STATE OF NEW YORK

4729

2023-2024 Regular Sessions

IN SENATE

February 14, 2023

Introduced by Sens. SANDERS, SEPULVEDA -- read twice and ordered printed, and when printed to be committed to the Committee on Judiciary

AN ACT to amend the general business law and the civil practice law and rules, in relation to the uniform trade secrets act

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The general business law is amended by adding a new article 17-B to read as follows:

ARTICLE 17-B

UNIFORM TRADE SECRETS ACT

Section 279-m. Short title.
279-n. Definitions.
279-o. Injunctive relief.
279-p. Damages.
279-q. Attorney's fees.
279-r. Preservation of secrecy.
279-s. Statute of limitations.
279-t. Effect on other law.
279-u. Uniformity of application and construction.
279-v. Severability.

§ 279-m. Short title. This article shall be known as the "uniform trade secrets act".

§ 279-n. Definitions. As used in this article, unless the context requires otherwise:

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

(b) "Misappropriation" means: (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) duplicating, sketching, drawing, photographing, downloading, uploading, concealing, altering,

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

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destroying, replicating, transmitting, delivering, sending, mailing, communicating, or conveying a trade secret without authorization; or (3) receiving, buying, or possessing a trade secret, knowing the same to have been stolen or appropriated, obtained, or converted without authorization; or (4) 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; or

(ii) at the time of disclosure or use, knew or had reason to know that his or her 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 or her 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;

(c) "Person" means a natural person, corporation, limited liability company, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity; and

(d) "Trade secret" means any form and type of financial, business, scientific, technical, economic, or engineering information, including a pattern, plan, compilation, program device, formula, design, prototype, method, technique, process, procedure, program, or code, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically or in writing, 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; and

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

§ 279-o. Injunctive relief. (a) Actual or threatened misappropriation may be temporarily, preliminarily, or permanently enjoined. Upon application to the court, an injunction shall be vacated 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) 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) In appropriate circumstances, the court may order affirmative acts to protect a trade secret.

§ 279-p. Damages. (a) 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) If willful or malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subdivision (a) of this section.

§ 279-q. Attorney's fees. If (a) a claim of misappropriation is made or continued in bad faith, (b) a motion to terminate an injunction is made or resisted or continued in bad faith, or (c) a willful or malicious misappropriation exists, the court may award reasonable attorney's fees to the prevailing party. For purposes of this section, a claim of misappropriation is made or continued in bad faith or a motion to terminate an injunction is made or resisted or continued in bad faith if it is undertaken or continued solely to harass or maliciously injure another or to delay or prolong the resolution of the litigation; or it is undertaken or continued without any reasonable basis in fact or law and could not be supported by a good faith argument for an extension, modification or reversal of existing law.

§ 279-r. Preservation of secrecy. In an action under this article, a court shall preserve the secrecy of an alleged trade secret by reasonable means, including but not limited to, granting protective orders in connection with discovery devices pursuant to the provisions of section thirty-one hundred three of the civil practice law and rules, 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.

§ 279-s. Statute of limitations. Notwithstanding any inconsistent provision of law, an action for misappropriation must be brought within three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim.

§ 279-t. Effect on other law. (a) Except as provided in subdivision (b) of this section, this article displaces conflicting tort, restitutionary, and other law of this state providing civil remedies for misappropriation of a trade secret.

(b) This article 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.

§ 279-u. Uniformity of application and construction. This article shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this article among states enacting it.

§ 279-v. Severability. If any provision of this article or its application to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of this article which can be given effect without the invalid provision or application, and to this end the provisions of this article are severable.

§ 2. Section 8303-a of the civil practice law and rules is amended by adding a new subdivision (d) to read as follows:

(d) The provisions of this section shall not apply to actions governed by article seventeen-B of the general business law.

§ 3. This act shall take effect on the one hundred eightieth day after it shall have become a law, except that the provisions of article 17-B of the general business law, as added by section one of this act, shall not apply to a misappropriation occurring prior to such effective date. With respect to a continuing misappropriation that began prior to such effective date, this act shall not apply to the continuing misappropriation that occurs after such effective date.