

The Uniform Trade Secrets Act Makes Its Way to Texas

By Michelle Evans*

I. Introduction.....	25
II. Texas’s Version of the UTSA.....	26
III. What Constitutes a Trade Secret Under the TUTSA?.....	27
IV. Misappropriation Under the TUTSA.....	30
A. Misappropriation, In General.....	30
B. Improper Means.....	32
C. Statute of Limitations.....	33
V. Remedies Under the TUTSA.....	34
A. Introduction.....	34
B. Injunctive Relief.....	34
C. Actual Damages.....	37
D. Exemplary Damages.....	38
E. Attorney’s Fees.....	40
VI. Preservation of Secrecy.....	40
VII. Effect on Other Laws.....	41
VIII. Conclusion.....	42

I. Introduction

On September 1, 2013, Texas’s modified version of the Uniform Trade Secrets Act (TUTSA) became effective.¹ This statute brings with it a new definition of trade secrets, misappropriation, and damages. However, the statute did not abrogate prior state law. Instead, the statute provides that the prior common law will still be applied to all acts of misappropriation that occurred before the new statute took effect as well as for all continuing acts.² As a result, attorneys and their business clients should be aware of both the old common law and the new TUTSA in order to

* The author is an Assistant Professor at Texas State University, and she has published articles in American Law Reports and in journals including Texas Tech Law Review and Southern Law Journal.

¹ TEX. CIV. PRAC. & REM. CODE ANN. §§ 134A.001–134A.008 (West 2013).

² Act of May 2, 2013, ch. 10, § 1, 2013 Tex. Sess. Law Serv. (West) (to be codified at Tex. Civ. Prac. & Rem. § 134A). This is consistent with the Uniform Trade Secrets Act. UNIF. TRADE SECRETS ACT § 11 (amended 1985), 14 U.L.A. 657 (2005).

protect trade secret interests in Texas.³ To make matters more difficult, the Texas legislature made several changes within the new TUTSA from that of the Uniform Trade Secrets Act (UTSA), which limits the predictability of the statute in some areas. Not only does the attorney need to be aware of two different laws, details of how the new law will be applied are not yet entirely known.

This article presents a guide to Texas trade secret law post-TUTSA for attorneys who represent business owners doing business in Texas.⁴ Specifically, this article looks at the new TUTSA in comparison to the old common law that was applied by both state and federal courts in Texas. In addition, differences between the TUTSA and the UTSA are discussed where appropriate.

II. Texas's Version of the UTSA

Texas was one of the last states to adopt a version of the UTSA. Prior to that time, Texas trade secret law followed a common law approach through the Restatement of Torts. Texas courts first recognized the Restatement of Torts's definitions of a trade secret and trade secret misappropriation in 1958 with the Texas Supreme Court's decision in *Hyde Corp. v. Huffines*.⁵ Unfortunately, *Hyde Corp.* did not provide much guidance for future interpretation of either definition. As a result, case law in this area developed slowly on a case-by-case basis. In 2003, however, trade secret case law took a dramatic turn with the Texas Supreme Court's decision in *In re Bass*.⁶ *In re Bass* was pivotal because it adopted the factors from comment b of the Restatement of Torts for determining trade secret status in Texas.⁷ Texas trade secret case law became much more predictable when these factors were used in analyses.

With the level of predictability established by using the *In re Bass* factors over the last ten years and considering that the uniform statute is nearly thirty years old, it is surprising that the Texas legislature decided now to adopt a version of the UTSA. Unfortunately, Texas trade secret law may be back to square one with the adoption of this statute. A period of unpredictability, like that with *Hyde Corp.*, is expected with the adoption of this new statute. However, this period of unpredictability is expected to be shorter since the TUTSA is based on a uniform statute. How much shorter is unknown at this point, but the TUTSA does clarify that the law "be applied and construed to effectuate its general purpose to make uniform the law

³ See TEX. CIV. PRAC. & REM. CODE ANN. § 16.010(a) (requiring a plaintiff to bring suit no "later than three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered").

⁴ This article is also expected to be useful to business-law instructors. For a case study illustrating a hypothetical company's efforts to protect its secrets according to the Uniform Trade Secrets Act that can be used equally well to introduce students to the new TUTSA, see generally Michelle Evans, *Trade Secrets in the Legal Studies Curriculum—A Case Study*, 29 J. LEGAL STUD. EDUC. 1 (2012).

⁵ 314 S.W.2d 763 (Tex. 1958).

⁶ 113 S.W.3d 735 (Tex. 2003).

⁷ *Id.* at 739.

with respect to the subject . . . among states enacting it.”⁸ This is consistent with the UTSA.⁹ Therefore, comments to the UTSA can act as a guide for interpretation. However, the TUTSA is not identical to the UTSA, so the comments provided by the UTSA will not be useful in all instances. Fortunately, many of the differences in the Texas statute are found in Texas common law, which provides some level of predictability even though the common law is only persuasive authority.¹⁰

In addition, Texas courts can also look to other states’ interpretations of their own UTSA.¹¹ A few states have similar variations in their UTSA to those of the TUTSA, potentially allowing these states to be persuasive authority while Texas courts make the transition.¹² However, it is important to note that the TUTSA, in its entirety, is unlike any other states’ UTSA. Therefore, until Texas courts start using this persuasive authority, there is no way to determine to which state law Texas courts will rely.

This persuasive authority from both Texas common law and other states’ interpretations of their own UTSA will be particularly useful in determining what constitutes a trade secret under the TUTSA. The next section looks at how trade secret status changed with this new statute.

III. What Constitutes a Trade Secret Under the TUTSA?

Under the TUTSA, a “trade secret” is defined as:

information, including a formula, pattern, compilation, program, device, method, technique, process, financial data, or list of actual or potential customers or suppliers, that: (A) 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 (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.¹³

⁸ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.008.

⁹ UNIF. TRADE SECRETS ACT § 8 (amended 1985), 14 U.L.A. 656 (2005).

¹⁰ The Texas Code Construction Act permits a Texas court to consider the common law during statutory construction regardless of whether the statute is considered ambiguous. TEX. GOV’T CODE ANN. § 311.023(4) (West 2012). For further discussion of statutory construction in Texas, see generally Ron Beal, *The Art of Statutory Construction: Texas Style*, 64 BAYLOR L. REV. 339 (2012).

¹¹ For a list of statutory citations for states that have adopted the Uniform Trade Secrets Act, see UNIF. TRADE SECRETS ACT Refs & Annos, 14 U.L.A. 529.

