

HOUSE No. 32

So much of the recommendations of the Commission on Uniform State Laws (House, No. 31) as relates to making uniform the law regarding trade secrets. The Judiciary.

The Commonwealth of Massachusetts

In the One Hundred and Eighty-Ninth General Court
(2015-2016)

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
2 repealed.

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

5 CHAPTER 93L

6 UNIFORM TRADE SECRETS ACT

7 Section 1. As used in this chapter the following words, shall unless the context clearly
8 requires otherwise, have the following meanings:

9 (1) "Improper means", includes, without limitation, theft, bribery, misrepresentation,
10 unreasonable intrusion into private physical or electronic space, or breach or inducement of a
11 breach of a confidential relationship or other duty to limit acquisition, disclosure or use of

12 information; reverse engineering from properly accessed materials or information is not
13 improper means;

14 (2) "Misappropriation",

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

17 (ii) an act of disclosure or of use of a trade secret of another without that person's express
18 or implied consent by a person who

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

20 (B) at the time of the actor's disclosure or use, knew or had reason to know that the
21 actor's knowledge of the trade secret was

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

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

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

27 (C) before a material change of the actor's position, knew or had reason to know that it
28 was a trade secret and that the actor's knowledge of it had been acquired by accident, mistake, or
29 through another person's act in violation of subsections 1(2)(i) or 1(2)(ii)(A) or -(B).

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

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

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

41 [ii] at the time of the alleged misappropriation was the subject of efforts that were
42 reasonable under the circumstances, which may include reasonable notice, to protect against it
43 being acquired, disclosed or used without the consent of the person properly asserting rights
44 therein or such person's predecessor in interest.

45 Section 2. (a) Actual or threatened misappropriation may be enjoined upon principles of
46 equity, including but not limited to consideration of prior party conduct and circumstances of
47 potential use, upon a showing that information qualifying as a trade secret has been or is
48 threatened to be misappropriated. Upon application to the court, an injunction shall be
49 terminated when the trade secret has ceased to exist, but the injunction may be continued for an
50 additional reasonable period of time in order to eliminate any economic advantage that otherwise
51 would be derived from misappropriation.

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

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

59 Section 3. (a) Except to the extent that a material and prejudicial change of position prior
60 to acquiring knowledge or reason to know of misappropriation renders a monetary recovery
61 inequitable, a complainant is entitled to recover damages for misappropriation of information
62 qualifying as a trade secret. Damages can include both the actual loss caused by
63 misappropriation and the unjust enrichment caused by misappropriation that is not taken into
64 account in computing actual loss. In lieu of damages measured by any other methods, the
65 damages caused by misappropriation may be measured by the imposition of liability for a
66 reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

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

69 Section 4. The court may award reasonable attorney's fees and costs to the prevailing
70 party if: (i) a claim of misappropriation is made or defended in bad faith, (ii) a motion to enter or
71 to terminate an injunction is made or resisted in bad faith, or (iii) willful and malicious
72 misappropriation exists. In considering such an award, the court may take into account the

73 claimant's specification of trade secrets and the proof that such alleged trade secrets were
74 misappropriated.

75 Section 5. (a) In an action under this chapter, a court shall preserve the secrecy of an
76 alleged trade secret by reasonable means, which may include granting protective orders in
77 connection with discovery proceedings, holding in-camera hearings, sealing the records of the
78 action, and ordering any person involved in the litigation not to disclose an alleged trade secret
79 without prior court approval.

80 (b) In an action under this chapter, in alleging trade secrets misappropriation a party must
81 state with reasonable particularity the circumstances thereof, including the nature of the trade
82 secrets and the basis for their protection. Before commencing discovery relating to an alleged
83 trade secret, the party alleging misappropriation shall identify the trade secret with sufficient
84 particularity under the circumstances of the case to allow the court to determine the appropriate
85 parameters of discovery and to enable reasonably other parties to prepare their defense.

86 Section 6. An action for misappropriation must be brought within 3 years after the
87 misappropriation is discovered or by the exercise of reasonable diligence should have been
88 discovered. For the purposes of this chapter, a continuing disclosure or use constitutes a single
89 claim.

90 Section 7. (a) Except as provided in subsection (b), this chapter shall supersede any
91 conflicting laws of the Commonwealth providing civil remedies for the misappropriation of a
92 trade secret.

93 (b) This chapter does not affect:

94 (1) contractual remedies, provided that, to the extent such remedies are based on an
95 interest in the economic advantage of information claimed to be confidential, such
96 confidentiality shall be determined according to the definition of trade secret in subsection 1(4),
97 where the terms and circumstances of the underlying contract shall be considered in such
98 determination;

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

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

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

103 Section 8. This chapter shall be applied and construed to effectuate its general purpose to
104 make uniform the law with respect to the subject of this chapter among States enacting it.

105 Section 9. This chapter shall be known and may be cited as the Uniform Trade Secrets
106 Act.

107 SECTION 3. This Act takes effect on July first, two thousand and sixteen, and does not
108 apply to misappropriation occurring prior to the effective date. With respect to a continuing
109 misappropriation that began prior to the effective date, the Act also does not apply to the
110 continuing misappropriation that occurs after the effective date.