

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 152 Session of 2003

INTRODUCED BY DENT, CORMAN, GREENLEAF, ORIE, MOWERY, ROBBINS, RAFFERTY, M. WHITE, THOMPSON, COSTA, LAVALLE, KITCHEN, WOZNIAK, WAUGH AND EARLL, FEBRUARY 4, 2003

SENATOR THOMPSON, APPROPRIATIONS, RE-REPORTED AS AMENDED, MARCH 25, 2003

AN ACT

1 Amending ~~Title~~ TITLES 12 (Commerce and Trade) AND 18 (CRIMES AND <—
2 OFFENSES) of the Pennsylvania Consolidated Statutes, adding
3 provisions relating to trade secrets; AND FURTHER PROVIDING <—
4 FOR THE OFFENSE OF THEFT OF TRADE SECRETS.

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

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

CHAPTER 53

TRADE SECRETS

11 Sec.

12 5301. Short title of chapter.

13 5302. Definitions.

14 5303. Injunctive relief.

15 5304. Damages.

16 5305. Attorney fees.

17 5306. Preservation of secrecy.

18 5307. Statute of limitations.

1 5308. Effect on other law.

2 § 5301. Short title of chapter.

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

5 § 5302. Definitions.

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

9 "Improper means." Includes, but is not limited to, theft,
10 bribery, misrepresentation, breach or inducement of a breach of
11 a duty to maintain secrecy or espionage through electronic or
12 other means.

13 "Misappropriation." Includes:

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

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

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

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

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

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

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

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

4 "Person." A natural person, corporation, business trust,
5 estate, trust, partnership, association, joint venture,
6 government, governmental subdivision or agency or any other
7 legal or commercial entity.

8 "Trade secret." Information, including a formula, drawing,
9 pattern, compilation, program, device, method, technique or
10 process that:

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

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

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

22 § 5303. Injunctive relief.

23 (a) Injunctions.--Actual or threatened misappropriation may
24 be enjoined. Upon application to the court, an injunction shall
25 be terminated when the trade secret has ceased to exist, but the
26 injunction may be continued for an additional reasonable period
27 of time in order to eliminate commercial advantage that
28 otherwise would be derived from the misappropriation.

29 (b) Exceptional circumstances.--In exceptional
30 circumstances, an injunction may condition future use upon

1 payment of a reasonable royalty for no longer than the period of
2 time for which use could have been prohibited. Exceptional
3 circumstances include, but are not limited to, a material and
4 prejudicial change of position prior to acquiring knowledge or
5 reason to know of misappropriation that renders a prohibitive
6 injunction inequitable.

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

10 § 5304. Damages.

11 (a) Monetary damages.--Except to the extent that a material
12 and prejudicial change of position prior to acquiring knowledge
13 or reason to know of misappropriation renders a monetary
14 recovery inequitable, a complainant is entitled to recover
15 damages for misappropriation. Damages can include both the
16 actual loss caused by misappropriation and the unjust enrichment
17 caused by misappropriation that is not taken into account in
18 computing actual loss. In lieu of damages measured by any other
19 methods, the damages caused by misappropriation may be measured
20 by imposition of liability for a reasonable royalty for a
21 misappropriator's unauthorized disclosure or use of a trade
22 secret.

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

27 § 5305. Attorney fees.

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

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

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

3 (3) willful and malicious misappropriation exists.

4 § 5306. Preservation of secrecy.

5 In any action under this chapter, a court shall preserve the
6 secrecy of an alleged trade secret by reasonable means which may
7 include, but are not limited to, granting protective orders in
8 connection with discovery proceedings, holding in camera
9 hearings, sealing the records of the action and ordering any
10 person involved in the litigation not to disclose an alleged
11 trade secret without prior court approval.

12 § 5307. Statute of limitations.

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

17 § 5308. Effect on other law.

18 (a) General rule.--Except as provided in subsection (b),
19 this chapter displaces conflicting tort, restitutionary and
20 other law of this State providing civil remedies for
21 misappropriation of a trade secret.

