

NEW JERSEY ADOPTS UNIFORM TRADE SECRETS ACT: IMPLICATIONS FOR YOUR INTELLECTUAL PROPERTY PORTFOLIO

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The landscape of intellectual property law in New Jersey has changed in a way that significantly affects any organization that relies on trade secrets as part of its strategy for protecting its competitive position. Governor Chris Christie has signed the New Jersey Trade Secrets Act (S-2456/A921) into law, making New Jersey the 47th state to have adopted the Uniform Trade Secrets Act (“UTSA”). (Massachusetts, New York, and Texas are the three states that have not enacted the UTSA.) Previously, litigants in New Jersey relied on the common law for trade secret protection. The Act is effective immediately, though it does not apply retroactively to misappropriations that occurred before the effective date, even if the violation continued after the law was enacted.

The New Jersey Trade Secrets Act defines a “trade secret” as:

information, held by one or more people, without regard to form, including a formula, pattern, business data, compilation, program, device, method, technique, design, diagram, drawing, invention, plan, procedure, prototype 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.

It is important to note that this definition eliminates the common-law requirement adopted by some New Jersey courts that the information be in continuous use to qualify as a trade secret.

The Act defines “misappropriation” as:

- (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 of the trade secret owner 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 the knowledge of the trade secret was derived or acquired through improper means; or
 - (c) before a material change of position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired through improper means.

Under the Act, a plaintiff may recover both actual damages and any unjust enrichment by the defendant resulting from misappropriation. Plaintiffs may also seek injunctive relief. Courts may choose to award plaintiffs a reasonable royalty on any future use of the trade secret in lieu of damages computed through other methods. The Act also provides for punitive damages of up to twice the amount awarded to the plaintiff when the misappropriation is willful and malicious. Parties can seek attorneys’ fees (including reasonable experts’ fees) when the misappropriation is willful and malicious, when a misappropriation claim is brought in bad faith, or when a motion to terminate an injunction is made or resisted in bad faith.

The Act contains certain additions that are not found in the UTSA. For example, the Act contains provisions seeking

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to guard against disclosure of trade secrets through the litigation process. Courts are required to use “reasonable means” to preserve the secrecy of an alleged trade secret during litigation, and the Act contains a presumption in favor of granting protective orders during discovery. The Act also encourages courts to limit disclosure of trade secrets to attorneys’ eyes only, conduct in camera hearings, and seal court records where appropriate.

It is important to note that the Act reduces the limitations period for bringing a misappropriation claim from six years under the previous regime to three years from discovery of the misappropriation, or three years from the time at which the plaintiff should have discovered the misappropriation with reasonable diligence. Companies that are monitoring their intellectual property portfolios for possible misappropriation should take this into consideration if they have reason to believe that their trade secrets have been misappropriated.

Companies should take steps to (1) ensure that policies are in place to prevent disclosure of trade secrets, (2) educate their employees regarding these policies, and (3) monitor the workplace for compliance. If you suspect misappropriation, contact an attorney immediately to prevent waiver of your company’s rights in its trade secrets. ◆

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