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## The Secret's Out: The Third Circuit Clarifies Pennsylvania Trade Secret Law in *Advanced Fluid Systems, Inc. v. Huber*

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2021]

THE SECRET'S OUT: THE THIRD CIRCUIT CLARIFIES  
PENNSYLVANIA TRADE SECRET LAW IN  
*ADVANCED FLUID SYSTEMS, INC. v. HUBER*

INTRODUCTION

The notion of protecting confidential information from theft is not new.<sup>1</sup> The legal protection of this information as trade secrets dates as far back as the Roman Empire.<sup>2</sup> However, modern trade secret law can be traced back to the Industrial Revolution, when nineteenth-century factory owners in England lobbied for increased protection of workplace secrets.<sup>3</sup> This trade secret protection was enforced by English courts at common law, was spread to the United States, and was codified by state legislatures into forms that remain in effect today.<sup>4</sup> Although Congress passed a federal trade secret statute as recently as 2016, trade secret law has historically been considered a state issue.<sup>5</sup>

In 2020, the United States Court of Appeals for the Third Circuit decided a question of law relating to trade secret ownership in *Advanced Fluid Systems v. Huber*.<sup>6</sup> In *Huber*, the Third Circuit declared that merely “lawful possession” is necessary to bring suit, rather than fee simple ownership.<sup>7</sup>

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1. *See, e.g.*, 1 PETER S. MENELL, MARK A. LEMLEY & ROBERT P. MERGES, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE*: 2019 42 (2019) (detailing history of protecting intellectual property since the Roman Empire era).

2. *See id.* (noting Romans created a cause of action for misappropriation of trade secrets, although some scholars have cast doubt on the actual enforcement of these laws).

3. *See id.* (explaining in preindustrial economies, “craftsmen passed along their knowledge of the trade to their apprentice with the understanding that the know-how would be kept secret during the apprenticeship period[,]” but with the larger-scale factories created by the Industrial Revolution, trade secrets needed an additional form of protection (citing Catherine L. Fisk, *Working Knowledge: Trade Secrets, Restrictive Covenants in Employment, and the Rise of Corporate Intellectual Property, 1800–1920*, 52 *HASTING L.J.* 441, 450–41 (2001))).

4. *See id.* at 42–43 (describing origins of modern trade secret law).

5. *See* Defend Trade Secrets Act of 2016, 18 U.S.C. § 1836 (West 2016); John Cannan, *A (Mostly) Legislative History of the Defend Trade Secrets Act of 2016*, 109 *LAW LIBR. J.* 363, 364–65 (2017) (explaining the need for a federal remedy as trade secret theft often occurred across state and national borders). As one commentator has observed, “[F]ederal civil court actions would give trade secret owners a more efficient means to serve and prosecute those they saw as infringers, proceeding through the federal court process instead of those of multiple states.” *Id.* (citing *Protecting Trade Secrets: The Impact of Trade Secret Theft on American Competitiveness and Potential Solutions to Remedy This Harm: Hearing Before the S. Comm. on the Judiciary*, 114th Cong. (2015) (statement of Thomas R. Beall, Vice President & Chief Intellectual Property Counsel, Corning Inc.).

6. 958 F.3d 168 (3d Cir. 2020). For further discussion of the Third Circuit’s analysis of *Huber*, see *infra* notes 88–107 and accompanying text.

7. *Huber*, 958 F.3d at 179–80.

This Casebrief discusses the Third Circuit's ruling in *Huber* and explores the fundamental difference between real property and intellectual property implicit in the court's opinion.

Part I of this Casebrief discusses the differences between real and intellectual property, the origins of the Pennsylvania Trade Secrets Act, and the ways courts have interpreted the trade secret ownership requirement. Next, Part II provides background on the facts of *Huber*. Then, Part III discusses the Third Circuit's reasoning and holding in *Huber*. Following this discussion, Part IV argues that the decision must be considered in light of the fundamental differences between real property law and intellectual property, with the decision finding further support when viewed with the overarching goals of intellectual property and tort law in mind. Finally, Part V predicts the impact that *Huber* will have on standing for future trade secret cases in Pennsylvania.

## I. BACKGROUND

This Part first provides background on the common law origins of trade secret law and the fundamental differences between tangible and intellectual property.<sup>8</sup> Then, once this foundation is established, this Part examines modern trade secret statutes and case law regarding ownership of such secrets.<sup>9</sup>

### A. *Theoretical and Common Law Origins of Trade Secret Law*

Generally, trade secrets “protect confidential commercially valuable information against unauthorized use by third parties.”<sup>10</sup> Trade secret protection derives value from the very thing its name suggests: secrecy.<sup>11</sup> In contrast with patent law, which requires disclosure of the invention in exchange for a twenty-year period of exclusivity, trade secret protection can last forever “as long as the information is kept confidential.”<sup>12</sup> This is why many companies keep their valuable information, including the “formula for Coca-Cola®, the recipe for Kentucky Fried Chicken®, and the ‘secret sauce’ for McDonald’s® Big Mac®” as trade secrets.<sup>13</sup> But

8. For further discussion of the common law origins of trade secret law and its differences from intellectual property law, see *infra* notes 10–43 and accompanying text.

9. For further discussion of modern trade secret law statutes and case law, see *infra* notes 44–63.

10. Chris Simboli, *Intellectual Property Law Considerations for Business Lawyers*, 61 APR ADVOC. 38, 39 (2018) (defining trade secrets).

11. See DTM Rsch., L.L.C. v. AT&T Corp., 245 F.3d 327, 332 (4th Cir. 2001) (“The ‘proprietary aspect’ of a trade secret flows, not from the knowledge itself, but from its secrecy.”).

12. Simboli, *supra* note 10, at 38–39 (explaining there is “no legal mechanism for the registration of a trade secret” because the secrets only retain their value by being *secret*, and that any type of registration would defeat the purpose of a trade secret).

13. *Id.*

choosing to protect information as a trade secret comes with some risk; once the secret is out, the information is no longer protected.<sup>14</sup>

The distinctions between real property and intellectual property impact how trade secrets law should be interpreted.<sup>15</sup> The law of real property, or tangible property, is “among the oldest institutions of human civilization.”<sup>16</sup> Both the common law and criminal law have long protected private, real property from intrusion by others.<sup>17</sup> The philosophical bases for protecting tangible property are deeply-rooted in our society.<sup>18</sup> Tangible property is physical matter; it can occupy only one space at any given time.<sup>19</sup> Thus, possession of physical property must be exclusive.<sup>20</sup> The central idea of real property lies in the ability of the owner to exclude others from the use of it.<sup>21</sup>

As opposed to real property, intellectual property is much less tangible.<sup>22</sup> Consequently, ideas do not have the same exclusive characteristics

14. *See id.*

15. For further discussion about how the differences between real property and intellectual property apply to *Huber*, see *infra* notes 108–33 and accompanying text.