¹² For further discussion of some of these state specific Uniform Trade Secrets Acts, see generally Brandon B. Cate, *Saforo & Associates, Inc. v. Porocel Corp.: The Failure of the Uniform Trade Secrets Act to Clarify the Doubtful and Confused Status of Common Law Trade Secret Principles*, 53 ARK. L. REV. 687 (2000); Douglas F. Halijan, *The Past, Present, and Future of Trade Secrets Law in Tennessee: A Practitioner’s Guide Following the Enactment of the Uniform Trade Secrets Act*, 32 U. MEM. L. REV. 1 (2001); Robert W. Kiesnowski, Jr., *Trade Secrets, Duties of Confidentiality, and Misappropriation Claims Under the Colorado Uniform Trade Secrets Act*, 37 COLO. LAW. 81 (2008); C. Geoffrey Weirich & Daniel. P. Hart, *Protecting Trade Secrets and Confidential Information in Georgia*, 60 MERCER L. REV. 533 (2009).

¹³ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(6).

In contrast, Texas common law used the Restatement of Torts definition of a trade secret.¹⁴ Specifically, a “trade secret” was defined as:

any formula, pattern, device or compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. . . . A trade secret is a process or device for *continuous use* in the operation of the business. Generally it relates to the production of goods, as, for example, a machine or formula for the production of an article.¹⁵

While at first glance these two definitions appear significantly different, there is only one major distinction. The TUTSA definition removes the “continuous use” requirement, which effectively broadens the definition of a trade secret from common law. The comments to Section 1 of the UTSA confirm that the definition permits protection for “information that has commercial value from a negative viewpoint,” such as information that something does not work.¹⁶ This is an important extension to Texas trade secret law.

However, the TUTSA definition of a “trade secret” is not identical to the UTSA definition.¹⁷ Specifically, the TUTSA preamble regarding potentially protectable items includes “financial data” and a “list of actual or potential customers or suppliers.”¹⁸ The TUTSA does not define these terms. There is support, however, for both customer and supplier lists found in Texas common law.¹⁹ Despite this subtle change, the full list of potentially protectable items indicates that although the individual phrases are found in other state UTSA’s,²⁰ the Texas statute is still unlike any other state’s definition.²¹

¹⁴ See generally Michelle Evans, *What Constitutes a Trade Secret in Texas?*, 23 S. L. J. 99 (2013) (discussing what constituted a trade secret under Texas common law).

¹⁵ *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 776 (Tex. 1958) (emphasis added) (quoting RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939)).

¹⁶ UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 538.

¹⁷ Under the Uniform Trade Secrets Act, a trade secret is defined as “information, including a formula, pattern, compilation, program, device, method, technique, or process, that: (i) 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 (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” UNIF. TRADE SECRETS ACT § 1, 14 U.L.A. 538–39.

¹⁸ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(6).

¹⁹ See, e.g., *Hyde Corp.*, 314 S.W.2d at 776; *Tex. Integrated Conveyor Sys., Inc. v. Innovative Conveyor Concepts, Inc.*, 300 S.W.3d 348, 372 (Tex. App. 2009); *John Paul Mitchell Sys. v. Randalls Food Mkts., Inc.*, 17 S.W.3d 721, 738 (Tex. App. 2000).

²⁰ The phrase “financial data” is in the UTSA statutes for Colorado, Georgia, Illinois, Ohio, and Tennessee. Colorado, Connecticut, Georgia, Illinois, Ohio, Oregon, and Pennsylvania all have provisions that protect customer lists. Only Colorado, Georgia, Illinois, and Ohio have definitions that protect supplier lists. Michelle Evans, *Determining What Constitutes a Trade Secret Under the New Texas Uniform Trade Secrets Act (TUTSA)*, 46 TEX. TECH. L. REV. 469, 473–74 (2014).

²¹ The list of protectable items found in the TUTSA does appear similar to the Illinois UTSA. Compare 765 ILL. COMP. STAT. ANN. 1065/2 (West 1998) (“‘Trade secret’ means information, including but not limited to, technical or non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, or list of actual or potential customers

Aside from these modifications to the preamble, the requirements under parts A and B of the TUTSA definition follow the language used in the UTSA.²² Unfortunately, the language of both parts A and B is quite complex and will require court interpretation in each trade secret misappropriation case.²³ However, the UTSA comments can aid interpretation of these provisions.²⁴ In addition, the comment b factors from the Restatement of Torts adopted in *In re Bass* appear consistent with these provisions and may be helpful as a guide to determining trade secret status under parts A and B.²⁵

The TUTSA also adds provisions not found in the UTSA that can be useful in determining trade secret status. It defines “proper means” from part A as “discovery by independent development, reverse engineering unless prohibited, or any other means that is not improper.”²⁶ This definition is not in the UTSA definitions. Furthermore, no other state has adopted this definition. “Proper means” is defined in part in Section 1 of the UTSA comments to include both “discovery by independent invention” and by “reverse engineering.”²⁷ Texas common law supports this definition.²⁸

However, the TUTSA definition does not clarify what type of reverse engineering would be prohibited. The TUTSA does contain a definition for “reverse engineering” not found in the UTSA that may offer some guidance. Specifically,

or suppliers . . .”), *with* TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(6) (“‘Trade secret’ means information, including a formula, pattern, compilation, program, device, method, technique, process, financial data, or list of actual or potential customers or suppliers . . .”).

²² Compare TEX. CIV. PRAC. & REM. CODE ANN. 134A.002(6)(A)–(B) (“‘Trade secret’ means information . . . that: (A) derives independent economic value, actual or potential, from . . . other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”), *with* UNIF. TRADE SECRETS ACT § 1(4)(i) – (ii), 14 U.L.A. 538 (“‘Trade secret’ means information . . . that: (i) derives independent economic value, actual or potential, from . . . other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”).

²³ For further discussion of how parts A and B might be interpreted under the TUTSA, see generally Evans, *supra* note 20, at 474–86.

²⁴ See UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 538–39.

²⁵ The factors the court adopted are:

- (1) the extent to which the information is known outside of [the] business;
- (2) the extent to which it is known by employees and others involved in [the] business;
- (3) the extent of the measures taken . . . to guard the secrecy of the information;
- (4) the value of the information to [the business] and to [its] competitors;
- (5) the amount of effort or money expended . . . in developing the information;
- (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

In re Bass, 113 S.W.3d 735, 739 (Tex. 2003) (quoting RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939)).

