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 adoption of the accompanying bill:

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

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
Garrett J. Bradley	*3rd Plymouth*	*1/18/2013*
Thomas J. Calter	*12th Plymouth*	*1/18/2013*

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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

In the Year Two Thousand Thirteen

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 Sections 42 and 42A of chapter 93 of the General Laws are hereby repealed.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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) This act does not affect:

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

(2) remedies based on submissions to governmental units;

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

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

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

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

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

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

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

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

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