

4 STEPS TO AVOID 'BET-THE-COMPANY' TRADE SECRET LITIGATION

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It's every inside counsel's nightmare: realizing that the new piece of litigation that has just landed on their desk has the potential to cripple the organization, or even force it to shutter its doors, if the end result doesn't go their way.

Although there are many possible ways for a legal problem to develop into so-called "bet-the-company" litigation, one of the more common situations that could lead you down this frightful path is through the mishandling of trade secrets. Whether you are an in-house attorney hoping never to face such a situation, or outside counsel hoping to steer your clients away from such a monumental kind of case, the ongoing legal battle between Uber and Waymo offers some definitive lessons.

Driverless Car Technology Leads To High-Stakes Lawsuit

It is not every day that a bet-the-company trade secret case involves a company with a valuation of \$68 billion, but that is exactly what is currently taking place in the lawsuit brought by Waymo, [Google's](#) self-driving car unit, against Uber. The case's origins can be traced to the belief that the self-driving car will soon have a revolutionary impact on the fundamental nature of transportation; Uber CEO Travis Kalanick, in fact, [has described his company's efforts](#) to develop a driverless car as critical to Uber's very existence. To that end, Uber hired Anthony Levandowski, a former Waymo engineer, and gave him substantial power to lead Uber's research efforts in the self-driving arena. Waymo has contended that Levandowski copied roughly 14,000 of its documents before leaving the company and joining Uber, leading to the litigation in the U.S. District Court for the

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Waymo moved to enjoin Uber from continuing its LiDAR (light detection and ranging) research, which is critical to the prospect of driverless cars, or at least from research involving what Waymo alleges are the trade secrets taken by Levandowski. U.S. District Court Judge William Alsup did not grant the full extent of the preliminary relief sought by Waymo, although he did enjoin Levandowski from working on the project, among various other forms of relief in a [26-page order](#) published on May 15. The case will now proceed into the money damages phase with a trial scheduled for October. In the latest twist in this modern legal saga, Uber fired Levandowski on May 30 after he cited the Fifth Amendment's right to avoid self-incrimination and refused to hand over evidence and testimony to the judge.

4-Step Plan To Avoid Bet-The-Company Trade Secret Litigation

The Waymo LLC v. [Uber Technologies Inc.](#) lawsuit is fascinating on a number of levels and presents a host of object lessons for employers. From these lessons, there are four steps that all employers and workplace attorneys should consider adopting to avoid being embroiled in a similar high-stakes courtroom battle.

1. Take concrete steps to deter new employees from bringing information from competitors.

With Uber having discharged Levandowski, its primary defense is going to be that it did not use any of Waymo's trade secrets on its LiDAR research. A secondary defense will be that any acts of misappropriation on the part of Levandowski were done on his own time and using his own personal devices, such that Uber should not be responsible for that conduct. Indeed, over the course of expedited discovery, Uber argued that there is no trace of the 14,000 documents from Waymo on Uber's servers.

That said, Waymo has pointed to the fact that Uber did not require that Levandowski sign any documents stating that he was forbidden from bringing confidential materials from Waymo as part of the on-boarding process. This absence is in contrast to Uber's subsequent decision to have a pair of incoming employees from Waymo sign acknowledgments that they would not bring Waymo materials, a fact that did

not escape Judge Alsup's attention. In retrospect, Uber would have been better served if it had ensured consistency by having Levandowski affirm that he would not retain, use or disclose a competitor's materials while working for Uber.

Uber's issues are complicated by the fact that it did not hire Levandowski directly from Waymo. Rather, Uber purchased Otto, a business formed by Levandowski focused on efforts to develop driverless technologies for trucks. Thus, while an employer in a typical trade secret case can often establish that it could not be expected to know what its new employee brought from a competitor, that claim will be hard for Uber to make in this particular case. The company presumably went through a due diligence process when buying Otto, which probably included a vetting of the source of Otto's intellectual property.

2. Consider state-specific factors that can make a trade secret dispute more likely.

There is a good chance that this situation never would have occurred if Levandowski worked for Waymo somewhere other than California, one of a small number of states that prohibit the use of noncompete agreements. In most other states, a key engineer like Levandowski would have been required to sign restrictive covenants that would have prevented him from moving to Otto and then Waymo in competitive capacities. He would have had to stay at Waymo, wait out the noncompete period — a time in which his knowledge of cutting-edge driverless technology could very well become stale — or relocate to a place not covered by the noncompete (or in which a court would invalidate the covenant). The fact that he was free to form his own competitive company and then to move to a direct adversary of his former employer illustrates the argument made by some that California's ban on noncompetes aids the state's innovative business culture by facilitating the cross-pollination of ideas in the technology sector.

However, the mobility that results from California's rules on restrictive covenants also makes it more likely that employees will take materials when moving between employers. As a result, California has an extremely well-developed body of case law on trade secret misappropriation, one that both Waymo and Uber will use as their case moves forward. Thus, the lesson for employers is that they need to make sure that they have enforceable

agreements in place with key employees where possible and then be prepared to fall back on their trade secret protection efforts elsewhere.

3. Admit that no employee is too smart to make a big mistake.

At a glance, Levandowski would be the last employee whom one would expect to make a mistake so large that it leads him to “plead the Fifth” in a deposition over 400 times — and in a case in which he is not even a party. Uber’s purchase of Otto cost the company \$680 million, and Waymo has alleged the stock grant paid to Levandowski as part of the transaction was worth \$250 million. With those nine-figure sums at stake, a natural assumption would be that Levandowski — a key employee with access to the most sophisticated legal counsel — would handle his departure in a clean, risk-averse manner. Adding to the big picture are the facts that Levandowski is (shall we say) highly computer literate and leaving a Google company, so he ought to have been the first to know that his former employer would be capable of sleuthing out his efforts to move files to a personal device. Instead, he now faces a situation where Judge Alsup has taken the unusual step of referring Levandowski to the U.S. attorney for a potential criminal review.

The lesson here is simple: Any employee can make a mistake when leaving an employer. Smart, capable, and commercially sophisticated workers with a lot at stake can blunder their way into making their new employer a defendant and themselves a potential person of interest to law enforcement. Make no assumptions about departing employees leaving in a proper manner so you do not have to rely upon...

4. The errantly addressed email, which is often the item that launches a thousand ships.

If Waymo LLC v. Uber Technologies Inc. were “The Iliad,” then an email from a vendor would be Helen of Troy. Waymo did not find out that Levandowski had retained a large number of files for months after he departed. It discovered the occurrence when a vendor accidentally copied a Waymo employee on an email that included an attachment of Uber’s work on LiDAR. That attachment raised Waymo’s curiosity and then further research — including a forensic

investigation that led to the discovery of the downloading of roughly 14,000 files — led to the decision to file a lawsuit.

This is a common scenario in trade secret cases, as plaintiffs often discover claims based on accidentally sent emails, disgruntled former employees or contractors, or loose water cooler chatter. The upshot for employers comes back to the first piece of advice in this article: When hiring employees from competitors, the smart company will impress upon the new hire that they should assume that their former employer will discover everything. Every email sent to a Gmail account. Every file moved to a thumb drive or the cloud. Every furtive effort to reach out to customers and former co-workers. The best way to avoid being a trade secret defendant is to assume perfect knowledge on the part of a competitor, and then to behave accordingly.

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