

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

WI-LAN INC.,

Plaintiff,

-vs-

LG ELECTRONICS, INC. and LG
ELECTRONICS U.S.A., INC.,

Defendants.

10-CV-432 (LAK)(AJP)

SECOND AMENDED COMPLAINT

JURY TRIAL DEMANDED

Plaintiff Wi-LAN Inc. (“Wi-LAN” or “Plaintiff”) by and through its attorneys, for its First Amended Complaint alleges as follows:

BACKGROUND

1. This action concerns a dispute over the world famous V-Chip invention, which relates to certain parental control technology invented by Professor Tim Collings that enables parents to block television programming based on the program’s content. Professor Collings and his revolutionary V-Chip invention have received numerous awards and recognition including praise from Former President Bill Clinton, who highlighted Professor Collings’ invention during his 1996 State of the Union Address, and Former Vice-President Al Gore, who solicited Professor Collings to demonstrate his invention at the White House. Since the Federal Communications Commission (“FCC”) mandated the use of certain functionality related to the patented technology in 1998, the V-Chip invention has received widespread acceptance and is currently being practiced by numerous licensees in both the United States (101) and Canada (82), including some of the largest, most sophisticated electronics and television manufacturers in the

world. The Defendants, however, have blatantly and willfully disregarded the FCC's regulations and Wi-LAN's rights in the patented V-Chip invention.

THE PARTIES

2. Plaintiff Wi-LAN is a corporation formed under the laws of the country of Canada with its principal place of business at 11 Holland Avenue, Ottawa, Ontario, Canada K1Y 4S1. Wi-LAN is a leading technology innovation and licensing company actively engaged in research, development, and licensing of new technology such as the patented V-Chip invention at issue in this case.

3. On information and belief, Defendant LG Electronics, Inc. ("LG Electronics") is a corporation formed under the laws of the country of Korea, with its principal place of business at LG Twin Towers 20, Yeouido-Dong, Yeongdeungpo-Gu, Seoul, South Korea 150-721.

4. On information and belief, Defendant LG Electronics U.S.A., Inc. ("LG Electronics USA") is a corporation formed under the laws of the State of Delaware with its principal place of business at 1000 Sylvan Avenue, Englewood Cliffs, New Jersey 07632.

5. On information and belief, LG Electronics and LG Electronics USA (collectively "LG" or "Defendants") acted in concert with regard to the allegations set forth in this complaint, and therefore the conduct described herein is fairly attributable to either or both entities.

JURISDICTION AND VENUE

6. Wi-LAN brings this action pursuant to the Patent Laws of the United States, 35 U.S.C. § 1 et. seq. and the laws of the State of New York.

7. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331, § 1338, and § 1367.

8. LG Electronics and LG Electronics USA are present in the State of New York as a result of their continuous and systematic course of doing business in this State. Defendant LG Electronics also executed a license agreement, at issue in this case, agreeing to venue in this Court. Accordingly, the Court has personal jurisdiction over Defendants pursuant to N.Y. C.P.L.R. § 301 and N.Y. C.P.L.R. § 302.

9. Venue is proper in this district pursuant to 28 U.S.C. §§1391(b) and 1400(b) as set forth above. Furthermore, venue is proper because LG is currently engaging in infringing activities in this district.

PATENT-IN-SUIT

10. U.S. Patent No. 5,828,402 (“the Collings patent” or “the ‘402 patent”) entitled “Method and Apparatus for Selectively Blocking Audio and Video Signals” was duly and legally issued on October 27, 1998, to the inventor Tim Collings. A true and correct copy of the Collings patent is attached as Exhibit 1.

11. Wi-LAN is the owner by assignment of all legal rights, title, and interests in and to the Collings patent, including the right to bring this suit for damages and injunctive relief for infringement thereof.

12. In order to develop, commercialize, and increase availability of the V-Chip technology, Professor Collings and Wi-LAN (including its predecessor Tri-Vision Electronics Inc. (“Tri-Vision”)) spent nearly twenty years developing, improving, testing, prototyping, commercializing, and licensing the patented V-Chip technology in the Collings patent.