16. MENELL ET AL., *supra* note 1, at 1 (explaining “[i]t is widely recognized that people may own real property and tangible objects”).

17. *See, e.g.*, *Bell v. United States*, 462 U.S. 356, 358–59 (1983) (noting the evolution of laws protecting private property since the 13th century); Michael E. Tigar, *The Right of Property and the Law of Theft*, 62 TEX. L. REV. 1443, 1451–60 (1984) (describing the early common law origins of the law of theft in medieval England).

18. *See generally* John Locke, *TWO TREATISES ON GOVERNMENT* (3rd ed. 1698) (justifying tangible property rights with a natural rights theory that focused on applying labor to nature); John Rawls, *A THEORY OF JUSTICE* (1971) (concluding that “primary goods” and the “bases of self-respect” must be distributed to the “maximal advantage of a representative member of the least advantaged social class” based on principles that rational people behind a “veil of ignorance” would apply); Margaret Jane Radin, *Property and Personhood*, 34 STAN. L. REV. 957, 959 (1982) (framing property as objects that are “closely bound up with personhood because they are part of the way we constitute ourselves as continuing personal entities in the world”).

19. MENELL ET AL., *supra* note 1, at 2 (noting finite nature of tangible property); *see also* John M. Kraft & Robert Hovden, *Natural Rights, Scarcity & Intellectual Property*, 7 N.Y.U. J.L. & LIBERTY 467, 475–78 (2013) (“In the physical world, every object’s use has a beginning and an end, and in most cases, requires possession by someone. This is the economic phenomenon known as scarcity.”).

20. *See* Irina D. Manta, *Keeping IP Real*, 57 HOUS. L. REV. 349, 354 (2019) (“Examples of rivalrous resources abound when it comes to land and chattels. Two or more people cannot stand in the exact same spot at the same time. They cannot write different things with the same pen simultaneously.”); *see also* MENELL ET AL., *supra* note 1, at 2 (explaining the nature of exclusivity in tangible property as “if I have it, you don’t”).

21. *See* MENELL ET AL., *supra* note 1, at 2 (“Settled ownership rights in land and goods are thought to prevent both disputes over who can use the property for what purpose, and the overuse of property that would result if everyone had common access to it.”).

22. *See* Mark A. Lemley, *What’s Different About Intellectual Property?*, 83 TEX. L. REV. 1097, 1099 (2005) [hereinafter Lemley, *What’s Different?*] (“I can use and im-

that make up real property.<sup>23</sup> For example, if someone has a particular idea and they tell someone else, one person will not be deprived of the idea; rather, they both will possess it.<sup>24</sup> One of the key justifications for intellectual property rights was to ensure creators had the right incentives to engage in innovation.<sup>25</sup> If a creator knew that their invention or idea can be stolen by others, why would they take the time and resources to create in the first place?<sup>26</sup> Intellectual property law solves this problem by allowing an inventor to exclude others from using their idea.<sup>27</sup> This economic incentive helps promote the public welfare by encouraging the creation of new and useful ideas that can better society as a whole.<sup>28</sup>

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prove on an idea without having any sort of physical or legal control over it, and my use of an idea does not deplete it or interfere with the ability of others to use it.”); *see also* Kraft & Hovden, *supra* note 19, at 478 (“In the world of ideas and knowledge, such scarcity is lacking.” (citing N. Stephan Kinsella, *AGAINST INTELLECTUAL PROPERTY* 32 (2008))).

23. *See* Lemley, *What’s Different?*, *supra* note 22, at 1099 (“[C]onsumption of intellectual property is nonrivalrous, meaning that one of the benefits of physical property rights—avoiding the tragedy of the commons—simply disappears.”); Thomas B. Nachbar, *The Comedy of the Market*, 30 *COLUM. J.L. & ARTS* 453, 454 (2007) (“Intellectual works are similarly poorly adapted to excludability, since, once intellectual works are publicly distributed, there is no tangible object whose possession can readily prevent their uncontrolled sharing.”).

24. *See* MENELL ET AL., *supra* note 1, at 2 (“If I know a particular piece of information, and I tell it to you, you have not deprived me of it.”); Nachbar, *supra* note 23, at 454 (“If I hear a story, I can pass that story on to another without diminishing my own understanding or enjoyment of the story.”).

25. *See* Yochai Benkler, *Siren Songs and Amish Children: Autonomy, Information, and Law*, 76 *N.Y.U. L. REV.* 23, 59 (2001) (“The Supreme Court has held consistently and unanimously that American law explicitly treats intellectual property rights in utilitarian terms, as limited monopolies granted to the extent necessary to create incentives for production.” (first citing *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 575 (1995); then citing *Feist Publ’ns v. Rural Tel. Serv.*, 499 U.S. 340, 349–50 (1991); then citing *Graham v. John Deere Co.*, 383 U.S. 1, 5–6 (1996))); Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 *TEX. L. REV.* 1031, 1031–32 (2005) (“Intellectual property protection in the United States has always been about generating incentives to create.”).

26. *See* MENELL ET AL., *supra* note 1, at 19–20.

27. *See id.* at 19 (“Without such protection, others could copy or otherwise imitate the intellectual work without incurring the costs and effort of creation, thereby inhibiting the original creators from reaping a reasonable return on their investment.”); Steve P. Calandrillo, *An Economic Analysis of Intellectual Property Rights*, 9 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 301, 310–11 (1998) (explaining that because people are motivated by monetary rewards, Congress created intellectual property laws to help spur creation).

28. *See, e.g.*, *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974) (noting that the right to exclusion incentive offered by intellectual property law is designed to foster innovation which will in turn “have a positive effect on society through the introduction of new products and processes . . . .”); *see also* Jeanne C. Fromer, *A Psychology of Intellectual Property*, 104 *Nw. U. L. REV.* 1441, 1458 (2010) (explaining that “utilitarianism is the prevailing approach to understanding intellectual property in the United States because of the constitutional language enabling Congress to enact copyright and patent laws in the first instance.” (footnote omitted) (citing U.S. CONST. art. I, § 8, cl. 8)).

While the basic trade-off for intellectual property law usually lies in the disclosure of the innovation or idea in exchange for the right to exclude others from using the idea, trade secret law is somewhat different.<sup>29</sup> A trade secret owner is rewarded not for disclosure, but rather the opposite: for keeping information secret for what could be an unlimited duration.<sup>30</sup> Thus, trade secret law can be considered a form of “*private*” intellectual property law under which creators establish contractual limitations or build legal ‘fences’ that afford protection from misappropriation.<sup>31</sup> While trade secret law found roots in common law property and tort theories, trade secrets also exist to foster many of the same goals as other forms of intellectual property, including the promotion of innovation and “efficient disclosure of secrets.”<sup>32</sup> Trade secret law encourages research and development in the areas that patent law does not reach and, paradoxically, promotes broader dissemination of information.<sup>33</sup>

Modern-day intellectual property law of patents and copyrights can be traced back to England’s Statute of Monopolies in 1623 and Statute of Anne in 1710.<sup>34</sup> Trade secret law originated much later.<sup>35</sup> The modern

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29. See MENELL ET AL., *supra* note 1, at 36–37 (noting trade secret law differs from other intellectual property doctrines by not being disclosure-based); Michael Risch, *Why Do We Have Trade Secrets?*, 11 MARQ. INTELL. PROP. L. REV. 1, 11 (2007) (“Trade secrets differ from other forms of intellectual property in many ways.”).

