The Case of Waymo V. Uber: The Detrimental Harm to the Evolution of Trade Secret Laws

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Abstract

In a high-speed chase toward being the first innovator in an ever-changing infusion of business and technology, crashes of technological giants’ intellectual property are almost certain to take place yet again, in comparison to their unprecedented progression, found themselves at the mercy of the one entity that many critics have said seemed to have stood still in time - the law. Oftentimes criticized for its inability to keep up with society’s swift technological advancements, it is this slow human component of the law in contrast to the unpredictable evolvement of a robotics society, that has ensured safeguards, thus recementing railings for the necessary protection of these same innovators. In one’s over sweeping critique of the law’s pace in contrast to technology, it is mindful to note that such critique cannot apply to all four sources of the law. Legislative bodies and administrative agencies have a responsibility to be vigilant and intentional in predicting technological shifts and enact safeguards or face the consequences synonymous with that of the wild-wild west. On the other hand, the Constitution, is the bedrock for the United States’ governing structure and the fundamental laws for its citizens. Those have been cemented to withstand the test of time and thus must move as slowly as a continental shift to maintain consistency and reliability is an ever-changing society.

As for case law, it has always evolved from crisis. It is from the agony of disputes that this law has been shaped. It cannot be ahead of society as it is shaped in the here and now of its citizens. This is evident in the fact that establishing standing-injury sustained, as oppose to injury one thinks will be sustained-is a requirement for judicial intervention regarding resolving disputes. The critique therefore that case law is ill equipped to meet the challenges of innovation is only correct to the extent that such disputes, evidenced by Waymo v. Uber are either not resolved by the courts, based on the parties’ decision-hence the non-creation of case law in that particular field, or parties do not believe that disputes have risen to the level where judicial intervention is required. This paper will use the settled 2018 case of Waymo v. Uber to challenge the over sweeping theory that the law is not keeping at pace with the evolutionary speed of technology, thus implying that newly sprouted issues will likely leave courts in the position comparable to that of deer in headlights.

Keywords: Waymo, Uber, Google, Alphabet, Intellectual Property, Self-Driving Cars, Lidar, Trade Secrets, Anthony Levandowski

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INTRODUCTION

It is said that there is nothing new under the sun, so as far as innovation goes, ideas are as old as time, but it is the one who first carries that idea across the finish line to reality that is cemented in history as “the first.” It is this recognition of being a trailblazer coupled with the success of the innovation, that cause stock share prices to boom as households are yet again convinced that they need this new product, thus increasing the demand for it. It is this recognition of “the first,” that can lead to market dominance and solidify a company as the leading expert, much to the approval of shareholders. However, as quickly as an idea comes, being the originator introducing a project in a trillion-dollar industry to fruition is not always smooth, as sometimes, an unexpected competitor rises, and the race to “the first,” begins, with the law being the decision maker as to the winner. This was not to be in the case of Waymo v. Uber. As the parties put into practice, the exercise of their right to settle their case, the anticipated epic conclusion was snatched from vested legal minds who spent many hours predicting the nuances of this impending new case law and the impact the 9th Circuit was to create for trade secrets and data handling cases. Critical would the final decision have been from the Court of Appeals or the Supreme Court, had the case been granted Writ of Certiorari, giving the legal precedent famine in trade secret law and thus the need for the food of thought from decided cases. The anticipated trial of Waymo v. Uber and the varying courts’ reasoning that would have been birthed from it, as appeals were certain, was on the verge of being a landmark case snatched from its place of shaping the legal landscape of trade secrets, data handling and self-driving cars. As Waymo v. Uber would have been the first case regarding self-driving cars, it is the discontinuance of the case that has failed an area of intellectual property, not the lack of legal precedent or standing law that has failed the technological community.

The History of Self-Driving Cars

The arts, through entertainment, have always managed to give inventors a glimpse into the future-be it “The Jetsons” on their cellphones or “Back to the Future” with their flying cars. Such was the case for locomotion and transportation when Leonardo Di Vinci, as a theatrical prop, created a cart that did not have to be pushed by anyone, because it was made to propelled itself (Leonardo Da Vinci Inventions). This mind-boggling invention even dare went so far as to have not only the capability to steer itself in varied directions, based on programmed pre-set angles, but also the ability to release its breaks, hence, the propulsion (Leonardo Da Vinci Inventions).

