

**Morgan Lewis**

# **IP ISSUES WITH EMERGING AUTOMOTIVE AND MOBILITY TECHNOLOGIES**

**PART OF THE 2019 TECHNOLOGY MAY-RATHON  
AND THE 2019 AUTOMOTIVE HOUR SERIES**

**May 29, 2019**

**Brent A. Hawkins  
Robert C. Bertin**

# Morgan Lewis Automotive Hour Webinar Series

Series of automotive industry focused webinars led by members of the Morgan Lewis global automotive team. The 10-part 2019 program is designed to provide a comprehensive overview on a variety of topics related to clients in the automotive industry. Upcoming sessions:

**JUNE 12 | Distribution of Vehicles in the United States and the Impact of State Law**

**SEPTEMBER 18 | Venture Investing in the Automotive and Mobility Space**

**OCTOBER 16 | Workforce Change in the Auto Industry: Takeaways From Three Case Studies**

**NOVEMBER 13 | Joint Ventures and Alliance Issues in the Automotive Space**

**DECEMBER 11 | Privacy Considerations and the Use of Collected Data**

# Table of Contents

**Section 01** – Introductions

**Section 02** – Forms of Intellectual Property Protection  
and IP Considerations

**Section 03** – Standard Essential Patents and  
Autonomous/Connected/ADAS Vehicles

Morgan Lewis

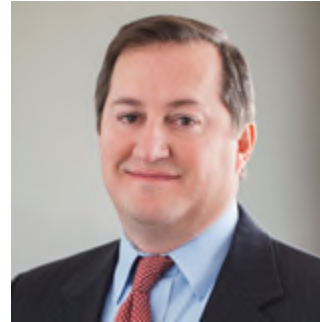
# INTRODUCTIONS



# Today's Presenters



**Brent A. Hawkins**  
San Francisco  
Tel +1.415.442.1449  
[Brent.Hawkins@morganlewis.com](mailto:Brent.Hawkins@morganlewis.com)

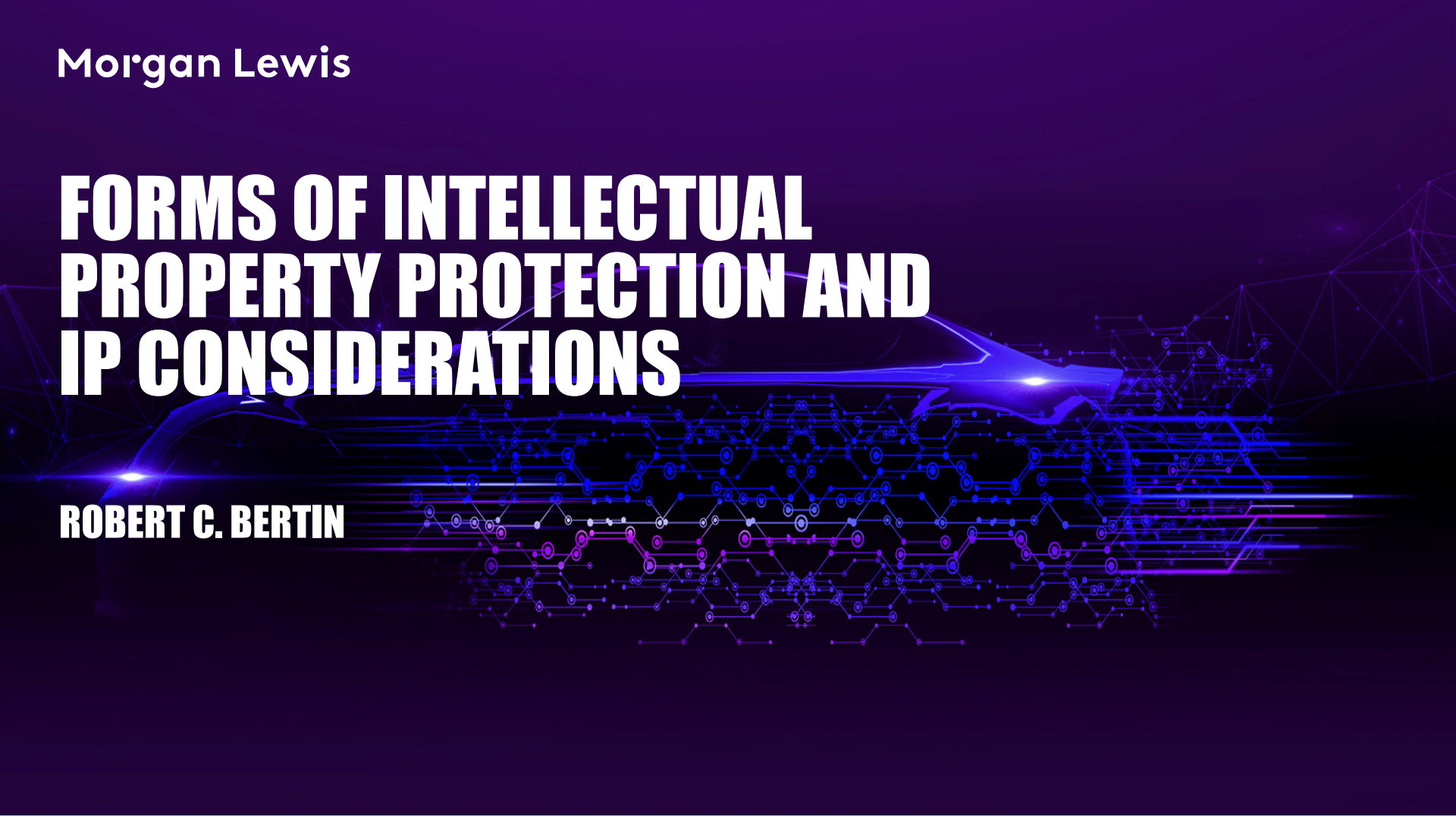


**Robert C. Bertin**  
Washington, D.C.  
Tel +1.202.373.6672  
[Robert.Bertin@morganlewis.com](mailto:Robert.Bertin@morganlewis.com)

