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CURIOSITIES OF STANDING IN TRADE SECRET LAW

Charles T. Graves

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**CURIOSITIES OF STANDING IN TRADE
SECRET LAW**

Charles Tait Graves



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CURIOSITIES OF STANDING IN TRADE SECRET LAW

*Charles Tait Graves**

ABSTRACT— Standing under the Uniform Trade Secrets Act – the right to pursue a misappropriation claim – is a vexing question when compared to patent, copyright, and trademark law. Instead of requiring ownership or license rights as a condition to sue, courts often find that mere possession of an asserted trade secret suffices for standing, even when the provenance of the information is murky. In some cases, courts even allow trade secret plaintiffs to claim intellectual property rights in the preferences and desires expressed to them by their customers in lawsuits designed to stop former employees from doing business with those same customers.

Relaxed requirements for trade secret standing under the UTSA can weaken the showing needed to establish a valid trade secret. For example, a plaintiff with only mere possession may not always be able to account for the history of the information it possesses – but it would nonetheless be permitted to proceed even though the defendant cannot challenge whether reasonable security measures were always used to guard the information in the past. Dubious claims based on preferences expressed by customers could be transformed into intellectual property for the sole purpose of blocking an alternative supplier whom the very same customers may prefer. In the worst instances, loose standing rules centered on mere possession could encourage parties to claim rights over types of information to which trade secret law should never extend, such as workplace injury data and personal attributes of employees.

This article explores how courts in trade secret cases have come to apply standing rules that are more permissive than those seen in other areas of intellectual property law. It concludes that some courts remain confused about whether trade secret claims are property rights or instead something closer to broader, looser restrictive covenants. This conceptual confusion results in questionable standing decisions inconsistent with the statutory

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elements of a trade secret claim and, more broadly, the goals of intellectual property law.

Much of the conundrum results from a poorly-reasoned 2001 Fourth Circuit decision on trade secret standing. It offered a patina of suspect theory regarding what it styled the “inherent nature” of trade secret law and undercut a property-centered conception of trade secret law, and proposed that mere possession could suffice to assert a claim. Many courts addressing state law trade secret disputes in the last two decades have followed this decision, sometimes expressly adopting its vision of trade secret law as a relational doctrine rather than an intellectual property doctrine.

This is the first comprehensive article on trade secret standing, and the first to probe the dangers posed when requirements for trade secret standing are relaxed. It will isolate the philosophy behind questionable rulings which deviate from the property-centered requirements of the UTSA. This article will also explore whether a mere-possession rule of trade secret standing undermines the requirement that a plaintiff prove that reasonable security measures were used to safeguard the information. We will explore whether allowing trade secret claims in the preferences and desires expressed by customers should be analyzed as a question of standing to best protect departing employees as well as robust market competition. The article will question whether the problematic conception of trade secret law seen in many standing cases could open the door to nontraditional trade secret claims which threaten important public policy interests. In the end, we will conclude with solutions that courts can effect without legislative change.

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I. INTRODUCTION

Whether a plaintiff has standing to assert an intellectual property claim is frequently litigated. In patent, copyright, and trademark law, standing is constrained to limited types of plaintiffs, based in part on the language of the controlling statutes. The same is true for the federal trade secret statute, the Defend Trade Secrets Act.

But state trade secret law – mostly under the Uniform Trade Secrets Act – is different. Standing is a looser concept. Probing the boundaries quickly leads to a troubling slipperiness regarding who has sufficient possessory rights to justify asserting a trade secret. Outcomes are inconsistent. The trend for two decades has been to broaden the class of potential plaintiffs to almost anyone who has possession of information it claims to be secret.

This article argues that this trend is going in the wrong direction because it strengthens claims that would otherwise be vulnerable to challenges on basic claim elements, in contexts that affect employee mobility, customers’ choices about whom to do business with, and other areas of public concern. The trend also rests on a poorly-reasoned theory of trade secret law which deemphasizes trade secret rights as property rights, to the advantage of those pressing such questionable claims. We propose that courts reject this move away from a property-centric conception of trade secret law, and that courts deny standing in situations where the plaintiff is unable to provide the history of information it merely possesses, or where the plaintiff seeks to litigate over nontraditional trade secret subject matter.

At first glance, standing may seem a mere procedural formality, without broader meaning for the rights being litigated. And to be sure, in many cases, it is merely that – a mechanism raised by defense counsel to eliminate an IP claim without a ruling on the merits. Few question whether there are policy concerns embedded in the scope of standing law and what “counts” as a basis to bring suit.

Standing in trade secret law, however, raises fascinating questions that speak directly to a philosophical dispute about trade secret claims: do they primarily represent discrete, bounded property rights, or instead a looser, amorphous law of relations favoring a dominant principal over a subordinate seeking to compete? This division has echoes across different aspects of trade secret law. Its appearance at the point of deciding who can bring claims is significant.

Of greatest import for this article, a 2001 Fourth Circuit case created a significantly lax version of standing in trade secret cases that has been widely influential since. In *DTM Research, LLC v. AT&T Corporation*,¹ the court held that mere possession suffices to bring a claim, even if the defendant contends that the plaintiff wrongfully acquired the information from elsewhere. In reaching that conclusion, the court engaged in a highly questionable philosophical description of trade secret law – one that would unmoor it from the property-centric concept reflected in the Uniform Trade Secrets Act, where the existence of intellectual property is the central question. Delinking trade secret law from a property concept has serious consequences. Doing so transforms trade secrecy into a relational concept between one who possesses information and one accused of taking it, with a reduced focus on whether that information qualifies as intellectual property. For more than twenty years, courts around the country have followed *DTM* in UTSA cases, sometimes quoting from its musings about a supposed “inherent nature” of trade secret law.

That tension – between conceiving trade secret law as intellectual property law, and treating it as a means to adjudicate a rival’s or a subordinate’s betrayal – is not unique to disputes over standing. It crops up across the trade secret case law at a variety of inflection points. Whether trade secret rights are first and foremost property rights as also been the focus of often intense academic debate.² This Article is the first, however, to show how this tension has led courts facing UTSA trade secret disputes to adopt looser standing rules than those seen in other precincts of intellectual property. And it is the first to question the wisdom of this looser conception, which can undermine a defendant’s ability to challenge whether the plaintiff can establish the existence of a valid trade secret.

To contrast the murkiness of standing in trade secret law, Part I first summarizes the state of standing in patent, copyright, and trademark law. In

¹ See *DTM Research, LLC v. AT&T Corp.*, 245 F.3d 327, 329-30 (4th Cir. 2001).

² See generally Robert G. Bone, *The (Still) Shaky Foundations of Trade Secret Law*, 92 TEX. L. REV. 1803 (2014); Robert G. Bone, *A New Look at Trade Secret Law: Doctrine in Search of Justification*, 86 CAL. L. REV. 241 (1998); Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets as IP Rights*, 61 STAN. L. REV. 311 (2009); Michael Risch, *Why Do We Have Trade Secrets?*, 11 MARQ. INTELL. PROP. L. REV. 1 (2007); Charles T. Graves, *Trade Secrets as Property: Theory and Consequences*, 15 GA. J. INTELL. PROP. L. 39 (2007); Miguel Deutch, *The Property Concept of Trade Secrets in Anglo-American Law: An Ongoing Debate*, 31 U. RICH. L. REV. 313, 321 (1997). For a different take, unrelated to these debates, see Shyamkrishna Balganesh, *Quasi-Property: Like, but not Quite Property*, 160 U. PENN. L. REV. 1888, 1891, 1917–18 (2012) (classifying trade secret law – at least during its common law phase – as a form of “quasi-property” alongside certain trademark rights and the “hot news” doctrine, defined as “situations where the law attempts to simulate the functioning of property’s exclusionary apparatus through a relational liability regime.”). Balganesh’s framework helpfully reminds us that there is a dialectic of sorts between property rights and party relationships in trade secret law, and that debates over the centrality of one or the other reflect two poles rather than unrelated conceptions.

all three, the basic principles are well-settled. Those with standing to sue comprise a relatively narrow class.

Next, Part II moves to standing under state trade secret law, and an overview of the rules under the federal Defend Trade Secrets Act – which contains an express and relatively narrow standing requirement – and state versions of the Uniform Trade Secrets Act, which are mostly silent as to standing. We also assess the different ways that “standing” disputes arise in trade secret cases – for example, the influence of contract terms, and the temporal aspect of what happens when ownership changes after the time when the alleged misappropriation occurred.

Part II.E traces the surprising influence of the 2001 *DTM* decision in cases around the country over two decades, where court after court has held that a plaintiff’s simple possession of information suffices for standing to pursue a trade secret lawsuit under state law. In turn, Part II.F is a critique of *DTM*, the dubious philosophy it expressed, and the damage its conception of standing can do in trade secret disputes. The Fourth Circuit’s reasoning in that case was garbled at best, and its subsequent success – as seen in the number of courts that quote from it – is surprising.

This Article proposes that courts should reject *DTM* in cases where a plaintiff is unable to account for the history of security measures (or the lack thereof) over the information at issue, and that courts should reject standing over nontraditional categories of information tied to things like the personal attributes of a workforce. A company may in some sense possess information about things such as workplace injuries or the identities and skills of employees, but it in no way should be able to extend trade secret law to encompass such information.

Next, Part III tackles a less familiar, but no less troubling problem in the law of trade secret standing: the long line of cases where plaintiffs claim to own trade secrets in the desires and preferences expressed by their customers. Litigants pursue such claims as a means to block former employees from attempting to do business with their customers, who might otherwise choose the defendant’s offerings, or pricing, instead. Such cases present questions of standing, because the plaintiff claims to own (or at least possess) information in order to sue over it. But the nature of the information at stake only begs the question: is there a reasoned basis to allow a plaintiff to claim intellectual property rights in information about another company’s opinions of itself, with no permission to do so, and no assignment of rights? Based on a nationwide review of these cases – in which courts sometimes accept, and sometimes reject such trade secret claims – this Article concludes that a more robust, more critical application of standing principles is necessary to prevent overreach.

To conclude, the law of standing in trade secret cases governed by state law is due for an overhaul. Case law is inconsistent, cases which should address standing too often do not, and lax standards inspired by the *DTM* decision threaten to undermine the requirements necessary to establish a valid trade secret. This Article proposes two fixes. First, courts should reject *DTM*'s move away from a property-based conception of state trade secret law and hew more closely to the UTSA's property-centric requirements for trade secrecy. Courts should not allow standing for mere possession where the plaintiff is unable to account for the history of the information at stake, or where nontraditional categories of information, apart from competitive business information, are at stake.

Second, where a plaintiff claims trade secret rights in the desires and preferences expressed by third party customers when suing a former employee, courts should address this question first as a matter of standing. They should ask whether the plaintiff is simply trying to claim rights in customers' expressions of their own preferences – something which the plaintiff did not develop, and in which it has no ownership or license rights. Both of these course-corrections are within the power of courts today, without legislative change.

II. STANDING IN PATENT, COPYRIGHT, AND TRADEMARK LAW

In the intellectual property context, standing means the right sue over a stake in information, inventions, works of expression, marks, or trade dress that an opponent allegedly misused or mishandled. Compared to case law under the Uniform Trade Secrets Act, standing in other categories of intellectual property law is relatively straightforward. Controlling case law hews closely to statutory interpretation, though there is lively scholarly commentary around the margins. One explanation for the lack of substantial controversy regarding standing in patent, copyright, and trademark law is that the intellectual property right has been issued or registered through a government agency according to subject-matter limitations. This implicitly restricts opportunities for standing disputes because – unlike trade secret assertions – claims in these categories are not comprised of amorphous business information unilaterally selected by companies and their lawyers in the midst of litigation.

A. *Standing in Patent Infringement Cases*

Standing questions in patent law typically come from two directions: who can sue for patent infringement, and who can sue to invalidate a patent

or otherwise obtain defensive declaratory relief.³ As to patent infringement, who can sue is partly derived from the statute, which refers to a “patentee” having a right to bring an action.⁴ Parsing who qualifies as a patentee and a successor in title to a patentee has given rise to an abundance of case law, as defendants seek to exploit any fissure in patent ownership to end the lawsuit. The general rule is that one with full title to the patent, or who has obtained an assignment of the entire patent, the patent rights for a region, or part of the patent – in which the co-owner must join – has standing to sue for infringement.⁵ A joint owner which does not join the other joint owner of a patent faces dismissal.⁶ A successor to a patent owner can sue, but a dissolved owner cannot.⁷

There are also standing rules for licensees. An exclusive licensee can join with the owner as a plaintiff in an infringement claim,⁸ and in some cases

³ See generally 2 CHISUM ON PATENTS § 2.03 (2021) (distinguishing standing to file an infringement lawsuit from joinder of a necessary party to pursue an infringement lawsuit); 16 CHISUM ON PATENTS § 9300 (2021) (collecting cases).

⁴ See 35 U.S.C. § 281 (“A patentee shall have remedy by civil action for infringement of his patent.”); see also 35 U.S.C. § 100(d) (defining “patentee” as “not only the patentee to whom the patent was issued by also the successors in title to the patentee.”).

⁵ See *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1551–52 (Fed. Cir. 1995) (reversing damages award as to distributor organizations; noting that “[g]enerally, one seeking money damages for patent infringement must have held legal title to the patent at the time of infringement. [citation omitted] A conveyance of legal title by the patentee can be made only of the entire patent, an undivided part or share of the entire patent, or all rights under the patent in a specified geographical region of the United States. [. . .] A transfer of less than one of these three interests is a license, not an assignment of legal title, and it gives the licensee not right to sue for infringement at law in the licensee’s own name.”).

⁶ See *Univ. of Pittsburgh v. Varian Med. Sys., Inc.*, 569 F.3d 1328, 1331–32 (Fed. Cir. 2009) (directing trial court to dismiss suit by patent co-owner without prejudice; “As this court has explained, if a co-owner of a patent wishes to sue for infringement, he must join the other co-owners in the action in order to avoid a dismissal for lack of standing.”).

⁷ See *Tri-Star Elec. Int’l, Inc. v. Preci-Dip Durtal S.A.*, 619 F.3d 1364, 1367 (Fed. Cir. 2010) (where employee-inventor assigned his invention to employer or its successors, its successor had rights to enforce the resulting patent); *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1309–10 (Fed. Cir. 2003) (affirming dismissal for lack of standing where patent plaintiff was a dissolved corporation at time of lawsuit; “this court has determined that in order to assert standing for patent infringement, the plaintiff must demonstrate that it held enforceable title to the patent at the inception of the lawsuit.”; noting that it could re-file if status changed) (emphasis in original).

⁸ See *Rite Hite-Corp.*, 56 F.3d at 1552 (“Under certain circumstances, a licensee may possess sufficient interest in the patent to have standing to sue as a co-plaintiff with the patentee [. . .] Such a licensee is usually an ‘exclusive licensee.’”); *Intell. Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.* v. 248 F.3d 1333, 1347 (Fed. Cir. 2001) (“As a general rule [. . .], this court adheres to the principle that a patent owner should be joined, either voluntarily or involuntarily, in any patent infringement suit bought by an exclusive licensee having fewer than all substantial patent rights.”)

can proceed alone.⁹ By contrast, a nonexclusive licensee cannot sue for patent infringement.¹⁰

Because patents are public-facing documents, the academic literature on patent standing often addresses the degree to which opponents of an issued patent can challenge its validity, either in district court or before the Patent Trial and Appeal Board. Commenters have addressed whether end users, such as “farmers, small cafes, and podcasters,” should have standing to attack patent validity,¹¹ whether there should be broader standing for those potentially threatened by overbroad and invalid patents to challenge them,¹² and whether “public interest groups” should even have that ability.¹³

One similarity between patent standing and trade secret standing is that both can involve disputes over whether the would-be plaintiff properly obtained assignment rights from an employee who created the intellectual property at issue when performing services for the employer. Companies that fail to secure invention assignment rights from their employees can face standing problems.¹⁴

⁹ See *Prima Tek II, LLC v. A-Roo Co.*, 222 F.3d 1372, 1377 (Fed. Cir. 2000) (“The exception is that, where the patentee makes an assignment of all substantial rights under the patent, the assignee may be deemed the effective ‘patentee’ under 35 U.S.C. § 281 and thus may have standing to maintain an infringement suit in its own name.”); see also Timothy Denny Greene, “*All Substantial Rights*”: Toward Sensible Patent Licensee Standing, 22 FED. CIR. B.J. 1 (2012) (addressing uncertainties over when exclusive licensees can sue for infringement).

¹⁰ See *Rite-Hite Corp.*, 56 F.3d at 1552 (“If the party has not received an express or implied promise of exclusivity under the patent, i.e., the right to exclude others from making, using, or selling the patented invention, the party has a ‘bare license,’ and has received only the patentee’s promise that the party will not be sued for infringement.”); *Intell. Prop. Dev., Inc.*, 248 F.3d at 1345 (stating same rule).

¹¹ See Gaia Bernstein, *The End User’s Predicament: User Standing in Patent Litigation*, 96 B.U. L. REV. 1929, 1930 (2016) (proposing that end users can have standing under the “reasonable apprehension” test for declaratory judgment lawsuits).