Catapulting from Italy in the Middle Ages to New York City, 1925, Houdina Radio Control Company debut American Wonder, its self-driving car, made possible from signals it was receiving from another car behind it in proximity (Engelking 2017). Achen Motor, only one year later, debut its remote-controlled car called the “Phantom Auto” on the streets of Milwaukee and continued to do so throughout the 20s and 30s (Nguyen 2018). These inventions shared a similar problem-they were sharing the streets with cars that required drivers, and the likelihood of collision was real, as in the case of Houdina’s American Wonder. To resolve that collision issue, Norman Bel Geddes, in 1939, at the New York World’s Fair, introduced his exhibit Futurama (Gringer). With this concept comes automated highways controlling automated cars, allowing passengers to expediently and safely arrive at their destinations (Nguyen 2018).
Exactly two decades later, in 1959, on a 400 feet automated highway, in Nebraska, General Motors and RCA would bring to fruition its revolutionary concept (Nguyen 2018). General Motors implanted sensors in the front end of its self-driving car (Gringer). These sensors were in pick-up coils and would detect the current flowing through a wire embedded in the road (Gringer). The steering wheel would adjust its direction accordingly based on the manipulated information it was receiving from the current (Gringer). As it became more evident that building new types of roads upon which self-driving cars could only operate was impractical due to costs, the focus switched back to the car itself. This switch took place in California in 1960, when James Adams, a Stanford engineering graduate student, constructed a remote controlled lunar rover, installed with a video camera to improve navigation (Nguyen 2018).

Almost two decades later, in 1977, the Japanese took this concept a bit further. Although its cars could have only traveled below 20mph, the Japanese used a camera system to relay data to the computer that would then process images of the road (Gringer). One decade later, in 1986, Ernst Dickmanns, a German aerospace engineer, create a self-driving car that went 56 mph (Gringer). This was supported by Mercedes-Benz (Nguyen 2018). This car was able to detect and react to its environment (Gringer). The explorations continued with the likes of European research organization EUREKA and its Prometheus project of camera technology, software and computer processing advancements, which showcased speed of 130 kilometers an hour on a 1,000 kilometer stretch road near Paris (Nguyen 2018). In this same year, in Pennsylvania, Carnegie Mellon Robotics Institute added GPS to its testings, and Hughes Research Labs followed that in 1987 by being the pioneer in having self-driving cars venture off paved roads (Nguyen 2018). In 1996, Alberto Broggi, an engineering professor and his team at the University of Parma, through the ARGO project took its self-driving car through 1,200 miles, at an average of 56 miles per hour (Nguyen 2018). Thereafter for years, the United Stated military held self-driving cars’ competition, through its DARPA Grand Challenge, that would award a team of engineers $1 million for the conquering of a 150-mile obstacle course. None achieve it, but it kept innovation pivotal (Nguyen 2018). In 2004, a Robotics engineer, primary architects and pioneer, named Anthony Levandowski entered the competition (Harris 2018). His legendary GhostRider-a two wheeled motorcycle caught the attention of many, including those over Waymo-the self-driving project at Google (Harris 2018), which had started its quest to produce the first autonomous car for the commercial market (Weise & Della Carva, 2018). To materialize that vision, Google hired Levandowski in 2007 (Korosec, 2018) to head its Waymo project.

The Story of Waymo and Uber

In 2009, Waymo, Google’s self-driving project, later became the self-driving car unit of both their parent company, Alphabet. The autonomy is made possible due to a light ranging and detection system, LiDAR, created by the startup company, 510 Systems which before Google’s purchase of it, was owned by Anthony Levandowski, who joined Google in 2007 (Korosec, 2018). The LiDAR is situated in a small spinning eyeball, located on the roof of the car, enabling it, due to its lasers, to scan the surrounding environment (Weise & Della Carva, 2018), getting detailed 3D maps of it (Korosec, 2018) enabling it to maneuver safely (Weise & Della Carva, 2018). This is done with a single lens (Zaveri, 2017).