Morgan Lewis

# FORMS OF INTELLECTUAL PROPERTY PROTECTION AND IP CONSIDERATIONS

ROBERT C. BERTIN

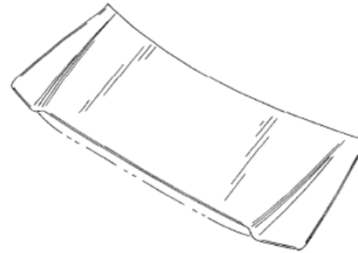
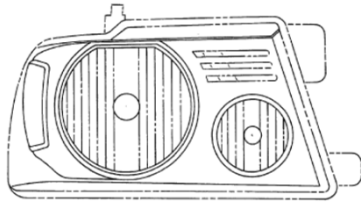


# Patents

- US Patents provide a right to exclude others from making, using, selling, offering for sale, or importing protected inventions
- Utility Patents – 20 years from filing
  - Utility cover new articles of manufacture, machine, chemical composition or process
  - Examples: Lidar for autonomous vehicles, infotainment systems, battery technology
  - David Hall, inventor of 3D Lidar, recent inventor of the year. He has over 30 patents and his company Velodyne Lidar Inc. supplies many manufacturers with Lidar sensors
  - US Patent No. 7.969,558 upheld at the US Patent Trial and Appeal Board on May 23, 2019
- Design Patents – 15 years from filing
  - Cover ornamental designs on articles
  - Designs on shape of cars and car parts, user interfaces such as infotainment displays
  - Recent litigation surrounding the use design patents to cover the shape of car parts
  - [Automotive Body Parts Association \("ABPA"\) v. Ford Global Technologies, LLC, Case No. 2:15-cv-10137 \(E.D. Mich. Feb. 20, 2018\)](#)

# Patents

- Autobody Parts Association brought a declaratory judgment action against Ford on behalf of its members. Ford brought infringement suits on F-150 auto body parts against members of the ABPA:



- ABPA argued that there is no design patent protection for functional shapes and that autobody parts are always functional.
- The Court disagreed, finding the look of a vehicle matters, and protection with design patents is appropriate.



# Trademarks and Trade Dress

- A **trademark** is a word, phrase, design, sound, color, shape, scent, etc., or combination (not all countries recognize all these forms), which is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others.
  - In 1985 there were about 75,000 names trademarked in the automotive space.
  - Today there are 800,000.
  - Can be difficult to find a name and localize it in markets around the world.
- A **trade dress** is similar to a trademark except that it protects a product's physical appearance, including its size, shape, color, design, and texture
  - Trade dress applies to the shape and appearance of vehicles.
  - Land Rover has sought trade dress protection for the Land Rover Defender.
  - Billionaire Ineos founder Jim Ratcliff is building a "Defender" inspired vehicle

# Trade Secrets and UTSA

- Uniform Trade Secrets Act (UTSA) – Adopted in every state except NY
- Under UTSA, “Trade secret” means information, including a formula, pattern, compilation, program device, method, technique, or process, that:
  - derives independent economic value, actual or potential, from not being generally know to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
  - is the subject of efforts that are reasonable under the circumstances to maintain its secrecy
- Trade secrets can potentially be used to protect confidential business plans, technologies, software source code, schematics, etc.
- Mobility of employees can create trade secret issues when an employee goes from one automotive company to another
  - Zenimax v. Facebook (\$600 million verdict)
  - Waymo v. Uber
  - Tesla v. Zoox

# Trade Secrets and UTSA

- *Waymo v. Uber* (N.D. California, Judge Alsup)
- Allegations that Uber, the worldwide ride sharing company, conspired with Anthony Levandowski to steal trade secrets from Waymo (Lidar, software)
- Levandowski worked on Google's autonomous car team until January 2016 at which point he left to start his own company, Otto, acquired by Uber in late July 2016.
- During the four days of trial, Waymo presented evidence that Levandowski downloaded 14,000 files of Google data just before he left the company.
- Google was seeking \$2.7 but settled during trial for about \$234 million in a stock transaction (0.34% of Uber).

# Trade Secrets and UTSA

- *Tesla v. Zoox* (N.D. California, Judge Alsup)
  - Four former Tesla employees are alleged to have left Tesla to join Zoox, with trade secret information on software and operating procedures for inventory control and distribution
  - One employee is alleged to have emailed documents to his personal email account before leaving Tesla with the statement “you sly dog you” and another emailed himself Tesla documents with the subject line “good stuff”
  - Another of the employee is alleged to have emailed a document with portions copied from Tesla and bearing a Zoox logo to a former Tesla employee’s email address
- The counts include trade secret misappropriation against Zoox and the employees and breach of contract against the employees
- Filed March 20, 2019, US District Court for the Northern District of CA

# Copyrights

- “Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.”
- Copyrights do NOT cover useful works
- “Bundle” of Exclusive Rights of Copyright Owner
  - Reproduction (Copies)
  - Create Derivative Works
  - Distribution
  - Publicly Display or Performance
- Inexpensive and easy to obtain
- Copyrights cover software, pictorial and sculptural works.
- Digital Millenium Copyright Act Protects automotive software and circumvention of protections.
- Computer Fraud and Abuse act also protects automotive software from hacking
- Right to repair is a countervailing trend in conflict to some extent with DMCA

Morgan Lewis

# IP TRENDS IN THE AUTOMOTIVE SPACE

The image features a dark, futuristic car silhouette in profile, facing right. The car is overlaid with a complex, glowing digital network of blue and purple lines and nodes, suggesting connectivity and data flow. The background is a deep purple with a faint, geometric wireframe pattern. The overall aesthetic is high-tech and digital.

# IP Trends in Automotive

- Most major automotive players have planted research capabilities in Silicon Valley to take advantage of local, high tech talent
- More trade secret litigation as employees change companies
  - Waymo v. Uber
  - Tesla v. Zoox
- More patent litigation as additional electric and autonomous vehicles come onto the market

# IP Trends in Automotive

- Patent Filings on Electification of Vehicles are way up
- First patent pools are starting to appear in the automotive space
  - Avanci, LLC offering first patent pool on connected cars.
    - BMW, and recently Audi, Porsche reportedly licensees
  - Pools offer aggregated sets of patents for a single price
  - Generally must be tied to a standard to pass antitrust scrutiny
- Wireless players are seeking to sell patent licenses to automotive players
  - Nokia v. Daimler patent licensing dispute at European Commission
  - Raises SEP issues



# IP Trends in Automotive

- Licensing of technology from software vendors to established players
  - Microsoft, Google
  - Infotainment systems and connected cars
- License On Transfer for Patents
  - Google led program
  - Ford, GM, Honda members
  - Seeks limit disruptive aspects of patents when transferred from one company to another

