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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

REALTEK SEMICONDUCTOR CORP.,

Plaintiff,

vs.

MEDIATEK INC.; IPVALUE
MANAGEMENT, INC.; AND FUTURE LINK
SYSTEMS, LLC,

Defendant.

Case No. 5:23-cv-02774-PCP

**PLAINTIFF REALTEK
SEMICONDUCTOR CORP.'S FIRST
AMENDED COMPLAINT**

Judge: Honorable P. Casey Pitts

1 Plaintiff Realtek Semiconductor Corp. (“Realtek”), for its complaint against defendants
 2 MediaTek Inc. (“MediaTek”), IPValue Management Inc. (“IPValue”), and Future Link Systems,
 3 LLC (“Future Link”) (jointly, “Defendants”), alleges the following based upon personal
 4 knowledge, investigation, and information and belief.

5 INTRODUCTION

6 1. This case is about protecting consumers from the latest scheme by a monopolist to
 7 thwart competition and harm consumers: hiring patent trolls and paying them to kneecap targeted
 8 competitors with objectively baseless lawsuits.

9 2. It is widely known how patent trolls or Patent Assertion Entities (“PAEs”) operate.
 10 They acquire patents that are often abandoned by their original assignees because the technology
 11 is outdated or they otherwise lack value—*i.e.*, they do not cover novel, non-obvious inventions
 12 and are invalid. They don’t invent. They don’t innovate. They try to exploit often worthless
 13 patents through extortion then litigation. These lawsuits are often extremely expensive to defend
 14 against, take years to resolve, and potentially end in the payment of settlements or damages to
 15 PAEs who are often funded by wealthy private equity investors. When innovative companies
 16 such as Realtek have to incur such costs, hire outside attorneys, and pay unwarranted royalties for
 17 patents that never should have been granted, it directly and predictably increases costs to
 18 consumers. It slows innovation. It raises prices and harms competition. Indeed, lawsuits brought
 19 by PAEs were associated with *half a trillion dollars* of lost value for litigation targets from 1990
 20 to 2010.¹

21 3. This case involves a new and dangerous use of patent trolls as an anticompetitive
 22 weapon employed as third party litigation hit men to file objectively baseless suits. It is a
 23 dangerous abuse of the litigation system that threatens competition not only in this case but in all
 24 technology industries. If well-funded companies with monopolies or with market power can hire
 25 trolls to file meritless suits against their competitors and then use those suits to interfere with
 26 customer relationships, this will tear open a huge hole in the antitrust laws’ protection of free and

27 ¹ See Feng Chen, Yu Hou, Jiaping Qiu, and Gordon Richardson, *Chilling Effects of Patent Trolls*,
 28 52 Research Policy, issue 3 (Apr. 2023),
<https://www.sciencedirect.com/science/article/abs/pii/S0048733322002232>.

1 open competition.

2 4. MediaTek is such a monopolist. It is the dominant player in Smart TV system-on-
3 chips (“TV Chip(s)” or TV “SOC(s)”). MediaTek did not rise through innovation and
4 competition. Instead, it bought its way through mergers to acquire a whopping “70% market
5 share and more than 2 billion MediaTek powered TVs in the market”—its own words.

6 5. Standing apart, Realtek has earned its market share through hard work and
7 innovation. Realtek builds and innovates. Realtek creates. Realtek has received more than 90
8 awards for its product innovation in the 37 years since it was founded by a small group of young,
9 devoted engineers. Those awards include several for TV Chips, the digital brain of internet-
10 connected TVs (“Smart TVs”), which empower stunning visual display, awesome sound, and
11 internet connectivity for streaming shows or playing video games.

12 6. As Realtek started to grow and threaten MediaTek’s monopoly as a result of its
13 brisk innovation and superior product, MediaTek did not respond by coming up with a better
14 product. MediaTek did not respond by lowering its prices or providing better service to its
15 customers. Instead, it decided to encumber its rising competitor with meritless litigation in an
16 attempt to slow it down. Rather than compete on the merits (or even bring its own lawsuit),
17 MediaTek instead opted to pay a patent troll to do its dirty work and file patent suits with no
18 regard to merit. By hiding behind a patent troll, MediaTek could avoid incurring the full costs
19 and consequences of bringing meritless litigation against Realtek, while accomplishing its goal of
20 slowing its competitors down.

21 7. MediaTek needed a partner for its scheme. That’s where IPValue and Future Link
22 come in. IPValue and Future Link (“PAE Defendants”) are what many refer to as “patent trolls”
23 or “Patent Assertion Entities.”

24 8. Prior to Defendants’ anticompetitive scheme, PAE Defendants and MediaTek
25 were already acquainted. PAE Defendants identified and alleged infringement of seven patents
26 against MediaTek during licensing talks from 2017 to 2018, *three of which were later asserted*
27 *against Realtek* (U.S. Patent Nos. 7,917,680; 7,685,439; and 8,099,614). During negotiations
28 from 2017 through 2019, MediaTek consistently maintained that its ARM based products *did not*

1 *infringe* any of the patents, and that each of those patents were *invalid* based on prior art.² The
2 negotiations stalled until MediaTek's management (not its licensing negotiators) proposed that
3 PAE Defendants start suing two of MediaTek's competitors as part of the deal, with a
4 \$1,000,000.00 fee, the "Bounty" agreement.³

5 9. The \$1,000,000.00 would be earned simply upon filing lawsuits against
6 MediaTek's two targeted smaller competitors (or upon securing a license payment from them)
7 regardless of whether the lawsuits were meritorious or successful. Unlike a typical third party
8 litigation funder, MediaTek did not perform diligence of any claims against Realtek of its own
9 when it agreed to pay the patent troll to file the suit. MediaTek didn't care. MediaTek's expected
10 return on investment was entirely the anticompetitive impact of the scheme – an outcome in
11 which the merits of the patent suits played no role. Nor did the patent troll research claims
12 against Realtek when it agreed in the Bounty that it would file suit. MediaTek and the trolls did
13 not care if the suits were won or lost.

14 10. MediaTek would pay the patent trolls regardless of outcome or merit. The goal
15 was to tie up a competitor with meritless litigation, not to recoup a return on its investment for
16 funding legitimate litigation.⁴ Rather than conducting diligence to make sure that the patent
17 troll's claims against Realtek had merit, MediaTek had already determined that the very same
18 patents that were asserted against Realtek were *invalid* and did not cover MediaTek's own ARM
19 based chips. It nonetheless concocted and executed this scheme to have the patent troll file
20 baseless suits against Realtek. And, as had been the plan all along, MediaTek dishonestly used
21 the fact of the patent trolls' litigation as a weapon to interfere with Realtek's customer
22 relationships.

23 ² Notably, during these two years of negotiations, the PAE Defendants had never threatened, sued
24 or even contacted Realtek about any purported infringement. Realtek's involvement in these
baseless suits was directly caused by Mediatek proposing the Bounty.

25 ³ Defendants, recognizing the illegality of the scheme, on several occasions asked to stop
26 conducting patent license negotiations in writing and instead do them "face-to-face," including at
a late-night rendezvous at the Le Meridien hotel in South Korea. PAE Defendants and MediaTek
27 have actively fought to prevent the disclosure of these clandestine "face-to-face" dealings.

28 ⁴ Litigation funders typically conduct extensive diligence into the merits of the claims in an effort
to identify investment opportunities where they can realize a return on their investment that yields
a multiple (e.g., 2x, 5x, etc.) of their original invested capital.

1 11. As is its historical practice, MediaTek went to large customers such as TCL
2 (<https://www.tcl.com/us/en/about-us/our-story>), and dishonestly used the existence of litigation
3 (which MediaTek *itself* encouraged) to sow fear, uncertainty and doubt among Realtek customers.
4 MediaTek never told these customers or the public that MediaTek itself had offered to pay the
5 PAE Defendants \$1,000,000.00 to sue Realtek. Nor did MediaTek tell the customers or the
6 public that the litigation it encouraged the patent troll to bring was based on patents that
7 MediaTek knew were invalid.

8 12. These false and misleading statements to customers about baseless patent litigation
9 caused downstream customer disruption. This is because the Realtek downstream customer is not
10 only concerned by potential Realtek supply disruptions caused by patent suits, but litigation
11 against a supplier also creates a risk of litigation against the downstream customer itself. This
12 potential downstream patent litigation creates a risk of not only damages but also a potential ban
13 on its products. This is a very potent threat. Supply is the name of the game in the electronics
14 ecosystem. If supply is threatened during the bid process, the party with the more reliable supply
15 has a distinct competitive advantage. A meritless lawsuit threatening an importation ban against
16 Realtek and potentially later against customers is that perfect weapon. Key to the scheme is
17 misleading the customer that these were meritorious suits based on valid patents. Key to the
18 scheme is concealing that these suits were conceived of and paid for by MediaTek to preserve its
19 position in the market. This is not competition on the merits.

20 13. MediaTek's disinformation in the market worked. Realtek lost business, its
21 growth was slowed by the scheme, and it had to divert internal resources to defend against
22 meritless litigation. Realtek had millions less to spend on research and development. Slowed
23 innovation is a direct harm to consumers. And, just as hoped for by any monopolist, prices for
24 TV Chips went up, causing further direct harm to consumers. Consumers suffered price increases
25 even in an industry where prices are almost always rapidly falling as a result of technological
26 innovation.

27 14. PAE Defendants filed multiple objectively baseless suits in jurisdictions both
28 domestic and international:

- 1 • Future Link Systems LLC v. Realtek Semiconductor Corp., Case No. 6:21-cv-
2 00363 ADA (W.D. Tex.): On April 13, 2021, Future Link launched its first suit
3 against Realtek for allegedly directly infringing U.S. Patent No. 7,917,680 (the
4 “‘680 patent”). This objectively baseless case was voluntarily dismissed by
5 Future Link before any decision could be issued on the merits.
- 6 • Future Link Systems LLC v. Realtek Semiconductor Corp., Case No. 6:21-cv-
7 01353 ADA (W.D. Tex.): On December 22, 2021, Future Link filed another
8 lawsuit in the Western District of Texas, alleging infringement of two other
9 patents Future Link purportedly purchased, United States Patent Nos.
10 7,685,439 (“‘439 Patent”) and 8,099,614 (“‘614 Patent”). This objectively
11 baseless case was voluntarily dismissed by Future Link before any decision
12 could be issued on the merits.
- 13 • In the Matter of Certain Integrated Circuit Products and Devices Containing
14 the Same, Inv. No. 337-TA-1295 (ITC 2021) (the “ITC Case”): On December
15 29, 2021, Future Link again alleged infringement of the ‘439 Patent and the
16 ‘614 Patent, this time in a complaint before the United States International
17 Trade Commission (“ITC”). This objectively baseless case was voluntarily
18 dismissed by Future Link before any decision could be issued on the merits.
- 19 • Monterey Research, LLC v. Realtek Semiconductor Corp. (Tokyo District
20 court, Apr. 17, 2023): On April 17, 2023, PAE Defendants’ subsidiary,
21 Monterey Research, LLC, filed yet another meritless suit accusing the same
22 Realtek products of patent infringement, including Realtek’s TV SoCs
23 RTD1295 and RTD1395. Likewise, the baseless infringement theories are
24 predicated on Realtek’s incorporation of some of the same ARM technologies
25 described in the dismissed U.S. suits—claims which Defendants themselves
26 assert were obviated by a purported license with ARM. This Japan litigation
27 appears from the correspondence to have been discussed between MediaTek
28 and the PAE Defendants before it was filed, including during negotiations

1 leading up to the Bounty Agreement in March-April 2019.

2 15. Nearly simultaneously, Defendants waged the same litigation campaign against
3 another of MediaTek's key competitors—Amlogic. By paying the patent troll to initiate meritless
4 litigation (on patents that MediaTek knew were invalid and likely not infringed) against two of its
5 primary competitors, MediaTek successfully stifled competition to the harm of customers. PAE
6 Defendants rushed to withdraw this suit as well before any decision on the merits.

7 16. The patents that PAE Defendants asserted against Realtek and Amlogic were
8 worthless. MediaTek *itself* concluded the patents were *invalid*. And when Realtek filed *inter*
9 *partes* review ("IPR") petitions with the Patent Trial and Appeal Board ("PTAB"), rather than
10 defending the patentability of its patents, Future Link instead chose to quickly cancel many of its
11 asserted claims to avoid having them declared unpatentable by the Patent Office. Others were
12 found invalid by the PTAB. On every single challenged claim, the PAE Defendants either lost or
13 withdrew. Again, this result is not surprising given that MediaTek itself concluded that these
14 patents were invalid before they were asserted against Realtek and Amlogic, and even told the
15 PAE Defendants that they were invalid.

16 17. Each of these suits against Realtek was itself objectively baseless. The indicia of
17 objective baselessness are overwhelming:

- 18 • The PAE Defendants did no diligence of the claims against Realtek before
19 agreeing to sue in the Bounty Agreement.
- 20 • PAE Defendants had never made any claim or demand against Realtek for
21 these patents prior to MediaTek's suggestion of the Bounty.
- 22 • MediaTek itself concluded that the patents asserted against Realtek were
23 invalid (and did not infringe MediaTek's own ARM based chips), and
24 therefore these patents had no value.
- 25 • PAE Defendants lost on or withdrew every single claim challenged by Realtek
26 at the PTAB, further confirming the invalidity of the asserted patents.
- 27 • Realtek did not even use features claimed by PAE Defendants, a fact they
28 would have known with any modicum of diligence.

- PAE Defendants hurriedly withdrew their Western District of Texas claims prior to any merits decision on a motion to dismiss, after the district court indicated that it would grant Realtek's motion to dismiss on at least one ground.
- Neither of the district court claims has survived any merits challenge.
- PAE Defendants claimed their dismissal of the Western District of Texas was driven by the ARM Settlement but have actively concealed the disclosure of the ARM Settlement.
- PAE Defendants were sanctioned by the Western District of Texas because of the illegal Bounty Agreement and the court dismissed their claims *with prejudice*.
- PAE Defendants' agreement with ARM involved a portfolio-wide license to over 300 patents. There is no specific value ascribed to the patents asserted against Realtek.
- MediaTek's agreement with the PAE Defendants involved a portfolio-wide license to over 600 patents. There is no specific value ascribed to the patents asserted against Realtek.

18. Each suit was not only objectively baseless, the sham suits were also part of a series instituted not out of a genuine desire for legal relief, but filed without regard to the merits and to harm competition.

19. The PAE Defendants also filed these suits under fraudulent pretenses. PAE Defendants, in filing and announcing lawsuits against MediaTek's competitors, purposely withheld from the public and the courts that the suits were incentivized by MediaTek's offer to pay \$1,000,000.00 to initiate litigation, and only undertaken at MediaTek's behest.

20. Defendants' anticompetitive scheme was not uncovered until Realtek, deciding to fight the baseless patent claims head-on, discovered the Bounty. Defendants never expected Realtek to discover those documents, as patent trolls often rely on the fact that most victims will choose to pay them off early—regardless of the merits of the lawsuit—to avoid the time and

1 expense of litigation. When the Bounty was revealed, PAE Defendants rushed to dismiss their
 2 anticompetitive suits. They did so to evade scrutiny of the merits of their patent claims. Escaping
 3 accountability for the merits was critical because if their claims were found meritless, they faced
 4 the prospect of sanctions and attorneys' fees.

5 21. Most litigants believe in the merits of their case and want an adjudication on the
 6 merits. PAE Defendants did not. In fact, after having many of their patent claims invalidated
 7 through IPRs, and other claims soon to be found invalid, they quickly tried to drop their patent
 8 claims and tried to voluntarily dismiss their suits (without prejudice) before the court could
 9 dismiss the suit on the merits with prejudice.

10 22. In the process, however, PAE Defendants defrauded the federal court. When filing
 11 to withdraw its suit against Realtek, PAE Defendants represented to the United States District
 12 Court for the Western District of Texas that it was only doing so pursuant to a purported
 13 settlement with Realtek's upstream supplier, ARM. That was false. While PAE Defendants have
 14 refused to provide an unredacted version of the so-called ARM settlement agreement, a heavily
 15 redacted copy of an agreement with RPX Corporation (presumably an intermediary for ARM)
 16 that was attached to its motion to terminate the co-pending ITC investigation, would have
 17 required PAE Defendants to dismiss their suit *with prejudice*. PAE Defendants, however, moved
 18 to dismiss their suit *without prejudice*. Thus, the attempted withdrawal of the suit was not
 19 pursuant to any agreement with Realtek's supplier. Not surprisingly, Defendants have furiously
 20 fought to keep this settlement a secret.

21 23. The judges who glimpsed Defendants' improper Bounty before the suits were
 22 hurriedly withdrawn, were unanimous in their reprobation:

- 23 • An Administrative Law Judge at the International Trade Commission ("ITC")
 24 found the agreement "alarming," and that it would be "difficult to imagine how it
 25 could possibly be lawful or enforceable." "*At a minimum*," according to the
 26 judge, "*it would seem to warrant an action by Realtek against either Future Link*
 27 *or its counterparty for unfair competition.*"
 28

- 1 • The ITC judge observed that “what the Paragraph memorializes may well be
- 2 untoward and actionable.”
- 3 • The U.S. District Court for the Western District of Texas opined that it was an
- 4 “improper contract” that “should be discouraged as a matter of public policy.”
- 5 • In sanctioning PAE Defendants, the U.S. District Court for the Western District of
- 6 Texas held that the Bounty Agreement amounted to an “improper motive” to file
- 7 suit, that “public policy cuts directly against an agreement of this kind,” and that
- 8 such conduct “should be discouraged” and “warrants sanctions.”

9 24. PAE Defendants also represented to the Western District of Texas that because
10 ARM had paid a purportedly significant amount for the license, the patent suits against Realtek
11 also had merit. This assertion falls apart upon even the slightest inspection. The purported ARM
12 settlement and licensing agreement (presumably the RPX agreement attached to PAE Defendants’
13 motion to terminate) was not focused on the three patents asserted against Realtek, but instead
14 involved over 300 patents. There is no way to attribute the licensing fee paid for such a pool of
15 patents to any individual patent or subset of patents. There is even less support to take that
16 licensing fee—*negotiated by a third party (RPX and/or ARM) in an entirely separate factual*
17 *scenario*—and apply it to the merits of a case against Realtek. Nor does a license to a broad
18 portfolio of hundreds of patents say anything about the merits of infringement claims brought
19 against Realtek’s specific products. There is no evidence that the ARM settlement demonstrates
20 any value of the three patents PAE Defendants asserted against Realtek—because they have no
21 value.

22 25. Further, the purported ARM settlement agreement was not directly with ARM.
23 Rather, as noted above, the settlement agreement was between PAE Defendants and RPX
24 Corporation (“RPX”), a defensive patent aggregation membership service that acquires large
25 portfolios of patents to provide RPX members a license to all of the patents and associated rights
26 aggregated in the RPX portfolio. As such, the settlement covers several parties in addition to
27 ARM, further precluding any inference about the purported value of any of the patents, including
28 those asserted against Realtek.

26. Since the scheme was implemented, Realtek has spent significant amounts of dollars on legal fees to defend baseless patent lawsuits (and to prevent future baseless lawsuits against Realtek and other victim companies) by PAE defendants that could otherwise have been spent on innovation. And since that scheme, Realtek has lost bids with customers as a result of the fear, uncertainty, and disinformation from the fraudulent lawsuits as well as from MediaTek's false and misleading communications with Realtek customers. The scheme has caused prices to increase for both Smart TVs and the TV Chips they depend upon. Defendants intended that result.

27. With this action, Realtek seeks to stop a bully. MediaTek and its hired henchmen should be held accountable in order to protect Realtek and competition itself in the critical semiconductor industry. If large firms with market power are able to simply pay for baseless third-party patent suits against their competitors with impunity, the antitrust laws would have an enormous loophole. Dominant firms could simply hire trolls and other professional litigants to impose massive costs on their rivals. If a rival decides to fight, the hired henchman runs for the door before the rival can defeat the claims. But the damage is done. The suit has raised rivals' costs and created uncertainty around the rivals' product in the marketplace. Meanwhile, the dominant firm is free to raise prices as its rivals wilt under the weight of the sham litigation. Defendants' scheme harmed competition here and more broadly threatens every rival to a large firm with a new and lethal anticompetitive weapon.

PARTIES

28. Plaintiff Realtek is a corporation organized under the laws of Taiwan, with its principal place of business at No. 2 Innovation Road II, Hsinchu Science Park, Hsinchu 300, Taiwan.

29. Defendant MediaTek is a corporation organized under the laws of Taiwan, with its principal place of business at No. 1, Dusing 1st Rd., Hsinchu Science Park, Hsinchu City 300, Taiwan. MediaTek has two U.S. subsidiaries, MediaTek USA, Inc. and MediaTek North America, Inc., which are both headquartered in San Jose, California. Each of MediaTek's subsidiaries has its principal place of business at 2840 Junction Avenue, San Jose, California.

1 30. Defendant IPValue is a Delaware corporation headquartered in Santa Clara,
2 California. IPValue's principal place of business is at 2880 Lakeside Dr., Ste. 320, Santa Clara,
3 CA 95054.

4 31. Defendant Future Link, is a Delaware Limited Liability Company headquartered in
5 Santa Clara, California. Future Link and IPValue share a common registered address as well as a
6 common principal place of business.

7 32. Future Link is a PAE. Future Link is not an inventor. It does not manufacture any
8 product that requires patent protection. Instead, Future Link acquires patents, and uses its patent
9 portfolio to extract licensing payments from manufacturers through litigation.

10 33. Future Link is a wholly owned subsidiary of IPValue, and Future Link operates
11 under the direction and control, and for the benefit of, IPValue. IPValue is the principal of
12 numerous PAE subsidiaries (like Future Link and Monterey Research LLC) that operate as agents
13 of IPValue in furtherance of IPValue's business objectives of monetizing patents through serial
14 licensing and litigation. Additionally, IPValue serves as an agent for its PAE subsidiaries in
15 negotiating royalties with their targets.

