

A Practitioner's Guide to the Texas Uniform Trade Secrets Act

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I. OVERVIEW OF THE TEXAS UNIFORM TRADE SECRETS ACT

A. Introduction

On September 1, 2013, Texas adopted the Texas Uniform Trade Secrets Act (TUTSA).¹ Before the enactment of TUTSA, Texas had no central law governing trade secrets. The law of trade-secret misappropriation in Texas first began solely as a common law claim based largely on the Restatement of Torts.² Later, the Texas Legislature enacted the Texas Theft Liability Act (TTLA), which provided an additional civil remedy to victims of trade secret theft as defined in the Texas Penal Code.³ Consequently, before TUTSA's enactment, Texas law on trade secrets was cobbled together from Texas common law, the Restatement of Torts, the Restatement (Third) of Unfair Competition, the Texas Theft Liability Act, and the Texas Penal Code. Much of this law was outdated (the Restatement of Torts was drafted in 1939) and was simply not designed for the technological developments of the modern era.

In an effort to bring Texas law in line with the “overwhelming majority of the United States” and “provid[e] a simple legislative framework for litigating trade secret issues in Texas,” the Texas Legislature enacted a modified version of the Uniform Trade Secrets Act.⁴ TUTSA became effective on September 1, 2013, and expressly states that it displaces both common law misappropriation and TTLA claims.⁵

When the Texas Legislature enacted TUTSA, it made clear that “[t]he change in law made by [TUTSA] applies to the misappropriation of a trade secret made on or after the effective date of this Act.”⁶ On the other hand, “[a] misappropriation of a trade secret made before and a continuing misappropriation beginning before the effective date of this Act are governed by the law in effect immediately before the effective date of this Act, and that law is continued in effect for that purpose.”⁷

The Texas Legislature amended TUTSA in 2017 after the United States Congress passed the Defend Trade Secret Act (DTSA), an amendment to the Economic Espionage Act of 1996, 18 U.S.C. §§ 1831-36. The objectives of the amendments were to incorporate into TUTSA improvements to trade secret law made by DTSA, codify the Texas Supreme Court's holding on preserving trade secrets during legal proceedings and define certain terms left undefined when TUTSA was first enacted in 2013.⁸ TUTSA, as amended, is now the most modern and comprehensive law on trade secrets in the nation.

¹ Act of April 24, 2013, 83rd Leg., R.S., ch. 10, 2013 Tex. Gen. Laws. 12 (amended 2017) (current version at TEX. CIV. PRAC. & REM. CODE §§ 134A.001–008).

² See *Phillips v. Frey*, 20 F.3d 623, 627 (5th Cir.1994); see also *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 770 (Tex. 1958).

³ See *Beardmore v. Jacobsen*, 131 F. Supp. 3d 656, 659 (S.D. Tex. 2015).

⁴ Texas Bill Analysis, S.B. 953, 2013 at 1.

⁵ Act of April 24, 2013, 83rd Leg., R.S., ch. 10, 2013 Tex. Gen. Laws. 12 (amended 2017) (current version at TEX. CIV. PRAC. & REM. CODE §§ 134A.001–008); *In re Mandel*, 578 Fed. Appx. 376, 384 n.8 (5th Cir. 2014) (unpublished) (per curiam); *Educ. Mgmt. Servs., LLC v. Tracey*, 102 F. Supp. 3d 906, 915 (W.D. Tex. 2015).

⁶ Section 2 of Act of April 24, 2013, 83rd Leg., R.S., ch. 10 (S.B. 953).

⁷ *Id.*

⁸ Texas Bill Analysis, H.B. 1995, 2017 at 1.

TUTSA, as amended, defines “trade secret” as:

all forms and types of information, including business, scientific, technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, method, technique, process, procedure, financial data, or list of actual or potential customers or suppliers, whether tangible or intangible and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if:

(A) the owner of the trade secret has taken reasonable measures under the circumstances to keep the 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, another person who can obtain economic value from the disclosure or use of the information.⁹

B. Requirements for trade secret eligibility

To qualify as a trade secret under TUTSA, the information must meet two requirements: (1) the owner of the trade secret must take reasonable measures under the circumstances to keep the information secret; and (2) the information must derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information.¹⁰

1. Information must be subject to reasonable measures under the circumstances to keep the information secret.

The first prong of TUTSA’s trade-secret definition is the secrecy requirement. The owner must take reasonable measures under the circumstances to maintain the secrecy of the information.¹¹ Reasonable measures will vary based on the size of the business and the importance of the trade secret. What constitutes reasonable measures for a three-person startup will rarely be reasonable for a multi-national, publicly-traded corporation. Evidence of reasonable measures to maintain the secrecy of the information can include:

- Restricting access to the information to specific employees on a need-to-know basis;
- Labeling the information as confidential;

⁹ TEX. CIV. PRAC. & REM. CODE § 134A.002(6).

¹⁰ *Id.*

¹¹ *Id.* § 134A.002(6)(A).

- Requiring the employees, independent contractors, and customers to sign non-disclosure agreements before any confidential information is disclosed;
- Implementing company policies that require confidential information be kept confidential;
- Maintaining access controls over confidential information such as passwords, encryption, or printing and copying restrictions;
- Storing the information in a separate protected server or file cabinet;
- Tracking who accesses the information; and
- Conducting exit interviews with departing employees to ensure all copies of the information have been returned.¹²

2. Information must derive economic value from its secrecy

The second prong of TUTSA’s trade-secret definition is the economic value requirement. The information must derive some economic value due to the fact the information is not known and not readily ascertainable by others.¹³

Typically, the economic value of a trade secret is established through the testimony of an expert or corporate representative. The economic value of a trade secret, however, is not limited to intrinsic economic value (e.g., resources spent in the development of the trade secret or profits derived from the sale of the trade secret). TUTSA also protects “negative know-how,” i.e., “information that has commercial value from a negative viewpoint, for example the results of lengthy and expensive research which proves that a certain process will not work could be of great value to a competitor.”¹⁴

Of course, if the information is known or can be readily ascertained by proper means, the information will not qualify as a trade secret. Information that can be readily ascertained by proper means is information discovered by (1) independent development, (2) reverse engineering unless prohibited (such as by a license agreement), or (3) any other means that are not improper.¹⁵ Improper means of discovery include “theft, bribery, misrepresentation, breach or inducement of a breach of

