MP Materials and USA Rare Earth Clash in Texas Trade Secrets Lawsuit as Race for U.S. Rare Earth Magnet Supply Chain Intensifies

written by Tracy Hughes | May 31, 2026

A legal dispute between MP Materials Corp. (NYSE: MP) (market capitalization approximately US$10 billion) and USA Rare Earth, Inc. (NASDAQ: USAR) (market capitalization approximately US$4 billion), two of the most prominent companies seeking to build a domestic rare earth magnet industry in the United States, has moved into a Texas courtroom, where MP Materials alleges that USA Rare Earth improperly obtained proprietary magnet-manufacturing technology through a former employee.

The lawsuit, filed on May 22, 2026, in the Business Court of Texas, Eighth Division, names USA Rare Earth, former MP Materials employee Kevin Elkins, and FOM Technologies Inc. (CSE: FOM) as defendants. MP Materials seeks injunctive relief, damages, attorneys' fees, and other remedies under Texas trade secrets law.

The dispute involves two companies that collectively represent roughly US$14 billion in market value and have received some of the largest government-backed investments directed toward rebuilding a domestic rare earth supply chain. In July 2025, MP Materials Corp. (NYSE: MP) secured a landmark package from the U.S. Department of Defense that included a US$400 million preferred equity investment, a long-term price floor for neodymium-praseodymium (NdPr) oxide, and commitments intended to

support the expansion of its Fort Worth magnet manufacturing operations. The arrangement was widely viewed as one of the most significant direct federal investments ever made in the U.S. rare earth sector.

USA Rare Earth, Inc. (NASDAQ: USAR) subsequently announced its own major proposed federal support package. In January 2026, the company disclosed a non-binding Letter of Intent with the U.S. Department of Commerce covering access to up to US$1.6 billion in proposed funding, including federal grants and loan support, intended to help advance development of its Round Top rare earth project in Texas and related downstream processing and magnet manufacturing operations.

In May 2026, the State of Texas added a further US$14.2 million Semiconductor Innovation Fund grant to support development of the Round Top project.

Taken together, federal and state commitments to MP Materials and USA Rare Earth now exceed US$2 billion. Those investments reflect a broader U.S. industrial policy aimed at reducing dependence on China for rare earth materials, metals, alloys, and permanent magnets used in defense systems, electric vehicles, robotics, semiconductors, aerospace applications, and advanced manufacturing.

The scale of government involvement is difficult to overstate. Only a decade ago, most Western rare earth projects relied almost entirely on private capital. Today, both MP Materials and USA Rare Earth have become beneficiaries of direct public-sector support as Washington seeks to establish a domestic mine-to-magnet supply chain capable of competing with China’s dominant position in the global rare earth industry. The result is that the current litigation places two of the most prominent participants in America’s emerging rare earth magnet industry on

opposite sides of a trade secrets dispute at a time when billions of dollars in public and private capital are being deployed to reduce U.S. dependence on China for rare earth materials and permanent magnets.

The Companies

MP Materials Corp. (NYSE: MP) operates the Mountain Pass rare earth mine in California and a magnet manufacturing facility in Fort Worth, Texas. The company has positioned itself as the first fully integrated rare earth producer in the United States, encompassing mining, processing, refining, metal production, and magnet manufacturing.

According to the lawsuit, MP Materials established its magnetics division in 2021 and subsequently developed proprietary grain boundary diffusion technology used in the production of high-performance rare earth permanent magnets. The company alleges that this technology is among its most valuable trade secrets.

USA Rare Earth, Inc. (NASDAQ: USAR) is developing a vertically integrated rare earth business centered on the Round Top deposit in West Texas and a magnet manufacturing facility in Stillwater, Oklahoma. Public filings describe the company’s strategy as creating a domestic mine-to-magnet supply chain intended to compete with established global producers.

How the Dispute Developed

According to MP Materials’ complaint, the origins of the lawsuit trace back to Kevin Elkins’ employment at the company.

MP Materials alleges that it extended an offer to Elkins on June 22, 2022, for the position of Senior Engineer, Product and Process Development in Fort Worth, Texas, and that he began

employment on July 18, 2022.

MP Materials further alleges that on his first day of employment, Elkins signed a Confidentiality and Proprietary Rights Agreement requiring him to protect confidential company information and assigning intellectual property rights developed during his employment to MP Materials.