16 **JURISDICTION AND VENUE**

17 34. This action arises under sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1, 2,
18 and section 4 of the Clayton Act, 15 U.S.C. § 15. The Court has subject matter jurisdiction under
19 28 U.S.C. § 1331 (federal question), 15 U.S.C. § 15 (antitrust), 15 U.S.C. § 26 (injunctive relief),
20 and 28 U.S.C. § 1367 (state law claims).

21 35. This Court has personal jurisdiction over Defendants because IPValue and Future
22 Link are each corporations with their principal place of business in this District and each has
23 other sufficient minimum contacts in the District. Their co-conspirator, MediaTek, is subject to
24 this Court's personal jurisdiction because MediaTek's conduct that forms the basis of this lawsuit
25 occurred within this District and because MediaTek has other sufficient minimum contacts in the
26 District. For example, because both IPValue and Future Link operate their headquarters in the
27 District, the improper litigation bounty agreement was likely negotiated and executed, at least in
28 part, in the District. Furthermore, Defendants issued press releases from Santa Clara, California,

1 about the license agreement⁵ that gave rise to public court decisions that cited the secret bounty
 2 provision.⁶ The meritless patent litigation that Future Link subsequently commenced against
 3 Realtek following the illegal bounty agreement was also conceived and directed from Future
 4 Link's and IPValue's headquarters in the District. MediaTek conducts its business in the United
 5 States through its subsidiaries headquartered in San Jose, California.

6 36. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391(b) and (c)
 7 and 15 U.S.C. §§ 15 and 22, as Defendants reside, transact business, committed an illegal or
 8 tortious act, have an agent, can be found in this District, and a substantial part of the events giving
 9 rise to these civil antitrust claims occurred in this judicial district.

10 37. The conduct complained of herein has occurred in and had a substantial effect on
 11 interstate trade and commerce.

12 **FACTUAL ALLEGATIONS**

13 38. This lawsuit began upon the discovery of an unprecedented, illegal Bounty
 14 Agreement between monopolist and patent trolls. Although executed in 2019, for years
 15 Defendants successfully kept it hidden from the public eye. Even in 2022, after Realtek
 16 discovered the Bounty Agreement amongst troves of documents PAE Defendants were forced to
 17 hand over in their baseless patent suits, Defendants desperately tried to prevent the Bounty from
 18 being revealed.

19
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 25 ⁵ See, e.g., Press Release, *MediaTek Licenses Patent Portfolio From IPValue Management*,
 26 Business Wire (May 21, 2019), <https://www.businesswire.com/news/home/20190521005412/en/MediaTek-Licenses-Patent-Portfolio-From-IPValue-Management>; see also
 27 [https://www.bloomberg.com/press-releases/2019-05-21/mediatek-licenses-patent-portfolio-from-i](https://www.bloomberg.com/press-releases/2019-05-21/mediatek-licenses-patent-portfolio-from-ipvalue-management)
 28 [pvalue-management](https://www.bloomberg.com/press-releases/2019-05-21/mediatek-licenses-patent-portfolio-from-ipvalue-management) (last visited May 24, 2023).

⁶ See *Future Link Sys., LLC v. Realtek Semiconductor Corp.*, No. 6:21-cv-0363-ADA (W.D. Tex. Oct. 10, 2022), ECF No. 88 at 5.

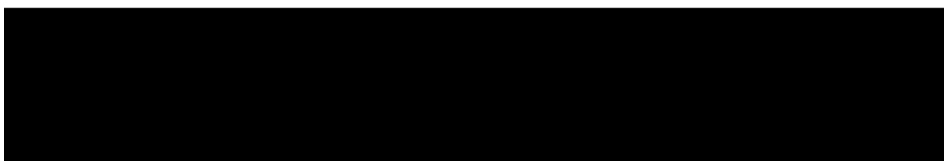
39. But on May 3, 2024, over Defendants' continued objections, this federal court ordered the Bounty Agreement unsealed. In its initial Complaint, Realtek could not disclose its contents to the public. Now, it can:

CONFIDENTIAL

Schedule B

Payment Terms

As consideration for the licenses and releases granted in this Agreement, COMPANY shall pay to FLS as follows in U.S. dollars:



In addition to the above 3 payments, COMPANY shall pay an additional \$1.0 million U.S. dollars on 15 February 2022 if FLS, prior to 01 January 2022, either executes a patent license agreement with or institutes litigation against one or more of the following companies: (a) Realtek Semiconductor Corporation, or (b) Amlogic.

40. This agreement is anticompetitive on its face. But it turns out that it is but the tip of the iceberg. Realtek has unearthed a broader scheme and series of agreements of which the carefully-lawyered Bounty Agreement is just a part.

41. That scheme was designed to harm competition by imposing burdens upon MediaTek's competitors, thereby allowing MediaTek to raise prices, ultimately paid by consumers.

42. To fully describe the Defendants' scheme and series of agreements, Realtek must start from the beginning.

I. TV Chips

A. The Rise of System-on-Chips ("SoCs")

1 43. MediaTek and Realtek compete in the design of TV SoCs. SoCs are the digital
2 brain of modern TVs; they are, simply put, what makes a TV “smart.” SoCs combine various
3 components and functions—like processors, memory, graphics, sound, internet connectivity, app
4 and gaming capability, artificial intelligence, and other multimedia features—onto a single chip
5 or board.



18 44. SoCs are designed for specific types of end products to account for size, price, and
19 technical requirements and constraints. SoCs must include all the features required of an end
20 product, while excluding functions that would only be relevant to another end product.

21 45. For example, while most SoCs for various products might include functions for
22 visual display, processing, and memory, those requirements will vary based on, respectively, the
23 size of the display and emphasis on different aspects of visual fidelity; the amount and type of
24 processing power required based on the device’s use case; and likewise the amount and type of
25 memory required for the use case.

26 46. Other features required of SoCs will differ completely by product, such as the need
27 for LTE modems in tablets and phones, touchscreen versus mouse inputs versus remote controls,
28 and sound processing and outputs.

1 47. The form factor of a device, such as its size and shape, can also significantly affect
2 which SoC may be appropriate. For example, where two devices might serve a similar end use,
3 the larger device might be able to utilize a larger SoC, one that can forego a more expensive
4 process to fit the same components on a smaller wafer.

5 48. SoCs are incorporated into consumer electronics by original equipment
6 manufacturers (OEMs) and original device manufacturers (ODMs). OEMs and ODMs
7 incorporate packaged SoCs with other components to create end products such as Smart TVs.⁷
8 Then, a dedicated team at the OEM/ODM integrates TV Chips into Smart TVs. Ultimately,
9 OEMs and ODMs and the end user TV brands distribute the end products throughout the world,
10 including in the United States.

11 49. The advent of SoCs has benefited OEMs and ODMs, TV brands, and end
12 consumers. By combining functions once relegated to boxy, standalone devices each housing
13 numerous separately designed and manufactured chips and other components, SoCs reduce costs
14 and complexity for both TV makers and consumers, streamline the Smart TV design and
15 development process, and provide a more attractive and integrated end-user experience.

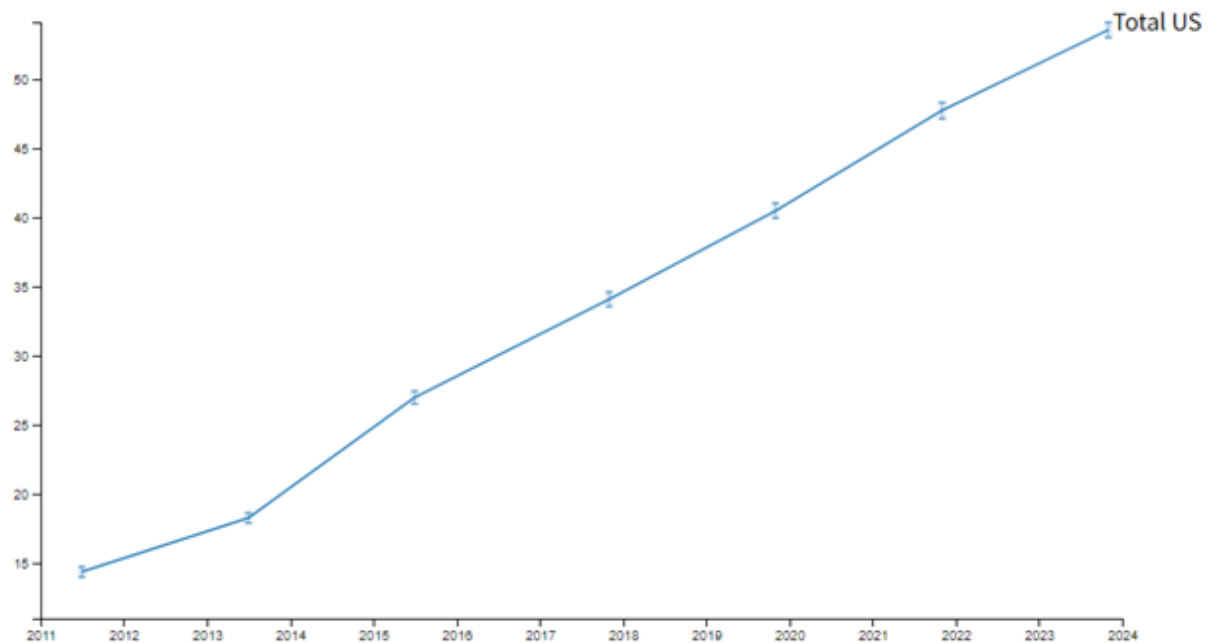
16 50. SOCs are almost all ARM based now. Access to ARM technology is crucial to
17 maintaining competitiveness for fabless chip design companies such as Realtek and MediaTek.

18 **B. Adjacent Products and Services Fueled Smart TV growth**

19 51. Advances in interrelated hardware, content, and infrastructure since 2010 fueled
20 acceleration of the adoption of Smart TVs, which incorporate TV Chips. Relatedly, the
21 improvements in TV Chips likewise fueled adoption of Smart TVs and content. A 2011 Wired
22 article quipped that “smart TVs...were supposed to be the Next Big Thing. But so far, they’re
23 more promise than reality.” By early 2013, however, a study found that roughly a quarter of
24 participants owned at least one Smart TV, the figure having doubled over the prior year. By
25 2015, about 38% of participants owned at least one Smart TV; however, cable and satellite TV
26 viewing was still dominant, accounting for nearly 80% of Americans’ viewing, with nearly a

27 ⁷ Other products incorporating SoCs include connected media products, laptops, mini desktop
28 computers, mobile phones, tablets, audio players, printers, video game consoles, and various
 other computer peripheral devices.

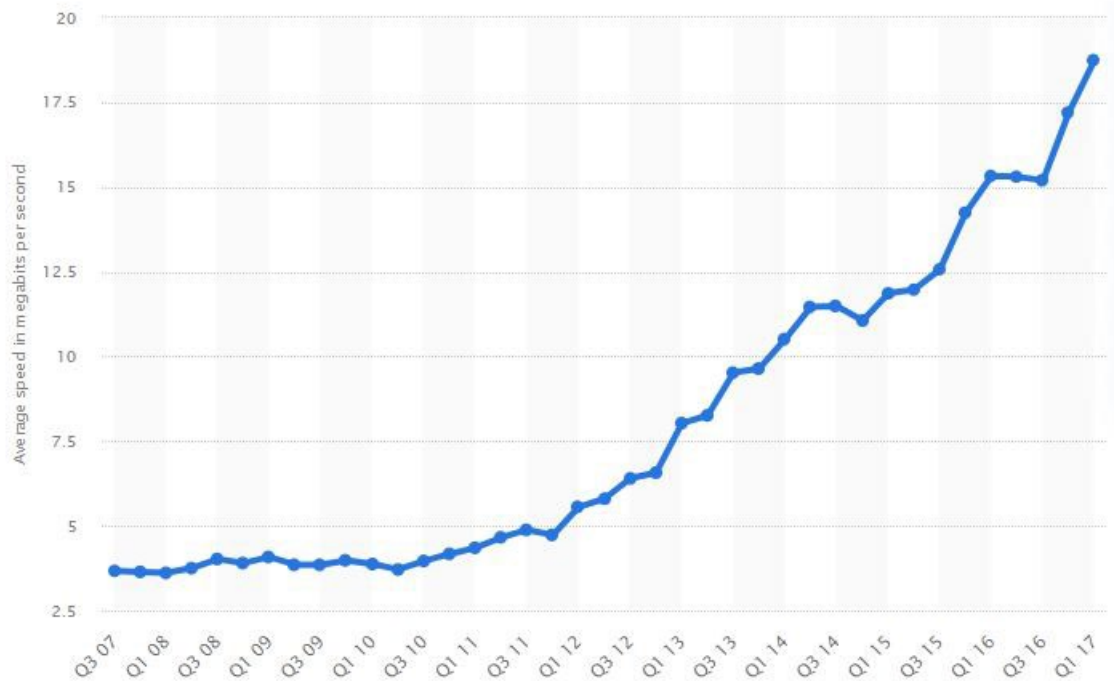
quarter of Americans not receiving TV content at home through cable or satellite. Then, by 2020, roughly two-thirds of households owned a Smart TV. Now, *as of 2024, nearly 8 in 10 households own a Smart TV*. The Current wrote earlier this year that “[a]ccording to Hub Entertainment Research, 79% of U.S. homes now own a [S]mart TV. That’s a sharp increase from just four years ago, in 2020, when 66% of American households surveyed checked that box.”



Source: National Telecommunications and Information Administration, U.S. Dept of Commerce.

52. Enabling technologies also supported Smart TV adoption.⁸ Among them, internet speed in American homes increased dramatically during the 2010s. For example, between 2011 and 2017, the average internet connection speed in the U.S. surged by nearly 500%.

⁸ The term “enabling technologies” is used to describe discoveries that facilitate the creation or improved performance across a wide range of product categories. See Teece, D.J. (2016). Enabling Technologies. In: Augier, M., Teece, D. (eds) The Palgrave Encyclopedia of Strategic Management. Palgrave Macmillan, London. https://doi.org/10.1057/978-1-349-94848-2_78-1.

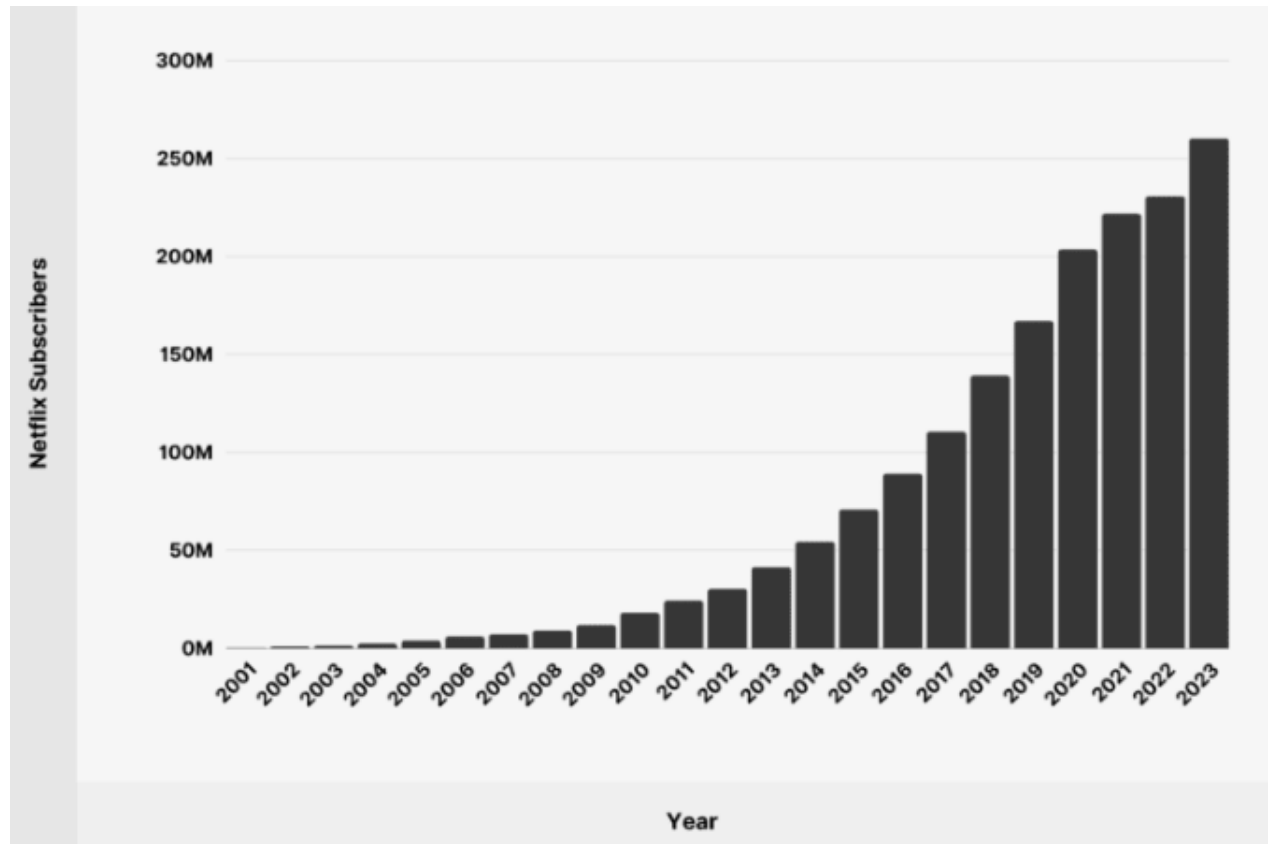


53. Faster internet speeds and Smart TVs also fostered innovation in content. Just as the VHS tape had given way to DVD and Blu-ray technology, streaming reached and then surpassed DVD and Blu-ray penetration. The once-ascendant physical media was quickly overmatched by the promise of streaming. Viewers could access endless hours of content at the touch of a button.

54. The rise of Netflix reflects this dramatic shift. In 2015, Netflix lamented about viewers turning on their TVs to cable programming. Netflix sought parity, with an executive asserting: “Internet television bolted on has been the wrong way to go for a long time...It’s about putting internet television on the same footing as regular TV.” A year later, Netflix announced at the CES 2016 conference that it was working with LG to extend its streaming service to 130 countries around the globe.⁹ Netflix’s subscriber count has grown from roughly 17 million in

⁹ MediaTek observed the consumer shift to streaming, telling investors, “Content-rich online video and audio streaming services gradually replace traditional DVD players...consumers are changing their ways of enjoying movies.”

2010 to about 270 million today.



55. Less than 60% of Americans received TV content at home through cable or satellite by 2021, down from roughly three-quarters in 2015.

56. The proliferation of video streaming services, app-based content consumption, and consumers' preference for cord-cutting had continued to drive the demand for Smart TVs and the TV Chips that power them. Smart TVs now account for over 80% of global flat panel TV sales and are in 74% of American households, including brands like Samsung, Alcatel/TCL, LG, and Vizio.

57. Today, adoption of Smart TVs is reportedly greater than 93% and continues to rise.

C. TV Chips Design Process

58. The TV Chip manufacturing industry can be divided into design and related companies upstream, chip manufacturers midstream, and packaging and testing suppliers

1 downstream. TV Chip product design occurs at the upstream level, with design houses working
2 in consultation with customers. Once a product design is ready, companies such as MediaTek
3 and Realtek commission wafer foundries at the midstream level to complete manufacturing at
4 scale. Thus, MediaTek and Realtek are known as “fabless” TV chip design houses. Finished
5 wafers are subsequently sent to a downstream assembly house for packaging. Packaged products
6 then go through final testing before they are provided to customers, typically distributors or
7 OEMs and ODMs.

8 59. The process of initial development of a TV Chip by a design house to its adoption
9 by OEMs or ODMs can take anywhere from 2 to 4 years, and often longer. The process begins
10 with system specification and design of the Integrated Circuit (“IC”) architecture, which may
11 come before or in response to a Request for Production (“RFP”) from an OEM/ODM. During
12 that phase, which can take more than a year, the requirements of the TV Chip are defined,
13 including: what the chip needs to do and how it will do it; what the performance metrics are; and
14 how it will meet the requirements while minimizing cost, complexity, and power consumption.

15 60. Then, the physical layout of the IC is designed, including selection of components
16 like transistors, resistors, and capacitors. This physical layout design can take 3-6 months.

17 61. Next, the resulting TV Chip design must then be verified and validated using
18 simulation and emulation software, as well as tested and prototyped with wafer foundries. This
19 process can take 3 to 4 months.¹⁰

20 62. Finally, if an OEM or ODM is interested in the TV Chip, they will then begin their
21 own evaluation process to ensure compatibility and interoperability with the relevant TV’s apps,
22 operating system, and components, as well as the chip’s ability to meet quality and efficiency
23 requirements. This phase can take 3 to 12 months, but may partially overlap with the RFP
24 process where relevant.

25 **D. TV Chip Supply Stability is Critical**

26 63. The process for designing a TV Chip and having it designed into production by an

27 ¹⁰ Emulation software is a program that allows testing of a device in a virtual environment. In TV
28 Chips, the emulator imitates the Smart TV for which the TV Chip is designed, allowing the
design house to confirm the TV Chip’s performance.

1 OEM is lengthy and requires significant investment, by both the TV Chip design house and by the
2 OEM. Additionally, the average lifecycle of a TV Chip that has been picked up by an OEM for
3 mass production ranges from 2 to 4 years. Because of the time and investment involved, OEMs
4 and ODMs spend significant time and resources ensuring TV Chips are compatible with and
5 optimized for the given Smart TV. OEMs also devote significant attention to ensuring that the
6 TV Chip they design into their TV is “future-proof” and sufficient to sustain the planned
7 production run of that TV. That is, an OEM seeks certainty that the TV Chip incorporated in
8 their TV will not need changing during the production run. In light of such investment, supply
9 instability—whether actual or merely perceived—can crush a design house’s work to sell its TV
10 Chips.

11 64. Once a Smart TV has entered production, OEMs and ODMs continue to actively
12 monitor and account for the supply stability of TV Chips. For example, OEMs and ODMs share
13 monthly production forecasts with the design houses and fabricators and discuss, if necessary, any
14 changes to a party’s ability to meet its obligations.

15 65. Design houses like MediaTek and Realtek, thus, compete not only on price and
16 innovation, but also on supply stability. Access to essential component technologies used by the
17 design house’s chips, like those of ARM, is an important factor of supply stability.

