Scribbles Squibs[1]# 69 (November 7, 2018):

"A MASSACHUSETTS FEDERAL DISTRICT COURT SAYS THAT COMPETITORS HAVE A RIGHT TO SEE AFTER BID DAY A BIDDER'S BID PROPOSAL FOR A MASSACHUSETTS PUBLIC PROJECT CONTAINING CLAIMED TRADE SECRETS/PROPRIETARY INFORMATION WITH NO EDITING (REDACTION) UNDER THE MASSACHUSETTS' PUBLIC RECORDS STATUTE"

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I. INTRODUCTION.

The fundamental issue in this case was whether or not the Federal Defense of Trade Secrets Act (DTSA) allowed a party to file a private action to sue a Massachusetts public owner to prevent disclosure of claimed proprietary information contained in a bid proposal to competitors and one TV reporter, as requested by them under the Massachusetts' Public Records Act. The Court answered this question in the negative, dismissing the case. The basis of her decision is because she held that the Court lacked 'subject matter' jurisdiction for this claim. And, this was because there is an exemption from DTSA with regard to "any otherwise lawful activity conducted by a governmental entity of the United States, A State, or a political subdivision of a State . . ." And, the Public Records Act is just such an 'otherwise lawful activity'.

The name of this case is FAST ENTERPRISES, LLC , (FAST) v. POLLACK, the Secretary and CEO of MassDOT (MASS). A decision allowing MASS's motion to dismiss was allowed by the Court in a decision dated 09/21/2018. The result of that decision is that FAST's competitors and one TV reporter can review FAST'S entire bid proposal, which FAST contends contains proprietary information/trade secrets. And, even though I find the decision to be terrifying, notwithstanding, I think that the decision itself was well-written and based on the law as it now stands.

This is a very significant and troubling decision that does not bode well for those performing Massachusetts public projects who may be required to submit with their bids information/documents containing proprietary information.

I see this case as a "Houston, we've had a problem here" type of case.

II. THE DECISION.

Some of the following language is taken directly from the decision.

FAST is a New York LLC. It designs, installs, and implements integrated computer software systems used primarily by various governmental departments and agencies. The software system at issue in this case is called the "FAST DS-VS," which assists in the administration of driver and vehicle services for state motor vehicle agencies.

On June 20, 2016, FAST submitted a bid proposal in response to the RMV's Division Core System Replacement Request for Proposals. The bid proposal was for the replacement of the RMV's core computer system. FAST asserts that its bid proposal contained confidential and proprietary information regarding the functionality and operation of the system that it proposed to install and that this functionality and operability makes its system unique and provides it with a competitive advantage over its competitors. FAST included a table on page 1 of its bid proposal entitled "Notice of Trade Secrets and Proprietary and Confidential Information," which identified the sections and pages in the proposal documents that contained purportedly confidential information.

Although the Court said that for procedural reasons the following didn't figure into her decision, the front page of the RFP stated, in all capital letters, that "all responses [to the RFP] including the winning bid shall become public record as of the date of the contract ... any portions of a response that are labeled as confidential will still be considered public record *(sic)* unless excepted under applicable law."

FAST'S bid was accepted.

On October 3, 2016, MASS advised FAST that it had received a public records request for the FAST bid proposal documents from FAST's competitors and one TV reporter. FAST's position was that the bid documents could not be disclosed without redaction of the claimed trade secrets and confidential information. MASS asserted that the unredacted (unedited) records were subject to disclosure under the Massachusetts Public Records Act.

FAST filed this lawsuit on October 24, 2016 and moved for a preliminary injunction on November 14, 2016, which injunction, in due course, was partially issued. MASS moved to dismiss the complaint, which motion was allowed, as evidenced by this decision. As such, the preliminary injunction was dissolved and FAST's competitors and one TV reporter would be able to look at FAST's entire bid proposal, confidential materials and all.

FAST argued that disclosure of the records at issue here would violate the Defense of Trade Secrets Act (DTSA), 18 United States Code, sections 1836-1839, a federal statute enacted

on May 11, 2016, just before the events in this case took place. Very generally, under this statute, one claiming that his/her trade secrets have been misappropriated would be entitled to an injunction essentially seizing materials misappropriated and would allow, also, for an award of damages and attorneys' fees.

Referenced in the decision was another Federal statute, this being 18 United States Code section 1833, which is titled as "Exceptions to prohibitions" pertaining to DTSA. This statute begins thusly: "(a) In general - This chapter does not prohibit or create a private right of action (ED: under DTSA) for - (1) any otherwise lawful activity conducted by a governmental entity of the United States, A State, or a political subdivision of a State . . ."