30. See Risch, *supra* note 29, at 11 (noting that “the trade secret owner is rewarded for keeping information that is neither new nor original away from the public for an unlimited duration”).

31. MENELL ET AL., *supra* note 1, at 36 (explaining how trade secrets can still be considered a type of intellectual property rights).

32. *Id.* at 44–46 (explaining the several justifications of trade secrets law); Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets as IP Rights*, 61 STAN. L. REV. 311, 329–37 (2008) [hereinafter Lemley, *Surprising Virtues*] (explaining how trade secrets promote an incentive to invent and efficiently disclose secrets). The amount of innovation that trade secret law actually incentivizes has been disputed by scholars. See Risch, *supra* note 29, at 26–27 (explaining that the incentive to innovate is a “very minor justification of trade secret law” as companies would still protect information by keeping it secret in absence of any trade secret law).

33. See Lemley, *Surprising Virtues*, *supra* note 32, at 332–37 (explaining how trade secret law actually allows for greater disclosure of information as it serves as a substitute for investments in physical secrecy that companies might otherwise make and its existence as a legal right allows companies to share the secret information with the knowledge that if the other party breaches, a legal remedy exists).

34. See Edward C. Walterscheid, *Defining the Patent and Copyright Term: Term Limits and the Intellectual Property Clause*, 7 J. INTELL. PROP. L. 315, 324–36 (2000). The Statute of Monopolies “gave the crown discretion to issue monopoly patents for invention for any term of fourteen years or less.” *Id.* at 325. Likewise, the Statute of Anne allowed for a copyright term of fourteen years and renewal term of the same length if the author was still living at the end of the first term. See *id.* at 333–36.

35. Lemley, *Surprising Virtues*, *supra* note 32, at 315 (2008) (“While patent and copyright law were well established in Europe by the founding of the Republic, and trademark law had common law roots in various trade doctrines, trade secret law in its modern form in Anglo-American jurisprudence is a common law creation of the nineteenth century.”).

version of trade secret law began as a common law concept in early nineteenth-century England during the rise of industrialization, as a response to broadening demand for protection for workplace trade secrets that were otherwise ineligible for patent protection.<sup>36</sup> In *Vickery v. Welch*,<sup>37</sup> a Massachusetts court was the first to apply trade secret law in the United States.<sup>38</sup> In *Vickery*, a chocolatier named Jonas Welch sold his business and secret chocolate-making method to John Vickery.<sup>39</sup> But instead of keeping the process secret, Welch told others how he made his chocolates.<sup>40</sup> Vickery, the new business owner, then sued Welch, claiming that Welch breached their sales contract when he divulged the secret of the chocolate-making process to others.<sup>41</sup> The court determined Welch had wronged Vickery, the new business owner, and explained that public knowledge of the chocolate-making secret method defeated the purpose of the deal.<sup>42</sup> After the *Vickery* case, trade secret law continued to spread under common law theories of property and tort law.<sup>43</sup>

#### B. *Modern State Statutes and Evolving Case Law Across the Country*

As the common law doctrine of trade secrets continued to evolve, many states developed their own understanding of trade secret law, causing complexity and a lack of uniformity.<sup>44</sup> To remedy this issue, the Uniform Law Commission published the Uniform Trade Secrets Act (“UTSA”) in 1979, versions of which have since been enacted by forty-eight states.<sup>45</sup> While states first started to adopt the UTSA in 1981, Penn-

36. See *id.* at 315–16; MENELL ET AL., *supra* note 1, at 42 (explaining the history of trade secret law).

37. 36 Mass. (1 Pick.) 523 (1837).

38. See Lemley, *Surprising Virtues*, *supra* note 32, at 315.

39. *Vickery*, 36 Mass. (1 Pick.) at 525–27.

40. *Id.*

41. *Id.*

42. *Id.* at 526–27.

43. See, e.g., *Peabody v. Norfolk*, 98 Mass. 452, 460–61 (Mass. 1868) (holding that the defendant breached his employment contract by disclosing a trade secret); *Stone v. Goss*, 65 N.J. Eq. 756, 760–63 (N.J. 1903) (holding that an express or implied contract can prevent a party from disclosing a former employer’s trade secrets even after employment ended); *Tabor v. Hoffman*, 118 N.Y. 30, 37 (N.Y. 1889) (enjoining a competitor, who “surreptitiously copied” the plaintiff’s secret patterns for a pump, from using the patterns because the trade secret was “the property of the plaintiff, who owned not only the material substance, but also the discovery which they embodied” even though the pump itself was publicly available); see also D. Kirk Jamieson, *Just Deserts: A Model to Harmonize Trade Secret Injunctions*, 72 NEB. L. REV. 515, 522–25 (1993) (detailing the early history of United States trade secret law and its evolution after *Vickery*).

44. See Patrick Ruelle, *The Defend Trade Secrets Act: Why Interpreting the New Law on Its Own Terms Promotes Uniformity*, 21 MARQ. INTELL. PROP. L. REV. 249 (2017) (noting the confusion stemming from each state developing their own common law trade secret doctrines).

45. See *id.*; see also Robert C. Denicola, *The New Law of Ideas*, 28 HARV. J.L. & TECH. 195, 199 (2014) (noting that “[t]he drafters of the UTSA sought not only

sylvania continued to rely on common law until 2004, when it adopted the UTSA.<sup>46</sup> Under the Pennsylvania Uniform Trade Secrets Act (“PUTSA”), a trade secret is information that “(1) the owner has taken reasonable means to keep secret; (2) derives independent economic value, actual or potential, from being kept secret; (3) is not readily ascertainable by proper means; and (4) others who cannot readily access it would obtain economic value from its disclosure or use.”<sup>47</sup>

The United States Court of Appeals for the Fourth Circuit considered the ownership requirement of trade secrets when applying the Maryland Uniform Trade Secrets Act in *DTM Research, L.L.C. v. AT&T Corp.*<sup>48</sup> DTM, a company with expertise in analyzing large amounts of data, was in the process of negotiating an employment contract with telecommunications giant AT&T.<sup>49</sup> DTM claimed its data mining process was a trade secret and had AT&T employees sign confidentiality agreements.<sup>50</sup> After DTM demonstrated its process to AT&T, contract negotiations broke down and the two companies failed to reach a deal.<sup>51</sup> Following the failed negotiations, DTM claimed that AT&T took the trade secrets it learned during DTM’s demonstration and incorporated them into AT&T’s own system.<sup>52</sup>

AT&T argued that “well established principles of trade secrets law oblige a plaintiff, as part of its prima facie case, to establish that it owns the trade secret that is the subject of the dispute.”<sup>53</sup> The Fourth Circuit explained that, as opposed to real property, the idea of a “fee simple” interest in a trade secret is not particularly relevant when considering the definition of a trade secret under Maryland law.<sup>54</sup> The proprietary value of a trade secret, the Fourth Circuit declared, arises “not from the knowledge itself, but from its secrecy[,]” which can be destroyed once the secrecy is lost.<sup>55</sup> In turn, “one ‘owns’ a trade secret when one knows of it, as

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uniformity, but also clarity and improvement through codification of what they viewed as better-reasoned results”).

