

HOUSE No. 1586

The Commonwealth of Massachusetts

PRESENTED BY:

Eugene L. O'Flaherty

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act making uniform the law regarding trade secrets.

PETITION OF:

NAME:

Eugene L. O'Flaherty

DISTRICT/ADDRESS:

2nd Suffolk

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE HOUSE, NO. 1585 OF .]

The Commonwealth of Massachusetts

In the Year Two Thousand and Nine

AN ACT MAKING UNIFORM THE LAW REGARDING TRADE SECRETS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Sections 42 and 42A of chapter 93 of the General Laws are hereby repealed.

2 SECTION 2. The General Laws are hereby amended by inserting after chapter 93G the following chapter:--

3 **CHAPTER 93H**

4 **UNIFORM TRADE SECRETS ACT**

5 Section 1. This act shall be known and may be cited as the UNIFORM TRADE SECRETS ACT.

6 Section 2. As used in this chapter, unless the context requires otherwise:

7 (1) "Improper means" includes, without limitation, theft, bribery, misrepresentation, or breach or
8 inducement of a breach of a confidential relationship or other duty to limit acquisition, disclosure or use of
9 information;

10 (2) "Misappropriation" means:

11 (i) acquisition of a trade secret of another by a person who knows or who has reason to know that
12 the trade secret was acquired by improper means; or

13 (ii) disclosure or use of a trade secret of another without that person's express or implied consent
14 by a person who

15 (A) used improper means to acquire knowledge of the trade secret or

16 (B) at the time of his disclosure or use, knew or had reason to know that his knowledge
17 of the trade secret was

18 (I) derived from or through a person who had utilized improper means to
19 acquire it;

20 (II) acquired under circumstances giving rise to a duty to limit its acquisition,
21 disclosure or use; or

22 (III) derived from or through a person who owed a duty to the person seeking
23 relief to limit its acquisition, disclosure or use; or

24 (C) before a material change of his or her position, knew or had reason to know that it
25 was a trade secret and that knowledge of it had been acquired by accident or mistake.

26 (3) "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, joint
27 venture, government, governmental subdivision or agency, or any other legal or commercial entity.

28 (4) "Trade secret" means specified or specifiable information, whether or not fixed in tangible form or
29 embodied in any tangible thing, including but not limited to a formula, pattern, compilation, program, device,
30 method, technique, process, business strategy, or scientific, technical, financial or customer data that

31 (i) at the time of alleged misappropriation, derived economic value, actual or potential, from not
32 being generally known to, and not being readily ascertainable by proper means by, others who might obtain
33 economic value from its acquisition, disclosure or use, and

34 (ii) has at all times been the subject of efforts that are reasonable under the circumstances to give
35 notice that it should not be and to ensure that it is not acquired, disclosed or used without the consent of the
36 person asserting ownership thereof, or such person's predecessor in interest.

37 Section 3. (a) Actual or threatened misappropriation may be enjoined upon equity principles, including a
38 showing that specific information qualifying as a trade secret has been or is threatened to be misappropriated. No
39 injunction shall issue with respect to a trade secret unless the trade secret is specified with sufficient particularity so
40 as to enable, reasonably under the circumstances, the respondent to prepare a reasonable defense. Upon application
41 to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be
42 continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise
43 would be derived from misappropriation.

44 (b) In exceptional circumstances, an injunction may condition future use upon payment of a reasonable
45 royalty for no longer than the period of time for which use could have been prohibited. Exceptional circumstances
46 include, but are not limited to, a material and prejudicial change of position prior to acquiring knowledge or reason
47 to know of misappropriation that renders a prohibitive injunction inequitable.

48 (c) In appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court
49 order.

50 Section 4. (a) Except to the extent that a material and prejudicial change of position prior to acquiring
51 knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a complainant is entitled
52 to recover damages for misappropriation of specific information qualifying as a trade secret. Damages can include
53 both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not
54 taken into account in computing actual loss. In lieu of damages measured by any other methods, the damages caused
55 by misappropriation may be measured by the imposition of liability for a reasonable royalty for a misappropriator's
56 unauthorized disclosure or use of a trade secret.

57 (b) If willful and malicious misappropriation exists, the court may award exemplary damages in an
58 amount not exceeding twice any award made under subsection (a).

59 Section 5. If (i) a claim of misappropriation is made or defended in bad faith, (ii) a motion to enter or to
60 terminate an injunction is made or resisted in bad faith, or (iii) willful and malicious misappropriation exists, the
61 court may award reasonable attorney's fees to the prevailing party. In considering such an award, the court may take
62 into account the claimant's specification of trade secrets and the proof that such alleged trade secrets were
63 misappropriated.

64 Section 6. (a) In an action under this Act, a court shall preserve the secrecy of an alleged trade secret by
65 reasonable means, which may include granting protective orders in connection with discovery proceedings, holding
66 in-camera hearings, sealing the records of the action, and ordering any person involved in the litigation not to
67 disclose an alleged trade secret without prior court approval.

68 (b) In an action under this Act, averments of trade secrets and misappropriation thereof shall be stated with
69 particularity.

70 Section 7. An action for misappropriation must be brought within 3 years after the misappropriation is
71 discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section,
72 a continuing misappropriation constitutes a single claim.

73 Section 8. (a) Except as provided in subsection (b), this Act displaces conflicting tort, restitutionary, and
74 other law of this State providing civil remedies for the misappropriation of a trade secret.

75 (b) This act does not affect:

76 (1) contractual remedies, whether or not based upon misappropriation of a trade secret;

77 (2) other civil remedies to the extent that they are not based upon misappropriation of a trade
78 secret; or

79 (3) criminal remedies, whether or not based upon misappropriation of a trade secret.

80 Section 9. This Act shall be applied and construed to effectuate its general purpose to make uniform the
81 law with respect to the subject of this Act among states enacting it.

82 SECTION 3. This Act takes effect on July first, two thousand and seven, and does not apply to
83 misappropriation occurring prior to the effective date. With respect to a continuing misappropriation that began prior

84 to the effective date, the Act also does not apply to the continuing misappropriation that occurs after the effective
85 date.