¹² See generally *Wellogix, Inc. v. Accenture, L.L.P.*, 716 F.3d 867 (5th Cir. 2013); *Guy Carpenter & Co., Inc. v. Provenzale*, 334 F.3d 459 (5th Cir. 2003); *Metallurgical Indus. Inc. v. Fourtek, Inc.*, 790 F.2d 1195 (5th Cir. 1986); *In re Bass*, 113 S.W.3d 735 (Tex. 2003); *Baxter & Assocs., L.L.C. v. D & D Elevators, Inc.*, No. 05–16–00330–CV, 2017 WL 604043 (Tex. App.—Dallas 2017, no pet.); *T-N-T Motorsports, Inc. v. Hennessey Motorsports, Inc.*, 965 S.W.2d 18 (Tex. App.—Houston [1st Dist.] 1998, pet. dismissed); *J.C. Kinley Co. v. Haynie Wire Line Serv., Inc.*, 705 S.W.2d 193 (Tex. App.—Houston [1st Dist.] 1985, writ refused n.r.e.); *Miner, Ltd. v. Anguiano*, 383 F. Supp. 3d 682 (W.D. Tex. May 29, 2019); *360 Mortg. Grp., LLC v. Homebridge Fin. Servs., Inc.*, A-14-CA-00847-SS, 2016 WL 900577 (W.D. Tex. 2016); *HIS Company, Inc. v. Stover*, 202 F.Supp.3d 685 (S.D. Tex. 2016) *vacated as moot*, No. 4:15-CV-00842, 2016 WL 6134939 (S.D. Tex. 2016); *Cleveland, J., Mum’s the Word: Protecting Company Information Under the Texas Uniform Trade Secrets Act*, 79 TEX. B.J. 86 (Feb. 2016).

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

¹⁴ TUTSA § 1 cmt. *But see* *Anguiano*, 383 F. Supp. 3d at 704–05 (holding that “general know-how” is not a trade secret).

¹⁵ TEX. CIV. PRAC. & REM. CODE § 134A.002(4).

a duty to maintain secrecy, to limit use, or to prohibit discovery of a trade secret, or espionage through electronic or other means.”¹⁶

C. Elements of a trade-secret misappropriation claim

The elements of a TUTSA misappropriation claim are: (1) plaintiff was an owner of the trade secret; and (2) the trade secret was misappropriated.¹⁷

1. Owner of a trade secret

Under TUTSA, an “owner” is “the person or entity in whom or in which rightful, legal, or equitable title to, or the right to enforce rights in, the trade secret is reposed.”¹⁸ This definition clarifies that certain non-owners, like licensees, may have the right to file a claim under TUTSA.

2. Trade secret was misappropriated

TUTSA’s definition of misappropriation is complicated, and it is frequently misinterpreted by both courts and litigants.¹⁹

Under § 134A.002(3), there are six alternative paths to liability under TUTSA:

i. 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. § 134A.002 (3)(A).

Under path one, the mere acquisition of another’s trade secret is a basis for liability so long as that person has reason to know that the trade secret was acquired by improper means. For example, if an employer hired a new employee who stole trade-secret information from his former employer, the new employer could be liable for misappropriation if the new employer had reason to know that the information provided by the new employee was acquired by improper means. The employee could also be liable under this path for stealing the trade secret. However, if that employee obtained the information through proper means—such as disclosure pursuant to non-disclosure agreement—neither the new employer nor the new employee would be liable under this path, but both could be liable under another path.

ii. Disclosure or use of a trade secret of another without express or implied consent by a person who used improper means to acquire knowledge of the trade secret. § 134A.002 (3)(B)(i).

Under path two, any person who discloses or uses another’s trade secret, and who acquired that trade secret through improper means, could be liable for misappropriation. For example, an employee who steals a password to obtain access to his employer’s trade secret could be liable for misappropriation if that employee discloses or uses that trade secret. However, an employee who

¹⁶ *Id.* § 134A.002(2).

¹⁷ *Id.* § 134A.002.

¹⁸ *Id.* § 134A.002 (3-a).

¹⁹ *See, e.g.,* HIS Co. v. Stover, 202 F. Supp. 3d 685, 693 (S.D. Tex. 2016); Educ. Mgmt. Servs., LLC. v. Tracey, 102 F. Supp. 3d 906, 914-15 (W.D. Tex. 2015).

merely misuses or discloses trade secrets that were properly disclosed to him—such as through a confidentiality or non-disclosure agreement—would not be liable under this path.

- iii. Disclosure or use of a trade secret of another without express or implied consent by a person who, at the time of disclosure or use, knew or had reason to know that the person’s knowledge of the trade secret was derived from or through a person who used improper means to acquire it. § 134A.002 (3)(B)(ii)(a).**

Path three is similar to path two, but it imposes liability on defendants who are further removed from the improper means of acquisition. Under path three, the employer who discloses or uses the new employee’s information is liable if the employer knew or had reason to know that the new employee utilized improper means to obtain the trade secret.

- iv. Disclosure or use of a trade secret of another without express or implied consent by a person who, at the time of disclosure or use, knew or had reason to know that the person’s knowledge of the trade secret was acquired under circumstances giving rise to a duty to maintain the secrecy of or limit the use of the trade secret. § 134A.002 (3)(B)(ii)(b).**

Path four relates to persons who misuse or improperly disclose trade secrets that were acquired under proper means, such as through a non-disclosure agreement. The plaintiff must show that the defendant permissibly acquired the information within a relationship of confidence and later disclosed or used the information in violation of that confidence.²⁰ For example, if an employee received trade-secret information pursuant to a non-disclosure agreement and then disclosed that information to a competitor in violation of the non-disclosure agreement, the employee would be liable under path four.²¹

- v. Disclosure or use of a trade secret of another without express or implied consent by a person who, at the time of disclosure or use, knew or had reason to know that the person’s knowledge of the trade secret was derived from or through a person who owed a duty to the person seeking relief to maintain the secrecy of or limit the use of the trade secret. § 134A.002 (3)(B)(ii)(c).**

Path five imposes liability on a person who discloses or uses trade-secret information obtained from the person in path four. This path imposes liability on the employer who discloses or uses the trade secrets obtained through the new employee who owed a duty to maintain the secrecy or limit the use of the former employer’s trade secret.

- vi. Disclosure or use of a trade secret of another without express or implied consent by a person who, before a material change of the position of the person, knew or had reason to know that the trade secret was a trade secret and that knowledge of the trade secret had been acquired by accident or mistake. § 134A.002 (3)(B)(iii).**

Path six imposes liability on the person who obtained the trade secret through accident or mistake. For example, if the new employer did not know that its new employee had obtained the trade secret through improper means, or pursuant to a duty to maintain its confidentiality or limit its

²⁰ *Lifesize, Inc. v. Chimene*, No. 1:16-CV-1109, 2017 WL 1532609, at *9 (W.D. Tex. Apr. 26, 2017).