46. See Denicola, *supra* note 45, at 199 n.22 (explaining that Arkansas, Kansas, Louisiana, and Minnesota were the first adopters of the UTSA in 1981); Kurt M. Saunders, *Can You Keep A (Trade) Secret?—the Pennsylvania Uniform Trade Secrets Act*, 75 Pa. B.A. Q. 139, 139–40 (2004) (recognizing that Pennsylvania adopted the UTSA in 2004).

47. Alois Valerian Gross, *What Is “Trade Secret” so as to Render Actionable Under State Law its Use or Disclosure by Former Employee*, 59 A.L.R.4th 641, 644 (1987); see 12 Pa.C.S. §§ 5301–08.

48. 245 F.3d 327 (4th Cir. 2001).

49. *Id.* at 329.

50. *Id.* at 330.

51. *Id.*

52. *Id.*

53. *Id.* at 331 (citing *Surgidev Corp. v. Eye Tech. Inc.*, 648 F. Supp. 661, 679–80 (D. Minn. 1986)).

54. *Id.* at 332 (internal quotation marks omitted) (noting the “inherent nature of a trade secret limits the usefulness of an analogy to property in determining the elements of a trade-secret misappropriation claim”).

55. *Id.*

long as it remains a secret.”<sup>56</sup> Therefore, the court reasoned that DTM did not have to demonstrate “fee simple” ownership in the trade secret; possession can suffice as long as the information still meets the requirements of a trade secret under Maryland law.<sup>57</sup>

In *Brigham Young University v. Pfizer, Inc.*,<sup>58</sup> the United States District Court for the District of Utah declined to follow the possession approach as outlined by the Fourth Circuit.<sup>59</sup> The district court stated that “[t]here is ample authority for the proposition that one must own a trade secret to sue for its misappropriation[,]” and dismissed a trade secret misappropriation action because the plaintiff was not the sole owner of the secret.<sup>60</sup> While the plaintiff cited *DTM* to support the proposition that ownership is not required for a trade secret misappropriation suit, the Utah court declined to follow this rule without acknowledging whether it considered the Fourth Circuit’s interpretation in *DTM* correct.<sup>61</sup>

In *Huber*, the Third Circuit faced an issue similar to the one the Utah District Court faced in *Pfizer*.<sup>62</sup> Relying on the Fourth Circuit’s reasoning in *DTM*, the Third Circuit held that fee simple ownership of a trade secret is not necessary to bring suit under PUTSA; only “lawful possession” is required.<sup>63</sup> This Casebrief discusses the Third Circuit’s ruling and explores the fundamental differences between real property and intellectual property implicit in the court’s opinion.

## II. FACTS AND PROCEDURAL HISTORY

Advanced Fluid Systems (“AFS”) manufactures hydraulic systems for heavy machinery.<sup>64</sup> In September 2009, AFS contracted with the Virginia Commonwealth Space Flight Authority (“Space Authority”) to build a hydraulic system for the NASA rocket launch facility on Wallops Island, Virginia.<sup>65</sup> Huber, a full-time sales engineer at AFS from November 2006 to

56. *Id.* (citing MD. CODE. ANN., COM. LAW II § 11-1201(c)) (“Thus, one who possesses non-disclosed knowledge may demand remedies as provided by the Act against those who ‘misappropriate’ the knowledge.”).

57. *Id.* at 332–33.

58. No. 2:06-CV-890 TS 2012 WL 1032769 (D. Utah Mar. 27, 2012).

59. *Id.* at 2 n.13 (holding that a plaintiff did not have a valid trade secret misappropriation claim because he did not actually own the trade secret).

60. *Id.* at 2 (explaining an employee who developed the trade secrets while working for Brigham Young University does not have standing to assert a trade secret misappropriation claim).

61. *Id.* at 2 n.13 (“Without stating whether BYU’s interpretation of [*DTM*] is correct, the Court notes that the decision is not binding, and, to the extent that the case would mean that Simmons had a claim for trade secret misappropriation, the Court will not follow it.”).

62. *See* *Advanced Fluid Sys., Inc. v. Huber*, 958 F.3d 168 (3d Cir. 2020).

63. *Id.* at 179–80. (showing the lower hurdle of “lawful possession,” rather than fee simple ownership, is enough to file suit).

64. *See* *Advanced Fluid Sys., Inc. v. Huber*, 295 F. Supp. 3d 467, 470 (M.D. Pa. 2018).

65. *Id.* at 471.

October 2012, was intimately involved with the development of this hydraulic system.<sup>66</sup> During this time, AFS provided the Space Authority a “comprehensive package of engineering drawings” related to the design and installation of the hydraulic system.<sup>67</sup> According to the terms of their agreement, anything AFS employees generated during the performance of the contract were deemed the “exclusive property” of the Space Authority.<sup>68</sup> And yet, every single drawing AFS provided to the Space Authority was stamped with an AFS confidentiality stamp emphasizing the “propriety” of the drawings belonged with AFS.<sup>69</sup>

In September of 2012, Orbital Sciences Corporation (“Orbital”) acquired control of the Space Authority’s launch system, which included the hydraulic system designed and manufactured by AFS.<sup>70</sup> Meanwhile, while he was still a full-time AFS employee, Huber began communicating with Livingston, a competitor of AFS, about the hydraulic systems AFS was creating for the Space Authority, which was now known as Orbital.<sup>71</sup> After claiming Orbital was unhappy with AFS, Huber began sending Livingston “various confidential AFS internal documents and engineering drawings.”<sup>72</sup>

Then, when Orbital sought bids for two hydraulic system projects, Huber worked closely with both Livingston and AFS to ensure that “Livingston’s bid was more competitive” for the first project.<sup>73</sup> Once awarded the project, Livingston’s team relied “extensively on confidential engineering drawings that AFS had created and Huber stole” as they approached the design process.<sup>74</sup> For the second project, a “cylinder upgrade,” while again working closely with Livingston on the bid, Huber failed to divulge

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66. *Id.* at 473 (noting Huber eventually became AFS’s “*de facto* project manager”).

67. *Id.*

68. *Advanced Fluid Sys., Inc. v. Huber*, No. 1:13-CV-3087, 2017 WL 2445303, at \*2 (M.D. Pa. June 6, 2017)).