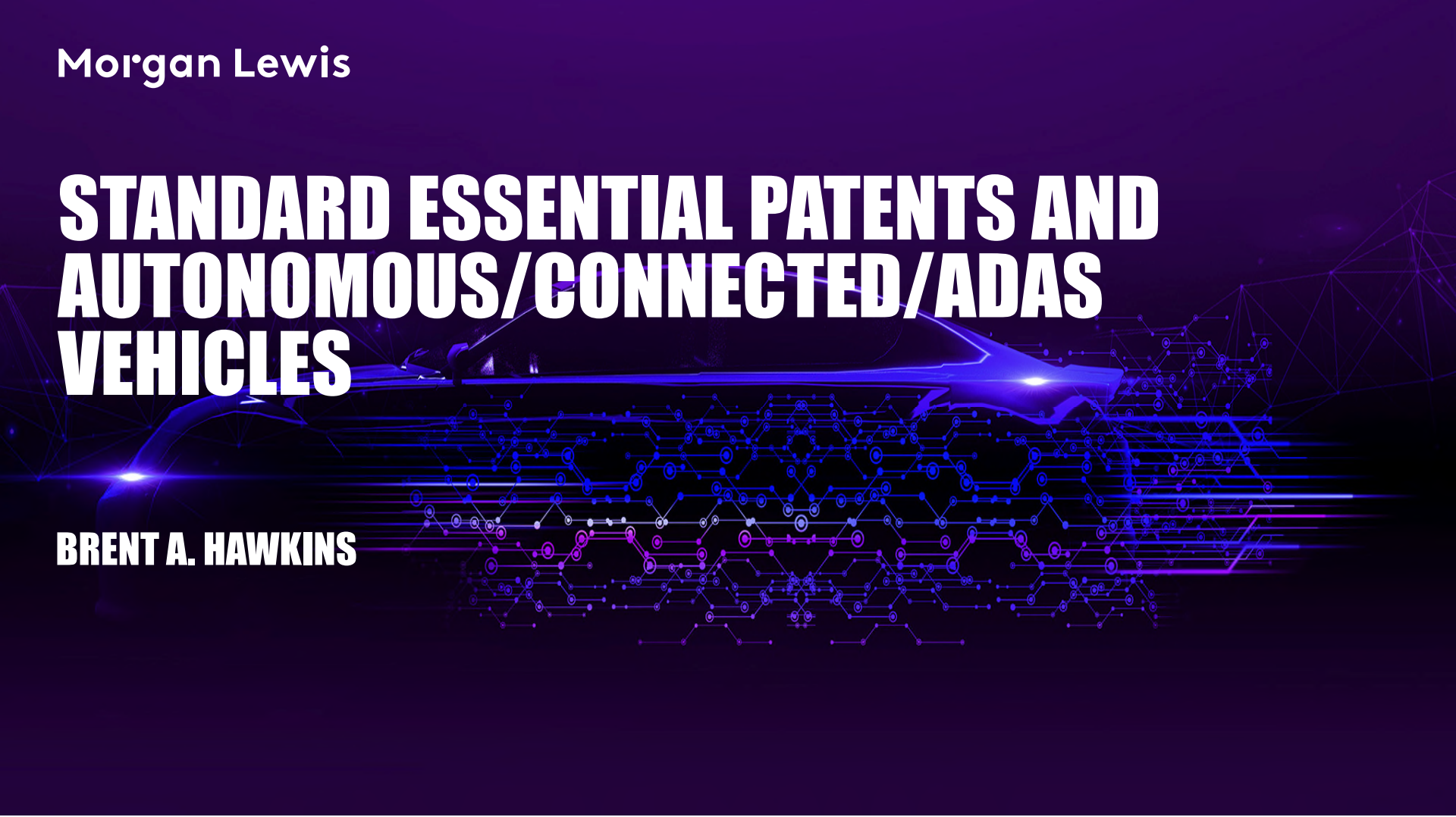
# IP Trends in Automotive

- Use of Trade Dress / Trademark to protect shapes of vehicles that are too old to protect with patents
  - Land Rover Discovery Case
- Use of Design Patents to protect newer shapes and car parts

