits,"<sup>268</sup> instead of its detriments.<sup>269</sup> Rather than creating a culture of fear that "ultra-ambitious" employees are out to steal anything they create while on the job, the corporate sector should embrace the idea that businesses are "better off having the best people for a short time than average people forever."<sup>270</sup> The importance of this concept cannot be ignored as it has started to materialize that "[t]he DTSA has a very long reach and trade secret issues are likely to arise in a greater number of situations, including almost every time an employee leaves or joins a new company or when a company hires a contractor."<sup>271</sup>

Trade secrets law should not only operate in favor of employers, but should better protect the interests of employees by helping to better define appropriate, yet not inhibiting, boundaries upon "the knowledge base they acquire and develop

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<sup>267</sup> See discussion *supra* Section III.A.

<sup>268</sup> Graves, *supra* note 72, at 43–44.

<sup>269</sup> Over the last decade, Dr. Sydney Finkelstein, Director of the Tuck Center for Leadership at Dartmouth College, has been "studying the world's greatest bosses across 18 industries." Sydney Finkelstein, *Why the Best Leaders Want Their Superstar Employees to Leave*, WALL ST. J. (Oct. 3, 2016), <http://www.wsj.com/articles/why-the-best-leaders-want-their-superstar-employees-to-leave-1475460841> [<https://perma.cc/HSZ4-AGWJ>]. Based upon his research and observations, Dr. Finkelstein concluded that "mastering the flow of talent," and not the coveting or punishing of such talent, causes "an organization [to be] far more resilient, sustainable and successful over the long term." *Id.* Furthermore, and quite intriguingly, he found that "[o]utstanding bosses who let their top talent leave developed reputations as launchpads; their companies were places to go to supercharge a career." *Id.* (offering advice to business leaders that "[w]hen you stop hoarding your people and focus on creating a talent flow, you find that more of your top people actually do wind up staying"). The atmosphere at these so-called launchpads "offered unique opportunities for excitement, innovation and advancement," which in turn allowed employees to produce the most ground-breaking and financially profitable work. *Id.* ("The leaders [Dr. Finkelstein] studied built iconic businesses, transformed entire industries and in a number of instances became billionaires.").

<sup>270</sup> *Id.*

<sup>271</sup> Toren, *supra* note 222, at 10.

during each job.”<sup>272</sup> The *ex parte* seizure provision all but ensures that non-secret trade information may not be used for fear of litigation, or scarier, that property will be outright seized with no notice, which in turn lowers the probability of successful innovation.<sup>273</sup> Our brains perceive secrets as an actual weight, a burden they have to bear.<sup>274</sup> Neurosurgeon Gopal Chopra explains that “[t]he bigger the secret, or the riskier you perceive it[] . . . , the more intense the conflict within your brain, resulting in higher anxiety.”<sup>275</sup> Given that the vast majority of trade secrets cases litigated in the United States are against ex-employees, it might be fair to intimate that such anxiety is not unwarranted.

Unfortunately, uneasiness among ex-employees may only become more severe with the implementation of the *ex parte* seizure provision under the DTSA. The evidence suggests that businesses could be more profitable in the long-term, and likewise save mountains of litigation expenses, if the focus was on the “non-economic interests of employees” such as personal growth, overall well-being, and unstoppable ambition.<sup>276</sup>

#### IV. NARROWING THE PURVIEW OF THE *EX PARTE* SEIZURE PROVISION

The *ex parte* seizure provision of the DTSA should be narrowed in its focus to prevent needless violation of citizens’ fundamental right to due process. Courts will continue to apply differing reasoning and approaches as to what constitutes an “extraordinary circumstance” unless the statute explicitly narrows the circumstances when the court would be justified in seizing a defendant’s property interests with no notice as to the

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<sup>272</sup> Graves, *supra* note 72, at 43. “By introducing the DTSA, Congress is effectively treating U.S. industry the same way that the Court treated DuPont: as the victim of a tort, a sneaky ‘school boy’s trick’ worthy of condemnation, rather than a party with responsibility for protecting its property but nonetheless allowing the ‘school boy’s trick’ to cause it such harm.” Levine, *supra* note 85, at 335.

<sup>273</sup> Graves, *supra* note 72, at 83. “Such interminable injunctions could impede fair competition, employee mobility and innovation.” Poff, *supra* note 108, at 27 (explaining that the provision “could be used for anti-competitive purposes, in that injunctions granted under a federal trade secret law would not be limited to the lead time advantage of the party accused of misappropriation”).

<sup>274</sup> See Eric Jaffe, *The Science Behind Secrets*, ASS’N FOR PSYCHOLOGICAL SCIENCE, OBSERVER VOL. 19 No. 7 (July 2006) <http://www.psychologicalscience.org/index.php/publications/observer/2006/july-06/the-science-behind-secrets.html> [<https://perma.cc/29XT-HD4D>].

