

WEST VIRGINIA LEGISLATURE

2019 REGULAR SESSION

Committee Substitute

for

House Bill 2014

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HOUSEHOLDER, SHOTT, HOWELL, PACK, AND HOLLEN

[Introduced February 12, 2019; Referred
to the Committee on the Judiciary.]

1 A BILL to repeal §47-22-9 and §47-22-10 of the Code of West Virginia, 1931, as amended; and
2 to amend and reenact §47-22-1, §47-22-2, §47-22-3, §47-22-4, §47-22-6, §47-22-7, and
3 §47-22-8 of said code, all relating to the protection of intellectual property and trade
4 secrets; changing the “Uniform Trade Secrets Act” to the “West Virginia Intellectual
5 Property and Trade Secrets Act”; providing for definitions; setting forth criminal penalties
6 for certain acts associated with the misappropriation of intellectual property and trade
7 secrets; providing for injunctive and civil relief; allowing for punitive damages and
8 attorney’s fees in certain circumstances; and clarifying applicability of amendments.

Be it enacted by the Legislature of West Virginia:

**ARTICLE 22. ~~UNIFORM TRADE SECRETS ACT.~~ WEST VIRGINIA INTELLECTUAL
PROPERTY AND TRADE SECRETS ACT.**

§47-22-1. Definitions Short title.

1 As used in this article, unless the context requires otherwise:

2 (a) ~~“Improper means” includes theft, bribery, misrepresentation, breach or inducement of~~
3 ~~a breach of a duty to maintain secrecy or espionage through electronic or other means.~~

4 (b) ~~“Misappropriation” means:~~

5 (1) ~~Acquisition of a trade secret of another by a person who knows or has reason to know~~
6 ~~that the trade secret was acquired by improper means; or~~

7 (2) ~~Disclosure or use of another person’s trade secret without the other’s express or~~
8 ~~implied consent by a person who:~~

9 (A) ~~Used improper means to acquire knowledge of the trade secret; or~~

10 (B) ~~At the time of disclosure or use, knew or had reason to know that his or her knowledge~~
11 ~~of the trade secret was:~~

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

13 ~~(ii) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its~~
14 ~~use; or~~

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

17 ~~(C) Before a material change of his or her position, knew or had reason to know that the~~
18 ~~information was a trade secret and that knowledge of it had been acquired by accident or mistake.~~

19 ~~(c) "Person" means a natural person, corporation, business trust, estate, trust, partnership,~~
20 ~~association, joint venture, government, governmental subdivision or agency or any other legal or~~
21 ~~commercial entity.~~

22 ~~(d) "Trade secret" means information, including, but not limited to, a formula, pattern,~~
23 ~~compilation, program, device, method, technique or process, that:~~

24 ~~(1) Derives independent economic value, actual or potential, from not being generally~~
25 ~~known to, and not being readily ascertainable by proper means by, other persons who can obtain~~
26 ~~economic value from its disclosure or use; and~~

27 ~~(2) Is the subject of efforts that are reasonable under the circumstances to maintain its~~
28 ~~secrecy~~

29 This article may be cited as the "West Virginia Intellectual Property and Trade Secrets
30 Act."

§47-22-2. Injunctive relief Definitions.

1 ~~(a) Actual or threatened misappropriation may be enjoined. Upon application to the court,~~
2 ~~an injunction shall be terminated when the trade secret has ceased to exist, but the injunction~~
3 ~~may be continued for an additional reasonable period of time in order to eliminate commercial~~
4 ~~advantage that otherwise would be derived from the misappropriation.~~

5 ~~(b) In exceptional circumstances, an injunction may condition future use upon payment of~~
6 ~~a reasonable royalty for no longer than the period of time for which the use could have been~~
7 ~~prohibited. Exceptional circumstances include, but are not limited to, a material and prejudicial~~

~~8 change of position prior to acquiring knowledge or reason to know of a misappropriation that
9 renders a prohibitive injunction inequitable.~~

~~10 (c) In appropriate circumstances, affirmative acts to protect a trade secret may be
11 compelled by court order~~

12 As used in this article, unless the context requires otherwise:

13 (a) "Intellectual property" means information that:

14 (1) Is a trade secret in the sense that it is not, as a body or in the precise configuration
15 and assembly of its components, generally known among or readily accessible to persons within
16 circles that normally deal with the kind of information in question;

17 (2) Has commercial value because it is a trade secret; and

18 (3) Has been subject to reasonable steps under the circumstances, by the person lawfully
19 in control of the information, to keep it secret.