²¹ *HIS Co.*, 202 F. Supp. 3d at 695–96.

use, the new employer may still be liable if it later had reason to discover the trade secret and had not materially changed its position. There is currently no Texas case law as to what constitutes a material change in position. A material change in position might be a company's investment in the production of a product that unknowingly contained another's trade secret. In that situation, even if the company was later put on notice of the trade secret, the company may not be liable for future production if it can prove that it materially changed its position.

D. Availability of injunctive relief under TUTSA

TUTSA provides that “[a]ctual or threatened misappropriation may be enjoined if the order does not prohibit a person from using general knowledge, skill, and experience that person acquired during employment.”²² TUTSA is unique from other states’ enactments of the Uniform Trade Secrets Act because it expressly prohibits courts from issuing injunctions that “prohibit a person from using general knowledge, skill, and experience that person acquired during employment.”²³ This language was added as a legislative check to ensure that a trade-secret owner’s efforts to protect “intangible” trade secrets did not override the common-law rule that an employee cannot be enjoined “from using the general knowledge, skill, and experience acquired during employment.”²⁴

One issue that has arisen with TUTSA’s injunctive-relief provision is whether it overrides the equitable requirements that an applicant for injunctive relief must establish: (1) a cause of action against the defendant, (2) a probable right to relief sought, and (3) a probable, imminent, and irreparable injury in the interim.²⁵ Courts in other jurisdictions have generally interpreted this sentence to not overrule the equitable requirements for injunctive relief.²⁶ Courts applying TUTSA have similarly required that applicants establish the elements for injunctive relief.²⁷ Indeed, it is no great task to establish irreparable harm in a trade-secret case since courts generally presume irreparable harm if the court believes that a defendant possesses trade secrets and is in a position to use them.²⁸ However, there is an argument that TUTSA overrides the common-law requirement to prove irreparable harm.²⁹

²² TEX. CIV. PRAC. & REM. CODE § 134A.003(a).

²³ *Id.*

²⁴ *Sharma v. Vinmar Int’l, Ltd.*, 231 S.W.3d 405, 424 (Tex. App.—Houston [14th Dist.] 2007, pet. dism’d).

²⁵ *IAC, Ltd. v. Bell Helicopter Textron, Inc.*, 160 S.W.3d 191, 197 (Tex. App.—Fort Worth 2005, no pet.).

²⁶ *See, e.g., Allied Erecting & Dismantling Co. v. Genesis Equip. & Mfg., Inc.*, 2010 WL 3370286, at *3 (N.D. Ohio Aug. 26, 2010) (applying rules of equity when deciding to deny temporary injunction under the Uniform Trade Secrets Act); Richard F. Dole, Jr., *Permanent Injunctive Relief for Trade Secret Misappropriation Without an Express Limit Upon Its Duration: The Uniform Trade Secrets Act Reconsidered*, 17 B.U. J. SCI. & TECH. L. 173, 176–77 (2011) (“The first sentence of [the Uniform Trade Secrets Act’s injunctive relief subsection] is a bare bones authorization of discretionary equitable relief against actual and threatened misappropriation under general equitable principles which require that a complainant suffer irreparable harm if an injunction is not granted.”).

²⁷ *See generally, First Command Fin. Planning, Inc. v. Velez*, No. 4:16–CV–01008–O, 2017 WL 2999405 at *4 (N.D. Tex. May 8, 2017); *Midstate Env’tl. Servs., L.P. v. Atkinson*, No. 13–17–00190–CV, 2017 WL 6379796 at *2 (Tex. App.—Corpus Christi–Edinburg 2017, no pet.).

²⁸ *SPBS, Inc. v. Mobley*, No. 4:18–CV–00391, 2018 WL 4185522, at *14 (E.D. Tex. Aug. 31, 2018) (establishing irreparable harm “by Defendants’ misappropriation of trade secrets because Defendants can benefit from SPBS’s trade secrets without first investing the time, expense, and labor necessary to research and compile the Proprietary Information”).

²⁹ *See Butnaru v. Ford Motor Co.*, 84 S.W.3d 198, 210 (Tex. 2002) (“The general rule at equity is that before injunctive relief can be obtained, it must appear that there does not exist an adequate remedy at law. This limitation has no application where the right to relief is predicated on a statutory ground other than the principles of equity.”).

Another unresolved issue with the TUTSA’s injunctive-relief provision is the standard for establishing whether a trade secret exists. Under pre-TUTSA case law, a court considering injunctive relief did “not decide whether the information sought to be protected is a trade secret; rather it determine[d] whether the applicant ha[d] established that the information is entitled to trade secret protection until a trial on the merits.”³⁰ A handful of courts have carried over that standard into post-TUTSA case law.³¹ However, the common-law standard of establishing that the “information is entitled to trade secret protection until a trial on the merits” is just another way of saying that the applicant must show a “probability of success in proving that its confidential information deserved trade secret protection.”³² Thus, it is unclear how the common-law standard varies with TUTSA’s requirement for establishing the existence of a trade secret. If anything, these cases seem to imply that courts should look to principles of equity to establish injunctive relief under TUTSA.

The third unresolved issue with TUTSA’s injunctive-relief provision is the phrase “threatened misappropriation.” A handful of courts have interpreted the phrase “threatened misappropriation” to allow injunctive relief not just when a trade secret is disclosed but also when a trade secret will be inevitably disclosed.³³ Under the “inevitable disclosure” doctrine, a court can enjoin a former employee from using or disclosing the former employer’s trade secrets if the former employee performed duties that would necessarily cause that employee to use or disclose the former employer’s trade secrets.³⁴ One Texas appellate court has noted that “no Texas case [has] expressly adopt[ed] the inevitable disclosure doctrine, and it is unclear to what extent Texas courts might adopt it”³⁵ However, other Texas appellate courts have adopted or applied modified tests with similar attributes to the inevitable disclosure doctrine, holding that an employee could be enjoined from using a former employer’s confidential information “when it is *probable* that the former employee will use the confidential information for his benefit (or his new employer’s benefit) or to the detriment of his former employer.”³⁶ Neither TUTSA nor its case law have conclusively determined what “threatened misappropriation” means under the statute.³⁷

Regardless of the standard used, injunctive relief under TUTSA may either be prohibitive—such as barring the use of a trade secret or even barring certain employment—or affirmative—such as returning the trade secret or destroying copies of the trade secret.³⁸ A court in exceptional circumstances can even order an injunction that conditions future use of the trade secret upon payment of a reasonable royalty for no longer than the period of time for which use could have been

³⁰ Fox v. Tropical Warehouses, Inc., 121 S.W.3d 853, 858 (Tex. App.—Fort Worth 2003, no pet.).

