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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 152      Session of  
2003

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

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AS REPORTED FROM COMMITTEE ON JUDICIARY, HOUSE OF  
REPRESENTATIVES, AS AMENDED, DECEMBER 16, 2003

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AN ACT

1 Amending 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:

9 CHAPTER 53

10 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.

1 5307. Statute of limitations.

2 5308. Effect on other law.

3 § 5301. Short title of chapter.

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

6 § 5302. Definitions.

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

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

14 "Misappropriation." Includes:

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

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

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

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

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

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

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

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

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

9        "Trade secret." Information, including a formula, drawing,  
10       pattern, compilation INCLUDING A CUSTOMER LIST, program, device, <—  
11       method, technique or process that:

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

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

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

23        § 5303. Injunctive relief.

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

30            (b) Exceptional circumstances.--In exceptional

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

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

11 § 5304. Damages.

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

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

28 § 5305. Attorney fees.

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

- 1           (1) if a claim of misappropriation is made in bad faith;  
2           (2) a motion to terminate an injunction is made or  
3       resisted in bad faith; or  
4           (3) willful and malicious misappropriation exists.

5   § 5306. Preservation of secrecy.

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

13   § 5307. Statute of limitations.

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

18   § 5308. Effect on other law.

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

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

- 24           (1) contractual remedies, whether or not based upon  
25      misappropriation of a trade secret;  
26           (2) other civil remedies that are not based upon  
27      misappropriation of a trade secret; or  
28           (3) criminal remedies, whether or not based upon  
29      misappropriation of a trade secret.

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

1 § 3930. Theft of trade secrets.

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

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

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

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

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

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

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

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

1 secret.

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

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

10 "Article." Any object, material, device or substance or copy  
11 thereof, including any writing, record, recording, drawing,  
12 description, sample, specimen, prototype, model, photograph,  
13 microorganism, blueprint or map.

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

20 "Computer network." The interconnection of two or more  
21 computers through the usage of satellite, microwave, line or  
22 other communication medium.

23 "Computer system." A set of related, connected or  
24 unconnected computer equipment, devices and software.

25 "Copy." Any facsimile, replica, photograph or reproduction  
26 of, an article, or any note, drawing, sketch, or description  
27 made of, or from an article.

28 "Representing." Describing, depicting, containing,  
29 constituting, reflecting or recording.

30 "Trade secret." The whole or any portion or phase of any

1 scientific or technical information, design, process, procedure,  
2 formula or improvement which is of value and has been  
3 specifically identified by the owner as of a confidential  
4 character, and which has not been published or otherwise become  
5 a matter of general public knowledge. There shall be a  
6 rebuttable presumption that scientific or technical information  
7 has not been published or otherwise become a matter of general  
8 public knowledge when the owner thereof takes measures to  
9 prevent it from becoming available to persons other than those  
10 selected by him to have access thereto for limited purposes.

11 (f) Construction.--Nothing in this section shall be  
12 construed to interfere with or prohibit terms or conditions in a  
13 contract or license related to a computer, a computer network or  
14 computer software.

15 Section 3. In applying and construing 12 Pa.C.S. Ch. 53,  
16 comments or reports of the type referred to in 1 Pa.C.S. § 1939  
17 shall control in the event of a conflict between such comments  
18 or reports and the policy of uniformity provided under 1 Pa.C.S.  
19 § 1927.

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

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