Another technological giant, Uber was able to be successful in its startup due to its venture capitalist, Alphabet, Google’s parenting company, which invested hundreds of millions as dollars. As such, one of Alphabet’ stop executive, David Drummond sat on the board of Uber.
Issac, 2017). Given these circumstances, a relationship between Google and Uber was not to be unexpected. In July 2015, according to the cybersecurity firm, Stroz Friedberg, Uber executives met with Levandowski regarding his joining the team for Uber’s self-driving project (Bhuiyan, 2017). Part of the deal included acqui-hiring, where teams of engineers who worked together at Google advancing its project, would now exit and Levandowski would create a new company (Bhuiyan, 2017). Former CEO, Travis Kalanick continued the dialogue with Levandowski over the following months in 2015 with a proposal to head Uber’s self-driving program (Hawkins, 2018). The goal apparently was to ensure that Uber does not remain behind Waymo in this race (Hawkins, 2018).

Shortly thereafter, that same year, Levandowski allegedly downloaded 14,000 of documents (Zaveri, 2017), amounting to 9.7 gigabits from Waymo system (Frankel, 2017). This download which was then stored onto five disks on his personal Drobo 50 contained Waymo’s eight trade secret regarding its self-driving project (Bhuiyan, 2017).

According to Waymo’s chief executive, John Krafcik, in January 2016, Levandowski started demonstrating disagreements with Google in regard to the where the self-driving car program was headed, by claiming it was broken, and he fought for permission to go against his co-workers, citing that the progress was too slow for him (Wakabayashi, 2018). Google was opposed to taking on that risk at the expense of safety features (Id). Levandowski and Lior Ron left Google and in February 2016, started their self-driving trucking company, Otto. In August 2016, Uber purchased Otto for $680 million, and as expected, as it was part of the acquisition, Levandowski became the head of Uber’s self-driving program (Korosec, 2018).

Uber employed ex-CIA agents, unknown to Uber’s competitors, to engage in surveillance against them as well as Uber’s own employees, and contractors (Weise & Della Carva, 2018). Additionally, the company used these services to also create systems that would deceive lawyers and regulators in believing that documents that Uber wanted to remain out of sight, simply did not exist (Weise & Della Carva, 2018). Ironically, on a chain email, which unintentionally included a Google employee, Uber’s LiDAR supplier revealed a drawing board of one of their circuits, depicting the LiDAR technology (Frankel, 2017). Waymo proceeded to investigate and it was confirmed through the Nevada regulatory authorities’ that Uber submitted paperwork that demonstrated that it was creating its own LiDAR technology (Frankel, 2017). Google filed an injunction against Uber in United States District Court of California to stop using its intellectual property and its trade secrets. Additionally, Google filed suit requesting compensation for the usage thus far of the technology (Wakabayashi, 2018). Uber vehemently denied the claims and stated it in no way stole Google’s propriety information; and in fact, Google’s program has one lens on its LiDAR and Uber has four (Zaveri, 2017). To prove that its ideas were original, Uber requested of Levandowski to cooperate in providing information. He, instead, pled the fifth. Consequently, Uber fired him (Felton 2018). Uber’s position is that after it bought Ottomotto, it insisted to Levandowski on more than one occasion, not to transfer any Google intellectual property. Uber iterated that any computer files to which Mr. Levandowski had access, while at Google, never reached its Uber’s computer servers (Raish, 2018). Trial began in February 2018, and within five days, Uber settled paying Alphabet $245 million, .34% of Uber’s 2007 valuation of $72 billion (Felton, 2018). In addition, it agreed never to use any of Alphabet’s trade secrets in its hardware of software inventions.

Waymo’s Claims and Uber’s Defenses
There is no doubt according to evidence presented that Anthony Levandowski, without the knowledge and permission of Alphabet, Google or Waymo, stole Waymo’s trade secret when Levandowski downloaded unto his personal storage devices, with the intent to stop working at Google, 14,000 documents, including software, files, and source code relating to Waymo’s self-driving cars. An owner of a trade secret, that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce (The Defend Trade Secrets Act of 2016). As such, Waymo can bring a civil suit against Levandowski and Uber, if Waymo believed Uber benefitted, and as such, the lawsuit was brought.

