



# **Scenario**



## International Mock ADR Scenario

Autosoft Corporation (“**Autosoft**”) is a software developer based in Silicon Valley focused on automated driving systems and associated technology. It owns a large portfolio of patents covering its development activities, many of which were filed and issued in Japan, the United States, China and major European countries. Autosoft has however only supplied its automated driving systems to a limited number of automotive companies, and has been struggling to grow its market share.

As at the beginning of 2010 Cellmotor, Inc. (“**Cellmotor**”) was a publicly held, mid-sized manufacturer of motor vehicles fueled exclusively by gasoline. Headquartered in Japan, Cellmotor’s sales were approximately 100,000 vehicles per year between 2000 and 2010. .

Cellmotor has a wholly-owned subsidiary, Cellco, Inc (“**Cellco**”), which in 2010 was in the business of developing and manufacturing batteries for use in consumer electronics devices, such as laptop computers and smartphones.

In early 2010, Autosoft contacted Cellmotor with an offer to license its patents to Cellmotor. Autosoft and Cellmotor held several meetings and reached agreement on most issues but not the royalty rate. Autosoft wanted a running royalty rate of US\$150 per vehicle sold by Cellmotor, and Cellmotor proposed a lump-sum payment calculated by reference to a per-unit rate of US\$100 multiplied by its annual sales of 100,000 vehicles.

Relying on generally accepted market forecasts that Cellmotor was unlikely to grow its sales of vehicles over the next ten years, Autosoft accepted Cellmotor’s counteroffer. Autosoft was unaware however that Cellco was in the process of developing a battery for use in electric vehicles.

In late 2010 Autosoft and Cellmotor entered a definitive patent license agreement (“**Agreement**”) which included the following terms:

- **License Grant:** Autosoft grants Cellmotor a worldwide, non-exclusive license to make, use, offer to sell, sell, and import Licensed Products.
- **Licensed Products:** Any motor vehicle that, absent the license granted by Autosoft herein, would infringe the Licensed Patents.
- **Licensed Patents:** Any patent owned or controlled by Autosoft during the License Term relating to automated driving systems.
- **License Term:** 2010-2020.
- **Royalties:** US\$ 10 million/year (i.e., US\$100 per vehicle, assuming sales of 100,000 motor vehicles per year).



- **Governing law of the Agreement:** the laws of the state of California
- **Arbitration Clause:**
  - “Any disputes arising out of the Agreement shall be resolved in an arbitration under the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the Rules.”
  - The place of arbitration shall be Tokyo.
  - The number of arbitrator shall be three.

In 2015, Cellco successfully commercialized its electric vehicle battery technology, and Cellmotor began to manufacture and sell electric vehicles installed with Cellco’s batteries. In 2017, Cellmotor achieved annual global sales of 1,000,000 electric vehicles, and market analysts predicted that it would double its sales of electric vehicles within the following next five years.

All electric vehicles sold by Cellmotor from 2015 onwards were equipped with automated driving systems which used Autosoft’s patented technology. Cellmotor did not however pay any additional royalties to Autosoft in respect of its sales of electric vehicles.

In early 2018, Autosoft wrote to Cellmotor stating that the Agreement only covered gasoline-fueled vehicles sold by Cellmotor, and not electric vehicles, and accused Cellmotor of patent infringement. Alternatively, if the Agreement covered any type of vehicle, additional royalties were owed due to Cellmotor’s sales volume exceeding 100,000 vehicles per year.

Cellmotor replied that the Agreement covered any and all vehicles, including electric vehicles, and that Autosoft was not entitled to additional royalties because the Agreement required only an annual lump sum payment.

In mid-2018, Autosoft filed a patent infringement action against Cellmotor before the United States District Court for the Eastern District of Texas. In its Complaint, Autosoft asserted that Cellmotor’s electric vehicles and batteries sold in the U.S. infringed several U.S. patents owned by Autosoft relating to its automated driving systems patent portfolio, and sought damages and an injunction. Cellmotor countered by filing for arbitration with the International Chamber of Commerce to clarify its contractual rights and to enjoin the patent infringement action filed in the Eastern District of Texas.