²⁶ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(4).

²⁷ UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 538.

²⁸ See, e.g., *Phillips v. Frey*, 20 F.3d 623, 629 (5th Cir. 1994) (stating that trade secret law does not provide protection from discovery of the information by “independent invention, accidental disclosure, or ‘reverse engineering’”).

“reverse engineering” is defined under the TUTSA as “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.”²⁹ Presumably, if the reverse engineering does not fall within this definition, then it would be prohibited.

The last phrase, “any other means that is not improper,” found within the TUTSA definition for “proper means” should presumably include the remaining “proper means” indicated in the UTSA Section 1 comments.³⁰ This specifically includes discovery under license, observation of the item in public use or display, and through published literature.³¹ This is consistent with Texas common law.³²

Determining trade secret status is the crucial step to a trade secret misappropriation action. Given the differences between the TUTSA and the UTSA definitions and the number of phrases subject to interpretation, two questions remain as to how Texas courts will apply (1) the UTSA comments and (2) other state UTSA interpretations to the new trade secret definition. There are a number of similarities with Texas common law; however, this common law still considered the “continuous use” requirement, which was removed in the TUTSA. The next section reviews how the action for trade secret misappropriation has also changed under the new TUTSA.

IV. Misappropriation Under the TUTSA

A. Misappropriation, In General

According to the TUTSA, “misappropriation” is defined as:

(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; (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 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 the person’s position, knew

²⁹ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(5).

³⁰ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(4).

³¹ UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 538.

³² See, e.g., *Lawfinders Assocs., Inc. v. Legal Research Ctr., Inc.*, 65 F. Supp. 2d 414, 422 (N.D. Tex. 1999), *aff’d*, 193 F.3d 517 (5th Cir. 1999) (concluding the plaintiff’s fee financing program was not a trade secret because the plaintiff’s president published an article on asset-based financing that was substantially similar to the claimed trade secret, and plaintiff’s direct-response market strategy was not a trade secret because it was publicly disclosed by the plaintiff since 1994); *J.C. Kinley Co. v. Haynie Wire Line Serv., Inc.*, 705 S.W.2d 193, 198 (Tex. App. 1985) (affirming the grant of summary judgment to the defendant licensee where there was undisputed evidence showing a total lack of precautions taken by the plaintiff licensor to maintain the secrecy of its parts, and there was no contractual provision establishing a duty of confidentiality on the licensee).

or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.³³

This definition is consistent with that of the UTSA.³⁴ The comments to Section 1 of the UTSA do not provide much guidance on interpretation of these sections. However, they do provide an explanation that can be applied to TUTSA's Section 2(3)(B)(iii). According to the comments, the accident or mistake cannot have occurred from the claimant's failure to exercise reasonable efforts to protect the secrecy of its information necessary for trade secret status.³⁵

Overall, the TUTSA definition of "misappropriation" is consistent with Texas common law, which permitted a claim for misappropriation based on both use and disclosure of the trade secret.³⁶ Specifically, the common law provided that a person who disclosed or used another's trade secrets without a privilege to do so was liable to the other if (a) he discovered the secret by improper means, or (b) his disclosure or use constituted a breach of a confidential relationship.³⁷ This definition was later reworked into a four-part standard for determining trade secret misappropriation.³⁸ Under this standard, the business owner had to show the following: (1) the existence of a trade secret, (2) breach of a confidential relationship or improper discovery of the trade secret, (3) use or disclosure of the trade secret, and (4) damages.³⁹

Unfortunately, there is no definition of either "use" or "disclosure" in the TUTSA or the UTSA comments. However, both "use" and "disclosure" were defined in Texas common law. While the term "disclosure" was given a standard dictionary definition,⁴⁰ the term "use" was subject to a number of interpretations depending on whether a state or federal court in Texas was reviewing the case. In Texas courts, "use" was defined at common law as commercial use rather than just any type of use.⁴¹ Specifically, commercial use was the use by which a person

³³ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(3).

³⁴ UNIF. TRADE SECRETS ACT § 1(2), 14 U.L.A. 537.

³⁵ UNIF. TRADE SECRETS ACT § 1 cmt., 14 U.L.A. 538.

³⁶ See generally Michelle Evans, *Trade Secret Misappropriation in Texas*, 24 S. L.J. 67, 77 (2014) (discussing trade secret misappropriation under Texas common law).

³⁷ See *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 769 (Tex. 1958).

³⁸ The first reference to this four-factor standard was found in *Hurst v. Hughes Tool Co.*, 634 F.2d 895, 896 (5th Cir. 1981). The *Hyde Corp.* definition from the Restatement and the four-factor standard from *Hurst* were used interchangeably in common law trade secret misappropriation cases. However, the Texas Supreme Court never expressly adopted the four-factor test.

³⁹ See, e.g., *Bohnsack v. Varco, L.P.*, 668 F.3d 262, 279 (5th Cir. 2012); *Twister B.V. v. Newton Research Partners, LP*, 364 S.W.3d 428, 437 (Tex. App. 2012); *IAC, Ltd. v. Bell Helicopter Textron, Inc.*, 160 S.W.3d 191, 197 (Tex. App. 2005); *Trilogy Software, Inc. v. Callidus Software, Inc.*, 143 S.W.3d 452, 463 (Tex. App. 2004); *IBP, Inc. v. Klumpe*, 101 S.W.3d 461, 476 (Tex. App. 2001).

⁴⁰ Disclosure is the "act of disclosing," "revelation," or "the impartation of that which is secret or not fully understood." BLACK'S LAW DICTIONARY 464 (6th ed. 1990).

⁴¹ See, e.g., *Metallurgical Indus. Inc. v. Fourtek, Inc.*, 790 F.2d 1195, 1205 (5th Cir. 1986) (concluding that since the trade secret had not been put into commercial operation to produce a product that could be used, no commercial use had occurred).

seeks to profit.⁴² In contrast, the Fifth Circuit used the Restatement (Third) of Unfair Competition to expand the definition of “use” beyond commercial use to almost any use that harmed the business owner or benefitted the misappropriator.⁴³

B. Improper Means

Beyond the requirement of use or disclosure, the definition of misappropriation under the TUTSA also, in part, discusses the misappropriator’s use of improper means. On its face, this appears more restrictive than the common law requirement of “breach of a confidential relationship” or “discovery by improper means.”⁴⁴ However, both of these common law requirements are contained within the TUTSA definition of “improper means.”