³¹ See, e.g., *In re M-I L.L.C.*, 505 S.W.3d 569, 575 n.3 (Tex. 2016); Hughes v. Age Indus., Ltd., No. 04–16–00693–CV, 2017 WL 943423, at *4 (Tex. App.—San Antonio Mar. 8, 2017, no pet.).

³² T-N-T Motorsports, Inc. v. Hennessey Motorsports, Inc., 965 S.W.2d 18, 23 (Tex. App.—Houston [1st Dist.] 1998, pet. dismissed).

³³ See, e.g., McAfee, LLC v. Kinney, No. 4:19-CV-463, 2019 WL 4101199, at *6–*8 (E.D. Tex. Aug. 29, 2019); Bayer Corp. v. Roche Molecular Sys., 72 F. Supp. 2d 1111, 1117–20 (N.D. Cal. 1999).

³⁴ Cardinal Health Staffing Network v. Bowen, 106 S.W.3d 230, 241 n.12 (Tex. App.—Houston [1st Dist.] 2003, no pet.).

³⁵ *Id.* at 242.

³⁶ Conley v. DSC Commc’ns Corp., No. 05-98-01051-CV, 1999 WL 89955, at *4 (Tex. App.—Dallas Feb. 24, 1999, no pet.) (emphasis in original); *T-N-T Motorsports*, 965 S.W.2d at 24; Rugen v. Interactive Bus. Sys., Inc., 864 S.W.2d 548, 552 (Tex. App.—Dallas 1993, no writ); Williams v. Compressor Eng’g Corp., 704 S.W.2d 469, 470–72 (Tex. App.—Houston [14th Dist.] 1986, writ refused n.r.e.).

³⁷ See *St. Jude Med. S.C., Inc. v. Janssen–Counotte*, No. A-14-CA-00877-SS, 2015 WL 11438611, at *3 (W.D. Tex. Oct. 30, 2015) (applying the common-law test from *Conley* and *Cardinal Health*); see also Alex Harrell, *Is Anything Inevitable?*, 76 TEX. B.J. 757, 759 (2013).

³⁸ TEX. CIV. PRAC. & REM. CODE § 134A.003(c); *UTSA* § 2 cmt.

prohibited.³⁹ TUTSA defines exceptional circumstances as including “a material and prejudicial change of position before acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.”⁴⁰ For example, if the defendant under path six already produced the product incorporating the trade secret before learning of the misappropriation, it might be more appropriate for the court to order the defendant to pay a reasonable royalty rather than enjoin the sale of the product. Nevertheless, in *TMRJ Holdings, Inc. v. Inhance Techs., LLC*, the court held that final judgment both awarding plaintiff a \$4 million reasonable royalty and ordering a permanent injunction did not violate the one-satisfaction rule because the calculation of a reasonable royalty contemplated the future use of the misappropriated technology.⁴¹

An injunction granted under TUTSA will last only until the trade secret has ceased to exist or “for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.”⁴² For example, if good-faith competitors have caught up with the misappropriator by the time the case is decided, the injunction should be dissolved.⁴³

E. Recovery of damages under TUTSA

Damages recoverable under TUTSA can include the actual loss caused by the misappropriation.⁴⁴ Prior to TUTSA’s enactment, courts would often measure a trade-secret owner’s actual damages by calculating the lost profits an owner would have earned but for the misappropriation.⁴⁵ If the defendant has deprived the trade secret owner of the trade secret or destroyed its value by, for example, publishing the trade secret to the public, a plaintiff may likewise be entitled to recover the fair market value that a reasonable purchaser would have paid for the trade secret in a hypothetical sale at the time of the misappropriation.⁴⁶

Damages recoverable under TUTSA can also include unjust enrichment caused by the misappropriation that is not taken into account in computing actual loss.⁴⁷ Unjust enrichment generally refers to recovery of the defendant’s profits earned from the misappropriation.⁴⁸ However, unjust enrichment may also include an employee’s salary during the time he or she was misappropriating the trade secrets.⁴⁹

Alternatively, TUTSA allows for the recovery of a reasonable royalty.⁵⁰ A reasonable royalty consists of “what the parties would have agreed to as a fair price for licensing the defendant to put

³⁹ *Id.* § 134A.003(b).

⁴⁰ *Id.*

⁴¹ 540 S.W.3d 202, 212 (Tex. App.—Houston [1st Dist.], no pet.).

⁴² TEX. CIV. PRAC. & REM. CODE § 134A.003(a-1).

⁴³ UNIF. TRADE SECRETS ACT § 2 cmt.

⁴⁴ TEX. CIV. PRAC. & REM. CODE § 134A.004(a).

⁴⁵ *See, e.g., Jackson v. Fountaine’s Clinics, Inc.*, 499 S.W.2d 87, 89-90 (Tex. 1973); *Elcor Chem. Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204, 214 (Tex. App.—Dallas 1973, writ ref’d n.r.e.); *see also Bohnsack v. Varco, L.P.*, 668 F. 3d 262, 280 (5th Cir. 2012).

⁴⁶ *See, e.g., Bohnsack*, 668 F. 3d at 280; *Univ. Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 535 (5th Cir. 1974); *Precision Plating & Metal Finishing, Inc. v. Martin-Marietta Corp.*, 435 F.2d 1262, 1263 (5th Cir. 1970).

⁴⁷ TEX. CIV. PRAC. & REM. CODE § 134A.004(a).

⁴⁸ *Lykes-Youngstown*, 504 F.2d at 536.

⁴⁹ *Orbison v. Ma-Tex Rope Co., Inc.*, 553 S.W.3d 17, 30 (Tex. App.—Texarkana 2018, pet. denied).