18 66. Accordingly, an actual or threatened disruption to a chip designer’s supply
19 stability can harm its standing and ability to generate business with OEMs and ODMs. It can, for
20 example, (i) derail an ongoing RFP process; (ii) cause OEMs and ODMs to spread their risk by
21 lowering the share of TV Chips purchased from the at-risk supplier, and in turn purchase more
22 from a competing supplier; and/or (iii) make it more difficult for the supplier to win future
23 business.

24 67. Even just *the perception* of unstable supply can seriously damage a chip
25 designer’s commercial position with OEMs. TV Chip designers have lost such opportunities with
26 OEMs over supply instability in the past. TV Chip designers have also lost significant sales
27 volume when an OEM feared supply instability.
28

II. Realtek's Rise in the TV Chips Market Threatened MediaTek's Dominance

A. **MediaTek has Long Held a Dominant Position in the TV Chips Market**

68. MediaTek is, in its own words, “the world’s biggest TV SOC provider.” According to MediaTek’s 2022 annual report, it generated more than \$18 billion in revenue in 2021. MediaTek also states that it powers “more than 2 billion devices a year...and nearly 1 of every 3 mobile phones globally.”¹¹

69. MediaTek boasts of its dominance in TV Chips. Far from disclaiming a market share that subjects MediaTek to heightened scrutiny within antitrust law (as a monopolist), MediaTek parades its 70% market share on its website to this day, as shown below.¹² MediaTek does this *even after* being accused of antitrust and competition violations.

Smart TVs

MediaTek is the world's leading chip provider for smart TVs – 70% market share and more than 2 billion MediaTek powered TVs in the market. We support 4K or 8K displays, Wi-Fi 6 and industry-leading AI that creates a whole new level of entertainment for our customers like Samsung, Sony, VIZIO and more.

70. In using its dominant position in marketing materials, MediaTek is telling OEMs that they have no other choice. Buying TV Chips from MediaTek is inevitable. MediaTek has behaved, and continues to behave, like a bully.

71. MediaTek obtained this position through its 2012 acquisition of MStar Semiconductor, rather than through innovation driving growth.

72. In fact, MediaTek’s 70 percent share of the global market for TV Chips

¹¹ About MediaTek, <https://www.mediatek.com/who-we-are> (last visited May 24, 2023).

¹² MediaTek, Digital TV, <https://i.mediatek.com/digital-tv> (last visited July 15, 2024)

1 *understates* MediaTek's dominance.

2 73. The TV Chip market is highly concentrated, with the top three players accounting
3 for a nearly 90% share as of 2022. Realtek is MediaTek's closest competitor in TV Chips. Other
4 TV Chips makers like HiSilicon, Samsung, LG, and Novatek do not meaningfully compete with
5 MediaTek and Realtek.

6 74. HiSilicon, for example, is a fringe player outside of China, and its close
7 relationship with China's state-owned Huawei (as its key SoC supplier) undermines its position.
8 Many OEMs and ODMs will not work with HiSilicon.

9 75. Samsung and LG also design TV Chips, but only for their own highest-end,
10 flagship models. Samsung and LG have not supplied TV Chips to competing OEMs or ODMs.
11 Nor would they, as they are unable to completely fulfill their own needs. With reputation and
12 confidence in a stable supply being priorities for OEMs and ODMs in buying TV Chips, Samsung
13 and LG are effectively non-existent—they have not established themselves and cannot constrain
14 MediaTek. Other OEMs cannot turn to Samsung or LG for TV Chips.

15 76. Finally, Novatek is not a close competitor to MediaTek. MediaTek and Novatek
16 were both spun off from United Microelectronics in 1996. TV Chip design houses compete on
17 the basis of innovation, and Novatek has won far fewer awards and recognitions for its products
18 than Realtek. Novatek's own website, which would be expected to portray any Novatek
19 innovation as strongly as possible, cites just three awards in its nearly 40 years of existence.
20 None of the awards are specific to TV Chips. Realtek won 90 awards during roughly the same
21 time period. As such, Novatek is not a close competitor to MediaTek.

22 **III. Realtek's Rise in the TV Chip Market**

23 77. Like MediaTek, Realtek is a fabless TV Chip design house that competes with
24 MediaTek to sell TV Chips across a number of business lines, including in the market for TV
25 Chips that are incorporated into Smart TVs that are sold in the United States.

26 78. By innovating relentlessly, Realtek has grown alongside digital technology
27 adoption in the United States and worldwide. For example, in 2021 Realtek earned
28

1 approximately \$3.4 billion in revenue.¹³

2 79. Approximately 10 years ago, OEMs, ODMs, and other Smart TV industry
3 participants began taking note of Realtek's rising capabilities. Specifically, Realtek's 2015
4 introduction of its first 4K High Dynamic Resolution ("HDR") TV Chip, the Realtek RTD2999
5 SoC, earned it attention and formal recognition. Realtek's advancement was notable in large part
6 because the RTD2999 incorporated Dolby Vision, the first HDR format available to consumers,
7 just a year after Dolby Vision was introduced in 2014. It also marked a significant move by
8 Realtek to target the higher-end Smart TV segment, which MediaTek had traditionally held all by
9 itself. For the RTD2999, Realtek was awarded the 2015 Innovative Product Award by the
10 Hsinchu Science Park Administration in Taiwan.

11 80. Realtek continued to innovate and impress in the years that followed. In early
12 2018, having observed a demonstration of the RTD2872 single-chip solution for UltraHD
13 Android Smart TVs, the Display Daily wrote an article entitled "Realtek Entry Level Android TV
14 SoC is Impressive." The article noted the RTD2872's "potential cost and power savings," its
15 noise reduction, and its speedy channel switching and input switching.

16 81. In 2018, Realtek also made a breakthrough when it developed and began
17 demonstrating the RTD2983 SoC, its first 8K Ultra HD TV Chip. Like Realtek's early move into
18 HDR in 2015, the RTD2983 was introduced shortly after the first consumer 8K TVs rolled out in
19 2018, and it likewise won awards for innovation: Realtek received the Best Choice of the Year /
20 Golden Award at Computex Taipei 2019, and the 2019 Innovative Product Award from the
21 Hsinchu Science Park Administration.

22 82. Moreover, the RTD2983 was specifically designed to streamline the lengthy TV
23 Chip evaluation and adoption process and to lower the costs of transitioning existing Smart TV
24 platforms into the next generation. One of the chip's expected advantages, for example, was that
25 it would allow TV makers to "upgrade a 4K TV platform to a fully functional 8K TV," and
26 Realtek publicly explained that it "expect[s] this breakthrough will lead to faster expansion of the
27

28 ¹³ See Realtek Semiconductor Corp. 2021 Annual Report at *120,
<https://www.realtek.com/en/investor-relations/financial-information/annual-reports>.

1 8K market and allow viewers to enjoy the richness of 8K content at a lower hardware cost
2 point.”¹⁴ Realtek’s early foray into 8K TV Chips once again publicly signaled its willingness and
3 ability to face off against MediaTek in the higher-end TV space.

4 83. In the years following, Realtek’s aggressive focus on next-generation features and
5 cost consciousness continued to gain the respect of OEMs and ODMs. For example, in 2021,
6 Realtek increased its share of TV Chips supplied to LG and TCL.

7 84. That same year, Google rolled out its “Reference +” initiative to update and
8 standardize its Android OS for Smart TVs, and Realtek was given turnkey access by Google to
9 various OEMs to participate in the development and testing of SoCs. With Google/Android OS
10 running on an estimated 40% of all Smart TVs, this represented a significant opportunity for
11 Realtek to increase its market penetration and validated the strides it had made in innovating and
12 reducing the costs of TV Chips.

13 85. Years earlier, MediaTek had seen its relationship with Google as an important part
14 of maintaining its dominance on TV Chips. MediaTek wrote that its relationship with Google
15 “on Android TVs[,] which have been adopted by various international brands...[allows]
16 MediaTek [to] maintain our market-leading position.”

17 86. However, Realtek’s success disrupted MediaTek dominance. By supplying TV
18 Chips for an estimated three million Android TV sets, buoyed by its efforts in Google’s
19 Reference + program, Realtek’s renewed growth in Android TVs posed another measurable threat
20 to MediaTek.

21 **IV. MediaTek’s Initial Anticompetitive Efforts**

22 87. As Realtek’s campaign of disruptive innovation and cost-cutting continued to
23 build momentum, MediaTek took note. Realtek was advancing on multiple fronts just as
24 MediaTek was stalling.

25 88. Indeed, MediaTek had long since deprioritized competition and innovation in
26 favor of monopolistic conduct. In 2012, MediaTek announced its \$4 billion acquisition of MStar

27 ¹⁴ See also Realtek Demonstrates RTD2893: A Platform for 8K Ultra HD TVs, Anandtech (“One
28 advantage the RTD2983 has is embedded memory, which eliminates necessity to use external
DRAM devices, lowering the BOM costs for finished products”).

1 Semiconductor Inc (“MStar”). At the time, MediaTek and MStar were already the most dominant
2 TV Chips designers in Taiwan. Industry commentators predicted that that the merger would
3 expand MediaTek’s existing share of the global TV Chips market to over 75 percent, which is
4 virtually the same market share it boasts today. At least one semiconductor market analyst found
5 that the resulting market share would give MediaTek “more pricing power.”

6 89. MediaTek’s acquisition of rival MStar was scrutinized by antitrust and
7 competition authorities in Taiwan, South Korea, Germany, the United States, and China. China’s
8 MOFCOM, after reviewing the deal for over a year (including an extended “phase 2” review),
9 found that the combined company would have a TV Chips market share as high as 61% globally
10 and 80% in China. MOFCOM also found that China’s TV Chips designers would be unable to
11 compete effectively with the merged company, and that substantial technical barriers to entry
12 limited new entries. MOFCOM found that, as a result, TV makers would be restricted on their
13 choices in procurement of TV Chips.

14 90. Stated simply, MediaTek had attempted an illegal merger to harm competition.

15 91. MOFCOM approved the merger only after MediaTek agreed to a range of
16 restrictions for an initial period of three years, including that any further acquisitions of TV Chips
17 competitor by MediaTek and MStar required MOFCOM’s approval, and a “hold-separate”
18 condition requiring the two companies’ TV Chips units to operate as independent companies.

19 92. As a result, MediaTek was not cleared to merge its TV Chips business with
20 MStar’s until August 2018, five years after it first attempted to. Even then, the restructuring
21 required to integrate the businesses would not bear fruit until the following year.

22 93. Faced with a 5-year disruption to its monopolistic MStar acquisition, MediaTek
23 panicked. Instead of refocusing its efforts on innovation and pricing, MediaTek turned to hired
24 henchmen in PAE Defendants, aiming to sow doubts about the legality of Realtek’s chips and
25 Realtek’s reliability supplier.

26 94. And PAE Defendants understood the assignment.
27
28

1 **V. MediaTek Proposes an Illegal Bounty**

2 **A. Defendants' conspiracy spawned a series of objectively baseless suits, each of**
 3 **them individually objectively baseless and brought pursuant to a policy of**
 4 **anticompetitive harassment**

5 95. PAE Defendants had no plans to sue either Realtek or Amlogic until MediaTek
 6 proposed the Bounty Agreement in March 2019.

7 96. During licensing talks from 2017 to 2018, PAE Defendants identified and alleged
 8 infringement of seven patents against MediaTek—three of which were later asserted against
 9 Realtek (U.S. Patent Nos. 7,917,680; 7,685,439; and 8,099,614).

10 97. Throughout the licensing negotiations MediaTek consistently maintained that it
 11 did not infringe any of the patents, and that each of those patents were invalid based on prior art.

12 98. After spending years negotiating with MediaTek the licensing negotiations stalled.
 13 PAE Defendants did not feel strongly enough about their patent claims to file suit despite having
 14 alleged infringement of these patents for two years with no resolution. Apparently recognizing
 15 that their patents were invalid, were not infringed, or both, PAE Defendants nonetheless tried to
 16 extract a payment under any means necessary.

17 99. Likewise, MediaTek would not have licensed patents from PAE Defendants absent
 18 PAE Defendants' acceptance of the Bounty Provision, which MediaTek concocted and pushed
 19 PAE Defendants to accept. Indeed, MediaTek itself did not place any value on PAE Defendants'
 20 patents other than potential litigation cost avoidance.

21 100. During the negotiations, MediaTek and FL decided it would be better not to
 22 proceed in writing and took affirmative measures to hide their tracks by agreeing to continue
 23 discussions either "face-to-face" or "by phone." Specifically, they agreed to a February 18, 2019,
 24 9:00 pm meeting between Warren Waskiewicz (Vice President, Licensing at IPValue) and Steven
 25 Liu (Director, Legal & IP at MediaTek) at the Le Meridien hotel in Seoul, South Korea.
 26 Waskiewicz had proposed that further discussion of a recent "MediaTek[] counter-proposal," "the
 27 color around that move," and "exploration of what we might consider doing next to make
 28 additional progress" were better served "face-to-face" or at the very least "by phone." Liu agreed,

1 and suggested “meeting up for a glass of wine” at the Le Meridien hotel, which Waskiewicz
2 enthusiastically accepted.

3 101. The plan for meritless suits—in the United States and Japan—emerged after that
4 meeting.

5 102. Two weeks after the Le Meridien wine-and-dine, in the midst of an email
6 suggesting another in-person meeting in Hsinchu, Taiwan to discuss the “FLS-MTK
7 negotiations,” Waskiewicz mentioned that he also “look[s] forward to engaging on **Monterey**.”
8 Monterey is another subsidiary of Future Link’s parent IPValue, which sued Realtek in Japan on
9 April 17, 2023 (after its US suits were hurriedly dismissed and PAE Defendants were
10 sanctioned), alleging that Realtek’s SoCs infringe patents in relation to an ARM technology.

11 103. The U.S. suits then took on a more tangible form. Around March 14, 2019,
12 MediaTek’s Steven Liu proposed to Future Link’s Warren Waskiewicz that it would agree to a
13 licensing fee totaling [REDACTED] dollars if Future Link would accept a newly proposed Bounty,
14 in which MediaTek would pay an additional \$1,000,000.00 if Future Link, prior to January 1,
15 2022, either executes a patent license agreement with, or simply *institutes* litigation against,
16 Realtek or Amlogic. The Bounty arose out of intentionally non-recorded verbal discussions.
17 Defendants have furiously tried to conceal these covert communications, which were carefully
18 hidden from Plaintiff, the market, and the public.

19 104. The Bounty was not suggested by those involved in the technical discussions
20 between Defendants’ respective patent experts because it had nothing to do with the patents
21 themselves. Instead, it was conceived by MediaTek “management” including its legal
22 department.

23 105. Future Link understood the directive for the Bounty Agreement had come from
24 outside the technical licensing discussions.

25 106. Future Link’s initial reaction in writing was to describe the Bounty as “quite
26 unorthodox” and “an approach that IPV has historically rarely contemplated and generally simply
27 rejects.” Future Link’s non-written response to the Bounty remains veiled.

28 107. That is in part because, in a March, 2019 email, a primary negotiator within Future

Link, Warren Waskiewicz, told MediaTek that PAE Defendants would have “*unplanned for expenses*” if it were to “potentially succeed at this new [Bounty] element,” and requested additional fees to do so. That “new element” was the obligation to either license or file litigation against Realtek or Amlogic.

108. PAE Defendant’s need for “unplanned for expenses” and trepidation at asserting claims against Realtek or Amlogic demonstrates the lack of merit to the claims. If they believed they had a legitimate claim against Realtek, they would not have had to offset their expenses and risk with payments from MediaTek.

B. Future Link Knew at the Time That it Sued Realtek for Patent Infringement That the Suits Had No Merit.

109. It is important to recognize how unusual this course of negotiation between MediaTek and a patent troll in fact is.

110. A company that practices many technologies, such as MediaTek does in its various products, is ordinarily not friendly with a patent troll such as Future Link. Indeed, research demonstrates that practicing entities will shift their investment and development strategies to escape patent trolling.¹⁵ One of the reasons for such strategy is because Future Link and other patent trolls impose significant costs and burdens on practicing entities. Likewise, a patent troll in ordinary circumstances will not befriend its targets.

111. Nonetheless, Defendants finalized the terms of their Patent License Agreement (“PLA”). The final terms further prove (in addition to MediaTek’s prior acknowledgments) that the three patent claims PAE Defendants’ later asserted against Realtek lacked any value.

- a. In addition to the seven patents most at issue during Defendants’ licensing talks, the PLA’s definition of “Licensed Patents” included ALL patents licensable by Future Link at the time, including over 600 other patents

¹⁵ See Kenneth G. Huang, Mei-Xuan Li, Carl Hsin-han Shen, Yanzhi Wang, *Escaping the Patent Trolls: The Impact of Non-Practicing Entity Litigation on Firm Innovation Strategies*, J. Strat Mgmt. 2024;1–34

1 listed in Schedule A of the PLA.

2
3 **1.3 “Licensed Patents”** means all patents and patent applications worldwide that are
4 licensable by FLS as of the Effective Date (the “FLS Patents”), including, but not
5 limited to, the exemplary list of patents and patent applications in Schedule A
6 (“Schedule A Patents”), as well as all patents, such as divisionals, continuations,
7 continuations-in-part, reissues, reexaminations, substitutions and foreign counterparts,
8 that claim priority to any of the FLS Patents. .

9
10 b. The definition of “Covered Products” was likewise expansive. The license
11 covered ALL semiconductor devices, including those that Future Link had
12 never identified nor asserted to be infringing, nor even examined for
13 potential infringement.

14 **1.1 “Covered Products”** means all Semiconductor-Based Devices, including all
15 integrated circuits, MCOs, multi-chip packages and assemblies, as well as MediaTek
16 (or its Subsidiary) branded boards, assembly and/or substrate, and inclusive of
17 systems, subsystems, interfaces, and/or buses embodied in the foregoing products.

18 c. Going even further, the PLA included a “Standstill Period” (or, “Standstill
19 Provision”) whereby Future Link agreed not to assert against MediaTek
20 ANY patents against the Covered Products for a period of three years.

21 **7.6** FLS covenants, on behalf of itself and its Subsidiaries, that FLS and its Subsidiaries
22 shall not assert against COMPANY any claims of patent infringement against Covered
23 Products under any Patents that are not Licensed Patents for a period of three (3) years

24 112. MediaTek paid for a license to 600 patents and, among other things, a free pass for
25 three years on any new patents acquired by the PAE Defendants. They also paid a separate
26 amount (\$1,000,000.00) for the Bounty. What is notable is what they did not pay for. No value
27 whatsoever is attributed to the specific patents that would later be asserted against Realtek. This
28 is because the asserted patents *have no value*. Critically, *nowhere* in the correspondence between
Defendants is there any analysis showing that any of Future Link’s patent claims covered any of
Realtek’s products, notwithstanding the contractual dictate to sue or get a license from Realtek.
The Bounty was agreed to by all the Defendants without any analysis whatsoever of any
infringement of the claims of the worthless patents by Realtek. There was accordingly no
objective basis whatsoever to the claims against Realtek. In fact, in the correspondence
exchanged between Defendants, MediaTek asserted detailed arguments both as to why the

1 infringement claims against its own ARM based products had no merit and why the patents were
2 actually invalid (as confirmed in later IPR proceedings). And MediaTek never retreated from
3 those positions. Future Link sued Realtek for patent infringement because it was contractually
4 obligated to, but all Defendants knew that the suits were objectively baseless and had no merit.

5 **VI. The Actual Agreement or Conspiracy Between MediaTek and Future Link Went**
6 **Beyond the Curated, Carefully-Lawyered Bounty Agreement.**

7 113. As the foregoing history shows, MediaTek's conspiracy, including IPValue and its
8 subsidiary, Future Link, included payments for IPValue subsidiaries to launch a barrage of
9 objectively baseless patent suits against both Realtek and Amlogic. The target of these attacks
10 was competition in the TV Chips market.

11 114. For example, the Bounty Agreement provides for a press release, which IPValue
12 featured on its website: [https://www.ipvalue.com/news/mediatek-licenses-patent-portfolio-from-](https://www.ipvalue.com/news/mediatek-licenses-patent-portfolio-from-ipvalue-management)
13 [ipvalue-management](https://www.ipvalue.com/news/mediatek-licenses-patent-portfolio-from-ipvalue-management) (last visited July 3, 2024).

14 115. The press release prominently featured Smart TVs. This comes as no surprise
15 given the common component that MediaTek, Realtek, and Amlogic each supply for the
16 production of Smart TVs is TV Chips. IPValue knew of the common connection between
17 MediaTek, Realtek, and Amlogic—Smart TVs and TV Chips—when it entered into the Bounty
18 Agreement, which led to PAE Defendants launching a series of objectively baseless patent suits
19 against Realtek and Amlogic.

20 116. Further, Amlogic's TV Chips are central to Amlogic's business strategy. While
21 Amlogic has been a more distant rival to MediaTek, as compared to Realtek, Amlogic has
22 maintained a foothold in sales of TV Chips to Chinese OEMs.

23 117. Realtek has been MediaTek's most innovative and closest rival in TV Chips.
24 Realtek has bested MediaTek at key moments, launching TV Chips integrating Dolby Vision and
25 a TV Chip for an 8K Smart TV before MediaTek could do so. And Realtek has gained traction
26 with Google, a large customer, as shown below.

27 118. Apparent from MediaTek's and the PAE Defendants' conduct following the
28 Bounty Agreement, the actual agreement and broader conspiracy among MediaTek and the PAE

1 Defendants provided for PAE Defendants to sue Realtek and Amlogic several times.

2 119. This is also confirmed by Future Link's conduct when it sought payment from
3 MediaTek, and it preened about multiple suits against both Realtek and Amlogic. The
4 \$1,000,000.00 payment provided for in the carefully-lawyered Bounty Agreement would have
5 been seemingly due upon Future Link filing a single complaint against either Realtek or Amlogic.
6 During the March 2019 Bounty Agreement negotiations, MediaTek even postured about internal
7 pressure to revise the Bounty condition to target *both* Realtek and Amlogic for \$500k each, but
8 the parties moved forward with the current written form of the Bounty. **Future Link nonetheless**
9 **sued both Realtek and Amlogic**, and then **informed MediaTek multiple times that it had**
10 **sued both competitors** while requesting payment "per the payment terms" of the Bounty.
11 Moreover, the suit against Realtek in Japan appears to have been discussed between the
12 Defendants in March 2019. Thus, while the language of the Bounty only explicitly calls for one
13 suit, the behavior of the Defendants indicates there were multiple agreements either express or
14 implied to file suits in multiple jurisdictions, including in United States District Court, the ITC,
15 and in Japan.

