

No. 2004-14

## AN ACT

SB 152

Amending Titles 12 (Commerce and Trade) and 18 (Crimes and Offenses) of the Pennsylvania Consolidated Statutes, adding provisions relating to trade secrets; and further providing for the offense of theft of trade secrets.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Title 12 of the Pennsylvania Consolidated Statutes is amended by adding a chapter to read:

CHAPTER 53  
TRADE SECRETS

Sec.

5301. Short title of chapter.

5302. Definitions.

5303. Injunctive relief.

5304. Damages.

5305. Attorney fees.

5306. Preservation of secrecy.

5307. Statute of limitations.

5308. Effect on other law.

§ 5301. Short title of chapter.

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

§ 5302. Definitions.

The following words and phrases when used in this chapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

“Improper means.” Includes, but is not limited to, theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy or espionage through electronic or other means.

“Misappropriation.” Includes:

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

(2) disclosure or use of a trade secret of another without express or implied consent by a person who:

(i) used improper means to acquire knowledge of the trade secret;

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

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

(B) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

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

(iii) before a material change of his 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.

“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.

“Trade secret.” Information, including a formula, drawing, pattern, compilation including a customer list, program, device, method, technique or process that:

(1) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

(2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

“Willful and malicious.” Such intentional acts or gross neglect of duty as to evince a reckless indifference of the rights of others on the part of the wrongdoer, and an entire want of care so as to raise the presumption that the person at fault is conscious of the consequences of his carelessness.

§ 5303. Injunctive relief.

(a) Injunctions.—Actual or threatened misappropriation may be enjoined. 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 the misappropriation.

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

§ 5304. Damages.

(a) Monetary damages.—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. 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 imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

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

§ 5305. Attorney fees.

A court may award reasonable attorney fees, expenses and costs to the prevailing party:

(1) if a claim of misappropriation is made in bad faith;

(2) a motion to terminate an injunction is made or resisted in bad faith;

or

(3) willful and malicious misappropriation exists.

§ 5306. Preservation of secrecy.

In any action under this chapter, a court shall preserve the secrecy of an alleged trade secret by reasonable means which may include, but are not limited to, 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.

§ 5307. Statute of limitations.

An action under this chapter for misappropriation must be brought within three years after the misappropriation was discovered or by the exercise of reasonable diligence should have been discovered.

§ 5308. Effect on other law.

(a) General rule.—Except as provided in subsection (b), this chapter displaces conflicting tort, restitutionary and other law of this Commonwealth providing civil remedies for misappropriation of a trade secret.

(b) Exceptions.—This chapter does not affect:

(1) contractual remedies, whether or not based upon misappropriation of a trade secret;

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

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

Section 2. Section 3930 of Title 18 is amended to read:

§ 3930. Theft of trade secrets.

(a) Felony of the second degree.—A person is guilty of a felony of the second degree if he:

(1) by force or violence or by putting him in fear takes from the person of another any article representing a trade secret; [or]

(2) willfully and maliciously enters any building or other structure with intent to obtain unlawful possession of, or access to, an article representing a trade secret[.]; *or*

(3) *willfully and maliciously accesses any computer, computer network or computer system, whether in person or electronically, with the intent to obtain unlawful possession of, or access to, an article representing a trade secret.*

(b) Felony of the third degree.—A person is guilty of a felony of the third degree if he, with intent to wrongfully deprive of, or withhold from the owner, the control of a trade secret, or with intent to wrongfully appropriate a trade secret for his use, or for the use of another:

(1) unlawfully obtains possession of, or access to, an article representing a trade secret; *or*

(2) having lawfully obtained possession of an article representing a trade secret, or access thereto, converts such article to his own use or that of another person, while having possession thereof or access thereto makes, or causes to be made, a copy of such article, or exhibits such article to another.

(c) Further disposition irrelevant.—The crime or crimes defined in subsections (a) and (b) of this section shall be deemed complete without regard to the further disposition, return, or intent to return, of the article representing a trade secret.

(d) Defense.—It shall be a complete defense to any prosecution under subsection (b) of this section for the defendant to show that information comprising the trade secret was rightfully known or available to him from a source other than the owner of the trade secret.

(e) Definitions.—As used in this section the following words and phrases shall have the meanings given to them in this subsection:

“Article.” Any object, material, device or substance or copy thereof, including any writing, record, recording, drawing, description, sample, specimen, prototype, model, photograph, microorganism, blueprint or map.

“Computer.” *An electronic, magnetic, optical, hydraulic, organic or other high-speed data processing device or system which performs logic, arithmetic or memory functions and includes all input, output, processing, storage, software or communication facilities which are connected or related to the device in a system or network.*

“Computer network.” *The interconnection of two or more computers through the usage of satellite, microwave, line or other communication medium.*

“Computer system.” *A set of related, connected or unconnected computer equipment, devices and software.*

“Copy.” Any facsimile, replica, photograph or reproduction of, an article, or any note, drawing, sketch, or description made of, or from an article.

“Representing.” Describing, depicting, containing, constituting, reflecting or recording.

“Trade secret.” The whole or any portion or phase of any scientific or technical information, design, process, procedure, formula or improvement which is of value and has been specifically identified by the owner as of a confidential character, and which has not been published or otherwise become a matter of general public knowledge. There shall be a rebuttable presumption that scientific or technical information has not been published or otherwise become a matter of general public knowledge when the owner thereof takes measures to prevent it from becoming available to persons other than those selected by him to have access thereto for limited purposes.

***(f) Construction.—Nothing in this section shall be construed to interfere with or prohibit terms or conditions in a contract or license related to a computer, a computer network or computer software.***

Section 3. In applying and construing 12 Pa.C.S. Ch. 53, comments or reports of the type referred to in 1 Pa.C.S. § 1939 shall control in the event of a conflict between such comments or reports and the policy of uniformity provided under 1 Pa.C.S. § 1927.

Section 4. This act shall not apply to misappropriation occurring prior to the effective date of this act, including a continuing misappropriation that began prior to the effective date of this act and which continues to occur after the effective date of this act.

Section 5. This act shall take effect in 60 days.

APPROVED—The 19th day of February, A.D. 2004.

EDWARD G. RENDELL