<sup>275</sup> Gina Roberts-Grey, *Keeping Secrets Can Be Hazardous To Your Health*, FORBES (Oct. 23, 2013), <http://www.forbes.com/sites/nextavenue/2013/10/24/keeping-secrets-can-be-hazardous-to-your-health/#2bc8f0737efc> [<https://perma.cc/LLX5-4BAM>].

<sup>276</sup> Graves, *supra* note 72, at 82.

charges against them.<sup>277</sup> There are solutions and alternative approaches that aim to address concerns of a wide variety of parties and accommodate differing societal perspectives by narrowing the instances in which use of the *ex parte* seizure provision is proper.

A. *Equalizing the Notice Predicament by Limiting Extraordinary Circumstances*

Adding even more safeguards to the already listed litany of protections in the statute is unlikely to remedy the fundamental notice issue. The way the provision is currently drafted, the government has not demonstrated that it has a compelling enough interest in the general trade secrets context to override the fundamental considerations of due process. The statute is over-inclusive so as to open the possibility of *ex parte* seizures against inappropriate parties unnecessarily exposing them to constitutionally questionable practices. The lack of notice to the opposing party before property is seized is the primary reason the provision is unconstitutional, and thus, is the principal ill that must be cured in order to equitably protect the rights of all parties when litigating under the DTSA.

On its face and as applied, the wide purview of the *ex parte* seizure provision in the DTSA does not comport with our most basic understanding of due process. More specifically, the current broadness of the provision inadequately addresses the legitimate concerns advanced by the executive and legislative branches of the government. As the statute currently stands, any individual or company that can demonstrate irreparable harm may convince a court it is entitled to an *ex parte* seizure order.<sup>278</sup> Judges quite simply do not always know whether they are dealing with a validly protectable trade secret in an *ex parte* action.<sup>279</sup> Narrowing the “extraordinary circumstances” language would help guide courts as to when overriding due process is necessarily justified.

The legislative history indicates that Congress was concerned with matters of national security during the DTSA’s drafting and enactment.<sup>280</sup> Thus, extraordinary circumstances should be limited to only those matters that pose substantial and imminent risks to the safety and defense of U.S. citizens.

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<sup>277</sup> Graves’ theory of trade secrets as a “weak” property interest has been adopted for the purposes of this note. *See, e.g., id.* at 89.

<sup>278</sup> *See* Goldman, *supra* note 52, at 288, 290.

<sup>279</sup> *See* discussion *supra* Section II.A.1.

<sup>280</sup> *See* discussion *supra* Section I.C.

Congress needs to close the loopholes associated with the extraordinary circumstance language or the provision will be ineffective in achieving its primary purpose of not allowing protected information to leave the country.<sup>281</sup> Narrowing the provision to be invoked only when imminent national security threats can be demonstrated to a court would still allow for the law to operate when it was truly needed for security purposes. Limiting the circumstances in this manner would put the applicable industries, and correspondingly, the employees within, on constructive notice that their work falls under the statute's purview. This notice would afford such employers and employees at least some fairness in terms of due process. After all, the vast majority of suits brought under the DTSA thus far have been against domestic ex-employees.<sup>282</sup>

If narrowed in this manner, the provision would be applied by assessing short-term and long-term safety risks of losing the type of trade secrets at issue. If there is no cognizable physical safety risk for the materials at stake—such as customer lists for an insurance company,<sup>283</sup> or an employee leaving for another job in the food industry<sup>284</sup>—an *ex parte* application is simply inappropriate.

### *B. Narrowing the Provision Encourages Competent Protection Practices*

Companies have a responsibility to keep their legally protectable competitive information a secret.<sup>285</sup> With the DTSA's *ex parte* seizure provision in their back pocket, however, they will likely choose to sue under the DTSA “when faced with the choice of improving their reasonable efforts to maintain their secrets or suing under the DTSA.”<sup>286</sup> As it stands, determining that an extraordinary circumstance exists “will consume extraordinary amounts of labor, time and skill, or the narrowest seizure will not

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<sup>281</sup> See discussion *supra* Section I.B.

<sup>282</sup> See discussion *supra* Sections II.B, III.B.

<sup>283</sup> Allstate Ins. Co. v. Rote, No. 3:16-CV-01432-HZ, 2016 WL 4191015, at \*1–3 (D. Or. Aug. 7, 2016) (where an insurance company sued a former employee under the DTSA for allegedly using former customer lists).

<sup>284</sup> Panera, LLC v. Nettles, No. 4:16-CV-1181-JAR, 2016 WL 4124114, at \*1–4 (E.D. Mo. Aug. 3, 2016) (where a corporation that operates “bakery-cafes” sued a former employee under the DTSA for leaving to work for a competitor).

<sup>285</sup> See, e.g., Levine, *supra* note 85, at 338 (where the author argues that “it is time for Congress to focus more on the question of what responsibility U.S. industry has to engage in self-help”).