¹² See Michael J. Burstein, *Rethinking Standing in Patent Challenges*, 83 GEO. WASH. L. REV. 498, 542 (2015) (proposing broadening parties qualifying for standing to bring declaratory judgment actions to challenge patents).

¹³ See Sapna Kumar, *Standing Against Bad Patents*, 32 BERKELEY TECH. L.J. 87, 120–135 (2017) (advocating broader standing possibilities in district court and PTAB actions); see also Russell W. Jacobs, *In Privity with the Public Domain: The Standing Doctrine, the Public Interest, and Intellectual Property*, 30 SANTA CLARA HIGH TECH. L.J. 415 (2013) (proposing adoption of a public comment procedure for the Copyright Office and the PTO to broad challenges to dubious intellectual property rights).

¹⁴ See *Bd. of Tr.’s of the Leland Stanford Junior Univ. v. Roche Molecular Sys.*, 563 U.S. 776, 789–90 (2011) (university could not sue for patent infringement because research fellow had signed invention assignment agreement with third party before signing patent-specific assignment to university). For examples where patent standing was undermined due to problems with an invention assignment contract in the employment agreement, see *Rothschild v. Cree, Inc.*, 711 F. Supp. 2d 173, 182 (D. Mass. 2010) (finding fact issues on jurisdictional issues as to individual’s standing to sue for patent infringement where it was unclear whether individual had developed key patent ideas while under another company’s invention assignment agreement or afterwards); *H.R. Tech., Inc. v. Astechonologies, Inc.*, 275 F.3d 1378, 1384–85 (Fed. Cir. 2002) (where the plaintiff sued for infringement of a patent it had obtained via assignment from a company that did not actually own its employee’s patent at the time of assignment, the

B. Standing in Copyright Infringement Cases

A copyright holder must complete its registration of a copyrighted work in order to sue for infringement¹⁵ – a notable contrast to trade secret lawsuits, where the alleged intellectual property is unilaterally asserted without any government registration. Standing is also substantially more straightforward in copyright law than in trade secret law because the Copyright Act limits standing to a “legal or beneficial owner”:

The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it.¹⁶

In practice, this means owners and exclusive licensees have standing to sue, but not nonexclusive licensees. As the Ninth Circuit explained in 2003,

Further, the Copyright Act permits the copyright owner to subdivide his or her interest in what otherwise would be a wholly owned “exclusive right” by authorizing the owner to transfer his or her share, “in whole or in part,” to someone else. 17 U.S.C. § 201(d)(1). It specifies that the owner can transfer a right, or a share of such a right, via “an assignment, . . . exclusive license, or any other conveyance, . . . whether or not it is limited in time or place of effect.” *Id.* § 101. That is, either an *assignment* (which transfers legal title to the transferee) or an *exclusive license* (which transfers an exclusive permission to use to the transferee) qualifies as a “transfer” of a right in a copyright for the purposes of the Act.¹⁷

By contrast, a nonexclusive license does not constitute a “transfer”, as the Copyright Act states, and instead merely allows use of the copyrighted work without fear of an infringement lawsuit:

However, a party granted a mere ‘nonexclusive license’ [. . .] cannot bring an infringement suit. [. . .]

court correctly dismissed without prejudice, allowing the plaintiff to secure ownership of the patent and, with standing, recommence its lawsuit); *Imatec Ltd. v. Apple Comput., Inc.*, 81 F. Supp. 2d 471, 482 (S.D.N.Y. 2000) (prior employer had invention assignment contract which covered invention, and thus former employee had nothing to assign to third party and third party lacked standing to sue over patent at issue); *Filmtec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1573 (Fed. Cir. 1991) (stating same rule and remanding for factual findings as to whether company had actual or “inquiry” notice of a prior invention assignment to a former employer or a third party and thus may not have been bona fide purchaser).

¹⁵ See *Fourth Est. Pub. Benefit Corp. v. Wall-Street.com, LLC*, 139 S. Ct. 881, 892 (2019) (“[W]e conclude that “registration . . . has been made” within the meaning of 17 U.S.C. § 411(a) not when an application for registration is filed, but when the Register has registered a copyright after examining a properly filed application.”).

¹⁶ See 17 U.S.C. § 501(b); see also 3 MELVILLE NIMMER, NIMMER ON COPYRIGHT § 12.02 (2021) (collecting cases on copyright standing).

¹⁷ See *Minden Pictures, Inc. v. John Wiley & Sons*, 795 F.3d 997, 1003 (9th Cir. 2015) (italics in original).

The reason the Act prevents a holder of a “nonexclusive license” to use a copyrighted photograph from bringing an infringement action against others who use the same photograph is that such a licensee has no more than “a privilege that protects him from a claim of infringement by the owner” of the copyright.¹⁸

Given the clarity of these rules, there appears to be little academic debate around questions of standing for copyright infringement cases, though there is some dispute over whether associations representing authors have standing.¹⁹

C. *Standing in Trademark Infringement Cases*

Standing in federal trademark cases is also cabined by statutory text. Under the Lanham Act, a trademark registrant can sue for infringement.²⁰ The “registrant” includes “legal representatives, predecessors, successors and assigns of such [. . .] registrant.”²¹ This means that a licensee can only sue if it received rights to do so in the controlling license agreement.²² District courts have split over the years in interpreting this term, with some allowing closely-aligned parties to sue on behalf of the trademark owner, and others requiring that the owner itself be unable to sue.²³ The Second Circuit held in favor of a narrow interpretation in 2013, finding that “registrant”

¹⁸ See *id.* at 1003–04 (citations and quotations omitted) (citing 17 U.S.C. § 101 definition of “transfer of copyright ownership” as “an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.”).

¹⁹ See Andreas M. Petasis, Comment, *Associational Standing Under the Copyright Act*, 84 U. CHI. L. REV. 1517, 1533–1541 (2017) (noting divisions in case law and advocating associational standing rights).

²⁰ See 15 U.S.C. § 1116 (the “registrant of a mark” may seek injunctive relief against an infringer); 15 U.S.C. § 1117(a) (same for seeking civil damages); *Berni v. Int’l Gourmet Rest.’s of Am.*, 838 F.2d 642, 656 (2d Cir. 1988) (the Lanham Act grants trademark standing “solely to the ‘registrant’”); plaintiffs lacked standing on convoluted facts involving transfers within family-owned businesses where court emphasized that more than mere transfer of a mark is required given trademark requirements of goodwill and intent to use in business); see also 3 GILSON ON TRADEMARKS § 11.02 (2021) (collecting cases).

²¹ See 15 U.S.C. § 1127 (“The terms “applicant” and “registrant” embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.”). An assignee must have ownership of the mark. See also *Havana Club Holding, S.A. v. Galleon, S.A.*, 203 F.3d 116, 126 (2d Cir. 2000) (unusual trademark standing case where plaintiff lacked standing because its assignment was void due to Cuban embargo regulations).

²² See, e.g., *Kroma Makeup EU, LLC v. Boldface Licensing + Branding, Inc.*, 920 F.3d 704, 708 (9th Cir. 2019) (no standing for trademark plaintiff where its exclusive license for the European Union agreement allowed licensor to retain all ownership and enforcement rights, finding that “a licensee’s right to sue to protect the mark ‘largely depends on the rights granted to the licensee in the licensing agreement’” (citations omitted)).

²³ For a comprehensive history and case law review of courts’ varying treatments of “registrant” standing, see Kelly Knoll, Note, *Confusion Likely: Standing Requirements for Legal Representatives Under the Lanham Act*, 115 COLUM. L. REV. 983, 999–1011 (2015).

standing requires showing that the plaintiff has “legal authority to represent the owner” and also “that the trademark holder is legally incapable of representing itself.”²⁴ Under any interpretation, a party cannot sue for trademark infringement of a third party’s mark where it has no cognizable interest in the mark.²⁵

Although scholarly commentary on standing in trademark cases is rare, one line of research focuses on third party standing to challenge trademarks as scandalous or disparaging.²⁶ To that end, academic commenters have debated broader standing to challenge registered trademarks, such as those deemed disparaging.²⁷

Like trade secret law, litigants can bring common law trademark claims in state courts. While this article does not endeavor to track every state, statutory standing requirements in major jurisdictions similarly refer to ownership.²⁸

III. STANDING IN TRADE SECRET LAW

Standing in trade secret law is not so easily summarized; it is a tangle of confusing and often inconsistent decisions. And it has received little in the way of scholarly attention. For example, a 2000 commentary on intellectual property standing covered patent, copyright, and trademark law, but

²⁴ See Fed. Treasury Ent. Sojuzplodoimport v. SPI Spirits, Ltd., 726 F.3d 62, 80–82 (2d. Cir. 2013).

²⁵ See Kam Lee Yuen Trading Co. v. Hocean, Inc., No. 10-0455 SC, 2010 U.S. Dist. LEXIS 81071, at *10 (N.D. Cal. Aug. 9, 2010) (dismissing claim “premised on the infringement of a third-party mark” (quoting Halicki Films, LLC v. Sanderson Sales & Mktg., 547 F.3d 1213, 1225 (9th Cir. 2008) (“To establish standing to sue for trademark infringement under the Lanham Act, a plaintiff must show that he or she is either (1) the owner of a federal mark registration, (2) the owner of an unregistered mark, or (3) a nonowner with a cognizable interest in the allegedly infringed trademark.”)).

²⁶ See 15 U.S.C. §§ 1063, 1064 (“[a]ny person who believes that he would be damaged by the registration of a mark” may file an opposition; petitions for cancellation also available).

²⁷ See Lynda J. Oswald, *Challenging the Registration of Scandalous and Disparaging Marks Under the Lanham Act: Who has Standing to Sue?*, 41 AM. BUS. L.J. 251, 280–304 (2004) (detailed review of case law over challenges to trademarks as scandalous or disparaging).

²⁸ In California, for example, the “owner of a mark” can bring a civil action. See Cal. Bus. & Prof. Code § 14245(a). An owner is generally the registrant, or the party which was first to use the mark and did so continuously. See *Mallard Creek Indus., Inc. v. Morgan*, 56 Cal.App.4th 426, 433 (1997) (decided before statutory changes in 2007; explaining ways that a party can bring a trademark claim under California law – such as using the mark since incorporation – and rejecting argument that distributor’s long-time use was a defense to claim brought by owner). In New York, a registrant “owner” likewise can bring suit. See N.Y. Gen. Bus. L. § 360-m(1). Standing to pursue common law, unregistered claims under unfair competition or similar theories is harder to track from state to state. But there appears to be no effort – in contrast to the *DTM* case and its progeny discussed here – to broaden standing requirements beyond owners to some significantly looser class.

relegated trade secret standing to a footnote which noted that little case law was available.²⁹ There is scant coverage in treatises aimed at practitioners.³⁰

A. Specific Factors Complicating an Assessment of Trade Secret Standing.

Standing in trade secret law differs from patent, copyright, and trademark standing for many reasons – some of which should be identified up front, to clear the way for a focused discussion of the critical problems in this area.

1. Different Treatment of Standing Concepts in State Courts.

One complicating factor is that federal and state courts both may address trade secret standing, but their general requirements for plaintiffs to appear in court may differ. Unlike federal court, where courts generally follow the *Lujan* standing test for the constitutional case-and-controversy requirement,³¹ it is less clear that the same “standing” requirement exists in state courts, at least in the capital-S, Article III variety.

²⁹ See Roger D. Blair & Thomas F. Cotter, *The Elusive Logic of Standing Doctrine in Intellectual Property Law*, 74 TUL. L. REV. 1323, 1373 & n.230 (2000) (“The relevant case law on trade secrets appears to be fairly sparse.”).

³⁰ See 4 ROGER R. MILGRIM & ERIC E. BENSON, MILGRIM ON TRADE SECRETS §15.01[1] (2021) (collecting cases for the plaintiff’s need to demonstrate ownership or other interest in the asserted trade secrets); 1 DAVID W. QUINTO ET AL., TRADE SECRETS: LAW AND PRACTICE § 2.16 (four paragraphs reporting cases on ownership, licensees, and possessors); 2 ROGER M. MILGRIM & ERIC E. BENSON, MILGRIM ON LICENSING § 15.31 (2022) (two paragraphs on trade secret standing; “The prevailing view respecting standing to sue for trade secret misappropriation is that a plaintiff that possesses a trade secret has standing to sue for its misappropriation regardless of whether the plaintiff has the status of an owner or licensee of the secret.”). This author was an editor of the James Pooley treatise on trade secret law and, in the 2007 edition, added a short section on trade secret standing. With respect to the *DTM* case this article criticizes, I offered a short but similar comment there when citing it: “The case law on standing is not altogether consistent, with at least one court holding that possession alone merited standing, even where the plaintiff was accused of having itself misappropriated the information. In general, standing should not be an obstacle against relief where the plaintiff has sufficient interest in the information such that the defendant can reasonably test defenses such as secrecy, reasonable measures, and the like. By contrast, a plaintiff whose interest in the information is so slight that it cannot account for the development of the information or whether prior disclosures have taken place would seemingly be less deserving.” See James Pooley, TRADE SECRETS § 5.01[1] (first added to 2007 ed.).

³¹ Using the term “standing” risks confusion. Those versed in constitutional law may read the word differently than courts and practitioners who commonly use the term in trade secret law to mean the right to pursue a misappropriation claim. For general Article III standing in federal court, a plaintiff must plead an injury-in-fact as that term is defined in *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560–61 (1992) (setting forth a three-part standing analysis focusing on (1) an invasion of a protected interest that is concrete and particularized which is actual or imminent; (2) a causal connection between the injury and the conduct complained of; and (3) a non-speculative likelihood that legal redress will mitigate the injury). That is not what this article is about. For example, this article does not seek to offer insight into Article III standing discussions, such as the rights of activist organizations or the degree to which an claimed injury is concrete. We use the word “standing” more generally to discuss rights to pursue trade secret

For example, in a comprehensive 2009 case where a former trade secret owner sued for misappropriation which had allegedly occurred at a time when the plaintiff was still the owner, the defendant challenged its “standing” to bring the claim. The California Court of Appeals stated bluntly that the case-and-controversy requirements for the federal courts to entertain lawsuits do not apply in California courts.³²

With respect to a California statute requiring that lawsuits be prosecuted “in the name of the real party in interest,” the court stated that “[t]his provision is not the equivalent of, and provides no occasion to import, federal-style “standing” requirements”.³³ While conceding that the language of standing “may have some utility when a plaintiff attempts to assert *the rights of third parties*,” the court found the language of “standing” to be unnecessary in addressing whether a plaintiff has stated the elements of its claim – “typically the breach of a duty owed to him, or consequent damages sustained by him.”³⁴ On the merits, the court found that because the plaintiff asserted that it suffered injury at a time when it had owned the alleged trade secrets, it could proceed.³⁵ Thus, we should be wary of treating “standing” in trade secret cases as something subject to the general standard controlling in federal courts.

2. *Standing Disputes tied to Statutory Enactment Dates.*

Second, we must also distinguish the question of statutory standing in trade secret cases following the enactment of a trade secret statute, an issue which flourished in the courts just after Congress enacted the DTSA in May 2016. The DTSA is not retroactive.³⁶ This created headaches when fact patterns stretched before and after its May 2016 enactment date.³⁷ States

claims because that is the word courts and practitioners use to describe this concept, and not in the *Lujan*-centered, injury-focused sense of the term.

³² See *Jasmine Networks, Inc. v. Superior Court*, 180 Cal. App. 4th 980, 990 (Cal. Ct. App. 2009).

³³ See *id.* at 991 (commenting on Cal. Civ. Proc. Code § 367).

³⁴ See *id.* at 992 (italics in original).

³⁵ See *id.* at 1005, 1009–10 (comparing rights of prior owners in other areas of intellectual property law, such as copyright law).

³⁶ See 18 U.S.C. § 1836 (comment on “Effective Date” that amendments apply only to acts of misappropriation “on or after” the statute’s effective date in May 2016).

