

CIVIL PRACTICE AND REMEDIES CODE
TITLE 6. MISCELLANEOUS PROVISIONS
CHAPTER 134A. TRADE SECRETS

Sec. 134A.001. SHORT TITLE. This chapter may be cited as the Texas Uniform Trade Secrets Act.

Added by Acts 2013, 83rd Leg., R.S., Ch. 10 (S.B. 953), Sec. 1, eff. September 1, 2013.

Sec. 134A.002. DEFINITIONS. In this chapter:

(1) "Claimant" means a party seeking to recover damages under this chapter, including a plaintiff, counterclaimant, cross-claimant, or third-party plaintiff. In an action in which a party seeks recovery of damages under this chapter on behalf of another person, "claimant" includes both that other person and the party seeking recovery of damages.

(2) "Clear and Convincing" means the measure or degree of proof that will produce in the mind of the trier of fact a firm belief or conviction as to the truth of the allegations sought to be established.¹

~~(3) "Improper means" includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, to limit use, or to prohibit discovery of a trade secret, or espionage through electronic or other means.²~~

~~(4) "Misappropriation" means:~~

~~(A) 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~~

~~(B) 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;~~

¹ This proposed revision incorporates the definition of "clear and convincing" from Tex. Civ. Prac. & Rem. Code § 41.001(2).

² The eliminated language aligns the definition of "improper means" with the Defend Trade Secrets Act (DTSA), 18 U.S.C. § 1839(6). Under the DTSA, the term "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 and does not include reverse engineering, independent derivation, or any other lawful means of acquisition. This definition, however, is the converse of the definition of "proper means" found in the Texas Uniform Trade Secret Act (TUTSA), Texas Civ. Prac. & Rem. Code § 134A.002(4).

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

(a) derived from or through a person who had ~~used~~~~utilized~~ improper means to acquire the trade secret~~it~~;

(b) acquired under circumstances giving rise to a duty to maintain ~~the~~~~its~~ secrecy of the trade secret or limit ~~the~~~~its~~ use of the trade secret; or

(c) derived from or through a person who owed a duty to the person seeking relief to maintain ~~the~~~~its~~ secrecy of the trade secret or limit ~~the~~~~its~~ use of the trade secret; or

(iii) before a material change of the position of the person's position, knew or had reason to know that the trade secret~~it~~ was a trade secret and that knowledge of the trade secret~~it~~ had been acquired by accident or mistake.³

(5) "Owner," with respect to a trade secret, means the person or entity in whom or in which rightful, legal, or equitable title to, or license in, the trade secret is reposed.⁴

(64) "Proper means" means discovery by independent development, reverse engineering unless prohibited, or any other means that is not improper.

(75) "Reverse engineering" means the process of studying, analyzing, or disassembling a product or device to discover its design, structure, construction, or source code provided that the product or device was acquired lawfully or from a person having the legal right to convey it.

(86) "Trade secret" means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, ~~a~~-formulas, designs, prototypes, methods, techniques, processes, procedures, programs, codes, financial data, or lists of actual or potential customers or suppliers, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if — ~~financial data, or list of actual or potential customers or suppliers, that:~~

(AB) if the owner of the trade secret has taken ~~is the subject of efforts that are~~ reasonable measures to keep the information secret; and ~~under the circumstances to maintain its secrecy.~~

(BA) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through~~by~~ proper means by,

³ The proposed definition of "misappropriation" aligns the definition of "misappropriation" with that found in the DTSA, 18 U.S.C. § 1839(5).

⁴ The proposed definition of "owner" incorporates the definition of "owner" from the DTSA, 18 U.S.C. § 1839(4). See also *LBDS Holding Co., LLC v. ISOL Tech. Inc.*, No. 6:11-CV-428, 2014 WL 892126 (E.D. Tex. Mar. 2, 2014) (holding that the Texas Uniform Trade Secrets Act does not require ownership and can include a licensee).

another ~~other~~ persons who can obtain economic value from ~~the~~its disclosure or use of the information.⁵; ~~and~~

(9) “Wilful and malicious misappropriation” means intentional misappropriation as well as a misappropriation resulting from the conscious disregard of the rights of the owner of the trade secret.⁶

Added by Acts 2013, 83rd Leg., R.S., Ch. 10 (S.B. 953), Sec. 1, eff. September 1, 2013.