⁵⁰ TEX. CIV. PRAC. & REM. CODE § 134A.004(a).

the trade secret to the use the defendant intended at the time the misappropriation took place.”⁵¹ A reasonable royalty is calculated based on a “fictional negotiation of what a willing licensor and licensee would have settled on as the value of the trade secret at the beginning of the infringement.”⁵² In determining a reasonable royalty, the following factors may be considered: (1) the resulting and foreseeable changes in the parties’ competitive positions; (2) past prices that purchasers or licensees paid for the trade secret; (3) the total value of the secret to the plaintiff, including development costs and the importance of the secret to the plaintiff’s business; (4) the nature and extent of the defendant’s use of the trade secret; and (5) other factors, such as whether an alternative process exists.⁵³

Exemplary damages are also available if “willful and malicious misappropriation is proven by clear and convincing evidence.”⁵⁴ “Willful and malicious misappropriation” means intentional misappropriation resulting from the conscious disregard of the rights of the owner of the trade secret.⁵⁵ One Texas court found a willful and malicious misappropriation where an employee was actively helping a competitor while still employed by his employer.⁵⁶ Exemplary damages under TUTSA are limited to an amount not exceeding twice any award of actual damages and must be proved by clear and convincing evidence.⁵⁷ All of these damages are “[i]n addition to or in lieu of injunctive relief,” making clear that an injunction under TUTSA does not foreclose the right to also recover damages.⁵⁸

F. Recovery of attorney’s fees under TUTSA

A prevailing plaintiff may recover attorney’s fees under TUTSA if the plaintiff proves that (1) a motion to terminate an injunction was made in bad faith, or (2) willful and malicious misappropriation exists.⁵⁹ In contrast, a prevailing defendant may recover attorney’s fees under TUTSA if the defendant proves that (1) a claim of misappropriation was made in bad faith, or (2) a motion to terminate an injunction was resisted in bad faith.⁶⁰ TUTSA does not provide a definition of “prevailing.”

G. Miscellaneous TUTSA provisions

1. Preservation of trade-secret information during legal proceedings

Under TUTSA, the trial court must “preserve the secrecy of an alleged trade secret by reasonable means.”⁶¹ TUTSA establishes a “presumption in favor of granting protective orders to preserve the secrecy of trade secrets.”⁶² TUTSA further provides that protective orders may include:

⁵¹ *Southwestern Energy Prod. Co. v. Berry-Helfand*, 491 S.W.3d 699, 711 (Tex. 2016) (quoting *Mid-Michigan Computer Sys., Inc. v. Mark Glassman, Inc.*, 416 F.3d 505, 510-11 (6th Cir. 2005)); *see also* *MGE UPS Sys., Inc. v. GE Consumer & Indus., Inc.*, 622 F.3d 361, 367 n.2 (5th Cir. 2010).

⁵² *Southwestern Energy*, 491 S.W.3d at 711 (citations omitted).

⁵³ *Metallurgical Indus. Inc., v. Fourtek, Inc.*, 790 F.2d 1195, 1208 (5th Cir. 1986); *Lykes-Youngstown*, 504 F.2d at 540; *Calce v. Dorado Expl. Co.*, 309 S.W.3d 719, 738 (Tex. App.—Dallas 2010, no pet.).

⁵⁴ TEX. CIV. PRAC. & REM. CODE § 134A.004(b).

⁵⁵ *Id.* § 134A.002(7).

⁵⁶ *Orbison*, 553 S.W.3d at 31 n.9.

⁵⁷ TEX. CIV. PRAC. & REM. CODE § 134A.004(b).

⁵⁸ *Id.* § 134A.004(a).

⁵⁹ *Id.* § 134A.005.

⁶⁰ *Id.*

⁶¹ *Id.* § 134A.006(a).

⁶² *Id.*

(1) provisions limiting access to confidential information to only the attorneys and their experts; (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.⁶³ The intent of this provision was to eliminate the hurdles to protecting trade secret information to litigants, including eliminating Texas Rules of Civil Procedure 76(a)'s burdensome and outdated process for sealing court records.⁶⁴

In 2016, the Texas Supreme Court case, *In re M-I L.L.C.*, addressed whether due process required a defendant's representative to be present at a hearing or trial where evidence of the plaintiff's trade secrets would be introduced.⁶⁵ In 2017, the Texas Legislature adopted the Court's analysis and added certain additional provisions to TUTSA.⁶⁶ Under both standards, a trial court is required to balance the due-process presumption in favor of the defendant's participation at trial against the degree of competitive harm the plaintiff would suffer from disseminating the trade secret.⁶⁷ To make that determination, a trial court must consider the following factors:

- **The relative value of the plaintiff's trade secrets.** The higher the value of the trade secret, the more competitive harm would come from the trade secret's dissemination.
- **Whether the defendant's representative acts as a competitive decision-maker for the defendant.** According to the Texas Supreme Court, if the representative acted as a competitive decision-maker, then the disclosure of the plaintiff's trade secrets to him "would necessarily entail greater competitive harm because, even when acting in good faith, [the representative] could not resist acting on what he may learn." 505 S.W.3d at 576.
- **The degree to which the defendant's claims would be impaired by the representative's exclusion.** To make this determination, the trial court may consider the representative's role in the organization and whether, by virtue of that role, the representative possessed specialized expertise that would not be available to the defendant's outside experts.
- **The stage of the proceedings.** The trial court may consider whether the case is in a preliminary stage of the proceedings such as a preliminary injunction hearing designed to maintain the status quo as opposed to a trial or some other adjudication on the merits.⁶⁸

⁶³ *Id.*

⁶⁴ *See id.* § 134A.007(c) ("To the extent that this chapter conflicts with the Texas Rules of Civil Procedure, this chapter controls."). *But see* Title Source, Inc. v. Housecanary, Inc., No. 04-18-00509-CV & 04-18-00844-CV, 2019 WL 2996974, at *5, *9 (holding that TUTSA does not inherently conflict with Rule 76(a) and deciding that the trial court "abused its discretion when it ignored the SPO and ordered exhibits sealed without application of the Rule 76a standards and procedures").

⁶⁵ *In re M-I L.L.C.*, 505 S.W.3d at 575-76.

⁶⁶ TEX. CIV. PRAC. & REM. CODE § 134A.006(b).

⁶⁷ *See id.*; *see also* Lackey v. Dement, No. SA-17-CV-00514-FB, 2019 WL 3238896, at *7 (W.D. Tex. July 18, 2019) (considering whether the alleged trade secrets are "material and necessary to the litigation").

⁶⁸ *In re M-I L.L.C.*, 505 S.W.3d at 576.

- **Whether the owner is alleging that the other party is already in possession of the alleged trade secret.**⁶⁹ TUTSA’s seven-factor test includes an additional factor not found in *In re M-I.L.L.C.*: “whether the owner is alleging that the other party is already in possession of the alleged trade secret.”⁷⁰ This factor was added because if the trade-secret owner alleges that the misappropriator already possesses the owner’s trade secret, there is little harm if that party participates in the proceeding. Conversely, potential harm could result if a party participates in the proceeding but has not yet accessed the trade-secret information (e.g., where an employer hires a new employee who is in possession of another’s trade secret, but the employee has not yet disclosed that secret to his new employer).

