Lessons From The Waymo v Uber Trade Secrets Trial

Insights
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Just hours after the Eagles clinched their upset Super Bowl win over the Patriots, a different battle royale began in a San Francisco courtroom between an established juggernaut and its upstart rival. For techies and trade secret geeks, the Waymo v. Uber trial was shaping up to be the Super Bowl of trade secret litigation. The lead-up to the trial had more surprises than a Justin Timberlake halftime show (though fewer wardrobe malfunctions).

But on Friday, just one week into the trial, Uber and Waymo—Google's autonomous driving spin-off—announced a surprise settlement, ending the year-long litigation and turning the rivals into business partners. Under the terms of the settlement, Waymo dropped its claims that Uber stole key trade secret technology from Waymo when it hired former Waymo wünder-engineer Anthony Levandowski and acquired Otto, Levandowski's self-driving truck startup, in 2016. In exchange, Uber agreed to ensure that it is not using any of Waymo's proprietary information (including the laser technology at the center of this trade secret imbroglio) in its self-driving technology, and to give Waymo a 0.34 percent ownership interest in Uber—worth about $245 million at Uber's $72 billion valuation.

How We Got Here: Waymo's Trade Secret Claims Against Uber
Competition for self-driving technology and talent is white-hot. At the center of that competition—and the Waymo/Uber battle—is laser technology that will allow autonomous vehicles to scan and map real-time three-dimensional images of the environment in which they operate. This laser technology, known as LiDAR, enables self-driving vehicles to detect traffic, pedestrians, and the other obstacles that autonomous vehicles must confront in order to drive safely.

Anthony Levandowski was a star engineer at Waymo. He managed the company's self-driving car projects until January 2016, when he left the Google spin-off to found his own autonomous vehicle start-up, Otto. It officially launched in May 2016, and Uber acquired Levandowski's start-up for $680 million a few months later, in August 2016. As part of that deal, Levandowski took over as chief of Uber's autonomous vehicle program.

Waymo apparently became aware that Levandowski may have taken its proprietary LiDAR information when a vendor inadvertently copied Waymo on an email showing an Uber LiDAR circuit board that closely resembled Waymo's own circuit board. Waymo also uncovered evidence that Levandowski had downloaded thousands of documents from Waymo's databases in the month before he left Waymo. A forensic analysis found that Levandowski moved those documents onto his personal laptop and then connected a memory card reader to the laptop for eight hours, after which he completely erased the laptop. Waymo also alleged that a number of other Waymo employees who subsequently followed Levandowski to Otto had, in the days and hours prior to their departures, downloaded sensitive information from Waymo's systems, including supplier lists, manufacturing details, and other confidential information.

Uber's defense focused on its argument that the alleged "trade secrets" weren't, in fact, trade secrets because the information at issue was generally known or ascertainable by Uber's own engineers. Uber also argued that that, even if the information taken by Levandowski and other former Waymo employees were trade secrets, Uber did not engage in illegal misappropriation—an essential element of Waymo's trade secret claims—because Waymo did not reasonably attempt to protect its alleged trade secrets.

Lessons Learned

Though the settlement scuttled hopes for additional intriguing testimony and a blockbuster jury verdict, the litigation offers plenty of lessons for businesses involved in acquiring talent and technology in the tech industry and beyond.

Preventing and Identifying Misappropriation From the Outset

As Waymo belatedly learned, departing employees can easily walk out the door with massive amounts of sensitive data. Employees with access to confidential information can (and sometimes do) intentionally copy documents and information to flash drives or external hard drives, or email sensitive information to their personal email accounts. More often than not, employees end up unintentionally departing without purging proprietary and sensitive information from their devices and accounts.

In order to avoid costly and time-consuming trade secret litigation, you should emphasize to employees from the beginning of their employment—in writing and verbally—that the company's confidential information is proprietary and must be purged from employees' possession at the conclusion of their employment. When an employee leaves, you should require the departing employee to confirm in writing that they have returned all confidential information and removed the information from any of their personal devices and accounts. This includes an employee's home computer, external hard drives, thumb drives, personal email accounts, and cloud-based accounts (including contacts and data saved in iCloud or other cloud-based systems).

Hiring employers can also take preventative action to avoid claims that a new employee brought trade secrets or confidential information with them to their new position. For instance, a new employer should require incoming employees to confirm in writing that they have completed a thorough analysis of their possessions and returned any confidential information to their former employer. If you are recruiting a prospect who is currently employed with another organization (particularly if their current employer is a competitor), you should instruct the prospect not to employ any file-wiping software without their employer's consent, and not to lie in their exit interview.

These precautions, when implemented during the hiring process and when an employee leaves, can help prevent the sorts of disputes that arose in the Waymo/Uber litigation.

No Non-Compete, No Problem?
Hiring employers are often aware of the risks associated with recruiting and on-boarding employees who have agreed to restrictive covenants like non-compete and non-solicitation provisions with a former employer. These agreements can serve as important shields to protect a company's key relationships, investments in training, and confidential information. When considering hiring an employee subject to restrictive covenants, you should work with legal counsel to determine whether the agreement is actually enforceable, and whether you can hire the worker into a position that would comply with the covenants.

However, you need to remember that risks abound even when a new employee is not covered by a non-compete or non-solicitation agreement with a former employer, just as Levandowski was not subject to any such agreements with Waymo. As the Waymo/Uber case made clear, departing employees like Levandowski and new employers like Uber can still face serious legal headaches even without having to address non-compete and non-solicit agreements.

Comprehensive Checklist
The Fisher Phillips Employee Defection and Trade Secrets Practice Group has developed a free, comprehensive checklist for employers to use when recruiting employees from a competitor. If you are interested in this point-by-point guide to reducing the chances of costly litigation, please reach out to your Fisher Phillips attorney or any member of the practice group to ask for a complimentary copy.

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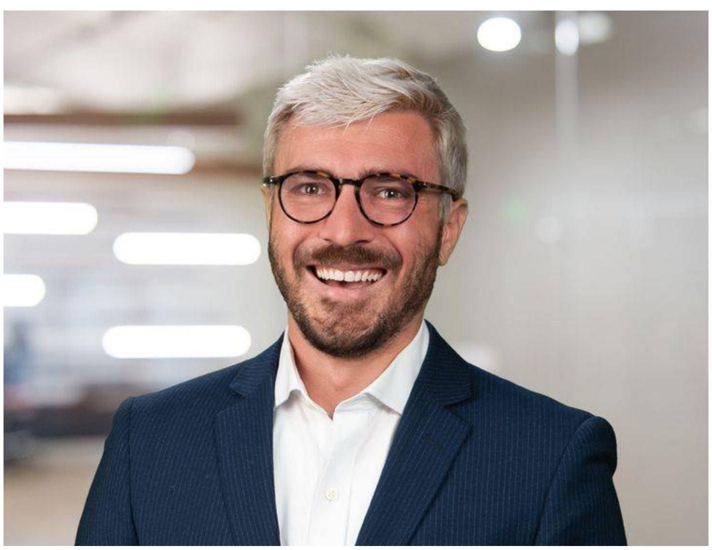

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