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LENOVO (UNITED STATES) INC.

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

LENOVO (UNITED STATES) INC.,

Plaintiff,

vs.

NOKIA TECHNOLOGIES OY,

Defendant.

Case No.

COMPLAINT

JURY TRIAL DEMANDED

1 Plaintiff Lenovo (United States) Inc. (“Lenovo United States”), on personal knowledge as
2 to its own acts, and on information and belief as to all other acts based on its own and its
3 attorneys’ investigation, by and through its attorneys, alleges as follows:

4 **INTRODUCTION**

5 1. Defendant Nokia Technologies Oy (“Nokia Oy”) has asserted, and continues to
6 assert, that Lenovo United States is required to take a license to patents that Nokia Oy claims to
7 own and claims are essential to practice the H.264 video compression standard. However, with
8 respect to each of the nineteen patents discussed below (“Nokia Patents”), the prior owner (Nokia
9 Corporation) failed to comply with its contractual obligation to disclose any rights in the allegedly
10 essential Nokia Patents to the relevant standards-setting organization before the H.264 standard
11 was “frozen”—thus depriving members of the ability to take those alleged patent rights into
12 account when the standard was still under development.

13 2. Because this late disclosure breached the contract that existed between Nokia
14 Corporation and the H.264 standards-setting organization (and Lenovo United States is a third-
15 party beneficiary of that contract and has suffered harm as a result of the breach) and also violated
16 California unfair competition law, each of the Nokia Patents is unenforceable against the H.264
17 standard. Moreover, because this repeated late disclosure was egregious, and because Nokia Oy
18 and/or Nokia Corporation have leveraged the allegedly standard-essential nature of the late-
19 disclosed Nokia Patents to obtain unjust benefits, the Nokia Patents are unenforceable against the
20 H.264 standard under the doctrine of implied waiver.

21 **PARTIES**

22 3. Plaintiff Lenovo United States is a company organized under the laws of Delaware,
23 with its principal place of business at 8001 Development Drive, Morrisville, North Carolina
24 27560.

4. On information and belief, Defendant Nokia Oy is a Finnish corporation that is headquartered in and does business in Sunnyvale, California.¹ Nokia Oy claims to own by assignment all right, title, and interest in and to the Nokia Patents.

5. On information and belief, Defendant Nokia Oy is a wholly owned subsidiary of Nokia Corporation. Defendant Nokia Oy's primary business is to monetize the patent rights obtained by the various Nokia entities, including Nokia Corporation.

JURISDICTION AND VENUE

6. Lenovo United States brings this action under 28 U.S.C. § 2201, federal patent law, California contract law, and the California Unfair Competition Law (“UCL”), Business and Professions Code §§ 17200 et seq.

7. The Court has original jurisdiction over Lenovo United States' claims pursuant to 28 U.S.C. § 1332 because Lenovo United States is a citizen of Delaware and North Carolina, Nokia Oy is a citizen of Finland and California, and the value of the matter in controversy (including, among other things, Nokia Oy's demand for Lenovo United States to take a license to its patents that allegedly cover the H.264 standard) exceeds \$75,000.

8. The Court also has subject matter jurisdiction under 28 U.S.C. § 2201 over Lenovo United States' request that the Court declare the Nokia Patents unenforceable in relation to the H.264 standard under U.S. patent law.

¹ See Nokia Bell Labs, <https://web.archive.org/web/20201024004255/https://www.bell-labs.com/connect/global-locations/sunnyvale-ca/> (as of October 24, 2020, last visited December 7, 2020) (“Nokia opened the Sunnyvale site in December 2010. ***This location is home to*** Nokia Bell Labs, ***Nokia Technologies***, Mobile and Fixed Networks.”) (emphases added); see also Internet Archive, Nokia Corporation Website, *Nokia Technologies*, https://web.archive.org/web/20170301164948/https://www.nokia.com/en_int/about-us/who-we-are/our-businesses/nokia-technologies (as of March 1, 2017; last visited December 7, 2020) (“our headquarters in Sunnyvale, CA”); Chris O’Brien, *Nokia Technologies President on the Future of His ‘Startup’: ‘Anything Is Possible,’* Venturebeat, <http://venturebeat.com/2016/08/22/nokia-technologies-president-on-the-future-of-his-startup-anything-is-possible/> (last visited December 7, 2020) (describing Nokia Technologies as “[b]ased in Sunnyvale” and “based in Silicon Valley”); Dkt. 53 [Ans. to First Am. Compl.] ¶ 4, *Nokia Techs. Oy v. Lenovo (United States) Inc. et al.*, No. 5:19-cv-427-BO (E.D. N.C. June 29, 2020) (“Nokia [Technologies Oy] admits that it does business in Sunnyvale, California”).