13. In 1996, Tri-Vision obtained exclusive rights to the Collings patent.

14. In 1997, Tri-Vision signed exclusive distribution agreements for Tri-Vision’s V-Chip products with Ingram Entertainment, Telewire Supply, and Beamscope Canada to provide

V-Chip set top boxes to consumers and cable providers. In 1998 Tri-Vision launched its new V-Chip product line at the Consumer Electronics Show in Las Vegas, Nevada.

15. After years of developing, manufacturing, and commercializing V-Chip products, in 1997, Tri-Vision partnered with Samsung to develop the first V-Chip enabled television receiver. In 1999, Sharp became the first manufacturer after Tri-Vision to license the Collings patent. Licensing in Canada continued briskly with substantially all of the Canadian market being licensed by 2003.

16. In 1998, the Federal Communications Commission (“FCC”) adopted standards to implement V-Chip functionality in television receivers. These standards require certain television receivers that are shipped in interstate commerce to be equipped with V-Chip technology to block programming when a program rating is received that meets pre-determined user requirements.

17. In 2004, the FCC adopted specific standards to implement V-Chip functionality for digital television (“DTV”) receivers. In addition to blocking programs, DTV receivers must respond to changes in the content advisory system. *See* 47 U.S.C. § 303(c); 47 C.F.R. § 15.120(d)(e). This is referred to as “flexible” V-Chip functionality.

18. The V-Chip technology described and claimed in the Collings patent and its Canadian counterpart patent is in widespread use by numerous licensees, including nearly complete industry adoption and compliance in Canada. Licensing in the United States continues briskly with a significant portion of the U.S. television receiver market currently being licensed and paying royalties for use of Professor Collings’ invention.

19. World leaders, industry regulators, and scientific organizations have uniformly recognized and praised the value of the Collings patent and the V-Chip technology therein. The

G7 invited Professor Collings to personally demonstrate his invention at the G7 Summit and Technology Exposition in 1995 and again at the G7 Summit on International Standards in 1997. Professor Collings presented the V-Chip technology at the White House, where Former Vice-President Al Gore acknowledged Professor Collings as the “innovator of the V-Chip.” Congressman Edward Markey (D-Ma) called Professor Collings the “Father of the V-Chip Law” and described his work as singularly instrumental in demonstrating the benefits of the V-Chip technology and encouraging its adoption. Congressman Markey stated that Professor Collings “deserved the thanks of parents everywhere.”

20. Indeed, Professor Collings has been recognized with multiple awards from the most prestigious organizations for his work in developing the V-Chip technology covered by the Collings patent. In 1996, Professor Collings received the Principle Manning Award, one of Canada’s most significant honors. He also received the Gold Medal from the Science Council of British Columbia. In 2005, he was awarded the Meritorious Service Medal by Canada’s 48th Governor General. In 2006, Professor Collings’ patented V-Chip technology was recognized by the Better World Project as one of the 25 most significant innovations in the world in the last 25 years.

LICENSING AGREEMENT WITH LG

21. LG Electronics executed a licensing agreement (“License”) under the Collings patent having an effective date of May 17, 2006.

22. The License resulted from extensive negotiations between LG Electronics and Plaintiff’s predecessor, Tri-Vision, over the preceding year and a half. The negotiations began with Tri-Vision offering to license LG by letter on November 3, 2004. The letter also included information on the new FCC requirements mandating the implementation of V-Chip technology.

Specifically, the letter stated that the FCC had recently mandated that all digital television receivers contain flexible V-Chip functionality. Tri-Vision advised LG Electronics that, following a phase-in period, all digital television receivers sold in the United States must have the ability to reconfigure, using remotely transmitted signals, the Parental Guidance Rating Systems used in the V-Chips of these receivers.