The decision stated that under the Massachusetts Public Records Act, a pertinent part of which is set forth below, documents must be disclosed unless they are "specifically or by necessary implication exempted from disclosure by statute," pursuant to MGL C. 4, § 7(26)(a). This statute is Massachusetts' Public Records Act.

Here are the parts of this statute relevant to our discussion:

"MGL C. 4. s. 7 Definition of statutory terms; statutory construction

The following is the definition of 'Person' in Section Twenty-third:

" "Person" or "whoever" shall include corporations, societies, associations and partnerships." Note, that in this comparatively short definition, there is no reference to any form of government or governmental agencies.

The following is the definition of "public records":

"Twenty-sixth, "Public records" shall mean all books, papers, maps, photographs, recorded tapes, financial statements; statistical tabulation or other documentary materials or data, regardless of physical form or characteristics, made or received by any officer or employee of any agency, executive office, department, board, commission, bureau, division or authority of the commonwealth, or of any political subdivision thereof, or of any authority established by the general court to serve a public purpose, or any person, corporation, association, partnership or other legal entity which receives or expends public funds for the payment or administration of pensions for any current or former employees of the commonwealth or any political subdivision as defined in section 1 of chapter 32, unless such materials or data fall within the following exemptions, in that they are: . . . .

(h) proposals and bids to enter into any contract or agreement **until** the time for the opening of bids in the case of proposals or bids to be opened publicly, and **until** the time for the receipt of bids or proposals has expired in all other cases; and inter-agency or intra-agency communications made in connection with an evaluation process for reviewing bids or proposals,

prior to a decision to enter into negotiations with or to award a contract to, a particular person;" (Emphasis added).

One notes that the protections as to bid proposal content exist only until the deadline for submitting bids. According to this language, bids and proposals are no longer protected documents after the time for receiving bids has passed. MASS argued, then, that in meeting its obligations under the Massachusetts Public Records Act set forth above, this constituted "(1) any otherwise lawful activity conducted by a governmental entity of the United States, A State, or a political subdivision of a State . . ."

In FAST's view, the DTSA is a statute that exempts proprietary documents from disclosure. DTSA is a federal statute, which adopts in large measure a 'model' law, which is not an existing law but a law which those familiar with its content visualize as being a good law for that subject matter.

According to the decision, FAST did not assert that Massachusetts state law would have exempted the records from disclosure prior to the enactment of the DTSA, or that any other provision of Massachusetts law prevents the records from being disclosed.

MASS's argument was that the disclosure of the records would be lawful in the absence of a DTSA prohibition because production of records is governed by the "otherwise lawful" language of the DTSA, thus precluding subject matter jurisdiction. The Court noted that the "otherwise lawful" language applies only to the activities of governmental entities, not private parties, and, that it appears that Congress specifically intended to circumscribe the DTSA so it would not interfere with the policy choices made by state governments in regard to their own operations.

The Court decided that absent a clear indication that Congress intended to circumscribe the universe of "otherwise lawful" state activity, the Court must read the statute as it is worded, and the text of the statute contains no such limitation.

The decision further stated that the exemption at issue here applies only to the actions of federal, state, and local government entities. And, that it is entirely reasonable to read the statute as demonstrating that Congress did not intend for the DTSA to abrogate state sovereign immunity or to otherwise interfere with lawful policy decisions made by state legislatures concerning the activities of the state. Thus, based on the plain text of the DTSA and the claims advanced by FAST, the Court must conclude that FAST seeks to enjoin the "otherwise lawful" activity of the state of Massachusetts. And, because the DTSA does not create a cause of action in such circumstances, the case is dismissed. Therefore, the decision in this case would not prevent MASS from producing the requested records.

As stated by the Court:

"Although the Court fully sympathizes with FAST and cannot help but wonder why the state would require the disclosure of proprietary bid information given the impact that it could have on future bid solicitations, it is constrained by the applicable statutes. Ultimately, as the federal statute does not provide for a cause of action in these circumstances, this issue must be resolved by the state courts or the state legislature."

It would seem that this is the kind of decision – a 'dispositive' motion ending the case – that could be appealed to the appropriate Court of Appeals, should FAST choose to go that route.

III. MASSACHUSETTS ENACTS ITS OWN VERSION OF DTSA.

A. NEW MASSACHUSETTS STATUTES APPLY ONLY PROSPECTIVELY, NOT RETROACTIVELY.

Massachusetts has enacted its own version of DTSA (MASS Version), which became effective on October 1, 2018 – just last month – and this can be found at MGL C. 93, s. 42-42G.

The MASS Version of DTSA has a three year statute of limitations – the time within which one can sue.

