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Impact of Ninth Circuit's Recent Decision in Federal Trade Secret Cases Under the DTSA

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The US Court of Appeals for the Ninth Circuit's recent decision in *Quintara Biosciences, Inc. v. Ruifeng Biztech, Inc.* is a win for plaintiffs pursuing trade secret claims under the Defend Trade Secrets Act (DTSA). The ruling clarifies that the DTSA, unlike rules governing discovery in cases brought under California's Uniform Trade Secrets Act (CUTSA), does not require a plaintiff to identify its alleged trade secrets with "reasonable particularity" at the outset of litigation. Instead, whether a plaintiff has sufficiently particularized a trade secret under the DTSA is usually a matter for summary judgment or trial.

Background

A dispute arose between two California-based DNA sequencing companies, Quintara Biosciences and Ruifeng Biztech, following the breakdown of their business relationship.[1] The plaintiff filed a complaint against the defendant in the US District Court for the Northern District of California, asserting a claim under the DTSA and alleging that the defendant misappropriated multiple trade secrets, including customer databases, marketing plans, software code and proprietary technologies.[2]

During discovery, the district court – borrowing from discovery rules set forth in CUTSA –required the plaintiff to identify its alleged trade secrets with "reasonable particularity" as a prerequisite to further discovery.[3] Dissatisfied with the plaintiff's disclosures, the defendant moved to strike the trade secrets under Federal Rule of Civil Procedure 12(f).[4] The district court granted the motion, striking nine of 11 alleged trade secrets.[5]

The Ninth Circuit concluded the district court abused its discretion by striking the trade secrets and effectively dismissing them from the case.[6] The court emphasized that, unlike CUTSA, the DTSA's terms do not require a plaintiff to identify with particularity its alleged trade secrets from the start.[7] And, the "DTSA does not set out requirements for the specific timing or scope of identifying trade secrets."[8] The court also found that, even if the plaintiff's trade secret disclosure could be construed as a pleading, neither the defendant nor the district court identified any strikable matter under Rule 12(f).[9] Thus, Rule 12(f) was not a proper vehicle for striking the plaintiff's trade secret claims. Finally, the court held that dismissal of the trade secrets was an improper discovery sanction, stating that "a DTSA trade-secret claim will rarely be dismissible as a discovery sanction in a situation like this."[10] The court continued, "A dismissal based on a failure to comply with a pretrial order is a harsh penalty that, given its severity, should be dispensed only in a limited set of 'extreme circumstances.'"[11]

Implications

The Ninth Circuit's decision shifts the balance in federal trade secret litigation under the DTSA toward a more flexible, discovery-driven process. Courts are encouraged to manage the "delicate problem" of trade secret disclosure through protective orders and iterative discovery, rather than through early dismissal of claims. This approach is likely to have numerous implications:

1. **Increase DTSA claims**

Plaintiffs may be more likely to pursue DTSA claims, knowing their cases are less likely to be dismissed at the outset for lack of particularity or face headwinds in the early stages of discovery.

2. **Create potential for abuse**

Plaintiffs can initiate DTSA actions with vague and ambiguous descriptions of alleged trade secrets and obtain the benefit of broad discovery from defendants without the immediate risk of having their claims dismissed for

lack of specificity. This may encourage the tactic of a plaintiff taking discovery and then defining its trade secret claims around what it finds in discovery from the defendant – taking a shot and drawing the bullseye around the arrow. The low burden on plaintiffs asserting DTSA claims also increases the danger that plaintiffs with flimsy claims use trade secret litigation as a competitive tool to burden market entrants with intrusive and expensive discovery.

3. **Complicate defense strategy and increase costs**

Defendants will have no meaningful ability to challenge the sufficiency of plaintiffs' trade secret disclosures at the outset of the case and will be forced deeper into discovery. At the same time, without being locked into trade secrets disclosed at the outset, plaintiffs may be able to move the target mid-discovery. Not only will such shifting sands create inefficiencies and potentially elongate the discovery process, but it also will require defendants to be nimble in developing evidence to support their defense in light of the changing landscape. The delayed clarity on the scope of plaintiffs' claims will inevitably complicate defense strategy and increase litigation costs for defendants. Defendants should use discovery strategically to narrow the scope of the alleged trade secrets, including through contention interrogatories, and consider enlisting expert witnesses to challenge plaintiffs to identify trade secrets with particularity that distinguishes them from matters known to industry participants. The Ninth Circuit references its prior decision in *Imax Corp. v. Cinema Techs., Inc.*, 152 F.3d 1161, 1164 (9th Cir. 1998), in which the defendant obtained summary judgment after the plaintiff failed to adequately disclose its trade secret in an interrogatory response, illustrating how the requirement for trade secret identification can be dispositively adjudicated.

4. **Require hands-on judicial case management**

There will be a need for greater judicial management of trade secret cases and for courts to use their discretion to sequence and control discovery in cases involving DTSA claims. In its decision, the Ninth Circuit indicates a number of measures that can be used to impose discovery discipline on a DTSA plaintiff in lieu of a motion to strike, including the use of early-stage protective orders that phase discovery and limit early discovery to trade secret identification before moving forward.[12] Such a procedure can help the parties and court to define the scope of the case and reduce the risks and waste of speculative trade secret litigation.

5. **Lead to possible confusion over open question**

The decision leaves open the question of whether CUTSA's particularity requirement is binding in federal courts when a claim is also asserted under CUTSA. This has been a common scenario in the past and may be an area of potential confusion, though it is possible fewer plaintiffs now choose to assert a CUTSA claim alongside a DTSA claim in California federal courts.

Conclusion

The *Quintara* decision provides important guidance for both plaintiffs and defendants in federal trade secret litigation. Plaintiffs benefit from a more lenient standard for initial trade secret identification, while defendants must adapt to a litigation environment where early dismissal is less likely and discovery plays a central role in defining the scope of the dispute. Both sides should work closely with counsel to navigate the evolving standards and protect their respective interests throughout the litigation process.

[1] *Quintara Biosciences, Inc. v. Ruifeng Biztech, Inc.*, Case No. 23-16093, at 5-6 (9th Cir. Aug. 12, 2025).

[2] Id. at 6.

[3] Id. at 6-7.

[4] Id. at 7.

[5] Id.

[6] Id. at 8.

[7] Id. at 5.

[8] Id. at 12.

[9] Id. at 13.

[10] Id. at 17.

[11] Id. at 14 (citation omitted).

[12] Id. at 16-17.

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