Sec. 134A.003. INJUNCTIVE RELIEF. (a) Actual or threatened misappropriation may be enjoined provided the order does not:

(1) prevent a person from entering into an employment relationship, and that conditions placed on such employment shall be based on evidence of threatened misappropriation and not merely on the information the person knows; or.

(2) otherwise conflict with an applicable law prohibiting restraints on the practice of a lawful profession, trade, or business.⁷

(b) On 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.

(cb) 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 a material and prejudicial change of position before acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.

⁵ The proposed revision aligns the definition of “trade secrets” with that found in the DTSA, 18 U.S.C. § 1839(3). The proposed revision expands the list of illustrative examples of trade secrets and reorders the conditions under which information can meet the statutory definition of trade secret. The proposed revisions emphasize that the trade secret information can be tangible or intangible and may be stored, compiled, or memorialized physically, electronically, graphically, or photographically. These revisions do not constitute material changes to the definition of “trade secrets.”

⁶ *Learning Curve Toys, Inc. v. PlayWood Toys, Inc.*, 342 F.3d 714, 730 (7th Cir. 2003) (defining “wilful and malicious misappropriation” under the Illinois Uniform Trade Secrets Act); *Mangren Research and Development Corp. v. National Chemical Co., Inc.*, 87 F.3d 937, 946 (7th Cir.1996) (same); *see also* Tex. Civ. Prac. & Rem. Code § 134A.008 (“This chapter shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this chapter among the states enacting it.”).

⁷ This proposed provision incorporates additional language from the DTSA, 18 U.S.C. § 1836(b)(3)(A); *see also* *Sharma v. Vinmar Int’l, Ltd.*, 231 S.W.3d 405, 424 (Tex. App.—Houston [14th Dist.] 2007, pet. dismissed) (a former employee is not prohibited “from using the general knowledge, skill, and experience acquired during employment”).

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

Added by Acts 2013, 83rd Leg., R.S., Ch. 10 (S.B. 953), Sec. 1, eff. September 1, 2013.

Sec. 134A.004. EX PARTE SEIZURE.

(a) Based on an affidavit or verified petition satisfying the requirements of this section, the court may, upon ex parte application but only in extraordinary circumstances, issue an order providing for the seizure of property necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action.

(b) The court may not grant an application under subsection (a) unless the court finds that it clearly appears from specific facts that:

(1) an order issued pursuant to Texas Rule of Civil Procedure 680 or another form of equitable relief would be inadequate to achieve the purpose of this section because the party to which the order would be issued would evade, avoid, or otherwise not comply with such an order;

(2) an immediate and irreparable injury will occur if such seizure is not ordered;

(3) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application and substantially outweighs the harm to any third parties who may be harmed by such seizure;

(4) the applicant is likely to succeed in showing that:

(i) the information is a trade secret; and

(ii) the person against whom seizure would be ordered:

(AA) misappropriated the trade secret of the applicant by improper means; or

(BB) conspired to use improper means to misappropriate the trade secret of the applicant;

(5) the person against whom seizure would be ordered has actual possession of:

(i) the trade secret; and

(ii) any property to be seized;

(6) the application describes with reasonable particularity the matter to be seized and, to the extent reasonable under the circumstances, identifies the location where the matter is to be seized;

(7) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person; and

(8) the applicant has not publicized the requested seizure.

(c) If an order is issued under subsection (a), it shall:

(1) set forth findings of fact and conclusions of law required for the order;

(2) provide for the narrowest seizure of property necessary to achieve the purpose of this section and direct that the seizure be conducted in a manner that minimizes any interruption of the business operations of third parties and, to the extent possible, does not interrupt the legitimate business operations of the person accused of misappropriating the trade secret;

(3) (i) be accompanied by an order protecting the seized property from disclosure by prohibiting access by the applicant or the person against whom the order is directed, and prohibiting any copies, in whole or in part, of the seized property, to prevent undue damage to the party against whom the order has issued or others, until such parties have an opportunity to be heard in court; and

(ii) provide that if access is granted by the court to the applicant or the person against whom the order is directed, the access shall be consistent with subsection (e);

(4) provide guidance to the law enforcement officials executing the seizure that clearly delineates the scope of the authority of the officials, including—

