



Massachusetts Federal Court Holds MUTSA Does Not Preempt Common Law Claims Based on Theft of Confidential or Proprietary Information

Plaintiff Neural Magic, Inc. (“Neural Magic”) brought suit against Defendants Facebook, Inc. and Dr. Aleksandar Zlateski (collectively, “Defendants”), based on allegations that Defendants engaged in misappropriation of trade secrets and theft of confidential and proprietary information. Neural Magic asserted claims under the Massachusetts Uniform Trade Secrets Act (“MUTSA”), which went into effect in October of 2018, as well as other state and federal causes of action. Defendants moved to dismiss Neural Magic’s Chapter 93A claim, unjust enrichment claim, and part of its tortious interference claim on the grounds that these claims were preempted by MUTSA because they related to the allegation that Defendants stole and used trade secrets. Neural Magic argued that the MUTSA only applies to trade secrets and does not preempt claims based on theft of confidential or proprietary information that may not rise to the level of a trade secret.

The United States District Court for the District of Massachusetts began its analysis by noting that no court in Massachusetts has previously addressed MUTSA preemption in the context of claims based on theft of confidential or proprietary information. In addition, the court noted that there is a split of authority in courts in other districts regarding the scope of preemption of their uniform trade secret acts, with the majority view being in favor of preemption.

Nevertheless, the court rejected Defendants’ argument that Massachusetts’ adoption of the MUTSA effectively incorporated the majority view. The court stated that Neural Magic had not identified any Massachusetts legislative history supporting its argument and, absent a clear manifestation of legislative intent to displace a common-law cause of action, there is a presumption against preemption. Further, the court explained that, although MUTSA expresses a desire to create uniformity in trade secret law, MUTSA does not say anything about creating uniformity in the law regarding confidential or proprietary information more generally. Therefore, the court held that MUTSA preemption does not apply to state law claims relying upon an alleged theft of confidential or proprietary information.

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