

# Preparing ex parte seizure orders to protect trade secrets

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The *ex parte* seizure order, codified under Section 1836(b)(2) of the Defend Trade Secrets Act of 2016 (“DTSA”) is one of the most important provisions in federal trade secrets law. In extraordinary circumstances, an *ex parte* seizure order may be issued for the seizure of property necessary to prevent the propagation or dissemination of the trade secret or to preserve evidence.

*The ex parte seizure application must be based on an affidavit or verified complaint and must be issued only in extraordinary circumstances for the seizure of property.*

This article will discuss the statutory prerequisites and legislative background for issuing an *ex parte* seizure order in a DTSA action with recommendations for preparing an *ex parte* seizure order.

The *ex parte* seizure application must be based on an affidavit or verified complaint and must be issued only in extraordinary circumstances for the seizure of property. An *ex parte* seizure order is nothing new in intellectual property law. For more than 100 years, the *ex parte* seizure order has been utilized in copyright infringement cases, and for over 30 years *ex parte* seizure orders have been issued in trademark infringement cases.

The statutory DTSA *ex parte* seizure order comprises six stages. First, the applicant must demonstrate that the statutory requirements for an *ex parte* seizure order (see below) are met. Second, in adjudicating the application, the court must issue an order that encompasses the requirements in the DTSA for a civil *ex parte* seizure order. Third, the *ex parte* seizure order is executed and the trade secret materials are brought within the custody of the court. Fourth, the seized materials are securely safeguarded pending the post-seizure hearing. Fifth, at the post-seizure hearing, the court considers the inventory and disposition of the seized trade secret materials and appropriate next steps depending on the particular circumstances. Sixth, if warranted, the court will consider any claims concerning wrongful or excessive seizure.

There are eight DTSA requirements, and the court may not grant an *ex parte* application unless the court finds that it clearly appears from specific facts that these requirements have been met:

- (1) The relief available under Rule 65 of the Federal Rules of Civil Procedure must be inadequate (because the defendant will evade, avoid, or otherwise not comply with the order).
- (2) An immediate and irreparable injury will occur if such seizure is not ordered.
- (3) The harm to the plaintiff of denying the application outweighs the harm to the legitimate interests of the defendant.
- (4) The plaintiff must be likely to succeed in showing that there is trade secret misappropriation and acquisition by the defendant by improper means or a conspiracy to misappropriate the trade secret using improper means.
- (5) The person against whom seizure is ordered must have actual possession of the trade secret.
- (6) The *ex parte* seizure application must describe with reasonable particularity the matter to be seized and, to the extent reasonable under the circumstances, the location where the matter is to be seized.
- (7) The plaintiff must show that the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court if the applicant were to proceed with notice to such person.
- (8) The applicant must not have publicized the requested seizure.

In addition to these statutory elements of an *ex parte* seizure application, the DTSA also requires the trial court to do the following:

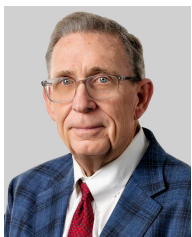
- (1) The court order must contain findings of fact and conclusions of law.
- (2) The court order must provide the narrowest seizure of property to achieve the purpose of the *ex parte* seizure and be conducted in a manner that minimizes any interruption of the business operations of third parties; and, to the extent possible, the court order must prevent undue damage to the legitimate business operations of the person subject to the seizure order.

- (3) The court order must be accompanied by another court order protecting the seized property from disclosure and prohibiting access by the applicant or the person against whom the order is issued.
- (4) The court order must provide specific guidance to law enforcement officials including the time when the seizure is to occur and whether force may be used to access locked areas.
- (5) The court must set a date for a hearing, at the earliest possible time, but not later than seven days after the ex parte seizure order has been issued.
- (6) The applicant must provide adequate security in the event the seizure is wrongful.

Time is of the essence in a trade secret misappropriation case. Therefore, it is imperative that the trade secret owner take steps to be prepared to file an ex parte application before there is an actual or threatened misappropriation of trade secrets. This author recommends that a Trade Secret Control Committee ("TSCC") be established with the mandate to identify, classify, protect and value trade secret assets.

The TSCC should meet monthly or quarterly to review the requirements for an ex parte seizure order and to coordinate the preparation of draft declarations (and draft civil seizure orders) ready to be executed in the event that an ex parte application to seize trade secret materials becomes necessary. The TSCC should also use technical experts to assist in designating trade secret materials that should be seized and materials that should not be seized.

### About the author



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It is also advantageous for the TSCC to have a pre-seizure briefing to address logistic and other case issues including imaging devices, locksmith expertise to access locked areas, transportation expertise to protect the seized material during transportation, the preservation of login information for devices, files, networks and accounts and other case considerations.

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The TSCC must also be prepared for the post-seizure hearing. If the applicant cannot support the findings of fact and conclusions of law necessary to support the ex parte seizure order then the seizure order will be dissolved.

*R. Mark Halligan is a regular contributing columnist on trade secrets law for Reuters Legal News and Westlaw Today.*

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