³⁷ This question saw a burst of cases after the DTSA’s enactment over its coverage of fact patterns that began before the non-retroactive statute was made law in May 2016. This question is receding now that the federal statute has been law for several years. *E.g.*, *Attia v. Google LLC*, 983 F.3d 420, 424–25 (9th Cir. 2020) (where defendants had disclosed all alleged trade secrets in patent applications before the DTSA’s enactment date, dismissal of DTSA claim was proper; a continued use of a still-secret alleged trade secret would allow a plaintiff to maintain a post-enactment claim for activity that began before May 2016); *Vertellus Holdings LLC v. W.R. Grace & Co.*, 2021 U.S. Dist. LEXIS 164153, at *90 (D. Md. Aug. 12, 2021) (following *Attia* and granting partial summary judgment on DTSA claims where some alleged trade secrets were published in patent filings before the DTSA’s enactment); *Pawelko v. Hasbro, Inc.*, 2018 U.S. Dist. LEXIS 196741, at *20–21 (D.R.I. Nov. 19, 2018) (granting summary judgment on

faced similar statutory standing questions when they enacted versions of the UTSA and fact patterns spanned before-and-after the enactment date, raising the question whether common law and/or the new statute controlled.³⁸

3. *Standing Questions Tied to Ownership Disputes Between Employers and Employees.*

Third, and similar to a standing issue also seen in patent law, we must also distinguish another type of standing question that can arise in trade secret cases: disputes between an employer and an employee over the ownership of intellectual property created during the term of employment, but arguably outside the scope of employment. For example, an employer and a current or former employee might dispute ownership of a copyrightable work or an invention that the employee created during his or her employment – information that could constitute a trade secret if it has not yet been published.³⁹ Or, an employee might attempt to sue a third party over asserted trade secrets that the employer owns.⁴⁰ Similarly, we put aside other types of trade secret disputes between a plaintiff and its former employer,

DTSA claim where plaintiff alleged that defendant had disclosed alleged trade secrets in patent applications years before May 2016, and thus lacked statutory standing); *Cave Consulting Grp., Inc. v. Truven Health Analytics Inc.*, No. 15-CV-02177-SI, 2017 WL 1436044 (N.D. Cal. Apr. 24, 2017) (same result on motion to dismiss where plaintiff pleaded facts about alleged misappropriation in 2014, but otherwise offered nothing but vague “information and belief” about other bad acts; “The Court finds that without facts about when post-enactment use occurred and whether the information disclosed was new or somehow different from the prior misappropriation, plaintiff has failed to state a claim under the DTSA.”).

³⁸ Where states have successively adopted the Uniform Trade Secrets Act, one would have statutory standing under the new enactment only for the time period it was in force. For example, in *Cadence Design Systems, Inc. v. Avant! Corp.*, 29 Cal. 4th 215, 224 (2002), the California Supreme Court noted that if a trade secret case involved a fact pattern where the alleged misuse of information took place before and after the California UTSA’s 1985 enactment date, there would be a common law claim for the pre-UTSA misuse, while the UTSA would govern the period afterwards.

³⁹ For a comprehensive set of citations to employer/employee disputes over invention assignment agreements and work for hire disputes for copyrightable works, see Charles Tait Graves, *Is the Copyright Act Inconsistent with the Law of Employee Invention Assignment Contracts?*, 8 NYU J. INTEL. PROP. & ENT. L. 1 (2019). For an example, see *Alcatel USA, Inc. v. Cisco Sys., Inc.*, 239 F. Supp.2d 645, 659–60 (E.D. Tex. 2002) (plaintiff could not pursue trade secret claim where employee of defendant’s predecessor-in-interest, not plaintiff, owned copyright to software at issue; “[t]herefore, that Alcatel could maintain a right of secrecy in the very programs to which [defendant] enjoyed an exclusive right of publication, is simply not supportable.”).

⁴⁰ See *Pullman Grp., LLC v. Prudential Ins. Co.*, 733 N.Y.S.2d 1, 2 (App. Div. 2001) (motion to dismiss complaint granted where plaintiff did not own alleged secrets in alleged financial trading technique; as a mere employee who had created the technique for employers who were not parties, and where purported assignment did not transfer trade secret rights, he had no “standing” to proceed). In the opposite scenario where a defendant argued on a motion to dismiss that a trade secret plaintiff lacked standing because its principle supposedly owned the asserted trade secret, the court denied the motion by noting that the individual was subject to a standard invention assignment agreement in the plaintiff’s favor. See *Freeman Inv. Mgmt. Co., LLC*, 2016 U.S. Dist. LEXIS 93201, at *10–12 (S.D. Cal. July 18, 2016).

such as those where the defendant previously created the information at issue before first joining the employer,⁴¹ or where the information at issue constitutes part of an employee's unprotectable general skills, knowledge, training, and experience rather than protectable property.⁴² On a different track, and as scholars have recently proposed, a trade secret owner could theoretically forfeit its standing by abandoning its trade secret.⁴³ These problems are distinct from what we challenge in this article.

B. Other Factors Affecting Trade Secret Standing.

As with other areas of intellectual property law, two other factors can complicate an assessment of trade secret standing: whether contract terms speak to a party's right to sue, and whether a plaintiff suffered injury at a time before it divested its interest in the asserted trade secrets.

1. Trade Secret Standing When Controlled By Contract Terms.

As with so much in trade secret law, the interface with contract terms can dictate one's rights.⁴⁴ In some cases, contract terms may shed light on whether the plaintiff owns the asserted trade secrets.⁴⁵ This is especially true

⁴¹ See, e.g., *Woodfords Family Serv., Inc. v. Casey*, 832 F. Supp. 2d 88, 98 n.10 (D. Me. 2011) (denying application for temporary restraining order on trade secret and other grounds; finding several flaws in trade secret allegations and, as to ownership, noting undisputed testimony that defendant had created the concept at issue of video self-modeling for special needs children years before joining plaintiff, calling ownership into question).

⁴² See Camilla A. Hrды, *The General Knowledge, Skill, and Experience Paradox*, 60 B.C. L. REV. 2409 (2019) (by far the most comprehensive treatment of the elusive common law concept that some information possessed by employees is not protectable, and is transportable from job to job, even if it might otherwise meet the elements of trade secrecy).

⁴³ See Camilla A. Hrды & Mark A. Lemley, *Abandoning Trade Secrets*, 73 STAN. L. REV. 1, 8–9 (2021) (proposing that “trade secrets could be lost—abandoned—due to nonuse,” and that positive benefits for employees would flow from being able to use information so abandoned to “implement the idea herself if the firm won’t”).

⁴⁴ For the most comprehensive treatment of how contract terms can affect (or distort) one's rights under trade secret law, see Deepa Varadarajan, *The Trade Secret-Contract Interface*, 103 IOWA L. REV. 1543, 1548, 1563–75 (2018) (noting that contract terms that would, among other things, “enlarge protectable subject matter,” or “eliminate the reverse engineering defense” create a “tension” between contract and trade secret law; referring to such terms as “trade secret-evasive uses of contract law”). The interplay between contract terms and a right to sue is another, albeit less controversial, aspect of that interface.

⁴⁵ See *Act II Jewelry, LLC v. Wooten*, No. 15-C-6950, 2018 U.S. Dist. LEXIS 114830, at *39–40 (N.D. Ill. July 11, 2018) (plaintiff had standing to pursue claim where it had partially assigned trade secrets to other “entities” but retained a “partial interest”); *Pollara v. Radiant Logistics Inc.*, No. CV-12-0344, 2012 U.S. Dist. LEXIS 197279, at *10–14 (C.D. Cal. Sept. 13, 2012) (company lacked standing to pursue trade secret claim under California law where a subsidiary owned the asserted trade secrets under the terms of a merger agreement, and claimant failed to show that it had purchased or was the “exclusive licensee”); *Indus. Insulation Grp., LLC v. Sproule*, 613 F. Supp. 2d 844, 852–53 (S.D. Tex. 2009) (where plaintiff was a joint venture between two companies – one of which, the original trade secret owner, comprised 71% of the venture – and was also the successor-in-interest and a third party beneficiary under

where a contract contains express terms which limit a licensee's right to sue. For example, in one of the earliest cases to address what we might call trade secret standing, a cross-defendant argued that the cross-plaintiff corporation did not own the alleged trade secrets because its president was the true owner.⁴⁶ The court denied summary judgment – noting that a license agreement “indicates an indivisibility of interests” between them – but joined the president as a party. That result implies that the court felt that licensee status was insufficient to support a standalone trade secret claim.⁴⁷ Similarly, a federal court found in 1995 that a sublicensee lacked trade secret standing because the contract terms indicate that the licensee alone had the right to determine whether to file suit.⁴⁸

In perhaps the most extreme example of a case where contract terms mattered, a plaintiff in a District of Maryland case had previously sold the alleged secrets to the defendant, but then sued the defendant for misappropriation.⁴⁹ The court granted the defendants' motion for an award of attorneys' fees under the bad-faith clause of the Maryland UTSA after granting summary judgment to the defense because the trade secret plaintiff had “voluntarily transferred its ‘entire right, title and interest in and to the Technology . . . ‘“ in which it later claimed trade secrets.⁵⁰ Addressing fees awards under the UTSA to a prevailing defendant, it found bad faith primarily because the plaintiff had already transferred full title in the trade secrets to a defendant through a contract, making a misappropriation claim

an agreement, it had standing to assert a trade secret claim); *Wyatt Tech. Corp. v. Malvern Instruments Inc.*, No. CV-07-08298, 2009 U.S. Dist. LEXIS 66097, at *55–56 (C.D. Cal. July 29, 2009) (denying argument on summary judgment that plaintiff did not own certain asserted trade secret claims under an asset purchase contract, finding that contract terms “could plausibly . . . encompass[]” various technical and non-technical categories of information at issue); *Fast Capital Mktg., LLC v. Fast Capital LLC*, No. H-08-2142, 2008 U.S. Dist. LEXIS 103988, at *30–39 (S.D. Tex. Dec. 24, 2008) (granting motion to dismiss trade secret claim where terms of contract showed that plaintiff did not ; have ownership or rights to sue in the information at issue; the contract reserved assignment of the information to the owner and gave the owner disclosure rights but restricted the plaintiff's rights absent consent, and contained other limitations; “[r]ead as a whole, the ISO Agreements do not show that [plaintiff] owns the merchant information.”); *see also* *Tow v. Organo Gold Int'l, Inc.* (In re *AmeriSciences, LP*), 781 Fed. Appx. 298, at *304–05 (5th Cir. July 11, 2019) (where company's trustee brought a trade secret claim, defendant waived argument that company lacked standing over a distributor list because it had previously sold assets to a third party in bankruptcy by not raising it until appeal; stating, in questionable dicta, that the argument would fail on the merits because a non-party cannot challenge a contract that the parties to it could reform “based on mutual mistake”).

⁴⁶ *See* *Varo, Inc. v. Corbin Mfg. Co.*, 50 F.R.D. 376, 378 (E.D. Pa. 1970).

⁴⁷ *See id.*

⁴⁸ *See* *Althin CD Med., Inc. v. West Suburban Kidney Ctr., S.C.*, 874 F. Supp. 837, 842 (N.D. Ill. 1995) (ruling on motion to dismiss).

⁴⁹ *See* *Cont. Materials Processing, Inc. v. Katalena GmbH Catalysts*, 222 F. Supp. 2d 733, 748 (D. Md. 2002).

⁵⁰ *See id.* at 737.

impossible.⁵¹ Similar questions may be asked when a party sues for breach of a confidentiality contract but the plaintiff does not have rights under the agreement to the information the defendant allegedly misused or disclosed.⁵²

2. Trade Secret Standing as a Temporal Question.

Another aspect of trade secret standing is temporal: whether a plaintiff which has transferred its interest in the asserted trade secrets may nonetheless still maintain a lawsuit. The answer often turns on the timing of the alleged injury, and whether the plaintiff suffered harm when it was still the owner.⁵³ For example, where a plaintiff seeking injunctive relief owned an interest in trade secrets that would soon expire because it had transferred all rights to a third party, the court held that it could not seek injunctive relief past the date of the impending expiration of its rights. The court reasoned that at that point, the plaintiff would “not have an injury in fact resulting from any alleged misappropriation of trade secrets[.]”⁵⁴

The Eighth Circuit addressed temporal standing in a 2015 trade secret case, and reached a similar conclusion on complicated facts. Where three parties cross-claimed for trade secret misappropriation against a nonexclusive licensee who allegedly used information regarding an oil and gas leasehold beyond the authorized scope of the license, the accused party obtained summary judgment against one of the three because it did not own the asserted trade secrets.⁵⁵ The Eighth Circuit “decline[d] to decide whether

⁵¹ See *id.* at 747.

⁵² See generally *Ritchie CT Opps, LLC v. Huizenga Managers Fund, LLC*, No. 2018-0196-SG, 2019 Del. Ch. LEXIS 198, at *26 (Del. Ch. May 30, 2019) (granting motion to dismiss as to portion of a complaint alleging that the defendants had violated confidentiality clause by disclosing business information owned by non-party affiliates of the plaintiff in a different lawsuit; court applied an explicit standing analysis to rule that “absent an injury in fact, [plaintiff] is without standing to vindicate those third-party rights, and its claim for breach of the confidentiality clauses is dismissed.”).

⁵³ See *Jasmine Networks Inc. v. Superior Court*, 180 Cal. App. 4th 980, 996 (Cal. Ct. App. 2009). (where plaintiff previously owned trade secrets before asset sale and claimed injury from a misappropriation when it was the owner, it could proceed with the claim; “[i]n general, then, a former owner who suffered damage to the property while he owned it is a real party in interest for purposes of maintaining an action for damages, and may do so subject to any specific substantive limitations that may be triggered by the circumstances of his claim.”); *Williamson v. Rexam Beverage Can Co.*, 497 F. Supp. 2d 900, 906–07 (S.D. Ohio 2007) (prior owner lacked standing to bring trade secret claim involving metal-welding technology, only current assignee could raise the claim; however, if the seller had alleged injuries prior to the sale, the result would have differed, but it made no such allegations); *Omnitech Int’l, Inc. v. Clorox Co.*, 11 F.3d 1316, 1323 (5th Cir. 1994) (where trial court had dismissed trade secret claim over insecticide-related information during trial because the plaintiff had transferred its rights away to a third party, apparently before the time of the alleged misappropriation, appellate court stated that “the district court was correct in resolving this claim as a matter of law”, but affirmed on the alternative ground that even if the plaintiff had standing, there was insufficient “evidence of misappropriation.”).

⁵⁴ See *Next Advisor Continued, Inc. v. Lendingtree, Inc.*, No. 15-CVS-21379, 2017 NCBC LEXIS 52, at *18–19 (N.C. Sup. Ct. June 14, 2017).

⁵⁵ See *Macquarie Bank Ltd. v. Knickel*, 793 F.3d 926, 936 (8th Cir. 2015).

ownership is an element of a misappropriation claim under the North Dakota Uniform Trade Secrets Act[.]”⁵⁶ But it affirmed summary judgment on the alternative ground that because the party in question had “assigned all of its interest in the trade secrets” to the other cross-plaintiffs, and then the accused party had exceeded its license without the consent of those two parties.⁵⁷ The case thereby suggests that the victim at the time of the act of misappropriation is the party with standing to bring a claim, not a former owner who suffered no injury for an alleged act of misappropriation taking place after the time of transfer.

In another case where timing was dispositive, the Fifth Circuit reversed a judgment in 1999 where the plaintiff did not obtain an assignment of the alleged trade secrets before it initiated the lawsuit, and thus “failed to prove that it owned any of the trade secrets underlying its misappropriation claim.”⁵⁸

C. *The Confused State of Standing in Trade Secret Law.*

Moving beyond these initial points to the main body of trade secret standing law, we find case law that is less consistent – and more permissive for plaintiffs seeking to pursue claims – than what is seen in other areas of intellectual property. In addition, there are a large number of cases that do not expressly address standing, but implicitly construe a plaintiff’s standing to sue so broadly that it encompasses the desires and preferences expressed to the plaintiff by third-party customers. There are conceptual problems with cases that mention standing, and also with those that do not discuss standing, for similar reasons. We begin with the trade secret statutes and the case law construing those statutes.

1. *Standing and the Trade Secret Statutes*

Although there were a few standing cases under the pre-statutory common law of trade secrets,⁵⁹ today’s analysis centers on the DTSA and the

⁵⁶ See *id.* (citing the Fourth Circuit’s *DTM* case versus a California case which referred to ownership when reciting the elements of a trade secret claim, though that decision did not address ownership or standing issues).

⁵⁷ See *id.* at 936–37.

⁵⁸ See *Gaia Techs., Inc. v. Recycled Prods. Corp.*, 175 F.3d 365, 376 (5th Cir. 1999) (citing a Texas case which had described a trade secret “owner,” albeit without any analysis of whether other types of interests would suffice).

⁵⁹ In a one of the earliest cases to address standing under trade secret law, a 1981 case from a federal court in Pennsylvania, the court struggled with whether the trade secret owner of dental technologies had to be joined under Rule 19 where the plaintiffs – exclusive licensees in certain states – had brought suit against a competitor which had hired their employee. The court considered patent standing cases where the owner had to be joined in an infringement lawsuit. But under the Rule 19 balancing test, it concluded that the licensees could proceed without the owner, as joinder would have been difficult given jurisdictional difficulties and the prejudice to the defendants was “slight.” See *Frank M. Denison, D.D.S.*,

UTSA. Because the DTSA contains express standing language, its analysis is less complicated. Case law under the UTSA is where the debate centers.⁶⁰ This case law has been significantly shaped – one could argue misshaped – by an influential Fourth Circuit ruling in 2001 under Maryland law which held that possession alone could suffice.

2. DTSA Standing

The DTSA contains an express, property-centered standing clause: only a defined “owner” may bring a civil misappropriation action.⁶¹ The statute defines an “owner” as “the person or entity in whom or in which rightful legal or equitable title to, or license in, the trade secret is reposed.”⁶² It does not clarify whether a nonexclusive licensee is included, and it does not define “equitable title.”

