



Legal Alert: \$1.9 Million Jury Verdict Awarded on Former Employee's Minnesota State Law Claim

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Last month, a federal jury in St. Paul awarded a former engineer at Seagate Technology \$1.9 million after concluding that his former employer violated a rarely used Minnesota Statute that prohibits the use of knowingly false statements to induce someone into employment. *Vaidyanathan v. Seagate US LLC, et al.* Vaidyanathan, a yield engineer with a Ph.D. in metallurgical engineering, had worked at Texas Instruments in Dallas as the head of the department tasked with ensuring reliability and the uniform operation of the company's products. In late 2006, Seagate sought to manufacture and sell a semiconductor drive for the first time, and in 2007 the company began looking for a yield engineer for this new product. (Seagate had historically and exclusively manufactured and sold hard drive disks). The following year Vaidyanathan accepted a non-management position at Seagate for a yield engineer position after negotiating upward his salary, sign-on bonus, and stock options. Vaidyanathan testified that he understood that he was hired as an at-will employee with no promise of a guaranteed length of employment. Nevertheless, he subsequently relocated to Minnesota from Texas with his wife and two young children. Seagate reimbursed Vaidyanathan for his expenses associated with the move. Vaidyanathan began his employment with Seagate in February of 2008 and purchased a home three months later. Seagate promoted Vaidyanathan in May 2008, although he had not done any actual yield engineering work, and gave him a raise and a bonus in August 2008. In September 2008, Vaidyanathan learned that Seagate was discontinuing its efforts to develop and sell a semiconductor drive. In December 2008, his position was effectively terminated with the company and he was laid off with 29 other individuals. Vaidyanathan never actually performed any yield work during his tenure with the company. **Vaidyanathan's Claims** After refusing a severance offer, Vaidyanathan sued Seagate in state court alleging claims of fraudulent inducement to enter into an employment contract in violation of Minnesota Stat. §§ 181.64-65 and promissory estoppel. Under Minn. Stat. § 181.64, employers are liable if they "induce, influence, persuade, or engage any person . . . to change from any place in any state, territory, or country to any place in this state . . . through or by means of knowingly false representations . . . concerning the kind or character of such work[.]" At the heart of this claim, Vaidyanathan contended that "Seagate knowingly made false representations concerning the kind or character of the position it offered to him, inducing him to give up his job at Texas Instruments to take the job with Seagate."

Alternatively, and based on the same alleged misrepresentations,

Vaidyanathan claimed that he was entitled to damages under a promissory estoppel theory because he relied on the promise of a yield engineer position, which was clear and definite and which Seagate intended that he rely upon. **Jury's Verdict** After seven days of trial, the jury returned a \$1.9 million dollar verdict in favor of Vaidyanathan on his claim under Minn. Stat. § 181.64. The jury answered yes to the questions of whether Seagate made "a knowingly false representation to [the] plaintiff" and that the nature of the representation concerned "the kind or character of the work plaintiff would perform for [Seagate]." The jury also concluded that Seagate's knowingly false representations would "induce, influence, persuade or engage plaintiff to move from Texas to Minnesota to work for defendant." Because this statutorily-based claim provides for attorneys' fees, Vaidyanathan has also provided notice that he seeks his fees in this case. As of this writing, the court has not ruled on this issue. Nevertheless, given the length of trial and the number of witnesses, Vaidyanathan's fees will likely be significant.

Vaidyanathan's claim of promissory estoppel was submitted to the court (rather than the jury, who decided the statutory claim). Notably, the court dismissed the promissory estoppel claim relying on Vaidyanathan's eight months of work and significant education and experience in concluding that enforcement of Seagate's promise was "not necessary to prevent an injustice to Plaintiff[]" as required by a promissory estoppel claim. **What This Means for Employers** Although this statute has been rarely litigated, the size of the verdict in this case and the publicity surrounding other well-known claims of inducement in the workplace (see, e.g., the recent \$1.25 million jury verdict in the case brought by Jimmy Williams against the University of Minnesota involving claims of a promised but withdrawn coaching position under Tubby Smith, which was not brought under Minn. Stat. § 181.64) have dramatically raised the profile of this cause of action. Prudent Minnesota employers who recruit nationally must ensure that they provide potential employees with accurate expectations of what new positions entail. Although not always a pleasant conversation and one that may seem obvious to every employer, inherent business risks associated with the position should be discussed and documented before highly compensated professionals relocate here. Ford & Harrison will continue to monitor this area of developing law in Minnesota. If you have any questions regarding this statute or other labor or employment related issues, please contact the Ford & Harrison attorney with whom you usually work or the author of this Alert, Adam Klarfeld at aklarfeld@fordharrison.com.