TRADE SECRETS
Course No. 347-001

1. Course Syllabus

2. The Virginia Uniform Trade Secrets Act


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FTP Site to Locate Cases Listed Below:  
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1. Trade Secrets v. Other Forms of Protection  
   January 8, 2015

   Introduction to Course

2. Subject Matter of Trade Secrets & Competitive Advantage  
   January 15, 2015

   *Web Communications Group v. Gateway 2000, Inc.*, 889 F. Supp. 316,  
   *Tao of Systems Integration Inc. v. Analytical Services*, 299 F. Supp. 2d  
      565, pp. 568-570; 574-576 (E.D. Va. 2004); 2004 U.S. Dist. Lexion 313
   *Microstrategy Inc. v. Business Objects S.A.*, 331 F. Supp. 2d 396  
      (ED Va 2004) (pp. 421-426); 2004 U.S. Dist. Lexion 18228
   *McKay Consulting v. Rockingham Memorial Hospital*,  
      665 F. Supp. 2d 626 (W.D. Va 2009) (pp. 633-635); 2009 U.S. Dist. Lexion 98888
   *Collelo v. Graphic Services, Inc.*  283 Va 56, 727 S.E.2d 55 (2012) (Section II-2)
3. **Secrecy - Techniques for Protection & Secrecy (Publication)**  
   **January 22, 2015**


   *Rhone-Poulenc Agro SA v. DeKalb Genetics Corp.*, 272 F.3d 1335, 2001 U.S. App. Lexis 24812, 60 USPQ2d 1769 (Fed. Cir. 2001) (Section III only)

4. **Wrongful use - Special Relationship- (including submission of outside ideas and employee covenants)**  
   **January 29, 2015**


5. **Wrongful Use and Transferring Rights (Joint Development and Confidentiality Provisions)**  
   **February 5, 2015**


   *Chicago Lock Co. v. Fanberg*, 676 F.2d 400, 1982 U.S. App. Lexis 19484, 216 USPQ 289 (9th Cir. 1982) (All)


6. **Defenses/Trial Strategy & Remedies**  
**February 12, 2015**


7. **Lecture on U.S. Trade Secret Law and Trade Secret Protection in Foreign Countries/Course Review**  
**February 19, 2015**

Lecture - U.S. Trade Secret Law (18 USC ~ 1831-39)  
US Attorney  
Lecture Foreign Protection & Review

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**FINAL EXAM TENTATIVE DATE**  
Thursday, March 5, 2015; 6:00-7:50 p.m.

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**References**

A. Milgrim on Trade Secrets, by Roger M. Milgrim, Matthew Bender, New York, NY.


F. Restatement of Torts (1939) § 757.

As used in this chapter, which may be cited as the Uniform Trade Secrets Act, unless the context requires otherwise:

“Improper means” includes theft, bribery, misrepresentation, use of a computer or computer network without authority, breach of a duty or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.

“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. Disclosure or use of a trade secret of another without express or implied consent by a person who

a. Used improper means to acquire knowledge of the trade secret; or

b. At the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was

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

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

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

(4) Acquired by accident or mistake.

“Person” means 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” means information, including but not limited to, a formula, pattern, compilation, 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, and

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

§ 59.1-337. Injunctive relief

A. 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. 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, affirmative acts to protect a trade secret may be compelled by court order.

§ 59.1-338. Damages

A. Except where the user of a misappropriated trade secret has made a material and prejudicial change in his position prior to having either knowledge or reason to know of the misappropriation and the court determines that a monetary recovery would be 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. If a complainant is unable to prove a greater amount of damages by other methods of measurement, the damages caused by misappropriation can be measured exclusively by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

B. If willful and malicious misappropriation exists, the court may award punitive damages in an amount not exceeding twice any award made under subsection A of this section, or $350,000 whichever amount is less.

§ 59.1-338.1. Attorneys’ fees

If the court determines that (i) a claim of misappropriation is made in bad faith, or (ii) willful and malicious
misappropriation exists, the court may award reasonable attorneys' fees to the prevailing party.

§ 59.1-339. Preservation of secrecy

In an action under this chapter, a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include:

1. Granting protective orders in connection with discovery proceedings;

2. Holding in-camera hearings;

3. Sealing the records of the action; and

4. Ordering any person involved in the litigation not to disclose an alleged trade secret without prior court approval.

§ 59.1-340. Statute of limitations

An action for misappropriation shall 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.

§ 59.1-341. Effect on other law

A. Except as provided in subsection B of this section, this chapter displaces conflicting tort, restitutionary, and other law of this Commonwealth 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; or

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.