16 120. The patent troll business model relies on its ability to extract royalties that
17 outweigh the costs of litigating. Failed suits, repeated often enough, would be untenable with the
18 PAE's need to sustain threats of litigation costs that can be used to extract licensing fees. But
19 with the Bounty and similar agreements, the costs and risks are offset by a payment conditioned
20 only on the filing of the suit. Such agreements further explains PAE Defendants' behavior.
21 Absent the conspiracy and its anticompetitive incentives, Future Link risked damaging its ability
22 to profit from its extortionist business model without an apparent countervailing benefit.

23 121. The existence of incentives such as those described in the Bounty Agreement
24 motivated Future Link's anticompetitive litigation conduct. The baseless suits were not
25 conceived by Future Link's own belief in their merits; instead, they were driven by MediaTek's
26 commercial imperative—to harm its Chip rivals.

27 **VII. FILING OF THE OBJECTIVELY BASELESS LAWSUITS**

28

A. U.S. District Court for the Western District of Texas, Case No. 6:21-cv-00363-ADA (W.D. Tex.) (the “363 Case”)

122. On April 13, 2021, Future Link launched its first suit against Realtek for alleged patent infringement, in the U.S. District Court for the Western District of Texas, Case No. 6:21-cv-00363-ADA (W.D. Tex.) (the “363 Case”). In that case, Future Link accused Realtek of directly infringing U.S. Patent No. 7,917,680 (the “‘680 patent”). According to Future Link’s complaint, the ‘680 patent supposedly “relates to improvements in electronic circuitry in computing devices and processors.”

123. Future Link accused a broad swath of Realtek products of infringing that patent, including both unspecified products “that use processors supporting ARM AMBA AXI4 or newer,” as well as products that “operate in substantially the same way.”¹⁶ These accusations were predicated on the same patent and infringement theories that MediaTek steadfastly rejected in their own discussions with Future Link.

124. As Defendants intended, the mere fact of Future Link’s complaint burdened Realtek’s business operations with the specter of supply instability.¹⁷ TV Chips customers are highly sensitive to such risks, real or perceived.

125. But, true to form, Future Link’s claims in the 363 Case quickly unraveled. There were multiple fatal defects with Future Link’s case: (a) there was no personal jurisdiction; (b) the complaint was not properly served; (c) ***Future Link failed to plausibly allege that Realtek engaged in any act of direct infringement***; and (d) Future Link relied on optional features without any showing that such features were actually included in the accused products.

126. Confronted with these defects, Future Link attempted to amend its complaint on July 15, 2021, but failed to cure its deficiencies. The first amended complaint even expanded the scope of accused products to encompass additional Realtek products—this time even more

¹⁶ See Compl. Ex. 2, *Future Link Sys., LLC v. Realtek Semiconductor Corp.*, No. 6:21-cv-0363-ADA, (W.D. Tex. Apr. 13, 2021) (‘680 patent infringement chart), ECF Nos. 1-2.

¹⁷ See Compl., *Future Link Sys., LLC v. Realtek Semiconductor Corp.*, No. 6:21-cv-01353-ADA, (W.D. Tex. Dec. 22, 2021) (requesting various remedies), ECF No. 1 at 8. See also Compl., (Public) *In re Certain Integrated Circuit Prods. and Devices Containing the Same*, ITC Inv. No. 337-TA-1295, Dkt. 3589 at *46 (Dec. 29, 2021) (requesting a permanent limited exclusion order).

1 broadly accusing products that “use processors supporting ARM AMBA AXI4 or newer and/or
2 ARM AMBA CHI” including “without limitation” Realtek’s RTD1295, RTD 1296, RTD1395,
3 RTD1315, RTD1319, and RTD1619. However, the amended complaint, like the original
4 complaint, again wrongly accused Realtek of engaging in directly infringing acts within the
5 United States. The amended complaint also repeated Future Link’s reliance on optional features
6 without identifying any basis for believing that such features were actually present in the accused
7 products.

8 127. On March 30, 2022, the district court granted Realtek’s pending motion to stay the
9 363 Case. In doing so, the court announced that *it would grant Realtek’s motion to dismiss* the
10 suit for lack of jurisdiction and that it would enter a full opinion at a later date.

11 128. The deficiencies were numerous and obvious. They showed there was no adequate
12 investigation for the claims. For example:

- 13 • FLS’ own documents contradicted its allegations. The very documents cited by
14 Future Link proved the falsity of the allegation that the accused products contained
15 the QoS features that Future Link accused of infringement. Future Link
16 nevertheless filed this action in reliance on nonexistent QoS features.
- 17 • Without any investigation whatsoever, Future Link speculated in its complaint that
18 Realtek products might implement the “CHI” bus architecture because it was “one
19 of two possible” options. (Dkt. No. 41 at 3-4.) This option in fact was not
20 implemented, and Future Link never attempted to inspect or analyze any Realtek
21 products to determine which type of bus architecture they use, either prior to filing
22 suit or since.
- 23 • Future Link’s jurisdictional allegations lacked any factual support.

24 129. Further, where PAE Defendants’ asserted patents faced validity challenges at the
25 Patent Office, they either were found invalid or were likewise withdrawn to avoid a final
26 determination.

27 130. For example, on June 25, 2021, after Future Link asserted claim 1 of the ‘680
28 patent against Realtek, Realtek filed an *inter partes* review (“IPR”) petition with the Patent Trial

1 and Appeal Board (“PTAB”) at the U.S. Patent and Trademark Office challenging the
 2 patentability of claim 1 and other claims of the ‘680 patent. Future Link then asserted claims 15
 3 and 20 against Realtek, and on March 14, 2022, Realtek filed a second IPR petition against the
 4 ‘680 patent, challenging the patentability of claims 15 and 20. On September 9, 2022, to avoid a
 5 finding of unpatentability, Future Link simply *cancelled claims* 3-6 and 15-20 of the ‘680 patent,
 6 leading to the PTAB denying institution (*i.e.*, not holding a trial) of the second IPR petition on
 7 September 14, 2022, on the basis that the challenged claims had been cancelled *by the patent*
 8 *owner*. Unsurprisingly, on January 4, 2023, in a final written decision, the PTAB found
 9 unpatentable claim 1 and all other claims of the ‘680 patent challenged in Realtek’s first IPR.

10 131. The PTAB’s findings on the challenged claims of the ‘680 patent, and Future
 11 Link’s own preemptive cancellation of other claims (to avoid a determination of unpatentability),
 12 confirm what MediaTek and the PAE Defendants already knew. MediaTek itself concluded that
 13 the ‘680 patent claims were invalid and informed the PAE Defendants of such during their license
 14 negotiations.

15 132. Despite having no objective basis, Future Link nonetheless brought this meritless
 16 litigation to recover the Bounty.

17 133. Future Link’s objectively baseless action relating to the ‘680 patent was just the
 18 beginning. As Realtek sought to dismiss Future Link’s meritless suit, Future Link doubled down
 19 on its meritless litigation campaign, initiating two additional actions against Realtek.

20 **B. U.S. District Court for the Western District of Texas, Case No. 6:21-cv-01353**
 21 **ADA, (W.D. Tex. Dec. 22, 2021) (the “1353 Case”)**

22 134. On December 22, 2021, Future Link filed another lawsuit in the Western District
 23 of Texas, alleging infringement of two other patents Future Link purportedly purchased. Those
 24 patents were United States Patent Nos. 7,685,439 (the “‘439 patent”) and 8,099,614 (the “‘614
 25 patent”).

26 135. Despite two motions to dismiss for lack of personal jurisdiction and improper
 27 service in the 363 Case, and having amended its complaint in that matter to plead additional
 28 jurisdictional allegations (which remained inadequate), Future Link nonetheless filed a complaint

1 in the 1353 Case containing the very same fatally defective jurisdictional and service allegations.
2 Specifically:

- 3 • Future Link pled no facts showing that Realtek held assets or did business in Texas.
4 Nor did it allege that Realtek had any customers in Texas. Or even that Realtek
5 directed any activities toward Texas, much less that any of Future Link's claims arose
6 from such activities.
- 7 • Future Link again purported to serve Realtek through personal service in Taiwan,
8 despite Realtek's demonstration in the 363 Case that personal service is unavailable
9 under Taiwanese law, and thus equally unavailable under the Federal Rules.

10 136. Future Link pressed on with the 1353 Case right up to March 30, 2022, when the
11 court granted Realtek's motion to stay the 363 Case, and simultaneously announced that it had
12 ***“decided to rule in favor of defendant on at least one issue”*** in Realtek's pending motion to
13 dismiss for lack of personal jurisdiction and improper service of process. Because Future Link's
14 jurisdictional and service allegations in the 1353 Case suffered from precisely the same flaws
15 (and worse), Future Link would have been confronted with the same result.

16 137. Four days after the district court's announcement, however, Future Link hurriedly
17 voluntarily dismissed both the 363 Case and 1353 Case under Rule 41(a)(1)(A)(i). Future Link
18 represented to the judge that the dismissal was pursuant to a settlement or licensing agreement
19 with ARM. But that representation was apparently fraudulent, because Future Link attempted to
20 dismiss the case *without prejudice*, while the RPX / “ARM” agreement appears to have required
21 any dismissals resulting from the agreement to be made *with prejudice*.

22 138. Moreover, like the '680 patent, the '439 and '614 patents would fall apart under
23 PTAB scrutiny. On December 22, 2021, Future Link accused Realtek of infringing these patents,
24 even though the '439 patent was previously the subject of an instituted IPR petition by Intel
25 (following a determination by the PTAB that there was a “reasonable likelihood” that Intel would
26 prevail in showing invalidity for at least one of the challenged claims). Future Link was able to
27 avoid a finding of unpatentability in that IPR through a settlement agreement, which ended the
28 IPR proceedings before the PTAB could render a final written decision. As for the '614 patent,

1 on June 8, 2022, Realtek filed an IPR petition challenging all claims of the ‘614 patent. On
 2 September 9, 2022, Future Link *voluntarily cancelled all claims* of the ‘614 patent, and on
 3 December 19, 2022, as before, the PTAB denied institution on the basis that the challenged
 4 claims stood *cancelled by FutureLink*.

5 139. Again, this result was of no surprise to Defendants, given that MediaTek itself had
 6 concluded that the ‘439 and ‘614 patents (like the previously asserted ‘680 patent) were both
 7 invalid.

8 140. Nonetheless, PAE Defendants brought this objectively baseless litigation in order
 9 to collect a Bounty.

10 C. The W.D. Tex. Addresses the 363 Case and 1353 Case in an Omnibus Order

11 141. On October 10, 2022, the U.S. District Court for the Western District of Texas
 12 publicly filed a redacted version of an order resolving certain discovery disputes in the 363 Case
 13 and 1353 Case. This court has since unsealed that order on this docket. (*See* Dkt. 102-5). That
 14 order included the following findings and observations about the improper and anticompetitive
 15 nature of the lawsuits:

- 16 a. “The Court finds that FLS (the party, not its counsel) executed an
 17 **improper contract** that should be discouraged as a matter of public
 18 policy.”
- 19 b. “The assignment contains a provision for MediaTek to pay FLS \$1 million
 20 **simply to institute litigation against Realtek, who is MediaTek’s**
 21 **marketplace competitor**. The assignment provision **does not require**
 22 **said litigation to survive any particular length of time** in the litigation
 23 process.”
- 24 c. “Nor does the assignment require the litigation against Realtek to have
 25 **any merit**.”
- 26 d. “Public policy cuts directly against an agreement of this kind, where a
 27 company **pays a third party to sue a competitor** for any reason **with or**
 28 **without merit**.” (citing *Rodriguez v. W. Pub. Corp.*, No. CV05-3222R

(MCX), 2007 WL 2827379, at *22 (C.D. Cal. Sept. 10, 2007), aff'd in part, rev'd in part, 563 F.3d 948 (9th Cir. 2009); *Cf. Johnson v. NPAS Sols., LLC*, 975 F.3d 1244, 1258-60 (11th Cir. 2020) (an incentive payment in the class-action context that amounts to a “bounty” is not lawful)).

142. Based on its findings, the court sanctioned PAE Defendants: “Under its inherent power, the **Court ORDERS this sanction**: the voluntary dismissal of the case (ECF No. 54) is modified to be a **DISMISSAL WITH PREJUDICE**.” (Emphasis in original).

D. In the Matter of Certain Integrated Circuit Products and Devices Containing the Same, 337-TA-1295 (ITC Dec. 29, 2021) (the “ITC Case”)

143. On December 29, 2021, Future Link again alleged infringement of the ‘439 patent and ‘614 patent, this time in a complaint before the United States International Trade Commission (“ITC”). At the ITC, Future Link included in its filings a request for an exclusion order barring from entry into the United States certain Realtek integrated circuit products (including the same Realtek Chips identified in the prior litigation in addition to others) and devices containing the same.

144. Following the pattern of frivolous suits in the Western District of Texas, Future Link initiated the ITC Case without evidentiary support for its claims. For example:

- Future Link provided claim charts for the ‘439 patent and ‘614 patent, but failed to identify any evidentiary basis for concluding that numerous claim limitations were found in any Realtek products or the NXP, domestic industry products.
- Twelve of the fourteen claims Future Link asserted were dependent claims. Yet, Future Link did not offer any facts to support the allegations that Realtek infringed the dependent claims and confirmed it had no other facts to support its allegations.

145. Realtek notified Future Link that its allegations lacked requisite evidentiary support on various occasions, including in a responsive pleading, supplemental discovery responses, correspondence, and a discovery meeting. In response to these requests, Future Link failed to identify any evidentiary support for numerous, and fundamental parts, of its claims, and stated that it had no obligation to identify any such support.

146. On April 12, 2022, an Administrative Law Judge (“ALJ”) at the ITC entered an order regarding a motion for sanctions in *In re Certain Integrated Circuit Products and Devices Containing the Same*, ITC Inv. No. 337-TA-1295, in which Future Link was the complainant. As reflected in the unredacted portion of a public order, the ALJ noted the following:

“The complained-of provision is found in a license between Future Link and a third party: [Redacted] [¶] This provision is alarming. **It is difficult to imagine how it could possibly be lawful or enforceable. At a minimum it would seem to warrant an action by Realtek against either Future Link or its counterparty for unfair competition**, and it is possible such an action would fall within the jurisdiction of the Commission.”

(Emphasis added.)

147. On May 31, 2022, the ALJ entered an initial determination granting-in-part Realtek’s motion to declassify documents designated as “Confidential Business Information.” In reference to a paragraph of the license agreement, the ALJ observed that “what the Paragraph memorializes may well be **untoward and actionable**,” and the ALJ referenced “five words describing the triggering event” in the paragraph. (Emphasis added.)

148. In sum, PAE Defendants’ ITC arguments were baseless for many of the same reasons as in the 1353 Case in Texas. They knew their claims were objectively baseless, but instituted the ITC proceedings because of the unique leverage to be gained by imposing the specter of an exclusion order against Realtek and ultimately its customers.

E. Future Link Systems, LLC v. Amlogic Holdings

149. That same year, PAE Defendant also brought costly patent claims against another TV Chip competitor, Amlogic Holdings, Ltd. (“Amlogic”), asserting the same three patents as it did against Realtek: the ‘680, ‘439, and ‘614 patents.¹⁸ Those claims were also objectively baseless. Responding to PAE Defendants’ pre-suit threats, Amlogic repeatedly informed PAE Defendants, to no effect, that none of their conduct occurred within the United States. PAE

¹⁸ See Compl., *Future Link Sys., LLC v. Amlogic Holdings, Ltd.*, No. 1-21-cv-00634-RGA (D. Del. Apr. 30, 2021), ECF No. 1; Compl., *Future Link Sys., LLC v. Amlogic Holdings, Ltd.*, No. 1-21-cv-01790-LPS (D. Del. Dec. 22, 2021), ECF No. 1.

1 Defendants proceeded to sue Amlogic anyway as required under the Bounty. The suits had to
2 proceed regardless of merit in order to collect the payment.

3 150. PAE Defendants' threats to Amlogic began around March 2020, triggered by the
4 Bounty, and similarly make clear the baselessness of the patent claims:

- 5 • PAE Defendants asserted *the same three patents* against Amlogic in the District of
6 Delaware and the ITC as they asserted against Realtek: the '680,'439, and '614 patents.
7 These patents, and the ARM technologies they purportedly applied to, were the same ones
8 that MediaTek had concluded were invalid and not infringed before executing the Bounty
9 Agreement.
- 10 • Amlogic repeatedly pointed out that there was no basis for the infringement claims
11 asserted against it. Amlogic, like MediaTek did, also pointed out that the PAE
12 Defendants' theories of infringement did not appear valid even at other levels of the
13 supply chain, including with regard to ARM.
- 14 • Amlogic explained that it did not manufacture nor import into the United States any
15 products implicated by the asserted patents and thus that PAE Defendants had *no basis* to
16 claim that Amlogic was an infringer.

17 151. Just as with Realtek, there was no analysis of the claims against Amlogic before
18 the Bounty was agreed to. There was no analysis or investigation reflected in the negotiations –
19 just a seven figure agreement to sue or extract an unwarranted license fee. Ultimately, PAE
20 Defendants dismissed their suit without a court ever even addressing the merits of the claim on a
21 motion to dismiss.

22 152. Reeling from Amlogic's audacious refusal to bend the knee, PAE Defendants on
23 June 9, 2020 laid bare both their disregard for the merits of their claims as well as their malicious
24 intent in pursuing them.

25 153. In response to Amlogic counsel's rebuttal of its infringement theory, PAE
26 Defendants countered with the following: "Are you advising us that we should approach Google
27 and Amazon (among others) to notify them they are importing products and/or components into
28 the USA that contain infringing Amlogic components and that they are the "real" patent

1 infringers? Is your client OK with us doing that *or would they [Amlogic] prefer to take care of*
 2 *this matter for their customers?*”

3 154. Even with the threats to its customer relationships, Amlogic found no basis to
 4 concede the patent claims.

5 155. Amlogic did not respond to PAE Defendants’ tortious threats until August 2020,
 6 three months later, when PAE Defendants revived its veiled threat in two cryptic sentences: **“I**
 7 **have not heard from your [sic] regarding our request for clarity with respect to your clients**
 8 **position on who they believe are the ‘real patent infringers.’ Can you please give us some**
 9 **guidance on that issue?”**

10 156. In response, Amlogic again repeated its explanations of the fatal deficiencies in
 11 PAE Defendants’ asserted infringement theory, and pointed out that Amlogic still had not
 12 received any response from IPValue about those deficiencies. Amlogic summed up its position
 13 that **“Amlogic is not an infringer** and does not need to take a license with exorbitant royalty
 14 rates from IPValue” and noted that its reasoning would “likely be true for other SoC suppliers as
 15 well.” Amlogic explained that the allegations and reasoning PAE Defendants’ asserted in making
 16 their threats **“demonstrated that IPValue’s licensing demand has no basis in reality.”**
 17 Additionally, Amlogic pointed out that the claim charts PAE Defendants shared with it at most
 18 “identify ARM as the alleged infringer” and that “IPValue’s reluctance even to approach ARM
 19 appears to reflect a lack of confidence in its own infringement arguments.”

20 157. Tellingly, PAE Defendants’ response to AmLogic’s clear and repeated
 21 explanations was to *once again* fell back on their tired, passive-aggressive refrain, lobbing threats
 22 at various levels of the supply chain: “I believe I have carefully read your emails and come to
 23 understand that AMLogic would like us to approach ARM, and not AMLogic, with our
 24 infringement claims. I also understand AMLogic would like us to approach Amazon and Google
 25 as infringing parties in the US since they import and offer for sale in the US end products that
 26 incorporate unlicensed ARM based AM Logic SoCs. Is that not the message you’re trying to
 27 convey?”

28 158. Ultimately, soon after the ITC ALJ issued its April 2022 order concerning the

likely illegality of the Bounty Agreement in the case against Realtek, Future Link hurriedly resolved claims against Amlogic as well.¹⁹ The terms of that resolution have not been disclosed. Future Link resolved those matters to avoid further disclosure of the illegal conspiracy, just as it had done numerous times with regard to claims against Realtek before the ITC, the federal court, and the PTAB.

F. Monterey Research, LLC v. Realtek

159. On April 17, 2023, PAE Defendants went halfway around the world to continue its MediaTek-sponsored attack on TV Chip competition. Through its subsidiary Monterey Research LLC, PAE Defendants sued Realtek in another objectively baseless case in Japan (the “Monterey suit”). There, Monterey Research accused some of the same Realtek products of patent infringement, identifying specifically Realtek’s TV SoCs RTD1295 and RTD1395. To date, however, Monterey Research has failed to identify any Realtek sales of the accused products in Japan – a crucial element in the infringement claim.

160. Moreover, PAE Defendants’ purported license agreement with ARM would have included provisions barring PAE Defendants from bringing further infringement suits involving the ARM products covered by that license. Typically, these are styled as “Combined Products” provisions, in which infringement claims that require limitations or allegations of the products licensed in the agreement are barred, as well as other similar and interacting provisions like “Licensed Products” and “Covered Third Party Products.” Yet, the Monterey suit alleges infringement through some of the same ARM products and technologies identified in the claims that were supposedly mooted by the ARM license, including ARM’s “Cortex-A53” and “Armv8-A CPU.”