22 (b) Exceptions.--This chapter does not affect:

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

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

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

29 SECTION 2. SECTION 3930 OF TITLE 18 IS AMENDED TO READ: <—

30 § 3930. THEFT OF TRADE SECRETS.

1 (A) FELONY OF THE SECOND DEGREE.--A PERSON IS GUILTY OF A
2 FELONY OF THE SECOND DEGREE IF HE:

3 (1) BY FORCE OR VIOLENCE OR BY PUTTING HIM IN FEAR TAKES
4 FROM THE PERSON OF ANOTHER ANY ARTICLE REPRESENTING A TRADE
5 SECRET; [OR]

6 (2) WILLFULLY AND MALICIOUSLY ENTERS ANY BUILDING OR
7 OTHER STRUCTURE WITH INTENT TO OBTAIN UNLAWFUL POSSESSION OF,
8 OR ACCESS TO, AN ARTICLE REPRESENTING A TRADE SECRET[.]; OR

9 (3) WILLFULLY AND MALICIOUSLY ACCESSES ANY COMPUTER,
10 COMPUTER NETWORK OR COMPUTER SYSTEM, WHETHER IN PERSON OR
11 ELECTRONICALLY, WITH THE INTENT TO OBTAIN UNLAWFUL POSSESSION
12 OF, OR ACCESS TO, AN ARTICLE REPRESENTING A TRADE SECRET.

13 (B) FELONY OF THE THIRD DEGREE.--A PERSON IS GUILTY OF A
14 FELONY OF THE THIRD DEGREE IF HE, WITH INTENT TO WRONGFULLY
15 DEPRIVE OF, OR WITHHOLD FROM THE OWNER, THE CONTROL OF A TRADE
16 SECRET, OR WITH INTENT TO WRONGFULLY APPROPRIATE A TRADE SECRET
17 FOR HIS USE, OR FOR THE USE OF ANOTHER:

18 (1) UNLAWFULLY OBTAINS POSSESSION OF, OR ACCESS TO, AN
19 ARTICLE REPRESENTING A TRADE SECRET; OR

20 (2) HAVING LAWFULLY OBTAINED POSSESSION OF AN ARTICLE
21 REPRESENTING A TRADE SECRET, OR ACCESS THERETO, CONVERTS SUCH
22 ARTICLE TO HIS OWN USE OR THAT OF ANOTHER PERSON, WHILE
23 HAVING POSSESSION THEREOF OR ACCESS THERETO MAKES, OR CAUSES
24 TO BE MADE, A COPY OF SUCH ARTICLE, OR EXHIBITS SUCH ARTICLE
25 TO ANOTHER.

26 (C) FURTHER DISPOSITION IRRELEVANT.--THE CRIME OR CRIMES
27 DEFINED IN SUBSECTIONS (A) AND (B) OF THIS SECTION SHALL BE
28 DEEMED COMPLETE WITHOUT REGARD TO THE FURTHER DISPOSITION,
29 RETURN, OR INTENT TO RETURN, OF THE ARTICLE REPRESENTING A TRADE
30 SECRET.

1 (D) DEFENSE.--IT SHALL BE A COMPLETE DEFENSE TO ANY
2 PROSECUTION UNDER SUBSECTION (B) OF THIS SECTION FOR THE
3 DEFENDANT TO SHOW THAT INFORMATION COMPRISING THE TRADE SECRET
4 WAS RIGHTFULLY KNOWN OR AVAILABLE TO HIM FROM A SOURCE OTHER
5 THAN THE OWNER OF THE TRADE SECRET.

6 (E) DEFINITIONS.--AS USED IN THIS SECTION THE FOLLOWING
7 WORDS AND PHRASES SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS
8 SUBSECTION:

9 "ARTICLE." ANY OBJECT, MATERIAL, DEVICE OR SUBSTANCE OR COPY
10 THEREOF, INCLUDING ANY WRITING, RECORD, RECORDING, DRAWING,
11 DESCRIPTION, SAMPLE, SPECIMEN, PROTOTYPE, MODEL, PHOTOGRAPH,
12 MICROORGANISM, BLUEPRINT OR MAP.

