

HOUSE No. 854

The Commonwealth of Massachusetts

PRESENTED BY:

Bradley H. Jones, Jr.

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 adopting the Federal Uniform Trade Secret Act.

PETITION OF:

| NAME: | DISTRICT/ADDRESS: |
|-------------------------------|-----------------------|
| <i>Bradley H. Jones, Jr.</i> | <i>20th Middlesex</i> |
| <i>Susan Williams Gifford</i> | <i>2nd Plymouth</i> |
| <i>Paul K. Frost</i> | <i>7th Worcester</i> |
| <i>Todd M. Smola</i> | <i>1st Hampden</i> |
| <i>F. Jay Barrows</i> | <i>1st Bristol</i> |
| <i>Sheila C. Harrington</i> | <i>1st Middlesex</i> |
| <i>Donald H. Wong</i> | <i>9th Essex</i> |
| <i>Steven S. Howitt</i> | <i>4th Bristol</i> |
| <i>Kimberly N. Ferguson</i> | <i>1st Worcester</i> |
| <i>Hannah Kane</i> | <i>11th Worcester</i> |
| <i>Randy Hunt</i> | <i>5th Barnstable</i> |
| <i>Nicholas A. Boldyga</i> | <i>3rd Hampden</i> |
| <i>Joseph D. McKenna</i> | <i>18th Worcester</i> |
| <i>Kevin J. Kuros</i> | <i>8th Worcester</i> |

HOUSE No. 854

By Mr. Jones of North Reading, a petition (accompanied by bill, House, No. 854) of Bradley H. Jones, Jr., and others relative to the regulation of trade by the establishment of a uniform trade secrets act. The Judiciary.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE HOUSE, NO. 1408 OF 2015-2016.]

The Commonwealth of Massachusetts

**In the One Hundred and Ninetieth General Court
(2017-2018)**

An Act adopting the Federal Uniform Trade Secret Act.

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2 repealed.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. This chapter shall be known and may be cited as the Uniform Trade
8 Secrets Act.

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

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

14 (2) "Misappropriation",

15 (i) 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) disclosure or use of a trade secret of another without that person's express or
18 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 his disclosure or use, knew or had reason to know that his
21 knowledge of the trade secret was

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

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

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

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

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

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

37 [i] at the time of alleged misappropriation, derived economic value, 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 value from its acquisition, disclosure or use; and

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

44 Section 3. (a) Actual or threatened misappropriation may be enjoined upon
45 equity principles, including a showing that specific information qualifying as a trade secret has
46 been or is threatened to be misappropriated. No injunction shall issue with respect to a trade
47 secret unless the trade secret is specified with sufficient particularity so as to enable, reasonably
48 under the circumstances, the respondent to prepare a reasonable defense. Upon application to the
49 court, an injunction shall be terminated when the trade secret has ceased to exist, but the

50 injunction may be continued for an additional reasonable period of time in order to eliminate
51 commercial advantage that otherwise would be derived from misappropriation.

52 (b) In exceptional circumstances, an injunction may condition future use upon
53 payment of a reasonable royalty for no longer than the period of time for which use could have
54 been prohibited. Exceptional circumstances include, but are not limited to, a material and
55 prejudicial change of position prior to acquiring knowledge or reason to know of
56 misappropriation that 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 4. (a) Except to the extent that a material and prejudicial change of
60 position prior to acquiring knowledge or reason to know of misappropriation renders a monetary
61 recovery inequitable, a complainant is entitled to recover damages for misappropriation of
62 specific information qualifying as a trade secret. Damages can include both the actual loss
63 caused by misappropriation and the unjust enrichment caused by misappropriation that is not
64 taken into account in computing actual loss. In lieu of damages measured by any other methods,
65 the 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
68 exemplary damages in an amount not exceeding twice any award made under subsection (a).

69 Section 5. The court may award reasonable attorney's fees 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 6. (a) In an action under this chapter, a court shall preserve the secrecy
76 of an 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, averments of trade secrets and
81 misappropriation thereof shall be stated with particularity.

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

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

89 (b) This chapter does not affect:

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

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

94 (3) other civil remedies to the extent that they are not based upon

95 misappropriation of a trade secret; or

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

97 secret.

98 Section 9. This chapter shall be applied and construed to effectuate its general

99 purpose to make uniform the law with respect to the subject of this chapter among states enacting

100 it.

101 SECTION 3. This Act takes effect on July 1, 2017, and does not apply to

102 misappropriation occurring prior to the effective date. With respect to a continuing

103 misappropriation that began prior to the effective date, the Act also does not apply to the

104 continuing misappropriation that occurs after the effective date.