



Securing An Ex Parte Seizure Remedy Under DTSA

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Last year, a new federal statute was passed that should have a profound effect on employers and their businesses — the Defend Trade Secret Act. The act codified, for the first time, a federal statute providing a civil remedy for misappropriation of trade secrets. Prior to the DTSA, employers that sought to protect their trade secrets had to do so under state law often in state court. This state law, in many respects, was inconsistent between states, creating real difficulties for employers that operated in a multistate environment.

As a result, Congress stepped in and passed legislation creating a federal statute, with a federal body of case law to follow, that was intended to create uniformity and predictability for employers in trade secret cases. It also opened the door to federal court by creating federal question jurisdiction. In addition to creating this federal cause of action and new venue for employers, the DTSA has some unique provisions. While it adopts much of the framework of the Uniform Trade Secrets Act, the model statute adopted in a majority of states, it also includes a unique remedy provision — an ex parte seizure of property.

The provision is drawn from similar laws found in the Lanham Act (trademark infringement) and Copyright Act (copyright infringement). In certain limited situations, trade secrets plaintiffs can seek an order for the ex parte seizure of property from a defendant. Such an order will not only direct the seizure of property, without prior notice to the defendant, it involves the assistance of federal law enforcement. Armed with such an order, law enforcement can appear at a place of business and seize physical property containing allegedly misappropriated trade secrets. Irreparable injury to the plaintiff can be avoided with the evidence preserved and delivered to the court.

This civil seizure procedure is a significant new development in the realm of trade secrets. No analogous procedure was available under the UTSA. Thus, the remedy creates a potentially powerful new tool for employers. But with “great power comes great responsibility” and, according to critics, great potential for abuse.

They claim that plaintiffs could cause severe disruption to a competitor’s business with such seizure orders under circumstances when they may not be warranted. Plaintiffs could present a one-sided story in an expedited, nonadversarial setting to obtain improvidently granted seizure orders from a federal judge.

Proponents point to the analogous trademark and copyright statutes where the remedy has been used for decades and handled prudently by federal judges. They also refer back to the rigorous procedural safeguards in the statute. Not only is there an extremely high burden to even obtain the seizure order, the court can only issue the order “for the narrowest seizure of property necessary” with explicit instructions to law enforcement that “clearly delineates the scope of the authority of the officials.”

More specifically, the statute only permits courts to issue a seizure order in “extraordinary circumstances” when “necessary” to prevent the “propagation or dissemination” of trade secrets. Moreover, such an order can only issue when “Rule 65 of the Federal Rules of Civil Procedure or another form of equitable relief would be inadequate.”

The plaintiff must also prove that (1) immediate and irreparable injury will occur if seizure is not ordered; (2) the balance of the harms favors granting the seizure; (3) the plaintiff is likely to succeed on the merits of the misappropriation claim; (4) the defendant is in actual possession of the trade secret and/or property; (5) the plaintiff has identified the property with reasonable particularity; (6) the defendant would destroy the property if put on notice; and (7) the plaintiff has not publicized the requested seizure. The DTSA further prohibits any copies of the seized property from being made, and that the orders to law enforcement must be specific, including the hours when seizure can take place and whether force can be used to access locked areas.

Despite all of the debate, in these nascent days of the DTSA, there has been little case law, let alone case law on these ex parte seizure orders. Until now.

In *OOO Brunswick Rail Management v. Sultanov*,^[1] a federal court out of California issued an opinion addressing a request for an ex parte seizure order. The case involved two individual defendant employees. The first employee allegedly sent several confidential documents to his personal email, and communicated by phone with a representative of the company’s creditor (whom he was explicitly prohibited from contacting). The second employee had his former assistant send him confidential materials to his personal email account, which he forwarded to the creditor’s representative and the other employee.

The company sought a temporary restraining order against the defendants and an ex parte seizure order under the DTSA of the emails, the company-issued laptop and the mobile phone. The court granted the temporary restraining order but rejected the request for a seizure order.

The court reasoned that an ex parte seizure order was not available under these circumstances because it was “unnecessary” to preserve the information. With regard to the emails, nonparty custodians were in possession of the information and an order from the court would be sufficient to preserve them.

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More interestingly, the court also denied the application for a seizure order of the mobile phone and laptop held by the defendant. The court found it “unnecessary” to issue a seizure order to capture this property.

The court ordered the defendant to deliver the devices to the court at a hearing scheduled in two weeks, and likewise ordered that he could not modify or access them in the interim. Thus, the employer did not show that such a Rule 65 order would be “inadequate” to preserve the property. In an interesting post-script, after a hearing and considering the matter in an adversarial setting, the court decided to dissolve the temporary restraining order due to a lack of personal jurisdiction.[2]

While ultimately the court did not issue a seizure order, Sultanov remains instructive. Plaintiffs face a high burden in obtaining an ex parte seizure orders, and courts will not issue such orders in a typical case. In most circumstances, a court order directing the preservation and return of the property will be sufficient and not require the issuance of a seizure order and the intervention of law enforcement.

To get a court to go this extra step, plaintiffs will need truly extraordinary and unique circumstances involving irreparable harm resulting from the imminent destruction of trade secrets. Such circumstances we have not seen yet.

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