23. The letter further stated that the Collings patent covers the features mandated by the new FCC regulations.

24. On January 31, 2005, a Senior Manager, LG Electronics, Intellectual Property Department, explicitly acknowledged both the mandatory nature of the FCC requirements and the fact that the FCC requirements mandate the use of the Collings patent when he wrote in response that:

After reviewing documents provided by Mr. Ikebe, we [LG] became to be interested in licensing your '402 patent. As you know, however, *except the FCC rule*[,] nothing is confirmed or in progress to force all the D-TV products sold in US to implement v-chip feature included in your patent. [emphasis supplied]

Final negotiations began in earnest on February 28, 2006, where Tri-Vision's representatives including Tri-Vision's President and Professor Collings met with LG's representatives: Manager, LG Electronics, Intellectual Property Department, and Senior Manager, LG Electronics, Intellectual Property Department.

25. The Senior Manager's statement in his January 31, 2005 letter clearly and unambiguously expressed LG's understanding that implementing the V-Chip technology claimed by the Collings patent was necessary to comply with FCC regulations. Accordingly, LG led Tri-Vision to believe, and Tri-Vision reasonably believed, that LG would implement the technology of the Collings patent in order to comply with FCC regulations.

26. Tri-Vision expressed its understanding to LG that LG would comply with the FCC regulations by implementing the Collings patent. In an e-mail dated December 13, 2005, a Tri-Vision representative wrote that the date for mandatory compliance with the flexible V-Chip rule was “only three months away,” and further wrote: “I can only assume that LG[']s planning[,] if not concluded, [is] at least well underway. I would very much appreciate an update.” LG did not inform Tri-Vision that it was not compliant and did not intend to comply with the flexible V-Chip rule.

27. During the February 28, 2006 meeting, the Senior Manager provided a signed letter of intent (“LOI”) to license the Collings patent by March 31, 2006. The LOI stated that “[LG] agrees to license its products that would be covered by the [Collings patent].” During this meeting the Senior Manager stated that LG would use the Collings patent. However, LG insisted on lower royalties. Tri-Vision explained it could not drop its royalty rate because the most favored nation provisions in its existing license agreements would require it to drop the royalty rate for existing (and future) licensees and result in a large decrease in revenue. However, LG representatives justified this reduction in the royalty rate, which it clearly understood would apply to LG and other existing and future licensees, by representing that the large volume of LG’s products that would become royalty bearing products after LG executed the License would more than make up for the reduction in royalties due to a decreased royalty rate.

28. On March 9, 2006, Tri-Vision again expressed to LG its understanding that FCC regulations required implementation of the Collings patent by stating that Tri-Vision was required by United States law to license the Collings patent in a fair and non-discriminatory manner.

29. On March 21, 2006, Tri-Vision met with LG again in Toronto, Canada, when Tri-Vision's President and others met with the two Managers from LG. During that meeting, the Senior Manager stated that "I am making this offer because LG will use your technology and no one else will." He went on to explain that LG should receive a lower royalty rate because (1) LG had a large share of the television receiver market; (2) licensing LG would result in additional licensees; and (3) LG would be the only significant user of the Collings patent. Tri-Vision offered an advertising agreement, which would have effectively lowered the royalty rate to LG, in exchange for advertising by LG of the Collings patent and V-Chip technology on LG's television receivers marketed in the United States.

30. In March 2006, the FCC regulations referred to in the November 3, 2004 and January 31, 2005 letters between Tri-Vision and LG went into effect, requiring that all television receivers sold in the United States incorporate flexible V-Chip technology. Based on LG's prior representations, Tri-Vision reasonably believed that LG was complying with the FCC regulations and thus employing the technology of the Collings patent. At no time prior to the execution of the License did LG deny that it intended to comply with FCC regulations, deny that FCC regulations require implementation of the technology of the Collings patent, or deny that its products would infringe the Collings patent when the flexible V-Chip rule became mandatory.

