

THE DEFEND TRADE SECRETS ACT: WILL THE LANDARK *WAYMO v. UBER* CASE GIVE IT TEETH?

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Abstract: The Defend Trade Secrets Act (DTSA) was passed with bipartisan support in 2016 to federalize trade secret protection. Previously, only states could authorize these types of suits, leading to dissimilar outcomes as a result of different state laws. Because it is still in its infancy with very little precedence, federal courts have continued to gloss over the significance of the DTSA and address trade secret cases using state law alone. The heavily publicized case involving stolen trade secrets between two prominent technology companies, *Waymo v. Uber*, has given the court a chance to assert the relevance of the DTSA as a federal body of law encompassing trade secrets, but again it seems to have failed to pay heed to the issue. However the outcome of *Waymo v. Uber* comes out, one thing is for certain: it will have a far-reaching impact on both the future of trade secrets and the interpretation of the Defend Trade Secrets Act.

I. INTRODUCTION

Trade secrets are influential parts of almost every single aspect of a business, from contracts containing non-disclosure agreements to hiring (and firing) employees to everyday office documents.¹ Because of this broad reach, trade secret lawsuits often have immense financial and legal consequences. It has been estimated that on average, a trade secret lawsuit involving \$1 million to \$10 million at stake will cost \$925,000.² With so much at risk, it is no surprise that the Defend Trade Secrets Act (DTSA) was passed with bipartisan support in April of 2016, thereby extending the Economic Espionage Act of

¹ See Eric Goldman, *The New 'Defend Trade Secrets Act' Is The Biggest IP Development In Years*, *Forbes* (Apr. 28, 2016, 1:04 P.M.), <https://www.forbes.com/sites/ericgoldman/2016/04/28/the-new-defend-trade-secrets-act-is-the-biggest-ip-development-in-years/#7059868c4261>.

² *Id.*

1996 (EEA).³ The EEA served to criminalize trade secret misappropriation for the first time under an overarching framework that allows lawsuits in a federal setting.⁴

The primary purpose of the DTSA is to federalize trade secret protection because previously only states could authorize suits, which led to dissimilar outcomes as a result of different state laws.⁵ Although the DTSA does not overrule existing state laws regarding trade secrets, it gives companies a federal option to protect their intellectual property rights.⁶ The DTSA's definition of trade secrets applies a uniform federal statute for courts to use because it is one of the most elusive and difficult concepts in the law to define.⁷

Another important facet of the DTSA is the civil seizure mechanism which allows a court to “issue an order providing for the seizure of property necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action,” thereby allowing companies to prevent their trade secrets from being disseminated before they can get their case to court.⁸ If the court does find that the defendant has misappropriated the trade secrets, there is an extensive remedies scheme available in the DTSA that involves both injunctions and financial payments as well as exemplary damages for trade secrets that have been “willfully and maliciously misappropriated.”⁹

³ *Id.*

⁴ See John F. Hornick, *The Impact of the Economic Espionage Act of 1996*, Finnegan (February 1999), <https://www.finnegan.com/en/insights/the-impact-of-the-economic-espionage-act-of-1996.html>.

⁵ See Goldman, *The New 'Defend Trade Secrets Act' Is The Biggest IP Development In Years*.

⁶ See Bret A. Cohen, Michael T. Renaud, and Nicholas W. Armington, *Explaining the Defend Trade Secrets Act*, American Bar Association (Sept. 2016), https://www.americanbar.org/publications/blt/2016/09/03_cohen.html.

⁷ See *Lear Siegler, Inc. v. Ark-Ell Springs, Inc.*, 569 F.2d 286, 288 (N.D. Miss. 1978).

⁸ Cohen, Renaud, and Armington, *supra* note 6.

⁹ *Id.*

The DTSA has been in practice for over a year but its treatment by courts has varied tremendously, with many deciding to use the Uniform Trade Secret Act (UTSA) jurisprudence.¹⁰ The UTSA is a uniform framework for trade secret statutes that almost every state has adopted, including California, but it lacks uniformity across states because state legislators are free to modify the language as they see fit.¹¹ Although this undermines the main purpose of the DTSA, it is understandable due to the existing case law that has built up over the past three decades with the UTSA.¹² However, it could lead to detrimental variances in state interpretation of DTSA.¹³