MP Materials alleges that Elkins worked directly on its grain boundary diffusion program and had access to confidential formulations, processes, and technical information.

On June 26, 2023, MP Materials alleges that Elkins submitted an invention disclosure describing a preferred grain boundary diffusion formulation and associated processes. MP Materials further alleges that the disclosure documented proprietary technology developed within the company and not publicly known.

The lawsuit further alleges that internal company presentations from October 2023 identified the same formulation as proprietary MP Materials technology.

According to MP Materials' complaint, Elkins left MP Materials in 2024 and subsequently joined USA Rare Earth in 2025.

The Legal Claims

MP Materials alleges that Elkins disclosed confidential grain boundary diffusion technology after joining USA Rare Earth and that USA Rare Earth subsequently shared the information with FOM Technologies.

The lawsuit contains five causes of action:

- Misappropriation of trade secrets against USA Rare Earth and Elkins.

- Breach of contract against Elkins.
- Tortious interference with contract against USA Rare Earth.
- Unjust enrichment against USA Rare Earth and FOM Technologies.
- A request for temporary and permanent injunctive relief against all defendants.

MP Materials is asking the court to order the return of any materials containing its trade secrets and prohibit further use or disclosure of the information while the litigation proceeds.

The company also seeks damages in excess of US$5 million, along with exemplary damages, attorneys' fees, and costs.

The Technology at the Center of the Dispute

At the heart of the lawsuit is a manufacturing process known as grain boundary diffusion (GBD), a technique used to improve the performance of neodymium-iron-boron (NdFeB) permanent magnets.

Permanent magnets are the most valuable component in the modern rare earth supply chain. They are used in electric vehicles, robotics, aerospace systems, defense technologies, industrial automation, and countless consumer products. While the mining and separation of rare earth elements receive most public attention, the greatest technical barriers often lie further downstream in the conversion of those materials into high-performance magnets.

Grain boundary diffusion emerged as one of the industry's most important innovations for reducing the amount of expensive heavy rare earth elements—particularly dysprosium and terbium—required

in a finished magnet while maintaining resistance to heat and demagnetization. Rather than distributing these materials evenly throughout a magnet, grain boundary diffusion selectively concentrates them where they provide the greatest performance benefit. The economic significance is substantial because dysprosium and terbium are among the most expensive and strategically important rare earth elements used in permanent magnets, making any process that reduces their consumption potentially valuable to manufacturers.

The origins of modern grain boundary diffusion technology trace largely to Japanese magnet manufacturers, particularly Shin-Etsu Chemical Co., Ltd. and other pioneers of the rare earth magnet industry, which spent decades developing methods to improve magnet performance while reducing dependence on scarce and expensive heavy rare earth elements. As the technology matured, research and development increasingly spread throughout Asia, particularly China, which today dominates global magnet manufacturing.

Jack Lifton, Co-Chair of the Critical Minerals Institute (CMI) and a veteran rare earth industry analyst, notes that grain boundary diffusion has been discussed, refined, and implemented across the magnet industry for many years. In a recent interview reviewing the MP Materials lawsuit, Lifton described the technology as part of a broader body of Chinese and Japanese magnet-manufacturing knowledge that has evolved over decades. He further noted that presentations on grain boundary diffusion have appeared at international magnetics conferences and that Chinese manufacturers have publicly demonstrated advanced variations of the process in recent years.

Those observations, however, do not address the central legal question before the court.

The lawsuit does not concern whether grain boundary diffusion itself is a known technology. Rather, MP Materials alleges that it developed its own proprietary formulations, component combinations, and manufacturing processes within that broader technological field and that those specific trade secrets were improperly disclosed and used by a competitor. USA Rare Earth has rejected MP Materials' characterization of the case and stated publicly that it will defend itself vigorously.

As the case proceeds, one of the central questions will be whether the information identified by MP Materials constitutes a legally protectable trade secret or whether it reflects industry knowledge that has been developed, refined, and disseminated throughout the global magnet industry over several decades.

Resolving that question may prove difficult. The number of individuals with deep technical expertise in grain boundary diffusion is relatively small, and much of the technology's commercial development occurred within a handful of Japanese and Chinese organizations. Industry observers note that many of the engineers and scientists who helped pioneer modern grain boundary diffusion techniques worked within Japan's magnet industry, particularly at companies such as Shin-Etsu Chemical Co., Ltd., before similar technologies became more widely adopted throughout Asia.