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

22 (c) "Misappropriation" means:

23 (1) Acquisition of intellectual property or trade secret of another by a person who knows
24 or has reason to know that the trade secret was acquired by improper means; or

25 (2) Disclosure or use of another person's intellectual property or trade secret without the
26 other's express or implied consent by a person who:

27 (A) Used improper means to acquire knowledge of the intellectual property or trade secret;
28 or

29 (B) At the time of disclosure or use, knew or had reason to know that his or her knowledge
30 of the intellectual property or trade secret was:

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

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

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

36 (C) Before a material change of his or her position, knew or had reason to know that the
37 information was intellectual property or a trade secret and that knowledge of it had been acquired
38 by accident or mistake.

39 (d) "Person" means a natural person, corporation, business trust, estate, trust, partnership,
40 association, joint venture, government, governmental subdivision or agency or any other legal or
41 commercial entity.

42 (e) "Trade secret" means information, including, but not limited to, a formula, pattern,
43 compilation, program, device, method, technique or process, that:

44 (1) Derives independent economic value, actual or potential, from not being generally
45 known to, and not being readily ascertainable by proper means by, other persons who can obtain
46 economic value from its disclosure or use; and

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

§47-22-3. Damages Unlawful acts.

1 ~~(a) Except to the extent that a material and prejudicial change of position prior to acquiring~~
2 ~~knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a~~
3 ~~complainant is entitled to recover damages for misappropriation. Damages may include both the~~
4 ~~actual loss caused by the misappropriation and the unjust enrichment caused by the~~
5 ~~misappropriation. In lieu of damages measured by any other methods, the damages caused by~~
6 ~~misappropriation may be measured by imposition of liability for a reasonable royalty for a~~
7 ~~misappropriator's unauthorized disclosure or use of a trade secret.~~

8 ~~(b) If willful and malicious misappropriation occurs, the court may award exemplary~~
9 ~~damages in an amount not exceeding twice any award made under subsection (a).~~

10 Pursuant to the terms of this article, the following acts shall be unlawful:

11 (a) Acquisition of intellectual property or trade secret of another by a person who knows
12 or has reason to know that the intellectual property or trade secret was acquired by improper
13 means;

14 (b) Disclosure or use of another person's intellectual property or trade secret without the
15 other's express or implied consent by a person who:

16 (1) Used improper means to acquire knowledge of the intellectual property or trade secret;

17 or

18 (2) At the time of disclosure or use, knew or had reason to know that his or her knowledge
19 of the intellectual property or trade secret was:

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

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

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

25 (c) Breach of a nondisclosure agreement or other employment agreement by an
26 employee, officer, or agent for the purposes of misappropriation of intellectual property or trade
27 secrets;

28 (d) Willful disregard for a person's intellectual property or trade secrets;

29 (e) Any knowing and willful attempt, either directly or indirectly, to access or cause to be
30 accessed a computer or computer network with the intent to obtain the intellectual property or
31 trade secrets of another; or

32 (f) Any knowing and willful attempt, either directly or indirectly, to disclose intellectual
33 property or trade secrets to any corporation, trust, association, partnership, or other entity
34 organized outside the laws of the United States.

35 In addition to the civil relief provided for in §47-22-4 of this code, any person violating any
36 provision of this section is guilty of a misdemeanor and, upon conviction thereof, shall be fined

37 not more than \$1,000, or confined in jail for not more than one year, or both, for each violation of
38 this act: *Provided*, That any person violating the provisions of subsection (f) of this section shall
39 be guilty of a felony and, upon conviction thereof, shall be imprisoned in a state correctional facility
40 not less than one year, or fined not less than \$1,000, or both.

§47-22-4. Attorney's fees Injunctive and civil relief; damages; attorney's fees.