The result is that entities which do not have such rights to the information at issue cannot be a party to a federal trade secret misappropriation cause of action.⁶³ In one of the first cases since the DTSA was enacted in 2016 to address what “equitable title” means, the Southern District of New York dismissed with prejudice a DTSA claim over a “stock-index concept” by an individual associated with the company (and co-plaintiff) which owned it, but who admittedly was not an owner.⁶⁴ The

Inc. v. Westmore Dental Arts, P.C., No. 80-842, 1981 U.S. Dist. LEXIS 17332, at *10–14, *19 (W.D. Penn. Jan. 15, 1981). Another early case allowed trade secret standing based on licensee status. See *Bus. Trends Analysts v. The Freedomia Grp., Inc.*, 650 F. Supp. 1452, 1458 (S.D.N.Y. 1987) (denying motion to dismiss under New York common law on lack of “standing” because exclusive licensee had standing to bring trade secret claim over economic analysis reports).

⁶⁰ The Uniform Trade Secrets Act has been enacted in every jurisdiction but New York, though sometimes with significant variations (particularly in North Carolina and Alabama). See <<https://www.uniformlaws.org/committees/community-home?CommunityKey=3a2538fb-e030-4e2d-a9e2-90373dc05792>> [perma.cc/QC2Q-NBMV] (showing enactment dates).

⁶¹ See 18 U.S.C. § 1836(b)(1) (“An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.”); see also 18 U.S.C. § 1835 (referring to “Rights of Trade Secret Owners” with respect to motions to seal during litigation). In a straightforward case where a former husband had relinquished all rights to assets including alleged trade secrets in a divorce settlement, he was unable to pursue a DTSA claim against the purchasers of those assets because he had no ownership interest in them. See *Mann v. Bales*, No. 16-CV-9623, 2018 U.S. Dist. LEXIS 122754 1, at *4 (N.D. Ill. July 23, 2018) (granting motion to dismiss; sale made it “factually impossible to prove” a DTSA claim).

⁶² See 18 U.S.C. § 1839(4).

⁶³ See *uSens, Inc. v. Shi Chi*, No. 18-CV-01959-SVK, 2018 U.S. Dist. LEXIS 175570, at *8–9 (N.D. Cal. Oct. 11, 2018) (one reason for denying motion for preliminary injunction seeking a return of equipment and information including “source code” was that plaintiff “ha[d] not shown that it [was] the owner of the alleged trade secrets,” and instead submitted confusing evidence about a “related” business that was “not a party to th[e] action”; “To be sure, trade secrets can be jointly owned. . . . However, Plaintiff’s complaint contains no allegations of shared trade secrets, and Plaintiff has presented no evidence concerning its interest in the alleged trade secrets at issue in this case.”).

⁶⁴ See *Zabitt v. Brandometry, LLC*, 540 F. Supp. 3d 412, 417 (S.D.N.Y. 2021).

individual asserted that he had “equitable title” under the DTSA because he was “the person with control over the asset,” with an analogy to the law of joint ownership.⁶⁵ The court rejected this interpretation (there was no allegation of joint ownership) and, looking to a Federal Circuit decision about when a company has contractual ownership rights to employee inventions that have not yet occurred, construed “equitable title” to mean an “expectant” interest.⁶⁶

In another recent DTSA case where a parent and its subsidiary were co-plaintiffs, the parent survived a standing challenge on a motion to dismiss DTSA and New York common law trade secret claims because there were sufficient allegations that it owned some of the alleged trade secrets.⁶⁷ The court, however, analyzed the standing question solely as whether the parent might have suffered injury-in-fact and did not address standing questions specific to trade secret law.⁶⁸

3. *UTSA Standing.*

Unlike the DTSA, most versions of the Uniform Trade Secrets Act (UTSA) provide no express guidance as to standing to bring a misappropriation claim. The model statute – whether the 1979 or 1985 version – does not set forth a standing requirement.⁶⁹ In defining the act of misappropriation, the text refers, in question-begging language, to a “trade secret of another”:

“Misappropriation” means: (i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (ii) disclosure or use of a trade secret of another without express or implied consent[.]⁷⁰

This curious formulation seems to refer to ownership, but it is unclear. In turn, the official commentary to the 1985 version of the UTSA only mentions ownership in passing, and not as a condition to filing a lawsuit. For

⁶⁵ *See id.*

⁶⁶ *See id.* (citing *Filmtec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1572 (Fed. Cir. 1991)). For another DTSA standing analysis, see *Focused Impressions, Inc. v. Sourcing Grp., LLC*, 2020 U.S. Dist. LEXIS 67328, at *9–15 (D. Mass. Apr. 16, 2020) (where plaintiff was “more akin to a distributor” of a third party’s alleged secrets in pricing information, and did not plead any facts falling within the DTSA definition of an “owner,” court dismissed the claim).

⁶⁷ *See R.R. Donnelley & Sons Co. v. Marino*, 505 F. Supp. 3d 194, 200–202 (W.D.N.Y. 2020).

⁶⁸ *See id.*

⁶⁹ *See* National Conference of Commissioners on Uniform State Laws, UNIFORM TRADE SECRETS ACT WITH 1985 AMENDMENTS (1986). For a state enactment of the earlier version, *see* Ark. Code. §§ 4-75-601–4-75-607 (enacted 1981).

⁷⁰ *See* National Conference of Commissioners on Uniform State Laws, UNIFORM TRADE SECRETS ACT WITH 1985 AMENDMENTS, Comment, at 4 (1986).

example, when discussing conditions for injunctive relief, the comment states that

[t]he prejudice to a good faith third party justification for withholding prohibitory injunctive relief can arise upon a trade secret owner’s notification to a good faith third party that the third party has knowledge of a trade secret as a result of misappropriation by another. This notice suffices to make the third party a misappropriator thereafter[.]⁷¹

A similar reference to an “owner” is found in a passage about head-start injunctive relief.⁷² Such passing references to trade secret ownership appear incidental. They do not establish that the UTSA Commissioners sought to tether trade secret standing to ownership. The same is true for stray references to trade secret owners in some state enactments.⁷³

To be sure, some state versions of the UTSA added language about ownership in provisions that seem more related to standing. Colorado, for example, uses the word “owner” twice when defining a trade secret.⁷⁴ One court construed that language narrowly in 1998, finding that “the plain language of the act contemplates that the ‘owner’ of a trade secret is

⁷¹ *See id.* at 8.

⁷² *See id.* (“If a misappropriator either has not taken advantage of lead time or good faith competitors already have caught up with a misappropriator at the time that a case is decided, future disclosure and use of a former trade secret by a misappropriator will not damage a trade secret owner and no injunctive restraint of future disclosure and use is appropriate.”).

⁷³ For example, the California UTSA does not refer to owners in its definition of “misappropriation” or otherwise define any class of plaintiffs, though a unique subsection added in 1993 to address a scenario raised by case law concerning the application of California’s litigation privilege does refer to “its owner” and “the owner of the trade secret.” *See generally* Cal. Civ. Code §§ 3426.1, 3426.11 (enacted 1985; amended effective 1993). In any event, California’s jury instructions for trade secret claims, refers to ownership or to licensee status as a condition to sue. *See* CACI 4401 (explaining that the plaintiff must show that it owned, or licensed, the asserted trade secret).

⁷⁴ *See* COLO. REV. STAT. ANN. §7-74-102 (defining “trade secret” as “the whole or any portion or phase of any scientific or technical information, design, process, procedure, formula, improvement, confidential business or financial information, listing of names, addresses, or telephone numbers, or other information relating to any business or profession which is secret and of value. To be a “trade secret” the owner thereof must have taken measures to prevent the secret from becoming available to persons other than those selected by the owner to have access thereto for limited purposes.”). As another example, Minnesota’s version refers to an “owner” in its version of the standard UTSA safe harbor clause governing the circumstances under which one acquiring a trade secret is deemed to have notice of it. *See* MINN. STAT. § 325C.01(5)(ii) (“The existence of a trade secret is not negated merely because an employee or other person has acquired the trade secret without express or specific notice that it is a trade secret if, under all the circumstances, the employee or other person knows or has reason to know that the owner intends or expects the secrecy of the type of information comprising the trade secret to be maintained.”).

responsible for preventing its unlawful disclosure” and thus denying standing to a non-owner.⁷⁵

North Carolina’s statute (which is worded differently from the UTSA to a degree that it might be considered a unique enactment) states that “[t]he owner of a trade secret shall have remedy by civil action for misappropriation of his trade secret.”⁷⁶ Similarly, New Jersey’s version of the UTSA, which also contains significantly different wording from the model statute, refers to misappropriation “without express or implied consent of the trade secret owner,” without defining what an “owner” means.⁷⁷ The Texas UTSA contains a DTSA-like clause stating that “[o]wner” means, with respect to a trade secret, the person or entity in whom or in which rightful, legal, or equitable title to, or the right to enforce rights in, the trade secret is reposed.⁷⁸ So too does Nevada.⁷⁹

How courts elsewhere have construed the UTSA language to decide questions of standing is a before-and-after story: a 2001 Fourth Circuit decision whose logic is at the heart of this article, *DTM Research, LLC v. AT&T Corporation*, shifted the ground. Before that ruling, however, the handful of cases addressing UTSA standing were less consistent.

One older Louisiana decision narrowly construed the UTSA to require ownership, though it is not clear from the ruling what status the plaintiff held with respect to the asserted trade secret.⁸⁰ A district court ruling under the Illinois UTSA suggested that ownership was required, albeit in an unusual case involving shareholders where other possible contexts such as licensee

⁷⁵ See *RMS Software Dev. V. LCS, Inc.*, No. 01-90-00824-CV, 1998 WL 74245, at *4 (Tex. App. Feb. 19, 1998) (unpublished) (affirming summary judgment to defendant where plaintiff did not own the software at issue).

⁷⁶ See N.C. GEN. STAT. §66-153 (enacted 1981). A 2014 trial court case allowed an exclusive licensee to pursue a trade secret claim, noting that while the statute refers to an undefined “owner,” the North Carolina Pattern Jury Instructions for trade secret cases stated that “[p]resumably that includes a bona fide licensee.” See *SCR-Tech LLC v. Evonik Energy Serv. LLC*, No. 08-CVS-16632, 2014 NCBC LEXIS 71, at *2–4, 8 (N.C. Sup. Court Dec. 31, 2014).

⁷⁷ See N.J. STAT. ANN. § 56:15-2 (enacted 2012).

⁷⁸ See TEX. CIV. PRAC. & REM. CODE § 134A.002(3-a) (enacted 2013).

⁷⁹ See NEV. REV. STAT. § 600A.030.3 (“Owner” means the person who holds legal or equitable title to a trade secret.”). The Restatement of Torts, which today governs trade secret law in New York alone, included “the value of the information to the owner and its competitors” as a factor in assessing trade secrecy, but as seen in cases cited herein, Restatement jurisdictions have nonetheless permitted looser standing conceptions over the years. See *RESTATEMENT OF TORTS* § 757, cmt. b.

⁸⁰ See *Gabriel Int’l, Inc. v. M&D Indus. of La., Inc.*, 719 F. Supp. 522, 524 (W.D. La. 1989) (construing the Louisiana UTSA to require ownership of the asserted trade secret and finding that the plaintiff had not established ownership, entering order requiring evidentiary hearing on that issue; “[o]ur examination of LSA-R.S. 51-1431 et seq. and the authorities cited in our Ruling of August 29, 1989 have convinced us that plaintiff has no rights whatsoever unless [. . .] it is the owner of that trade secret or secrets.”).

standing were not considered.⁸¹ One of the earliest UTSA rulings found that the plaintiff lacked standing because its customers owned the asserted trade secrets.⁸²

D. *The Fourth Circuit's 2001 DTM Decision*

Things changed with the 2001 *DTM* ruling.⁸³ It loosened requirements for UTSA trade secret standing by borrowing from the law of the tort of conversion to find that mere possession suffices to assert a claim, even if a plaintiff is unlicensed. In reaching its holding, *DTM* offered a highly questionable philosophical statement about what it styled as the “inherent nature” of trade secret law. That gloss is perhaps what made the case seem authoritative to so many courts in its wake, and it is therefore worth unraveling.

In short, *DTM* deemphasized a property-centric view of trade secret rights in favor of a relational concept based on mere possession under which “one who possesses non-disclosed knowledge may demand remedies as provided by the [UTSA] against those who ‘misappropriate’ the knowledge.”⁸⁴ Without addressing the reasons why the tort of conversion differs substantially from the elements required to establish a valid trade secret, the court adopted the rule seen in conversion cases that a mere possessor has standing to pursue a claim.

DTM presented an unusual fact pattern: the defendant alleged that the plaintiff lacked standing not merely because it did not own the alleged trade secrets, but because it had misappropriated them from the true owner – the U.S. government. Specifically, *DTM* offered processes for data mining of telephonic records.⁸⁵ It alleged that AT&T, the defendant, misappropriated the alleged trade secrets after entering into a confidentiality agreement to discuss a potential business transaction, and “incorporated the secret information into its already existing technology.”⁸⁶ For its part, AT&T argued that the alleged secrets “had been misappropriated by *DTM* from the

⁸¹ See *Venango River Corp. v. NipSCO Indus., Inc.*, No. 92-C-2412, 1994 U.S. Dist. LEXIS 17898 (N.D. Ill. Dec. 15, 1994) (where shareholders of a non-party company brought trade secret claim over financial information against a company which had negotiated with the non-party, the court granted summary judgment to the defendant; using strong ownership language (albeit where no question of any other status, such as a license, was at stake), the court held that “[i]n order to state a claim under either [of two relevant UTSA’s], plaintiffs must be able to demonstrate that they owned the trade secrets.”).

⁸² See *Water Mgmt., Inc. v. Stayanchi*, 472 N.E.2d 715, 718 (Ohio 1984) (Ohio UTSA; no standing where trade secret belonged to customers of plaintiff).

⁸³ See *DTM Research, LLC v. AT&T Corp.*, 245 F.3d 327, 329–330 (4th Cir. 2001).

⁸⁴ See *id.* at 332.

⁸⁵ See *id.* at 329–330.

⁸⁶ See *id.* at 330.

United States in the course of work that DTM and other companies had earlier performed for the United States,” but the government successfully quashed AT&T’s subpoenas in pursuit of this defense under the state secrets privilege. AT&T then sought summary judgment on the ground that it could not fairly defend itself.⁸⁷

This atypical backstory led to a meandering ruling on trade secret standing that has proven greatly influential in the two decades since. The court posed the standing question between two extremes: must a plaintiff have ownership “in the sense of fee simple absolute title,” or by contrast does mere “possession” suffice to sustain a misappropriation claim?⁸⁸ By contrast, the defendant argued for a more nuanced middle position: that standing required either ownership or “assignment, license, or some other means of conveyance from the trade-secrets owner or discoverer such that the owner no longer has a right to use the trade secret[.]”⁸⁹

To frame the question, the Fourth Circuit made an analogy to the common law tort of conversion, where possession alone can suffice to sustain a claim even where the possessor is in wrongful possession.⁹⁰ It did not explain why this analogy was valid, or attempt to itemize the differences between conversion, which generally applies to tangible property, or a nonfungible property interest moored to a specific location, such as a website domain name,⁹¹ and a trade secret, which is intangible information requiring a set of tests to establish the existence of a right.

From there, the court engaged in a quasi-philosophical theory of trade secret law to justify its holding that mere possession suffices for trade secret standing. While acknowledging that a trade secret is a form of property “for various analysis,” it nonetheless held that “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.”⁹² The court did not explain what this “inherent nature” was, or why a deemphasis on a property

⁸⁷ *See id.*

⁸⁸ *See id.* at 331.

⁸⁹ *Id.*

⁹⁰ *See id.* at 332.

⁹¹ Taking California law as an example, conversion is limited to tangible property, specific sums of money, or to intangible property that is tethered to a specific, non-fungible medium such as a website domain or a satellite broadcast intended only for paying subscribers. *See Kremen v. Cohen*, 337 F.3d 1024, 1031 (9th Cir. 2003) (conversion for cybersquatting on a specific internet domain); *Fremont Indem. Co. v. Fremont Gen. Corp.*, 148 Cal. App. 4th 97, 119–26 (2007) (specific monies relating to reduced tax liability); *Don King Prod./Kingvision v. Lovato*, 911 F. Supp. 419, 426 (N.D. Cal. 1995) (diversion of fixed and specific satellite television transmission); *Payne v. Elliot*, 54 Cal. 339, 341 (1880) (specific shares in stock certificates).

⁹² *DTM Research, LLC*, 245 F.3d at 332.

conception was appropriate under the text of the UTSA. The Court cited no authority for this proposition.

In a strikingly odd assertion – not least when one considers the existence of patent law – the court stated that “[t]he conceptual difficulty arises from any assumption that knowledge can be owned as property.”⁹³ The court then added, citing the UTSA, “[t]he proprietary aspect of a trade secret flows, not from the knowledge itself, but from its secrecy. It is the secrecy aspect of the knowledge that provides value to the person having the knowledge.”⁹⁴ But from that unremarkable observation, it then concluded, “[a]s a consequence, one ‘owns’ a trade secret when one knows of it, as long as it remains a secret.”⁹⁵ That statement might come as a surprise to a licensee, or more simply to one who learns a trade secret from an employer or from a business partner pursuant to a nondisclosure agreement: in no way does knowledge of information confer ownership of such information.