1 9. The Court also has supplemental jurisdiction under 28 U.S.C. § 1367 over Lenovo
2 United States' state law breach of contract and unfair competition claims because those claims
3 form part of the same case or controversy as the federal law claims.

4 10. The Court has personal jurisdiction over Nokia Oy on the basis of Nokia Oy's
5 continuous and systematic contacts with the state of California, including because Nokia Oy
6 maintains a place of business in Sunnyvale, California, and conducts business there as well. *See*
7 *supra* n.1.

8 11. Venue in this district is proper under 28 U.S.C. § 1391(c)(2) because Nokia Oy is
9 subject to the Court's personal jurisdiction as explained above.

10 **INDUSTRY TECHNICAL STANDARDS**

11 12. Industry technical standards are sets of technical guidelines and protocols that
12 enable a product produced by one manufacturer to interoperate with products produced by other
13 manufacturers that support the same standard. Standards are developed and released by industry
14 groups called standard setting organizations (or SSOs).

15 13. During standardization, industry participants in the SSO propose ideas for inclusion
16 in the standard. The SSO collectively considers proposals and then chooses which proposals to
17 adopt into the standard, either as proposed or with modifications from other participants. The
18 standard is then adopted (or "frozen") and published for use by product suppliers.

19 14. The promulgation of standards can help increase competition among suppliers and
20 lead to improved products for consumers. Absent appropriate rules and adherence thereto,
21 however, standards also can lead to anticompetitive abuses, particularly when participants in the
22 standardization process have patent rights relating to technology being proposed for the standard.
23 Before standardization, suppliers of various technologies compete with other suppliers that offer
24 similar functionality, and the royalties a patent owner can demand for its technology is constrained
25 by the value of the patented technology standing alone and the availability of alternative technical
26 approaches to perform the functionality claimed in the patent. Post-standardization, however,
27 former alternatives to perform the standardized functions are often no longer viable substitutes for
28 those practicing the standard and thus no longer constrain royalties relating to standardized

1 technology. As a result, a patent holder may demand royalties attributable to inclusion of the
2 patented technology in the standard rather than the actual value of the patented technology.

3 15. The danger that a patent holder will gain an arbitrary and unfair advantage in
4 demanding royalties is particularly high when an SSO standardization participant proposes ideas
5 to be included in the standard that are identical or similar to the ideas the participant separately
6 seeks to patent (or has already patented). Such a situation creates the risk that a participant will
7 intentionally push the SSO to adopt—unknowingly—the participant’s patented technology, even
8 though the SSO might have adopted a different technology or excluded the functionality from the
9 standard if the SSO was timely made aware that the patent-holding participant claims to have
10 patent rights covering the technology under consideration.

11 16. In response to this substantial risk of exploitative behavior, most SSOs have adopted
12 intellectual property rights (IPR) policies that seek to minimize the potential for this type of abuse.
13 Among other things, these IPR policies typically require participants to timely disclose any
14 alleged standard-essential patent rights (including rights in pending patent applications) that might
15 cover the technology that the SSO is considering for standardization. By requiring members to
16 declare any patent rights that, if adopted into the standard, might be essential to practice the
17 standard, members can evaluate alternative technical proposals, decide not to include the proposed
18 technology, and consider other potential implications of any patents that that might cover the
19 various proposals—all *before* the standard is frozen and *before* industry participants become
20 locked into implementing the standard in their products.

21 17. SSOs adopt such disclosure policies to promote the widespread use of their
22 standards by suppliers and consumers. Standards that are developed subject to a requirement of
23 full, timely disclosure of potentially essential patent rights ensure that the resulting standard is not
24 encumbered by patents that SSO members were unaware of during the standardization process.

25 **THE H.264 STANDARD**

26 18. This Complaint concerns nineteen patents that Nokia Oy and/or Nokia Corporation
27 have claimed are essential to practice the H.264 video compression standard.
28

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