In this case, the evidence against Levandowski was undisputed. Conversely, Uber has stated unequivocally and has presented evidence that though it did use LiDAR, as others in this industry has done, given that LiDAR is not particular to Google, there was no way it could have misappropriated Waymo’s trade secrets, when none of the secrets was used in Uber’s design, which was fundamentally different from Waymo’s. Furthermore, Uber argued that there was not a shred of evidence to conclude that any of Waymo’s proprietor’s information was shared with Uber. This was also supported by the fact that Lior Ron, co-founder of Otto, attempted to purge his devices of Waymo’s proprietor’s files (Bhuiyan, 2017). Waymo of course had the argument of an email from a Morrison & Foerster lawyer who was involved in investigating Otto before Uber acquired it. The email referenced that Levandowski had “highly confidential information” including source code, design software and “everything you need to create a self-driving car” (Bhuiyan, 2018). This of course did not mean that the information was Waymo’s; it could have been Otto’s, which was the subject of an investigation, and Alphabet would have had to provide the weight of the evidence proving that these highly confidential documents belonged to it.

Waymo argued that the “win-at-all-costs attitude and frustration, actions of Uber’s former CEO, Travis Kalanick, led him to conspire with Levandowski to steal the ‘sauce’ that catapulted Alphabet’s self-driving development to be the leader of the pack” (Bhuiyan, 2018). It can be argued that the “sauce” was the acqui-hiring that took place after Kalanick and Levandowski came to terms on the actions to be taken against Waymo, and then Levandowski in turned convinced other members of the Waymo’s self-driving project’s engineer team to join him, the pioneer of the commercial viable LiDAR, at Otto, that was to in turn provide service to Uber, but was then acquired by Uber. It could also be argued, however, that the “sauce” was likely Waymo’s trade secret themselves acquired when Levandowski was its employee. Though acqui-hiring was not illegal, the intent to harm was present; and the intent to acquire as well as the act of acquiring another’s trade secret was illegal, both represented bad acts on part of the former CEO for the benefit of Uber.

Waymo had evidence of language from Kalanick citing in reference to Waymo, that Kalanick stated that, ‘‘we want their cheat codes.”’’ He went on to say, ‘‘we need to think through the strategy to take all the shortcuts we can find. I just see this as a race and we need to win, second place is the first looser (Jeong, 2012).”’’ Uber’s defense was that Alphabet was just jealous that it was losing its top talent to Uber as Waymo had cited concern over losing great workers. Top talent leaves companies all the time and there is no culpability in that, and it was simply another move toward legal competition in a fierce industry. Nonetheless to the underlining argument of free competition, Waymo’s alleged fear is not a defense to Kalanick’s actions, nor was any evidence presented to counter these allegations.
The Ruling that was Never Made

Had the case been continued, the court would have likely ruled in Waymo’s favor that Uber violated the Defend Trade Secrets Act of 2016. There would have been a high probability that Waymo would have cited as precedent the first case tried under this Act, also in the 9th Circuit, Henry Schein, Inc. v. Cook, where “Cook is alleged to have looted HSI’s confidential trade secret documents and information, concerning the products, processes, services, business, suppliers, and customer data for the purposes of transferring it to her new employer; and the court granted Henry Schein, Inc.’s motion for a Temporary Restraining Order” (Orrick, Herrington & Sutcliffe LLP, 2016). LVRC Holdings v. Brekka would have also been cited as precedent by Waymo. Not only was the case heard by the 9th Circuit Court, but also, the Court applied the Computer Fraud and Abuse Act (CFAA) of 1986, which prohibits the non or excess authorized access of computers, which was interpreted to mean using the computer other than the purposes for which one was authorized. (The Computer Fraud and Abuse Act, 1986). In LVRC Holdings v. Brekka, where an employee transferred to his personal email, work documents, the Court expanded upon its interpretation of “excess authorization,” to encompass the intent to commit fraud or furthering fraud by using information gained via authorized access for purposes contrary to company’s policy (“United States v. Nosal,” n.d.). Waymo would have likely argued the applicability of another 9th Circuit precedent, the United States v. Nosal, which invoked both the Computer Fraud and Abuse Act and the Economic Espionage Act-the misappropriation of trade secrets and by industrial espionage - a technique to gain technical information and transferring the technology without permission from the owner of information or technology (“United States v. Nosal,” n.d.). The downloading of confidential and proprietary information in that case to be used as an aid for Nosal to have started his own company utilizing the client information from Korn/Ferry, in violation of his non-compete agreement, would have been made parallel to Levandowski’s downloading Waymo’s sensitive and proprietary information regarding its self-driving car project to start Levandowski’s own self-driving trucking company, Otto. Waymo would have likely had argued that Levandowski was aware that the data he downloaded was confidential because the intent of the company was to out-perform all competitors. Also, Levandowski was an employee of Waymo so even if the creative ideas and the methodology as to how to get things were his idea, legally they were the intangible property of the employer that paid him for those ideas. Even if Levandowski did not have a non-compete contract with Waymo, fraudulent intent was triggered via the Economic Espionage Act (The Economic Espionage Act of 1996).