Nevertheless, the Fourth Circuit concluded:

[T]he concept of a ‘fee simple’ interest in a trade secret, or any proprietary interest, is not entirely useful in defining the elements of a misappropriation claim. In supervising the further prosecution of this case, the district court should instead articulate the elements of the claim based on the language of the Uniform Trade Secrets Act [. . .] Accordingly, if DTM demonstrates that it possesses secret information satisfying the definition of the [Maryland UTSA] and that AT&T misappropriated that information [. . .] then DTM may be entitled to remedies[.]⁹⁶

This conclusion was abrupt, given the pronouncements the Fourth Circuit had just offered, without examining them or comparing them to the elements required to establish a valid trade secret. The court did not compare standing in other areas of intellectual property law. Its reference to a supposed “inherent nature” of trade secret law – something that it assumed existed, and that it apparently had special insight into – was underdeveloped, vague, and unexamined. Above all, its failure to measure the potential consequences of a mere-possession rule versus the elements of a trade secret meant that the *DTM* court was too assured in reaching its conclusion to slow down and examine what the consequences might be.

⁹³ *Id.*

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ *See id.*

E. DTM Has Been Broadly Influential in UTSA Cases.

Notwithstanding these shortcomings, courts around the country largely fell into line in UTSA standing disputes, following *DTM* and often quoting its fillip of seeming philosophy at length. For better or worse, that kind of authoritative tone from an appellate court can impress – and so it did.

1. Cases Extensively Applying DTM's Logic.

A significant 2010 case – itself widely cited – relied on *DTM* and went further. It questioned whether trade secrets are property rights at all, and distinguished patent standing in doing so. In *Metso Minerals Indus. v. FLSmidth-Excel LLC*, the Eastern District of Wisconsin denied a defense motion for summary judgment.⁹⁷ It found that that a nonexclusive license was sufficient to confer standing in a case involving alleged trade secrets in rock-crushing machinery.⁹⁸ In an unremarkable section of the ruling, the court noted that the Wisconsin UTSA “does not, implicitly or otherwise, limit protection only to the ‘owner’ of the trade secret,” and also noted that the text of the license agreement at issue did not limit the plaintiff’s ability to file a lawsuit.⁹⁹ And, it noted that standing in patent cases does not extend to nonexclusive licensees due to statutory wording not found in the UTSA.¹⁰⁰

But the court went further than merely construing the specific terms of a license agreement and Wisconsin’s UTSA enactment. It gave full-throated approval to *DTM* as a case that “dramatically overshadowed” earlier case law and was “well reasoned,” and provided an extensive description of its holding.¹⁰¹ The court also drew a purported distinction between patent law and trade secret law because the latter supposedly “is not only an intrusion on property, it is also a breach of confidence.”¹⁰² The phrase “breach of confidence” is a signal for a relationship-based concept of trade secret law, in opposition to a property-centric approach. The court cited four older cases and a treatise which stated, on shaky premises, that trade secret law is about maintaining commercial ethics or morality.¹⁰³ Thus, like *DTM*, *Metso*

⁹⁷ See *Metso Minerals Inds. Inc., v. FLSMIDTH-EXCEL LLC*, 773 F. Supp. 2d 969, 971–72 (E.D. Wis. 2010).

⁹⁸ See *id.* at 972–78.

⁹⁹ *Id.* at 972.

¹⁰⁰ See *id.* at 977.

¹⁰¹ See *id.* at 976.

¹⁰² *Id.* at 977.

¹⁰³ See *id.* (citations including *Abbot Labs. v. Norse Chem. Co.*, 147 N.W.2d 529, 533 (Wis. 1967); *Drill Parts & Serv. Co., Inc. v. Joy Mfg. Co.*, 439 So.2d 43, 49 (Ala. 1983); *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.S. 936, 942 (Wash. 1999)). The fourth cited case, the U.S. Supreme Court’s *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481–82 (1974) offered a number of questionable propositions about trade secret law, such as asserting that it has something to do with privacy. For a comprehensive and skeptical treatment of references to commercial ethics in trade secret cases, see Lynda J. Oswald, *The*

Minerals drew comparisons to tort law and offered a quasi-philosophical justification for finding that mere possession suffices for trade secret standing.

Many courts have followed both *DTM* and *Metso Materials*. Perhaps most prominent, in 2020 the Third Circuit followed suit in a case where the plaintiff, a contractor for a state agency which had assigned intellectual property ownership to the agency, “was required to use, and in fact did use, [the] trade secrets to fulfill its obligations” under the agreement with the agency, with the agency’s knowledge.¹⁰⁴ The court could have stopped there, justifying its holding on the principle’s permission for the agent to use the information under the governing agreement. But it added an unnecessary discussion of *DTM* and *Metso Minerals*, effectively endorsing their broader holding that mere possession suffices to sustain a trade secret claim.¹⁰⁵

2. Cases Applying *DTM*’s Mere-Possession Approach.

In the trial courts, many post-*DTM* rulings show the change in approach. In a 2005 Rhode Island case, a court denied a motion to dismiss based in part on extensive citations to *DTM*, where a cross-claimant asserted a trade secret claim over data whose ownership was unclear.¹⁰⁶ By contrast, where a trade

Role of “Commercial Morality” in Trade Secret Doctrine, 96 NOTRE DAME L. REV. 125, 166 (2020) (charting history of courts’ recourse to this analogy over the decades; “while courts invoke commercial morality when adjudicating misappropriation claims, they do not define the meaning of the term or provide reasoned analysis of its application. This is problematic when courts use the term in lieu of careful analysis of the facts and reasoning underlying their decision.”; “The inherent pliability of the commercial morality doctrine is also evidence of its lack of solid theoretical framework.”). This author would go further: references to “morality” are too often a gap-filler to paper over some flaw in a plaintiff’s position, to allow the plaintiff to succeed nonetheless, often against a weaker adversary such as a former employee. Little in the UTSA or DTSA – which seek to balance interests through consideration of specific elements and defenses – justifies a superimposition of a free-floating morality doctrine. The exception might be consideration of “willful and malicious misappropriation” and “bad faith” when awarding special remedies to the prevailing party for excessive conduct by the other.

¹⁰⁴ See *Advanced Fluid Sys., Inc. v. Huber*, 958 F.3d 168, 178–79 (3rd Cir. 2020).

¹⁰⁵ See *id.* at 177–79. In an unpublished ruling, the Tenth Circuit also relied on *DTM*, albeit on a fact pattern where the plaintiff was a partner in a partnership that controlled the trade secret, so that the standing question presented is uncontroversial. See *Gaedeke Holdings VII Ltd. v. Baker*, 683 Fed. Appx. 677 (10th Cir. 2017) (denying defense motion for new trial). In another case where citing *DTM*’s mere-possession ruling seems unnecessary, a federal court in Virginia rejected a defense argument that a plaintiff could only have standing over information it had developed, finding that such an argument “would preclude a Plaintiff from bringing suit under the [Virginia] Act based on Defendant’s theft of intellectual property that was lawfully purchased by Plaintiff from a third-party.” See *Anderson v. Fluor Int’l*, No. 1:19-cv-00289, 2021 U.S. Dist. LEXIS 45526, at *52 (E.D. Va. Jan. 4, 2021) (denying accused party’s motion for summary judgment in case where he, while working for the party asserting misappropriation, had passed information about what it charged subcontractors to a third party for use on a bid).

¹⁰⁶ See *Parking Co., L.P v. R. I. Airport Corp.*, 2005 R.I. Super. LEXIS 37, at *11–14 (R.I. Sup. Ct., Feb. 18, 2005) (unpublished) (cross-defendant claimed that it held ownership of disputed parking lot-related data under contract with cross-claimant, but court held that cross-claim was broader than merely

secret plaintiff had never possessed the source code it purported to sue over, a Michigan federal court rejected a trade secret claim even while agreeing with *DTM*'s holding that possession of a trade secret would be sufficient to maintain a claim.¹⁰⁷

In 2009, a Texas court allowed a subsidiary to bring trade secret claims over information its corporate parent apparently owned, relying in part on a block quotation of *DTM*, holding that

Whether or not Plaintiff directly owned the trade secret information, it only knew of the information through its confidential relationship with its parent corporation, Masco.³⁶ Because a party has standing to sue for trade secret misappropriation when it is a closely aligned corporate affiliate of the legal owner and maintains the integrity of the trade secret, Plaintiff has standing to pursue its claim, whether or not it actually owned the trade secret information.¹⁰⁸

Similarly, a 2015 federal case in Tennessee adopted *DTM* as “persuasive,” with a long block quotation from it, in finding that corporate subsidiaries had rights to bring a trade secret case where the defendant argued that the corporate parent was the owner.¹⁰⁹ As license rights almost certainly existed, the court seemingly did not need to expansively hold that because they “possessed trade secrets,” they accordingly had standing.¹¹⁰

that data, and went to rule that in any event, ownership was unnecessary based on *DTM*; construing R.I. Gen. Laws 1956 § 6-41-1). In a similar ruling, albeit where the court dismissed without prejudice because the plaintiff did not allege any facts to establish standing, it rejected the defendant’s argument that ownership was required – citing *DTM* – and noted that many cases “have allowed non-owners to assert a misappropriation claim.” See *Xyngular Corp v. Innutra, LLC*, 2013 U.S. Dist. LEXIS 165835, at *11–12 (D. Utah Nov. 20, 2013).

¹⁰⁷ See *DaimlerChrysler Serv. v. Summit Nat’l*, No. 02-71971, 2006 WL 1420812 (E.D. Mich. May 22, 2006), *aff’d sub nom.*, *Daimler-Chrysler Servs. N. Am., LLC v. Summit Nat. Inc.*, 289 App’x 916 (6th Cir. 2008)

(“The Court agrees with the holding in *DTM Research* that for purposes of trade secrets law, the focus is appropriately on the knowledge, or possession, of the trade secret, rather than on mere “ownership” in the traditional sense of the word.”); see also *Leadfactors, LLC v. Cisco Sys. Inc.*, No. 1-13-CV-247926, at 6–7 (Cal. Sup. Ct. Oct. 18, 2021) (unpublished) (in trial court ruling, citing *DaimlerChrysler* to deny defense motion for summary judgment on ownership of source code on unusual facts where individual associated with dissolved company kept the code and passed it to his new company which bought the assets of the former company; court held that possession sufficed and that “*DaimlerChrysler* and the other authorities cited by Cisco do not suggest a requirement that a specific, consistent physical embodiment of trade secrets be passed from one owner to the next like a talisman.”).

¹⁰⁸ See *Williams Consol. I, Ltd. v. Smith*, No. 4:08-CV-776, 2009 WL 10698215, at *14–15 (S.D. Tex. Oct. 19, 2009), report and recommendation adopted, No. 4:08-CV-766, 2009 WL 10698262. A different district court in Texas likewise quoted liberally from *DTM* when ruling that a licensee had trade secret standing. See *UOP LLC v. Exterran Eng. Sol., LP*, No. 2:13-CV-685, 2021 U.S. Dist. LEXIS 172616, at *13–14 (W.D. Tex. Aug. 26, 2021).

¹⁰⁹ See *Williams-Sonoma Direct, Inc. v. Arhaus, LLC*, 304 F.R.D. 520, 527–28 (W.D. Tenn. Jan. 30, 2015).

¹¹⁰ See *id.*

A court construing Georgia’s UTSA, and citing *Metso Materials* for support, found that the plaintiff’s “questionable ownership” of the asserted trade secrets “does not prevent it from having standing to sue” because the statute refers only to a “trade secret of another,” and does not contain a limitation to owners.¹¹¹ The court contrasted that statutory wording with Georgia’s criminal trade secret statute, which refers to theft “from the owner thereof.”¹¹² It concluded that “the Georgia legislature appears able to know how to make ownership an element of its trade secret laws when it wants to do so.”¹¹³

A California court also cited *DTM* and *Metso Materials* approvingly in 2018. In a case about data center technology brought by a licensee to that information, a court rejected Facebook’s argument that the plaintiff had to own the alleged trade secrets to maintain trade secret claims under the California UTSA.¹¹⁴ The court reasoned that “[s]ince CUTSA defines a trade secret as information that ‘[d]erives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use,’ the better focus for determining whether a party can assert a misappropriation claim is on that party’s possession of secret knowledge, rather than on the party’s status as a true ‘owner.’”¹¹⁵

3. *An Extreme Interpretation of DTM.*

A contrast between federal courts in Hawaii and Mississippi highlights perhaps the most extreme reading of *DTM*. In 2011, The District of Hawaii cited *DTM* and agreed that the Hawaii UTSA does not require ownership to bring a trade secret claim, but it found on summary judgment that the plaintiff had transferred all interest in the alleged trade secrets to a third party and thus “does not have standing to pursue a HUTSA claim.”¹¹⁶

But another court allowed for the possibility of a different outcome on similar facts. In yet another decision which quoted *DTM* at length, a 2018 ruling in the Southern District of Mississippi denied a defendant’s motion for summary judgment even where it was clear that, at the time of the alleged misappropriation, the plaintiff had already sold full title to the alleged trade

¹¹¹ See *Candy Craft Creations, LLC v. Gartner*, No. CV 212-091, 2015 WL 1541507, at *37–40 (S.D. Ga. Mar. 31, 2015).

¹¹² See *id.* at 38–40 (contrasting Ga. Code Ann. § 10-1-761(2)(A) and Ga. Code. Ann. §16-8-13(b)).

¹¹³ See *id.* at 38.

¹¹⁴ See *BladeRoom Grp. Ltd. v. Facebook, Inc.*, 219 F. Supp. 3d 984, 990–91 (N.D. Cal. 2017).

¹¹⁵ See *id.*; see also *BladeRoom Grp. Ltd. v. Facebook, Inc.*, No. 5:15-cv-01370-EJD, 2018 WL 1611835, at *31 (N.D. Cal. Jan. 2, 2018) (same result on defendant’s motion for summary judgment).

¹¹⁶ See *BlueEarth Biofuels, LLC v. Haw. Elec. Co., Inc.*, No. 09-00181 DAE-KSC, 2011 WL 2116989, at *44–56 (D. Haw. May 25, 2011) (construing Haw. Rev. Stat. § 482B).

secrets to a non-party.¹¹⁷ Leaning expressly on *DTM*, while also discussing the Hawaii ruling – “*DTM* contemplates that a plaintiff need only have “knowledge” of the trade secret in order to bring a cause of action for misappropriation – the court found that further briefing would be needed to determine whether a former owner’s continued knowledge of asserted trade secrets it had previously sold sufficed for standing under Mississippi law.¹¹⁸ Although the case settled shortly afterwards such that the question was not finally adjudicated,¹¹⁹ the ruling demonstrates the power of *DTM* in what seemingly should have been clear summary judgment for the defense. It creates the possibility that a former owner could sue simply because it still knew the asserted trade secrets – a concept that would render standing almost meaningless.

4. *Other Post-DTM Standing Decisions.*

A Utah federal court rejected *DTM* in 2012, albeit in an atypical context where an employee-inventor who had assigned his inventions to Brigham Young University in an ordinary employment agreement and thus could not pursue a trade secret claim.¹²⁰ He was a co-plaintiff alongside the university. Although the court seemed to have held that ownership was required to bring a claim, a better reading is the more limited point that an employee subject to IP assignment rights to his or her employer has no standing to pursue claims over what he or she has already assigned away. Not only do such contracts divest rights in IP related to the employer’s business at the moment of conception,¹²¹ but an employee presumably has no rights to dictate or control who else can use the assigned IP.¹²²

¹¹⁷ See *NSEM, LLC v. Butler*, No. 3:17-cv-798-HSO-LRA, 2017 WL 9360855, at *18–23 (S.D. Miss. Aug. 15, 2018) (“[T]here is no genuine dispute that [plaintiff] did not own such information at the time of the alleged misappropriation.”).

¹¹⁸ See *id.*

¹¹⁹ See Final Judgment of Dismissal, No. 3:17-cv-00798-HSO-LRA (S.D. Miss. Oct. 24, 2018) (noting settlement).

¹²⁰ See *Brigham Young Univ. v. Pfizer, Inc.*, No. 2:06-cv-890 TS, 2012 WL 1029289, at *4–6 (D. Utah Mar. 26, 2012). For a similar ruling in the academic context, see *Tang v. Eastern Va. Med. Sch.*, No. 2:20-cv-575 (RCY), 2012 WL 981942, at *20–25 (Mar. 30, 2022) (granting defense motion for summary judgment where academic had executed a standard invention assignment agreement over intellectual property she created for the university; academic sued for trade secret misappropriation based on colleague’s disclosure at a conference and, interestingly, relied on *DTM* to argue that mere possession of the information gave her standing notwithstanding her assignment to the university and admission that the university was the owner; court rejected that argument).

¹²¹ In this case, Utah is one of the few states with a statute governing employee IP assignments, but the point would stand even if no such statute existed. See generally UTAH CODE ANN. § 34-39-3.

