MASSACHUSETTS LAWYERS WEEKLY
www.masslawyersweekly.com
June 2, 2014
THE DOLAN COMPANY

Co. can't block employee from going to competitor

'Inevitable disclosure' no basis for injunction absent non-compete

By Eric T. Berkman

An employer could not rely on the "inevitable disclosure" doctrine to block an employee from working for a competitor, a U.S. District Court judge has ruled.

The defendant employee — who had been a scientist for plaintiff Boston Scientific, a Natick-based medical-device manufacturer, before jumping to a competitor — was bound by a non-disclosure agreement though he and the plaintiff had never executed a non-competition agreement.

Nonetheless, Boston Scientific argued that an employee going to work for a new company in the same field will inevitably disclose confidential information absent an injunction. Accordingly, the plaintiff argued, a preliminary injunction preventing the defendant from working for his new employer was necessary to protect its trade secrets.

Judge Denise J. Casper disagreed.

"Where [other employers] have brought claims for misappropriation of trade secrets under Massachusetts law, they have consistently succeeded in achieving the immediate return of protected information, but absent a restrictive covenant, have not necessarily succeeded in enjoining their former employees' employment in their new roles," Casper wrote, denying in part the plaintiff's motion for a preliminary injunction.

"Even if Boston Scientific had provided further support for the contention that courts can, effectively, transform non-disclosure agreements into non-competition agreements, the court cannot say on this record that [the defendant's] work [with a competitor] will necessarily lead to the disclosure of any proprietary information," she continued.

The judge did, however, grant a preliminary injunction barring the defendant from using or disclosing any of Boston Scientific's proprietary information and ordering him to return certain proprietary information that he had retained after leaving the company.

The 15-page decision is *Boston Scientific Corp. v. Lee*, Lawyers Weekly No. 02-259-14. The full text of the ruling can be found at masslawyersweekly.com.

'Practice pointer'

Christina L. Lewis of Hinckley Allen in Boston, co-counsel for the defendant employee, said the decision puts "pretty clear limitations" on how the inevitable disclosure doctrine can be used.

"The court refused to use the doctrine to read a non-compete into [an employment agreement] where none existed," Lewis said. "The plaintiff tried to use the inevitable disclosure doctrine to get extraordinary relief. But Judge Casper ruled that the doctrine can't be used in this manner. If all the plaintiffs have is a non-disclosure agreement, that's exactly the protection they'll get."

Had the decision gone the other way, Lewis said, it would have broadened the inevitable disclosure doctrine considerably.

"In some ways, it would even give the employer larger relief than what a non-compete would allow, since a non-compete is usually limited in time and scope, whereas the relief Boston Scientific was seeking would not be," she said.

Co-counsel Kelley Jordan Price said the decision should serve as a reminder to employers that if they want to prevent an employee from working for a competitor for a period of time after he leaves, it is critical to negotiate a non-compete agreement that is reasonable in time, scope and enforcement.

Brian P. Bialas of Foley Hoag in Boston, who handles trade secrets cases, noted that legislation is pending before state lawmakers that would ban non-competition agreements in Massachusetts. Such a development could supersede the case law that has evolved over the past few years culminating with the Boston Scientific decision, he said.

Christina L. Lewis
Hinckley Allen

Kelley A. Jordan-Price
Hinckley Allen

Ruling puts clear limitations on how doctrine can be used

"That bill … appears to allow an employee to be enjoined from working for a competitor if the employer makes a showing that its trade secret 'is threatened to be misappropriated,'" he said. "This could mean a showing that an employee would 'inevitably disclose' the former employer's trade secret to a competitor."

Though Casper noted that that is not currently the law in Massachusetts, "the case does show that there are some situations where the pending legislation could prevent employees from working for a competitor when current Massachusetts law would not," Bialas said.

Boston attorney C. Max Perlman, who also handles trade secrets cases, pointed out that Casper seemed to draw a distinction between the defendant's responsibilities with Boston Scientific and his new employer, and specifically between developing products and researching the underlying science.

"So the practice pointer is that if [non-compete] legislation passes, make sure the employee has different responsibilities with the new company than the old company," said Perlman, a lawyer at Hirsch, Roberts, Weinstein. "If you have a case where you think inevitable disclosure will get argued, make sure you can argue in opposition that the responsibilities are not the same. Here, the distinction in responsibilities between the old and new employer might not

be that great, but any distinction you can draw will help."