(i) the hours during which the seizure may be executed; and

(ii) whether force may be used to access locked areas;

(5) set a date for a hearing described in subsection (g) at the earliest possible time, and not later than 7 days after the order has issued, unless the party against whom the order is directed and others harmed by the order consent to another date for the hearing, except that a party against whom the order has issued or any person harmed by the order may move the court at any time to dissolve or modify the order after giving notice to the applicant who obtained the order; and

(6) require the person obtaining the order to provide the security determined adequate by the court for the payment of the damages that any person may be entitled to recover as a result of a wrongful or excessive seizure or wrongful or excessive attempted seizure under this section.

(d) The court shall take appropriate action to protect the person against whom an order under this paragraph is directed from publicity, by or at the behest of the person obtaining the order, about such order and any seizure under such order.

~~(d)~~(e) (1) Any materials seized under this section shall be taken into the custody of the court. The court shall secure the seized material from physical and electronic access during the seizure and while in the custody of the court.

(2) If the seized material includes a storage medium, or if the seized material is stored on a storage medium, the court shall prohibit the medium from being connected to a network or the Internet without the consent of both parties, until the hearing required under subsection (c)(5) and described in subsection (g).

(3) The court shall take appropriate measures to protect the confidentiality of seized materials that are unrelated to the trade secret information ordered seized pursuant to this paragraph unless the person against whom the order is entered consents to disclosure of the material.

(4) The court may appoint a special master to locate and isolate all misappropriated trade secret information and to facilitate the return of unrelated property and data to the person from whom the property was seized. The special master appointed by the court shall agree to be bound by a non-disclosure agreement approved by the court.

(f) The court shall order that service of a copy of the order under this section, and the submissions of the applicant to obtain the order, shall be made by a law enforcement officer who, upon making service, shall carry out the seizure under the order. The court may not permit the applicant or any agent of the applicant to participate in the seizure. At the request of law enforcement officials, the court may allow a technical expert who is unaffiliated with the applicant and who is bound by a court-approved non-disclosure agreement to participate in the seizure if the court determines that the participation of the expert will aid the efficient execution of and minimize the burden of the seizure.

(g) (1) A court that issues a seizure order shall hold a hearing on the date set by the court under subsection (c)(5).

(2) At a hearing held under this subsection, the party who obtained the order under this section shall have the burden to prove the facts supporting the findings of fact and conclusions of law necessary to support the order. If the party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

(3) A party against whom the order has been issued or any person harmed by the order may move the court at any time to dissolve or modify the order after giving notice to the party who obtained the order.

(4) The court may make such orders modifying the time limits for discovery under the Texas Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of a hearing under this section.

(h) A person who suffers damage by reason of a wrongful or excessive seizure under this section has a right to recover under the applicant's bond under Texas Rule of Civil Procedure 684 or a cause of action for malicious prosecution against the applicant for the order under which such seizure was made. The security posted with the court under subparagraph (c)(6) shall not limit the recovery of third parties for damages.

(i) A party or a person who claims to have an interest in the subject matter seized may make a motion at any time, which may be heard ex parte, to encrypt any material seized or to be seized under this section that is stored on a storage medium. The motion shall include, when possible, the desired encryption method.⁸

Sec. 134A.005. DISCOVERY. In any action under this chapter, before commencing discovery relating to the trade secret, the party alleging the misappropriation shall identify the trade secret with reasonable particularity subject to any orders that may be appropriate under section 134A.008(a).⁹

Sec. 134A.006~~4~~. DAMAGES. (a) In addition to or in lieu of injunctive relief, a claimant 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 wilful and malicious misappropriation is proven by clear and convincing evidence, the fact finder may award exemplary damages in an amount not exceeding twice any award made under Subsection (a).

Added by Acts 2013, 83rd Leg., R.S., Ch. 10 (S.B. 953), Sec. 1, eff. September 1, 2013.

⁸ This proposed revision incorporate the ex parte seizure provision of the DTSA, 18 U.S.C. § 1836(b)(2).

