

Uber Hits a Bump in the Road with Its Self-Driving Technology with Alleged Trade Secret and Patent Violations

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by Nick Akerman



In February, Waymo LLC, formerly Google's self-driving car development company, sued Uber Technologies, Inc. and others in federal court in San Francisco for, among other things, violations of the Defend Trade Secrets Act of 2016, 18 U.S.C. § 1836 *et seq.*, and patent infringement, and for a preliminary injunction against defendants' use of the allegedly

misappropriated information. The complaint alleges that three former Waymo employees downloaded over 14,000 files equating to 9.7 GB of data related to Waymo's highly confidential "LiDAR" technology that is central to implementing its self-driving technology. Shortly after downloading this data, Waymo alleges that the three Waymo employees defected to defendants Ottomotto LLC and Otto Trucking LLC, which Uber subsequently acquired several months later for \$680 million.

Waymo alleges that it inadvertently uncovered the alleged misappropriation and infringement when it received an e-mail from one of its LiDAR component vendors, titled "OTTO FILES," containing a machine drawing of what purported to be an Otto circuit board – but which bore a striking resemblance to Waymo's circuit boards. Waymo investigated the departure of the three former employees and their downloading activities, and confirmed that one employee in particular had downloaded each version of each subsequent generation of Waymo's LiDAR circuit boards. The complaint alleges that this employee also sought to erase any evidence of his downloading activities in the weeks prior to his departure from Waymo, and that he met with Uber executives prior to his departure.

Until its acquisition of the Otto entities, Waymo alleges that Uber did not possess the

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technology or know-how to engineer its own LiDAR system, and that it was using a system made by a third-party vendor. “LiDAR” stands for “Light Detection And Ranging” and uses lasers to measure distances between one or more sensors and external objects in order to measure the light that reflects off of objects to identify potential obstacles in the road. Waymo (under the auspices of Google) began developing its self-driving technology in 2009 and has developed its own LiDAR system tailored from its 2.5 million miles of autonomous driving on public roads and over a billion miles of simulated driving in its labs.

The Misappropriation of Trade Secret Claims

Waymo alleges claims under both the Defend Trade Secrets Act of 2016, 18 U.S.C. § 1836 *et seq.*, and the California Uniform Trade Secrets Act, Cal. Civ. Code § 3426 *et seq.* The Defend Trade Secrets Act of 2016 was enacted in May 2016 and federalizes trade secret protection, while preserving state law trade secret protections. The Act provides a uniform definition of trade secrets, misappropriation, and provides for nationwide service of process and nationwide execution of judgments. There is a three-year statute of limitation for claims alleged under the Act.

Under the Act, the term “trade secret” is defined broadly to mean “all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing.” (18 U.S.C. § 1839(3)).

The term “misappropriation” has the same definition as it does in the Uniform Trade Secrets Act (and the California trade secrets law) and means: “acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or disclosure or use of a trade secret of another without express or implied consent by a person who—(i) used improper means to acquire knowledge of the trade secret; (ii) at the time of disclosure or use, knew or had reason to know that the knowledge of the trade secret was—

(I) derived from or through a person who had used improper means to acquire the trade secret;

(II) acquired under circumstances giving rise to a duty to maintain the secrecy of the trade secret or limit the use of the trade secret; or

(III) derived from or through a person who owed a duty to the person seeking relief to maintain the secrecy of the trade secret or limit the use of the trade secret; or

(iii) before a material change of the position of the person, knew or had reason to know that—

(I) the trade secret was a trade secret; and

(II) knowledge of the trade secret had been acquired by accident or mistake” (18 U.S.C. § 1839(5)).

Moreover, the term “improper means” is defined to include: “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means; and does not include reverse engineering, independent derivation, or any other lawful means of acquisition.”

Under both the Federal and California trade secrets laws, Waymo must prove that it took reasonable steps to protect its trade secrets. Indeed, Waymo alleges that the information obtained by its former employees was encrypted, required passwords, and was accessible only on a “need-to-know” basis. Waymo further alleges that it required confidentiality agreements with all of its outside vendors and ensured that no single vendor had access to all of its trade secrets, in order to further protect them.

Waymo must also identify its trade secrets with reasonable particularity under California law (California Judicial Council of California Civil Jury Instructions (“CACI”) No. 4401). Waymo has alleged that the misappropriated trade secrets differ from its asserted infringed patents, in that the patents relate to a prior generation of LiDAR designs, which have been subsequently updated to incorporate as-of-yet unpatented designs related to, among other things, measurements for laser beam spacing, elevation, and orientations.

If Waymo prevails on its trade secrets claim, it will be able to recover the amount of its actual loss or the amount that defendants were found to have been unjustly enriched in their misappropriation, or both. (CACI 4409). Waymo also seeks exemplary damages under Cal. Civ. Code § 3426.3(c) because it alleges that given the circumstances under which defendants obtained their technology, they knew or should have known that the information misappropriated consisted of trade secrets, and their actions were therefore willful, malicious, and fraudulent.

Expedited Discovery and Request to Stay Action Pending Arbitration

Judge William Alsup, the presiding District Court judge, has since granted the parties the ability to take expedited discovery, including depositions, including with respect to all files allegedly copied by the former Waymo (now Uber/Otto employees) containing the alleged trade secrets. Waymo’s reply to defendants’ opposition to the motion for preliminary injunction is due on April 21. The Court will conduct a hearing on the motions on May 4 (Dkt. No. 61).

However, on March 29, defendants moved to stay the federal court action and the preliminary injunction motion with respect to the trade secret and unfair competition claims and require Waymo to arbitrate these claims pursuant to the arbitration agreement executed between Waymo and Anthony Levandowski, the first employee to leave Waymo and help form the entities that later became Ottomotto LLC and Otto Trucking LLC (Dkt. No. 125). Defendants argue that the arbitration provisions require

Waymo to arbitrate all disputes “with anyone” that arise out of Levandowski’s employment – including entities not party to the arbitration provisions, such as defendants.

Defendants point to the fact that Waymo filed two arbitration demands with JAMs in October 2016 against Mr. Lewandowski in order to bolster their argument. They argue that Waymo should be equitably estopped from seeking to arbitrate claims with Mr. Levandowski while simultaneously bringing interdependent claims against defendants in federal court. Defendants argue they will separately initiate arbitration proceedings to seek a declaratory judgment that Waymo’s claims are meritless.

However the Court decides defendants’ motion, one thing is certain: with a trillion-dollar industry at stake, the parties will be fastening their seatbelts for what will surely be a rough ride.