31. During the next meeting, which occurred in Seoul, Korea on April 25, 2006, LG and Tri-Vision agreed to basic terms on the License and the advertising agreement. Tri-Vision accepted the lower effective royalty rate in reliance upon LG's prior representations, including the anticipated large volume of LG's licensed products. However, additional issues with respect to the advertising agreement forced Tri-Vision to withdraw the advertising agreement and offer the License at the same effective royalty rate had the advertising agreement been implemented.

32. LG then executed the License, effective as of May 17, 2006. LG's act of executing the License after the FCC flexible V-Chip regulations went into effect amounted to an affirmation of LG's prior representations that LG would employ the Collings patent technology and comply with the FCC rules.

33. Subsequently, Wi-LAN became and is the owner of all Tri-Vision's rights in and to the License.

34. On numerous times during the licensing negotiations summarized above, LG fraudulently misled Tri-Vision into entering into an agreement that LG never intended to honor. LG's fraudulent misrepresentations included statements that (1) LG understood that the FCC rules required the implementation of the '402 patent; (2) LG would comply with the FCC rules; (3) LG would use the technology of the Collings patent; and (3) LG would have volumes of licensed products that justified the lowered royalty rate to LG and existing and future licensees.

35. Almost immediately after executing the License, LG disavowed nearly every representation to Tri-Vision and immediately embarked on a plan of denial in order to complete its fraudulent scheme. On or about July 2, 2006, LG provided a royalty report indicating no sales of licensed products. When questioned after receipt of the October 31, 2006 report, which also showed zero (0) sales, LG's Manager for the first time stated the view that the FCC rules were not mandatory and LG was implementing a fixed V-Chip rating system instead of the flexible V-Chip rating system. He further explained that the fact that "LG has not implemented the feature of [the Collings] patent has been understood between [the] two parties," clearly contradicting LG's prior assurances during the negotiation regarding LG's large volumes of licensed products and LG's representation that it understood that the FCC regulations required the implementation

of the Collings patent. LG's report of zero (0) sales prompted a series of meetings with LG over the next ten months in an attempt to resolve the dispute without resort to litigation.

36. LG's actions during those meetings demonstrated a consistent pattern of misconduct, deception, and delay, further evidencing the fraudulent scheme LG perpetrated on Tri-Vision. Wi-LAN and its predecessors made extraordinary efforts to resolve the dispute amicably, including meeting with various LG representatives on January 22, 2007; May 28, 2007; October 30, 2007; and March 13, 2008. During those meetings, LG continued to mislead and misrepresent its positions in complete contradiction to its prior representations to Tri-Vision and the FCC.

37. On information and belief, LG originally argued that its products did not use the Collings patent because they did not store the rating system information from the broadcaster. Subsequently at the October 30, 2007 meeting, LG engineers admitted that rating system information is stored in memory by their products. Similarly, in a March 14, 2007 letter, LG's Manager stated that "LG[']s products do not parse rating system information they just discard it." LG's engineers subsequently admitted that the rating system is examined for changes prior to discarding. LG announced on its website that "parents ... have the ability to block programs based on a new ... rating system..." which necessarily requires that LG's television receivers parse the rating system for changes and additions.

38. LG has made additional fraudulent statements and misrepresentations. On March 14, 2006, the Vice-President of Government Relations for LG Electronics USA, met with the legal advisor to the Chairman of the FCC urging that the FCC deny PDI Communications Systems, Inc.'s petition for a waiver to the mandatory regulations for DTV receivers. LG clearly understood the mandatory nature of the FCC regulations. Yet, on November 2, 2006, LG's

Manager stated to Tri-Vision's President that the FCC rules were not mandatory and LG was implementing a fixed V-Chip rating system instead of the flexible V-Chip rating system. Further flaunting its previous representations to the FCC recognizing the mandatory nature of the FCC regulations, LG stated that it was not going to comply with the FCC's regulations on V-Chip enabled receivers until the FCC began to enforce its requirements. On April 18, 2008, the FCC and LG entered into a consent decree requiring LG to fix the shipped and purchased television receivers that failed to comply with the V-Chip regulations and pay one-million seven hundred thousand dollars (\$1,700,000), the largest fine to date for failing to comply with the FCC V-Chip regulations.