13 "COMPUTER." AN ELECTRONIC, MAGNETIC, OPTICAL, HYDRAULIC,
14 ORGANIC OR OTHER HIGH-SPEED DATA PROCESSING DEVICE OR SYSTEM
15 WHICH PERFORMS LOGIC, ARITHMETIC OR MEMORY FUNCTIONS AND
16 INCLUDES ALL INPUT, OUTPUT, PROCESSING, STORAGE, SOFTWARE OR
17 COMMUNICATION FACILITIES WHICH ARE CONNECTED OR RELATED TO THE
18 DEVICE IN A SYSTEM OR NETWORK.

19 "COMPUTER NETWORK." THE INTERCONNECTION OF TWO OR MORE
20 COMPUTERS THROUGH THE USAGE OF SATELLITE, MICROWAVE, LINE OR
21 OTHER COMMUNICATION MEDIUM.

22 "COMPUTER SYSTEM." A SET OF RELATED, CONNECTED OR
23 UNCONNECTED COMPUTER EQUIPMENT, DEVICES AND SOFTWARE.

24 "COPY." ANY FACSIMILE, REPLICA, PHOTOGRAPH OR REPRODUCTION
25 OF, AN ARTICLE, OR ANY NOTE, DRAWING, SKETCH, OR DESCRIPTION
26 MADE OF, OR FROM AN ARTICLE.

27 "REPRESENTING." DESCRIBING, DEPICTING, CONTAINING,
28 CONSTITUTING, REFLECTING OR RECORDING.

29 "TRADE SECRET." THE WHOLE OR ANY PORTION OR PHASE OF ANY
30 SCIENTIFIC OR TECHNICAL INFORMATION, DESIGN, PROCESS, PROCEDURE,

1 FORMULA OR IMPROVEMENT WHICH IS OF VALUE AND HAS BEEN
2 SPECIFICALLY IDENTIFIED BY THE OWNER AS OF A CONFIDENTIAL
3 CHARACTER, AND WHICH HAS NOT BEEN PUBLISHED OR OTHERWISE BECOME
4 A MATTER OF GENERAL PUBLIC KNOWLEDGE. THERE SHALL BE A
5 REBUTTABLE PRESUMPTION THAT SCIENTIFIC OR TECHNICAL INFORMATION
6 HAS NOT BEEN PUBLISHED OR OTHERWISE BECOME A MATTER OF GENERAL
7 PUBLIC KNOWLEDGE WHEN THE OWNER THEREOF TAKES MEASURES TO
8 PREVENT IT FROM BECOMING AVAILABLE TO PERSONS OTHER THAN THOSE
9 SELECTED BY HIM TO HAVE ACCESS THERETO FOR LIMITED PURPOSES.

10 (F) CONSTRUCTION.--NOTHING IN THIS SECTION SHALL BE
11 CONSTRUED TO INTERFERE WITH OR PROHIBIT TERMS OR CONDITIONS IN A
12 CONTRACT OR LICENSE RELATED TO A COMPUTER, A COMPUTER NETWORK OR
13 COMPUTER SOFTWARE.

14 Section 2 3. In applying and construing 12 Pa.C.S. Ch. 53, ←
15 comments or reports of the type referred to in 1 Pa.C.S. § 1939
16 shall control in the event of a conflict between such comments
17 or reports and the policy of uniformity provided under 1 Pa.C.S.
18 § 1927.

19 Section 3 4. This act shall not apply to misappropriation ←
20 occurring prior to the effective date of this act, including a
21 continuing misappropriation that began prior to the effective
22 date of this act and which continues to occur after the
23 effective date of this act.

24 Section 4 5. This act shall take effect in 60 days. ←