¹²² Case law is scarce, but employee-inventors subject to automatic assignment under their contracts do not have residual rights to challenge how the assignee handles the resulting patent application. That is, there are no clawback rights after one has irrevocably assigned a patent application. See *Kim v. Quigg*, 718 F. Supp. 1280, 1282–84 (E.D. Va. 1989) (granting summary judgment against patent assignor who

Other post-*DTM* cases did not address the Fourth Circuit’s ruling, but similarly ruled that a plaintiff’s possession of a trade secret was enough to establish standing. For example, under New York law – the only state still applying a non-statutory version of trade secret law – possession suffices to maintain a claim, and a party with an interest in a trade secret need not be the direct victim of misappropriation. In *Faiveley Transport USA, Inc. v. Wabtec Corporation*, three exclusive licensees to brake equipment products for railway cars, each affiliated with the Swedish licensor, sued the defendant for trade secret misappropriation under New York common law.¹²³ The court rejected the defendant’s argument that because it was accused of breaching a duty to the Swedish licensor, and not directly to the plaintiffs, they lacked standing.¹²⁴ It first stated that “[t]he Second Circuit has consistently held, however, that possession of a trade secret is sufficient to confer standing on a party for a claim of trade secret misappropriation.”¹²⁵ Then, looking to standing in trademark law for an analogy, the court found that the three plaintiffs had “a sufficiently concrete and particularized interest so as to establish standing,” because of their “exclusive rights to manufacture, use, assemble, sell, and market the Products that are the subject of the action.”¹²⁶ A 2005 ruling under New York law reached an equivalent result.¹²⁷

Similarly, a Texas court recently allowed a joint venturer to survive a standing challenge to its motion for a preliminary injunction “even if” the information it “obtained . . . through the joint venture” belonged to its fellow joint venturer, which was not a party to the case.¹²⁸ The court ruled that a

attempted to claim an interest in patent application after their assignee, their university, had assigned it to a research foundation which stopped pursuing it); *Sampath v. Concurrent Techs. Corp.*, 2006 U.S. Dist. LEXIS 25907, 2006 WL 1207961, at *6–7 (W.D. Penn. May 3, 2006) (where employee who had assigned invention to employer later brought claims attempting to force the employer to do certain things with the patent, court dismissed claim for lack of standing because once a patent is assigned, the assignor retains no control over it and no power to “interfere with the management of the business growing out of [its] ownership” (citation omitted)).

¹²³ See 758 F. Supp. 2d 211, 215–216 (S.D.N.Y. 2010).

¹²⁴ See *id.* at 220–21.

¹²⁵ See *id.* at 220 (citing *North Atl. Instr., Inc. v. Haber*, 188 F.3d 38, 43–44 (2d Cir. 1999)). That said, *Haber* merely listed possession of a trade secret when stating the elements of a misappropriation claim and did not address a standing challenge.

¹²⁶ See *id.* at 221 (citing two rulings regarding standing to bring a trademark claim, *Business Trends Analysts v. Freedonia Group, Inc.*, 650 F. Supp. 1452, 1458 (S.D.N.Y. 1987), and *G.H. Mumm Champagne v. Eastern Wine Corp.*, 142 F.2d 499, 502 (2d Cir. 1944)).

¹²⁷ See *Cargill, Inc. v. Sears Petroleum & Transport Corp.*, 388 F. Supp.2d 37, 67–68 (N.D.N.Y. 2005) (where plaintiff possessed but did not own asserted trade secrets in a de-icing invention, and where question of “trade secret ownership” was “between two closely aligned corporate affiliates” who were both plaintiffs, court found standing issue an “unnecessary distraction” and held that plaintiff “with legitimate, non-transitory possession” could bring trade secret claim).

¹²⁸ *NTGSH JV, LLC v. Williams*, No. 4:20-CV-02469, 2020 U.S. Dist. LEXIS 250214, at *2–3 (S.D. Tex. Nov. 12, 2020).

close corporate affiliate which maintained the “integrity” of the trade secret has standing to bring a trade secret claim.¹²⁹

Over the years since 2001, still other courts have not mentioned *DTM*, and reached seemingly more limited rulings based on the plaintiff’s lack of ownership.¹³⁰ And to be sure, not every standing case during the past two decades turns on the factors addressed in the cases discussed here: possession, the terms of a controlling contract, or the time when a party alleged it suffered injury. As in any area of law, there are unclassifiable standing disputes, such as those involving corporate shareholders who a court seemed too far removed to sue for trade secret misappropriation,¹³¹ a joint trade secret owner permitted to sue a co-owner,¹³² and other odd fact patterns involving a company suing its own attorney, a party alleging misappropriation of trade secrets it had hoped to purchase, complications arising from foreign litigation, or bankruptcy.¹³³ But for our purposes, what is of greatest interest

¹²⁹ See *id.*

¹³⁰ See *Memry Corp. v. Kentucky Oil Tech., N.V.*, No. C-04-03843, 2006 U.S. Dist. LEXIS 94393, at *10–13 (N.D. Cal. Dec. 18, 2006) (on a summary judgment motion brought against a trade secret cross-claim involving a cellular invention under California law, finding that the cross-complainant, an exclusive licensee, could only pursue the claim if it could authenticate a chain of title between its licensor and a prior assignor; also noting its view that “this court believes that the California Supreme Court would decide, on policy grounds, that it makes more sense to allow the current owner to sue for past misappropriation than a prior owner (assuming that the parties did not agree otherwise when transferring the trade secret).”); *Callaway Golf Co. v. Dunlop Slazenger Grp. Am.*, 318 F. Supp. 2d 205, 211 (D. Del. 2004) (where cross-complainant charged company which hired its former employer with misappropriation of polyurethane golf ball cover information, granting summary judgment in part because some of the allegedly secret information originated from a third party vendor of the cross-complainant and was owned by the vendor according to a contract, “and, as a matter of law, that information cannot be cross-complainant’s’ trade secret.”).

¹³¹ See *Funk v. Limelight Media Grp., Inc.*, No. 1:06CV-72-M, 2006 U.S. Dist. LEXIS 78238, at *20 (W.D. Ky. 2006) (on motion to dismiss trade secret claim relating to a “proprietary system of tracking [. . .] mobile billboards in commercial markets,” shareholders lacked standing to sue company’s would-be acquiror after the transaction dissolved for alleged misappropriation of acquired company’s information; court noted that shareholders were not the owners and thus not the injured party, and that shareholders failed to allege that the corporation no longer existed to “redress harms allegedly committed against it.”).

¹³² In a 1993 case where a defendant moved to dismiss a trade secret claim because he claimed to be a joint owner – and thus could not engage in misappropriation – the court denied the motion, ruling that it was “possible” that one joint owner could have a claim against another, noting that the California UTSA did not expressly rule out that circumstance. See *Morton v. Rank Am., Inc.*, 812 F. Supp. 1062, 1073–75 (C.D. Cal. 1993).

¹³³ See *FCA US LLC v. Bullock*, 446 F. Supp. 3d 201, 212–214 (E.D. Mich. 2020) (where company sued former attorney for claims including trade secret misappropriation, trade secret claim defeated on summary judgment because, among other things, plaintiff did not own the lawsuit complaints its attorneys had drafted on its behalf); *Harris v. Orange S.A.*, 636 Fed. Appx. 476, 483–84 (11th Cir. Dec. 30, 2015) (affirming ruling that plaintiff did not have standing to assert trade secret claim where it not only was not the owner, but never possessed the alleged secrets and instead was suing over “deprivation of an opportunity to purchase property”); *Black Clawson Co., Inc. v. Kroenert Corp.*, 245 F.3d 759, 763–65 (8th Cir. 2001) (where American licensee of German company brought trade secret claim, defendant

is the philosophical confusion – and attendant loosening of standards – introduced into the law of trade secret standing by the Fourth Circuit in 2001.

F. *DTM and Mere Possession: a Critique*

Whether a court adopts *DTM* or not in the average case will not affect the outcome, because most trade secret plaintiffs are owners or licensees and standing is uncontroversial. But there are more controversial cases where *DTM*'s theory could have a significant effect in undermining the requirements necessary to establish a valid trade secret – and thus unduly favoring trade secret plaintiffs pursuing questionable intellectual property claims. In the worst potential outcomes, a party could use *DTM*-like reasoning to claim trade secrets in information it possesses in order to shield it from regulators or Freedom of Information Act requests – information that in no way fits the traditional elements of a trade secret, such as workplace injury data or diversity data.

1. *DTM's Questionable Philosophy of Trade Secret Law.*

To start, *DTM* sought to undermine the UTSA's property-centric conception of trade secret law – where one must first establish that a valid trade secret exists before moving to the question whether someone violated a duty – for no good reason and without acknowledging any consequences of doing so. True, the Fourth Circuit acknowledged somewhat grudgingly that trade secret rights are property rights.¹³⁴ And indeed they are: under the UTSA formulation, a trade secret plaintiff must show that a right exists first, before moving to the question of misappropriation, and it must do so by showing that each item of information said to be at issue is secret and not readily ascertainable, valuable to a competitor due to secrecy, and the subject of reasonable security measures.¹³⁵ But *DTM* introduced an extra-statutory

could not point to settlement in Germany as res judicata because the foreign action did not involve rights in the United States, and licensee had contractual right to “bring suit” over information); *Scharmer v. Carrollton Mfg. Co.*, No. C70-349, 1973 U.S. Dist. LEXIS 13796, at *5–7 (N.D. Ohio May 2, 1973) (where the directors of a bankrupt company had assigned to a shareholder the right to pursue claims including a trade secret claim, the court granted summary judgment for the defendant because the bankruptcy trustee had not approved the assignment).

¹³⁴ See *DTM Research, LLC v. AT&T Corp.*, 245 F.3d 327, 331-32 (4th Cir. 2001) (“To the extent that a trade secret misappropriation case draws on principles of personal property law, we agree with the district court that a traditional property-law analysis may be helpful in determining a plaintiff’s standing to assert a misappropriation claim.”); 332 (conceding that “trade secrets are considered property for various analyses”).

¹³⁵ See National Conference of Commissioners on Uniform State Laws, UNIFORM TRADE SECRET ACT WITH 1985 AMENDMENTS § 1(4) (1986) (definition of a trade secret); see also UTSA, *supra*, Prefatory Note (“The contribution of the Uniform Act is substitution of unitary definitions of trade secret and trade secret misappropriation, and a single statute of limitations for the various property, quasicontractual, and violation of fiduciary relationship theories of noncontractual liability utilized at

doubt about a self-styled “the inherent nature of a trade secret.”¹³⁶ This language operated to destabilize a property-centered concept of trade secret law by injecting an older notion that trade secret rights are first and foremost about betrayals of a trusted relationship. It is worth pausing to consider the court’s statement in full:

While trade secrets are considered property for various analyses [citation omitted], 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. The conceptual difficulty arises from any assumption that knowledge can be owned as property. The “proprietary aspect” of a trade secret flows, not from the knowledge itself, but from its secrecy. It is the secret aspect of the knowledge that provides value to the person having the knowledge.¹³⁷

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. As a consequence, one “owns” a trade secret when one knows of it, as long as it remains a secret. [citation omitted] Thus, one who possesses non-disclosed knowledge may demand remedies as provided by the Act against those who “misappropriate” the knowledge.

These statements are extraordinary: the Fourth Circuit purported to construe a statute – and a property-centric statute at that – but instead introduced an uncalled-for, non-statutory conception of an “inherent nature.” Trade secrets have no “inherent nature”: in UTSA jurisdictions, they are creatures of law, and legislatures determined the conditions for their existence. There is no metaphysical aspect to intellectual property law. The two sentences that follow – which deny that information can be owned as property – are almost the opposite of what the UTSA sets forth, *i.e.*, that under certain conditions information (“knowledge”) can be property. That is to say, even if one credited the notion that the *DTM* court was free to philosophize about some “inherent nature of a trade secret,” its effort to do was specious because it poses a conflict with the statutory text.

The court then jumped to the notion that “one who possesses non-disclosed knowledge may demand remedies as provided by the [UTSA].”¹³⁸ In other words, *DTM* reached its core holding that possession alone justifies

common law.”); *Ultimax Cement Mfg. Corp. v. CTS Cement Mfg. Corp.*, 587 F.3d 1339, 1356 (Fed. Cir. 2009) (applying California version of the UTSA; because information at issue was not a trade secret – the first question – there was no need to reach the subsequent question of misappropriation).

¹³⁶ See *DTM Research*, 245 F.3d at 332.

¹³⁷ See *id.*

¹³⁸ See *id.*

trade secret standing by undermining the concept that trade secrets are property, but not by providing any specific reasoning for this specific conclusion. The court also did not consider any counter-arguments, such as whether its holding could undermine the statutory requirements to establish a valid trade secret.

Notwithstanding this incomplete reasoning, the court evidently felt that it needed to undermine a property-centered approach in order to reach the result it wanted, which was to relax the requirements for standing. The courts that followed suit also did not question or engage in independent reasoning. As described above, several were impressed enough by *DTM*'s seemingly philosophical ruminations about the nature of trade secret law to quote from that case without independent analysis.

Of course, a dollop of shaky philosophical reasoning is superfluous where it does not have practical, real-world effects. But there are serious consequences to adopting a mere-possession rule for trade secret standing.

By doing so, *DTM* implicitly elevated older, non-statutory conceptions of trade secret law centered on a betrayal of a relationship or a confidence.¹³⁹ Such theories are outmoded because – in contrast to the UTSA and the DTSA – they do not ask first whether an intellectual property right exists, but instead place primary emphasis on whether a relationship has been betrayed. This reversal of emphasis leads to negative consequences, particularly in cases pitting a former employer against former employees who left for higher pay or better opportunities elsewhere, because courts pay less attention to whether specific information meets the criteria for intellectual property protection.

Dubious references to commercial morality (such as those in the cases cited in *Metso Materials*) are one hallmark of that approach, across trade secret cases more generally. This is a serious problem throughout trade secret law, not simply standing cases. A property-centric conception of trade secret law supports UTSA preemption of inconsistent, alternative tort claims which seek to create rights in non-secret information, it supports precise identification of asserted trade secrets so that the defendant (and the court) can deduce whether each claim is in the public domain or was independently developed by the defendant, and more generally supports a test of whether the information at issue really meets the elements the UTSA requires to prove secrecy. A relationship- or confidence-based conception of trade secret law, in great contrast, relies on vague notions of morality (but never the

¹³⁹ For a comprehensive treatment of differing theoretical approaches to trade secret law and extensive case citations showing the harm that arises when courts do not apply a property-centric theory, see Charles Tait Graves, *Trade Secrets as Property: Theory and Consequences*, 15 J. INTEL. PROP. L. 39 (2007).

morality of a former employer trying to stop departing employees from changing jobs through false or exaggerated claims) and a general relaxation of standards to benefit trade secret plaintiffs.¹⁴⁰ In short, a deep fissure runs through trade secret law – a property school and a confidence school, so to speak – that animates conflicting rulings on similar fact patterns in a variety of contexts. Trade secret standing is just one more of them.

2. *DTM has the Potential to Undermine the Reasonable Security Measurements Requirement.*

DTM's mere-possession rule for standing undercuts the trade secret requirement that a would-be claimant show that it used reasonable security measures to guard the claimed secret as one element of proving that a claimed trade secret is valid.¹⁴¹ If a plaintiff is not an owner or a licensee, and came into possession of the information at stake in some ambiguous manner, it may not be able to account for whether or not reasonable security measures have been employed to guard the information. After all, how did the plaintiff acquire the information without buying or licensing it, if security measures guarded it? For example, the plaintiff may not be able to account for whether or not nondisclosure agreements have always been required when the information was disclosed (including to the plaintiff itself. A failure to use confidentiality agreements when disclosing information is a common way that trade secret claims fail to satisfy the reasonable measures element.¹⁴² By contrast, under *DTM*'s mere possession approach, saying that a party which possesses knowledge has legal remedies presupposes that reasonable

¹⁴⁰ To be sure, this is not a binary choice, but a question of which pole to emphasize. As Jeanne Fromer noted at the August 2022 IP Scholars Conference, the relational aspect of trade secret law also plays a substantial limiting role: by requiring some degree of privity or access by a defendant, the class of potential defendants in trade secret cases is narrower than it is in patent law.

¹⁴¹ *E.g.*, Cal. Civ. Code § 3426.1(d) (California UTSA; defining a “trade secret” as, among other things, information that “is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”).

¹⁴² *See* *VSL Corp. v. General Tech. Inc.*, 44 U.S.P.Q.2d 1301, 1303 (N.D. Cal. 1997) (granting summary judgment where plaintiff had disclosed alleged secrets – including drawings of duct at issue – in marketing materials); *BDT Prod., Inc. v. Lexmark Int’l, Inc.*, 274 F. Supp. 2d 880, 891 (E.D. Ky. 2003) (“A failure to require a third party to enter a confidentiality agreement to protect alleged trade secrets is one clear way to waive any trade secret protection that might exist;” plaintiff failed to use NDAs). In particular, a plaintiff who uses NDAs some of the time but not all of the time cannot claim trade secrets in materials disclosed without an NDA. *See* *Motor City Bagels, LLC v. American Bagel Co.*, 50 F. Supp. 2d 460, 480 (D. Md. 1999) (plaintiff’s trade secret claim failed where it only used NDAs some of the time; “The problem for the plaintiffs is that they only produced five executed copies of the confidentiality agreement when they distributed the business plan to over fifteen individuals.”); *Auto Channel, Inc. v. Speedvision Network, LLC*, 144 F. Supp. 2d 784, 795 (W.D. Kent. 2001) (plaintiff had one NDA with a third party, but not with two defendants).

security measures were used.¹⁴³ Indeed, by rejecting a defendant’s argument that the plaintiff had wrongfully obtained the information from elsewhere, the *DTM* court seemingly allowed the trial court to skip over such analysis.