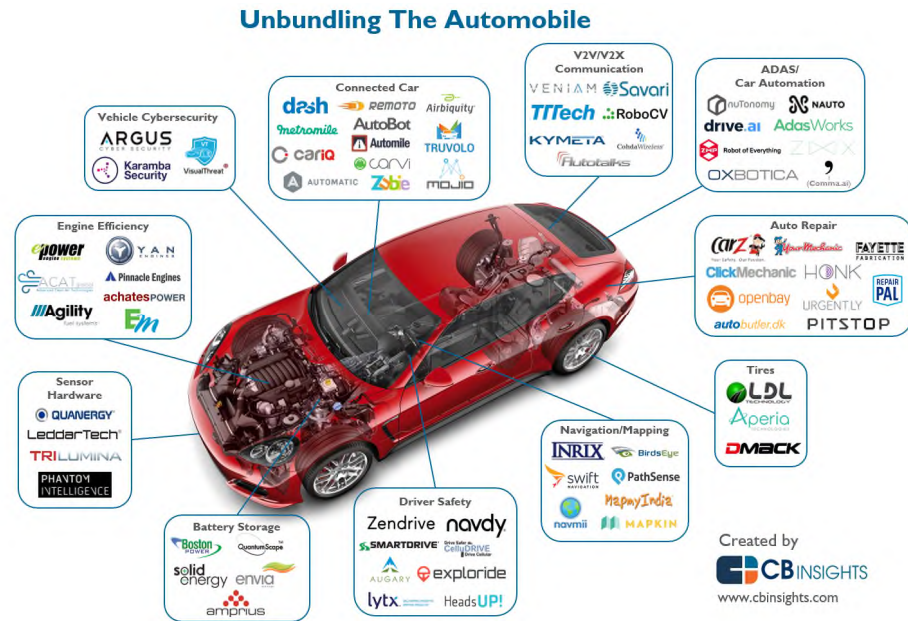
Morgan Lewis

# STANDARD ESSENTIAL PATENTS AND AUTONOMOUS/CONNECTED/ADAS VEHICLES

BRENT A. HAWKINS



# The Anatomy of Autonomous and Connected Vehicles

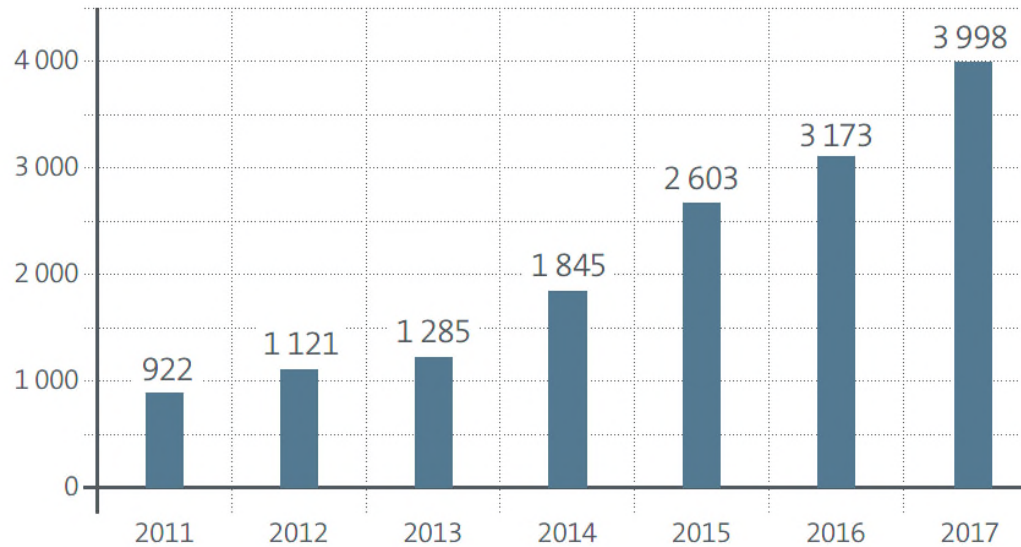


- Central Computer
- V2V/V2X Communication
- Infotainment
- Global Positioning System (GPS)
- Cameras (Video)
- Light Detection and Ranging (LIDAR)
- Sensors (Hardware/Software)
- Ultrasonic Sensors
- Aftermarket Repair
- Battery Storage

Source: <https://cbi-blog.s3.amazonaws.com/blog/wp-content/uploads/2016/05/1-unbundling-car.png>

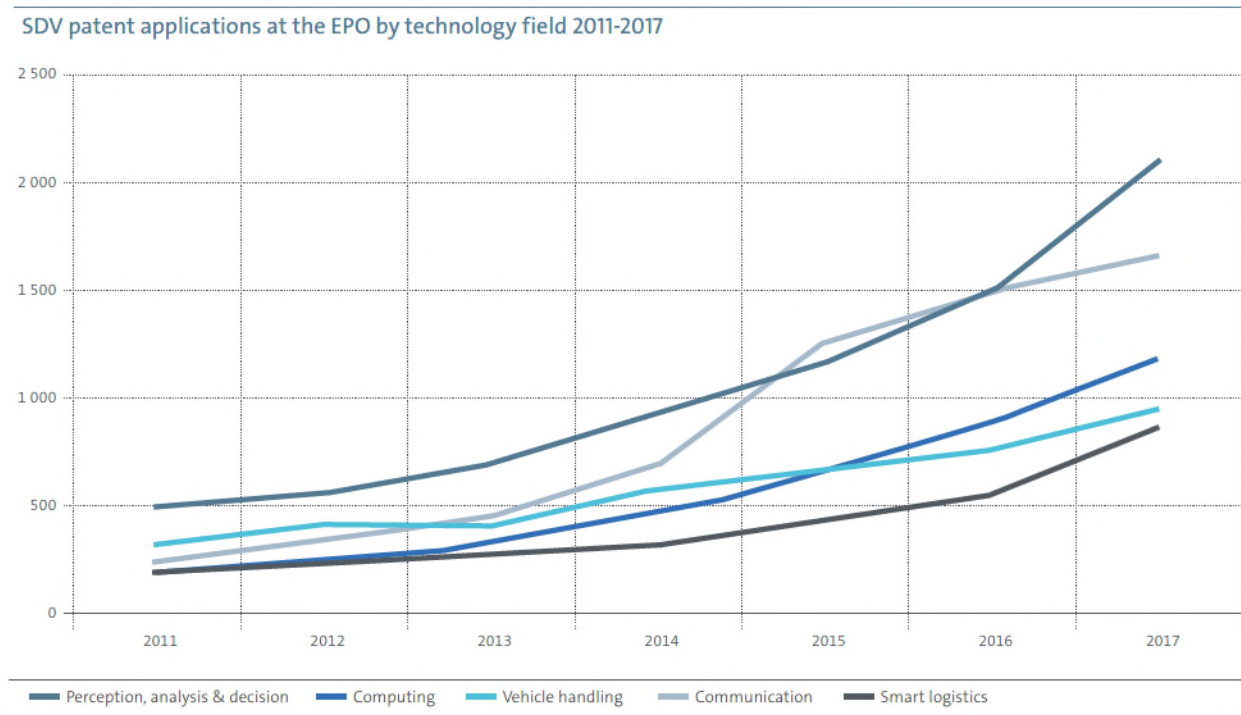
# Autonomous and Connected Vehicle Patent Applications