69. *Huber*, 295 F. Supp. 3d at 484. The confidentiality stamp read: “This drawing discloses propriety and confidential data of Advanced Fluid Systems, Inc., and may not be used disclosed or released, in whole or in part, for any purpose outside the authorized recipient, without signed authorization, and must be returned upon request.” *Id.*

70. *Advanced Fluid Sys., Inc. v. Huber*, 958 F.3d 168, 174 (3d Cir. 2020) (noting “AFS did not execute a non-disclosure agreement with Orbital, but Orbital maintained a practice of only disclosing AFS’s drawings on a need-to-know basis”).

71. *Id.*

72. *Id.* (“To communicate with Huber, the Livingston Parties created a commercial Dropbox folder, installed a virtual private network on Huber’s AFS laptop, and provided him with a Livingston email address.”).

73. *Id.* at 174–75 (noting while working with AFS, Huber “succeeded in inflating [AFS’s bid] by over \$130,000 to ensure that Livingston’s bid was more competitive”).

74. *Id.* at 175.

information about Orbital's project objectives to AFS and encouraged AFS to only bid on an option not preferred by Orbital.<sup>75</sup>

Then, in October 2012, Huber resigned from AFS and formed his own business entity, INSYSMA, to submit his own bid for the cylinder upgrade project.<sup>76</sup> Before resigning from AFS, Huber "downloaded nearly 98 gigabytes of AFS's proprietary files to an external hard drive, including its engineering drawings, bills of materials, and other documents for the hydraulic system . . ."<sup>77</sup> Huber continued to share confidential AFS documents with Livingston, but in the end, Orbital awarded the cylinder upgrade project bid to Huber's own business, INSYSMA.<sup>78</sup>

In December 2013, AFS sued Huber, INSYSMA, Livingston, and Orbital for misappropriation of trade secrets under PUTSA and brought federal claims under the Lanham Act and the Computer Fraud and Abuse Act.<sup>79</sup> AFS and Orbital reached a settlement agreement and Orbital was dismissed from the case.<sup>80</sup> The federal claims were either dismissed or abandoned by AFS.<sup>81</sup> The district court declined to dismiss the trade secret claims under Pennsylvania law.<sup>82</sup> On summary judgment, the district court "concluded as a matter of law that the information at issue qualified as trade secrets and that the Huber Parties were liable under the Trade Secrets Act for misappropriating it."<sup>83</sup>

The court held a bench trial regarding the Livingston Parties.<sup>84</sup> At the conclusion of the bench trial, the district court found that the Livingston Parties were liable for misappropriating AFS's trade secrets.<sup>85</sup> De-

75. *Id.* (noting Huber provided Livingston with confidential AFS documents for the cylinder upgrade project).

76. *Id.*

77. *Id.* (stating these documents pertained to all of AFS's "pending and past project files dating back to 1993").

78. *Id.*

79. *See* *Advanced Fluid Sys., Inc. v. Huber*, No. 1:13-CV-3087, 2017 WL 2445303, at \*7 (M.D. Pa. June 6, 2017). In addition to Huber, INSYSMA, Livingston, and Orbital, ASF named other defendants. *Id.* at \*1. These additional defendants included Livingston's president, Clifton Vann, and Thomas Aufiero, a former AFS employee who left to become a regional sales manager at Livingston in 2011. *Id.* at \*2-3. AFS also brought claims of breach of fiduciary duty and aiding and abetting breach of fiduciary duty. *Id.* at \*7.

80. *Huber*, 958 F.3d 168, 175. AFS dismissed Orbital "in exchange for Orbital's agreement to grant AFS a subcontract for certain work on the hydraulic system." *Id.*

81. *Id.*

82. *Id.*

83. *Id.* at 176.

84. *Id.* During the trial, one of the Livingston Defendants' lawyers, Philip Morin, informed the trial court that he was not admitted to practice before it. *Id.* The trial court permitted Morin to continue his representation, but after the trial, Morin failed to submit proposed findings of fact and conclusions of law by the appropriate deadline. *Id.* This issue would be relevant for one of the defendants' arguments on appeal. *Id.*

85. *Id.* Further, "[t]he Court awarded AFS compensatory damages from all Appellants, based on lost profits, exemplary damages under the Act against Huber

Defendants filed several post-trial motions, all of which were denied by the trial court.<sup>86</sup> Each Defendant party then appealed.<sup>87</sup>

### III. NARRATIVE ANALYSIS

On appeal, the Third Circuit considered arguments regarding ownership of trade secrets, the conduct of Defendants' counsel at trial, and other issues regarding damages.<sup>88</sup> Ultimately, the Third Circuit agreed with the trial court's reasoning and affirmed the judgment in its entirety.<sup>89</sup>

The central issue on appeal was whether AFS could maintain a trade secret claim under Pennsylvania law even though its contract with the Space Authority expressly granted the Space Authority ownership over AFS's confidential information.<sup>90</sup> Defendants argued that: (1) AFS did not own the trade secrets; (2) even if ownership is not a prerequisite for standing, AFS lacked standing because it did not lawfully possess the trade secrets; and (3) the information at issue could not be classified as trade secrets because "inadequate measures were taken to ensure their continued secrecy."<sup>91</sup>

First, the Third Circuit rejected Defendants' argument that AFS did not own the trade secrets.<sup>92</sup> The court relied on the reasoning of *DTM*, a Fourth Circuit decision, that dealt with a similar issue.<sup>93</sup> Following the *DTM* court, the Third Circuit explained that while ownership of real property is sufficient to maintain a trade secret misappropriation claim, it is not necessary.<sup>94</sup> Such a requirement would impede upon the "substantial interest that lawful possessors of the secrets have in the value of that secrecy," and would not be consistent with statutory language that lacks such

alone for his trade secret theft, and punitive damages against Huber, Livingston, and Vann, jointly and severally, stemming from Huber's breach of fiduciary duty." *Id.*

86. *Id.* The post-trial motions argued:

(i) the Livingston Parties were entitled to a new trial because of the misconduct and negligence of their insurer-retained counsel; (ii) the evidence did not support a punitive damages award against the Livingston Parties; (iii) the District Court incorrectly failed to reduce its compensatory damages award by the amount of AFS's settlement with Orbital; and (iv) certain additional costs were improperly excluded from the District Court's lost-profits analysis.

*Id.*

87. *Id.*

88. *Id.*

89. *Id.* (affirming the Middle District of Pennsylvania's decision).

90. *Id.* at 177 (noting the "predominant" issue on appeal).

91. *Id.*

92. *Id.* at 177–78.

93. *Id.* at 177. "After examining the text of the Act and surveying cases from other jurisdictions that have adopted some version of the Uniform Trade Secrets Act, the District Court explained why it is appropriate to follow the reasoning set forth in *DTM* . . ." *Id.* (citation omitted). For a detailed overview of the Fourth Circuit's reasoning in *DTM*, see *supra* notes 48–57 and accompanying text.