II. BACKGROUND ON *WAYMO V. UBER* CASE

The case of *Waymo v. Uber*, No. C 17-00939 WHA, 2017 WL 2123560 (N.D. Cal. May 11, 2017) is one of the first lawsuits to be brought under the DTSA, and its outcome will have a significant effect on how companies use the DTSA to protect their intellectual property in the future.¹⁴ Waymo, a self-driving car company, filed this suit against Uber Technologies, Inc. (Uber), a ride-sharing service, in February 2017 alleging that Uber stole trade secrets through Anthony Levandowski, a former high-level Waymo engineer.¹⁵ Levandowski allegedly stole 14,000 confidential files before leaving Waymo

¹⁰ Matthew Werdegar and Warren Braunig, *Jury's Still Out on the Impact of the Defend Trade Secrets Act*, Inside Counsel (May 3, 2017), <https://www.keker.com/Templates/media/files/Articles/Inside%20Counsel%20Werdegar%20Braunig%20DTSA.pdf>.

¹¹ Ramon A. Klitzke, *The Uniform Trade Secrets Act*, 64 Marq. L. Rev. 277, 277-310 (1980).

¹² Werdegar and Braunig, *supra* note 10.

¹³ *Id.*

¹⁴ Orly Lobel, *The Uber-Waymo Lawsuit: It Should Be Easy to Poach Talent, But Not IP*, Harvard Business Review (Jun. 09, 2017), <https://hbr.org/2017/06/the-uber-waymo-lawsuit-it-should-be-easy-to-poach-talent-but-not-ip>.

¹⁵ Aarian Marshall, *The Uber V. Waymo Court Showdown Looms. Here's What You Need To Know* Wired (Jul. 13, 2017), <https://www.wired.com/story/uber-waymo-court-showdown/>.

in January 2016, and then went on to found Otto, a self-driving truck company, which was subsequently sold to Uber nine months later.¹⁶ The alleged stolen documents contained details on Waymo's LiDAR system, or the lasers used by self-driving cars to safely navigate the roads, which Uber claims to have spent significant funds and many hours perfecting.¹⁷ Uber has insisted that it developed its own self-driving technology called Fuji, but the judge presiding over the case, William Alsup, ruled that at least one part of Fuji is almost identical to an element used in Waymo's LiDAR.¹⁸

Waymo filed over 800 court filings but has now narrowed its claims to misappropriation of trade secrets by Levandowski because the patent claims were unsuccessful.¹⁹ In March, Judge Alsup ordered Uber to exclude Levandowski from any work involving the laser technology, but Uber had already done so and eventually fired him.²⁰ Judge Alsup also compelled expedited discovery for Waymo but in August he clearly expressed frustration over Uber's missed deadlines and refusal to produce important evidence.²¹ Although Uber stated that Waymo has been unsuccessful in finding any damning evidence, Waymo has countered that the reason is because Uber has not been forthright with the evidence that they have.²² In addition, Levandowski invoked his 5th Amendment right more than 400 times in a period of six hours during his deposition,

¹⁶ *Id.*

¹⁷ See Alex Davies, *Google's Lawsuit Against Uber Revolves Around Frickin' Lasers* Wired (Feb. 25, 2017, 7:00 A.M.), <https://www.wired.com/2017/02/googles-lawsuit-uber-revolves-around-frickin-lasers/>.

¹⁸ Lobel, *supra* note 14.

¹⁹ *Id.*

²⁰ *Id.*

²¹ See Mike Isaac, *Judge Says Waymo Can Tell Jurors That Uber Withheld Evidence*, The New York Times (Aug. 18, 2017), https://www.nytimes.com/2017/08/18/technology/uber-waymo-levandowski-lawsuit.html?mcubz=1&_r=0.

²² Lobel, *supra* note 14.

refusing to even acknowledge that the documents he allegedly stole exist.²³ Judge Alsup originally scheduled the trial for October but then begrudgingly pushed it back to December 4th after the two sides disputed the documents and depositions that were produced.²⁴

Judge Alsup told Waymo that “[they] have one of the strongest records [he has] seen for a long time of anybody doing something bad,” demonstrating that Waymo already had an advantage over Uber.²⁵ Waymo will need to prove that Uber knew when buying Otto that Levandowski had stolen files from his previous employer, which would imply that Uber had knowingly stolen trade secrets from Waymo.²⁶ On the other hand, Uber has tried to use the defense of attorney-client privilege to keep some of their reports hidden, but Judge Alsup has called these efforts an “elaborate scheme to conceal the facts from the public and particularly Waymo.”²⁷ Because that strategy has not worked, Uber will try to prove through a due diligence report conducted prior to the acquisition of Otto that they took the necessary steps to prevent any Waymo trade secrets from being illegally acquired.²⁸ Overall, this is an incredibly contentious lawsuit and the way in which the court decides to use the DTSA will have far-reaching effects on the future of the Act.