SDV patent applications at the EPO 2011-2017



Source: EPO

# Autonomous and Connected Vehicle Patent Applications



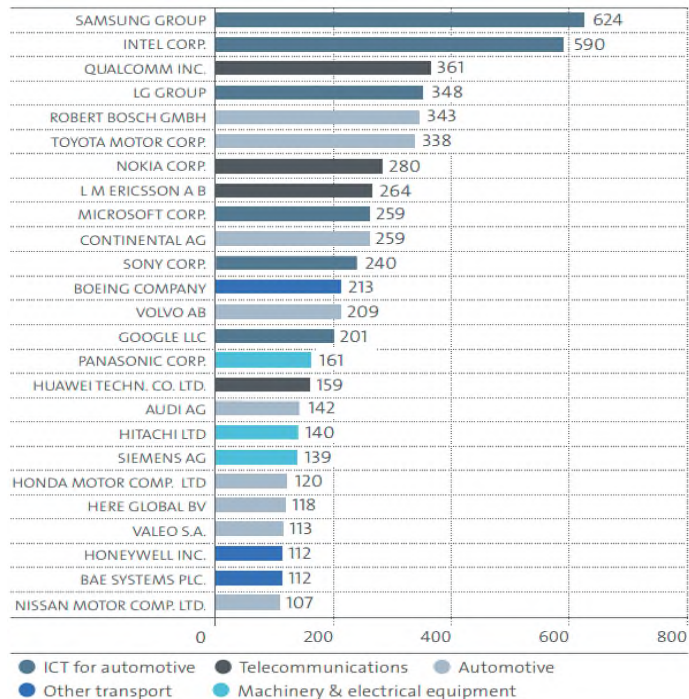
Source: EPO

# Intellectual Property Landscape for Autonomous and Connected Vehicles



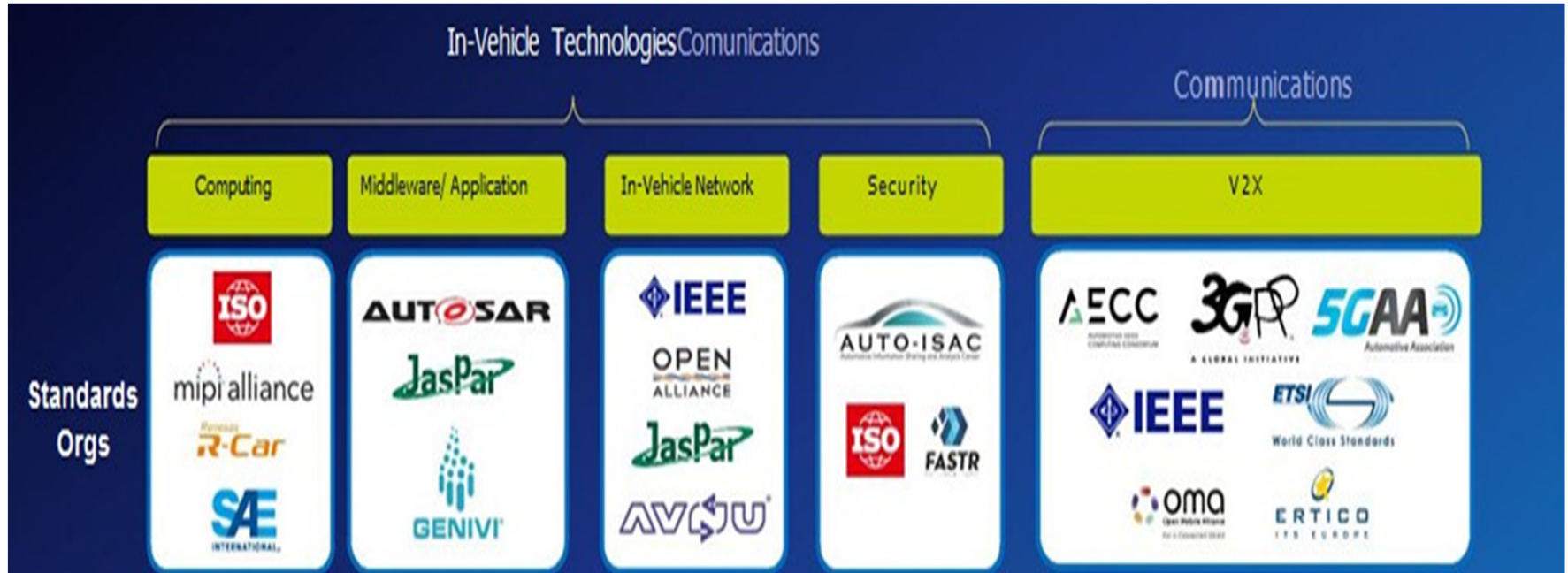
Disruption in Intellectual Property Landscape

Top 25 SDV applicants at the EPO 2011-2017



Source: EPO

# Standards: autonomous and connected vehicles





## Fair, Reasonable and Non-Discriminatory

“YOU KEEP USING THAT WORD. I DO NOT THINK IT MEANS WHAT YOU THINK IT MEANS.” - Inigo Montoya, “The Princess Bride”

# TCL v. Ericsson: Fair and Reasonable

## (Case Nos. SACV 14-341; CV 15-2370)

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

TCL COMMUNICATION  
TECHNOLOGY HOLDINGS, LTD.,  
*et al.*,  
Plaintiffs/Counterclaim-Defendants,

v.

TELEFONAKTIEBOLAGET LM  
ERICSSON, *et al.*,  
Defendants/Counterclaim-Plaintiffs,

ERICSSON INC., *et al.*,  
Plaintiffs/Counterclaim-Defendants,

v.

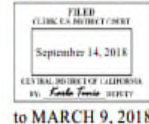
TCL COMMUNICATION  
TECHNOLOGY HOLDINGS, LTD.,  
*et al.*,

Defendants/Counterclaim-Plaintiffs.

CASE NO: SACV 14-341 JVS(DFMx)

CASE NO: CV 15-2370 JVS(DFMx)

NUNC PRO TUNC



Amended

Memorandum of Findings of Fact and Conclusions of Law  
(PUBLIC REDACTED VERSION)

*Total Aggregate Royalty*

$$\begin{aligned} & \times \text{Ericsson's Proportional Share of the Total Aggregate Royalty} \\ & = \text{Ericsson's Royalty Rate} \end{aligned}$$

Ericsson's proportional share can be further broken down as:

$$\text{Proportional Share} = \frac{\text{Number of unexpired SEPs owned by Licensor}}{\text{Total Number of SEPs in the Standard}}$$

Throughout this section, the Court refers to the number of unexpired SEPs owned by Ericsson as the numerator, and the total number of SEPs as the denominator. As explained below, because Ericsson's SEP portfolio is weaker in some countries than others, the Court also had to apply a regional strength ratio. The full top down formula used by the Court can be expressed as:

*Ericsson's Royalty Rate* =

$$\text{Total Aggregate Royalty} \times \left( \frac{\text{Number of unexpired SEPs owned by Licensor}}{\text{Total Number of SEPs in the Standard}} \right) \times \text{Regional Strength Ratio}$$

# “Top Down” FRAND Rate Model for SEPs

Licensors	Value Share	Rate
1	A%	a
2	B%	b
3	C%	c
4	D%	d
5	E%	e
6	F%	f
7	G%	g
...	...	...
<b>Total</b>	<b>100%</b>	<b>Maximum Royalty Burden</b>

# TCL v. Ericsson: Non-discrimination Obligation

## (Case Nos. SACV 14-341; CV 15-2370)

UNITED STATES DISTRICT COURT  
CENTRAL DIST

TCL COMMUNICATION  
TECHNOLOGY HOLDINGS, LTD  
*et al.*,  
Plaintiffs/Counterclaim-Defendants

v.

