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Court order stops San Diego-based TuSimple from sharing trade secrets with China



A person looks at a display of the TuSimple autonomous driving technology at the CES tech show in 2022. (Joe Buglewicz / Associated Press)

A federal judge granted a motion this week to keep San Diego-based TuSimple from sharing trade secrets outside of the United States

BY NATALLIE ROCHA

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A federal judge on Tuesday issued a temporary restraining order to prevent leaders at TuSimple, a San Diego-based self-driving truck firm, from transferring proceeds from the sale of its technology and any trade secrets to people outside of the United States.

Shareholders of TuSimple filed a lawsuit against the co-founders and other executives following news that the public company is shutting down U.S. operations and laying off 75 percent of its workforce, most of whom were in San Diego. The lawsuit, filed on Dec. 22 in the U.S. District Court in San Diego, is an attempt to stop company leaders from taking assets and intellectual property overseas, specifically to China.

The central issue of their case is the misappropriation of TuSimple's trade secrets, which the plaintiffs say violates the federal Defend Trade Secrets Act and California's Uniform Trade Secrets Act. There are concerns that U.S. intellectual property, such as TuSimple's advanced autonomous driving technology, could be used to cultivate China's military power.



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San Diego-based self-driving truck company TuSimple shuts down U.S. operations, lays off 150

Dec. 5, 2023

TuSimple has been mired in controversy even before its co-founder and CEO Xiaodi Hou was fired in October 2022 after sharing confidential information with a Chinese startup without proper disclosures. TuSimple and Hou were being investigated by the U.S. Securities and Exchange Commission, the FBI and the Committee on Foreign Investment in the U.S. (CFIUS) for its dealings with startup Hydron, which operates mostly in China and is backed by Chinese investors.

Last year, [the Wall Street Journal reported](#) that the Justice Department had been urged to consider economic-espionage charges against leaders of TuSimple due to its close ties to China.

Hydron, which was named as a defendant, is working on autonomous zero-emission hydrogen big rigs. It was founded by Mo Chen, who also co-founded TuSimple.

The defendants named in the lawsuit include Chen, Hou, Cheng Lu, who served as a director and CEO at TuSimple as well as Guowei “Charles” Chao, a Chinese investor who served as TuSimple’s board chair.

TuSimple Holdings is also named as a nominal defendant in the lawsuit, meaning it is not responsible for the issues within the complaint, but the company is named due to its technical connection to the matter.

TuSimple declined to comment on the lawsuit. Attorneys representing the defendants did not reply to a request for comment.

In 2022, an internal investigation found that TuSimple shared confidential information with Hydron and its partners before entering into non-disclosure agreements as part of a business deal.

When the misstep was discovered, TuSimple inked a non-disclosure agreement. But the company does not know whether Hydron shared the information prior to the contract.

The plaintiffs’ legal action carries a tone of urgency as TuSimple has recently taken actions to transfer its assets outside of the United States to its business in Asia.



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San Diego’s self-driving semi-truck firm TuSimple sacks CEO over dealings with China startup

Oct. 31, 2022

On Jan. 17, TuSimple announced its intention to delist from the Nasdaq exchange, thus returning it to a private firm and officially closing the door on its U.S. presence. The

company is [auctioning off assets](#) in Tuscon, Ariz., including, its self-driving big rigs, research and development equipment and office furniture.

Frank A. Bottini, the attorney who filed the complaint, said his plaintiffs are seeking monetary damages, but the exact amount has yet to be determined. The complaint states that if the court does not intervene, the plaintiffs and TuSimple could suffer irreparable harm.

Bottini said the shareholders bolstered TuSimple's IPO by investing in the development of its proprietary technology that was ultimately shared improperly.

The company's initial public offering raised more than \$1 billion in 2021 and [valued its technology](#) at nearly \$8.5 billion. Over the past year its stock value has hovered under \$3 per share and it ended trading Thursday at 37 cents per share.

"The purpose of the lawsuit is to prevent the shareholders from getting left holding the bag," Bottini said in a phone interview. "That's what we're seeking to do is ultimately hold the directors liable for their wrongdoing, but also seeking to ensure that there's some assets here that could be used to satisfy any judgment."

Under the order, the plaintiffs' attorneys will gain access to documents that show the location of TuSimple's trade secrets and identify any of its intellectual property that was disclosed or transferred to Hydron.

The next hearing in this case is scheduled for March 8.



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