DISTRICT COURT JUDGE TAKES NARROW VIEW OF PREEMPTION UNDER THE MASSACHUSETTS UNIFORM TRADE SECRETS ACT

Date: 24 November 2020

Intellectual Property Alert

By: John J. Cotter, Christopher F. Warner

On October 29, 2020, United States District Court Judge Denise J. Casper rejected the argument that the Massachusetts Uniform Trade Secret Act (MUTSA) preempts, and therefore bars, state law claims for misuse of confidential or proprietary information. In *Neural Magic v. Facebook, et al*. (D. Mass. 1:20-cv-10444), Judge Casper partially denied defendants' motion to dismiss and held that the MUTSA does not preempt plaintiff's G.L.c. 93A and tortious interference claims for alleged theft and misuse of confidential and proprietary information that may not constitute a trade secret. In reaching this conclusion, Judge Casper found that the express terms of the MUTSA do not preempt the challenged claims, and instead, the MUTSA only supersedes conflicting laws providing civil remedies for trade secret misappropriation. Judge Casper explained that the MUTSA's plain language, combined with (i) the split authority regarding the scope of preemption under the Uniform Trade Secret Act (UTSA), (ii) the lack of legislative intent for the MUTSA to preempt claims involving non-trade secret confidential information, and (iii) the lack of Massachusetts authority on the issue, all weighed against preemption.

On March 4, 2020, Neural Magic sued Facebook and Dr. Aleksandar Zlateski (collectively, Facebook), a research scientist at Facebook, for violation of the MUTSA, the Defendant Trade Secrets Act of 2016, and G.L.c. 93A, as well as for unjust enrichment. Neural Magic alleged that Facebook improperly acquired and disclosed Neural Magic's trade secrets—namely, its propriety algorithms enabling neural networks to run efficiently on commodity CPUs (Central Processing Units)—and stole its design patterns, optimization strategies, and formulas related to various machine architectures. On May 11, 2020, Facebook moved to dismiss the complaint based largely on the argument that Neural Magic's claims were preempted by the MUTSA. Judge Casper rejected Facebook's arguments and denied the motion as to Neural Magic's G.L.c. 93A and tortious interference claims.[1]

In opposing Facebook's motion to dismiss, Neural Magic argued that its state law claims were not preempted because the MUTSA's plain language expressly provides that it only "supersede[s]…conflicting laws…providing civil remedies for the misappropriation of a trade secret" and does "not affect other civil remedies to the extent that they are not based upon misappropriation of trade secret."[2] Neural Magic contended that its claims involve both trade secret misappropriation and the theft and misuse of confidential and proprietary information, and therefore are not preempted by the MUTSA.

Facebook maintained that Neural Magic's claims all included the allegation that Facebook misappropriated Neural Magic's trade secrets and were thus preempted. Facebook argued that the majority of courts that have addressed similar arguments under their state's version of the UTSA have found that the UTSA displaces any antecedent misappropriation-of-trade-secret claim and preempts claims concerning the theft or misuse of confidential and

©2005-2026 K&L Gates LLP. All Rights Reserved.

proprietary information, even if that information falls short of trade secret classification. Facebook contended that Massachusetts's late adoption of the UTSA was evidence that the legislature effectively sought to incorporate this majority view. Judge Casper, however, disagreed, finding that there was no evidence of such legislative intent and, therefore, there is a presumption against preemption.

To counter this presumption, Facebook argued that it was reasonable to assume that the legislature intended to incorporate preemption of claims involving confidential or proprietary information into the MUTSA because that would fulfill the MUTSA's goal of promoting uniformity. According to the MUTSA, its sections "shall be applied and construed to effectuate [its] general purpose to make uniform the law with respect [to] trade secrets."[3] While acknowledging this statutory goal with respect to trade secrets, Judge Casper declined to extend it to cover all confidential information, noting that the MUTSA says nothing about promoting uniformity "in confidential information generally."

In concluding her preemption analysis, Judge Casper also rejected Facebook's position that, without preemption, Neural Magic had the opportunity to raise multiple different claims based on the same trade secret misappropriation injury. Judge Casper explained that, when analyzing whether a civil remedy is intended to address trade misappropriation, a court must focus on the cause of action rather than the underlying conduct. In this case, the causes of action are based on the misuse of confidential and proprietary information, not trade secret misappropriation and therefore, the claims are not preempted by the MUTSA.

WHAT DOES THIS MEAN?

While Judge Casper's decision is informative on the scope of preemption under the MUTSA, it is not binding precedent on Massachusetts courts, and it is yet to be seen whether other U.S. District Court judges, the First Circuit, or the Massachusetts Supreme Judicial Court agree with her analysis. However, until a precedential opinion is issued, individuals and businesses should look to Judge Casper's decision for helpful guidance. For example, plaintiffs should consider alleging clear, separate claims for trade secret misappropriation and confidential information misuse. Relatedly, defendants should identify the ways in which plaintiffs conflate trade secrets and confidential information in the complaint and articulate how the allegedly misappropriated information falls under the MUTSA's definition of a trade secret and thus, supports preemption. K&L Gates is well positioned to advise clients on matters relating to confidential and proprietary information, trade secrets, the UTSA, the MUTSA, and other similar state laws.

FOOTNOTES

[1] Judge Casper granted Facebook's motion to dismiss the unjust enrichment claim because Neural Magic had an adequate remedy at law.

[2] Mass. Gen. Laws ch. 93, § 42F(b)(3).

[3] Mass. Gen. Laws ch. 93, § 42G.

©2005-2026 K&L Gates LLP. All Rights Reserved.

KEY CONTACTS



JOHN J. COTTER
PARTNER

BOSTON
+1.617.261.3178
JOHN.COTTER@KLGATES.COM



CHRISTOPHER F. WARNER
ASSOCIATE

BOSTON
+1.617.951.9208
CHRIS.WARNER@KLGATES.COM

This publication/newsletter is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer. Any views expressed herein are those of the author(s) and not necessarily those of the law firm's clients.

©2005-2026 K&L Gates LLP. All Rights Reserved.