According to the TUTSA, “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.”⁴⁵ The UTSA does not include “breach of a duty to limit use” or “breach of a duty to prohibit discovery” within its definition of “improper means.” However, other state UTSA’s incorporate similar provisions.⁴⁶

Breach of a confidential relationship as seen in common law is encompassed in the phrase “breach or inducement of a breach of a duty to maintain secrecy, to limit use, or to prohibit discovery of a trade secret.”⁴⁷ At common law, it was preferred that the trade secret owners use a confidentiality agreement when making disclosures to third parties.⁴⁸ However, this was not necessarily required in all cases. An

⁴² See, e.g., *Wellogix, Inc. v. Accenture, LLP*, 823 F. Supp. 2d 555, 566 (S.D. Tex. 2011), *aff’d sub nom.* *Wellogix, Inc. v. Accenture, LLP*, 716 F.3d 867 (5th Cir. 2013) (finding the defendant used the plaintiff’s trade secret information in its own software programs); *IBP, Inc.*, 101 S.W.3d at 476 (concluding there was insufficient evidence of commercial use).

⁴³ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 cmt. c (1995); *Bohnsack*, 668 F.3d at 279–80 (concluding that there was sufficient evidence for the jury to find use by the defendant where the defendant’s act of filing a patent application on the plaintiff’s trade secret information disclosed to the defendant in confidence was likely to result in injury to the plaintiff trade secret owner under the Restatement definition); *Gen. Universal Sys., Inc. v. HAL, Inc.*, 500 F.3d 444, 451 (5th Cir. 2007) (finding that the continued reliance on the plaintiff’s information to accelerate the development and marketing of the defendant’s product represented an exploitation of the information that was likely to result in injury to the plaintiff and enrichment to the defendants, but that the action for misappropriation was barred by the statute of limitations); *Terra Nova Scis., LLC v. JOA Oil and Gas Houston, LLC*, 738 F. Supp. 2d 689, 696 (S.D. Tex. 2010) (concluding the plaintiffs sufficiently alleged use of the trade secret because plaintiffs alleged the defendant incorporated the plaintiffs’ software algorithms into its own software from which it derived profits).

⁴⁴ See *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 769 (Tex. 1958).

⁴⁵ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(2) (West 2013).

⁴⁶ Georgia, Illinois, New Jersey, and Tennessee add this option concerning “breach of a duty to limit use” with New Jersey also providing for breach of a duty to limit disclosure. There do not appear to be any states that incorporate the option concerning “breach of a duty to prohibit discovery.” See GA. CODE ANN. § 10-1-761 (West 2013); 765 ILL. COMP. STAT. ANN. 1065/2(a) (West 2009); N.J. STAT. ANN. § 56:15-2 (West 2012); TENN. CODE ANN. § 47-25-1702 (West 2013).

⁴⁷ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(2).

⁴⁸ See, e.g., *J.C. Kinley Co. v. Haynie Wire Line Serv., Inc.*, 705 S.W.2d 193, 198 (Tex. App. 1985) (affirming the grant of summary judgment to the defendant licensee because there was no contrac-

exception existed during negotiations for the sale of a business or when the disclosure was necessary to further the business owner's economic interests.⁴⁹ In addition, with employees the duty of confidentiality could arise even without a written confidentiality agreement.⁵⁰

The remaining components of the TUTSA definition of "improper means" are contained within the UTSA and are more reflective of what was seen in common law for "improper discovery" of a trade secret. More specifically, these factors are similar to those indicated in the respective definitions for "improper means" found in both the Restatement of Torts⁵¹ as well as the Restatement (Third) of Unfair Competition⁵² used in common law.

C. Statute of Limitations

In addition to having proof of trade secret misappropriation as discussed above, the claim must be raised within the requisite statute of limitations. The statute of limitations for misappropriation of trade secret actions was not included in

tual provision establishing a duty of confidentiality on the licensee); *Hollomon v. O. Mustad & Sons (USA), Inc.*, 196 F. Supp. 2d 450, 459 (E.D. Tex. 2002) (granting a motion for summary judgment in favor of the defendant licensee where the court determined the plaintiff licensor showed the protected fish hooks to others for testing purposes without nondisclosure agreements); *Lawfinders Assoc., Inc. v. Legal Research Ctr., Inc.*, 65 F. Supp. 2d 414, 422 (N.D. Tex. 1998), *aff'd*, 193 F.3d 517 (5th Cir. 1999) (concluding the plaintiff's results-based guarantee was not a trade secret because the plaintiff included the information in retainer-letter agreements distributed to customers without a nondisclosure obligation or duty of confidentiality).

⁴⁹ See, e.g., *Phillips v. Frey*, 20 F.3d 623, 632 (5th Cir. 1994) (finding a confidential relationship where the defendant knew or should have known the information disclosed during sales negotiations was a trade secret and made in confidence); *Metallurgical Indus., Inc. v. Fourtek, Inc.*, 790 F.2d 1195, 1200–01 (5th Cir. 1986) (noting that even though the plaintiff's business failed to present evidence of a confidential relationship with former employees of the plaintiff's manufacturer, this failure did not defeat trade secret status where the plaintiff made limited disclosures of the information in order to profit and did not intend to reveal its secrets to the public).

⁵⁰ See, e.g., *T-N-T Motorsports, Inc. v. Hennessey Motorsports, Inc.*, 965 S.W.2d 18, 22 (Tex. App. 1998); *Auto Wax Co., Inc. v. Byrd*, 599 S.W.2d 110, 111 (Tex. Civ. App. 1980); *Collins v. Ryon's Saddle & Ranch Supplies, Inc.*, 576 S.W.2d 914, 915 (Tex. Civ. App. 1979).

⁵¹ See RESTATEMENT (FIRST) OF TORTS § 757 cmt. f (1939); *E.I duPont de Nemours & Co. v. Christopher*, 431 F.2d 1012, 1016 (5th Cir. 1970) (concluding that aerial photography of plant construction is an improper means of obtaining another's trade secret according to comment f in the Restatement).

