**Facebook VS. Zenimax Media**

**The Oculus Rift Story**

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Facebook, by far the largest social media company to this day with nearly 2 billion people using their service, is one of the largest tech companies to this day. Facebook acquired Oculus Rift in 2014, two months after Facebook purchased the Oculus Rift, Facebook was sued for $2 Billion dollars by Zenimax. Zenimax Media, claimed that a former employee turned Oculus Rift CTO took trade secrets with him after leaving a subsidiary of Zenimax id software. The suit claimed that those trade secrets were integral to the Oculus Rift headset technology. The former employee, John Carmack, was one of the integral programmers involved in the early days of the Oculus Rift. Palmer Luckey the founder and designer of the VR headset met John Carmack through a moding community website. Johns curiosity in Palmer’s VR headset lead them to work together in the early days of the Oculus rift, John’s biggest contribution to the Oculus Rift was the code that preprocessing of the image of the game. During this time John had already left the id software that was owned by Zenimax.

After Zenimax announced its intent to sue, Zenimax sent a formal notice of its legal rights to Oculus concerning its ownership of the technology in the Oculus. Zenimax stated in that notice that the technology may not be licensed, transferred or sold without their approval. The intellectual property in question was the VR research and development works done over a number of years by John Carmack while an employee of id software which was owned by Zenimax media. Zeimax went on to state that John Carmack’s valuable assistance to Palmer Luckey and other Oculus employees in 2012 and 2013, was directly linked to the proprietary technology and know-how John Carmack developed while an employee of id software which was the property of Zenimax media. Before the Facebook acquisition, Palmer Luckey, in writing acknowledged Zenimax’s legal ownership of this intellectual property and Palmer lucky also agreed to not disclose any information to any third party persons without approval. This agreement made it valid that Oculus has used and exploited Zenimax's technology and intellectual property without authorization, compensation, or credit to Zenimax.

Facebook did not just let Zenimax run with the story, throughout the trial Facebook and Palmer defended their case that the Oculus Rift was purely a product of Oculus’s own Intellectual property. Even though John Carmack did admit to using some of his experience in created the code that helped the game view better in the Rift headset no Intellectual property from Zenimax was taken. After a long trial, Facebook won the battle, they were able to say that they were found innocent. But the bad news was that Facebook must pay another $300 million in payments to Zenimax for a total of $4.3 billion. The reason the payments still had to be made to Zenimax was because of NDA agreements broken by Palmer lucky and Zenimax.

A Non-disclosure agreement or NDA, is a legal contract between at least two parties that outlines confidential material, knowledge, or information that the parties wish to share with one another for certain purposes, but wish to restrict access to third parties. It is a contract through which the parties agree not to disclose information covered by the agreement. In the case of Zenimaz and Palmer Luckey had a NDA agreement, when the Facebook made a deal with Palmer Luckey without Zenimax’s approval the NDA was broken. Thus, since Zenimax was involved in the dealing with Facebook, Facebook now inherited the burden of compensating Zenimax for their part of the intellectual property because they inherited all contracts and assets that Palmer and Oculus had.

NDA’s have a big impact on business in today’s world. As seen in this case, it ties the company to their intellectual property where it might go and help give credit to the company that developed that idea or product first. This also helps keep the value of that product in the market. This particular case did not seem to have a large impact on the business world because how large Facebook is, but would have for any other smaller company.

It appears technology and business are becoming synonymous with each other, one of the richest parts of America is Silicon Valley which holds a large part of the United States wealth. I was interested to see how a company such as Facebook would handle a suit such as this one. It seemed as though, the suit did not even create a dent in the tech giant’s social standings in the media and the confidents in the stock holders, this type of lawsuit can wreak havoc on a company. Technology has highlighted the importance of Intellectual property, as in this case NDA’s are very important in protecting a company’s intellectual property.

**Citation**

Gilbert, Ben. "Facebook just lost a $500 million lawsuit - here's what's going on." Business Insider. Business Insider, 07 Feb. 2017. Web. 05 Mar. 2017. <http://www.businessinsider.com/facebook-zenimax-oculus-vr-lawsuit-explained-2017-2/#and-heres-what-zenimax-had-to-say-at-the-time-6>.