

**Keywords:** misappropriation of trade secret, defense, affirmative defense

**General:** Allegation of independent development is denial of “improper use” element of asserted claim for trade secret misappropriation that shifts burden of production to defendant, rather than affirmative defense that shifts burden of persuasion, since affirmative defense requires establishment of facts extrinsic to plaintiff’s complaint, whereas independent development is strongly linked to improper use element of trade secret claim.

*Moore v. Kulicke & Soffa Industries Inc.*  
65 U.S.P.Q.2d 1771 (3d Cir. 2003)  
Decided February 3, 2003

**I. Facts**

K&S is a manufacturer of wire bonding equipment for use in connecting extremely small wires from semiconductor terminals to other components of computer chips. In 1981, Moore, an engineer, submitted a technical paper to a K&S consultant in which he discussed a specific design approach for increasing the speed and accuracy of the type of wire bonding machines that K&S manufactured. After reviewing the paper, K&S informed Moore that it had no interest in the information contained in his proposal. However, sometime later, Moore learned that K&S was using a wire bonding technique that he believed was similar to the technique and information contained in the paper that he had submitted. Moore thereupon brought an action against K&S in the District Court for the Eastern District of Pennsylvania setting forth a claim for trade secret misappropriation under Pennsylvania state law.

Under Pennsylvania law, the prima facie elements for misappropriation of a trade secret are derived from the Restatement (First) of Torts § 757. These elements are as follows:

- (1) the existence of a trade secret;
- (2) communication of the trade secret pursuant to a confidential relationship;
- (3) use of the trade secret, and violation of that confidence; and
- (4) harm to the plaintiff.

During the trial, K&S argued that it had arrived at the relevant wire bonding technique through independent invention. Moore argued that independent development is an affirmative defense, such that K & S bore not only the burden of production, but also the risk of non-persuasion. Conversely, K & S argued that independent development was a defense, so that they bore only the burden of going forward, with the risk of non-persuasion remaining with Moore. The District Court agreed with K & S. At the conclusion of the trial, the District Court instructed the jury as follows:

If you find that the plaintiff has proven by a fair preponderance of the evidence that the defendant used the plaintiff’s trade secret, and that the defendant did not arrive at the relative wiring bonding technique through independent invention, then you should find in favor of the plaintiff.

The following interrogatories were submitted to the jury.

---

(1) Do you find that plaintiff has proven that by a preponderance of the evidence that he owned a trade secret which was disclosed in confidence to defendant, which defendant was *not entitled to use* or disclose without plaintiff's permission?

(2) Do you find that plaintiff has proven by a preponderance of the evidence that the defendant misappropriated plaintiff's trade secret?"

The jury answered the first interrogatory in favor of K&S and did not reach the second interrogatory. Moore moved for a new trial under Rule 59 of the Federal Rules of Civil Procedure, which the District Court denied. Moore subsequently appealed to the Third Circuit.

## II. Issues

1. Was there an error in the jury instruction regarding independent development?
2. If so, should the judgment of the jury be reversed because of the error?

## III. Discussion

1. Yes. K&S asserted that any error in the jury instruction regarding independent development was harmless because the jury answered "no" to the first interrogatory addressing the existence of a trade secret and its disclosure. Because the jury answered "no" to this question, it never reached the second interrogatory that implicated independent development. However, the Third Circuit concluded that the first interrogatory conflated the first three elements of trade secret misappropriations. Because the district court had charged the jury about independent development in the context of discussing both of the interrogatories, the jury may have considered whether K&S had independently developed the technique in answering the first interrogatory. The Third Circuit concluded that this was error and that the error in the jury charge was not harmless. However, the Third Circuit stated that they would reverse the jury "only if the instruction was capable of confusing and thereby misleading the jury." *Bennis v. Gable*, 823 F.2d 723, 727 (3d Cir. 1987). The Third Circuit then addressed the next issue to determine whether they should reverse the judgment of the jury.

2. No. The Third Circuit found that independent development is a defense, rather than an affirmative defense, under Pennsylvania trade secret law. Therefore, the jury was not misled by the jury instruction.

Moore contended that the burden of proof of independent development, including the burdens of production and persuasion, should be placed on the defendant and that independent development should be affectively considered affirmative defense because Pennsylvania courts often place the burden of proof on the party that has the best access to information which could prove or disprove the fact, and here K&S had better access to information which could prove that it independently developed the technique. *See Gen. Elec. Corp. v. Human Relations Comm'n*, 469 Pa. 292, 306-07, 365 A.2d 649, 657 (1976). Moore also contended that independent development should be considered an affirmative defense because courts generally favor placing the burden of proof on the party who must prove a positive rather than the party who must prove a negative. 8 Standard Pennsylvania Practice 2d § 49:65 (2001).

K&S contended that evidence of independent development rebuts the third element of the prima facie case for misappropriation of trade secret that the defendant "used" the plaintiff's trade secret. In support of this position, K&S argued that affirmative defenses are generally distinguished from other denials primarily, by the fact that "affirmative defenses will require the averment of facts extrinsic to the plaintiffs claim for relief." 5 Standard Pennsylvania Practice 2d § 26.51 (2001); *see also Falcione v. Cornell School Dist.*, 383 Pa.Super 623, 557 A.2d 425 (1989). K&S argued

---

that independent development is not an affirmative defense because independent development is simply a denial of the fact that it used Moore's technique, and not an argument extrinsic to the facts alleged by Moore.

The Third Circuit concluded that Pennsylvania courts primarily distinguish affirmative defenses from other denials by the fact that affirmative defenses require the averment of facts extrinsic to the plaintiff's claim for relief. The Third Circuit did note that it was true that Pennsylvania courts will often place the burden of proof on the party that has better access to facts that would prove or disprove the defense. *See Barrett v. Otis Elevator Co.*, 431 Pa. 446, 452-53, 246 A.2d 668, 672 (1968). However, the Third Circuit also noted that the mere fact that one party is in possession of facts is not reason to discard the normal requirement that complainants prove their own cases. *See Commonwealth Dept. of Transp. v. Pennsylvania Human Relations Comm'n*, 510 Pa. 401, 413, 508 A.2d 1187, 1193 (1986). The fact that K&S had better access to the information did not weigh heavily in the Third Circuit's analysis because Rule 26 of the Federal Rules of Civil Procedure requires the defendant, upon request, to turn over relative information to the plaintiff during the discovery process. Moreover, by shifting the burden of going forward to K&S, the Third Circuit was assured that K&S would have to present some evidence of independent development to succeed.

The Third Circuit also noted that Pennsylvania courts are often reticent to place upon a party the burden of proving a negative. *See Barrett*, 246 A.2d at 673. However, the Third Circuit concluded that this policy is counterbalanced by the normal requirement that complainants prove their own cases. The Third Circuit concluded that since independent development is inextricably linked to "use" in trade secret misappropriation, it is necessary for a plaintiff to disprove independent development, when raised, in order to meet the burden of proving the element of use. In conclusion, the Third Circuit concluded that the District Court's charge to the jury placing the ultimate burden of proving independent development on the plaintiff was correct.

#### **IV. Conclusion**

The Third Circuit affirmed the judgment of the District Court.