⁵² See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 43 (1995); *Astoria Indus. of Iowa, Inc. v. SNF, Inc.*, 223 S.W.3d 616, 636–37 (Tex. App. 2007) (concluding there was sufficient evidence to raise a genuine issue of material fact concerning improper means where the defendant coaxed a third party to secure the plaintiff manufacturer's trade secret design drawings); *Wellogix, Inc. v. Accenture, LLP*, 788 F. Supp. 2d 523, 542 (S.D. Tex. 2011) (concluding there was sufficient evidence for the jury to determine that the defendant: (1) used improper means to obtain the plaintiff's trade secrets by accessing information from the plaintiff's shared site; (2) pushed a third party to represent that the defendant's product would provide a better solution than the plaintiff's product; and (3) possessed information created by the plaintiff for other projects); *Terra Nova Scis., LLC v. JOA Oil and Gas Houston, LLC*, 738 F. Supp. 2d 689, 696 (S.D. Tex. 2010) (finding improper means where the defendant committed fraud in obtaining the plaintiff's software algorithms by promising to invest in the plaintiff's software even though the defendant had no intention of entering into any arrangement with the plaintiff).

the TUTSA, but instead is still governed by the same Texas statute that controlled prior to adoption of the TUTSA. According to this statute, a claim for misappropriation of trade secrets must be brought no “later than three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered.”⁵³ Furthermore, “[a] misappropriation of trade secrets that continues over time is a single cause of action and the limitations period . . . begins running without regard to whether the misappropriation is a single or continuing act.”⁵⁴ This statute of limitations is consistent with the UTSA.⁵⁵ If a claimant makes a successful claim for misappropriation of trade secrets, the claimant will be entitled to remedies. The next section looks at the remedies available under the TUTSA.

V. Remedies Under the TUTSA

A. Introduction

Under the TUTSA, a claimant can bring an action for trade secret misappropriation. The TUTSA defines a “claimant” as:

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.⁵⁶

This definition is not in the UTSA nor is it found in any other state’s modified version of the UTSA. However, this definition is consistent with the existing Texas statutory definition of “claimant” associated with damages.⁵⁷

Several types of relief for misappropriation of trade secrets are available to the claimant under the TUTSA. These remedies include injunctive relief, actual damages, exemplary damages, and attorney’s fees.

B. Injunctive Relief

The TUTSA provides that,

[a]ctual or threatened misappropriation may be enjoined. 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.⁵⁸

⁵³ TEX. CIV. PRAC. & REM. CODE ANN. § 16.010(a) (West 2013); *see also* *Seatrac, Inc. v. Sonbeck Int’l, Inc.*, 200 F.3d 358, 365–66 (5th Cir. 2000) (concluding the statute of limitations had run because there were several events that took place after the former employee left the company in 1991 to start a new company that should have put the plaintiff on notice of the trade secret misappropriation long before the suit was filed in 1996).

⁵⁴ TEX. CIV. PRAC. & REM. CODE ANN. § 16.010(b).

⁵⁵ *See* UNIF. TRADE SECRETS ACT § 6, 14 U.L.A. 649.

⁵⁶ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002(1).

⁵⁷ “Claimant means a party, including a plaintiff, counterclaimant, cross-claimant, or third-party plaintiff, seeking recovery of damages. In a cause of action . . . ‘claimant’ includes both that other person and the party seeking recovery of damages.” *See* TEX. CIV. PRAC. & REM. CODE ANN. § 41.001(1).

⁵⁸ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.003(a).

This provision is consistent with the UTSA.⁵⁹ The UTSA comments for Section 2 suggest that this provision eliminates “perpetual injunctions” like those that existed at Texas common law,⁶⁰ but instead authorizes injunctions only for as long as they are necessary to prohibit commercial advantage.⁶¹ Furthermore, the comments suggest that an injunction can terminate if the information becomes generally known to competitors or is generally knowable.⁶² Texas common law is consistent with this limitation because courts denied trade secret status when information was generally known or readily available.⁶³

An important distinction between this section of the TUTSA and common law is the addition of injunctive relief for “threatened misappropriation” in those situations when proof of actual use or disclosure by the misappropriator is not available. Some Texas courts used a similar doctrine of “probable use” prior to the TUTSA, but this doctrine was not uniformly approved throughout the state.⁶⁴ This additional injunctive relief provided by the TUTSA is an important extension to Texas trade secret law.

The TUTSA further provides in a separate section that “[i]n 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 prohib-

⁵⁹ See UNIF. TRADE SECRETS ACT § 2(a), 14 U.L.A. 619.

⁶⁰ See, e.g., *Elcor Chem. Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204, 214 (Tex. Civ. App. 1973) (concluding that former employees and their new corporation were permanently enjoined from using or continuing to use the secret process the former employees developed for their former employer where the employees breached their confidence to the employer by developing a trade secret process in secret with full knowledge of its value and without disclosure to their employer and set up a company using the trade secret, all while still employed by their employer).

⁶¹ See UNIF. TRADE SECRETS ACT § 2 cmt., 14 U.L.A. 619–20.

⁶² *Id.* at 620.

⁶³ See, e.g., *In re Union Pac. R.R. Co.*, 294 S.W.3d 589, 592 (Tex. 2009) (finding trade secret status since there was evidence that the railroad’s information was not generally known or readily available to the defendant’s competitors, its customers, or other businesses); *In re Cooper Tire & Rubber Co.*, 313 S.W.3d 910, 916 (Tex. App. 2010) (concluding the plaintiff’s documents contained trade secrets because the information was not generally known or ascertainable by its competitors). *But see, e.g., Allan J. Richardson & Assoc., Inc. v. Andrews*, 718 S.W.2d 833, 837 (Tex. App. 1986) (concluding there was no trade secret status for plaintiff’s customer lists since the information was (1) readily ascertainable by asking potential customers with which company they had previously done business; (2) the names of potential clients of structured-settlement companies were readily available to the general public through directories; and (3) most structured-settlement companies used the same markets); *SCM Corp. v. Triplett Co.*, 399 S.W.2d 583, 586 (Tex. Civ. App. 1966) (finding no trade secret status because the information was a customer list that could readily be obtained from a Chamber of Commerce list and telephone directory); *Lamons Metal Gasket Co. v. Traylor*, 361 S.W.2d 211, 213 (Tex. Civ. App. 1962) (finding no trade secret status for ideas and functional operations where they were fully revealed to the public by conducted tours and demonstrations made without any effort to hide or screen the component parts, and the machines were generally known in the metal gasket industry).