94. *Id.*

element.<sup>95</sup> The court noted that the Maryland Uniform Trade Secrets Act is similar to the Pennsylvania version because both lack ownership requirements on their face.<sup>96</sup> Thus, ownership “is not the sole kind of interest that is relevant and subject to protection.”<sup>97</sup>

Second, the court rejected Defendants’ argument that AFS did not lawfully possess the information it claims as trade secrets.<sup>98</sup> Here, Defendants argued that the transfer of rights to the trade secrets included in the contract prevented AFS from lawfully possessing them.<sup>99</sup> However, AFS physically maintained possession of the drawings and trade secrets and was required to use those secrets to meet its obligations under the contract.<sup>100</sup> Further, the record showed that the Space Authority, despite being the “owner” of the trade secrets, neither complained about AFS’s use of the information nor pushed back when AFS attached confidentiality notices to the trade secret documents.<sup>101</sup> As the court noted, the owner of a trade secret has the authority to give others lawful possession, which was the case here as “possessory rights were given to AFS, even if a full ownership interest was not.”<sup>102</sup> Thus, AFS lawfully possessed the trade secrets.<sup>103</sup>

Lastly, Defendants asserted that the alleged trade secrets were not protectable under the law and that there was a genuine dispute of material fact as to the reasonableness of the measures AFS took to ensure se-

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95. *Id.* (summarizing the DTM court’s reasoning). In DTM, the Fourth Circuit explained that “[t]he proprietary aspect of a trade secret flows, not from the knowledge itself, but from its secrecy[,]” because “[i]t is the secret aspect of the knowledge that provides value to the person having the knowledge . . . . While the information forming the basis of a trade secret can be transferred, as with personal property, its continuing secrecy provides the value, and any general disclosure destroys the value.” *Id.* (alterations in original) (quoting *DTM*, 245 F.3d at 332).

96. *Id.* at 177–78 (explaining the similarities between the Maryland and Pennsylvania trade secret laws). The court further explained that “while DTM’s rationale rejects the notion that trade secrets are just like tangible property, it still rests on the premise that trade secrets are a species of property, a view entirely consistent with Pennsylvania’s common law prior to the enactment of its version of the uniform act.” *Id.* at 178 (citing *Heraeus Med. GmbH v. Esschem, Inc.*, 927 F.3d 727, 738 (3d Cir. 2019)).

97. *Id.* at 178 (rejecting Defendants’ argument).

98. *See id.* (finding the second contention “similarly unavailing”).

99. *Id.*

100. *Id.*

101. *Id.* at 179 (noting the actions of the Space Authority after the contract, which show they recognized that AFS had lawful possession of the information).

102. *Id.* (concluding “[t]he course of conduct evident in the record shows that AFS clearly had permission to hold and use the secrets”). The court further noted that had the agreement between AFS and the Space Authority explicitly contained a license for AFS’s benefit, “any dispute about lawful possession could have been avoided.” *Id.* (citing *Metso Minerals Indus. v. FLSmith-Excel L.L.C.*, 733 F. Supp. 2d 969, 971–72 & n.4 (E.D. Wis. 2010)).

103. *See id.* (“But Appellants cite no authority for the proposition that one who retains and uses a trade secret owned by another for that owner’s benefit, with that owner’s knowledge, and, at a minimum, with that owner’s implied consent, does not lawfully possess that trade secret. We decline to adopt such a counter-intuitive rule of law.” (footnote omitted)).

crecy.<sup>104</sup> Specifically, Defendants argued that because AFS provided the information to the Space Authority, a public entity, without a formal non-disclosure or confidentiality agreement, the trade secret status was lost.<sup>105</sup> However, the court explained that while the Space Authority never signed a formal confidentiality agreement with AFS, it still acted as though it had a duty to do so.<sup>106</sup> Thus, the court dismissed all of Defendants' arguments opposing AFS's trade secret misappropriation claims.<sup>107</sup>

#### IV. CRITICAL ANALYSIS

This Part explores the fundamental differences between real property and intellectual property addressed in *Huber*, a distinction that both the Third and Fourth Circuits have recognized.<sup>108</sup> This Casebrief argues that these fundamental differences help inform why the Third Circuit's decision is justified in light of both tort and intellectual property law justifications of trade secrets.<sup>109</sup> As previously discussed, possession of tangible property is necessarily exclusive, unlike ideas, which do not contain the inherent danger of overuse or overdistribution.<sup>110</sup> Therefore, the traditional rationales for protecting tangible property are not always proper for justifying intellectual property.<sup>111</sup>

Because trade secrets consist of ideas, which do not have to be exclusively in a single place at any given time, it follows that a *per se* exclusive ownership requirement is not necessary because two separate entities, such as AFS and the Space Authority, can simultaneously possess the same

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104. *Id.*

105. *Id.* (explaining public entities are subject to a state's open records law).

106. *Id.* at 180 (agreeing with the district court's rationale that Space Authority only disclosed AFS's trade secrets to third parties when necessary and honored AFS's proprietary designation).

107. *See id.* (dismissing Defendants' trade secret misappropriation arguments). The Third Circuit also rejected Defendants' remaining arguments. *Id.* at 181–88. First, the court rejected the argument that a new trial should be granted because of the conduct of the Livingston Parties' counsel. *Id.* at 180–83. Additionally, the Third Circuit ruled that the district court did not err with regards to punitive damages against Defendants Vann and Livingston. *Id.* at 183–84. Regarding the final two issues, the Third Circuit considered whether the district court “failed to set-off the value of AFS's settlement with Orbital from the compensatory damages it awarded to AFS” and the lost profit damages calculation awarded to AFS. *Id.* at 185–88. In both cases, the Third Circuit once again held the district court did not err. *Id.*

108. *See id.* at 177–78; *DTM Res., L.L.C. v. AT&T Corp.*, 245 F.3d 327, 332 (4th Cir. 2001) (“The conceptual difficulty arises from any assumption that knowledge can be owned as property.”).

109. *See infra* notes 115–33 and accompanying text.

110. *See supra* notes 15–28 and accompanying text (describing the fundamental differences between tangible and intellectual property).