§ 59.1-342. Omitted
§ 59.1-343. Time of taking effect

This chapter shall become effective on July 1, 1986, and shall not apply to misappropriation occurring prior to the effective date. With respect to a continuing misappropriation that began prior to the effective date, the chapter also shall not apply to misappropriation that occurs after the effective date.

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$1831. Economic espionage

(a) In general.--Whoever, intending or knowing that the offense will benefit any foreign government, foreign instrumentality, or foreign agent, knowingly--

(1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains a trade secret;

(2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys a trade secret;

(3) receives, buys, or possesses a trade secret, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;

(4) attempts to commit any offense described in any of paragraphs (1) through (3); or

(5) conspires with one or more other persons to commit any offense described in any of paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy,

shall, except as provided in subsection (b), be fined not more than $5,000,000 or imprisoned not more than 15 years, or both.

(b) Organizations.--Any organization that commits any offense described in subsection (a) shall be fined not more than the greater of $10,000,000 or 3 times the value of the stolen trade secret to the organization, including expenses for research and design and other costs of reproducing the trade secret that the organization has thereby avoided.

§1832. Theft of trade secrets

(a) Whoever, with intent to convert a trade secret, that is related to a product or service used in or intended for use in interstate or foreign commerce, to the economic benefit of anyone other than the owner thereof, and intending or knowing that the offense will, injure any owner of that trade secret, knowingly--
(1) steals, or without authorization appropriates, takes, carries away, or conceals, or by fraud, artifice, or deception obtains such information;

(2) without authorization copies, duplicates, sketches, draws, photographs, downloads, uploads, alters, destroys, photocopies, replicates, transmits, delivers, sends, mails, communicates, or conveys such information;

(3) receives, buys, or possesses such information, knowing the same to have been stolen or appropriated, obtained, or converted without authorization;

(4) attempts to commit any offense described in paragraphs (1) through (3); or

(5) conspires with one or more other persons to commit any offense described in paragraphs (1) through (3), and one or more of such persons do any act to effect the object of the conspiracy,

shall, except as provided in subsection (b), be fined under this title or imprisoned not more than 10 years, or both.

(b) Any organization that commits any offense described in subsection (a) shall be fined not more than $5,000,000.

§ 1833. Exceptions to prohibitions

This chapter does not prohibit--

(1) any otherwise lawful activity conducted by a governmental entity of the United States, a State, or a political subdivision of a State; or

(2) the reporting of a suspected violation of law to any governmental entity of the United States, a State, or a political subdivision of a State, if such entity has lawful authority with respect to that violation.

§ 1834. Criminal forfeiture

Forfeiture, destruction, and restitution relating to this chapter shall be subject to section 2323, to the extent provided in that section, in addition to any other similar remedies provided by law.

§ 1835. Orders to preserve confidentiality

In any prosecution or other proceeding under this chapter, the court shall enter such orders and take such other
action as may be necessary and appropriate to preserve the confidentiality of trade secrets, consistent with the
requirements of the Federal Rules of Criminal and Civil Procedure, the Federal Rules of Evidence, and all oth-
er applicable laws. An interlocutory appeal by the United States shall lie from a decision or order of a district
court authorizing or directing the disclosure of any trade secret.

§ 1836. Civil proceedings to enjoin violations
(a) The Attorney General may, in a civil action, obtain appropriate injunctive relief against any violation of
this chapter.

(b) The district courts of the United States shall have exclusive original jurisdiction of civil actions under this
section.

§ 1837. Applicability to conduct outside the United States
This chapter also applies to conduct occurring outside the United States if--

(1) the offender is a natural person who is a citizen or permanent resident alien of the United States, or an or-
ganization organized under the laws of the United States or a State or political subdivision thereof; or

(2) an act in furtherance of the offense was committed in the United States.

§ 1838. Construction with other laws
This chapter shall not be construed to preempt or displace any other remedies, whether civil or criminal,
provided by United States Federal, State, commonwealth, possession, or territory law for the misappropriation
of a trade secret, or to affect the otherwise lawful disclosure of information by any Government employee un-
der section 552 of title 5 (commonly known as the Freedom of Information Act).

§ 1839. Definitions
As used in this chapter--

(1) the term “foreign instrumentality” means any agency, bureau, ministry, component, institution, associ-
ation, or any legal, commercial, or business organization, corporation, firm, or entity that is substantially
owned, controlled, sponsored, commanded, managed, or dominated by a foreign government;

(2) the term “foreign agent” means any officer, employee, proxy, servant, delegate, or representative of a for-
eign government;

(3) the term "trade secret" means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if--

(A) the owner thereof has taken reasonable measures to keep such information secret; and

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

(4) the term "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.

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