TELEFONAKTIEBOLAGET LM  
ERICSSON, *et al.*,  
Defendants/Counterclaim-Plaintiffs

ERICSSON INC., *et al.*,  
Plaintiffs/Counterclaim-Defendants,

v.

TCL COMMUNICATION  
TECHNOLOGY HOLDINGS, LTD.,  
*et al.*,  
Defendants/Counterclaim-Plaintiffs.

Amended

Memorandum of Findings of Fact and Conclusions  
(PUBLIC REDACTED VERSION)

The Court concludes there is no single rate that is necessarily FRAND, and different rates offered to different licensees may well be FRAND given the economics of the specific license. (*Id.*) Based on the drafting history of ETSI's IPR Policy, Dr. Huber concluded that “the drafters did not intend ‘non-discriminatory’ to ensure the exact same treatment or identical license terms for all licensees to the same portfolio of essential patents.” (*Id.*, ¶ 44.) Significantly, Dr. Huber was the only legal expert with experience in and an understanding of the ETSI standards process to opine on the meaning of non-discrimination. It necessarily follows that TCL cannot claim that anything other than the nominally lowest rate in marketplace is *per se* discriminatory.

Ericsson's use of floors in its rates is itself discriminatory. In the absence of a credible showing that Ericsson's SEPs add a measurable incremental value, there is no basis for essentially discriminating on the basis of the average selling price where a floor would result in a higher effective rate for lower priced phones. Here, the Court has rejected Kennedy's ex Standard analysis. There is no predicate in this record for floors.

# TCL v. Ericsson: Spectrum of Amicus Briefs

Criteria	IP damages experts	Interdigital	Nokia	Panasonic	Uber
Top down FRAND approach		Should only be used when royalty stacking or hold up evidence exists	Use only as check, not primary methodology	Can be useful when paired with another check such as licenses	All applicable SEPs must be considered for FRAND rate
Comparable licenses; non-discrimination	Per unit floors and caps are less likely to discriminate than percentage royalty or per unit royalty	Should be preferred approach; royalty floors are not "per se" discriminatory	Use as primary methodology	Use as a check; exact congruence not required	Different pricing for different device makers is discriminatory
Maximum aggregate royalty rate		There is no industry consensus on such caps; should not be binding on all patent owners	Public predictions are not binding	Must not become cost prohibitive	Extracting value from a downstream channel is discriminatory
Patent owner proportional share	Per unit floors can be apportioned to SEP value	Treating each patent as having equal value is plainly unreliable	Too inclusive on total SEPs; too exclusive on Ericsson SEPs	Findings on total SEPs and individual shares not binding on others; rigorous analysis required	Apportionment requires assessing contribution of SEPs to the industry standard
Regional strength ratio		Public predictions should have been scaled upward to arrive U.S. rate	Wrong to assume U.S. portfolio is stronger		

# Unwired Planet v. Huawei (UK): Court of Appeal Decision (Oct. 23, 2018)



Neutral Citation Number: [2018]EWCA Civ 2344

Case No: A3/2017/1784

IN THE COURT OF APPEAL (CIVIL DIVISION)  
ON APPEAL FROM CHANCERY DIVISION, PATENTS COURT  
Mr Justice Birss  
[2017] EWHC 711 (Pat)

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 23/10/2018

Before:

LORD KITCHIN  
LORD JUSTICE FLOYD  
and  
LADY JUSTICE ASPLIN

Between:

(1) UNWIRED PLANET INTERNATIONAL  
LIMITED  
(2) UNWIRED PLANET LLC

Claimant/  
Tenth Party/  
Respondents

- and -

(1) HUAWEI TECHNOLOGIES CO. LIMITED  
(2) HUAWEI TECHNOLOGIES (UK) CO  
LIMITED

Defendants/  
Appellants

.....  
Andrew Lykiardopoulos QC and James Segan (instructed by Powell Gilbert) for the  
Appellants  
Adrian Speck QC, Sarah Ford QC, Isabel Jamal and Thomas Jones (instructed by EIP  
and Osborne Clarke LLP) for the Respondents

Hearing dates: 17th May- 23rd May 2018  
.....

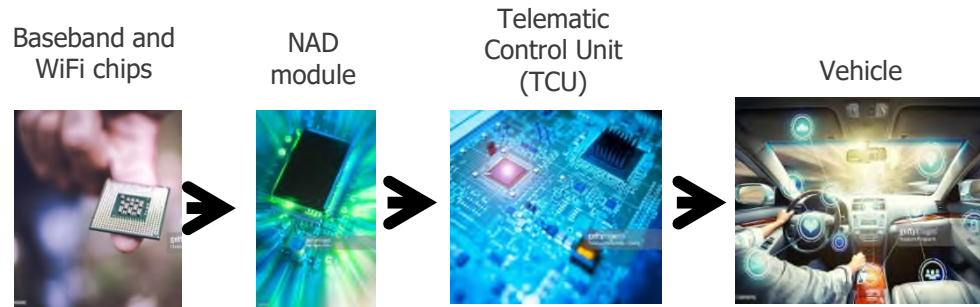
**Approved Judgment**

- Confirmed Judge Birss' setting of FRAND rates
- There is not only "one true FRAND" set of rates; a range of FRAND rates may be possible
- FRAND rates may be set on a global basis
- Differential rates are not per se discriminatory; "most favoured licensee" provision not required
- Huawei v. ZTE (CJEU) requires "notice" by patent owner before seeking injunction, and sufficiency of notice depends on the circumstances

# FRAND Rates: Some Global Convergence and Divergence

- Some use of top-down approach, at least where royalty stacking concerns exist
  - *Unwired Planet*: top-down as check on comparable licenses
  - *TCL*: top-down as primary; comparable licenses as check
- A range of FRAND rates is possible (no single FRAND rate)
- Non-discrimination?
  - *Unwired Planet*: no breach if one licensee receives a lower rate than a benchmark rate offered to all potential licensees
  - *TCL*: anything other than nominally lowest rate is not per se discriminatory?
- Injunction
  - *Unwired Planet*: open path to injunction if sufficient prior “notice” provided
  - *TCL*: “injunction” imposing license agreement and royalties?