39. In a November 12, 2007 email, another representative of LG stated that LG had not received evidence that LG's products use the Collings patent's technology, completely ignoring LG's obligations to accurately report sales of "V-Chip T.V. receivers," and ignoring its prior acknowledgement that the use of the Collings patent technology is mandated by the FCC regulations.

40. On information and belief, LG never had any intention of meeting its obligations under the License either during the negotiation or upon signing the License. LG made false statements of fact in order to induce Tri-Vision to enter into the License at a substantially reduced royalty rate. On information and belief, LG never intended to pay royalties on the Collings patent absent court intervention. LG's actions, after it executed the License, including its allegations that its television receivers are not covered by the Collings patent, are directly contrary to its conduct and representations made prior to its execution of the License.

41. The FCC regulations established an independent legal duty on the part of LG to comply with the FCC's flexible V-Chip rules. Tri-Vision reasonably believed, based on LG's

representations and course of conduct in negotiating the License, that LG would comply with the FCC regulations by implementing the technology of the Collings patent.

42. LG's representations that (1) LG agreed that the FCC rules required the implementation of the Collings patent; (2) LG would comply with the FCC rules; (3) LG would use the technology of the Collings patent; and (4) LG would have volumes of licensed products that justified the lowered royalty rate to LG and existing and future licensees, were collateral to the License Agreement. LG made these collateral fraudulent representations in order to induce Tri-Vision to enter the License Agreement with a lower royalty rate.

43. Wi-LAN's predecessor, Tri-Vision, reasonably relied upon LG's repeated representations in entering into the License Agreement. But for LG's misrepresentations, Tri-Vision would not have entered into the License on the terms and conditions set forth therein. Specifically, Tri-Vision would not have agreed to a lower royalty rate, which resulted in significant losses in reduced royalty payments from other licensees of the Collings patent.

44. The losses suffered by Wi-LAN and its predecessor, Tri-Vision, in reduced royalty payments from other licensees of the Collings patent exceed the value of the royalty payments that LG would have paid had LG honored its obligations under the License.

45. LG's fraudulent actions have garnered it an unfair competitive advantage over the one hundred (100) other legitimate licensees of the Collings patent.

46. On November 26, 2007, LG was notified of its material breach of the License and its need to cure. Since that time, Wi-LAN or its predecessors have made continued efforts to resolve the dispute with LG. LG continues to be evasive and ignore its obligations under the License and has never cured its breach. On April 7, 2010, Wi-LAN officially gave notice of termination of the License.

COUNT 1 -- FRAUDULENT INDUCEMENT

47. Wi-LAN incorporates by reference the allegations in paragraphs 1 -- 46.

48. LG made numerous statements and representations to Tri-Vision as to material facts regarding the License, including the volume of licensed LG products and the amount of royalties it would pay, as summarized above. These statements and representations were known by LG to be false and/or misrepresentations intended to mislead Tri-Vision.

49. LG used these false statements and misrepresentations to fraudulently induce Tri-Vision to enter into a license agreement that it never intended to honor. As a direct result of being fraudulently induced by LG to enter the License, Tri-Vision and its successor, Wi-LAN, suffered special damages, including the reduction of revenue resulting from the most favored nation clause requirement in existing licensees' agreements to receive any royalty reduction offered to subsequent licensees and to future licensees from royalty rate erosion.

50. LG also made fraudulent representations collateral to the contract by representing that (1) the FCC rules required the implementation of the Collings patent; (2) LG would comply with the FCC rules; (3) LG would use the technology of the Collings patent; and (4) LG would have volumes of licensed products that justified the lowered royalty rate to LG and existing and future licensees.

51. LG intended for Tri-Vision to rely on these fraudulent representations in order to induce Tri-Vision to execute the License at a significantly reduced royalty rate.

