

CLIENT ALERT: Massachusetts Supreme Judicial Court Increases Employer's Possible Recovery Against Trade Secret Misappropriating Employees

Companies invest significant resources into developing and **protecting** their trade secrets. The rapid and unexpected transition to remote work in response to the COVID-19 pandemic expanded the fears of misappropriation. However, a recent Massachusetts Supreme Judicial Court ("SJC") decision may provide additional protections for employers and open the door for an employer to recover attorneys' fees and treble damages from former employees found to have engaged in such illicit behavior.

In *Governo Law Firm v. Bergeron*, a law firm sued several former attorney employees who surreptitiously downloaded more than 100,000 valuable documents onto high-capacity thumb drives in the days before their departure to set up a competing law firm. The jury found for the law firm on multiple counts and awarded \$900,000 in compensatory damages.

However, the jury did not find that any of the former employees committed an unfair and deceptive trade practice in violation of Massachusetts General Law Chapter 93A ("Chapter 93A"), which allows successful plaintiffs to recover double or treble damages and attorneys' fees for "willful or knowing" conduct in violation of the statute. This powerful remedy is limited to conduct in "trade or commerce" and typically removes intra-enterprise disputes, like those arising out of an employment relationship, from Chapter 93A's protection. With this limitation in mind, the trial judge instructed the jury that the law firm's Chapter 93A claim solely focused on what the defendants did after they left their former employer while ignoring the allegedly deceptive nature of their theft during their employment. The law firm appealed this instruction. On April 9, 2021, the SJC rejected the overly narrow instruction from the trial court regarding Chapter 93A.

While recognizing that Chapter 93A generally does not apply to most employment disputes, the SJC distinguished its application to these facts. The Court held that the employees could be found liable for the misappropriation of the trade secrets independently of their employment status or any contractual obligations to their employer. Further, the SJC held that without the trial judge's instruction, the jury could have found that the "subsequent use of the converted materials was an unfair or deceptive act," rendering them liable under Chapter 93A:

Where an employee misappropriates his or her employer's proprietary materials during the course of employment and then uses the purloined materials in the marketplace, that conduct is not purely an internal matter; rather, it comprises a marketplace transaction that may give rise to a claim under G. L. c. 93A, § 11.

The defendants' status as employees did not absolve them of Chapter 93A liability for their alleged conduct while still employed. As a result, the Court ordered a new trial to consider whether the defendants violated Chapter 93A, both during and after their employment. If the employees are found to have violated Chapter 93A in this upcoming second trial, then the employer's recovery could increase significantly.

This apparent broadening of Chapter 93A in the employment context does not eliminate all of its prior limitations. For example, the SJC in *Governo* approvingly cited a prior case in which an employee escaped Chapter 93A liability because the allegations focused on the employee's breach of his non-competition agreement rather than any obligations independent of his employment.

However, the *Governo* decision informs employers that they may be able to bring Chapter 93A claims against misappropriating employees as a result of alleged bad acts occurring during the employment relationship. **Additionally, relatively recent changes** in Massachusetts law also allow for the award of

double damages and attorneys' fees for the appropriation of trade secrets, which were not then available to the employer in *Governo*. Regardless, the combination of Chapter 93A and the newer state laws greatly increases the possible recovery for an employer whose trade secrets are misappropriated. If there are concerns about trade secret theft, employers should contact their MBJ attorney to analyze how these developments, including increased damages if liability is found, will inform their strategic response. Employers should regularly review their employment policies and agreements to match their current work environment so that trade secrets are protected as much as possible.

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Morgan, Brown & Joy, LLP focuses exclusively on representing employers in employment and labor matters.

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