Making the problem worse, *DTM* offered an analogy to the law of the tort of conversion, which governs very different types of property, and which generally allows mere possession for standing. Accepting this analogy further undermines the UTSA’s reasonable measures requirement for trade secrecy. For the tort of conversion, it is well established that mere possession provides a right to sue, though the plaintiff may be liable to the true owner in turn.¹⁴⁴ But this is a strained comparison for trade secret claims. Whether a conversion lawsuit is based on an item of tangible property, specific monies, or a unique intangible such as a satellite television broadcast or a website domain tethered to a specific time or place,¹⁴⁵ the existence of the thing in dispute is not at issue. In a conversion lawsuit, one does not have a history to account for as is always the case in a trade secret lawsuit. That is, in a trade secret case, the plaintiff must look backwards and account for whether or not reasonable security measures were employed, and whether the information has been published or freely disclosed to others in an unprotected manner.

Thus, a major risk with allowing trade secret cases to proceed based on mere possession (or even mere “knowledge” of the information at stake) is that a court will lower the bar on these necessary elements of a claim. If a possessor need only account for its own security measures, or whether it has disclosed the information to others in an unprotected manner, then the prior history of the information may be concealed without adjudication.

A plaintiff which cannot account for where or how it obtained the information created by someone else hardly seems like a suitable beneficiary of relaxed pleading standards. These concerns are especially important where a would-be trade secret plaintiff is neither an owner nor a licensee. Mere possession begs the question: how did the plaintiff itself obtain the information, from whom, and under what circumstances? Perhaps the means

¹⁴³ See *DTM Research*, 245 F.3d at 332 (“Thus, one who possesses non-disclosed knowledge may demand remedies as provided by the Act against those who ‘misappropriate’ the knowledge.”).

¹⁴⁴ For common law summaries, see, e.g., RESTATEMENT (2D) OF TORTS § 895(1), cmt. A, c (1965) (“[O]ne who is otherwise liable to another for harm to or interference with land or a chattel is not relieved of the liability because a third person has a legally protected interest in the land or chattel superior to that of the other.”); 18 AM. JUR. 2d, CONVERSION § 70 (2021) (“Actual, peaceable, and exclusive possession is generally regarded as prima facie evidence of title and sufficient to enable one to maintain an action for conversion in the absence of evidence to prove the contrary.”); Witkin, SUMMARY OF CALIFORNIA LAW, TORTS § 818 (2021) (leading treatise on California law; noting that for conversion, “[i]t is not necessary that the plaintiff have legal title in order to sue; possession alone is sufficient,” and citing cases back to 1903).

¹⁴⁵ See citations, *supra* note 92.

by which the plaintiff received the alleged trade secret would itself demonstrate a failure by an owner or licensee to employ reasonable security measures. Perhaps the plaintiff obtained the information in an unprotected manner – and if so, perhaps others did as well. Basic requirements necessary to establish a valid trade secret should be highlighted, not downplayed when such a plaintiff appears in court.

3. *DTM and Trade Secret Claims Over Nontraditional Subject Matter.*

A second policy concern with a mere-possession rule for trade secret standing is that it grants greater latitude to companies who seek to claim “trade secrets” in nontraditional subject matter such as workplace injury reports, employee diversity data, employee wages, and the like, as a device to shield such information from journalists and regulators, or simply to make aggressive claims against departing employees and those who hire them. If possession of information is all that is required – rather than ownership, a license, or some similar tether – it may prove easier to bring such claims. Scholars increasingly have warned of these dangerous and expansive types of trade secret claims, both in civil litigation and in Freedom of Information Act and similar regulatory contexts.¹⁴⁶

The solution is for courts to be skeptical of mere possessors who cannot account for the backstory of where and how they came into possession of the alleged trade secrets. There is a material possibility that the plaintiff came into possession precisely because someone else did not use reasonable security measures. If the plaintiff was one of several unprotected recipients, there would clearly be no trade secret. Courts should also be wary of a mere-possession argument where a party seeks to claim trade secret rights in nontraditional categories of information that fall outside the traditional ambit of business information, such as information about employee characteristics, injuries, and other aspects of workplace conditions which have more to do with attributes of employees than intellectual property.

¹⁴⁶ In perhaps the best-known and most comprehensive study of one such problem, Jamilla Bowman Williams exposed the highly questionable lengths some companies have gone to in order to prevent the promulgation of workforce diversity data by attempting to label characteristics of employees “trade secrets.” See Jamillah Bowman Williams, *Diversity as a Trade Secret*, 107 GEO. L.J. 1685 (2019) (examining corporate claims that workforce diversity data and company diversity strategies are trade secrets). For an overview of problems with efforts by companies to claim trade secret rights in nontraditional subject matter, see Charles Tait Graves & Sonia K. Katyal, *From Trade Secrecy to Seclusion*, 109 GEO. L.J. 1337 (2021).

IV. TRADE SECRET STANDING IN A DIFFERENT CONTEXT: DESIRES AND PREFERENCES EXPRESSED BY CUSTOMERS

While the negative possibilities under the *DTM* approach to trade secret standing are concerning, they can be difficult to track in case law. A reader of opinions on legal databases cannot tell when, and how often, a trade secret plaintiff was able to escape accounting for the past history of the information at stake.

At the same time, there is a well-known line of trade secret cases where courts expressly allow plaintiffs with mere possession of information to pursue a trade secret claim, though usually without pausing to consider questions of standing. In these cases – where the plaintiff claims intellectual property rights in the desires and preferences expressed to them by third party customers, in order to block a defendant from competing for the same business – it is all too apparent that nobody is asking whether the plaintiff has a right to sue over such information, much less whether basic elements like reasonable security measures and whether there have been unprotected disclosures can be accounted for. This line of cases, then, allows us to demonstrate the harms that can arise from looser conceptions of trade secret standing.

To be sure, not every court has allowed trade secret plaintiffs to proceed with such claims. Several have rejected the notion that a party can pursue a claim over the needs and desires its customers have expressed. But as we will see, even this critical line of cases has not focused on trade secret standing, even though, at bottom, that is the question at stake.

A. Litigating the Desires Expressed by Others

Over the decades, there has been a large number of trade secret cases where the plaintiff claims the desires and preferences of customers among its alleged trade secrets. As best one can tell, in these cases the plaintiffs do not purport to own or license such information, nor do they present evidence that they have obtained permission from non-party customers to claim intellectual property rights in those customers' behavior towards vendors. In short, this line of cases seems to present all of the risks this article has raised when attitudes towards trade secret standing are lax.¹⁴⁷

¹⁴⁷ As Camilla Hrdy noted at the June 2022 Trade Secrets Workshop, one could extend this argument more broadly, over other forms of customer-related information, such as mere customer lists. Such information is not something created or developed, and some courts seem to give it trade secret status simply because the plaintiff spent time and effort compiling it. *E.g.*, *Morlife v. Perry*, 56 Cal. App. 4th 1514 (Cal. Ct. App. 1997) (divided appellate panel found trade secrecy because plaintiff had submitted evidence in the trial court of sums spent to gather information about prospective customers in the roofing industry). Indeed, one could argue that trade secret cases centered on customer list are functionally identical to restrictive covenant cases, and do not involve intellectual property. That would,

In some of these cases, the plaintiff appears to be suing over information plainly owned by its customers. For example, a 2020 California case saw trade secret allegations which included “the unique requirements and chemical formula of [plaintiff’s] customers.”¹⁴⁸ But most feature trade secret claims where the plaintiff asserts that preferences, needs, and desires – as expressed by one or more customers – is the plaintiff’s own trade secret. And many validate such claims with little analysis, and without touching upon questions of standing.¹⁴⁹

likely with salutary results, alter the contemporary practice of trade secret law. This article focuses more narrowly on a category of customer-derived information where questions of standing are most acute, and where courts can question standing within the framework of current practice.

¹⁴⁸ See *Cherokee Chem. Co. v. Frazier*, No. CV-20-1757, 2020 U.S. Dist. LEXIS 249624, at *11 (C.D. Cal. Dec. 14, 2020) (denying motion to dismiss where defendant argued that trade secret pleading was too vague).

¹⁴⁹ See generally *Admor HVAC Prod., Inc. v. Lessary*, No. 19-00068 SOM-KJM, 2019 U.S. Dist. LEXIS 101595, at *26–27 (D. Haw. June 18, 2019) (finding that customer information including preferences compiled in a databased contained trade secrets, but denying request for injunction due to absence of showing of misappropriation); *University Accounting Serv., LLC v. Schulton*, No. 3:18-cv-1486-SI, 2019 U.S. Dist. LEXIS 96710, at *15–16 (D. Or. June 10, 2019) (denying former employee’s summary judgment motion where, among other things, court found that information concerning “customer-specific needs” could be a trade secret and not “general business knowledge”); *WHIC LLC v. NextGen Labs., Inc.*, 341 F. Supp. 3d 1147, 1163 (D. Haw. 2018) (granting motion for preliminary injunction where customer-related information included customer “needs and preferences”); *Sun Dist. Co., LLC v. Corbett*, No. 18-cv-2231-BAS-BGS, 2018 U.S. Dist. LEXIS 176224, at *10–11 (S.D. Cal. Oct. 12, 2018) (granting former employer’s motion for temporary restraining order and finding that customer information including as to “preferences” was a trade secret); *Henry Schein, Inc. v. Cook*, No. 16-cv-03166-JST, 2016 U.S. Dist. LEXIS 81369, at *13–15 (N.D. Cal. June 22, 2016) (partly granting former employer’s motion for preliminary injunction in the dental industry where claim for trade secrets included customer preferences); *Shamrock Power Sales, LLC v. Scherer*, No. 12-CV-8959, 2015 U.S. Dist. LEXIS 133650, at *90–91 (S.D.N.Y. Sept. 30, 2015) (granting summary judgment in favor of former employer on trade secret claim based on customer list including “the purchasing needs and preferences of its Customers”; citing prior New York cases finding that customer needs and preferences could be trade secrets); *Global Trim Sales, Inc. v. Checkpoint Sys. UK Ltd.*, NO. SACV 12-1314-JLS, 2014 U.S. Dist. LEXIS 203638, at *22–23 (C.D. Cal. Sept. 17, 2014) (denying defense motion for summary judgment as to identification of asserted trade secrets “relating to customer needs and preferences” because the plaintiff had shown the elements of a trade secret, without analysis of that type of subject matter); *Cellular Accessories for Less, Inc. v. Trinitas, LLC*, No. CV-12-06736, 2014 U.S. Dist. LEXIS 130518, at *11–12 (C.D. Cal. Sept. 16, 2014) (denying defendant’s motion for summary judgement as to trade secret claims including customer preference claim; finding that customer needs can be a trade secret and that a key factor in weighing secrecy is the amount of effort required to develop customer information); *Philips Elecs. N. Am. Corp. v. Hope*, 631 F. Supp. 2d 705, 721–22 (M.D.N.C. 2009) (granting preliminary injunction against former employee and finding trade secrets in information including “customer preferences; “courts have found that special knowledge of customer needs and preferences is a trade secret.”); *Am. Bldg. Maint. Co. v. ACME Prop. Servs.*, 515 F. Supp. 2d 298, 308–309 (N.D.N.Y. 2007) (denying motion to dismiss in part; finding that plaintiff stated existence of trade secrets including “client preferences” and citing several New York cases for the general proposition that customer lists are protectable because they reflect customer preferences); *Juniper Ent., Inc. v. Calderhead*, CV 07-2413-ADS-AKT, 2007 U.S. Dist. LEXIS 115913, at *73–74 (E.D.N.Y. 2007) (granting preliminary injunction against former employees on various grounds; finding uncertainty as to whether a vendor list was a trade secret but stating that “[n]umerous cases applying New York law have held that

In many of these cases, preferences expressed by customers are only one portion of a host of trade secret claims the plaintiff asserts, which often include the plaintiff's own efforts at developing a customer list, its marketing plans, and means of developing product pricing.¹⁵⁰ Perhaps due to such commingling of different types of information, courts miss issues of standing. For example, in a 2019 case in the Northern District of Illinois, the court found it likely that the plaintiff owned trade secrets in a bundle of information that included customer “preferences,” but justified that finding by focusing on information the plaintiff had developed to bring to customers, not by focusing on whether the plaintiff had standing over the viewpoints expressed by customers. Instead of addressing standing over that narrow category of information, the court focused on whether it was secret in the aggregate, noting that a collection of such information would be time-consuming to collect.¹⁵¹ Had the court addressed the issue as one of standing, it might have disaggregated customer “preferences” and come out differently, leaving more latitude for the defendant – a former employee – to seek to offer different competing services to such customers. In that alternative, scenario, the customer – not the provider of goods and services – would have final say regarding control of such information.

Similarly, a 2009 California ruling – which denied a defense motion for summary judgment – also aggregated information together but did not address standing. In *Wyatt Technology Corporation v. Malvern Instruments Inc.*, the plaintiff asserted one of its trade secrets as “detailed feedback . . . of customer needs and requirements.”¹⁵² In moving for summary judgment, the defendant argued that “customer preferences do not constitute a trade

where it would be difficult to duplicate a customer list because it reflected individual customer preferences, trade secret protection should apply.” (citations omitted); *Arminius Schleifmittel GmbH v. Design Indus., Inc.*, No. 1:06-CV-00644, 2007 U.S. Dist. LEXIS 10847, at *15–16 (M.D.N.C. Feb. 15, 2007) (granting preliminary injunction against former employees and rejecting argument that information the plaintiff received from customers could not be a trade secret; “North Carolina courts have recognized that customer preferences may constitute trade secrets.”); *North Atlantic Instruments, Inc. v. Haber*, 188 F.3d 38, 46 (2d Cir. 1999) (affirming preliminary injunction against former employee where court stated, among other things, “[n]umerous cases applying New York law have held that where, as here, it would be difficult to duplicate a customer list because it reflected individual customer preferences, trade secret protection should apply.”); *Tech., Inc. v. McCaw*, 674 F. Supp. 1039, 1044–46 (S.D.N.Y. 1987) (issuing preliminary injunction against former employee who took a customer list and related pricing information; the bundle of trade secrets encompassed by the customer list included “a specialized knowledge of the customer’s operations and needs” and “customer preferences with respect to printed products and promotions”).

¹⁵⁰ See, e.g., *Venavo, Inc. v. Long*, 397 F. Supp. 3d 1115, 1131 (N.D. Ill. 2019) (on motion for preliminary injunction, plaintiff asserted these types of categories alongside “product preferences” of its customers).

¹⁵¹ See *id.* at 1131–33.

¹⁵² See *Wyatt Tech. Corp. v. Malvern Instruments, Inc.*, No. CV 07-08298, 2009 U.S. Dist. LEXIS 66097, at *66–67 (C.D. Cal. July 29, 2009).

secret for Plaintiff because customers can and do disclose information relating to their own preferences and requirements.”¹⁵³ But the court rejected this argument, treating a “compilation” of preferences as a trade secret.¹⁵⁴ It does not appear that anyone expressly raised a question of standing.

Another California case, from 2017, granted a “limited” preliminary injunction against two former employers even though it rejected a claim that bare customer identities were trade secrets in a field where the customers were “big, well-known companies – obvious potential customers.”¹⁵⁵ It commingled information the plaintiff had itself developed such as “sales forecasts/projections” with “customer needs/preferences” to find a “stronger argument” for protection. The court did not address the plaintiff’s standing over the latter category.¹⁵⁶

A more ambivalent ruling can still stumble where it misses a question of standing. In a 2015 Michigan case, the court denied the parties’ cross-motion for summary judgment on a company’s trade secret claim against a former employer and his new company, which included an assertion of customer preferences as a trade secret.¹⁵⁷ The court noted that “[t]here is also some ambiguity in the case law as to whether customer preferences are trade secrets.”¹⁵⁸ It found that although “[s]ome Michigan courts have held that the knowledge a sales representative develops about each customer’s business and peculiar needs is not protectable as a trade secret,” how to address those preferences can be.¹⁵⁹ On a fact pattern where the defendant argued that many third parties readily disclose preferences, while the plaintiff argued that it “identified” and then “protected” them, the court declined to grant either motion.¹⁶⁰ Like the other cases discussed here, it did not address the plaintiff’s standing to proceed with a claim over customer preferences.

B. The Contrary Line of Cases

Other courts adjudicating trade secret claims based on preferences and desires expressed by customers have been more skeptical. They have rejected such claims on various grounds, albeit often struggling to find the

¹⁵³ *See id.* at *67.