2. Statute of limitations for TUTSA claims

A trade-secret claim is governed by a three-year statute of limitations.⁷¹ Suit must be brought not later than three years “after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered.”⁷² A misappropriation 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.⁷³

3. TUTSA’s effect on other law

TUTSA displaces conflicting tort, restitutionary, and other Texas law providing civil remedies for trade-secret misappropriation.⁷⁴ TUTSA, however, does not affect: (1) contractual remedies, whether or not based upon trade-secret misappropriation;⁷⁵ (2) other civil remedies that are not based upon trade-secret misappropriation; or (3) criminal remedies, whether or not based upon trade-secret misappropriation.⁷⁶ Thus, a plaintiff can bring claims for both trade-secret misappropriation and breach of a non-disclosure agreement.

In *Eagle Oil & Gas Co. v. Shale Expl., LLC*,⁷⁷ the court considered whether plaintiff’s trade-secret misappropriation claim was barred by the Economic Loss Rule, which bars a recovery in tort for economic losses caused by a breach of contract if the losses result from the failure to fulfill a contractual obligation.⁷⁸ The court held that the rule does not apply where the duty breached stands independent from the contractual undertaking, and the alleged damages are not solely the result of a

⁶⁹ *Id.* § 134A.006(b).

⁷⁰ *Id.* § 134A.006(b)(3).

⁷¹ *Id.* § 16.010(a).

⁷² *Id.*

⁷³ *Id.* § 16.010(b).

⁷⁴ TEX. CIV. PRAC. & REM. CODE § 134A.007(a).

⁷⁵ *HIS Co. v. Stover*, 202 F. Supp. 3d 685, 691 (S.D. Tex. 2016) (acknowledging that TUTSA eliminated civil liability under the Texas Theft Liability Act); *Super Starr Int’l, LLC v. Fresh Tex Produce, LLC*, 531 S.W.3d 829, 843 (Tex. App.—Corpus Christi-Edinburg 2017, no pet.) (acknowledging that TUTSA eliminated breach of fiduciary duty claims based on misappropriation of trade secrets). *But see* *DHI Grp, Inc. v. Kent*, No. H-16-1670, 2019 WL 3754859, at *10–*11 (S.D. Tex. July 12, 2019) (declining to extend TUTSA preemption to misappropriation of information that is not yet determined to be a secret); *Raybourne & Dean Consulting, Ltd. v. Metrica, Inc. & Metrica Relocations Plus, Inc.*, No. SA-14-CA-918-OLG, 2015 WL 12866214, at *10 (W.D. Tex. Apr. 10, 2015) (suggesting in dicta that common-law misappropriation may not have been eliminated by TUTSA).

⁷⁶ TEX. CIV. PRAC. & REM. CODE § 134A.007(b).

⁷⁷ 549 S.W.3d 256 (Tex. App.—Houston [1st Dist.] 2018, pet. dismissed).

⁷⁸ *Id.*

bargained-for contractual benefit.⁷⁹ The court determined that the duty not to misappropriate trade secrets stands independently from a party’s contractual obligations, even when the contract requires confidentiality.⁸⁰

4. TUTSA’s uniformity of application and construction

Because TUTSA is largely based on the Uniform Trade Secrets Act (UTSA), TUTSA is to “be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this chapter among states enacting it.”⁸¹ Therefore, Texas courts may look to other jurisdictions interpreting the UTSA for guidance on TUTSA’s provisions.

II. TUTSA AND THE TEXAS CITIZENS PARTICIPATION ACT

The Texas Citizens Participation Act (TCPA)—also known as the Texas anti-SLAPP statute—exists to “encourage and safeguard the constitutional rights of persons to petition, speak freely, and associate freely and, at the same time, protect the rights of a person to file meritorious lawsuits for demonstrable injury.”⁸² To prevent “Strategic Lawsuits Against Public Participation” from achieving their intended purpose of stifling free speech and free association rights, the TCPA permits early dismissal after little or no discovery.⁸³

In 2019, the Texas Legislature amended the TCPA effective September 1, 2019.⁸⁴ The amendment came not long after Texas appellate courts widened a split regarding the TCPA’s applicability to trade-secret misappropriation claims, but commentators believe the split “has been rendered moot by the new statute.”⁸⁵ Laura Lee Prather and Professor Robert T. Sherwin explain:

There are at least two reasons why. The first is clear; the law’s newly expanded exemptions sections dictates that “[t]his chapter does not apply to . . . a legal action arising from an officer-director, employee-employer, or independent contractor relationship that [] seeks recovery for misappropriation of trade secrets or corporate opportunities.” The second reason goes directly to the statute’s new definitions of “exercise of the right of association” and “matter of public concern.” As to “association,” the statute now reads “to join together to collectively express, promote, pursue, or defend common interests relating to a governmental proceeding or a matter of public concern,” thereby modifying the type of “common interest” that can serve as the qualifying event. And as to “public concern,” now gone are the “health or safety,” “economic or community well-being,” and “good product, or service in the marketplace” definitional components. Instead, to show that their conduct or communication implicated free speech, movants will need to tie it to a public official

⁷⁹ *Id.* at 269.

⁸⁰ *Id.* at 268.

⁸¹ TEX. CIV. PRAC. & REM. CODE § 134A.008.

⁸² *Id.* § 27.002; *see In re Lipsky*, 460 S.W.3d 579, 584 (Tex. 2015) (recognizing that the TCPA is designed to thwart “retaliatory lawsuits that seek to intimidate or silence.”).

⁸³ *See* TEX. CIV. PRAC. & REM. CODE §§ 27.003(c), 27.006(b); *In re Elliott*, 504 S.W.3d 455, 467 (Tex. App.—Austin 2016, no pet.) (“[T]he TCPA stays all discovery until the trial court rules on a motion to dismiss filed under the Act.”).

⁸⁴ *See generally*, TEX. CIV. PRAC. & REM. CODE § 27.001(2), (6), (7) (effective Sept. 1, 2019).