⁶⁴ See Randy Burton et al., *The Sound of Inevitability: The Doctrine of Inevitable Disclosure of Trade Secrets Comes to Texas*, 44 TEX. J. BUS. L. 103 (2012) (discussing an inevitable disclosure-like doctrine used in Texas prior to the TUTSA).

ited.”⁶⁵ This provision is identical to the UTSA.⁶⁶ The UTSA comments to Section 2 clarify that this provision addresses those situations when future use of a secret by a misappropriator will harm a trade secret owner but an injunction would be inappropriate because the misappropriator acquired the trade secret in good faith.⁶⁷ In such situations, the “court has discretion to substitute an injunction conditioning future use upon payment of a reasonable royalty” for a standard injunction.⁶⁸ “Exceptional circumstances” are defined by this TUTSA provision to “include a material and prejudicial change of position before acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.”⁶⁹ This provision of the TUTSA incorporates insignificant changes from the UTSA, which should not affect the use of the UTSA for interpretation.⁷⁰ Unfortunately, Texas common law did not consider the issue of future use from good faith acquisition but addressed only bad faith acquisition.⁷¹

In the last section addressing injunctive relief, the TUTSA provides that “[i]n appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order.”⁷² This provision is identical to the UTSA.⁷³ The UTSA comments to Section 2 clarify that this provision authorizes mandatory injunctions to compel the misappropriator to return stolen secrets.⁷⁴ This remedy was also available at common law.⁷⁵

Overall, the injunction provisions of the TUTSA provide additional protection that was not available at common law. In addition to injunctive relief, the claimant will likely seek actual damages. The next section addresses actual damages under the TUTSA.

⁶⁵ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.003(b) (West 2013).

⁶⁶ See UNIF. TRADE SECRETS ACT § 2(b), 14 U.L.A. 619.

⁶⁷ UNIF. TRADE SECRETS ACT § 2 cmt., 14 U.L.A. 620–21.

⁶⁸ *Id.* at 621.

⁶⁹ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.003(b).

⁷⁰ The UTSA provides “[e]xceptional 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.” UNIF. TRADE SECRETS ACT § 2(b), 14 U.L.A. 619.

⁷¹ See, e.g., *T-N-T Motorsports, Inc. v. Hennessey Motorsports, Inc.*, 965 S.W.2d 18, 24 (Tex. App. 1998) (determining that former employees possessed former employer’s confidential information and were in a position to use it to directly compete with the former employer, and therefore possession of the information was an “inherent threat” to the disclosure or use of the trade secrets); *Rugen v. Interactive Bus. Sys., Inc.*, 864 S.W.2d 548, 552 (Tex. App. 1993) (concluding that the former employee possessed confidential information of the former employer, operated a firm in direct competition with her former employer, and was in a position to use the confidential information such that it was probable the former employee would ultimately use the information to the detriment of the former employer).

⁷² TEX. CIV. PRAC. & REM. CODE ANN. § 134A.003(c).

⁷³ See UNIF. TRADE SECRETS ACT § 2(c), 14 U.L.A. 619.

⁷⁴ UNIF. TRADE SECRETS ACT § 2 cmt., 14 U.L.A. 621.

⁷⁵ See, e.g., *IBP, Inc. v. Klumpe*, 101 S.W.3d 461, 467 (Tex. App. 2001).

C. Actual Damages

The TUTSA states:

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.⁷⁶

The actual damages recoverable under the TUTSA are nearly the same as those listed in the UTSA.⁷⁷

The actual damages permissible under the TUTSA are also very similar to what was permitted in common law. Under common law, actual damages for misappropriation of trade secrets were based on the actual value of the secrets appropriated.⁷⁸ Actual damages could be determined by lost business value if the business value was completely or almost completely destroyed.⁷⁹ If the business value was not completely destroyed, the business owner could seek the value a reasonably prudent investor would have paid for the trade secret.⁸⁰ In addition, lost profits could be used as a measure of damages for misappropriation of trade secrets. Lost profits were based on the loss of net income to a business and reflected income from lost business activity less expenses attributable to that activity.⁸¹

⁷⁶ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.004(a).

⁷⁷ There is one minor difference between the actual damages provisions of the TUTSA and the UTSA that is in the preamble to the first sentence. Specifically, the TUTSA provides that recovery is “in addition to or in lieu of injunctive relief.” *Id.* However, the UTSA provides that recovery is available “[e]xcept 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.” UNIF. TRADE SECRETS ACT § 3(a), 14 U.L.A. 633. Alaska, Arkansas, Connecticut, Georgia, Indiana, Louisiana, Tennessee, and Washington have adopted preambles similar to that of the TUTSA.

⁷⁸ See *Metallurgical Indus. Inc. v. Fourtek, Inc.*, 790 F.2d 1195, 1208 (5th Cir. 1986); R. Mark Halligan & Richard F. Weyand, *The Economic Valuation of Trade Secret Assets*, J. INTERNET L., Feb. 2006, at 19 (discussing property valuation methods).

⁷⁹ See, e.g., *Wellogix, Inc. v. Accenture, LLP*, 823 F. Supp. 2d 555, 570 (S.D. Tex. 2011), *aff'd sub nom.* *Wellogix, Inc. v. Accenture, LLP*, 716 F.3d 867 (5th Cir. 2013) (concluding there was sufficient evidence of business value both before and after destruction to determine compensatory damages).

⁸⁰ See *Bohnsack v. Varco, L.P.*, 668 F.3d 262, 280 (5th Cir. 2012) (concluding there was sufficient evidence to support the \$600,000 damages award for misappropriation of trade secrets where the defendant, a reasonably prudent investor, was willing to pay \$600,000 for the trade secret); *Precision Plating & Metal Finishing, Inc. v. Martin-Marietta Corp.*, 435 F.2d 1262, 1263–64 (5th Cir. 1970) (concluding there was sufficient evidence to support the trial court's decision that a reasonably prudent investor would have paid \$27,500 for the trade secret).

⁸¹ See *Kellmann v. Workstation Integrations, Inc.*, 332 S.W.3d 679, 684 (Tex. App. 2010) (finding the trade secret owner's expert failed to take expense into account in calculating lost profits, used gross sales figures from tax returns, and failed to provide an estimate regarding equipment sales).

Reasonable royalty also could be used to determine actual damages in common law.⁸² The reasonable royalty would be based on a fair licensing price that the parties would have agreed upon for the secrets.⁸³ Courts would consider:

the resulting and foreseeable changes in the parties' competitive posture; prices past purchasers or licensees may have paid; the total value of the secret to the plaintiff, including the plaintiff's development costs and the importance of the secret to the plaintiff's business; the nature and extent of the use the defendant intended for the secret; and whatever other unique factors in the particular case might have been affected by the parties' agreement, such as the ready availability of alternative processes.⁸⁴

In addition to actual damages, the claimant may also seek exemplary damages when the misappropriator has engaged in egregious behavior. Exemplary damages under the TUTSA are addressed in the next section.

