OpenAI defeats xAI’s trade secrets lawsuit

OpenAI won a victory Tuesday in one of its legal battles with xAI, which involved allegations of poaching and theft of trade secrets.

The former company’s motion to dismiss the lawsuit was granted on Tuesday with leave to amend, meaning xAI has the option to refile with modified claims. In the ruling, US District Judge Rita F. Lin wrote that “xAI does not point to any misconduct by OpenAI” in its current claims. “Instead, it points to eight former xAI employees who left for OpenAI at around the same time,” with no indication that OpenAI directed their actions while leaving xAI.

xAI alleges that two former employees “stole its source code during their departure at a time when they were communicating with an OpenAI recruiter,” Lin writes, but “there is no allegation that the recruiter told them to do so.” xAI also alleges that two other former employees “retained work chats on their devices after leaving xAI,” that one “refused xAI’s demands to provide various certifications about confidential information after his departure,” that another “unsuccessfully tried to access xAI information about hiring and datacenter optimization after he started working at OpenAI,” and that two more “simply left xAI for OpenAI.” But none of this, Lin determined, amounts to illegal behavior at OpenAI. “Notably absent are allegations about the conduct of OpenAI itself,” Lin writes.

xAI did not immediately respond to a request for comment.

The case is part of a thorny set of legal conflicts between

OpenAI and Elon Musk, who is both CEO of xAI and a former co-founder of OpenAI. In recent years, Musk and Altman have had showdown after showdown, trading veiled (or not-so-veiled) insults in public statements, on social media, and in lawsuits. Their most dramatic clash involves a lawsuit over OpenAI's transition from nonprofit to for-profit entity, which is currently scheduled to go to jury trial in April.
In a post on X, OpenAI wrote, "We welcome the Court's decision. This baseless lawsuit was never anything more than yet another front in Mr. Musk's ongoing campaign of harassment."

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