

BOARD OF DIRECTORS MEMORANDUM

TO: Alphabet Inc. Board of Directors

FROM: Office of the Chief Legal Officer & Corporate Secretary

DATE: September 2026

SUBJECT: Strategic Implications of the Apple v. OpenAI Preliminary Injunction on Google's AR/Smart Glasses Wearables Roadmap

I. EXECUTIVE SUMMARY

On October 1, 2026, U.S. District Judge Edward J. Davila is scheduled to rule on Apple's motion for a preliminary injunction and expedited forensic discovery against OpenAI Group PBC and io Products in *Apple Inc. v. OpenAI Foundation et al.* (Case No. 5:26-cv-07078-EJD, N.D. Cal.). Given the compelling digital forensics establishing unauthorized database intrusions by ex-Apple personnel, there is an exceedingly high probability that the court will grant the injunction, halting OpenAI's physical device programs. This memo evaluates the resulting market vacuum and outlines a defensive blueprint to accelerate Alphabet's own wearable AR and smart glasses product timelines, securing a permanent competitive advantage in the next-generation spatial computing landscape.

II. INJUNCTION POSTURE & DIGITAL FORENSICS OF EXFILTRATION

The trade secret misappropriation suit brought by Apple centers on a systematic, C-suite-directed exfiltration campaign known as the ****Tan-Ive Protocol****. Following OpenAI's \$6.5 billion acquisition of Jony Ive's ***io Products*** in May 2025, which integrated 55 core hardware engineers, OpenAI built a recruiting pipeline that siphoned over 400 former Apple employees. Apple's complaint focuses on two key actors under Chief Hardware Officer Tang Tan's direct oversight:

- **The 'Show and Tell' Interview Funnel:** Tang Tan utilized Apple internal product code names to elicit trade secrets from job candidates, instructing them to bring actual physical components, display shields, and unreleased housings from Apple facilities to interviews under the guise of technical demonstrations.
- **Chang Liu's Database Intrusions:** Senior electrical engineer Chang Liu resigned from Apple on January 22, 2026, but retained his Apple work laptop. Between February and April 2026, Liu exploited a network authentication vulnerability on at least five separate occasions to download thousands of pages of unreleased R&D; drawings. His own iMessage thread—*'LOL, I found out I can access the [network storage], so funny'*—establishes a devastating, self-implicating consciousness of guilt.
- **Encrypted Spoliation Pathways:** Liu coached active Apple engineer Alyssa Peng on file exfiltration onto external drives and directed co-conspirators to communicate exclusively via the encrypted app **LINE** to bypass security audits.

OpenAI accepted three of Apple's proposed injunction conditions (data preservation and access cuts) but vehemently refused independent forensic inspections of physical devices and cloud servers. This refusal indicates an ongoing quarantine of stolen R&D; files within their hardware division. Judge Davila's impending order is highly anticipated to grant Apple full, expedited third-party forensic mirroring, effectively stalling OpenAI's hardware integration.

III. IMPACT ON THE FRONTIER HARDWARE LANDSCAPE

A successful preliminary injunction on October 1st will freeze OpenAI's hardware program at an inconvenient, critical moment. This disruption creates a multi-dimensional vacuum in the spatial computing sector:

- 1. The 2027 Smart Speaker Freeze:** OpenAI had targeted late 2026 for the reveal of its portable, screenless smart speaker—a doughnut-shaped home companion equipped with cameras and sensors, priced above \$300, and slated for 2027 shipment. Because this device integrates the exact display-shield, battery-assembly, and manufacturing specifications Tang Tan siphoned from Apple, the injunction will legally freeze its manufacturing supply chain, delaying shipment to 2029 or beyond.
- 2. The 2028 Smartphone Disruption:** Analytical reports indicated OpenAI was building a custom, AI-native smartphone for a planned 2028 market entry. A preliminary injunction, combined with the forensic quarantine of their hardware databases, will render their custom SoC and system designs unusable, effectively terminating their mobile hardware program.
- 3. Sidelining of Key Talent:** Over 400 ex-Apple employees at OpenAI, alongside Tang Tan and Chang Liu, will be legally restricted from utilizing any unannounced consumer hardware specs. This creates a severe morale crisis and talent paralysis within OpenAI's physical devices division.
- 4. The Trillion-Dollar S-1 Vulnerability:** OpenAI is preparing for a Fall 2026 IPO seeking a \$1 trillion valuation. Its S-1 filing, which heavily indexes its valuation on an upcoming hardware ecosystem, has failed to disclose that these assets were engineered using misappropriated specifications. This omission violates SEC Rule 10b-5 and creates an immense compliance liability that could delay or derail their public listing entirely.

IV. ALPHABET'S DEFENSIVE & COMPETITIVE ROADMAP

Alphabet Inc. must deploy an aggressive counter-strategy to capture the market share and developer mindshare created by OpenAI's legal paralysis. The legal team recommends a four-pronged corporate response:

- Prong 1: Accelerate Google Glass & Wearable Timelines:** Our hardware engineering team should immediately accelerate the R&D; and supply chain onboarding for Google's next-generation AR eyewear and transcription wearables. By filling the retail vacuum left by OpenAI's frozen 2027 smart speaker, Google can establish an early, uncontested market dominance.
- Prong 2: Deploy 'Safe Haven' Talent Acquisition Campaigns:** The paralysis within OpenAI's hardware team presents a unique recruiting window. Alphabet should launch a targeted, highly stable recruitment campaign aiming at elite hardware specialists within OpenAI who are currently sidelined by the litigation, offering them competitive, risk-free stock structures.
- Prong 3: Implement Strict 'Clean Room' Onboarding Protocols:** To protect Alphabet from similar DTSA or CFAA claims, our legal division must enforce strict, audited 'clean room' protocols for all competitive hardware hires. No ex-Apple, ex-OpenAI, or ex-io Products engineers may onboard with personal devices, unreturned laptops, or active competitor documents. Every hire must undergo a rigorous trade-secret audit before starting work.
- Prong 4: Coordinate with SEC and Treasury Watchdogs:** Alphabet must continue to support regulatory oversight channels. By channeling forensic findings regarding OpenAI's material omissions and asset-shifting arbitrage (as documented under **SEC Whistleblower No. 17684-273-411-436**) directly to the SEC Division of Enforcement, we maintain immense regulatory pressure on their S-1 registration, delaying

their capital access.

Conclusion: OpenAI's reliance on 'The Travelocity Lexicon' of trade secret extraction has created an unprecedented vulnerability. A successful October 1st injunction will dismantle their hardware ambitions. By implementing these defensive realignments, Alphabet Inc. can permanently secure its competitive advantage in the next major hardware frontier.