U.S. Court of Appeals for the Fourth Circuit Says Trade Secrets Must Be Identified With "Sufficient Particularity"

By Ryan M. Bates

The U.S. Court of Appeals for the Fourth Circuit, in *Sysco Machinery Corp. v. DCS USA Corp.*,[1] has affirmed the dismissal of a trade secret case, holding that plaintiffs asserting Defend Trade Secret Act (DTSA) claims must identify the misappropriated trade secrets with "sufficient particularity." The court, in a published opinion, held that this heightened standard is necessary for trade secret claims "because it is the type of claim that has the potential to seriously disrupt ordinary business relationships."

CASE BACKGROUND

The plaintiff, Sysco Machinery Corporation (Sysco), is a Taiwanese company that manufactures rotary die cutting machines. The defendant, DCS USA Corporation (DCS), is a U.S.-based distributor who distributed the machines built by Sysco. The two companies enjoyed a fruitful relationship until a group of Sysco employees established a competing company, non-party Cymtek, Inc., which built similar machines and retained DCS to distribute them.

In 2023, Sysco sued DCS in North Carolina federal court for trade secret misappropriation under the DTSA and North Carolina's Trade Secret Protection Act, along with other claims. Sysco alleged that DCS stole its company information and diverted millions in contracts away from Sysco and towards Cymtek.

The district court granted DCS's motion to dismiss and denied leave to amend the complaint. The Fourth Circuit affirmed, with two central holdings.

THE FOURTH CIRCUIT'S DECISION

First, the court held that Sysco failed to sufficiently identify the misappropriated trade secrets. The court held that plaintiffs must identify trade secrets with "sufficient particularity." Sysco "forced [the court] into a fishing expedition to find evidence of a valid trade secret." That fishing expedition "emerged empty-handed" because the complaint set forth a laundry list of vague company information (e.g., "proprietary," "confidential," "financial," and "operation" information) without specifying exactly what DCS is alleged to have taken. The court found that such broad pleading insinuates "that Sysco's entire business is a trade secret."

The court appeared to be particularly troubled by Sysco's inclusion of "copyrighted works" in its laundry list of trade secrets. Any claim to secrecy for these works is extinguished, the court held, because copyrighted materials are publicly available.

Second, the court held that Sysco failed to plausibly allege misappropriation – i.e., acquiring, disclosing, or using trade secrets by "improper means." The court noted that the parties were in a manufacturer-distributor relationship where any information DCS possessed "appears to have been acquired lawfully." The court found that Sysco did not allege that DCS possessed any trade secrets beyond the insufficient allegation that it filled Cymtek's orders after being told that Cymtek had stolen its trade secrets. However, the court noted, "Cymtek is not even a party to this case" and its "alleged misappropriation is a different question than DCS's."

The Fourth Circuit additionally upheld the district court's decision to deny plaintiff leave to amend. While Fourth Circuit law liberally allows amendments, there are exceptions where "justice so requires." One of those exceptions is bad faith. The district court found that Sysco "had engaged in bad faith, or something close to it" by filing three separate lawsuits concerning the same underlying conduct and substantially the same defendants and claims. Thus, the court held, denying leave to amend was within the district court's discretion.

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"SUFFICIENT PARTICULARITY" REQUIREMENT

The *Sysco Machinery* decision is significant because it requires DTSA plaintiffs to identify the underlying trade secrets with "sufficient particularity." This, according to the court, means that, at the pleading stage, the trade secret must be described at a level of detail that (i) "enables a defendant to delineate that which he is accused of misappropriating," and (ii) "enables a court to determine whether the plaintiff has plausibly satisfied the reasonable secrecy and independent economic value requirements."

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Without engaging in a detailed analysis of the issue, the panel based its holding on the pleading requirements of *Iqbal/Twombly*, a North Carolina Supreme Court case requiring "sufficient particularity" for pleading a state trade secret claim, and a thirty-year old Fourth Circuit case, *Trandes Corp. v. Guy F. Atkinson Co*.[2] *Trandes*, decided long before the DTSA was enacted, held that a plaintiff asserting a claim under the Maryland Uniform Trade Secrets Act must "describe the subject matter of its alleged trade secrets in sufficient detail to establish each element of a trade secret."

The panel did not address the district court split on this issue. Some district courts within the Fourth Circuit required disclosure of DTSA trade secrets with some form of particularity.[3] Others have not.[4] Some courts have dodged the question entirely.[5]

The timing and detail of disclosure can be a contentious issue between parties litigating trade secret disputes.

Plaintiffs generally want to delay providing particularized trade secret descriptions as long as possible because they may not fully understand the magnitude of the misappropriation without discovery and would prefer to err on the side of minimal disclosure of the underlying trade secrets to leave open the possibility that discovery will expand their claims. Plaintiffs are also reluctant to detail their trade secrets to the opposing party, especially when that party is a competitor.

Defendants, on the other hand, push for plaintiffs to provide particularized trade secret descriptions to force a plaintiff to outline its case early, thereby limiting the scope of discovery and avoiding expensive "fishing expedition[s]." And, knowing the exact nature of the claimed trade secrets enables defendants to challenge these claims directly, including arguing that the information does not qualify as a trade secret.

IMPLICATIONS

This decision gives parties defending trade secret claims within the Fourth Circuit (Virginia, West Virginia, Maryland, North Carolina, and South Carolina) a powerful argument to dispose of such claims on a motion to dismiss. While the "sufficient particularity" pleading requirement is not a high bar, it is higher than the pleading requirement currently imposed by many district courts.

Notes

1. Sysco Machinery Corp. v. DCS USA Corp., No. 24-1675 (4th Cir. July 9, 2025).
2. Trandes Corp. v. Guy F. Atkinson Co., 996 F.2d 655 (4th Cir. 1993).
3. See, e.g., Recon Grp. LLP v. Lowe's Home Centers, LLC, 743 F. Supp. 3d 737, 750 (W.D.N.C. 2024); Design Gaps, Inc. v. Hall, No. 3:23-CV-186-MOC, 2023 WL 8103156, at *8 (W.D.N.C. Nov. 21, 2023).
4. See, e.g., Safe Haven Wildlife Removal & Prop. Mgmt. Experts, LLC v. Meridian Wildlife Servs. LLC, 716 F. Supp. 3d 432, 447-48 (W.D. Va. 2024) (DTSA claims "must plead only enough facts to state a claim to relief that is plausible on its face").
5. See, e.g., Phreesia, Inc. v. Certify Glob., Inc., No. DLB-21-678, 2022 WL 911207, at *12 (D. Md. Mar. 29, 2022).