The events in the FAST case occurred in 2016, which would be within the three year period. However, this statute, in all likelihood, would have no application to these events, because statutes are always, or almost always, *prospective* in nature.

There is a concept in the law against having '*ex post facto'* application of new laws to prior facts.

Black's Law Dictionary, Tenth Edition defined *ex post facto*:

"ex post facto - Done or made after the fact; having retroactive force or effect.
ex post facto (Latin "from a thing done afterward") After the fact; retroactively."

The United States Constitution prohibits *ex post facto* application of new statutes to prior facts thusly:

United States Constitution Article 1, Clause 10:

"No State shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder, ex post facto Law,"

The idea underlying a prohibition of *ex post facto* laws is heavily based in criminal law.

Namely, somebody who did something a year ago at which time such an action was lawful should not be able to be punished under some law passed thereafter making such conduct illegal. To the best of my understanding, unless a new law is only a clarification of an existing law – usually, not even then – statutes apply only prospectively.

Massachusetts states as much through an amendment to its own Constitution:

"No law passed by the general court shall take effect earlier than ninety days *after* it has become a law, excepting laws declared to be emergency laws and laws which may not be made the subject of a referendum petition, as herein provided." (Emphasis added).

Emergency laws can take effect as early as on the day that they are enacted. And, in at least one prior Squib, I recall a statute that was discussed which stated that it wasn't going to take effect for the better part of a year after it was enacted. This type of provision is usually for statutes that will require a great deal of preparation on the part of persons regulated in advance of such statutes becoming in effect.

Based on all of this law, even though the events underlying the FAST litigation are less than three years old, I don't think there is much likelihood – if *any* – of having this statute being applied to the FACT issues.

B. POTENTIAL APPLICABILITY OF MASS DTSA AS TO THE FAST SITUATION.

The MASS Version wouldn't appear to provide any relief for a FAST- type situation.

At first reading, the MASS Version seems to have essentially the same concepts as are contained in DTSA. It is important to note that the Massachusetts legislature – for that matter, any legislature - in passing a statute will give us *words*. But, it is only with judicial decisions from our appellate courts that a statute gains *meaning.* With a brand new statute that is barely one month old, in all likelihood, there won't be any appellate cases discussing this statute for the next five to seven years.

In a situation where a state essentially adopts a federal statute as its own, interpretations from various federal appellate courts of that statute from other Circuits could be used by Massachusetts for what is called *persuasive authority.* That simply means that such decisions can be considered by a Massachusetts court but which decisions are not controlling (mandatory). *Mandatory authority* is law which must be followed by Massachusetts courts, unless such a decision changes the law.

Irrespective of such niceties as to whether such decisions are controlling or not, as a practical matter, it will probably be several years before there are any appellate decisions interpreting DTSA, as that statute is only about two and one-half years old, become effective on May 11, 2016.

So, here is some of the pertinent law from the MASS Version, which only became effective on October 1, 2018 – *last month*.

MGL, C. 93 s. 42 Trade secrets; definitions applicable to Secs. 42 to 42G

"(1) "Improper means", includes, without limitation, theft, bribery, misrepresentation, unreasonable intrusion into private physical or electronic space, or breach or inducement of a breach of a confidential relationship or other duty to limit acquisition, disclosure or use of information; reverse engineering from properly accessed materials or information is not improper means.

(2) "Misappropriation", (I) an act or acquisition of a trade secret of another by a person who knows or who has reason to know that the trade secret was acquired by improper means; or . . . (ii) an act of disclosure or use of a trade secret of another without that person's express or implied consent by a person who . . . (B) at the time of the actor's disclosure or use, knew or had reason to know that the actor's knowledge of the trade secret was . . . (II) acquired under circumstances giving rise to a duty to limit its acquisition, disclosure, or use; or (III) derived from or through a person who owed a duty to the person seeking relief to limit its acquisition, disclosure, use or use; or[2] . . .

"Person", a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, ***government, governmental subdivision or agency***, or any other legal or commercial entity. . . ." (Emphasis added)

It is interesting to note that the definition of 'person' includes "government, governmental subdivision or agency". So, presumably, action could be taken against a "government, governmental subdivision or agency" for violating this statute.

Continuing on with MGL, C. 93 s. 42 :

"(4) "Trade secret", specified or specifiable information, whether or not fixed in tangible form or embodied in any tangible thing, including but not limited to a formula, pattern, compilation, program, device, method, technique, process, business strategy, customer list, invention, or scientific, technical, financial or customer data that (I) at the time of the alleged misappropriation, provided economic advantage, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, others who might obtain economic advantage from its acquisition, disclosure or use; . ."