III. ANALYSIS OF PREVIOUS CASES UNDER THE DTSA

²³ *Id.*

²⁴ Joe Mullin, *Judge Blasts Waymo v. Uber Lawyers, Delays Trial Until December*, *Ars Technica* (Oct. 3, 2017), <https://arstechnica.com/tech-policy/2017/10/judge-blasts-waymo-v-uber-lawyers-delays-trial-until-december/>.

²⁵ Marshall, *supra* note 15.

²⁶ *Id.*

²⁷ Mullin, *supra* note 24.

²⁸ Mullin, *supra* note 15.

Though the DTSA has only been in existence for a year, there are quite a few suits that have been brought under it. *Kuryakan Holdings, LLC. v. Ciro, LLC*, 242 F. Supp. 3d 789, 792 (W.D. Wis. 2017), and *Veronica Foods Corporation v. Ecklin*, No. 16-cv-07223-JCS, 2017 WL 2806706 (N.D. Cal. Jun. 29, 2017), are two specific cases that have been affected by the DTSA and could be indicative of how the *Waymo* case will be handled.

In *Kuryakyn*, the founder and president of a motorcycle parts company in Wisconsin, Kuryakyn (Plaintiff), resigned and helped his son start a competing company called Ciro (Defendant).²⁹ Defendant subsequently poached three employees from Plaintiff, who claimed that Defendant stole trade secrets such as design drawings, market research, manufacturing techniques, and customer contact information to benefit the new company.³⁰ Plaintiff claimed that Defendant misappropriated trade secrets under both the DTSA and Wisconsin's Uniform Trade Secrets Act (UTSA).³¹ In addressing the claim, the court stated that both the DTSA and UTSA are essentially the same, so they used Wisconsin's UTSA to interpret the DTSA in granting Defendant's motion for summary judgment on claims of trade secret misappropriation.³² The court emphasized the difficulty of proving trade secret misappropriation because it is troublesome to prove that particular information does in fact qualify as a trade secret.³³ It seems that the court does not necessarily think that the DTSA has made the process of defining a trade secret any easier or more streamlined than it already was with state legislation.³⁴

²⁹ See *Kuryakyn*, 242 F. Supp. 3d at 792-93.

³⁰ *Id.* at 793.

³¹ *Id.* at 797-98.

³² *Id.*

³³ *Id.* at 800.

³⁴ See *id.* at 797-98.

Kuryakyn is similar to *Waymo* because it involves a federal court analyzing a situation in which a former employee has allegedly stolen trade secrets like design drawings.³⁵ Because of the abundance of case law under Wisconsin's UTSA, the court in *Kuryakyn* decided to turn to the state law and previous court decisions for guidance in interpreting the new DTSA.³⁶ Since each state court continues to prioritize the UTSA over the DTSA, they are perpetuating the differences between trade secret law in each, which the DTSA was trying to remedy.³⁷ This continued practice does not clarify the DTSA for any other state deciding on federal trade secret cases, including California in the *Waymo* case, and instead continues to encourage differences.³⁸

Moreover, in *Veronica Foods Co.*, the plaintiff is suing former employee Kurt Ecklin and MillPress Imports for misappropriation of trade secrets under the federal DTSA and the California Uniform Trade Secrets Act (CUTSA).³⁹ Plaintiff is a business specializing in the bulk importation of specialty products with an emphasis on extra virgin olive oils.⁴⁰ Plaintiff contends that its trade secrets consist of a customer list: confidential information regarding its customer stores and suppliers, and a supplier list that it alleges it invested substantial time and effort in creating.⁴¹ They claim that Ecklin left to work at MillPress, a competitor, and began using the trade secrets to solicit and steal business from existing Veronica Foods' customer stores.⁴² The court mentions that the CUTSA definition of trade secret is almost identical to that of DTSA, so several

³⁵ See *Kuryakyn*, 242 F. Supp. 3d at 797-99.

³⁶ See *id.*

³⁷ See *id.*

³⁸ See *id.*

³⁹ See *Veronica Foods Co.*, 2017 WL 2806706.

⁴⁰ *Id.* at 3.

⁴¹ *Id.* at 4.