<sup>286</sup> *Id.* at 334.

be very narrow.”<sup>287</sup> For these reasons, the *ex parte* seizure provision should be narrowed to only include circumstances that affect trade secret owners who are involved in the business of military technology or related technological innovations.

This limiting effect would force these corporations to devote resources to innovating more comprehensive protection practices and employee education regarding trade secrets, and may potentially also have downstream effects, leading to corporations across many industries following suit. Narrowing the applicable circumstances of the provision would also require that mammoth corporations foot the bill of safeguarding trade secrets in the private sector. The way the provision is currently drafted allows for clogging up the judiciary with needless *ex parte* proceedings while simultaneously shifting the costs of protection to the taxpayer.<sup>288</sup> Indeed, creating and enforcing better protection practices was the underlying purpose of the DTSA in the first place. The Obama Administration, the FBI, and Congress appeared to be most concerned about national security threats and all wanted to let the world know that the United States takes its trade secrets law seriously.<sup>289</sup>

Narrowing the statute’s focus in this manner would still allow for *ex parte* proceedings to occur when failure to stop a misappropriator would be harmful to national security. Even if the provision were to be narrowed as such, there will likely still be instances where wrongful seizures occur.<sup>290</sup> The adversarial nature of the U.S. justice system is not designed for such proceedings, and therefore errors are to be expected.<sup>291</sup> The risk of erroneous deprivation, however, over such trivial items as customer lists (trivial as compared to Kevlar vests that protect soldiers in combat, that is) should not be up for debate. A trade secrets owner has many tools to hold misappropriators accountable during litigation, including preliminary injunctions and even *ex parte* TROs.<sup>292</sup>

Laws regulating civil conduct in the corporate context, such as the DTSA, are necessary and important, but these laws serve their purpose only when they are applied as intended.

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<sup>287</sup> Goldman, *supra* note 52, at 291 (emphasis added) (internal quotation marks omitted).

<sup>288</sup> “Congress allocated \$1.11 trillion in discretionary spending in fiscal year 2015,” and \$72.89 billion was allocated directly to the federal government. *Federal Spending: Where Does the Money Go*, NAT’L PRIORITIES PROJECT, <https://www.nationalpriorities.org/budget-basics/federal-budget-101/spending> [<https://perma.cc/3L2A-E3DH>].

<sup>289</sup> See discussion *supra* Section I.B.

<sup>290</sup> See discussion *supra* Section II.A.

<sup>291</sup> See discussion *supra* Section II.A.

<sup>292</sup> Goldman, *supra* note 52, at 286–87.

Given the array of legitimate issues that companies already face today, the legislature should not have provided corporations with a tempting and constitutionally questionable tool that has the potential to clog up the federal judiciary with claims that are solely meant to stomp out the competition. The *ex parte* seizure provision has the significant potential to effectively become a new, but decidedly more crippling, non-compete enforcement mechanism, as observed in *Allstate* and *Panera*.<sup>293</sup> We should be wary of such an occurrence because if large corporations find this provision particularly useful it may indicate the emergence of more *ex parte* proceedings becoming drafted into legislation through lobbying efforts on Congress.

## CONCLUSION

Is the acquisition or disclosure of any confidential or proprietary business information by improper means reprehensible and potentially harmful conduct? Of course. Should victims of trade secrets misappropriation be able to pursue claims of such alleged activities vigorously under U.S. law? Absolutely. Should “every-day” standard course of business and non-lethal information be so legally protectable as to override such fundamental rights as a U.S. citizen’s right to due process? The illustrative examples and cases discussed above effectively demonstrate that the answer to this last question is a resounding no.

Although the DTSA was enacted to address legitimate national security concerns, the law is not narrowly construed to achieve its goals. The *ex parte* seizure provision does not comport with the Due Process Clause of the Fourteenth Amendment and additionally may be over-used allowing for large institutions to silence less financially secure competitors. The primary purpose of including the provision was to ensure that evidence of misappropriation could not be destroyed or lifted from the country. In order to prevent such occurrences, the legislature should guide the courts by including a specific set of circumstances under which the seizure provision can be properly applied, rather than the overbroad and ill-defined term “extraordinary circumstances.” The potential, and already

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<sup>293</sup> See, e.g., *Allstate Ins. Co. v. Rote*, No. 3:16-CV-01432-HZ, 2016 WL 4191015, at \*1–3 (D. Or. Aug. 7, 2016); *Panera, LLC v. Nettles*, No. 4:16-CV-1181-JAR, 2016 WL 4124114, at \*1–4 (E.D. Mo. Aug. 3, 2016); see also Levine, *supra* note 85, at 327–28 (where Levine argues that the DTSA “solves a problem that has not been proven to exist, while creating new or exacerbating existing problems.”). *Accord* Goldman, *supra* note 52, at 286–87.

emerging, negative effects of such a provision on public policy, corporate relations, and human behavior merit serious discussion by the legislature when revisiting the DTSA.

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