# The automotive value chain





# FRAND and the automotive value chain

**GENERAL PREMISE:** Owners of SEPs must generally agree to give a commitment to license these patents to on FRAND terms as a condition for inclusion of their technology into the standard.

## COMPETING VIEWS

- |                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• SEP owners should be free to choose at which level of the supply chain they grant licenses (e.g., finished product makers or manufacturers of components)</li><li>• SEP owners should be able to offer used based licenses and charge different rates depending on the end use made of the SEP (even if technology covered by the SEP is the same)</li></ul> | <ul style="list-style-type: none"><li>• SEP owners are obligated to licenses to any willing licensee regardless of the level of the supply chain in which the potential licensee is situated</li><li>• The technology covered by the SEP fulfils exactly the same role in any standard-compliant product regardless of its end-use because the function of the technology covered by the SEP is defined by the standard</li></ul> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# FTC v. QUALCOMM, Inc., Case No. 17-cv-220 (N.D Cal.)

Case 5:17-cv-00220-LHK Document 1490 Filed 05/21/19 Page 1 of 233

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

United States District Court  
Northern District of California

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

FEDERAL TRADE COMMISSION,  
Plaintiff,  
v.  
QUALCOMM INCORPORATED,  
Defendant.

Case No. 17-CV-00220-LHK  
FINDINGS OF FACT AND  
CONCLUSIONS OF LAW

Plaintiff Federal Trade Commission ("FTC") brings suit against Defendant Qualcomm Incorporated ("Qualcomm") for allegedly violating Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and seeks permanent injunctive relief. Specifically, the FTC claims that Qualcomm has harmed competition in two markets for baseband processors, also called modem chips, through a set of interrelated Qualcomm practices. The FTC Act prohibits "[u]nfair methods of competition," which include violations of the Sherman Act. The FTC asserts that Qualcomm's conduct violates (1) Section 1 of the Sherman Act, 15 U.S.C. § 1; (2) Section 2 of the Sherman Act, 15 U.S.C. § 2; and (3) Section 5 of the FTC Act, 15 U.S.C. § 45(a). ECF No. 966.

On April 3, 2017, Qualcomm moved to dismiss the FTC's Complaint. ECF No. 69. On June 26, 2017, the Court denied Qualcomm's motion to dismiss. ECF No. 134.

Case No. 17-CV-00220-LHK  
FINDINGS OF FACT AND CONCLUSIONS OF LAW

- Court held that "Qualcomm's [licensing] practices violate Sections 1 and 2 of the Sherman Act."
- Court entered an injunction, ordering Qualcomm to:
  1. refrain from conditioning the supply of modem chips on a patent license status, and to negotiate or renegotiate license terms with customers in good faith;
  2. make exhaustive SEP licenses available modem-chip suppliers on FRAND terms;
  3. refrain from entering express or de facto exclusive dealing agreements for the supply of modem chips;
  4. refrain from interfering with the ability of any customer to communicate with a government agency; and
  5. submit to compliance and monitoring procedures for 7 years.

# FTC v. QUALCOMM, Inc., Case No. 17-cv-220 (N.D. Cal)

United States District Court  
Northern District of California

8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

FEDERAL TRADE COMMISSION,  
Plaintiff,  
v.  
QUALCOMM INCORPORATED,  
Defendant.

Case No. 17-CV-00220-LHK  
**ORDER GRANTING FTC'S MOTION  
FOR PARTIAL SUMMARY  
JUDGMENT**  
Re: Dkt. No. 792

Plaintiff Federal Trade Commission ("FTC") sues Defendant Qualcomm, Inc. ("Qualcomm") for violation of § 5 of the Federal Trade Commission Act ("FTCA"), 15 U.S.C. §

45. Before the two industry chip suppliers in this case, the

## I. BACKGROUND

### A. Factual Background

This case presents the complicated interaction between cellular communications standard essential patents ("SEPs"), and the market for baseband processors, or "modem c

Case No. 17-CV-00220-LHK  
ORDER GRANTING FTC'S MOTION FOR PARTIAL SUMMARY JUDGMENT

### a. IPR Policy Text

The IPR policies at issue in this motion are no different. Both the TIA and ATIS IPR policies include non-discrimination provisions that prohibit Qualcomm from distinguishing between types of applicants. Under the TIA IPR policy, a SEP holder promises to license its SEPs to "all applicants" on "terms and conditions that are reasonable and non-discriminatory." TIA IPR at 8. Under the ATIS IPR policy, a SEP holder must grant a SEP license to any applicant "under reasonable terms and conditions that are demonstrably free of any unfair discrimination." ATIS IPR at 10.

Also, contrary to Qualcomm's argument, neither IPR policy limits a SEP holder's FRAND

commitment to those applicants who themselves "practice" or "implement" whole standards.

Rather, the TIA IPR policy requires that the applicant desire to use the license "to the extent necessary for the practice of any or all of the Normative portions for the field use of use of practice of the Standard." TIA IPR at 8 (emphasis added). The TIA IPR policy expressly

# Continental Auto. Syst. v. Avanci, et al., Case No. 19-cv-02520

Case 5:19-cv-02520 Document 1 Filed 05/10/19 Page 1 of 63

1 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP  
2 A Limited Liability Partnership  
3 Including Professional Corporations  
4 STEPHEN S. KORNICZKY, Cal. Bar No. 135532  
5 MARTIN R. BADER, Cal. Bar No. 222865  
6 MATTHEW W. HOLDER, Cal. Bar No. 217619  
7 12275 El Camino Real, Suite 200  
8 San Diego, California 92130  
9 Telephone: 858.720.8900  
10 Facsimile: 858.509.3691  
11 E mail: skorniczky@sheppardmullin.com  
12 mbader@sheppardmullin.com  
13 mholder@sheppardmullin.com

14 MICHAEL W. SCARBOROUGH, Cal. Bar No. 203524  
15 MONA SOLOUKI, Cal. Bar No. 215145  
16 Four Embarcadero Center, 17th Floor  
17 San Francisco, California 94111  
18 Telephone: 415.434.9100  
19 Facsimile: 415.434.3947  
20 E mail: mscarborough@sheppardmullin.com  
21 msolouki@sheppardmullin.com

22 Attorneys for Plaintiff  
23 Continental Automotive Systems, Inc.

24 UNITED STATES DISTRICT COURT  
25 NORTHERN DISTRICT OF CALIFORNIA

26 CONTINENTAL AUTOMOTIVE  
27 SYSTEMS, INC., a Delaware  
28 corporation,

Plaintiff,

v.