1 ~~If (a) a claim of misappropriation is made in bad faith, or (b) a motion to terminate an~~
2 ~~injunction is made or resisted in bad faith, or (c) willful and malicious misappropriation occurs, the~~
3 ~~court may award reasonable attorney's fees to the prevailing party.~~

4 In addition to the penalties set forth in §47-22-3 of this code, any person whose property
5 or person is injured by reason of actual or threatened misappropriation of the person's intellectual
6 property or trade secrets may sue therefor in circuit court and may be entitled to recover as follows
7 for each violation:

8 (a) *Injunctive relief.* —

9 (1) Actual or threatened misappropriation shall be enjoined to the extent necessary to
10 effectuate the immediate cessation of use of a person's intellectual property or trade secret;

11 (2) Affirmative acts may be compelled by court order to provide for the immediate
12 protection of a person's intellectual property or trade secret from further disclosure, including, but
13 not limited to, requirement that the person or persons accused of misappropriation remain in the
14 jurisdiction of the court for the remainder of the judicial process;

15 (3) Upon application to the court, an injunction shall be terminated when the intellectual
16 property or trade secret has ceased to exist, but the injunction may be continued for an additional
17 reasonable period of time in order to eliminate commercial advantage that otherwise would be
18 derived from the misappropriation; and

19 (4) In appropriate circumstances, a court may require posting of a bond to secure against
20 future potential damages associated with the misappropriation of the intellectual property or trade
21 secret.

22 (b) Civil relief. —

23 (1) Except to the extent that a material and prejudicial change of position prior to acquiring
24 knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a
25 complainant is also entitled to recover compensatory damages for the misappropriation of the
26 person's intellectual property or trade secrets, as well as for any breach of a nondisclosure
27 agreement or other employment agreement by an employee, officer, or agent of the complainant
28 for the purposes of misappropriation of intellectual property or trade secrets.

29 (2) Damages may include the actual loss caused by the misappropriation, as well as the
30 unjust enrichment caused by the misappropriation, and any intangible or future losses caused by
31 the misappropriation.

32 (3) In lieu of damages measured by any other methods, the damages caused by
33 misappropriation may be measured by imposition of liability for a reasonable royalty for a mis-
34 appropriator's unauthorized disclosure or use of the intellectual property or trade secret.

35 (4) If willful and malicious misappropriation occurs, a person may recover punitive
36 damages in accordance with §55-7-29 of this code.

37 (c) Attorney's Fees. —

38 (1) The court may award reasonable attorney's fees to a prevailing party if:

39 (A) A claim of misappropriation is made in bad faith;

40 (B) A motion to terminate an injunction is made or resisted in bad faith; or

41 (C) Willful and malicious misappropriation occurs.

§47-22-6. Statute of limitations.

1 An action for misappropriation must be brought within ~~three~~ five years after the
2 misappropriation is discovered or, by the exercise of reasonable diligence, should have been
3 discovered. For the purposes of this section, a continuing misappropriation constitutes a single
4 claim.

§47-22-7. Effect on other law.

1 (a) Except as provided in subsection (b), of this section, this article displaces conflicting
2 tort, restitutionary, and other law of this state providing civil remedies for misappropriation of
3 intellectual property or a trade secret.

4 (b) This article does not affect:

5 (1) Contractual remedies, whether or not based upon misappropriation of intellectual
6 property or a trade secret;

7 (2) Other civil remedies that are not based upon misappropriation of intellectual property
8 or a trade secret; or

9 (3) Criminal remedies, whether or not based upon misappropriation of intellectual property
10 or a trade secret.

~~§47-22-8. Uniformity of application and construction~~ Applicability.

1 ~~This article shall be applied and construed to effectuate its general purpose to make~~
2 ~~uniform the law with respect to the subject of this act among states enacting it~~

3 The amendments to this article enacted during the regular session of the Legislature,
4 2019, shall take effect on July 1, 2019, and do not apply to any misappropriations occurring prior
5 to the effective date or to misappropriations which began prior to the effective date and continue
6 past the effective date.

§47-22-9. Short title.

1 [Repealed.]

§47-22-10. Time of taking effect.

1 [Repealed.]

NOTE: The purpose of this bill is to create the West Virginia Intellectual Property and Trade Secrets Act. The bill provides criminal, injunctive and civil protections against the misappropriation of intellectual property and trade secrets.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.