111. *See id.*; *see also* Shubha Ghosh, *The Fable of the Commons: Exclusivity and the Construction of Intellectual Property Markets*, 40 U.C. DAVIS L. REV. 855, 857–58 (2007) (explaining why the “tragedy of the commons” does not apply to intellectual property law).

trade secret.<sup>112</sup> One company's possession of the idea does not deprive the other from such possession, unlike tangible property, which can only exist in one place at any given time.<sup>113</sup> Thus, absent statutory language to the contrary, which was not present in *Huber*, requiring fee simple ownership of a trade secret would be inconsistent with the inherent nature of possessing ideas.<sup>114</sup>

The Third Circuit's holding is supported whether trade secrets are viewed from either tort or intellectual property justifications. While under Pennsylvania common law, trade secret misappropriation was considered a violation of a traditional property right, and this justification has very early roots in trade secret jurisprudence, it is likely not appropriate here.<sup>115</sup> Because both the Space Authority and AFS could both possess the trade secrets simultaneously, justifications relating to real property would likely not be very persuasive in this instance as it is difficult to relate a non-exclusive lawful possession element to tangible property.<sup>116</sup> Trade secret law has also been justified under contract law theories, but that cannot serve as a "stand alone explanation" because it can only deal with instances where privity is present between the parties, which would not apply to AFS and Livingston in *Huber*.<sup>117</sup>

While contract and traditional property justifications may not be appropriate to support the Third Circuit's lawful possession requirement, it likely finds support under tort ideals. Early common law tort justifications for trade secret misappropriation included the need to enhance "commer-

112. See Kraft & Hovden, *supra* note 19, at 478–79 (explaining the non-exclusive nature of ideas).

113. See Lemley, *What's Different?*, *supra* note 22, at 1099 ("I can use and improve on an idea without having any sort of physical or legal control over it, and my use of an idea does not deplete it or interfere with the ability of others to use it."); Nachbar, *supra* note 23, at 453–55 (noting how ideas are not subject to the same principles of rivalry as tangible property).

114. See *Advanced Fluid Sys., Inc. v. Huber*, 958 F.3d 168, 177–78 (3d Cir. 2020) (noting an absence of an ownership requirement in PUTSA).

115. See *id.* at 178 (recognizing that Pennsylvania has traditionally relied upon a "real property" justification of trade secrets); *Anaconda Co. v. Metric Tool & Die Co.*, 485 F. Supp. 410, 425 (E.D. Pa. 1980) (citing *Sims v. Mack Truck Corp.*, 488 F. Supp. 592 (E.D. Pa. 1980) (noting Pennsylvania's reliance on real property law justifications for trade secrets); see also *Tabor v. Hoffman*, 118 N.Y. 30, 37 (1889) (finding a trade secret misappropriation with a basis in real property law).

116. See *supra* notes 15–28 and accompanying text for a discussion about the differences between real and intellectual property; see also DTM Rsch., L.L.C. v. AT & T Corp., 245 F.3d 327, 332 (4th Cir. 2001) ("[T]he inherent nature of a trade secret limits the usefulness of an analogy to property in determining the elements of a trade-secret misappropriation claim.").

117. See Lemley, *Surprising Virtues*, *supra* note 32, at 323 (noting the drawbacks to classifying trade secrets solely as contractual rights); Alan J. Tracey, *The Contract in the Trade Secret Ballroom—A Forgotten Dance Partner?*, 16 TEX. INTELL. PROP. L.J. 47, 78 (2007) (explaining that a contract theory of damages requires privity, while trade secret damages do not require such a relationship).

cial morality and good-faith dealings in business.”<sup>118</sup> The actions of Huber and the Livingston parties in this case could hardly be characterized as commercially moral, good-faith business dealings.<sup>119</sup> Why then should the Defendants be able to escape liability merely because AFS was a “lawful possessor” and not a fee simple owner of the trade secrets?<sup>120</sup> If AFS and the Space Authority could both possess the confidential information at the same time while maintaining its secrecy, and AFS could otherwise prove all trade secret misappropriation elements under PUTSA, then allowing AFS to recover damages against the Defendants is very much in line with maintaining commercial morality and good-faith dealing within the industry.<sup>121</sup>

Intellectual property justifications also provide additional support for the *Huber* decision. It has been argued that trade secrets provide an incentive to innovate, similar to patent and copyright law, although the exact amount of innovation trade secret law actually incentives has been disputed.<sup>122</sup> Trade secret law also helps promote another central purpose of intellectual property law: disclosure of information, which in turn can benefit the public.<sup>123</sup> Patents very clearly attempt to achieve this goal by requiring public disclosure of the invention in exchange for a twenty year monopoly, after which time, the public is free to use and practice the art.<sup>124</sup> While trade secret protection is conditioned on secrecy, it can actu-

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118. See 1 MELVIN F. JAGER, *TRADE SECRETS LAW*, § 1:3 (2021) (describing the tort rationales of trade secret common law).

119. See *supra* notes 64–87 and accompanying text for further discussion about Defendants’ actions.

120. See *Huber*, 958 F.3d 168, 178–79 (3d Cir. 2020) (holding that AFS had a possessory interest in the trade secrets).

121. See *id.* (noting the dual possessory interests by both the Space Authority and AFS); *DTM*, 245 F.3d at 332 (explaining that DTM, a possessor, not fee simple owner, of the trade secrets could recover if it otherwise met all the requirements of the trade secret misappropriation statute); see also JAGER, *supra* note 118, (emphasizing the importance of commercial morality and good-faith dealing in early trade secret law).

122. See *supra* notes 25–28 and accompanying text for further discussion about the incentive-based structure of intellectual property law; Compare Lemley, *Surprising Virtues*, *supra* note 32, at 329–32 (arguing that trade secret law provides an incentive to innovate) with Risch, *supra* note 29, at 26–27 (reasoning that the incentive to innovate is a “very minor justification of trade secret law”).

123. See Vivian J. Fong, *Are We Making Progress?: The Constitution As A Touchstone for Creating Consistent Patent Law and Policy*, 11 U. PA. J. CONST. L. 1163, 1166 (2009) (noting the importance of disclosure and dissemination of information as objectives of intellectual property law); Lemley, *Surprising Virtues*, *supra* note 32, at 332–34 (arguing that trade secrets provide incentives to disclose).

124. See Matthew J. Conigliaro et. al., *Foreseeability in Patent Law*, 16 BERKELEY TECH. L.J. 1045, 1056 (2001) (“Patents thus inform the public of the precise nature of the protected subject matter, placing that knowledge in the public domain, subject only to the limited intrusion of the patentee’s exclusivity right.”); Risch, *supra* note 29, at 11 (explaining that patent and copyright laws “favor building on prior work” (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150–51 (1989))).

ally encourage greater dissemination.<sup>125</sup> Trade secret law provides a way for a company to license, disclose, and even commercialize its trade secrets to others with the knowledge that the other cannot steal the idea without compensating the trade secret holder.<sup>126</sup>

In *Huber*, the assignment in ownership of the trade secrets was the result of AFS contracting with a government entity, the Space Authority, for work on NASA rockets.<sup>127</sup> If AFS were to be barred from recovering against one who steals its trade secrets merely because it was no longer the “official” owner due to the necessity of assigning the rights to the government, this scenario would run in opposition to the central goals of trade secret law. Companies need the incentive of trade secret legal protection in order to better efficiently disseminate their ideas, without fear of having their valuable information stolen without recourse.<sup>128</sup>

If a fee simple ownership requirement prevented AFS from recovering, why contract with the government ever again given the risk of trade secret loss? Government entities and prime contractors often require assignment of IP rights and trade secrets, which is a requirement that is likely not going to change.<sup>129</sup> Given the wide-spread practice of private companies contracting with the government, fewer companies choosing to share their valuable information with the government or prime contractors due to fear of trade secret loss would certainly lead to less public benefit derived from government use of such information or technology.<sup>130</sup> Additionally, it is not as if AFS could have used a non-disclosure agreement here to prevent the misappropriation of its secrets, as Livingston was

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125. See *Kewanee*, 416 U.S. at 486–87 (citing *Painton & Co. v. Bourns, Inc.*, 442 F.2d 216, 223 (2d Cir. 1971)) (explaining that if trade secret protection was abolished, the result would be to hoard rather than disseminate knowledge”).

