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Supreme Court deals blow to whistleblower protections

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The Supreme Court on Wednesday showed no love for certain corporate whistleblowers, ruling that those who report misconduct only to their companies are not protected by the broadest federal law.

Whistleblowers must inform the Securities and Exchange Commission of alleged improprieties, the court said.

In ruling 9-0 against a California man, the court declined to broaden protections clearly defined in 2010's Dodd-Frank Act.

Justice Ruth Bader Ginsburg, writing for the court, ruled that Digital Realty Trust, an investment company, didn't do anything illegal when it fired Paul Somers in 2014 for reporting to senior management that his supervisor was hiding cost overruns.

"Somers did not provide information 'to the Commission' before his termination … so he did not qualify as a 'whistleblower,' " Ginsburg wrote.

The decision reverses the judgment of the Ninth Circuit Court of Appeals, which had ruled in favor of Somers.

Whistleblowers who don't contact the SEC still have some protections in 2002's Sarbanes-Oxley Act — but the window for filing under that law is much shorter.

Companies, especially those on Wall Street, have come to rely on whistleblowers reporting internally. For starters, companies that bring issues to the SEC — instead of the SEC getting a tip and bringing it to the company — have seen the regulator go lighter on punishments.

The high court decision is seen as a major win for corporate America.

Pro-business organizations like the US Chamber of Commerce and the Cato Institute wrote amicus briefs taking the side of Digital Realty.

The chamber, the largest lobbying organization in the US, argued that the ruling would root out "meritless" whistleblower claims, according to the group's brief.

Whistleblower advocates, however, said that the ruling will end up hurting corporations.

"It is a day that some in corporate America will view as a victory and many over time will come to regret," Jordan A. Thomas, chair of the whistleblower practice at Labaton Sucharow, told The Post.

Whistleblowers are more likely to go straight to federal investigators — which could end up leading to more fines or criminal charges for corporate malfeasance, Sean McKessy, a partner at Phillips & Cohen, and former chief of the SEC's Whistleblower Office, told The Post.