

By Mr. LoPresti, a petition (accompanied by bill, Senate, No. 851) of Michael LoPresti, Jr., for legislation to establish uniform rules concerning misappropriation of trade secrets. The Judiciary.

**The Commonwealth of Massachusetts**

In the Year One Thousand Nine Hundred and Eighty-Seven.

AN ACT TO ESTABLISH UNIFORM RULES CONCERNING MISAPPROPRIATION OF 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. Chapter 93 of the General Laws is hereby amended  
2 by adding on the end thereof Sections 90 through 98 reading as  
3 follows:

4 Section 90. DEFINITIONS.

5 As used in sections 90 to 98, inclusive, unless the context other-  
6 wise requires, the following words shall have the following  
7 meanings: —

8 (1) "Improper means" includes theft, bribery, misrepresentation,  
9 breach or inducement of a breach of a duty to maintain secrecy, or  
10 espionage through electronic or other means;

11 (2) "Misappropriation" means:

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

15 (ii) disclosure or use of a trade secret of another without express  
16 or implied consent by a person who

17 (A) used improper means to acquire knowledge of the trade  
18 secret; of

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

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

23 (II) acquired under circumstances giving rise to a duty to main-  
24 tain its secrecy or limit its use; or

25 (III) derived from or through a person who owed a duty to the  
26 person seeking relief to maintain its secrecy or limit its use; or

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

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

34 (4) "Trade secret" means information, including a formula, pat-  
35 tern, compilation, program, device, method, technique, or process,  
36 that:

37 (i) derives independent economic value, actual or potential, from  
38 not being generally known to, and not being readily ascertainable by  
39 proper means by, other persons who can obtain economic value  
40 from its disclosure or use, and

41 (ii) is the subject of efforts that are reasonable under the circum-  
42 stances to maintain its secrecy.

43 Section 91. INJUNCTIVE RELIEF.

44 (a) Actual or threatened misappropriation may be enjoined. Any  
45 aggrieved person may file a petition in equity in the supreme  
46 judicial court or in the superior court for the county in which either  
47 the petitioner or the respondent resides or transacts business, or in  
48 Suffolk county, to obtain appropriate injunctive relief including  
49 orders or decrees restraining and enjoining the respondent from  
50 taking, receiving, concealing, assigning, transferring, leasing, pledg-  
51 ing, copying or otherwise using or disposing of a trade secret,  
52 regardless of value.

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

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

62 (d) In an action by an employer against a former employee under  
63 the provisions of this section for the conversion of a trade secret and  
64 where such conversion is in violation of the terms of a written  
65 employment agreement between said employer and employee, said  
66 employer shall, upon petition, be granted a preliminary injunction  
67 if it is shown that said employee is working in a directly competitive  
68 capacity with his former employer in violation of the terms of such  
69 agreement and that in violation of the terms of such agreement said  
70 employee has used such trade secret in such competition.

71 Section 92. DAMAGES.

72 (a) Except to the extent that a material and prejudicial change of  
73 position prior to acquiring knowledge or reason to know of misap-  
74 propriation renders a monetary recovery inequitable, a complain-  
75 ant is entitled to recover damages for misappropriation. Damages  
76 can include both the actual loss caused by misappropriation and the  
77 unjust enrichment caused by misappropriation that is not taken  
78 into account in computing actual loss. In lieu of damages measured  
79 by any other methods, the damages caused by misappropriation  
80 may be measured by imposition of liability for a reasonable royalty  
81 for a misappropriator's unauthorized disclosure or use of a trade  
82 secret.

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

86 Section 93. ATTORNEY'S FEES.

87 If (i) a claim of misappropriation is made in bad faith, (ii) a  
88 motion to terminate an injunction is made or resisted in bad faith,  
89 or (iii) willful and malicious misappropriation exists, the court may  
90 award reasonable attorney's fees to the prevailing party.

91 Section 94. PRESERVATION OF SECRECY.

92 In an action under sections 90 to 98, inclusive, a court shall  
93 preserve the secrecy of an alleged trade secret by reasonable means,  
94 which may include granting protective orders in connection with  
95 discovery proceedings, holding in-camera hearings, sealing the rec-  
96 ords of the action, and ordering any person involved in the litiga-  
97 tion not to disclose an alleged trade secret without prior court  
98 approval.

99 Section 95. STATUTE OF LIMITATIONS.

100 An action for misappropriation must be brought within 3 years  
101 after the misappropriation is discovered or by the exercise of rea-  
102 sonable diligence should have been discovered. For the purposes  
103 of this section, a continuing misappropriation constitutes a single  
104 claim.

105 Section 96. EFFECT ON OTHER LAW.

106 (a) Except as provided in subsection (b), sections 90 to 98,  
107 inclusive, displace conflicting tort, restitutionary, and other law of  
108 this State providing civil remedies for misappropriation of a trade  
109 secret.

110 (b) Except as provided in subsection (d) of section 91, sections 90  
111 to 98, inclusive, do not affect:

112 (1) contractual remedies, whether or not based upon misappro-  
113 priation of a trade secret;

114 (2) other civil remedies that are not based upon misappropriation  
115 of a trade secret; or

116 (3) criminal remedies, whether or not based upon misappropria-  
117 tion of a trade secret.

118 Section 97. UNIFORMITY OF APPLICATION AND CON-  
119 STRUCTION.

120 Sections 90 to 98, inclusive, shall be applied and construed to  
121 effectuate its general purpose to make uniform the law with respect  
122 to the subject of said sections among states enacting it.

123 Section 98. SHORT TITLE.

124 Sections 90 to 98, inclusive, may be cited as the Uniform Trade  
125 Secrets Act.

1 SECTION 2. Paragraph (4) of Section 30 of chapter 266 of the  
2 General Laws is amended to read as follows:

3 Whoever steals, or with intent to defraud obtains by a false  
4 pretense, or whoever unlawfully, and with intent to steal or embez-  
5 zle, converts, secretes, unlawfully takes, carries away, conceals or  
6 copies with intent to convert any trade secret of another, regardless  
7 of value, whether such trade secret is or is not in his possession at  
8 the time of such conversion or secreting, shall be guilty of larceny,  
9 and shall be punished by imprisonment in the state prison for not  
10 more than five years, or by a fine of not more than twenty-five  
11 thousand dollars and imprisonment in jail for not more than two

12 years. The term “trade secret” as used in this paragraph has the  
13 same meaning as set forth in paragraph four of section ninety of  
14 chapter ninety-three.

1 SECTION 3. If any provision of this Act or its application to  
2 any person or circumstances is held invalid, the invalidity does not  
3 affect other provisions or applications of the Act which can be given  
4 effect without the invalid provision of application, and to this end  
5 the provisions of this Act are severable.

1 SECTION 4. Sections forty-two and forty-two A of Chapter  
2 ninety-three of the General Laws are hereby repealed.

1 SECTION 5. This Act takes effect on June 30, 1988, and does  
2 not apply to misappropriation occurring prior to the effective date.  
3 With respect to a continuing misappropriation that began prior to  
4 the effective date, the Act also does not apply to the continuing  
5 misappropriation that occurs after the effective date. A misappro-  
6 priation or disclosure occurring prior to the effective date, whether  
7 or not continuing thereafter, is governed by prior law (including  
8 Section 42 and 42A) to the extent that the terms and principles of  
9 prior law are applicable.