Conversely, Uber would have likely argued that these infractions were on the part of Levandowski and were not known nor authorized by Uber. Why did Uber settle? In civil cases, where reasonable doubt is absent, but instead, it is the weight of the evidence that is the determining factor as to liability, why would Uber give up .34% stake of their company to the competitor? The fact that Levandowski refused to support Uber in its position that it had utilized no trade secret of Waymo, left Uber vulnerable. The legal question then that Uber could have framed from this is whether a beneficiary who is unknowingly in receipt of another’s stolen trade secrets, is liable. This would have been the court’s opportunity to make a ruling synonymous with the liability of a party unknowingly in receipt of stolen goods purchased as a good faith purchaser. This question has been answered through the centuries as far back as 4000 years ago via the Code of Hammurabi, Section 9 (L.W. King trans) to the United States’ Uniform Commercial Code. From such standpoint, with no evidence to combat Waymo’s claim of trade
secret theft, it was in Uber’s best interest to settle a it would have lost the case and felt the sting of a tarnished image.

Conclusion

Although it was in the best interest for trade secret law for a decided verdict for the sake of precedent, it was in Uber’s best interest to settle. The defenses it had were simply not strong enough. The cost to its already tarnished reputation it would have had to bear, had it loose in court may have been too deep a wound to recover. Based on the Storz Report, Levandowski should have been criminally charged, given the overwhelming evidence of theft and his assertion of the Fifth Amendment gave rise of suspension to his guilt. There is no surprise, however, that Alphabet chose to settle with Uber. Uber’s demise would have not served Alphabet well. It had sold $350 million of its shares, but now due to the settlement, it will earn back two-thirds of that (Bhuiyan, 2018).

“In a statement, a Waymo spokesperson said the company believes the agreement will protect its intellectual property “now and into the future”’ (Felton 2018). Perhaps the United States Congress can use predictability as it did when based on the 1983 techno-thriller film WarGames—in which a teenager hacked a U.S. military computer that was programmed to forecast possible nuclear war outcomes and almost started the next World War (Computer Fraud and Abuse Act. (n.d.), it enacted the Computer Fraud and Abuse Act, as an amendment to the 1984 Computer Fraud law, which was specific only to mail and wire fraud. Similar to the injured component in case law, which is not required for law generated in the legislature, but rather the foreseeability of injuries to come, lawmakers used the realistic representation of injury taking place via the dialing and access capabilities of the personal computer portrayed in the movie. (Computer Fraud and Abuse Act. (n.d.). From this, they enacted a law to offset future unauthorized attempts of accessing another computer and extended tort law to intangible property such as electronic information and properties. (Computer Fraud and Abuse Act. (n.d.).

Like the role of the Federal Reserve Bank to cast a foresight on interest rate shift based on the current economy status quo, so should the government create an agency specifically for the predictability of technological shift so laws can then be enacted. In the meantime, as case law walks hand in hand with the changes of society, it can only wait for society to extend such hand. Waymo v. Uber withdrew theirs.
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