

Federal judge blocks overseas move by autonomous trucking company

The judge also ordered TuSimple to show where the trade secrets in question are and to identify any proprietary or intellectual property transferred to a company owned by TuSimple's founder.

[SAM RIBAKOFF](#) / January 24, 2024



Trucks queuing at a container terminal gate. (photo courtesy of the Port of Los Angeles)

SAN DIEGO (CN) — After mulling it over for a day, a federal judge in San Diego granted a temporary restraining order to prevent a company that develops self-driving freight truck technology from selling off its assets and moving overseas, amid claims it's trying to escape charges of misappropriating trade and national security secrets.

Stockholders of TuSimple Holdings, a company that develops technology for the self-driving, long-haul trucking industry, filed a lawsuit against the company's co-founder and other defendants claiming that they took trade secrets, some of which were deemed national security secrets by the U.S. government, and started a similar company with those secrets.

According to the plaintiffs' [complaint](#), TuSimple's co-founder Mo Chen started Hydron, which designs and sells autonomous trucks with hydrogen-powered engines, with the backing of a Chinese oligarch with ties to the Chinese Communist Party.

“Through circumstantial evidence and reasonable inference, plaintiffs have demonstrated misappropriation of TuSimple’s trade secrets by defendant Hydron and others is likely to occur absent a TRO, if it has not occurred already. Although the defendants argue plaintiffs lack concrete, direct proof, this is not required for a TRO,” wrote U.S. District Judge Roger Benitez, a George W. Bush appointee, in his [order](#).

On Jan. 12, TuSimple announced it would start selling off assets, including their trucks, research and development equipment, and even office supplies between Jan. 23 and Feb. 8. The plaintiffs argued in a hearing on the restraining order on Monday that by trying to sell off their assets quickly, and delisting themselves from the Nasdaq stock exchange, the defendants were trying to take the company’s proceeds and more trade secrets to China so they could escape federal scrutiny and get out of reach of U.S. courts.

The temporary restraining order prevents TuSimple from transferring any proceeds of the sale, transfer, or disclosure of their assets outside of the U.S for the next 45 days. It also prevents them from selling or transferring any trade secrets to people outside of the U.S., including their subsidiary in China, profiting off of any sale or transfer of trade secrets and selling or disclosing any trade secrets to Hydron. They’re also barred from violating their national security agreement with the Committee on Foreign Investment in the U.S.

The committee is a federal interagency entity that reviews transactions involving foreign investment deemed as threats to national security. In 2021 the committee started investigating transactions related to the co-founders of TuSimple, especially a transaction in 2017 in which Sun Dream, a subsidiary of the Chinese media conglomerate Sina, acquired a 20% stake in the company, according to the plaintiffs' complaint.

Around the same time Chen, also a majority shareholder of TuSimple, started Hydron in secret with intellectual property and technology taken from the company, the plaintiffs claim.

In 2022, TuSimple reported in a filing with the U.S. Securities and Exchange Commission that in 2021 employees worked on “matters” for Hydron. The same filing indicated that in 2022, TuSimple also shared “confidential information” with Hydron while evaluating the company as a possible business partner to manufacture their equipment.

The federal investigation resulted in TuSimple having to enter into a National Security Agreement, which requires the company to protect their technology and not allow it to be shared without approval by a U.S. government committee, the plaintiffs added in their complaint.

At Monday's hearing, TuSimple's attorney Robert Smith argued that some of the technology developed by TuSimple was created in tandem with the company’s subsidiary in China, but they stopped sharing information and trade secrets after the federal investigation found that the technology involves trade secrets of national security interest.

He added that TuSimple — a nominal defendant in the case — does not have any relationship with Hydron anymore, and that the company is delisting itself from Nasdaq because of “the expense of being a listed company,” and because it has decided to go private.

The company’s move to China, Smith added, isn’t a secret it’s trying to hide, and it will continue to be incorporated in Delaware.

Smith said the plaintiffs haven't shown any evidence that the company plans to move sensitive technology overseas. If there was serious evidence, then the federal agencies that oversee the technology would be in court to stop them, he said.

The company's trade secrets, according to the plaintiffs, are designs, blueprints, schematics, specifications, software, source code, summaries of technical analyses, status reports, and technical data revolving around their “L4” autonomous driving technology, “Autonomous Freight Network” technology, and other tech they developed to operate autonomous semi-trucks.

Benitez also ordered TuSimple to hand over documents that show where their trade secrets are, and to identify any proprietary or intellectual property they disclosed or transferred to Hydron, in the next 14 days.

“We appreciate the time and consideration the court has given to this important case involving the interests of national security and American investors. We will continue to vigorously pursue this case to protect TuSimple and its public shareholders,” wrote Albert Chang, one of the plaintiffs' attorneys, in a statement.

Attorneys for the defendants did not immediately respond to requests for comment.

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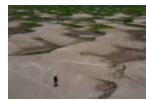
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