161. Those obvious and fatal deficiencies beg the question: was there another incentive to bring the Monterey suit? Defendants own documents indicate the answer is “yes.” In March 2019, two weeks after MediaTek’s and PAE Defendants’ lead negotiators met over wine at the Le

¹⁹ See Order Granting Joint Mot. to Dismiss with Prejudice, *Future Link Sys., LLC v. Amlogic Holdings, Ltd.*, No. 1-21-cv-00634-RGA (D. Del. May 4, 2022), ECF No. 51; Order Granting Joint Mot. to Dismiss with Prejudice, *Future Link Sys., LLC v. Amlogic Holdings, Ltd.*, No. 1-21-cv-01790-LPS (D. Del. May 4, 2022), ECF No 12.

Meridien hotel in Seoul, the latter said, “[L]ook forward to engaging on *Monterey*.”

162. Yet again, PAE Defendants engaged in sham litigation, the sole aim of which is to wound Realtek in the eyes of TV OEMs to harm competition in TV Chips.

163. Future Link’s apparent approach of suing numerous entities, only to dismiss all except one of them, is an abrupt reversal of its claim that it follows a “‘litigation last’ approach to patent monetization.” This abrupt reversal of its behavior by Future Link is further evidence of a conspiracy with MediaTek.

VIII. PAE Defendants Committed Fraud On The Texas Court

164. Defendants claim that a March 31, 2022 settlement or licensing agreement reached with Realtek’s supplier, ARM, and resolved PAE Defendants’ patent infringement claims against Realtek, Amlogic, and numerous other chipmakers. Defendants claim that this is the real reason for its abrupt dismissals of all those claims.²⁰ Despite their heavy reliance on that document, Defendants refuse to reveal it. Realtek, the courts, and the public have never seen it.

165. However, PAE Defendants did file, as an attachment to its motion to terminate the ITC investigation, a heavily redacted copy of a license between PAE Defendants and RPX Corporation, executed on the same exact day of Defendants’ purported ARM license, which appears to be that license.

166. However, Realtek has uncovered a heavily redacted copy of a license between PAE Defendants and RPX Corporation, executed on the same exact day of Defendants’ purported ARM license, that appears to be that license.

167. Realtek now knows why Defendants kept it secret. Not only does its secrecy preserve the anticompetitive burdens on Realtek, but Defendants breached the purported ARM licenses in two ways: **(1) breach of the “Release and Dismissal Obligations,”** and **(2) breach of the “Combined Licensed Product and Service” and related downstream licensing**

²⁰ In just one example, MediaTek, in its Motion to Dismiss Realtek’s initial Complaint, brandished the purported ARM settlement to counter what it framed as Realtek “bemoan[ing] Future Link’s litigations as ‘meritless’.” Dkt. 47 at 4:5-6. PAE Defendants likewise claimed numerous times that its “confidential settlement” with ARM proves that its multiple lawsuits against Realtek were somehow also “non-frivolous” and not “sham.” *See, e.g.*, Dkt. 51 at 12:18-21..

provisions.

a. Breach of the Release and Dismissal Obligations

168. The purported license agreement includes provisions **requiring** PAE Defendants, the “Licensor,” to dismiss *with prejudice* their suits against chipmakers like Realtek:

“Release and Dismissal Obligations” shall mean Licensor, on behalf of itself and its Affiliates (i) executing a release agreement substantially similar to the Release Terms, and (ii) with respect to any Licensor Litigation Defendant, taking all actions and making all necessary filings to resolve all disputes with respect to such Licensor Litigation Defendant “with prejudice” substantially similar to the Form of Dismissal (or, any other form of dismissal “with prejudice” in as is appropriate for any non-U.S. jurisdiction).

“Licensor Litigations” shall mean any and all lawsuits relating to any Patent filed at any time by Licensor or its Affiliates in any state or federal court in the United States, in any court or tribunal in any foreign country, or before the United States International Trade Commission. Any one of the Licensor Litigations is a “Licensor Litigation”.

“Licensor Litigation Defendants” shall mean the parties adverse to Licensor or its Affiliates in any Licensor Litigation. Any one of the Licensor Litigation Defendants is a “Licensor Litigation Defendant”.

169. Yet, PAE Defendants, after fraudulently representing to a Texas federal judge that it was dismissing its claims against Realtek pursuant to that license agreement, expressly chose to do so *without prejudice*:

NOTICE OF DISMISSAL WITHOUT COURT ORDER PURSUANT TO RULE 41(a)(1)(A)(i)

Plaintiff Future Link Systems, LLC (“Future Link”) respectfully notifies the Court that, pursuant to Fed. R. Civ. P. 41(a)(1)(A)(i), Future Link dismisses this action **WITHOUT PREJUDICE**.

170. By doing so, in violation of its own express contractual obligations, **PAE Defendants sought to ensure the anticompetitive aims of its illegal scheme with MediaTek.**

171. For example, by dismissing without prejudice, PAE Defendants would avoid paying attorney’s fees to Realtek, sticking Realtek with the full bill of the Bounty—and conspiracy—driven sham suits.

172. By dismissing without prejudice, PAE Defendants preserved the crushing burden that the Defendants’ scheme was designed to impose: the ever looming threat of the patent thicket, comprised of legions of questionable, stale, and outright worthless patents that PAE

1 Defendants had acquired and continue to acquire.

2 173. By dismissing without prejudice, PAE Defendants never lifted the “Damocles
3 sword” imposed on Realtek,²¹ sapping Realtek of the ability to fully clear its name with its
4 customers and the semiconductor industry more broadly.

5 174. According to the express language of the purported ARM license, and Defendants’
6 own representations about it, the license and its dismissal provisions were negotiated by ARM to
7 the benefit of its customers, and specifically those named as alleged infringers in PAE
8 Defendants’ suits, including Realtek. In other words, Realtek is a third-party beneficiary of the
9 rights conveyed by PAE defendants to ARM under that contract.

10 **b. Breach of the “Combined Licensed Product and Service” and related**
11 **provisions**

12 175. In addition to the express obligations requiring dismissal with prejudice against
13 third-party beneficiaries, there were other express provisions negotiated for the benefit of ARM’s
14 customers. These include, e.g.: protection for third parties, protection for downstream licensed
15 products and services, protection for combined licensed products and services, and release from
16 liability. Specific provisions to those ends include, e.g.:

- 17 • “Covered Third Party”
- 18 • “Licensed Product and Service”
- 19 • “Combined Licensed Product and Service”

20 176. PAE Defendants breached these provisions when their subsidiary Monterey filed
21 another patent suit against Realtek in Japan on April 17, 2023. That suit specifically named
22 Realtek’s TV SoCs, RTD1295 and RTD1395, as infringing products. But under the purported
23 ARM license, PAE Defendants covenanted to release such products from liability. Indeed,
24 RTD1295 and RTD1395 were the same SoCs identified by PAE Defendants in the U.S. suits that
25 PAE Defendants claimed to have been obviated by the ARM license.

26 177. Moreover, in the Monterey suit, PAE Defendants’ infringement theory is
27 predicated upon RTD1295’s and RTD 1395’s incorporation of some of the same ARM products

28

²¹ See *infra* Section X.

1 named in the U.S. suits, including ARM's "Cortex-A53" and "Armv8-A CPU." It is those ARM
2 products, according to PAE Defendants, that implement the allegedly infringing processes. Such
3 an infringement claim would have been precluded under the ARM agreement's various and
4 overlapping "licensed products" provisions and release covenants.

5 178. The "Combined Licensed Products and Services," "Licensed Products," and
6 "Covered Third Party Products" provisions are exemplary of the types of provisions that,
7 independently or in combination, would preclude PAE Defendants' right to bring the Monterey
8 Suit.

9 179. The Monterey suit, because it relies on allegations of infringement via Realtek's
10 downstream incorporation of the specified ARM technologies, likewise breached the RPX/ARM
11 license under which Realtek is a third-party beneficiary.

12 **IX. Defendants' Scheme Materially Differs from Litigation Finance Arrangements**

13 180. The multi-faceted scheme carried out by the Defendants is significantly different
14 than litigation funding arrangements.

15 181. Litigation funders treat a case as an investment, and typically carefully evaluate
16 the merits of a claim and the possibility of recouping a multiple return on the investment (either
17 through prevailing in the litigation or through settlement) before deciding to invest in the
18 litigation. There is no evidence MediaTek did anything of the sort here. MediaTek emphasized
19 the baseless nature of IPValue's threats of patent litigation (including the fact that the asserted
20 patent claims were invalid) when MediaTek itself was on the receiving end of IPValue threats.

21 182. Instead, the only way in which MediaTek treated the bounty as an investment is
22 through the anticompetitive and tortious gains from its illegal scheme. PAE Defendants' filing
23 their baseless suit against Realtek and the near-immediate weaponization by MediaTek through
24 misleading and disparaging statements to OEMs, *was the return* for MediaTek's payments to
25 PAE Defendants. Defendants conduct evidences as much.

26 183. A prospective plaintiff seeking litigation funding will usually shop its case to
27 multiple potential funders. After all, the plaintiff wants the best terms from a funding deal,
28 including the largest share of the recovery from the suit. There is no evidence that PAE

1 Defendants shopped its suits against Realtek to a different potential buyer. Indeed, IPValue was
 2 taken aback when MediaTek proposed what became the Bounty Agreement.

3 184. Similarly, a prospective plaintiff seeking litigation funding will also present to
 4 funders information about the merits of the claims to provide the funders with visibility about the
 5 probability of obtaining a recovery in the case should they invest. That did not happen here.
 6 After MediaTek initially rejected the prospect that Future Link infringement suits held any value
 7 if brought against MediaTek, after MediaTek proposed what became the Bounty Agreement,
 8 there was no discussion of the strength or weakness of PAE Defendants' suits against Realtek.
 9 *No rational investor makes an investment without regard to the prospects of gains.* Unless, that
 10 is, that the gains were to come from the very fact of the suits being filed against Realtek—as
 11 happened here.

12 185. The eventual written Bounty Agreement—the carefully crafted, lawyered version
 13 of the larger scheme among the Defendants—itself suggests the MediaTek payments to Future
 14 Link are not conditioned on Future Link suits achieving any milestone, let alone a recovery.

15 186. The scheme also represented an abrupt departure from MediaTek's stated
 16 investment strategy. MediaTek tells investors that it focuses investments on “long-term strategy
 17 and financial return...” and that MediaTek “will continue to evaluate investment plans prudently
 18 under the aforementioned policy.” The Defendants' anticompetitive and malicious scheme was
 19 no litigation financing arrangement.

20 **X. PAE Defendants Were Hired to Do What They Do Best: Impose and Leverage the**
 21 **Crushing Burden of Litigation**

22 187. Defendants' scheme—as well as each Defendant's respective components of that
 23 scheme—burdened Realtek on at least two levels.

24 188. The first is more obvious: Realtek spent time, money, and capacity defending the
 25 suits that otherwise would have been spent on innovation and business activity; Realtek also lost
 26 customer goodwill and sales opportunities from Defendants' imposition and leveraging of the
 27 specter of supply instability. And these burdens continue to accrue with no end in sight, as PAE
 28 Defendants continue to execute on their policy of merits-agnostic harassment through their

1 subsidiary, Monterey.

2 189. But there is also a second, more sinister burden that requires a closer examination
3 of PAE Defendants' modus operandi.

4 190. PAE Defendants, like other patent trolls, generate leverage by acquiring vast
5 troves of patents of purported relevance to certain industries, sub-industries, or even narrower
6 ranges of products. This is sometimes referred to as a "patent thicket," which at least one study
7 explained as a "dense web of overlapping [IP] rights that a company must hack its way through
8 ... to actually commercialize new technology." PAE Defendants understand that dynamic;
9 indeed, their entire patent acquisition and assertion strategy depends upon it.

10 191. The Congressional Research Service ("CRS") and various experts have observed
11 that such thickets "make it economically and/or practically infeasible or irrational for
12 manufacturers to find and clear all patents incorporated in a given product." Patent trolls leverage
13 that dynamic with uncanny precision by (1) identifying an industry whose successful products
14 incorporate numerous incremental and overlapping technologies, (2) acquiring a patchwork of
15 questionable patents at least superficially related to those technologies and which haven't been
16 asserted in years, (3) continue to lurk in the shadows as potential victims continue to spend
17 resources innovating and winning adoption of their products, before finally (4) springing forth to
18 assert those patents against victims who now have much to lose and little to gain in fighting a
19 prolonged infringement battle, merited or not. That is precisely the pattern PAE Defendants
20 followed, and continue to follow, in their infringement campaign against Realtek, Amlogic,
21 ARM, and almost a dozen other semiconductor companies.

22 192. PAE Defendants are able to employ that pattern of conduct to sustain their
23 parasitic existence because of the crushing burden that such a thicket of amorphous claims
24 presents to makers and innovators. By waiting until their prospective hosts have achieved a
25 critical mass in terms of size and success, and sunk costs in innovation, PAE Defendants expect
26 that alleged infringers are highly incentivized to pay them off before more damage can be done to
27 their business, even when the claims are baseless. Indeed, the CRS observed that when patent
28 trolls assert claims in such a manner, *"it is too late [for victims] to design around the technology*

1 *or negotiate a reasonable royalty rate because the producer has become locked in.*” That
 2 dynamic allows patent trolls to bring “weak or baseless suits brought only to extract a settlement
 3 from the defendant.” That is precisely the burden that Defendants have wielded against Realtek.

4 193. Relatedly, the CRS described the “Damocles sword” that exists when patent trolls
 5 can threaten the mere possibility of an injunction—even during license discussions and before
 6 filing suit—without any testing of the merits. That “Damocles sword” or “holdup” practice,
 7 according to the CRS and other studies, is “particularly acute in the IT sector” (which includes
 8 semiconductors), “because products incorporate dozens or even thousands of patented features or
 9 components, and the owner of any one of them can keep the entire product off the market.” And
 10 while the CRS observed that *eBay v. MercExchange* enacted a positive change by enabling
 11 federal courts to issue monetary damages instead of automatic injunctive relief, patent trolls have
 12 responded by “shift[ing] their holdup efforts to the [ITC], a quasi-judicial federal agency,” to seek
 13 “‘exclusion orders’ that stop the import of infringing products into the United States.” Once
 14 again, PAE Defendants followed exactly that playbook when they followed their federal court
 15 suits against Realtek with an ITC action seeking an exclusion order.

16 194. That “Damocles sword” is yet another example of the crushing burden that
 17 Defendants’ litigation campaign imposed and continues to impose on Realtek.

18 195. For example, even as Defendants claim that a purported 2022 settlement with
 19 Realtek’s supplier ARM absolved Realtek of any further burden, PAE Defendants (through
 20 subsidiary Monterey) launched yet another suit against Realtek for infringement in 2023. That
 21 suit, despite the purported ARM settlement, again claimed that Realtek’s TV SoCs infringed PAE
 22 Defendants’ patents based on their incorporation of an ARM technology. Critically, those new
 23 claims target *the same Realtek SoCs (such as RTD1295 and RTD1395) identified in the*
 24 *original infringement suits*, and are predicated on the SoCs’ incorporation of some of *the same*
 25 *ARM processors* alleged to be the source of infringement in the original suits.

26 196. Thus, it is clear that PAE Defendants are imposing on Realtek exactly the crushing
 27 burden identified by the CRS and numerous experts: the choice between paying illegitimate
 28 royalties that sap resources from competition and innovation, or facing a practically limitless

1 thicket of meritless patent claims that is “too late to design around” because Realtek and the
 2 industry have become “locked in.” Indeed, absent that crushing burden, PAE Defendants would
 3 not be able to assert just a few patents against a party, and then leverage that into an agreement
 4 covering hundreds of other patents, numerous products never alleged to be infringing, and
 5 sweeping downstream licensing provisions.

6 **A. Patent Trolls Provide No Value and Merely Impose Costs on Innovators That in**
 7 **Turn Raise Costs to Consumers.**

8 197. MediaTek and PAE Defendants knew exactly the type of impact their scheme
 9 would have on competition and innovation.

10 198. PAEs such as Defendants IPValue and Future Link operate in what the Supreme
 11 Court has observed is “an industry [that] has developed in which firms use patents not as a basis
 12 for producing and selling goods but, instead, primarily for obtaining licensing fees.” *Commil*
 13 *USA, LLC v. Cisco Sys., Inc.*, 575 U.S. 632, 646 (2015) (internal quotation marks omitted).
 14 IPValue and Future Link do not produce or sell goods. Instead, they operate by acquiring patents
 15 solely to obtain licensing fees, by engaging in what are known as “ex post” patent transactions,
 16 *i.e.*, they purchase and enforce patent rights after practicing entities have heavily invested in
 17 creating, developing, and commercializing technologies.²² IPValue’s and Future Link’s “ex post”
 18 transactions occur after all major market players have invested billions of dollars in the design
 19 and fabrication of semiconductors that are manufactured and incorporated into downstream
 20 products.

21 199. As the U.S. Federal Trade Commission (“FTC”) stated in a March 2011 report,
 22 “ex post licensing” by PAEs like IPValue and Future Link can “distort competition in technology
 23 markets and deter innovation.” According to the FTC, the activities of PAEs in the information
 24 technology industry have “amplified concerns about the effects of ex post patent transactions on
 25 innovation and competition.” Furthermore, as the FTC points out, even if in some cases “PAEs

26 ²² IPValue and Future Link have reportedly acquired a very large portfolio of roughly 600
 27 patents. *See, e.g., IPValue Management Subsidiary Future Link Systems Filed ITC Patent*
 28 *Infringement Complaint*, Business Wire (Dec. 30, 2021),
<https://www.businesswire.com/news/home/20211230005016/en/IPValue-Management-Subsidiary-Future-Link-Systems-Files-ITC-Patent-Infringement-Complaint> (last visited on May 23, 2023).

1 arguably encourage invention, they can deter innovation by raising costs and risks without
2 making a technological contribution.”

3 200. In 2016, a FTC report about patent troll activity identified three harms: (1)
4 litigation and licensing costs not commensurate with the value of the technology at issue; (2)
5 hindering entrepreneurship and investment by disproportionately focusing on growing firms; and
6 (3) diverting talent and other corporate resources away from developing new products and
7 engaging in R&D. FTC termed the last of these “*socially wasteful and inconsistent with the*
8 *fundamental goals of the patent system.*”

9 201. While some non-practicing entities do innovate the technologies for which they
10 receive and assert patents, “patent trolls” like IPValue and Future Link do not. Studies have
11 shown the extraordinary toll that such PAEs take on innovation. One study showed PAEs create
12 \$29 billion in direct, out-of-pocket costs from their targets.²³ Additional researchers found that
13 targets of PAE enforcement suffer *three times* the average market value loss as a tech peer sued
14 for enforcement by a practicing entity.²⁴ The same researchers observed that “[p]atent troll
15 litigation has a chilling effect on at-risk firms,” citing the expense involved in research and
16 development specifically to “work around” patents held by PAEs, the potential need to exit
17 product lines, or paying royalties to PAEs.²⁵

18 202. The risks that a PAE’s actions will distort competition and deter innovation are
19 particularly acute with respect to PAEs that the FTC has termed “patent aggregators,” that is,
20 entities that “build very large portfolios of purchased patents and implement a licensing strategy
21 to earn returns for investors.” Even when their patents individually have no material value, by
22 aggregating hundreds of patents directed to a particular technology, PAEs can credibly threaten to
23 impose substantial costs on innovators through serial litigation. PAEs can drive up costs for
24 industry participants, raising prices to the end consumer.

25 203. As a 2013 Congressional Research Service study found:

26 ²³ See James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, Harv. Bus. Rev.
27 (Nov. 2014), <https://hbr.org/2014/07/the-evidence-is-in-patent-trolls-do-hurt-innovation>.

28 ²⁴ See Alan Morantz, *Patent Trolls Are Worse Than You Think*, Smith Bus. Insight (July 8, 2019),
https://smith.queensu.ca/insight/content/patent_trolls_are_worse_than_you_think.php.

²⁵ See *id.*

Investment decisions must factor in the likelihood that PAEs will later emerge and demand royalties or bring costly litigation, directly reducing returns on investment. Faced with lower profit margins and uncertain but potentially significant risk, manufacturers may find that some R&D projects, features, and product improvements are simply not worth doing, even if beneficial to consumers.... There are also opportunity costs as productive entities divert funds from R&D to deal with PAEs.

204. In short, aggregation of patents by IPValue and Future Link leaves innovators like Realtek with a choice between two undesirable alternatives: either paying unwarranted royalties that raise innovators' costs and undermine their competitiveness, or defending against burdensome litigation.²⁶

205. In a purported attempt to distance themselves from PAEs, IPValue and Future Link have claimed in Court filings that they are simply *not like the other trolls*, and that they operate more honorably and employ litigation only as a last resort.²⁷ The facts uncovered by Realtek demonstrate that PAE Defendants abruptly departed from this at the behest of MediaTek.

206. Additionally, as a 2022 TechDirt post observed that IPValue "has a history of getting big, lumbering, no longer innovative companies to sell off useless patent portfolios for the sake of 'licensing' them. Of course, when no one wants to license totally useless patents, the company has been known to engage in litigation." It continued:

"[T]he reality is that *they're classic trolls, collecting tons of patents to then seek to shake down actual operating companies*, not for copying ideas and infringing, but for doing something obvious with the technology that some vague, forgotten patent sorta kinda, maybe could describe if you squint and ignore the fact that patents are only to supposed to cover 'non-obvious' ideas."

B. PAEs Exact Their Toll on Innovation By Leveraging the *Process* of Litigation, Without Regard to the Merits of the Alleged Infringement

207. Numerous sources have documented and explained the perverse economics and

²⁶ See, e.g., Fed. Trade Comm'n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, (March 2011), www.ftc.gov/sites/default/files/documents/reports/evolving-ip-marketplace-aligning-patent-notice-and-remedies-competition-report-federal-trade/110307patentreport.pdf at 9 ("[PAEs] can deter innovation by raising costs and risks without making a technological contribution.").

²⁷ See, e.g. Future Link and IPValue's Motion to Dismiss, Dkt. No. 51, at 2:15-17 (claiming that "IPValue's 'litigation last' approach to patent monetization 'differs significantly from many others in the same line of business'").

1 legal realities at play when PAEs sue alleged infringers.

2 208. Justice Kennedy noted the tendency of NPEs to “use patents not as a basis for
3 producing and selling goods, but, instead, [as a] bargaining tool to charge exorbitant fees ...”
4 *Ebay v. MercExchange*, 547 U.S. 388, 396 (2006) (Kennedy, J. concurring).

