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The Flaw In DTSA'S Civil Seizure Provision

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Arash Beral

The enforcement arsenal for trade secrets plaintiffs was recently fortified by the Defend Trade Secrets Act, which took effect May 11, 2016. For the first time, a victim of trade secret theft may petition a federal court, ex parte, for a seizure order permitting law enforcement to take possession of the property containing the trade secrets. This "civil seizure" provision has received a welcome reception by many trade secret law practitioners and large, global corporations. And perhaps rightfully so, given that the DTSA provides trade secret plaintiffs a more uniform avenue to seek redress for their trade secret grievances at the federal level. But this newfound enthusiasm — especially for civil seizure — must be tempered by the sobering risk of liability for a wrongful or excessive seizure.

Any reasonably seasoned litigator understands the complexities of litigation, perhaps nobody more so than the trade secret law practitioner. Indeed, trade secret cases in general are unique, requiring fact-intensive inquiries concerning, for example, the nature of the alleged trade secret, whether the information that is alleged to be a trade secret is protectable, whether the alleged trade secret information is readily ascertainable, etc. In that respect, trade secrets are unlike copyrights, patents and trademarks, and their enforcement entails greater evidentiary scrutiny in establishing the existence of a protectable intellectual property asset before the heart of the misappropriation claim can proceed — and thus a more rigorous burden on the plaintiff in shepherding claims through the courts. But there is yet one, even more important, distinction that makes trade secrets distinctive: they are inherently elusive.

Not elusive in the sense that they are mysterious or hard to define, but elusive in the sense that if they are stolen, one must reach far and wide to have any chance at retrieving them and undoing the damage caused by the misappropriation. The reality of a common misappropriation is that trade secrets are usually stored electronically, and therefore a misappropriating defendant need only forward an email or stick a thumb drive in a computer to convert the information. And the subsequent possibilities are endless, including storing the information on a cellphone, home computer, tablet or in the cloud, or even downloading for or re-forwarding an email to other perpetrators or innocent third parties.

A common example illustrates the dilemma: a former Company A employee sends an email to himself containing Company A's trade secrets, and then leaves for Company B. Company A's trade secrets are now housed in the former employee's personal email server, on his cellphone, on a home computer, possibly on Company B's computers, and perhaps on other devices. If Company A seeks a seizure under the DTSA, basic practicality demands that the court order law enforcement to seize all of the devices on

which the trade secret information could possibly be stored, especially in emergency, ex parte, situations (which many early trade secret case filings comprise). But is a trade secret plaintiff exposing itself to liability if it facilitates a seizure of that magnitude, one that seems reasonable under the circumstances but wrought with peril given the scope of its invasiveness?

It would seem so, especially given that the seized devices would necessarily contain non-trade secret information and, therefore, could constitute an "excessive" seizure. In this instance, a trade secret plaintiff has created liability for itself where none existed before, opening the door for a counter-claim by the defendant(s) and invariably further protracting the litigation.* This begs the question: Why would any trade secret law practitioner risk exposing his or her client to liability under these circumstances? Moreover, other than serving as a trap for the unwary and giving defense lawyers a shiny new weapon in their arsenal, does the DTSA's civil seizure provision serve any useful purpose at all?

Without a doubt, Congress was compelled to include the civil seizure provision in the DTSA due to its perceived success under other federal statutory schemes, such as the Copyright Act and the Lanham Act, involving other federally protected intellectual property assets. But that avoids the essential dichotomy between traditional intellectual property assets and trade secrets, and particularly the elasticity and resulting ephemeral nature of trade secrets. An order of seizure for counterfeit goods is, for example, much more absolute and concrete than an order involving the seizure of devices that may contain illegally obtained trade secrets. In other words, the elusive trade secret is not so susceptible to a clear-cut seizure order that would guarantee no exposure to liability for a "wrongful or excessive" seizure.

The civil seizure provision and its attendant procedural safeguards simply do not, as a consequence, serve the purpose that they were intended to serve in trade secret cases. Trade secret law practitioners should thus tread carefully. It would appear that going the traditional route of seeking a temporary restraining order or preliminary injunctive relief makes more sense than does a seizure. And in emergency cases involving a fleeing trade secret thief, one would be better off simply calling law enforcement directly, rather than running to court for a seizure order.

—By Arash Beral, Freeman Freeman & Smiley LLP

Arash Beral is a partner in Freeman Freeman & Smiley's Los Angeles office and a member of the firm's litigation department. While he represents clients in business, commercial, employment, intellectual property and real estate litigation matters, his primary practice focus is on the ever-evolving state and federal trade secret laws and trade secret litigation.

*Damages could be substantial in this scenario, especially if a seizure order has the practical effect of temporarily shutting down business.