Patrick M. Curran Jr. of Ogletree, Deakins, Nash, Smoak & Stewart in Boston was local counsel for the plaintiff. He could not be reached for comment prior to deadline.

Alleged misappropriation

Defendant Dongchul Lee worked as a scientist for plaintiff Boston Scientific in its office in Valencia, California, from 2006 to 2013.

Lee had signed an employment agreement in which he promised not to disclose any of his employer's proprietary information, defined as "materials and information" relating to the plaintiff's operation procedures, products, design specifications, trade secrets, financial data, customer research and future research, development and marketing plans.

While working for the plaintiff, Lee developed a computer model of the spinal cord, which was later published in a peer-review journal. He used the model as part of his work relating to "low frequency" spinal cord stimulation, or SCS, which involves delivery of electrical current in low-level pulses to the spinal cord for pain-management purposes.

In his last two years with Boston Scientific, Lee focused on "Mechanism of Action" research, which aimed to determine why low-frequency SCS is effective.

Lee resigned from his position at Boston Scientific in November 2013 in order to take a job at Nevro Corp., one of the plaintiff's competitors. Specifically, Lee would be developing a model to explain how that company's SCS therapy might affect the spinal cord while assisting with research relating to Nevro's form of SCS therapy.

According to the defendant, Nevro never asked him to disclose confidential information or trade secrets from his tenure at Boston Scientific. In fact, Nevro required Lee to sign a contract stating that he would not improperly use or disclose any proprietary information of Boston Scientific.

After Lee left Boston Scientific, he returned some documents belonging to the company. But other documents apparently remained on his personal email and Google Drive account, which Lee claimed was inadvertent.

Boston Scientific ultimately brought a misappropriation-of-trade-secrets action against Lee and moved for expedited discovery and a preliminary injunction that would bar Lee from working for Nevro while requiring him to return protected information he still retained.

At oral argument, Boston Scientific further argued that Lee violated his confidentiality obligations by making statements in his affidavit regarding "plans for present and future research" that fell within the scope of his non-disclosure agreement.

CASE: *Boston Scientific Corp. v. Lee,* Lawyers Weekly No. 02-259-14

COURT: U.S. District Court

ISSUE: Could an employer rely on the "inevitable disclosure" doctrine to block an employee from working for a competitor?

DECISION: No

Lack of non-compete

Casper found that Boston Scientific was not entitled to a preliminary injunction that would keep Lee from working for Nevro.

Specifically, she said, parties bringing misappropriation claims in Massachusetts have consistently been able to secure the immediate return of protected information retained by defendants. But without a restrictive covenant barring a defendant from working for a competitor, plaintiffs have not been able to achieve the same result via injunction, the judge said.

Boston Scientific cited a 1995 U.S. District Court decision, *Marcam v. Orchard*, as supporting such drastic and broad relief under the inevitable disclosure doctrine, based on the notion that an employee working for a new company in the same field will invariably give away confidential information without such an injunction.

But Casper was not persuaded.

In *Marcam* and other cases cited by the plaintiff, "the court did not enjoin the defendant from competing with the plaintiff where the defendant had not executed a covenant not to compete," she said.

And even if the plaintiff could point to cases showing that courts can, in fact, transform non-disclosure agreements into non-competition agreements based on the inevitable disclosure doctrine, the facts in *Boston Scientific* do not support such a result, Casper said.

"First, Dr. Lee's non-disclosure of [Boston Scientific's] proprietary information is a term of his employment at Nevro," she said. "In addition, Dr. Lee is not developing products for Nevro, but rather researching the underlying science."

While Nevro admittedly might develop a product that competes with a Boston Scientific product, the judge added, Lee's testing of the effectiveness of SCS at either high or low frequency does not necessarily bear upon Boston Scientific's future research plans or product development.

Casper also rejected the plaintiff's argument that Lee violated his non-disclosure agreement by disclosing proprietary information in his affidavits related to the litigation.

"The court notes that there is some inherent unfairness in using Dr. Lee's statements against him here, where he [was] trying to defend himself against the instant allegations brought by Boston Scientific," the judge said. "In any event, the parties have addressed any possibility of future harm in this regard by filing their subsequent submissions under seal."

Finally, Casper did find that the plaintiff had shown a likelihood of success on the merits of its misappropriation claim with regard to the proprietary information the defendant had retained on his personal email and Google Drive accounts and that the plaintiff would suffer irreparable harm absent the return and non-disclosure of such information.

Accordingly, she concluded, a preliminary injunction should be granted requiring the return of such information but not to bar Lee from working for Nevro. MLW

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