⁴² *Id.* at 8-10.

courts have addressed DTSA and CUTSA simultaneously, including during early proceedings in *Waymo*.⁴³ The court states that a relevant distinction between the two is that the DTSA only applies to “any misappropriation of a trade secret . . . for which any act occurs on or after [May 11, 2016,] the date of the enactment of [the] Act.”⁴⁴ Courts have generally concluded that as long as the misappropriation itself continued to occur after the date of the DTSA enactment then they the defendant can still be liable.⁴⁵ In *Veronica Foods Co.*, the court ruled that Plaintiff failed to include sufficient factual allegations under both the DTSA and CUTSA, and to state a claim under the DTSA they needed to provide specific allegations surrounding their trade secrets as well as evidence that the misappropriation of them continued after the enactment.⁴⁶

Veronica Foods was decided in the United States District Court for the Northern District of California, where *Waymo* is also being tried.⁴⁷ This district encompasses almost all of Silicon Valley, which is arguably one of the regions that could be affected the most by the enactment of the DTSA.⁴⁸ Some of the *Veronica Foods Co.* proceedings even occurred during the same time period as the preliminary proceedings in the *Waymo* decision.⁴⁹ The decision in *Veronica Foods* made relatively no distinctions between the DTSA and the UTSA, and instead focused on the DTSA enactment timeline provision, which, although small, is a difference that many courts have declined to even acknowledge.⁵⁰ *Waymo* has already proven that the misappropriation continued to occur

⁴³ *Id.* at 12.

⁴⁴ *Id.* at 43.

⁴⁵ *See Veronica Foods Co.*, 2017 WL 2806706, at 43.

⁴⁶ *Id.* at 49.

⁴⁷ *Id.* at 1.

⁴⁸ *See id.*

⁴⁹ *See id.*

⁵⁰ *See id.* at 43.

after the enactment, as Levandowski sold Otto to Uber in September 2016, so it is not a question that will be addressed in the *Waymo* case.⁵¹ It seems that even in the District Court for the Northern District of California, the DTSA has still not established itself as a viable replacement for the CUTSA, meaning that Judge Alsup may take a similar course of action like the one taken in *Veronica Foods Co.* when dealing with the distinction between the two in *Waymo*.⁵²

IV. CONCLUSION

The two previously discussed cases demonstrate that because the DTSA is in its infancy, courts are still choosing to address cases using the UTSA alone, or in tandem with the DTSA.⁵³ As mentioned above, in preliminary filings for *Waymo*, the court has stated that the term misappropriation has essentially the same definition under the CUTSA and the DTSA.⁵⁴ Using the combined definitions, the court has ruled that Waymo has proven that at least some of the information in the 14,000-plus downloads by Levandowski likely qualifies for trade secret protection, and that certain relief is warranted to prevent the misuse of those downloads as litigation progresses.⁵⁵ The brief mention of the use of the DTSA versus the CUTSA in this landmark intellectual property and trade secrets case does not necessarily bode well for the future of the DTSA as a consistent, federal body of law that encompasses trade secrets.⁵⁶ It seems that the state courts will continue to use their own state definitions, but if Waymo wins it could have a

⁵¹ Marshall, *supra* note 15.

⁵² See *Veronica Foods*, 2017 WL 2806706, at 43.

⁵³ See *Veronica Foods*, 2017 WL 2806706, at 43; *Kuryakyn*, 242 F. Supp. 3d at 797-99.

⁵⁴ See *Waymo LLC v. Uber Techs., Inc.*, No. C 17-00939 WHA, 2017 WL 2123560 (N.D. Cal. May 15, 2017).

⁵⁵ See *Waymo*, 2017 WL 2123560, at 29.

⁵⁶ See *id.* at 22-32.

significant effect on how companies will maneuver future intellectual property strategies, such as by bringing trade secrets to the forefront as a way to protect company assets, which could potentially propel the DTSA into a more frequently utilized federal statute.⁵⁷ Nevertheless, if Uber wins the case there will likely be a return to the traditional way of thinking that unless one has a patent on technology, one is minimally protected.⁵⁸ No matter what the outcome, one thing is for certain: this case will have a far-reaching impact on both the future of trade secrets and the interpretation of the Defense of Trade Secrets Act.

⁵⁷ See Knowledge @ Wharton, *How the Waymo-Uber Lawsuit Could Rewrite Intellectual Property Rules*, University of Pennsylvania (May 22, 2017), <http://knowledge.wharton.upenn.edu/article/uber-waymos-race-capture-self-driving-market/>.

⁵⁸ See Knowledge @ Wharton, *supra* note 57.