5 209. A 2009 analysis of the economics of litigation described the “systematic gaming of
6 the patent system by a patentee or assignee using the threat of patent litigation to force
7 unnecessary or inefficient licenses upon accused infringers.” That dynamic, the study found, was
8 carried out by the PAEs “suing large numbers of defendants, **with or without regard to the**
9 **merits** of the underlying infringement case, **in anticipation that the majority will settle and**
10 **purchase licenses if only to minimize their own litigation costs.**” The study explained that
11 “whether or not the accused defendant in such an infringement suit is actually infringing, the
12 threat of litigation is a strong incentive to take a license from a patentee,” and that PAEs can
13 “seek[] to license even clearly bad patents for [settlements] small enough that licensees decide it
14 is not worth going to trial.” And because of the burdens and uncertainties of litigation,
15 unnecessary licensing costs are “imposed whether the underlying patent in question is a ‘bad’
16 patent or not.”

17 210. Similarly, “bad patents” impose costs. “[B]ad patents that are litigated impose
18 social costs ... bad patents that are licensed impose legal fees on licensees...some licensees may
19 pay a royalty rather than fight even a bad patent in court ... [such] royalty payments are a social
20 cost to bad patents ... [f]inally, it is possible that the mere existence of bad patents that aren’t
21 litigated or licensed may nonetheless deter some lawful competitive conduct.” Mark Lemley,
22 Rational Ignorance at the Patent Office, UC Berkeley School of Law Public Law and Legal
23 Theory Working Paper No. 46 (Feb. 2001).

24 211. A 2001 journal article likewise described the practice of “Holdup Licensing,”
25 observing the frequency with which “[i]nnocent competitors that are not infringing a valid patent
26 nonetheless pay money to the owners of an invalid patent.” Victims of “Holdup Licensing” often
27 pay licensing fees to make a “‘nuisance value’ claim” go away. Similar practices occur in various
28 industries, but when it “occurs in the patent system...the result is inefficiency in society’s

1 allocation of resources,” and it “discourages competition to a greater extent than is socially
2 optimal.”

3 212. A 2013 journal article recognized that “independent of the merits of a case, most
4 customer defendants will take whatever option results in less cost—including a license priced less
5 than the expected cost of litigation.” And when the actual value of the patents “are worth
6 relatively little compared to the costs of litigation—roughly one to three million dollars even for
7 suits of modest complexity—serial nuisance filings against resellers or users quickly become
8 more profitable than litigation on the merits against the original manufacturer.” And when
9 manufacturers higher up in the supply chain are sued, they likewise face pressure to settle and
10 take broad licenses to cover their customers: **“Manufacturers also legitimately fear losing
11 goodwill with existing customers as well as business in the future if they fail to stand up for
12 customers accused of infringement.”** (<https://www.wsgr.com/a/web/52/yoona-1013.pdf>).

13 Defendants’ tortious, misleading, and anticompetitive conduct preyed upon precisely that fear—
14 first with SoC suppliers like Realtek and Amlogic, and then with their upstream supplier, ARM.

15 213. None of this is particularly new or contested. In 1967, the United States Senate
16 heard testimony that, “The businessman can be subjected to considerable harassment as an alleged
17 infringer. **Even in cases where he feels strongly that the patent would ultimately be held
18 invalid, when he considers the hundreds of thousands of dollars in complex cases that could
19 be involved in defending a suit, he may conclude that the best course of action is to settle for
20 less to get rid of the problem.** These nuisance settlements, although distasteful, are often, under
21 the present system, justified on pure economics.” *See Blonder-Tongue Labs., Inc. v. Univ. of Ill.*
22 *Foundation*, 402 U.S. 313, XXX (1971) (quoting 1967 Senate Hearings 103, S. 1042, 90th Cong.,
23 1st Sess., §294 (1967)). Courts have similarly recognized for decades that a license fee
24 “negotiated in the face of a threat of high litigation costs may be strongly influenced by a desire
25 to avoid full litigation.” *See, e.g., Panduit Corp. v. Stahl Bros. Fibre Works*, 575 F.2d 1152,
26 1164 n.11 (6th Cir. 1978) (quoting *Tights, Inc. v. Kayser-Roth Corp.*, 442 F. Supp. 159, 166
27 (M.D.N.C. 1977)).

28 214. Legal realities help explain why PAEs can use the mere process of litigation to

1 extract unmerited fees from their victims. Under § 271(a) of the Patent Act, for example, any
2 entity that “makes, uses, offers to sell, or sells” subject matter covered by a patent claim is a
3 viable target for an infringement suit. PAEs can, thus, target victims at any level of the supply
4 chain, from the manufacturer of the smallest allegedly infringing component itself, to an end-user
5 who incorporates that component into a more complex product, all the way down to the retailer
6 that sells the completed product.

7 215. And because patent law does not permit infringers to implead other parties who
8 might otherwise be jointly or severally liable for the alleged infringement, PAEs know that each
9 defendant, sued separately, must alone bear the costs and uncertainties of litigation.

10 216. Moreover, the allocation of those costs and risks, as between PAE and victim, are
11 asymmetric. An alleged infringer considering a legal defense must consider not only the
12 **hypothetical** costs of damages and injunctions (if ultimately found liable), but also the
13 **immediately accruing** burden of legal fees and damage to the marketability of its products (that
14 are imposed regardless of the merits). On the other hand, while a PAE must also consider the
15 costs of litigation, it can thumb the risk scale of its target with a threatened patent claim and then
16 simply withdraw the suit if and when unfavorable factual, legal, or economic circumstances arise.
17 PAEs also do not share the same legal and business risks as would one manufacturer suing
18 another for infringement, as PAEs produce no products or innovations that could themselves be
19 subject to a countersuit of infringement.

20 217. Thus, it is no accident when PAEs target entities like Realtek whose component
21 technologies are incorporated into significant dollars’ worth of downstream customers’ products.
22 The mere specter of infringement jeopardizes the manufacturer’s customer relationships,
23 goodwill, and marketability, and PAEs know this. PAEs count on the fact that settling or paying
24 a license, regardless of the merits of the underlying claim, can be vastly cheaper than defending a
25 lawsuit. And when an entity with downstream customers is the target, PAEs can further leverage
26 that cost-benefit equation, predated on the fact that the target needs its customers protected from
27 suit as well, allowing the PAE to demand even higher “licensing” fees.

28 218. The final value of a license agreement conceived under such conditions is, thus,

1 inextricable from the broader, downstream protections negotiated by the accused supplier. Those
2 contractual protections can take many forms, but frequently include, e.g.: releases from liability;
3 dismissals of ongoing suits against customers; sub-licensing for downstream products; and
4 “combined products” provisions. Ultimately, those higher licensing fees still make their way
5 downstream in the form of higher costs and burdened innovation.

6 **XI. Defendants Weaponized the Baseless Patent Suits Against Realtek to Sow Doubts**
7 **about Realtek’s Supply Stability**

8 219. MediaTek leveraged the existence of Future Link’s lawsuits and the burdens they
9 imposed to disparage Realtek among Realtek’s customer base. As it has done before, MediaTek
10 contacted TV ODMs and OEMs to sow doubts about Realtek’s reliability and warned them to
11 reduce their use of Realtek TV Chips into their products because of the risks posed by patent
12 litigation.

13 220. TCL has sourced TV Chips from Realtek, and also from MediaTek, for use in
14 Smart TVs. MediaTek approached TCL and told TCL false and misleading information about
15 Realtek TV Chips.

16 221. MediaTek knowingly communicated clearly false and misleading statements about
17 Realtek’s SoCs and the legitimacy of Future Link’s claims. These statements were not pursuant
18 to or incident to *any litigation where MediaTek was a party*.

19 222. MediaTek’s communications, for example, portrayed the patent claims as
20 legitimate, despite MediaTek knowing the patents were invalid and that the infringement claims
21 were the sham result of the Bounty Agreement. MediaTek never disclosed that the various
22 litigations were concocted by MediaTek, secretly funded by MediaTek and agreed to without any
23 diligence whatsoever as to whether Realtek actually infringed any valid patents.

24 223. These misstatements and omissions are clearly material in this industry. Supply
25 certainty is important to Realtek’s customers and MediaTek used the fact of litigation (to which it
26 was not a party) to sow doubts among customers.

27 224. These statements also were clearly likely to induce reasonable reliance by their
28 recipients, for several reasons. *First*, the sheer novelty of Defendants’ scheme means that it was

1 unlikely that recipients would suspect MediaTek had caused the filing of the lawsuits. *Second*,
2 the litigation itself was publicly available and was amplified by agreed upon press releases. This
3 was intended to damage Realtek goodwill, reduce customer confidence, and raise serious
4 questions about Realtek. Finally, Defendants *knew* the statements would induce reliance amongst
5 its intended audience, and indeed *depended* on that being true to execute their scheme. PAE
6 Defendants' business model relies on imposing threats to victim's business continuity and supply
7 instability, a fact that PAE Defendants themselves embraced in their public communications and
8 private threats to alleged infringers.

9 225. The recipients of these statements lacked knowledge of the bounty agreement and
10 did not have a readily available way to verify the truth of the infringement allegations by
11 Defendants. That is because of the technical nature of the patent allegations, which involve
12 inaccessible technical details. Even in private communications to Realtek and Amlogic, PAE
13 Defendants used the fact that MediaTek had recently taken a license with them as further leverage
14 to induce a license or settlement. In none of those communications did PAE Defendants disclose
15 that MediaTek's "license" with them was predicated on agreeing to the anticompetitive Bounty
16 Agreement. Instead, both privately and publicly, PAE Defendants routinely proclaim that their
17 licenses are based on ascertaining a "fair market value." Indeed, when Amlogic inquired about
18 the basis of PAE Defendants' proposed licensing fees, PAE defendants refused to provide any
19 information about the terms of agreements with other semiconductor companies.

20 226. Realtek was not readily able to neutralize or offset these statements. That is
21 because Realtek did not learn of some of them until after the business was lost. It also is because
22 the Bounty Agreement was hidden by Defendants until recently. And it is because it took
23 significant time and resources to defeat the litigation instigated by Defendants.

24 227. MediaTek's conduct, undertaken in conjunction with the broader anticompetitive
25 scheme, resulted in lost sales for Realtek and the erosion of its goodwill at a key moment for
26 Realtek's TV Chips business. Realtek had invested significantly to develop its technology and
27 prove its capability with higher-end TV Chips. Instead, Realtek faced questions about the case
28 allegations and its ability to reliably supply Chips free of potential legal impediments.

1 228. MediaTek undertook these acts with the specific aim of eliminating competition
2 provided by its closest rival, Realtek, to the detriment of customers and the public.

3 229. After MediaTek weaponized the baseless suits against Realtek, Realtek lost large
4 bidding opportunities for TV Chips during 2022, 2023, and 2024, respectively. All told, Realtek
5 lost several bids worth millions of dollars. In all of these losses, MediaTek was the winning
6 supplier of TV Chips. MediaTek's anticompetitive scheme had achieved its intended results.
7 Realtek's monthly revenues had been growing rapidly year over year. After the Defendants'
8 executed their scheme, Realtek experienced significant declines in its monthly revenues during
9 the second half of 2022 and in 2023.

10 230. As a result of MediaTek's anticompetitive scheme, Realtek's revenue growth has
11 declined relative to MediaTek and the global semiconductor industry. For example, in the 24
12 months leading up to PAE Defendants' lawsuit against Realtek in April 2021, Realtek's average
13 monthly growth rate was 2.8%, which was similar to MediaTek's growth rate of 3.2%. However,
14 in the 24 months following the lawsuit (April 2021 – March 2023), Realtek's average monthly
15 growth rate was just 0.5% compared to MediaTek's growth rate of 2.9%.

16 231. PAE Defendants, like MediaTek, did their part in imposing the "Damocles sword"
17 on Realtek. After initiating the ITC action against Realtek, PAE Defendants issued a press
18 release publicizing to the world that it had done so.²⁸ The communication specifically identified
19 Amlogic and Realtek among other "semiconductor vendors" as the alleged infringers in the suits.
20 The communication also stated that the alleged infringing products "designed and sold" by
21 Realtek were incorporated into the products of Realtek's customers, the "end-device
22 manufacturers of mobile phones, tablets, personal computers, smart home devices, and other
23 devices." The purpose of the press release was to further leverage the baseless suits against
24 Realtek's customer relationships and to harm competition. Indeed, the press release implied that
25 the targets of PAE Defendants' meritless campaign should "step up on behalf of themselves and
26 their end-device vendor customers." This is the same type of thinly veiled threat PAE Defendants
27

28 ²⁸ <https://www.businesswire.com/news/home/20211230005016/en/IPValue-Management-Subsidiary-Future-Link-Systems-Files-ITC-Patent-Infringement-Complaint>

1 communicated privately to Realtek and Amlogic before asserting sham claims against them, and
2 once again belies the meritless nature and improper purpose of the suits.

3 232. PAE Defendants' press release was also false and misleading. Despite using the
4 words "alleged" or "allegedly," PAE Defendants represented that the claims and underlying
5 allegations in each suit were merited and not brought for an improper purpose. But PAE
6 Defendants knew that was not true. Defendants also knew the suits against were brought with the
7 purpose of harming Realtek, Amlogic, and competition, and without regard to the merits.

8 **XII. The Relevant Antitrust Market is TV Chips**

9 233. For millions of Americans, the TV is a central feature of our home. Modern
10 so-called "smart" TVs provide stunning video featuring millions of pixels, crystal-clear sound,
11 and internet connectivity allowing for digital streaming and interactive content. In many ways,
12 today's Smart TVs have more in common with smartphones or computers than with their legacy
13 cathode ray tube TV predecessors.

14 234. Smart TVs today derive much of their capability from TV Chips. TV Chips are
15 integrated circuits that incorporate a processor, memory, audio and video decoding, internet
16 connectivity, and other functions in a single, integrated circuit that receives and processes digital
17 information and delivers TV content to the viewer.

18 235. TV Chips comprise a distinct relevant product market.

19 236. TV Chips are optimized for a particular purpose: to perform critical functions of
20 Smart TVs. TV Chips enable decoding of audio and video, offer Internet Protocol connectivity,
21 and support some software applications. TV Chips require advanced processing capabilities.
22 They are specialized to be very fast for the particular purpose of receiving and displaying a video
23 and audio signal while avoiding latency. Ultra-high efficiency processors are thus critical.

24 237. The processor speed of TV Chips is typically lower than that of personal
25 computers, and TV Chips also feature (or are paired with) much less storage, as the apps available
26 for usage on a Smart TV are limited in comparison. To illustrate, the memory available for
27 storage in a TV Chip is often a fraction of that within the average smartphone. TV Chips thus
28 incorporate the features particularly important to Smart TVs, while omitting some unnecessary

1 features in order to manage cost.

2 238. Other types of chips are not functional or economic substitutes for TV Chips. As a
3 result, a small but significant sustained increase in the price of TV Chips would not cause any
4 significant number of customers to purchase other types of Chips in place of TV Chips. Thus,
5 such a price increase for TV Chips would result in higher profits.

6 239. OEMs and ODMs typically have a separate team that works to integrate TV Chips
7 into Smart TVs, i.e., TV Chips have a distinct supply chain.

8 240. Additionally, industry players and observers view TV Chips (sometimes
9 alternatively referred to as TV system-on-chips or SoCs) as distinct from other types of chips.

10 241. Even MediaTek views TV Chips as distinct from other chips. For example,
11 MediaTek acquired MStar to create a new TV Chips business group, separate from other chips
12 made by both companies including mobile phone chips. MediaTek's restructuring plan for that
13 merger also divided MStar into three separate parts: TV Chips, set-top box chips, and touch
14 sensor design.

15 242. China's MOFCOM found that the MediaTek-MStar merger would improperly
16 restrict competition in TV Chips, to the exclusion of other types of chips. Moreover, after
17 examining the characteristics of different TV-related chip—including set-top box chips, LCT
18 monitor chips, and TV SoCs—MOFCOM defined TV SoCs as an independent product market.

19 243. The relevant geographic market is worldwide.

20 244. Monopoly power is the power to control prices or exclude competition. At all
21 relevant times, MediaTek held a market share of over 70 percent in the worldwide market for TV
22 Chips. As such, MediaTek possesses monopoly power in the market for TV Chips.

23 245. There are high barriers to entry in the TV Chip market, including sophisticated
24 technology design expertise that is expensive and time-consuming to develop; experience
25 designing Chips that must meet the exacting specifications of makers of Smart TVs; meeting
26 technological standards; and intellectual property and trade secrets.

27 246. Because of the lengthy and resource-intensive process for designing a particular
28 TV Chip into a Smart TV, TV Chip makers do not manufacture (or commission to have

1 manufactured) surplus TV Chips to hold in inventory. Rather, TV Chip makers communicate
2 regularly with OEMs that have incorporated their TV Chips into Smart TV models to gauge the
3 OEM's planned output and needs for TV Chips. And because of the expense and time to design
4 TV Chips into a Smart TV, once an OEM has completed the design-in work for a given TV Chip
5 or two, it would almost never undertake a process to design a different TV Chip into its Smart TV
6 model.

7 **XIII. Defendants' Scheme Harmed Competition in the TV Chips Market**

8 247. Defendants' anticompetitive scheme harmed competition in TV Chips.
9 Specifically, the scheme caused a rise in prices. The anticompetitive effects are seen specifically
10 in MediaTek price increases on TV Chips. For example, MediaTek first raised prices for its TV
11 Chips after it entered the Bounty Agreement with IPValue. Then, after Future Link sued Realtek
12 in a series of baseless, sham patent infringement cases, and MediaTek spread lies about those
13 cases to OEMs, MediaTek again raised its prices for TV Chips.

14 248. One hallmark of the semiconductor industry is that chip prices rapidly fall over
15 time, as more manufacturers adopt the technology and develop more cost-effective ways of
16 producing chips, even as innovation in chips continued to occur. For example, since 1995,
17 semiconductor prices have fallen by nearly half. However, the recent trend in prices of TV Chips
18 has not followed that expected pattern. Since the Defendants' baseless lawsuits against Realtek
19 began in 2021, the prices of the TV Chips, in which MediaTek and Realtek compete, have
20 increased. In particular, the prices of TV Chips in the 4K 120 Hz TV (mainstream) segment
21 increased from an average of \$37.33 in the first half of 2022 to an average of \$38.09 in the first
22 half of 2023 and was forecasted to further increase to \$40.81 by the second half of 2024.
23 Similarly, the prices of TV Chips in the 4K 120 Hz OLED TV segment increased from an
24 average of \$44.82 in the first half of 2022 to an average of \$45.72 in the first half of 2023 and
25 was forecasted to increase to an average of \$49.96 in the second half of 2024, an 11.5% increase
26 over prices in 2022.

27 249. Price increases could be seen in the overall price of Smart TVs as well. Future
28 Link first sued Realtek in April 2021. That same spring, certain Smart TVs were observed to

1 have increased in price by roughly 30% from the previous year. In October of 2021, a Digital
2 Trends article reported that “[m]any TVs (and other electronics) have seen big price increases
3 over the past six months. In fact, we’ve had to that the unusual step of revising several of our
4 Best TVs lists to remove models that no longer fall under our price categories, like Best 4K TVs
5 under \$500 and Best 4K TVs under \$1,000.” That is, the publication that follows Smart TVs as
6 part of its day-to-day business was surprised by the increases in price for Smart TVs. Products
7 such as semiconductors go down in price over time as a result of technological innovation. After
8 MediaTek’s anticompetitive scheme, the prices bucked this historic trend.

9 250. The same article, under the heading “No relief any time soon,” noted that
10 MediaTek is the third largest customer of the world’s largest semiconductor manufacturer,
11 TSMC, and “produces the chips that power 70% of the [S]mart TVs sold globally.”

12 251. The article posited, notably, “*That could be part of the reason [cited for] a less-*
13 *than-rosy outlook for prices dropping anytime soon.*” The publication highlighted MediaTek’s
14 monopoly position, and its position in Smart TVs from Samsung, TCL, Sony, and Hisense, as
15 source of the increasing price of Smart TVs.

16 252. Meanwhile, other components of Smart TVs were declining in price were
17 following the normal historic trend. Prices for display modules for Smart TVs were flat to
18 slightly down. Quantum dot solution—nanoparticles used to enhance displays—declined in
19 price. Even prices for shipping Smart TVs declined.

20 253. MediaTek, on the other hand, increased its dominance through the anticompetitive
21 scheme with PAE Defendants, won several key bidding opportunities, and during the same
22 period, TV Chip prices increased.

23 254. In the absence of Defendants’ anticompetitive scheme, TV Chips would have been
24 less expensive. Smart TVs would have been less expensive as a result.

25 255. Additionally, Defendants’ scheme imposed significant costs on Realtek. Realtek
26 does not have an unlimited legal budget. Instead, expenses from defending against Future Link’s
27 patent suits redirected money that Realtek would have invested in the research, development, and
28 marketing of its TV Chips, and blunted Realtek’s proven ability to compete on innovation and

1 pricing.

2 256. Moreover, consumer electronics like Smart TVs are built in a carefully
3 choreographed global supply chain where all parts need to come together on time and on
4 specification. Because TV Chips are a high-technology product, one aspect of supply certainty is
5 the ability to sell products clear of intellectual property claims that could jeopardize the right to
6 sell or import into major markets like the United States.

7 257. And, because of the strenuous process that ODMS and OEMs undertake to
8 evaluate, validate, and adopt chips for a TV platform that ultimately must be manufactured at
9 scale, a chip whose supply certainty is threatened with regard to one major market is unlikely to
10 be selected for any market. To remain competitive, Realtek's customers need TV Chips that can
11 reliably be supplied platform-wide and for the entire production run.

12 258. Under patent laws, the false allegations that Realtek infringed Future Link's
13 worthless patents caused OEMs hesitation to buy TV Chips from Realtek. That is because, had
14 Realtek infringed Future Link patents, the OEM could be sued for using an infringing product in
15 its TVs.