⁸⁵ Laura Lee Prather & Robert T. Sherwin, *The Changing Landscape of the Texas Citizens Participation Act*, 52 TEX. TECH L. REV. ONLINE ED. 1, 14 (2019).

or public figure, a matter of political, social, or other interest to the community, or a subject of concern to the public.⁸⁶

Because the changes in the TCPA are effective only for lawsuits filed after September 1, 2019, however, whether the TCPA applies to trade-secret misappropriation claims under the pre-amended TCPA remains a critical issue for many Texas litigants.⁸⁷

Originally, the TCPA was thought to apply only to cases involving constitutional rights of free speech, petition, and association. However, the TCPA's plain language contains no such limitation.⁸⁸ Consequently, the TCPA has been applied to all manner of commercial-litigation claims, including claims under TUTSA before the 2019 amendments.⁸⁹

The pre-2019 TCPA applied to any "legal action" that is "based on, relates to, or is in response to" a movant's rights of free speech, to petition, or of association.⁹⁰ Regarding free speech rights, the "exercise of the right of free speech" under the TCPA meant a "communication" made in connection with a "matter of public concern."⁹¹ A "communication" meant "the making or submitting of a statement or document in any form or medium, including oral, visual, written, audiovisual, or electronic."⁹² Thus, Texas courts interpreted communications to include disclosing trade secrets.⁹³

Because disclosure of trade secrets necessarily involved a communication, the next issue was whether the communication involved a "matter of public concern." As previously defined by the TCPA, a "matter of public concern" included any issue related to:

- (A) health or safety;
- (B) environmental, economic, or community well-being;
- (C) the government;
- (D) a public official or public figure; or
- (E) a good, product, or service in the marketplace.⁹⁴

⁸⁶ *Id.* (internal citations and footnotes omitted).

⁸⁷ Act of June 2, 2019, 86th Leg., R.S. ch. 378, § 11, 2019 Tex. Sess. Law Serv. Ch. 378 (H.B. 2730) (West) (to be codified at TEX. CIV. PRAC. & REM. CODE § 27.001(2), (6), (7)).

⁸⁸ *See* *Beving v. Beadles*, No. 02-17-00223-CV, 2018 WL 5074765, at *4 (Tex. App.—Fort Worth Oct. 18, 2018, pet. filed) ("[D]espite the TCPA's express purpose to protect constitutional rights, the TCPA's definition of 'the right to petition' is far broader.").

⁸⁹ *See* *Elite Auto Body LLC v. Autocraft Bodywerks, Inc.*, 520 S.W.3d 191, 204 (Tex. App.—Austin 2017, pet. denied).

⁹⁰ TEX. CIV. PRAC. & REM. CODE § 27.005(b).

⁹¹ *Id.* § 27.001(3).

⁹² *Id.* § 27.001(1).

⁹³ *See* *Elite Auto Body*, 520 S.W.3d at 205 (holding that disclosure of a competitor's information constituted a "communication" under the TCPA).

⁹⁴ TEX. CIV. PRAC. & REM. CODE § 27.001(7).

This definition meant that free-speech rights under the statute could be implicated in almost any private business situation.⁹⁵ Most TCPA/TUTSA cases, however, invoke the right of association.

Under the TCPA, “[e]xercise of the right of association” meant a communication between individuals who “join together to collectively express, promote, pursue, or defend common interests.”⁹⁶ The term “common interests,” like other TCPA provisions, is understood by its plain meaning.⁹⁷ Communications between and among members of an organization or business relate to a “common purpose” if they pertain to the purpose of the business or organization.⁹⁸

In *Elite Auto Body LLC v. Autocraft Bodywerks, Inc.*, the Austin Court of Appeals explained the broad scope of the TCPA’s right of association in the context of a trade-secret case.⁹⁹ The plaintiff, Autocraft Bodywerks, sued Precision (Elite) Auto Body and several former Autocraft employees alleging that the employees provided Precision with Autocraft’s trade secrets.¹⁰⁰ Autocraft accused the former employees of providing Precision with Autocraft’s confidential, proprietary, and trade-secret information, and it alleged that the defendants were unlawfully using Autocraft’s confidential information and improperly soliciting current Autocraft employees despite the defendants having no operative noncompetition and non-solicitation agreements.¹⁰¹ Based on these allegations, Autocraft sought injunctive relief to restrain the defendants’ ongoing use or disclosure of Autocraft’s confidential and proprietary information.¹⁰² The court determined that under these circumstances, Autocraft’s claims were based on the defendants’ alleged “communications” for a common interest within the meaning of the TCPA, implicating the defendants’ association rights under the Act.¹⁰³

In early 2019, the Fort Worth Court of Appeals took a different approach in *Kawcak v. Antero Resources Corporation*, interpreting “common interests” as a matter of first impression.¹⁰⁴ Although not a trade-secret misappropriation case, the court of appeals specifically noted the holding it announced was in direct conflict with *Elite Auto Body LLC*, among other decisions from its sister districts.¹⁰⁵ The plaintiff, Antero Resources Corporation, sued a “rogue” employee that was allegedly accepting bribes in exchange for contracts and confidential pricing information.¹⁰⁶ In response, the employee filed a motion to dismiss under the TCPA.¹⁰⁷ The employee argued that the plaintiff’s allegations that he was engaged in a conspiracy meant he was communicating with others

⁹⁵ See *Adams v. Starside Custom Builders, LLC*, 547 S.W.3d 890, 894 (Tex. 2018) (noting that the definition of a “matter of public concern” covers “[a]lmost every imaginable form of communication, in any medium.”).

⁹⁶ TEX. CIV. PRAC. & REM. CODE § 27.001(2).

⁹⁷ See *ExxonMobile Pipeline Co. v. Coleman*, 512 S.W.3d 895, 899 (Tex. 2017) (per curiam) (applying longstanding rules of statutory construction when interpreting provisions of the TCPA).

⁹⁸ *Combined Law Enf’t Ass’ns of Tex. v. Sheffield*, No. 03–13–00105–CV, 2014 WL 411672, at *12 (Tex. App.—Austin Jan. 31, 2014, pet. denied).

⁹⁹ 520 S.W.3d 191, 193 (Tex. App.—Austin, 2017, pet. denied).

¹⁰⁰ *Id.* at 194.

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.* at 205.

¹⁰⁴ No. 02-18-00301–CV, 2019 WL 761480, at *8 (Tex. App.—Fort Worth, February 21, 2019, pet. denied).

¹⁰⁵ *Id.* at *15. The court of appeals noted that the Austin Court of Appeals’ decision in *Elite Auto Body LLC* did not address the definition of “common” and instead focused on the word “communication,” distinguishing the Austin court’s reasoning as a basis for the split. *Id.*

¹⁰⁶ *Id.* at *2.

