LOS ANGELES
Daily Journal
www.dailyjournal.com
TUESDAY, OCTOBER 25, 2016
PERSPECTIVE

Federal trade secrets law provides several practical advantages

By John A. Scheerer

The federal Defend Trade Secrets Act (18 U.S.C. Sections 1836 et. seq.), signed into law on May 11, provides substantive legal advantages to trade secret plaintiffs that have been well documented. Perhaps less well known is that the DTSA, by creating a federal private civil cause of action for the misappropriation of trade secrets, provides a number of practical or procedural advantages for a trade secret plaintiff over a similar action in California superior court under Civil Code Sections 3246 et. seq.

Wider Range of Immediate Service Options

First, filing under the DTSA gives a plaintiff a wide range of options when considering how to serve the defendant, including methods of service that could be effectuated almost instantaneously. In trade secret litigation, immediate service is often desirable because plaintiffs frequently file an accompanying ex parte application for a temporary restraining order as soon as possible, typically the same day that a complaint is filed. The ex parte application serves three purposes: (1) ensuring that the defendant cannot further misappropriate trade secrets; (2) requesting immediate access to evidence in the hands of the defendant; and (3) sending an early reminder to defendants of their legal obligation to preserve evidence. Many trade secrets lawsuits involve former employees who have left with a company's trade secrets, and it may be difficult to locate these individuals immediately to effectuate service. Plaintiffs who file under the DTSA can effectively serve the defendant on the same day by "leaving a copy at the individual's dwelling ... with someone of suitable age and discretion who resides there" pursuant to Federal Rule of Civil Procedure 4(e)(2)(B). If the plaintiff instead were to file in state court, service likely would take much longer. Under California law, in order to serve process by leaving a copy of court documents at the defendant's home, additional copies must be mailed to the defendant and service is not considered effective for 10 days. Cal. Code Civ. Pro. Sec. 415.20. Moreover, in addition to the more expedient federal service rules, filing in federal court gives the plaintiff the largest range of service options. For trade secret plaintiffs proceeding in federal court under the DTSA, the full litany of California service procedures are at their disposal under Federal Rule of Civil Procedure 4(e)(1), plus the federal service procedures.

Quicker and Cheaper Ex Parte Process

Second, filing under the DTSA allows a plaintiff to file an ex parte application on the same day with minimal costs. In state court, a party seeing an ex parte order must notify all parties by 10 a.m. on the court day before the ex parte appearance absent a showing of exceptional circumstances. In Los Angeles Superior Court, ex parte applications must be filed in person by an attorney by 8:45 a.m. in order to be heard that day. After filing the ex parte application and serving opposing party, an attorney must physically wait in the courthouse to learn when the ex parte will be heard that day — a process that can take several hours. In San Francisco Superior Court, ex parte applications for a temporary restraining order must be scheduled with a clerk at least 24 hours in advance. By including a DTSA claim and filing in federal court, attorneys are typically able to submit an ex parte application electronically and avoid the aforementioned burdensome and costly procedural requirements of state court. Once a complaint is filed in federal court electronically, plaintiffs are immediately assigned a judge and are able to review that judge's standing orders and other procedural practices. Some federal judges' procedures allow electronic service of an ex parte application, and many federal judges will also consider the ex parte application on the papers.

Faster Discovery

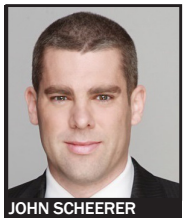
Third, filing under the DTSA may result in quicker and more expansive discovery. California requires trade secrets plaintiffs to identify the trade secret with "reasonable particularity" before engaging in discovery under Cal. Code Civ. Proc. Section 2019.210. This is an additional hurdle that could take time to litigate. Furthermore, this requirement might ultimately require plaintiffs to narrow their claims of misappropriation to well-understood trade secrets at the outset of an action before discovery has even commenced. Importantly, there is no similar limitation on discovery under the DTSA — discovery is only bound by the general provisions under Rule 26 of the Federal Rules of Civil Procedure. A plaintiff filing under the DTSA is therefore afforded the opportunity to engage in the discovery process before having to identify to the defendant the contours of their trade secrets they allege are misappropriated.

More Causes of Action

Finally, unlike California Civil Code Section 3426.7, the DTSA allows for the pleading of tort remedies based upon the misappropriation. 18 U.S.C. Section 1838. In contrast, the model Uniform Trade Secrets Act, adopted by many states, bars torts claims arising from the same nexus of facts as the trade secret misappropriation. Unif. Trade Secrets Act Section 7. The plaintiff who files under the DTSA therefore preserves valuable causes of action.

Under the supplemental jurisdiction doctrine, filing under the DTSA in federal court allows a plaintiff to assert state law claims, including state law tort causes of action for misappropriation of trade secrets. There are advantages to having trade secrets state law claims litigated in federal court — for example, federal judges often have experience litigating intellectual property matters, which is beneficial when evaluating claims for the misappropriation of intangible or complex trade secrets.

Trade secret plaintiffs would be wise to utilize the practical advantages of the DTSA discussed above when choosing how and where to litigate their claims.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