16 259. The mere existence of such a patent enforcement action poses the type of risk to an
17 OEM that can alter their behavior in selecting a supplier. ODMS and OEMs already keep
18 themselves apprised of such risks to ensure reliable access to key inputs, but MediaTek went even
19 further to directly disparage Realtek's reliability to customers. All MediaTek needed was
20 ammunition, and Future Link provided it. Defendants' scheme caused Realtek to lose growth
21 opportunities with TCL and other OEMs and ODMS.

22 260. Smart TV manufacturers rely on stability of the supply of TV Chips designed into
23 their TVs. MediaTek warned Smart TV makers that Realtek's supply would be interrupted
24 because of the Future Link suits. MediaTek at no time explained to the OEMs that **MediaTek**
25 **had paid Future Link** to create the appearance of risk to Realtek's supply. That is, MediaTek
26 deliberately lied about Realtek.

27 261. MediaTek's campaign to ruin its closest rival allowed MediaTek to insulate its
28 dominance against an innovative and growing player, Realtek.

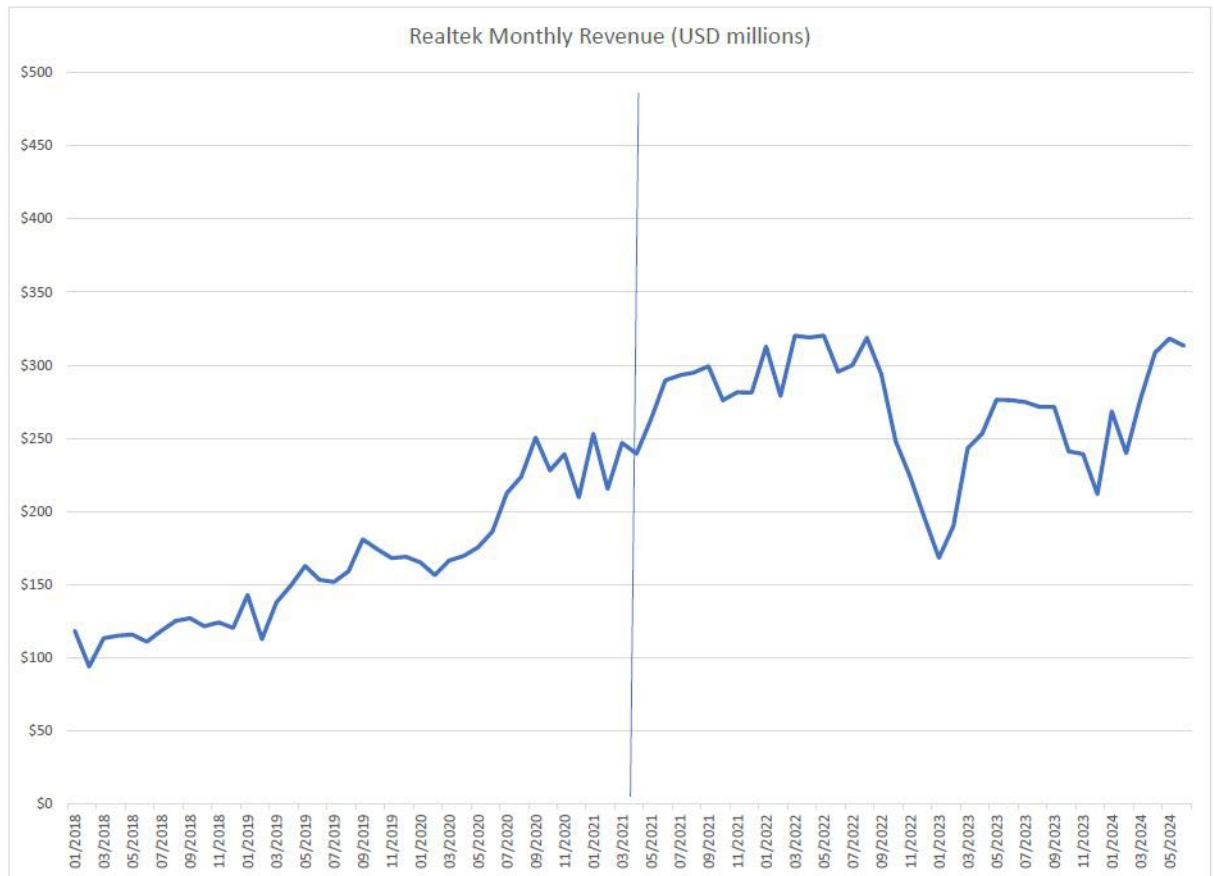
1 262. Before the Defendants' campaign of baseless patent suits and spreading lies to
2 OEMs, Realtek's sales to OEM Sony were estimated to be roughly 15% of Sony's TV Chip
3 needs. After the Defendants' conspiracy took hold and, as a result of it, Realtek's TV Chip sales
4 to Sony fell precipitously to an estimated 4% of Sony's TV Chip needs.

5 263. Defendants knew what their actions would bring about and acted upon that
6 knowledge. Future Link's patent infringement allegations were focused on the high efficiency
7 processors in Realtek's TV Chips. The claims threatened not only Realtek, but Realtek customers,
8 who might reasonably fear an infringement suit just for incorporating Realtek TV Chips into their
9 Smart TV.

10 264. Defendants' scheme also threatened, and likely resulted in, long-term reputational
11 damage to Realtek's TV Chips business and its ability to build upon the string of successes it had
12 carefully sustained since 2015. Indeed, the TV Chips development, evaluation, and adoption
13 process can last several years, and design houses that win a supply contract for a TV platform
14 have a significant advantage in competing for future contracts with the same OEM or ODM.
15 Because of these market realities, Realtek may never regain the competitive momentum and
16 opportunities it lost as a result of Defendant's targeted scheme. The effect of Defendants'
17 anticompetitive conduct can be seen in the following chart showing Realtek monthly revenues,
18 which was forever harmed.

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265. Consistent with these market realities, Amlogic was similarly harmed by Defendants' scheme. Indeed, PAE Defendants expressly referenced the possibility of going to Amlogic's customers when threatening patent claims against Amlogic.



266. Because of Defendants' scheme, key TV Chips competitors lost growth and sales opportunities that they otherwise would have invested back into continued innovation, marketing, and aggressive pricing. MediaTek positioned itself to capture those lost opportunities which, in the absence of legitimate competition, resulted in MediaTek pricing above the competitive level. Consumers were also harmed by the lost innovation directly caused as a result of Defendants' scheme. Every dollar spent to litigation is one less dollar that can be spent for improving the Realtek products, improving its customer service or lowering its prices.

267. Defendants' conspiracy had no conceivable consumer benefit. The Defendants' conspiracy harmed not only Realtek and Amlogic, but also competition in the market for TV Chips.

COUNT I
CONSPIRACY IN RESTRAINT OF TRADE IN THE MARKET FOR TV CHIPS
IN VIOLATION OF THE SHERMAN ACT, 15 U.S.C. § 1
(ASSERTED AGAINST ALL DEFENDANTS)

268. Realtek incorporates by reference and re-alleges the preceding allegations as though fully set forth herein.

269. On May 2, 2019, Defendants IPValue, Future Link, and MediaTek entered and engaged in a conspiracy to unreasonably restrain trade in the market for TV Chips in violation of Section 1 of the Sherman Act (15 U.S.C. § 1).

270. The conspiracy consisted of the Bounty agreement and related express or implied agreements among the Defendants whereby the PAE Defendants would assert serial objectively baseless (*i.e.* sham) patent infringement claims against Realtek and another TV Chip competitor, Amlogic. The conspiracy allowed Defendant MediaTek to weaponize the suits against Realtek by using the existence of the litigation (rather than its merits) to harm Realtek's relationships with actual and prospective customers by calling into doubt the stability of Realtek's provision of TV Chips and raising the potential risk for Realtek customers to face infringement suits themselves, as well as imposing legal costs and expenses upon Realtek. MediaTek never disclosed to customers or the public that it had surreptitiously financed the cases against Realtek.

271. The Bounty was agreed to without any diligence by MediaTek or PAE Defendants that Realtek actually infringed the patents that would later be asserted. Defendants only targeted Realtek as part of the Bounty. Prior to the beginning of the conspiracy, PAE Defendants have never even made a demand (much less sued) Realtek for the patents at issue.

272. The conspiracy is directly evidenced by the Bounty Agreement conceived and entered into by Defendants between March and April 2019, and is further evidenced by:

- a. Defendants' discussion of Monterey in March 2019, and subsequent baseless infringement suit brought by Monterey against Realtek in April 2023.
- b. Defendants' coordinated anticompetitive conduct, including the filing of successive, meritless lawsuits which were paired with false and misleading

1 communications to disrupt Realtek's customer relationships, all of which
2 occurred only after the Bounty Agreement was executed.

- 3 c. The anticompetitive results of Defendants' conduct, including raising
4 prices for TV chips after the suits were filed, when prices should have
5 otherwise been falling; and the harm to consumers in the form of higher
6 prices and reduced innovation.
- 7 d. PAE Defendants' own recognizance of the meritless nature of the suits,
8 including by withdrawing their suits before any decision could issue on the
9 merits, and after at least one court announced its intention to rule in favor
10 of Realtek; by their own communications to MediaTek confirming that
11 they would incur "unplanned for expenses" in order to carry out the
12 Bounty, i.e., that they had no plans to assert patents against Realtek and
13 Amlogic but for the Bounty Agreement; and by the fact that they had no
14 plans to do so at that point despite spending years asserting detailed claims
15 against MediaTek involving the same patents that would be asserted
16 against Realtek and Amlogic.
- 17 e. MediaTek's own recognizance of the meritless nature of the suits,
18 including by their communications to PAE Defendants denying the alleged
19 infringement theories and the validity of the patents asserted, positions
20 from which they have never departed.
- 21 f. The fact, as recognized by Defendants, that the Bounty Agreement was a
22 directive from MediaTek "management" that came from outside the
23 technical licensing discussions and was not grounded in any objective
24 basis.
- 25 g. PAE Defendants' fraudulent representations to the courts when describing
26 the purported ARM settlement as the basis for withdrawing their suits
27 shortly after the Bounty Agreement was uncovered.
- 28 h. The fact that PAE Defendants, in breach of that purported ARM settlement,

1 withdrew their W.D. Tex. case against Realtek without prejudice, thus
2 avoiding award of attorneys' fees to Realtek and making it more difficult
3 for Realtek to clear its reputation and products from the specter of supply
4 instability.

- 5 i. The fact that the ITC and W.D. Tex. courts expressed unanimous
6 disapproval of the Bounty upon its discovery, with the latter sanctioning
7 PAE Defendants.

8 273. Pursuant to the conspiracy, PAE Defendants filed a series of sham patent
9 infringement suits against Realtek and another TV Chip competitor, Amlogic, without regard to
10 the merits of such suits and imposed a crushing burden upon Realtek, Amlogic, and competition
11 in TV Chips.

12 274. The crushing burden of Defendants' serial litigation scheme included:

- 13 a. The millions spent defending meritless suits that otherwise would have
14 been spent on innovation and business activity.
- 15 b. The loss of customer goodwill and sales opportunities from Defendants'
16 imposition and leveraging of the specter of supply instability, the effects of
17 which reverberate beyond any single tortious action due to the TV Chip
18 development, marketing, sales process.
- 19 c. The abuse of PAE Defendants' "patent thicket," by which Defendants
20 imposed on their victims the choice between paying an illegitimate tax on
21 competition and innovation, or fighting off a practically limitless series of
22 meritless patent claims that is "too late to design around" because Realtek
23 and the industry have become "locked in" to using the targeted essential
24 technologies.
- 25 d. The continued accrual of those burdens with no end in sight, as PAE
26 Defendants continue to execute on the conspiracy's merits-agnostic policy
27 of harassment, currently through their subsidiary, Monterey.

28 275. The conspiracy allowed Defendant MediaTek to fix, stabilize, or maintain

1 artificially high levels of pricing and reduce output for TV Chips, including in investment,
2 development, and innovation.

3 276. The contract, combination, or conspiracy caused anticompetitive effects in the
4 market for TV Chips and is without any procompetitive justification. For example:

- 5 a. The conspiracy allowed Defendant MediaTek to raise its prices and
6 continue to charge artificially high prices for TV Chips when prices in this
7 industry are typically rapidly declining.
- 8 b. The conspiracy harmed innovation in the market by forcing MediaTek's
9 competition to spend millions defend and defeat against meritless litigation
10 and litigation threats.
- 11 c. The filing and withdrawal of numerous objectively baseless lawsuits has no
12 conceivable competitive benefit.
- 13 d. There was no procompetitive benefit to imposing a tax on MediaTek's
14 competitors based on patents it asserted were invalid.
- 15 e. There is no procompetitive benefit to making false and/or misleading
16 statements in the market about Realtek's products or regarding litigation
17 MediaTek surreptitiously initiated and paid for and which PAE Defendants
18 had no intention to bring but for the conspiracy.

19 277. Realtek has been injured by Defendants' conspiracy through lost bids costing
20 millions in revenue, lost customer trust in its products, and legal fees spent defeating objectively
21 baseless claims. This conduct is unlawful under the per se standard. Defendants' conduct is also
22 unlawful under either a "quick look" or rule of reason analysis because the agreement is factually
23 anticompetitive with no valid procompetitive justifications. Moreover, even if there were valid
24 procompetitive justifications (which there were not), such justifications could have been
25 reasonably achieved through means less restrictive of competition.

26 278. Realtek is entitled to treble damages, attorneys' fees and costs, and an injunction
27 against Defendants to end the ongoing violations alleged herein.
28

COUNT II
ILLEGAL AGREEMENT IN RESTRAINT OF TRADE IN THE MARKET FOR TV
CHIPS
IN VIOLATION OF THE SHERMAN ACT, 15 U.S.C. § 1
(ASSERTED AGAINST ALL DEFENDANTS)

279. Realtek incorporates by reference and re-alleges the preceding allegations as though fully set forth herein.

280. Defendants IPValue, Future Link, and MediaTek entered into an agreement or agreements to unreasonably restrain trade in the market for TV Chips in violation of Section 1 of the Sherman Act (15 U.S.C. § 1) by carrying out an objectively baseless sham patent infringement suit against Realtek on April 13, 2021, in the U.S. District Court for the Western District of Texas: Case No. 6:21-cv-00363-ADA (W.D. Tex. Apr. 13, 2021) (363 Case).

281. The illegal agreement consisted of the Bounty and/or related express or implied agreements. This illegal agreement allowed Defendant MediaTek to weaponize the 363 Case against Realtek by using the existence of the litigation (rather than its merits) to harm Realtek's relationships with actual and prospective customers—by calling into doubt the stability of Realtek's provision of TV Chips and raising the potential risk for Realtek customers to face infringement suits themselves—as well as imposing legal costs and expenses upon Realtek. MediaTek never disclosed to customers or the public that it had surreptitiously triggered and financed the 363 Case.

282. The objective baselessness and anticompetitive purpose of the 363 Case is evidenced as described above. Such indicia of objective and subjective baselessness include, for example:

- a. Multiple fatal defects with Future Link's case: (a) there was no personal jurisdiction; (b) the complaint was not properly served; (c) ***Future Link failed to plausibly allege that Realtek engaged in any act of direct infringement***; and (d) Future Link relied on optional features without any showing that such features were actually included in the accused products.
- b. After confronted with those defects, Future Link failed to cure them. In an amended complaint, Future Link wrongly accused Realtek's products of

1 infringement through use of optional features without identifying any basis
2 for that accusation.

- 3 c. On March 30, 2022, the district court granted Realtek's pending motion to
4 stay the 363 Case. In doing so, the court also announced that it would
5 grant Realtek's motion to dismiss the suit for lack of jurisdiction and that it
6 would enter a full opinion at a later date. Future Link avoided that
7 dismissal by voluntarily withdrawing the suit before a formal order could
8 issue.
- 9 d. Later, in an Omnibus Order addressing both the 363 Case and 1353 Case
10 after discovery of the Bounty Agreement, the court sanctioned PAE
11 Defendants' by converting their withdrawal to a dismissal *with prejudice*.
- 12 e. When Realtek challenged PAE Defendants' asserted patents with the
13 PTAB, the patents either were found invalid or were withdrawn by PAE
14 Defendants to avoid a negative merits determination.

15 283. The illegal agreement caused anticompetitive effects in the market for TV Chips
16 and is without any procompetitive justification. For example:

- 17 a. The illegal agreement allowed Defendant MediaTek to raise its prices and
18 continue to charge artificially high prices for TV Chips when prices in this
19 industry are typically rapidly declining.
- 20 b. The illegal agreement harmed innovation in the market by forcing
21 MediaTek's competition to spend millions to defend and defeat against
22 meritless litigation and litigation threats.
- 23 c. The filing and withdrawal of numerous objectively baseless lawsuits has no
24 conceivable competitive benefit.
- 25 d. There was no procompetitive benefit to imposing a tax on MediaTek's
26 competitors based on patents it asserted were invalid.
- 27 e. There is no procompetitive benefit to making false and/or misleading
28 statements in the market about Realtek's products or regarding litigation

MediaTek surreptitiously initiated and financed.

284. Realtek has been injured by Defendants' illegal agreement through lost bids costing millions in revenue, lost customer trust in its products, and legal fees spent defeating objectively baseless claims. This conduct is unlawful under the per se standard. Defendants' conduct is also unlawful under either a "quick look" or rule of reason analysis because the agreement is factually anticompetitive with no valid procompetitive justifications. Moreover, even if there were valid procompetitive justifications (which there were not), such justifications could have been reasonably achieved through means less restrictive of competition.

285. Realtek is entitled to treble damages, attorneys' fees and costs, and an injunction against Defendants to end the ongoing violations alleged herein.

COUNT III
ILLEGAL AGREEMENT IN RESTRAINT OF TRADE IN THE MARKET FOR TV
CHIPS
IN VIOLATION OF THE SHERMAN ACT, 15 U.S.C. § 1
(ASSERTED AGAINST ALL DEFENDANTS)

286. Realtek incorporates by reference and re-alleges the preceding allegations as though fully set forth herein.

287. Defendants IPValue, Future Link, and MediaTek entered into an agreement or agreements to unreasonably restrain trade in the market for TV Chips in violation of Section 1 of the Sherman Act (15 U.S.C. § 1) by carrying out an objectively baseless sham patent infringement suit against Realtek on December 22, 2021, in the U.S. District Court for the Western District of Texas: Case No. 6:21-cv-01353 ADA, (W.D. Tex. Dec. 22, 2021) ("1353 Case").

288. The illegal agreement consisted of the Bounty and/or related express or implied agreements. This illegal agreement allowed Defendant MediaTek to weaponize the 1353 Case against Realtek by using the existence of the litigation (rather than its merits) to harm Realtek's relationships with actual and prospective customers—by calling into doubt the stability of Realtek's provision of TV Chips and raising the potential risk for Realtek customers to face infringement suits themselves—as well as imposing legal costs and expenses upon Realtek. MediaTek never disclosed to customers or the public that it had surreptitiously triggered and

1 financed the 1353 Case.

2 289. The objective baselessness and anticompetitive purpose of the 1353 Case is
3 evidenced as described above. Such indicia of objective and subjective baselessness include, for
4 example:

- 5 a. Filing and refileing of the complaint with fatally defective jurisdictional and
6 service allegations, despite two motions to dismiss by Realtek that pointed
7 out those defects.
- 8 b. Future Link pled no facts showing that Realtek held assets or did business
9 in Texas, no allegations that Realtek had any customers in Texas, and no
10 allegations that Realtek directed any activities toward Texas, much less that
11 any of Future Link's claims arose from such activities.
- 12 c. Despite Realtek's demonstration in the preceding 363 Case that personal
13 service is unavailable under Taiwanese law, and thus equally unavailable
14 under the Federal Rules, Future Link again purported to serve Realtek
15 through personal service in Taiwan.
- 16 d. Future Link pressed on with the 1353 Case right up to March 30, 2022,
17 when the court granted Realtek's motion to stay the 363 Case, and
18 simultaneously announced that it had "decided to rule in favor of defendant
19 on at least one issue" in Realtek's pending motion to dismiss for lack of
20 personal jurisdiction and improper service of process. Because Future
21 Link's jurisdictional and service allegations in the 1353 Case suffered from
22 precisely the same flaws (and worse), Future Link would have been
23 confronted with the same result.
- 24 e. Four days after the district court's announcement, however, Future Link
25 voluntarily dismissed both the 363 Case and 1353 Case under Rule
26 41(a)(1)(A)(i). Future Link represented to the judge that the dismissal was
27 pursuant to a settlement or licensing agreement with ARM. But that
28 representation was apparently fraudulent, because Future Link moved to

1 dismiss the case without prejudice, while the purported ARM agreement
2 appears to have required any dismissals resulting from the agreement to be
3 made with prejudice.

- 4 f. Later, in an Omnibus Order addressing both the 363 Case and 1353 Case
5 after discovery of the Bounty Agreement, the court sanctioned PAE
6 Defendants' by converting their withdrawal to a dismissal *with prejudice*.
- 7 g. The '439 and '614 patents asserted in the ITC case fell apart under PTAB
8 scrutiny. The '439 patent was previously the subject of an instituted IPR
9 petition by Intel (following a determination by the PTAB that there was a
10 "reasonable likelihood" that Intel would prevail in showing invalidity for at
11 least one of the challenged claims). Future Link was able to avoid a
12 finding of unpatentability in that IPR through a settlement agreement,
13 which ended the IPR proceedings before the PTAB could render a final
14 determination. And after Realtek filed an IPR petition challenging all
15 claims of the '614 patent, Future Link voluntarily cancelled all of those
16 claims and avoided any negative IPR findings.
- 17 h. Despite twelve of the fourteen asserted claims being dependent, Future
18 Link did not offer any facts to support the allegations that Realtek infringed
19 the dependent claims and confirmed it had no other facts to support its
20 allegations

21 290. The illegal agreement caused anticompetitive effects in the market for TV Chips
22 and is without any procompetitive justification. For example:

- 23 a. The illegal agreement allowed Defendant MediaTek to raise its prices and
24 continue to charge artificially high prices for TV Chips when prices in this
25 industry are typically rapidly declining.
- 26 b. The illegal agreement harmed innovation in the market by forcing
27 MediaTek's competition to spend millions defend and defeat against
28 meritless litigation and litigation threats.

