HOUSE DOCKET, NO. 2996 FILED ON: 1/18/2013

HOUSE . . . . . No. 1225

The Commonwealth of Massachusetts

PRESENTED BY:

Garrett J. Bradley

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:

An Act to protect intellectual property and trade secrets to promote economic development and job creation.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Garrett J. Bradley	*3rd Plymouth*
Thomas J. Calter	*12th Plymouth*

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HOUSE . . . . . No. 1225

By Mr. Bradley of Hingham, a petition (accompanied by bill, House, No. 1225) of Garrett J. Bradley and Thomas J. Calter for legislation to protect intellectual property and trade secrets to promote economic development and job creation. The Judiciary.

The Commonwealth of Massachusetts

An Act to protect intellectual property and trade secrets to promote economic development and job creation.

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

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 Sections 42 and 42A of chapter 93 of the General Laws are hereby repealed.

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

CHAPTER 93K

UNIFORM TRADE SECRETS ACT

Section 1. This act shall be known and may be cited as the Uniform Trade Secrets Act.

Section 2. As used in this chapter the following words, shall unless the context clearly requires otherwise, have the following meanings:

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

(2) "Misappropriation",

(i) acquisition of a trade secret of another by a person who knows or who 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 that person's express or implied consent by a person who

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

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

21 [I] derived from or through a person who had utilized improper means to acquire it;

22 [II] acquired under circumstances giving rise to a duty to limit its acquisition, disclosure
23 or use; or

24 [III] derived from or through a person who owed a duty to the person seeking relief to
25 limit its acquisition, disclosure or use; or

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

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

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

35 [i] at the time of alleged misappropriation, derived economic value, actual or potential,
36 from not being generally known to, and not being readily ascertainable by proper means by,
37 others who might obtain economic value from its acquisition, disclosure or use; and

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

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

49 (b) In exceptional circumstances, an injunction may condition future use upon payment
50 of a reasonable royalty for no longer than the period of time for which use could have been
51 prohibited. Exceptional circumstances include, but are not limited to, a material and prejudicial

52 change of position prior to acquiring knowledge or reason to know of misappropriation that
53 renders a prohibitive injunction inequitable.

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

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

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

66 Section 5. The court may award reasonable attorney's fees to the prevailing party if: (i) a
67 claim of misappropriation is made or defended in bad faith, (ii) a motion to enter or to terminate
68 an injunction is made or resisted in bad faith, or (iii) willful and malicious misappropriation
69 exists. In considering such an award, the court may take into account the claimant’s specification
70 of trade secrets and the proof that such alleged trade secrets were misappropriated.

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

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

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

82 Section 8. (a) Except as provided in subsection (b), this Act shall supersede any
83 conflicting laws of the commonwealth providing civil remedies for the misappropriation of a
84 trade secret.

85 (b) This act does not affect:

86 (1) contractual remedies, provided that, to the extent such remedies are based on or
87 justified by confidentiality of information, such confidentiality shall be determined according to
88 the definition of trade secret in this chapter;

89 (2) remedies based on submissions to governmental units;

90 (3) other civil remedies to the extent that they are not based upon misappropriation of a
91 trade secret; or

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

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

95 SECTION 3. This Act does not apply to misappropriation occurring prior to the effective
96 date. With respect to a continuing misappropriation that began prior to the effective date, the Act
97 also does not apply to the continuing misappropriation that occurs after the effective date.

98 SECTION 4. Section 19 of Chapter 149 of the General Laws of Massachusetts is hereby
99 amended by inserting at the end the following new paragraphs:

100 Any written or oral contract or agreement arising out of an employment relationship that
101 prohibits, impairs, restrains, restricts, or places any condition on, a person's ability to seek,
102 engage in or accept any type of employment or independent contractor work, for any period of
103 time after an employment relationship has ended, shall be void and unenforceable with respect to
104 that restriction. This section shall not render void or unenforceable the remainder of the contract
105 or agreement.

106 For the purposes of this section, chapter 149, section 148B shall control the definition of
107 employment.

108 This section shall be construed liberally for the accomplishment of its purposes, and no
109 other provision of the General Laws shall be construed in a manner that would limit its coverage.
110 Nothing in this section shall preempt tort or contract claims, or other statutory claims, based
111 upon an employer’s use, or attempted use of an unlawful contract or agreement to interfere with
112 subsequent employment or contractor work.

113 This section shall apply to all contracts and agreements, including those executed before
114 the effective date of this act.