D. Exemplary Damages

The TUTSA provides for an award of exemplary damages in certain circumstances. Specifically, "[i]f 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)" for actual damages.⁸⁵ Although the UTSA does permit the recovery of exemplary damages, there are some differences in the TUTSA provision.⁸⁶ First, the UTSA definition requires only that wilful and malicious misappropriation "exists," whereas the TUTSA definition requires that this be "proven by clear and convincing evidence." No other state adopts this standard within its own UTSA. However, this standard is consistent with Texas statutory law concerning exemplary damages that was used prior

⁸² See, e.g., *Molex, Inc. v. Nolen*, 759 F.2d 474, 479 (5th Cir. 1985) (finding a reasonable royalty for plaintiff trade secret owner as 7.5 % of defendant's \$1.5 million in total sales).

⁸³ See, e.g., *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1128 (5th Cir. 1991), *aff'd sub nom.* *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (concluding that because the evidence showed sales in the millions and significant profits, the jury's award of \$150,000 was not unreasonable); *Sikes v. McGraw-Edison Co.*, 665 F.2d 731, 737 (5th Cir. 1982) (concluding a hypothetical royalty of \$0.59 per unit was reasonable for the plaintiff developer against the defendant manufacturer for misappropriation of trade secrets after failed negotiations where the parties initially agreed that \$0.50 was "about right," and expert testimony showed a range of possible royalties between \$0.10 and over \$1.00); *Elcor Chem. Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204, 214 (Tex. Civ. App. 1973) (reversing the trial court's award of \$15,000 to the trade secret owner where there was insufficient evidence to support the reasonable royalty determined by the court and insufficient evidence to justify the request by the trade secret owner of at least \$500,000).

⁸⁴ *Calce v. Dorado Exploration, Inc.*, 309 S.W.3d 719, 738 (Tex. App. 2010) (concluding that evidence was insufficient to support the jury's finding of \$400,000 in damages based on a reasonable royalty for misappropriation of trade secrets where there was no evidence that the parties would have agreed to the amount as a fair licensing price nor any evidence to support a calculation for the amount).

⁸⁵ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.004(b) (West 2013).

⁸⁶ The UTSA provides that "[i]f wilful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subsection (a)." UNIF. TRADE SECRETS ACT § 3(b) (amended 1985), 14 U.L.A. 634 (2005).

to adoption of the TUTSA.⁸⁷ It is expected that this “clear and convincing evidence” standard will be applied in the same manner for determining exemplary damages under the TUTSA as it was under the prior statute.

Another difference between the TUTSA definition and that of the UTSA is that the TUTSA requires that the fact finder, rather than the court, award exemplary damages.⁸⁸ The comments to Section 3 of the UTSA indicate that the UTSA provision intended to leave discretion “to the judge even though there may be a jury.”⁸⁹ However, the TUTSA provision is more consistent with Texas common law, which allows the jury to make the decision.⁹⁰

The TUTSA exemplary damages provision does have one major difference from that of the common law—the reduction of the statutory cap to double the actual damages. While a statutory cap does exist in Texas for certain tort claims, this statutory cap does not apply to the misappropriation of trade secret claims in common law. Specifically, the amount of exemplary damages for tort related claims in Texas cannot exceed the greater of: (1) twice the economic damages plus noneconomic damages not to exceed \$750,000, or (2) \$200,000.⁹¹ However, this statutory cap does not apply to causes of action based on conduct that constitutes a third-degree felony or higher under Chapter 31 of the Texas Penal Code.⁹² This exception to the cap applies to misappropriation of trade secret actions in common law because theft of trade secrets, found in Section 31.05 of the Texas Penal Code, is a third degree felony.⁹³ Even with this exception however, an award of exemplary damages above the statutory cap has to survive constitutional scrutiny. Nevertheless, as long as the amount does not exceed four times the actual damages, constitutional scrutiny can typically be avoided.⁹⁴

The same grounds that support a claim for exemplary damages under the TUTSA can also be used to support a claim for attorney’s fees. Attorney’s fees under the TUTSA are addressed in the next section.

⁸⁷ Under this law, a claimant must prove by clear and convincing evidence that the misappropriator’s actions involve fraud, malice, or gross negligence. *See* TEX. CIV. PRAC. & REM. CODE ANN. § 41.003(a); *Rusty’s Weigh Scales and Serv., Inc. v. N. Tex. Scales, Inc.*, 314 S.W.3d 105, 112 (Tex. App. 2010).

⁸⁸ Colorado appears to be the only other state with a similar provision, although it permits either the judge or jury to award the damages. COLO. REV. STAT. ANN. § 7-74-104(2) (West 2013).

⁸⁹ *See* UNIF. TRADE SECRETS ACT § 3 cmt., 14 U.L.A. 635 (2005).

⁹⁰ *See Wellogix, Inc. v. Accenture, LLP*, 823 F. Supp. 2d 555, 570 (S.D. Tex. 2011), *aff’d sub nom. Wellogix, Inc. v. Accenture, LLP*, 716 F.3d 867 (5th Cir. 2013); *Rusty’s Weigh Scales and Serv., Inc.*, 314 S.W.3d at 113.

⁹¹ TEX. CIV. PRAC. & REM. CODE ANN. § 41.008(b).

⁹² TEX. CIV. PRAC. & REM. CODE ANN. § 41.008(c)(13).

⁹³ TEX. PENAL CODE ANN. § 31.05 (West 2013).

⁹⁴ *See e.g., State Farm Mut. Auto Ins. Co. v. Campbell*, 538 U.S. 408, 425 (2003) (declining to impose a bright-line ratio between punitive and compensatory damages, but noting that an “award of more than four times the amount of compensatory damages might be close to the line of constitutional impropriety”) (citing *Pac. Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 23–24 (1991)).

E. Attorney's Fees

The TUTSA provides that “[t]he 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.”⁹⁵ This same relief is available in the UTSA.⁹⁶ However, this remedy is significantly different from that permitted under common law. Historically, Texas common law did not provide for attorney’s fees in trade secret misappropriation cases. Instead, separate claims were brought that did permit the award of attorney’s fees. The most common cause was for breach of contract.⁹⁷

VI. Preservation of Secrecy

In addition to the provisions discussing recovery for trade secret misappropriation, the TUTSA also provides for preservation of secrecy during litigation. Specifically,

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.⁹⁸

There are some differences between the TUTSA and the UTSA. First, the TUTSA provides for a presumption in favor of granting protective orders to preserve trade secret status.⁹⁹ This presumption does not appear in any other state UTSA. However, it is consistent with Rule 507 of the Texas Rules of Evidence.¹⁰⁰

⁹⁵ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.005.