- c. The filing and withdrawal of numerous objectively baseless lawsuits has no conceivable competitive benefit.
- d. There was no procompetitive benefit to imposing a tax on MediaTek's competitors based on patents it asserted were invalid.
- e. There is no procompetitive benefit to making false and/or misleading statements in the market about Realtek's products or regarding litigation MediaTek surreptitiously initiated and financed.

291. Realtek has been injured by Defendants' illegal agreement through lost bids costing millions in revenue, lost customer trust in its products, and legal fees spent defeating objectively baseless claims. This conduct is unlawful under the per se standard. Defendants' conduct is also unlawful under either a "quick look" or rule of reason analysis because the agreement is factually anticompetitive with no valid procompetitive justifications. Moreover, even if there were valid procompetitive justifications (which there were not), such justifications could have been reasonably achieved through means less restrictive of competition.

292. Realtek is entitled to treble damages, attorneys' fees and costs, and an injunction against Defendants to end the ongoing violations alleged herein.

COUNT IV
ILLEGAL AGREEMENT IN RESTRAINT OF TRADE IN THE MARKET FOR TV
CHIPS
IN VIOLATION OF THE SHERMAN ACT, 15 U.S.C. § 1
(ASSERTED AGAINST ALL DEFENDANTS)

293. Realtek incorporates by reference and re-alleges the preceding allegations as though fully set forth herein.

294. Defendants IPValue, Future Link, and MediaTek entered into an agreement or agreements to unreasonably restrain trade in violation of Section 1 of the Sherman Act (15 U.S.C. § 1) by carrying out an objectively baseless sham patent infringement suit against Realtek on December 29, 2021 before the ITC: *In the Matter of Certain Integrated Circuit Products and Devices Containing the Same*, 337-TA-1295 (ITC Dec. 29, 2021). (ITC Case).

295. The illegal agreement consisted of the Bounty and/or related express or implied agreements. This illegal agreement allowed Defendant MediaTek to weaponize the ITC Case

1 against Realtek by using the existence of the litigation (rather than its merits) to harm Realtek's
2 relationships with actual and prospective customers—by calling into doubt the stability of
3 Realtek's provision of TV Chips and raising the potential risk for Realtek customers to face
4 infringement suits themselves—as well as imposing legal costs and expenses upon Realtek.
5 MediaTek never disclosed to customers or the public that it had surreptitiously triggered and
6 financed the ITC Case.

7 296. The objective baselessness and anticompetitive purpose of the ITC Case is
8 evidenced as described above. Such indicia of objective and subjective baselessness include, for
9 example:

- 10 a. Failure to identify any evidentiary basis for concluding that numerous
11 claim limitations were found in any Realtek products or the NXP, domestic
12 industry products.
- 13 b. Despite twelve of the fourteen asserted claims being dependent, Future
14 Link did not offer any facts to support the allegations that Realtek infringed
15 the dependent claims and confirmed it had no other facts to support its
16 allegations.
- 17 c. Despite Realtek notifying Future Link that its allegations lacked requisite
18 evidentiary support on various occasions, including in a responsive
19 pleading, supplemental discovery responses, correspondence, and a
20 discovery meeting, Future Link failed to identify any evidentiary support
21 for fundamental parts of its claims and stated that it had no obligation to
22 identify any such support.
- 23 d. Like those asserted against Realtek in other cases, the patents asserted here
24 were the same as those found invalid and baseless by MediaTek.

25 297. The illegal agreement caused anticompetitive effects in the market for TV Chips
26 and is without any procompetitive justification. For example:

- 27 a. The illegal agreement allowed Defendant MediaTek to raise its prices and
28 continue to charge artificially high prices for TV Chips when prices in this

industry are typically rapidly declining.

- b. The illegal agreement harmed innovation in the market by forcing MediaTek's competition to spend millions defend and defeat against meritless litigation and litigation threats.
- c. The filing and withdrawal of numerous objectively baseless lawsuits has no conceivable competitive benefit.
- d. There was no procompetitive benefit to imposing a tax on MediaTek's competitors based on patents it asserted were invalid.
- e. There is no procompetitive benefit to making false and/or misleading statements in the market about Realtek's products or regarding litigation MediaTek surreptitiously initiated and financed.

298. Realtek has been injured by Defendants' conspiracy through lost bids costing millions in revenue, lost customer trust in its products, and legal fees spent defeating objectively baseless claims. This conduct is unlawful under the per se standard. Defendants' conduct is also unlawful under either a "quick look" or rule of reason analysis because the agreement is factually anticompetitive with no valid procompetitive justifications. Moreover, even if there were valid procompetitive justifications (which there were not), such justifications could have been reasonably achieved through means less restrictive of competition.

299. Realtek is entitled to treble damages, attorneys' fees and costs, and an injunction against Defendants to end the ongoing violations alleged herein.

COUNT V
CONSPIRACY TO MONOPOLIZE THE MARKET FOR TV CHIPS
IN VIOLATION OF THE SHERMAN ACT, 15 U.S.C. § 2
(ASSERTED AGAINST ALL DEFENDANTS)

300. Realtek incorporates by reference and re-alleges the preceding allegations as though fully set forth herein.

301. MediaTek is a monopolist with 70 percent marketshare by its own admission.

302. Defendants IPValue and Future Link conspired with Defendant MediaTek for MediaTek to gain or unlawfully maintain a monopoly over the TV Chip market. MediaTek,

1 IPValue, and Future Link entered into an illegal conspiracy containing an improper litigation
2 bounty and other anticompetitive incentives, which appear to have motivated IPValue and Future
3 Link to initiate a series of objectively baseless sham lawsuits to harm Realtek and destroy
4 competition in the market for TV Chips.

5 303. MediaTek, IPValue, and Future Link engaged in the conspiracy willfully,
6 knowingly, and with the specific intent for MediaTek to gain a monopoly over TV Chips so as to
7 collect monopoly profits for Defendants by ensuring MediaTek could price TV Chips above the
8 competitive level.

9 304. Defendants actions caused anticompetitive effects in the market for TV Chips and
10 is without any procompetitive justification. For example:

- 11 a. The illegal agreement allowed Defendant MediaTek to raise its prices and
12 continue to charge artificially high prices for TV Chips when prices in this
13 industry are typically rapidly declining.
- 14 b. The illegal agreement harmed innovation in the market by forcing
15 MediaTek's competition to spend millions to defend and defeat against
16 meritless litigation and litigation threats.
- 17 c. The filing and withdrawal of numerous objectively baseless lawsuits has no
18 conceivable competitive benefit.
- 19 d. There was no procompetitive benefit to imposing a tax on MediaTek's
20 competitors based on patents it asserted were invalid.
- 21 e. There is no procompetitive benefit to making false and/or misleading
22 statements in the market about Realtek's products or regarding litigation
23 MediaTek surreptitiously initiated and financed.

24 305. As a direct, foreseeable, and proximate result of the conspiracy to monopolize,
25 Realtek has been harmed by having to pay to defend meritless litigation, and by lost sales and the
26 harm to its business due to the uncertainty that such meritless litigation nevertheless creates.

27 306. Realtek is entitled to damages and an injunction that terminates the Defendants'
28 violations alleged.

COUNT VI
MONOPOLIZATION OR ATTEMPTED MONOPOLIZATION OF THE MARKET FOR
TV CHIPS IN VIOLATION OF THE SHERMAN ACT, 15 U.S.C. § 2
(ASSERTED AGAINST MEDIATEK)

307. Realtek incorporates by reference and re-alleges the preceding allegations as though fully set forth herein.

308. MediaTek hired PAE Defendants IPValue and Future Link to attack its closest rival, Realtek, with a series of objectively baseless sham patent suits.

309. While Future Link attacked Realtek with its sham patent suits, MediaTek weaponized the cases against Realtek by spreading lies about Realtek to TV OEMs, including TCL, LG, and Google.

310. In its campaign to disparage Realtek, MediaTek lied to TV OEMs when MediaTek made independently actionable false and/or misleading statements about the sham patent suits by failing to disclose to the customers and to the public that MediaTek had paid Future Link to bring the sham cases.

311. MediaTek acted willfully, knowingly, and with the specific intent to gain a monopoly over TV Chips in order to collect monopoly profits by ensuring that MediaTek could price TV Chips above the competitive level.

312. MediaTek is a monopolist with 70 percent market share by its own admission. There is a dangerous probability that, if Defendants' conduct is not enjoined, MediaTek will succeed in its attempt to monopolize or unlawfully maintain its monopoly in the market for TV Chips.

313. There is no legitimate business justification for MediaTek's conduct.

314. Defendants actions caused anticompetitive effects in the market for TV Chips and is without any procompetitive justification. For example:

- a. The illegal agreement allowed Defendant MediaTek to raise its prices and continue to charge artificially high prices for TV Chips when prices in this industry are typically rapidly declining.
- b. The illegal agreement harmed innovation in the market by forcing

MediaTek's competition to spend millions to defend and defeat against meritless litigation and litigation threats.

c. The filing and withdrawal of numerous objectively baseless lawsuits has no conceivable competitive benefit.

d. There was no procompetitive benefit to imposing a tax on MediaTek's competitors based on patents it asserted were invalid.

e. There is no procompetitive benefit to making false and/or misleading statements in the market about Realtek's products or regarding litigation MediaTek surreptitiously initiated and financed.

315. As a direct, foreseeable, and proximate result of MediaTek's anticompetitive conduct, Realtek has been harmed, including by having to pay to defend meritless litigation, and by lost sales and the harm to its business due to the uncertainty that such meritless litigation nevertheless creates.

316. Realtek is entitled to damages and an injunction that terminates MediaTek's violations alleged.

COUNT VII
UNFAIR COMPETITION
IN VIOLATION OF CALIFORNIA'S UNFAIR COMPETITION LAW,
CAL. BUS. & PROF. CODE §§ 17200 *et seq.*
(ASSERTED AGAINST MEDIATEK)

317. Realtek incorporates by reference and re-alleges the preceding allegations as though fully set forth herein.

318. California Business & Professions Code § 17200 prohibits any "unlawful, unfair or fraudulent business act or practice."

319. MediaTek's conduct as alleged herein constitutes unlawful, unfair, and fraudulent activity in violation of California's Unfair Competition Law ("UCL"), as codified in California Business and Professions Code §§ 17200 *et seq.*

320. MediaTek is subject to the UCL because it conducts business in the United States through its subsidiaries headquartered in California, and the Bounty was likely negotiated and executed in California.

1 321. MediaTek's conduct is unlawful in violation of the UCL because it violates federal
2 antitrust law, including the laws cited in this Complaint.

3 322. MediaTek's conduct also violates the UCL because it constitutes unlawful and
4 unfair activity under section 5 of the Federal Trade Commission Act. 15 U.S.C. § 45; *see* FTC
5 Policy Statement Regarding the Scope of Unfair Methods of Competition Under Section 5 of the
6 Federal Trade Commission Act, Commission File No. P221202 (Nov. 10, 2022),
7 https://www.ftc.gov/system/files/ftc_gov/pdf/p221202sec5enforcementpolicystatement_002.pdf
8 ("FTC Policy Statement"). As reflected in the FTC Policy Statement (p. 1), Section 5
9 encompasses "various types of unfair conduct that tend to negatively affect competitive
10 conditions." The "most significant general principles concerning whether conduct is an unfair
11 method of competition under Section 5 of the FTC Act" are: (1) the conduct "must be a method
12 of competition" (2) that is "unfair." *Id.* at 8. MediaTek's agreement to a litigation bounty with
13 IPValue and Future Link is a method of competition. It has been called unfair by multiple judges.
14 The methods of competition are unfair because they go beyond competition on the merits. The
15 methods of competition go beyond competition on the merits because they are deceptive and rely
16 on fraudulent conduct. The conduct negatively affected competition by jeopardizing Realtek's
17 participation in the TV Chip market and reducing the likelihood of potential or nascent
18 competition in this and other market segments. MediaTek's conduct in proposing and executing
19 the illegal Bounty was not incident to any litigation MediaTek was a party to (or even itself
20 considering) and is therefore unprivileged.

21 323. MediaTek's conduct additionally violates the UCL because it threatens an
22 incipient violation of an antitrust law, or violates the policy or spirit of one of those laws because
23 its effects are comparable to or the same as a violation of the law or otherwise significantly
24 threatens or harms competition. MediaTek unfairly and unlawfully entered into a secret bounty
25 agreement with IPValue and Future Link, to prevent Realtek from allocating resources to
26 innovation, research and development, and actively competing in the TV Chip Market.

27 324. MediaTek's conduct is also unfair and unlawful because it relied on
28 independently actionable false and/or misleading statements that intended to and created doubt

1 regarding the availability of TV Chips from Realtek that could be imported into, and sold, in the
2 United States. MediaTek made false and/or misleading statements about Realtek (including, at a
3 minimum, TCL) by failing to disclose to customers that it had surreptitiously financed sham
4 litigation against Realtek. This conduct unfairly limited customers' and end users' ability to rely
5 on Realtek for TV Chips and thus harmed competition for TV Chips. MediaTek's unlawful
6 disparagement to Realtek customers was not incident to any litigation MediaTek was a party to
7 (or was itself considering) and is therefore unprivileged.

8 325. Realtek has been harmed as a result of MediaTek's unlawful, unfair, and
9 fraudulent conduct. For example, after MediaTek's disparagement of Realtek, Realtek lost large
10 bidding opportunities for TV Chips during 2022, 2023, and 2024, respectively. Realtek lost
11 several bids worth millions dollars which went to MediaTek. Further, Realtek's monthly
12 revenues had been growing rapidly year over year. After the MediaTek executed the bounty
13 agreement and disparaged Realtek to customers, Realtek experienced significant declines in its
14 monthly revenues during the second half of 2022 and in 2023. MediaTek's unfair competition
15 foreseeably arose out of Defendants' conspiracy.

16 326. Realtek continues to be threatened by MediaTek's unlawful, unfair, and fraudulent
17 conduct. MediaTek has not indicated that it will refrain from further disparagement of Realtek.
18 Continued disparagement of Realtek will further reduce and harm competition for TV Chips and
19 further undermine customers' and end users' confidence in Realtek's ability to reliably supply
20 such products for importation into the United States. Money damages are inadequate to address
21 this continuing risk of future harm to Realtek.

22 **COUNT VIII**
23 **TORTIOUS INTERFERENCE WITH PROSPECTIVE ECONOMIC ADVANTAGE**
24 **(ASSERTED AGAINST MEDIATEK)**

25 327. MediaTek was aware of Realtek's relationships and prospective relationships with
26 buyers of TV Chips. For example, MediaTek is aware of these relationships at least because
27 MediaTek attempts to sell its TV Chips to those same buyers in competition with Realtek. The
28 two companies regularly bid against each other.

328. In a successful attempt to interfere with Realtek's prospective customer relationships, MediaTek made false and/or misleading statements about Realtek (including, at a minimum, TCL) by failing to disclose to customers that it had surreptitiously financed sham litigation against Realtek. This false and/or misleading statement deceived customers and caused the intended uncertainty about Realtek product supply. After MediaTek's disparagement of Realtek, Realtek lost large bidding opportunities for TV Chips during 2022, 2023, and 2024, respectively. Realtek lost several bids worth millions dollars which went to MediaTek. MediaTek's foregoing actions had the predictable and intended effect of straining and disrupting Realtek's relationships and prospective relationships.

329. These tortious and independently actionable statements were not incident to any litigation MediaTek was a party to (or was even contemplating) and are therefore unprivileged. MediaTek's tortious commercial interference with customers foreseeably arose directly out of the conspiracy all Defendants participated in. PAE Defendants also aided and abetted in this commercial interference with Realtek customers.

330. Realtek is therefore entitled to compensation for damages it suffered as a result, including for lost sales.

COUNT IX
FALSE ADVERTISING IN VIOLATION OF THE LANHAM ACT, 15 U.S.C. § 1125(A)
(ASSERTED AGAINST ALL DEFENDANTS)

331. Plaintiff re-alleges and incorporates by reference each and every allegation of this Complaint as if fully set forth herein.

332. The "classic Lanham Act false-advertising claim" has been described as one where "one competitio[r] directly injur[es] another by making false statements about his own goods or the competitor's goods and thus inducing customers to switch." *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 137–38 (2014) (citing Harold H. Huggins Realty, 634 F.3d, at 799, n. 24) (cleaned up). But, "although diversion of sales to a direct competitor may be the paradigmatic direct injury from false advertising, it is not the only type of injury cognizable" under the Lanham Act. *Id.* The Act also covers where "a defendant harms a plaintiff's reputation by casting aspersions on its business," and "the plaintiff's injury flows directly from the

audience’s belief in the disparaging statements.” Id. at 138 (claim was actionable where Lexmark falsely advertised that Static Control’s business was illegal and that its products “infringed Lexmark’s patents”).

333. As alleged above, Defendants have purposefully made false and misleading statements of facts through commercial statements concerning Realtek’s reputation and Realtek’s products with regard to claims of infringement. Defendants also falsely advertised PAE Defendants’ patents and licensing practices as valid, based on “fair market value,” and conducted in good faith.

334. Defendant’s deception is material, in that it is likely to—and in many cases, did in fact—influence the purchasing decision of the public for whom it was intended.

335. Defendants introduced their false and misleading statements into interstate commerce via press releases, other online communications, and communications with Realtek’s potential and actual customers.

336. Realtek has been injured as a result of Defendant’s false statements.

337. Realtek has suffered a commercial injury based upon Defendant’s misrepresentations.

338. Realtek’s injury is competitive, i.e., harmful to Realtek’s ability to compete.

339. Defendant’s conduct as alleged is willful and exceptional, such that Realtek is entitled to an award of treble damages and its attorneys’ fees.

COUNT X
BREACH OF CONTRACT
(ASSERTED AGAINST ALL DEFENDANTS)

340. Plaintiff re-alleges and incorporates by reference each and every allegation of this Complaint as if fully set forth herein.

341. As described above, PAE Defendants and RPX/ARM entered into a Patent License Agreement, in which PAE Defendants agreed to grant a license and release to RPX/ARM and its customers, including Realtek, for any Licensed Products, Covered Third Party products, and Combined Licensed Product(s) and Service(s), among other related provisions.

342. As part of that Agreement, PAE Defendants covenanted not to assert any patent

1 claims, in or out of court, with respect to the products and entities covered by the license and
2 release provisions.

3 343. PAE defendants further covenanted not to rely on any Licensed Product (such as
4 ARM technologies identified in the infringement suits leading up to the Agreement) to satisfy any
5 element of any claim asserted against Realtek and other covered third parties.

6 344. Realtek is a third-party beneficiary of the Agreement, as it was specifically
7 negotiated to give downstream protections to ARM's customers. Several key provisions of the
8 Agreement, including dismissal, release, and licensing provisions, are directed entirely at third-
9 party beneficiaries.

10 345. PAE Defendants breached the Agreement by dismissing its suits against Realtek
11 without prejudice, when the Agreement obligated it to do so with prejudice.

12 346. PAE Defendants also breached the Agreement by filing the Monterey Suit, when it
13 had covenanted not to do so by virtue of various independent and overlapping licensing
14 provisions.

15 347. As a result of these contractual breaches, Realtek has been and continues to be
16 injured in its business or property, including without limitation potential and actual loss of profits,
17 revenue, customers and potential customers, goodwill and product image, and expense incurred
18 through its continued need to defend against PAE Defendants' improper and baseless
19 infringement claims.

20 **PRAYER FOR RELIEF**

21 WHEREFORE, Plaintiff hereby respectfully requests:

- 22 A. The unlawful conduct and conspiracy alleged herein be adjudged and decreed in
23 violation of Section One of the Sherman Act;
- 24 B. The unlawful conduct and conspiracy alleged herein be adjudged and decreed in
25 violation of Section Two of the Sherman Act;
- 26 C. A declaration that the Defendants violated California's Unfair Competition Law,
27 Cal. Bus. & Prof. Code §§ 17200 *et seq.*;
- 28

- 1 D. A declaration that the Defendants' conduct constituted tortious interference with
- 2 prospective economic advantage;
- 3 E. A declaration that Defendants' conduct in violation of the purported ARM and/or
- 4 RPX agreement constituted breach of contract;
- 5 F. An award of damages as compensation in an amount to be proven at trial;
- 6 G. Punitive and exemplary damages;
- 7 H. Disgorgement of all amounts of money wrongfully obtained by Defendants;
- 8 I. Restitution of all amounts of money wrongfully taken from Realtek as a result of
- 9 Defendants' unlawful conduct;
- 10 J. Pursuant to 15 U.S.C. § 15, compensatory and trebled damages resulting from the
- 11 Defendants' conspiracy to monopolize;
- 12 K. Pursuant to 15 U.S.C. § 26, permanent injunctive relief preventing the Defendants
- 13 from continuing their conspiracy to monopolize;
- 14 L. Pursuant to 15 U.S.C. § 15, compensatory and trebled damages resulting from
- 15 MediaTek's attempted monopolization of the TV Chip market;
- 16 M. Pursuant to 15 U.S.C. § 26, permanent injunctive relief preventing MediaTek from
- 17 continuing its attempt to monopolize the TV Chip market;
- 18 N. A permanent injunction enjoining and restraining MediaTek from disparaging
- 19 Realtek to any third party;
- 20 O. A permanent injunction enjoining and restraining Defendants, individually and
- 21 collectively, from engaging in exclusionary, anticompetitive conduct, including,
- 22 but not limited to, the inclusion of any monetary incentives in any intellectual
- 23 property agreement to bring legal action against a third party;
- 24 P. Appointment of a monitor for each Defendant to ensure compliance with the
- 25 foregoing permanent injunctions;
- 26 Q. Pre-judgment and post-judgment interest at the maximum legal rate;
- 27 R. Plaintiff's costs, expenses, and reasonable attorneys' fees in bringing this action,
- 28 as provided by law; and

1 S. Such further relief, in law or in equity, as the Court may deem just and proper.

2 **REQUEST FOR JURY TRIAL**

3 348. Realtek demands a trial by jury for all issues so triable.
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1 DATED: July 15, 2024

Respectfully submitted,

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