Should the case proceed to a detailed examination of the underlying science, it is likely that both sides will seek testimony from a limited pool of internationally recognized magnet experts. It would not be surprising if the court ultimately heard evidence from individuals with direct experience in the historical development of grain boundary diffusion technology, including experts associated with or formerly employed by Shin-Etsu and other pioneering magnet manufacturers. Their testimony could prove important in

determining where generally accepted industry knowledge ends and where company-specific trade secrets begin.

The Broader Context

The lawsuit unfolds against a backdrop of increasing concern in Washington over dependence on China for rare earth materials, metals, and permanent magnets.

In July 2025, MP Materials announced a major U.S. Department of Defense-backed financing package that included a US$400 million preferred equity investment and long-term price support mechanisms intended to accelerate domestic magnet production. The company has stated that it plans to significantly increase magnet output and develop a second Texas magnet manufacturing facility expected to begin commissioning in 2028.

USA Rare Earth has pursued its own expansion strategy. Public filings describe development plans for the Round Top rare earth project in West Texas, magnet manufacturing operations in Oklahoma, processing facilities in Texas and Colorado, and international expansion through acquisitions and strategic investments. The company has also publicly stated that it intends to develop proprietary grain boundary diffusion intellectual property to improve magnet performance.

The dispute therefore emerges as both companies seek to establish leading positions within a domestic rare earth supply chain that has become increasingly important to U.S. industrial and national security policy.

The litigation also carries broader economic significance for Texas. MP Materials continues to expand its Fort Worth magnet manufacturing operations, while USA Rare Earth’s flagship Round Top project is expected to require substantial capital

investment to advance toward production. Both companies have publicly outlined plans involving significant manufacturing activity, infrastructure development, and job creation within the state.

As a result, the dispute extends beyond the interests of the parties themselves. Texas has actively sought to position itself as a leader in critical minerals, advanced manufacturing, and supply chain reshoring, and both MP Materials and USA Rare Earth represent important components of that strategy. From an economic-development perspective, an outcome that allows both companies to continue advancing their respective Texas operations would align with the state's interest in attracting investment, creating jobs, and strengthening domestic rare earth supply chains. Whether the dispute ultimately proceeds through trial or is resolved through settlement remains uncertain, but the stakes extend beyond the legal claims themselves and into the future of Texas' emerging critical minerals industry.

Current Status

As of today, the litigation remains in its earliest stages. The May 22 filing represents the allegations of MP Materials. No court has ruled on the merits of those allegations, and no findings of fact have been made. No temporary injunction, final judgment, settlement, or trial verdict has been identified in the public record reviewed to date.

The next phase of the case is expected to focus on whether the information at issue qualifies as a legally protected trade secret, whether any disclosure occurred, whether the information was used by the defendants, and whether MP Materials is entitled to injunctive relief while the litigation proceeds.

As of the date of publication, no counterclaim or substantive

response by USA Rare Earth had been identified in the public record reviewed for this article. The defendants will have the opportunity to respond to MP Materials' allegations through the legal process.

The litigation may also invite greater scrutiny of how public funds are being deployed throughout the U.S. rare earth sector. As federal and state governments commit billions of dollars to competing projects, questions may emerge not only about intellectual property and commercial competition, but also about how policymakers assess technological capabilities, execution risk, and the allocation of taxpayer-supported capital. In that respect, the case extends well beyond the courtroom and into the broader debate over how the United States intends to rebuild a strategically important industry after decades of dependence on foreign supply chains.

For now, however, the dispute remains a collection of allegations rather than established facts. Throughout the complaint, MP Materials alleges that proprietary grain boundary diffusion technology was improperly disclosed and used by competitors. Those allegations have not been tested in court, and the defendants will have the opportunity to respond through the legal process.

What makes the case unusual is not the legal claims themselves, but the stature of the parties involved. At a time when the United States is investing heavily in domestic rare earth mining, processing, and magnet manufacturing, two of the most prominent participants in that effort now find themselves on opposite sides of a significant trade secrets dispute. The outcome may ultimately shape not only the relationship between MP Materials and USA Rare Earth, but also perceptions of technological leadership, competitive strategy, and government-supported industrial development across the broader critical

minerals sector.