⁹ This proposed revision incorporates California law requiring that a party's trade secret be described with "reasonable particularity" before commencing discovery. Cal. Civ. Proc. Code § 2019.210. This proposed revision (1) promotes well-investigated claims and dissuades the filing of meritless trade secret complaints, (2) prevents plaintiffs from using the discovery process as a means to obtain the defendant's trade secrets, (3) assists the court in framing the appropriate scope of discovery and in determining whether plaintiff's discovery requests fall within that scope, and (4) enables defendants to form complete and well-reasoned defenses, ensuring that they need not wait until the eve of trial to effectively defend against charges of trade secret misappropriation. This proposed revision is consistent with other states who have adopted similar discovery rules in trade secrets cases. See, e.g., *GT Crystal Sys., LLC v. Khattak*, 2012 N.H. Super. LEXIS 4, *4 (Sup. Ct. N.H. 2012) (collecting cases); see also *Porous Media Corp. v. Midland Brake, Inc.*, 187 F.R.D. 598, 600 (D. Minn. 1999) ("Ordering the listing of trade secrets at the outset of the litigation is a common requirement.")

Sec. 134A.007~~5~~. ATTORNEY'S FEES. The court may award reasonable attorney's fees to the prevailing party if:

- (1) 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) wilful and malicious misappropriation exists.

Added by Acts 2013, 83rd Leg., R.S., Ch. 10 (S.B. 953), Sec. 1, eff. September 1, 2013.

Sec. 134A.008~~6~~. PRESERVATION OF SECRECY. (a) In an action under this chapter, a court shall preserve the secrecy of an alleged trade secret by reasonable means. There is a presumption in favor of granting protective orders to preserve the secrecy of trade secrets. Protective orders may include provisions limiting access to confidential information to only the attorneys and their experts, 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.

(b) At any stage of the proceeding in an action under this chapter, the court may exercise its discretion to limit access to confidential information by parties and their representatives, provided the court conducts a balancing test considering:

- (1) the relative value of a party's alleged trade secrets;
- (2) the degree of competitive harm a party would suffer from the dissemination of its alleged trade secrets to the other party;
- (3) whether a party's representative acts as a competitive decision-maker;
- (4) the degree to which a party's defense would be impaired by limiting that party's access to confidential information;
- (5) whether a party or a party's representative possesses specialized expertise that would not be available to a party's outside experts; and
- (6) the stage of the proceedings.¹⁰

(c) The court may not authorize or direct the disclosure of any information the owner asserts to be a trade secret unless the court allows the owner the opportunity to file a submission under seal that describes the interest of the owner in keeping the information confidential. No submission under seal made under this subsection may be used for any purpose other than those set forth in this chapter or otherwise required by law. The provision of information relating to a trade secret to the court in connection with an action under this chapter shall not constitute a waiver of trade secret protection, and the disclosure of information relating to a trade secret in

¹⁰ These proposed revisions codify the the Texas Supreme Court's holding in *In re M-I L.L.C.*, No. 14-1045,-- S.W.3d --, 2016 WL 2981342 (Tex. May 20, 2016)

connection with an action under this chapter shall not constitute a waiver of trade secret protection unless the trade secret owner expressly consents to such waiver.¹¹

Added by Acts 2013, 83rd Leg., R.S., Ch. 10 (S.B. 953), Sec. 1, eff. September 1, 2013.

Sec. 134A.0097. EFFECT ON OTHER LAW. (a) Except as provided by Subsection (b), this chapter displaces conflicting tort, restitutionary, and other law of this state providing civil remedies for misappropriation of a trade secret.

(b) 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.

(c) To the extent that this chapter conflicts with the Texas Rules of Civil Procedure, this chapter controls. Notwithstanding Section 22.004, Government Code, the supreme court may not amend or adopt rules in conflict with this chapter.

(d) This chapter does not affect the disclosure of public information by a governmental body under Chapter 552, Government Code.

Added by Acts 2013, 83rd Leg., R.S., Ch. 10 (S.B. 953), Sec. 1, eff. September 1, 2013.

Sec. 134A.00108. UNIFORMITY OF APPLICATION AND CONSTRUCTION. This chapter shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this chapter among states enacting it.

Added by Acts 2013, 83rd Leg., R.S., Ch. 10 (S.B. 953), Sec. 1, eff. September 1, 2013.

¹¹ This proposed revision incorporated the provision regarding the rights of the trade secrets owner found in the DTSA, 18 U.S.C. § 1835(b).