¹⁵⁴ *See id.*

¹⁵⁵ *See Allcells, LLC v. Zhai*, No. 16-cv-07323-EMC, 2017 U.S. Dist. LEXIS 47062, at *11, 13 (N.D. Cal. March 28, 2017).

¹⁵⁶ *See id.*

¹⁵⁷ *See Stryker Corp. v. Ridgeway*, No. 1:13-CV-1066, 2015 U.S. Dist. LEXIS 166745, at *28–38 (W.D. Mich. Dec. 14, 2015).

¹⁵⁸ *See id.* at *30.

¹⁵⁹ *See id.* (citations omitted).

¹⁶⁰ *See id.* at 33–34.

vocabulary to do so.¹⁶¹ Some, for example, found such information to fall within employees' general skills and knowledge – an area that trade secret law deems unprotectable.¹⁶² In perhaps the most well-reasoned example, a federal court in Michigan granted summary judgment to defendants who included the plaintiff's former employees.¹⁶³ The plaintiff unsuccessfully sought to claim customer list-type information as a trade secret, but a defendant had derived his list of customers from public sources.¹⁶⁴ Then, in an effort to buttress its claim, the employer sought to extend the asserted trade secret by citing cases involving trade secret claims in the needs expressed by customers.¹⁶⁵ The court rejected that contention, holding that – in a situation where the former employees were not subject to non-competition covenants – “otherwise, [it] would subject every former

¹⁶¹ See generally *CH Bus Sales, Inc. v. Geiger*, No. 18-cv-2444, 2019 U.S. Dist. LEXIS 46093, at *29 (D. Minn. Mar. 19, 2019) (on motion to dismiss, expressing doubt that general allegations including “customer needs and preferences” adequately described trade secrets); *Robert Half Int’l, Inc. v. Dunn*, No. 5:13-cv-974, 2013 U.S. Dist. LEXIS 189756, at *21, *21 n.14 (N.D.N.Y. Oct. 29, 2013) (partly granting motion for preliminary injunction against former employee, but finding allegation that customer preferences were trade secrets failed because the evidence showed that customers in the placement industry would “send an email each time it needed to fill a position – thereby specifying its preferences, needs, and requirements on an as needed basis.”); *B.U.S.A. Corp. v. Ecogloves, Inc.*, No. 05-Civ-9988, 2006 U.S. Dist. LEXIS 85988, at *15–16 (S.D.N.Y. Jan. 31, 2006) (granting preliminary injunction against former employee but rejecting contention that customer preferences were trade secrets because customers in this context provided their specifications to bidders in order to obtain bids, and plaintiff merely argued that customers tried to keep such information from their own competitors, as opposed to vendors); *Whyte v. Schlage Lock Co.*, 101 Cal. App. 4th 1443, 1456 (Cal. Ct. App. 2002) (finding that although market research about a host of buyers could be a trade secret, but such research is not a trade secret as to a single buyer “that is presumably aware of its own needs”) (quoting *SI Handling Sys., Inc. v. Heisley*, 753 F.2d 1244, 1259 (3d Cir. 1985)); *Rovic, Inc. v. Hanson*, No. CV-000599617-S, 2000 Conn. Super. LEXIS 2591, at *18 (Conn. Sup. Ct. Oct. 2, 2000) (denying request for temporary injunction against former employee; as to customer-related information, court found that variability of preferences meant that even if such information were a trade secret, “its value is substantially ephemeral. Pricing information and costs to [plaintiff] change over time, as do customer needs and preferences.”).

¹⁶² See, e.g., *TSG Finishing, LLC v. Bollinger*, 2014 N.C. Super. LEXIS 67, at *14–15 (N.C. Sup. Ct. Feb. 20, 2014) (denying former employer’s bid for a preliminary injunction on trade secret and non-compete grounds; finding that as to a claim that “customer preferences” were trade secrets, “Plaintiff appeared to reply heavily on Defendant to interpret the customers’ needs and adjust the finish process to accommodate these needs. However, this skill appears more akin to general knowledge and skill acquired on the job than any trade secret maintained by Plaintiff.”); *Johnson Controls, Inc. v. A.P.T. Critical Sys., Inc.*, 323 F. Supp. 525, 537–38 (S.D.N.Y. 2004) (granting preliminary injunction against former employees in part, but rejecting trade secret arguments as to certain customer information; finding that while “customer preferences and needs” can sometimes be trade secrets, in this matter “plaintiff has produced little evidence as to the specific client preferences that it claims defendants have stolen, thus it is not clear that these preferences are distinguishable from the type of knowledge that any critical systems professional might pick up over a number of years in the industry.”)

¹⁶³ See *McKesson Med.-Surgical, Inc. v. Micro Bio-Medics, Inc.*, 266 F. Supp. 2d 590, 601 (E.D. Mich. 2003).

¹⁶⁴ See *id.* at 594.

¹⁶⁵ See *id.* at 595.

employee who elects to call on customers he previously called upon with the former employer to a lawsuit for a ‘trade secret’ violation because it is likely, in all those situations that, the former employee would be aware of the needs of those customers which he/she learned about during employment [. . . . This] would essentially interpret the MUTSA to be a blanket, statutorily created non-compete agreement between sales people and their former employers. This would not serve the purpose of trade secret law.”¹⁶⁶

Some of the courts which have been skeptical about such claims have trended closer to making a point about trade secret standing without quite reaching the issue. Several have held that the information is not a trade secret because one can simply ask the customer to disclose it.¹⁶⁷ That is impliedly an observation that the customer, not the plaintiff, has rights in the information. But none have explicitly raised questions of trade secret standing – an analysis that seemingly would provide the right tool to reject such claims.

Some have come close. Back in 1985, the Third Circuit rejected a trade secret claim under Pennsylvania law where the plaintiff sought to claim rights in the prices that vendors had quoted for their components. It held that “[t]o prevent [defendants] from using this information would put an undue burden on innocent vendors, as well as place an artificial constraint on the free market.” And it noted that the vendors “have every incentive, and every

¹⁶⁶ *Id.* at 596–97. Oddly, the court also noted that customer “needs” could be protected by contract.

¹⁶⁷ See *Share Corp. v. Momar Inc.*, No. 10–CV–109, 2011 U.S. Dist. LEXIS 10782, at *28 (E.D. Wisc. Jan. 26, 2011) (stating, on motion to dismiss, that “even when a customer list includes additional information, such as customer history and preferences, the list will not be found to meet Wisconsin’s definition of a trade secret if that information can be acquired by simply asking the customers when calling them to solicit their business,” but finding that plaintiff nevertheless stated the existence of trade secrets through a variety of customer-related information); *Ikon Office Sol., Inc. v. Am. Office Prod., Inc.*, 178 F. Supp. 2d 1154, 1169 (D. Or. 2001) (granting motion for summary judgment in favor of former employees; rejecting trade secret claim over information including “the customer’s needs and preferences” because the former employee could obtain it “by asking the prospective customer (e.g., how many copiers do you presently have, what model, are you happy with your present vendor, and when does your current lease expire?). . . . In theory, [former employee] could easily obtain all this information anew by making a few inquiries, though his prospective customers surely would wonder why he was asking questions to which he already knows the answers.”); *United Prod. Corp v. Transtech Mfg., Inc.*, 2000 Phila. Ct. Com. Pl. LEXIS 91, at *39–40 (Pa. Com. Pl. Ct. Nov. 9, 2000) (although court enjoined former employees on non-compete grounds, it rejected the plaintiff’s trade secret arguments, including as to two well-known railway customers; “[f]urthermore, more particular information about these customers – for example, individual needs, names of contacts and price information – is not a trade secret because it is simply available by asking SEPTA and Amtrak.”); *Ivy Mar Co. v. C.R. Seasons*, 907 F. Supp. 547, 558 (E.D.N.Y. 1995) (magistrate’s recommendation denying preliminary injunction on trade secret and non-competition covenant grounds where, among other thing, former employer’s claim to trade secrets in customer preferences did not succeed; “information concerning customer preferences and ordering patterns could easily be recalled by [employee] or obtained by contacting those customers directly. Accordingly, that information cannot be deemed a trade secret.”).

right, to disclose [that information] to their customers.¹⁶⁸ This is a standing case in all but name, because it found that third parties, not the trade secret plaintiff, had controlling rights over the pricing information at issue.

And in 2002, an Illinois court reversed a preliminary injunction against former employees where their former employer had claimed trade secrets in customer preferences.¹⁶⁹ The court explained that “[m]erely establishing a response to a customer request or being the first in the industry to integrate these concepts into its contract does not turn what otherwise would be general knowledge into a trade secret. [. . .] Furthermore, knowledge that a customer previously chose a particular level of service, i.e. preventative maintenance as opposed to preventative maintenance and labor and parts, cannot be a trade secret where it is the customer, and not [plaintiff], that makes the choice regarding the level of service that best suits its needs at a particular time. While proprietary information which is disclosed to a customer, where necessary for a business purpose, does not necessarily destroy the secret nature thereof [citation], this was the customer’s own information.”¹⁷⁰ By referring to “the customer’s own information,” the court just about reached the question of trade secret standing – but did not quite arrive there.

In this dissident line of cases, we can observe courts struggling to articulate the flaw they find when trade secret plaintiffs seek to claim intellectual property rights in the preferences and desires expressed to them by customers, when the plaintiff is seeking to prevent a former employee from attempting to offer perhaps more favorable goods or services to that same customer. Some base their logic on the notion that customer preferences should fall within an employee’s general skills and knowledge, which is transportable from job to job.¹⁷¹ Others come very close to a standing analysis by finding that the information is not protectable because the customer is free to disclose its needs and preferences to whomever it wishes. But that is a secrecy analysis, when the better fit for this critique would be a standing analysis.

¹⁶⁸ See *SI Handling Sys., Inc. v. Heisley*, 753 F.2d 1244, 1257 (3rd Cir. 1985).

¹⁶⁹ See *Delta Med. Sys., Inc. v. Mid-America Med. Sys., Inc.*, 772 N.E.2d 768, 783 (Ill. Ct. App. 2002).

¹⁷⁰ See *id.*

¹⁷¹ See Camilla A. Hrady, *The General Knowledge, Skill, and Experience Paradox*, 60 B.C. L. REV. 2409 (2019) (leading article on the concept of general skills and knowledge; parsing the doctrine as one distinct from information that is generally known, and that reflects a separate category of unprotectable information).

C. Courts Should Reject Trade Secret Claims Seeking Exclusive Control Over Third Parties' Preferences and Desires

Courts should be more skeptical when trade secret plaintiffs claim intellectual property rights in what amounts to opinions expressed by customers about such customers' own needs and preferences. Courts which allow such claims are, effectively, collapsing trade secret law into the law of restrictive covenants that bind departing employees, undermine competition, and shore up local monopolies – namely, the customer non-solicitation covenant permitted in most states.

A claim for breach of a customer non-solicitation covenant is something distinct from a trade secret claim. To take one example to illustrate the difference, in October 2021, a pharmacy chain filed a breach of contract lawsuit against a former employee, who had worked with at-home patients, and the competing company she had joined. It alleged that she had breached a one-year customer “non-solicitation restriction” by “openly” handing her business card to a customer at a local hospital, an event witnessed by the employee who had replaced her.¹⁷² The pharmacy sought “immediate injunctive relief,” alleging a breach of the non-solicit clause, and also a confidentiality clause.¹⁷³ But the plaintiff did not include a trade secret claim: The lawsuit was not premised on intellectual property.

Trade secret law is not the same thing as a restrictive covenant violation: it is intellectual property law, predicated on the existence of a valid property right. On one hand, trade secret law permits claims where a plaintiff proves ownership of specific, valuable items of information not generally known in the particular industry – but it also permits competition when a former employee uses non-secret information, even if he or she learned the information from the former employer. In contrast, customer non-solicitation covenants, in states where they are legal, flatly prohibit former employees from contacting the former employer's customers, even if such contact would not involve any use of the former employer's trade secrets.

To be sure, courts may not realize they are blending one area of law into the other when they allow “trade secret” claims in customers' preferences and desires – especially in jurisdictions which permit both trade secret claims and broader, anti-employee restrictive covenants. Still, allowing trade secret claims based on the customer's own desires and preferences amounts to a non-solicitation covenant in disguise.

¹⁷² See Complaint at 3, 9, 13, *CVS Pharmacy, Inc. v. Marsack*, Case No. 2:21-cv-12498-RHC-CI (E.D. Mich. Oct. 25, 2021).

¹⁷³ See *id.* at 15–16.

The distinction matters – not least because some jurisdictions do not permit such restrictive covenants, and thus the breadth of trade secret law is the entire measure of the former employer’s power to attack a former employee. When a salesperson resigns, joins a competitor, and then contacts his or her former customers, the former employer should not be permitted block the transaction by claiming an intellectual property right in the desires of those customers. If the former employee and customer choose to do business together, that mere contact does not violate the former employer’s intellectual property rights. If trade secret claims based on customer preferences and desires were held to the same standards as other types of trade secret claims, former employers would no longer be able to target their former employees and former customers for choosing to take their business elsewhere. Customer list-based trade secret claims should be permitted only where there is really a trade secret – that is, information that the plaintiff itself developed, and that meets the requirements of a valid trade secret, and not merely an opinion expressed by a customer.

Allowing expansive “trade secret” claims based on desires and preferences expressed by customers threatens the latitude given for employees transferring their general skills, knowledge, and experience from job to job, and it threatens common law rules which permit departing employees to “announce” their new employment to the former employer’s customers.¹⁷⁴ It also harms customers, by depriving them of a potential alternative source of superior and/or less expensive goods or services. It forces the customer into a relationship that may not be optimal, under an intellectual property theory where the customer’s own subjective beliefs are weaponized to deprive the customer of the option of choosing to do business with someone else.

The best way to achieve the goal of disaggregating trade secret claims from claims for breach of a customer non-solicitation covenant is to address this problem as one of trade secret standing. Exposing that a customer never consented to the plaintiff claiming rights in the customer’s preferences and desires by – for example, noting the absence of an assignment or a license – would highlight what is really going on in such disputes. It should sharpen the analysis of the dissident line of cases discussed above.

For example, a party accused of misappropriating an allegedly secret customer list and wrongfully contacting the customers might seek a declaration or affidavit from the third party customers. Such a customer might declare that it never assigned the plaintiff any intellectual property

¹⁷⁴ See, e.g., *Hilb, Rogal & Hamilton Ins. Servs. of Orange County, Inc. v. Robb*, 33 Cal App. 4th 1812, 1821 (1995) (stating rule that a departing employee may announce a status change such as a change in employment to the plaintiff’s customers without violating the trade secret laws).

interest in its identity or desires, that it never entered into a nondisclosure agreement with the plaintiff declaring such information to be secret, that it does not consider such information to be a trade secret, and that it prefers to do business with the defendant. Of course, few customers may wish to get involved in litigation.¹⁷⁵ The argument may need to be made from first principles of standing, based on the property-centric requirements of the UTSA (and/or the DTSA), and against the loose, mere-possession conception of *DTM* and its progeny.

V. CONCLUSION

Compared to the well-established rules of standing for patent, copyright, and federal trademark cases – and even to standing under the federal DTSA – standing under the Uniform Trade Secrets Act is notably more permissive. This stems in part from the failure of the UTSA to incorporate express standing language. But it also stems from two court-created factors: the mere-possession standard created by the Fourth Circuit in *DTM*, which has spread around the country since 2001, and the tendency of courts in employee mobility lawsuits to blend together trade secret law and the law of customer non-solicitation covenants.

Courts should focus more attention on standing in UTSA cases. Doing so can better enforce the need to establish a valid trade secret, prevent dangerous trade secret claims in nontraditional information, and protect departing employees and customers from overreaching claims over customers' own preferences. Judges should reject *DTM* and its resort to a non-statutory, supposed "inherent nature" of trade secret law to unmoor standing from the property-centric concept the UTSA envisions. They can do so based on existing statutory language and without any need for legislative intervention. This outcome would better conform case law to the text of the DTSA and UTSA, and avoid the dangers this article has identified.

¹⁷⁵ It is difficult to find reported decisions where customers provided testimony in disputes in such cases. A rare decision turning on customer input was a 1999 Eighth Circuit decision reversing a finding of tortious interference brought by a company against its former software contractor. The customers testified not only that they had unilaterally contacted the defendant for business, but that they were dissatisfied with the plaintiff because it was "continually raising prices," "divulging information regarding their business," and that because they were "unhappy with the manner" in which it "demanded payment for services. *See Kirk v. Harter*, 188 F.3d 1005, 1009 (8th Cir. 1999) (reversing jury verdict). Similarly, a New York court denied a plaintiff's request for a preliminary injunction against a former employee not only because the customer-related information at issue was plainly in the public domain, but also because "[t]he record contains letters from several clients indicating that the choice to switch their accounts from [plaintiff] to [former employer's new company] was based upon the defendant's personal familiarity with and knowledge of their needs as well as his outstanding ability in the field." *See Walter Karl, Inc. v. Wood*, 137 A.D.2d 22, 28 (N.Y. Sup. Ct. May 9, 1988).