It seems that this definition is broad enough to include public bid proposals including subsidiary proprietary supporting documents. Back to the statute:

"Section 42A. Injunctive relief; taking of trade secrets . . . (ED. The injunctive assistance of the court, with a proper showing, can issue an order to enforce this statute.)

Section 42B. Trade secrets; damages (a) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a complainant is entitled to recover damages for misappropriation of information qualifying as a trade secret . . .(b) If willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subsection (a).

Section 42C. Trade secrets; attorney's fees and costs
The court may award reasonable attorney's fees and costs to the prevailing party if: (I) a claim of misappropriation is made or defended in bad faith.

Section 42F. Trade secrets; effect on other law (a) Except as provided in subsection (b), sections 42 to 42G, inclusive, shall supersede any conflicting laws of the commonwealth providing civil remedies for the misappropriation of a trade secret. (b) **Sections 42 to 42G, inclusive, do not affect: . . . (2) remedies based on submissions to governmental units**; . . ." (Emphasis added)

A bid is a submission to a 'governmental unit'. And, as you will recall from the discussion of the decision above, since DTSA provided FAST with no remedy, there do not appear to be any current Massachusetts remedies or other ways of blocking disclosure in Massachusetts. Does this mean, then, that notwithstanding this statute, which otherwise has significant substance and content, bid proposals by those in the position of FAST will *still* be discoverable through a public records request?

This is a statute that is all of one month old. In terms of how Massachusetts will ultimately interpret that phrase in Section 42F, it will be years before we have any judicial interpretations of this statute.

Since 48 other states have adopted a version of DTSA, the interpretations of this phrase by other states will be instructive, but will act only as *persuasive* authority as to this issue. At least, for now.

IV. CONCLUSION.

The FAST case, from a bid law standpoint, seems nothing but absolutely frightening. It is a complete disaster and nightmare. Throughout the bid process for public projects, there will be times that a bidder will submit information on its own proprietary systems. For example, other than through a bid, such information might be disclosed in a submittal. The FAST case seems to say that such a bidder's proprietary information and trade secrets are discoverable through a public records search, which is a fairly easy procedure to follow, with production of documents made often within one month of the request. Until this situation is remedied, one would think that fewer bidders will be willing to bid public work. And, a shrinkage in the number of bidders likely translates to higher prices for technology-involved procurements.

I preface the following sentences by saying that I am not an intellectual property lawyer. But, what about copyrights? Aren't they supposed to be protected? What is the point of having them if one company can easily get another company's proprietary information by simply making a public records search?

Now, this is a decision by a trial court. In most circumstances, such decisions are not mandatory authority that have to be followed by other courts. ('Mandatory authority' within the Federal court system would be decisions of a Court of Appeals or of the Supreme Court.)

As referenced elsewhere, from the day a superior court case is filed until there is a decision by the Appeals Court (or by Supreme Judicial Court) there is a period of about seven years. Or more. And, the Massachusetts adaption of the DTSA Act has only been in effect for about one month, which law only became effective on October 1, 2018.

Legislators give us the words but appellate courts tell us *what those words mean.*

Doubtlessly, competitors will cite the FAST case as authority for the propositionsthat they should be able to obtain a bidder's proprietary information and trade secrets through the very simple mechanism of a public records request. And, it should be noted that MGL C. 66, s. 10 – Massachusetts' version of the Federal Freedom of Information Act – has recently been amended to strengthen the procedures for obtaining documents in favor of the parties seeking public records.

From a bid law standpoint – and the standpoint of other laws – this doesn't seem to make any sense. Apart from that, this just doesn't seem fair.

The Court in her decision acknowledged that this decision could have a significant impact on bidders for public work. She stated that this was a matter for the state courts or the state legislature. Readers who bid on Massachusetts public work might contact their representatives and senators to see if something can be done about this invasion of a company's trade secrets and proprietary information. In the short term, that might involve filing legal actions in Massachusetts courts, if resourceful plaintiffs can find a theory that might support blocking disclosure in this type of situation.

As many readers are themselves politically active and/or are members of various contractor trade associations, hopefully, they can work together towards some form of remediation of this type of situation.

It would seem that an amendment to the Public Records Act might be the thing to do.

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[1] A s*quib* is defined as 'a short humorous or satiric writing or speech'. Wiktionary defines *squib* as "a short article, often published in journals, that introduces empirical data problematic to linguistic theory or discusses an overlooked theoretical problem. In contrast to a typical linguistic article, a squib need not answer the questions that it poses."

[2] That's a real mouthful! Once you have this mastered, if you are still feeling ambitious, perhaps you could practice saying it backwards!