52. Tri-Vision reasonably relied on LG's fraudulent representations of its intention to use the technology of the Collings patent and pay royalties, without knowledge of their falsity, in entering into the License, and in thereafter reducing its license rates to its other licensees. But for LG's misrepresentations, Tri-Vision would not have executed the License. Further, but for

LG's misrepresentations and the License induced by those representations, Tri-Vision would not have reduced its license rates to its other licensees, as there would not have been any contractual requirement to do so.

53. Because LG fraudulently induced Tri-Vision to enter into the License, the License was void *ab initio*, and should be rescinded by the Court.

COUNT 2 -- PATENT INFRINGEMENT

54. Wi-LAN incorporates by reference the allegations in paragraphs 1 -- 53.

55. Pursuant to 35 U.S.C. § 271, LG has infringed and continues to infringe the Collings patent directly, contributory, and by active inducement, by making, using, selling, offering for sale, and/or importing infringing television receivers in the United States, including but not limited to television receivers incorporated into digital television sets, digital converter boxes, digital video recorders, and/or set-top boxes, including but not limited to LG model numbers 37LB5D, 42LB5D, 47LB5D, 52LB5D, 32LB4D, 37LB4D, and 42LB4D.

56. LG has been on actual notice of the Collings patent since at least November 3, 2004.

57. Defendants' infringement of the Collings patent has been deliberate and willful.

58. LG's acts of infringement have caused damages to Wi-LAN, and Wi-LAN is entitled to recover from LG for those damages pursuant to 35 U.S.C. § 284 in an amount that cannot presently be quantified, but will be ascertained at trial. LG's continued infringement of Wi-LAN's rights under the Collings patent will continue to damage Wi-LAN, causing irreparable harm for which there is no adequate remedy at law unless enjoined by this Court.

59. This case presents exceptional circumstances warranting an award of treble damages and attorneys' fees pursuant to 35 U.S.C. §§ 284 and 285.

JURY DEMAND

60. Plaintiff Wi-LAN hereby demands a trial by jury of all issues triable of right by a jury.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Wi-LAN prays that the Court:

- A. declare that LG fraudulently induced Wi-LAN into the License, which was void *ab initio*, and, therefore, rescind it;
- B. enter a judgment that LG has directly infringed, contributorily infringed, and actively induced others to infringe the Collings patent;
- C. declare that the manufacture, use, import, offer for sale, and/or sale of LG's DTV receivers in the United States infringe the Collings patent;
- D. grant a preliminary and permanent injunction restraining and enjoining LG, its officers, directors, agents, servants, employees, successors, assigns, parent, subsidiaries, affiliated or related companies, and attorneys from infringing, inducing others to infringe, and contributing to the infringement of the Collings patent;
- E. award Wi-LAN an accounting and damages sufficient to compensate for the decreased royalty payments from existing and future licensees as a result of LG's fraud;
- F. award Wi-LAN an accounting and damages in an amount sufficient to compensate Wi-LAN for LG's infringement, contributory infringement, and

- active inducement of infringement of the Collings patent, but not less than a reasonable royalty;
- G. award such other and further relief to Wi-LAN as the Court deems proper and just;
- H. assess punitive damages against LG in a just amount sufficient to deter such fraudulent and oppressive conduct in the future;
- I. award pre-judgment interest to Wi-LAN pursuant to 35 U.S.C. § 284; and award increased damages, pursuant to 35 U.S.C. § 284, in an amount not less than three times the amount of actual damages awarded to Wi-LAN, by reason of LG's willful infringement;
- J. declare this case exceptional under 35 U.S.C. § 285 and award Wi-LAN its reasonable attorneys' fees, expenses and costs incurred in this action; and
- K. grant Wi-LAN such other action and further relief as this Court may deem just and proper, or that Wi-LAN may be entitled to as a matter of law or equity.

DATED: August 23, 2010

New York, New York

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CERTIFICATE OF SERVICE

I hereby certify that on August 23, 2010, I caused a true and correct copy of the attached Second Amended Complaint to be served by email and First Class Mail, postage prepaid, addressed to attorneys for Defendant LG Electronics, Inc. and LG Electronics U.S.A., Inc.:

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