126. See *id.* (explaining that a trade secret holder would limit the utilization of his invention, instead of licensing it, if no legal protections were in place); Lemley, *Surprising Virtues*, *supra* note 32, at 336–38. While the parties could enter into a contract limiting what could be done with the information, “[t]rade secret law reaches beyond contract law by allowing courts to infer the existence of a confidential relationship from circumstances in which transactions might be difficult or impossible without that assumption.” *Id.*

127. See *Advanced Fluid Sys., Inc. v. Huber*, 958 F.3d 168, 174 (3d Cir. 2020).

128. See *Kewanee*, 416 U.S. at 486–87; David W. Opderbeck, *Social Network Analysis of Trade Secrets and Patents as Social Relations*, 41 *AIPLA Q.J.* 355, 368 (2013) (explaining that trade secrets can serve as a deterrent threat of liability, thus lessening transaction costs).

129. See Brandon H. Elledge & Terry L. Elling, *When Possessing a Trade Secret is Enough to Sue*, HOLLAND & KNIGHT GOV’T CONT. BLOG (May 6, 2020), <https://www.hklaw.com/en/insights/publications/2020/05/when-possessing-a-trade-secret-is-enough-to-sue> [<https://perma.cc/JZ48-BWJL>] (noting the traditional business practice of assigning IP rights to government and prime contractors).

130. See *e.g.*, David S. Levine, *Secrecy and Unaccountability: Trade Secrets in Our Public Infrastructure*, 59 *FLA. L. REV.* 135, 137 (2007) (noting that “[p]rivate businesses are increasingly displacing the government in providing and operating public infrastructure,” and these businesses routinely use trade secrets).

a competitor; a party not in privity with AFS.<sup>131</sup> Thus, the lawful possession standard articulated by the Third Circuit helps encourage greater dissemination of valuable information because companies, such as AFS, will be more likely to license or disclose their valuable technology to others knowing that they do not lose their right to enforce such trade secret rights.<sup>132</sup> This rationale is consistent with one of the central purposes of intellectual property law: the incentive to disclose information.<sup>133</sup>

#### V. IMPACT

*Huber* may have a strong impact on the issue of standing for trade secret lawsuits brought under Pennsylvania law. The more flexible “lawful possession” standard is likely good news for many government or higher-tier subcontracts.<sup>134</sup> Many high tier contractors, such as the Space Authority in *Huber*, require that their subcontractors, such as AFS, “convey ownership in intellectual property, including any trade secrets developed under the subcontract[.]”<sup>135</sup> The *Huber* standard “opens the door for such subcontractors and other non-owner or possessor-based trade secret claims” to bring suit given that fee simple ownership is not required under PUTSA.<sup>136</sup> However, each case will likely still be fact dependent on whether reasonable safeguards were taken to protect the secret.<sup>137</sup> Further, it remains to be seen whether other circuits will elect to follow the Third Circuit in adopting the *DTM* court’s rule, or if they will require a more traditional ownership element.<sup>138</sup>

This case may also help to emphasize the importance of contract drafting in these types of situations. As the Third Circuit noted, there would not have been an issue over whether AFS was actually in lawful pos-

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131. See *Huber*, 958 F.3d at 172 (recognizing that Livingston was a competitor of AFS); see also Tracey, *supra* note 117, at 78 (noting that “only parties to a contract may sue or be sued for breach of that contract”). While *Huber* was under contract with AFS, trade secret misappropriation damages, as compared to contractual damages, are much more “flexible and allow for the courts to formulate the appropriate damages for the situation.” *Id.* at 76.

132. See Lemley, *Surprising Virtues*, *supra* note 32, at 336–38 (explaining how trade secret law encourages dissemination of information); Opderbeck, *supra* note 128, at 368 (noting the deterrent effect of trade secret law).

133. See Fong, *supra* note 123, at 1166 (noting the importance of the disclosure in intellectual property law); Deepa Varadarajan, *The Trade Secret-Contract Interface*, 103 IOWA L. REV. 1543, 1550 (2018) (noting that the policy goals of patent and copyright law, including the promotion of innovation and encouragement of information disclosure, have also been applied to trade secret law).

134. See Elledge & Elling, *supra* note 129.

135. *Id.* Additionally, in such contracts, the “government customer. . . ordinarily obtains unlimited rights as a licensee in technical data that can comprise such trade secrets.” *Id.*

136. *Id.*

137. See *id.* (noting the fact-dependent nature of trade secret claims).

138. For further discussion of the District of Utah declining to follow *DTM*, see *supra* notes 58–61 and accompanying text.

session of the information had the contract expressly named AFS as a licensee.<sup>139</sup> Thus, in their contracts, companies should be clear in outlining who has “lawful possession” of trade secrets, rather than leave it up to the courts to decide. Additionally, *Huber* shows that if companies want to be safe, they should ensure confidentiality agreements are signed when dealing with trade secrets.<sup>140</sup> While the Third Circuit held the trade secret protection was not lost due to a lack of confidentiality agreements between AFS and the Space Authority, it likely would not have even been an issue had confidentiality agreements been executed.<sup>141</sup> Overall, in *Huber*, the Third Circuit clarified Pennsylvania trade secret law and outlined the possessory requirements of trade secrets, giving potential plaintiffs better understanding of whether they have a valid claim in the future.<sup>142</sup>

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139. *See* *Advanced Fluid Sys., Inc. v. Huber*, 958 F.3d 168, 179 (3d Cir. 2020) (explaining that had the contract “contained an explicit license for AFS’s benefit, any dispute about lawful possession could have been avoided” (citing *Metso Minerals Indus. v. FLSmidth-Excel L.L.C.*, 733 F. Supp. 2d 969, 971–72 & n.4 (E.D. Wis. 2010))).

140. *See id.* at 179 (noting Defendants’ argument that reasonable measures were not taken to ensure the secrecy of the information given that formal confidentiality agreements were not signed).

141. *See id.* at 180 (“[E]ven if the Authority did not contractually bind itself to do so, it nevertheless believed it had an obligation to preserve the confidentiality of AFS’s designs, and at all relevant times it conducted itself in a manner consistent with that belief.”).

142. *See id.* at 177–79 (analyzing the possessory requirements of trade secrets under Pennsylvania law).