AVANCI, LLC, a Delaware  
corporation, AVANCI PLATFORM

Case No. 19-cv-2520  
COMPLAINT FOR BREACH OF  
FRAND COMMITMENTS AND  
VIOLATIONS OF ANTITRUST  
AND UNFAIR COMPETITION  
LAWS:

(1) Breach of Contract;

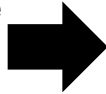
Case No. 19-cv-2520  
COMPLAINT

- Breach of contract
- Promissory estoppel
- Violation of §1 of the Sherman Act
- Violation of §2 of the Sherman Act
  - Unlawful monopolization
  - Conspiracy to monopolize
- Violation of Cal. BPC §17200 (Unfair Competition)

# Political Developments in FRAND/SEP Enforcement

- U.S. Department of Justice and Federal Trade Commission have signaled a shift in enforcement paradigm

SEP owners have  
breached license  
commitment



SSOs are stifling innovation  
by imposing FRAND  
requirements on patent  
holders

# Department of Justice: FRAND/SEP Enforcement

- DOJ policy concerns
  - Encourages patent “hold-up”
  - SSOs’ ability to force holders of SEPs to grant licenses on FRAND terms disproportionately favors implementers
  - Reduces incentives to innovate
- DOJ’s enforcement perspective
  - FRAND is not an antitrust issue
    - SEP-holder has no antitrust duty to deal with implementers despite unilateral commitments to license on FRAND terms
    - Cause of Action for breach of FRAND commitment violates Section 2 of the Sherman Act (i.e., was meant to protect competition, not police prices)
  - Suggests FRAND commitments may give rise to obligations under contract law

# Political Developments in FRAND/SEP Enforcement

- **U.S. Department of Justice**

“As I have said before, this joint statement should not be read as a limitation on the careful balance that patent law strikes to optimize the incentive to innovate. There is no special set of rules for exclusion when patents are part of standards. A FRAND commitment does not and should not create a compulsory licensing scheme.”

Makan Delrahim, Assistant Attorney General, U.S. Department of Justice Antitrust Div.

- **U.S. Federal Trade Commission**

“The way I look at it is, there has to be an antitrust problem in addition to a problem with the standard-setting context ... Just the fact that there is a breach of a FRAND commitment does not mean in any way that there is an antitrust violation...”

Joseph Simons, Commissioner, U.S. Federal Trade Commission

“We agree with the division leadership that a breach of a FRAND commitment standing alone is not sufficient to support a Sherman Act violation. The same is true even for a fraudulent promise to abide by a FRAND commitment. More is needed.”

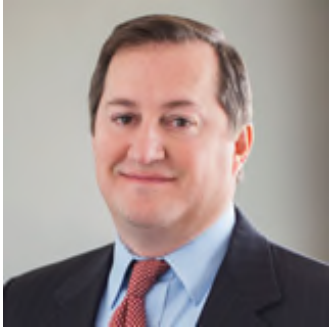
Joseph Simons, Commissioner, U.S. Federal Trade Commission

# Department of Justice: FRAND/SEP Enforcement

- DOJ's proposed "New Madison Approach"
  1. Antitrust law should not be used as a tool to police FRAND commitments that patent holders unilaterally make to standard setting organizations.
  2. SSOs should not become vehicles for concerted actions by market participants to skew conditions for patented technologies' incorporation into a standard in favor of implementers.
  3. SSOs should have a very high burden before they adopt rules that severely restrict the right of patent holders to exclude or amount to a de facto compulsory licensing scheme.
  4. A unilateral and unconditional refusal to license a patent should be considered per se legal from the perspective of antitrust law.



# Biography



**Robert C. Bertin**

Washington, DC

T +1.202.373.6672

[robert.bertin@morganlewis.com](mailto:robert.bertin@morganlewis.com)

Rob Bertin has over 20 years of experience litigating patent, trademark, trade secret and copyright cases throughout the United States, counseling clients on intellectual property (IP) and negotiating transactions involving IP. He has represented clients at the center of some of the largest patent portfolio sale and licensing events in the high tech industry, including the Nortel and Kodak transactions. Rob leverages a technical background to represent large and small companies primarily in high technology industries.



# Biography



**Brent A. Hawkins**

San Francisco, CA

T +1.415.442.1449

[brent.hawkins@morganlewis.com](mailto:brent.hawkins@morganlewis.com)

Brent A. Hawkins centers his practice on intellectual property litigation, counseling, and procurement. Brent's practice encompasses a wide range of technologies. He has served as lead counsel in numerous patent, trademark, trade dress, unfair competition, and copyright matters, representing clients in jurisdictions throughout the United States. Brent also advises clients in connection with licensing negotiations, including with regard to alleged standard-essential patent (SEP) and related fair, reasonable, and non-discriminatory (FRAND) issues.



# THANK YOU

© 2019 Morgan, Lewis & Bockius LLP  
© 2019 Morgan Lewis Stamford LLC  
© 2019 Morgan, Lewis & Bockius UK LLP

Morgan, Lewis & Bockius UK LLP is a limited liability partnership registered in England and Wales under number OC378797 and is a law firm authorised and regulated by the Solicitors Regulation Authority. The SRA authorisation number is 615176.

Our Beijing and Shanghai offices operate as representative offices of Morgan, Lewis & Bockius LLP. In Hong Kong, Morgan Lewis operates through Morgan, Lewis & Bockius, which is a separate Hong Kong general partnership registered with The Law Society of Hong Kong as a registered foreign law firm operating in Association with Luk & Partners. Morgan Lewis Stamford LLC is a Singapore law corporation affiliated with Morgan, Lewis & Bockius LLP.

This material is provided for your convenience and does not constitute legal advice or create an attorney-client relationship. Prior results do not guarantee similar outcomes. Attorney Advertising.