¹⁰⁷ *Id.* at *3.

for a “common interest,” neatly fitting into the definition of the right of association under the TCPA.¹⁰⁸

The Fort Worth Court of Appeals disagreed.¹⁰⁹ Relying on multiple dictionary definitions that define “common” as “of or relating to the community at large,” as well as the TCPA’s stated purpose “to encourage and safeguard the constitutional rights of persons to petition, speak freely, associate freely, and otherwise participate in government to the maximum extent permitted by law and, at the same time, protect the rights of a person to file meritorious lawsuits for demonstrable injury,” the court of appeals determined that “common interest” under the TCPA requires interests that are “shared by the public or at least a group.”¹¹⁰ The defendant employee’s interests, on the other hand, were limited to the interests of only two conspirators joined together to commit a tort, which was not sufficient to invoke the TCPA.¹¹¹ Thus, the court of appeals affirmed the trial court’s denial of the employee’s motion to dismiss under the TCPA.¹¹²

Following *Kawcak*, the Dallas Court of Appeals applied its reasoning to cases involving trade-secret misappropriation and the TCPA’s free speech prong.¹¹³ Although Texas courts of appeals are split on TCPA applicability to claims brought under TUTSA, the TCPA could apply in any situation where a former employee is accused of providing trade secrets to his new employer—which includes almost every trade-secret case. Thus, any plaintiff or defendant in a TUTSA case needs to be prepared for a TCPA motion to dismiss if the action was brought prior to September 1, 2019. If you are a plaintiff, you must consider the following before filing suit:

- **Should you file a federal Defend Trade Secrets Act (DTSA) claim or a TUTSA claim?** The TCPA does not apply to DTSA claims.¹¹⁴
- **If you file a DTSA claim, should you also include a TUTSA claim?** The Fifth Circuit recently determined that the TCPA conflicts with the Federal Rules of Civil Procedure and thus does not apply in federal court.¹¹⁵
- **If you file a TUTSA claim in state court, should you proceed with a temporary injunction with a TCPA motion pending?** The TCPA “does not prohibit a trial court from considering and granting a temporary restraining order or a temporary injunction before deciding a motion to dismiss brought under the TCPA”¹¹⁶ But a pending TCPA motion will put a stop to any expedited discovery needed specifically to prepare for the temporary injunction hearing.¹¹⁷ Thus, if a plaintiff files a TUTSA

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* at *8.

¹¹⁰ *Id.* at *7–*14.

¹¹¹ *Id.*

¹¹² *Id.* at *8.

¹¹³ See *Pinghua Lei v. Nat. Polymer Int’l Corp.*, No. 05-18-01041-CV, 2019 WL 2559756, at *6 (Tex. App.—Dallas, no pet.); *Dyer v. Medoc Health Servs., LLC*, 573 S.W.3d 418, 427–28 (Tex. App.—Dallas, pet. denied).

¹¹⁴ *Mathiew v. Subsea 7 (US) LLC*, No. 4:17–CV–3140, 2018 WL 1515264, at *8 (S.D. Tex. Mar. 9, 2018) (holding that the TCPA does not apply to federal causes of action).

¹¹⁵ See *Klocke v. Watson*, No. 17-11320, 2019 WL 3977545, at *4 (5th Cir. Aug. 23, 2019) (“Because the TCPA imposes evidentiary weighing requirements not found in the Federal Rules, and operates largely without pre-decisional discovery, it conflicts with those rules.”)

¹¹⁶ *In re SPEX Grp. US LLC*, No. 05–18–00208–CV, 2018 WL 1312407, at *4 (Tex. App.—Dallas Mar. 14, 2018, no pet.).

¹¹⁷ *Id.*

claim in state court, it needs to either have the proof ready for its temporary-injunction hearing before filing suit, or not seek a temporary injunction until after the parties have had an opportunity to conduct specified and limited discovery necessary to respond to the TCPA motion to dismiss.¹¹⁸ If a plaintiff chooses the latter option, he or she must be aware that the TCPA motion to dismiss generally does not have to be heard until sixty days after service, which means that discovery will not be conducted on an expedited basis.¹¹⁹ Consequently, if a plaintiff wants discovery before the temporary-injunction hearing, it must be prepared to not have a temporary-injunction hearing until much later than the typical fourteen days after a lawsuit is filed.

- **Is there a way to plead around the TCPA?** The TCPA only applies to “communications.” It may be possible to plead a TUTSA claim that does not implicate the TCPA if the plaintiff can limit its claims to improper use of the trade secret—versus *disclosure* of the trade secret.¹²⁰ A claim for conspiracy, however, will virtually guarantee that the TCPA applies.¹²¹

If a plaintiff chose to proceed with a TUTSA claim in state court prior to September 1, 2019, the plaintiff must, at a minimum, be prepared to respond to a TCPA motion. Therefore, the plaintiff must be prepared to provide “clear and specific” evidence to establish a prima facie case for each essential element of the claims in question.¹²² To meet this burden, the plaintiff must know what its trade secrets are, why they are trade secrets, and how they have been improperly disclosed or used. This likely requires conducting a thorough forensic investigation before filing suit. It also requires carefully choosing the causes of action that will accompany the TUTSA claim. Claims for misappropriation of trade secrets based on breach of the Texas Theft Liability Act or breach of a fiduciary duty cannot survive a motion to dismiss because those causes of action have been preempted by TUTSA.¹²³ Such claims will easily subject a plaintiff to attorney’s fees liability, which is mandatory if the defendant prevails on a TCPA motion to dismiss.¹²⁴ Additionally, if the moving party prevails, the court must award sanctions sufficient to deter the non-moving party from bringing similar actions.¹²⁵

¹¹⁸ See TEX. CIV. PRAC. & REM. CODE § 27.006(b).

¹¹⁹ TEX. CIV. PRAC. & REM. CODE § 27.004(a).

¹²⁰ *Elite Auto Body*, 520 S.W.3d at 207 (affirming the denial of motions to dismiss certain trade-secret claims that were not based on communications).

¹²¹ *Craig v. Tejas Promotions, LLC*, 550 S.W.3d 287, 294 (Tex. App.—Austin 2018, pet. denied) (holding that a conspiracy claim establishes the legal action is based on—or at least related to or in response to—the exercise of the right of association).

¹²² TEX. CIV. PRAC. & REM. CODE § 27.005(c).

¹²³ TEX. CIV. PRAC. & REM. CODE ANN. § 134A.007(a).

¹²⁴ TEX. CIV. PRAC. & REM. CODE § 27.009(a)(1).

¹²⁵ *Id.* § 27.009(a)(2).

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