⁹⁶ See UNIF. TRADE SECRETS ACT § 4 (amended 1985), 14 U.L.A. 642 (2005).

⁹⁷ See Alan J. Tracey, *The Contract in the Trade Secret Ballroom—A Forgotten Dance Partner?*, 16 TEX. INTELL. PROP. L.J. 47, 78 (2007) (discussing that common law permitted the award of attorney’s fees in breach of contract cases where the involved contract specifically provided for the award).

⁹⁸ See TEX. CIV. PRAC. & REM. CODE ANN. § 134A.006.

⁹⁹ The UTSA provides that “[i]n an action under this [Act], a court shall preserve the secrecy of an alleged trade secret by reasonable means, which may include granting protective orders in connection with discovery proceedings, 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.” UNIF. TRADE SECRETS ACT § 5, 14 U.L.A. 647.

¹⁰⁰ Rule 507 provides that “[a] person has a privilege, which may be claimed by the person or the person’s agent or employee, to refuse to disclose and to prevent other persons from disclosing a trade secret owned by the person, if the allowance of the privilege will not tend to conceal fraud or otherwise work injustice. When disclosure is directed, the judge shall take such protective measure as the interests of the holder of the privilege and of the parties and the furtherance of justice may require.” TEX. R. EVID. 507. For further discussion of Texas protective order rules, see generally Timothy S. Durst & Cheryl L. Mann, *Behind Closed Doors: Closing the Courtroom in Trade Secrets Cases*, 8 TEX. INTELL. PROP. L.J. 355 (2000); Fran Ortiz, *Texas Supreme Court Sets Standard for Discovery of Trade Secrets Under Rule of Evidence 507*, 36 HOUS. LAW., Feb. 1999, at 44.

In addition, the TUTSA provision authorizes a protective order “limiting access to confidential information to the attorneys and their experts.”¹⁰¹ This greatly expands the scope of mere discovery proceedings, as provided by the UTSA.¹⁰² This expansion does not appear in any other state UTSA, but it is consistent with Texas protective order case law.¹⁰³

VII. Effect on Other Laws

In addition to the concerns of secrecy during litigation, the TUTSA also clarifies its effect on other laws. Specifically, the TUTSA provides that “[i]t displaces conflicting tort, restitutionary, and other law of this state providing civil remedies for misappropriation of a trade secret.”¹⁰⁴ However, the TUTSA “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.”¹⁰⁵ This language is consistent with the UTSA.¹⁰⁶

In light of this provision, a criminal charge can still be brought in Texas against a misappropriator for theft of trade secrets. Specifically, Texas Penal Code Section 31.05 provides that “[a] person commits an offense if, without the owner’s effective consent, he knowingly: (1) steals a trade secret; (2) makes a copy of an article representing a trade secret; or (3) communicates or transmits a trade secret.”¹⁰⁷ In Texas, theft of trade secrets is a third-degree felony.¹⁰⁸ Prior to adoption of the TUTSA, a claim under Texas Penal Code Section 31.05 could also be alleged as a civil claim for theft under the Texas Theft Liability Act.¹⁰⁹ However, the legislature removed this option with the enactment of the TUTSA.¹¹⁰

Contractual remedies are currently still in place despite the adoption of the TUTSA. Consequently, claims can still be brought for breach of confidentiality agreements¹¹¹ and noncompetition agreements¹¹² under Texas law, even if misappropriation of trade secrets is also alleged.

¹⁰¹ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.006.

¹⁰² See UNIF. TRADE SECRETS ACT § 5, 14 U.L.A. 647.

¹⁰³ See, e.g., *In re Honza*, 242 S.W.3d 578, 584 (Tex. App. 2008); *Shafer v. Bedard*, 761 S.W.2d 126, 128–29 (Tex. App. 1988).

¹⁰⁴ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.007(a).

¹⁰⁵ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.007(b).

¹⁰⁶ See UNIF. TRADE SECRETS ACT § 7(a)–(b), 14 U.L.A. 651.

¹⁰⁷ TEX. PENAL CODE ANN. § 31.05(b) (West 2013).

¹⁰⁸ See TEX. PENAL CODE ANN. § 31.05(c).

¹⁰⁹ See TEX. CIV. PRAC. & REM. CODE ANN. §§ 134.001–134.005.

¹¹⁰ See Act of May 2, 2013, ch. 10, § 1, 2013 Tex. Sess. Law Serv. (West) (to be codified at Tex. Civ. Prac. & Rem. § 134A).

¹¹¹ See Tim McInturf & Tim Rybacki, *Keeping Your Secrets Secret: An Employer’s Primer on Trade Secret Protection, Noncompetition Agreements, and Unfair Competition in Texas*, 44 TEX. J. BUS. L. 233, 264–65 (2012).

¹¹² See TEX. BUS. & COM. CODE ANN. §§ 15.50–15.52 (West 2013). For a detailed discussion of Texas covenants not to compete, see generally Matt Sheridan, *Who Dimmed the Light?: How March USA Inc. v. Cook Impacts Covenants Not To Compete in Texas*, 65 BAYLOR L. REV. 378, 395

VIII. Conclusion

In conclusion, Texas's new TUTSA provides many important changes to trade secret law in Texas. First, the removal of the continuous use requirement broadens the definition of a trade secret to include negative know-how. Second, the expansion of injunctive relief to "threatened misappropriation" alleviates the burden of showing actual use or disclosure of the trade secret by the misappropriator if proof is limited. Third, the reduction in the exemplary damages cap for egregious behavior from quadruple damages to double the amount of actual damages is a significant loss under the new statute. However, the possibility of recovering attorney's fees under the new statute makes up for the loss from the exemplary damages cap. Aside from these changes, trade secret law under the TUTSA appears consistent with Texas common law.

(2013); Alix Valenti, *Covenants Not to Compete: Texas Supreme Court Expands Employers' Ability to Enforce Executory Contracts*, 17 S. L.J. 99, 114 (2007); Charles M.R. Vethan, *The Development of the Texas Non-Compete: A Tortured History*, 45 TEX. J. BUS. L., at 169, 189 (2013).