

SUPREME COURT OF MINNESOTA

Hagen v. Burmeister & Associates, Inc.

633 N.W.2d 497 (Minn. 2001) · No. No. C3-00-496 · Decided August 2, 2001

SUMMARY

The Minnesota Supreme Court considered whether an insurance agency could be held vicariously liable for an employee's misappropriation of trade secrets under the Minnesota Uniform Trade Secrets Act. The court assumed, for purposes of the case, that vicarious liability could apply to a UTSA violation, but held that the employee's conduct was not shown to be foreseeable within the scope of employment because the plaintiff presented no evidence that misappropriation of trade secrets was a well-known hazard in the insurance industry. The court reversed the court of appeals.

CASE DETAILS

COURT	Supreme Court of Minnesota
WRITING FOR THE COURT	Lancaster, Justice; Heard; Lancaster
JURISDICTION	Minnesota
DECIDED	August 2, 2001
DOCKET	No. C3-00-496
DISPOSITION	reversed
PROCEDURAL POSTURE	American Agency appealed from the Minnesota Court of Appeals' reversal of summary judgment entered in American's favor on Burmeister's respondeat superior claim for vicarious liability for Hagen's misappropriation of trade secrets.
STANDARD OF REVIEW	Summary judgment is reviewed to determine whether there is any genuine issue of material fact; whether an employee's acts were foreseeable in the respondeat superior context is ordinarily a question of fact, but summary judgment is proper when the claimant presents no evidence raising that issue.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Court of Minnesota; the court's assumption that UTSA violations may support vicarious liability was expressly limited to the case because the issue was not challenged or fully briefed.
PARTIES	American Agency, Inc. v. Burmeister & Associates, Inc.

TOPICS

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QUESTIONS PRESENTED

1. Whether American could be vicariously liable for Hagen's alleged Minnesota Uniform Trade Secrets Act violation when the underlying conduct also violated Hagen's contract with Burmeister.
2. Whether the evidence raised a genuine issue of fact that Hagen's misappropriation of trade secrets was foreseeable and related to his duties so as to fall within the scope of his employment with American.

HOLDINGS

1. Vicarious liability for a Minnesota Uniform Trade Secrets Act violation is not converted into vicarious liability for breach of contract merely because the same conduct also breaches the employee's contract.
2. American was not vicariously liable for Hagen's UTSA violation because Burmeister presented no evidence establishing that the conduct was foreseeable as a risk of American's business or a well-known hazard in the insurance industry.

KEY QUOTATIONS

“Pursuant to that test, an employer is vicariously liable for an employee's intentional tortious acts when: (1) the tort is related to the employee's duties; and (2) the tort occurs within work-related limits of time and place.” (504)

“We will not assume, absent introduction of some evidence, that UTSA violations are a common hazard in the insurance industry.” (505)

FACTUAL BACKGROUND

Hagen sold the assets of his insurance agency, including policyholder information, to Burmeister and agreed to confidentiality and noncompetition restrictions. After leaving Burmeister to work for American Agency, Hagen sent a solicitation letter to more than 200 Burmeister customers whose accounts he had previously sold to Burmeister. American provided stationery and envelopes and later allowed Hagen to transfer business from some solicited clients, but Burmeister presented no evidence that misappropriation of trade secrets was a foreseeable or well-known hazard in the insurance industry.

PROCEDURAL HISTORY

After a bench trial, the district court found Hagen liable for breach of contract and misappropriation of trade secrets but ruled that American was not vicariously liable. The court of appeals reversed in Hagen I and remanded for findings concerning whether Hagen acted within the scope of his employment. On remand, the

district court granted American summary judgment, but the court of appeals again reversed in Hagen II. The Minnesota Supreme Court reversed the second court of appeals decision.

DISPOSITION

reversed

CASES CITED

- T.W. Sommer Co. v. Modern Door & Lumber Co., 293 Minn. 264, 269, 198 N.W.2d 278, 281 (1972)
- Hagen v. Burmeister & Assocs., Inc., No. C8-98-864, 1999 WL 31130 (Minn. App. Jan. 26, 1999)
- Hagen v. American Agency, Inc., 617 N.W.2d 799, 804-05 (Minn. App. 2000)
- Micro Data Base Sys., Inc. v. Dharma Sys., Inc., 148 F.3d 649, 654 (7th Cir. 1998)
- Tracer Research Corp. v. National Environmental Services Co., 42 F.3d 1292, 1295 (9th Cir. 1994)
- World Wide Prosthetic Supply, Inc. v. Mikulsky, 631 N.W.2d 253, 256 (Wis. Ct. App. 2001)
- Electro-Craft Corp. v. Controlled Motion, Inc., 332 N.W.2d 890, 898-99 (Minn. 1983)
- Fahrendorff v. North Homes, Inc., 597 N.W.2d 905, 910-12 (Minn. 1999)
- Lange v. National Biscuit Co., 297 Minn. 399, 403-04, 211 N.W.2d 783, 785-86 (1973)
- Kasner v. Gage, 281 Minn. 149, 152, 161 N.W.2d 40, 42 (1968)
- P.L. v. Aubert, 545 N.W.2d 666, 668 (Minn. 1996)
- Marston v. Minneapolis Clinic of Psychiatry and Neurology, 329 N.W.2d 306, 311 (Minn. 1983)
- Balder v. Haley, 399 N.W.2d 77, 80 (Minn. 1987)