

JUDGE ROBINSON

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

08 CV 3689

-----X
Mitsubishi Electric Corporation, Samsung
Electronics Co., Ltd., Thomson Licensing,
Koninklijke Philips Electronics, N.V., U.S. Philips
Corporation, and The Trustees of Columbia
University in the City of New York,

Plaintiffs,

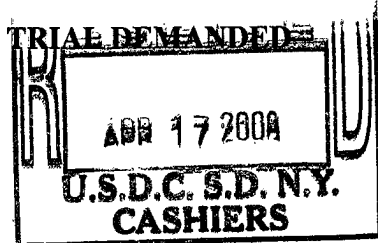
- against -

Target Corporation and Doe Corporations 1-10,
fictitious names for corporations unknown to
Plaintiffs, who supply Target with its Trutech brand
MPEG-2-compliant products,

Defendants.
-----X

C.A. No.

JURY TRIAL DEMANDED



COMPLAINT FOR PATENT INFRINGEMENT

Plaintiffs Mitsubishi Electric Corporation (alternatively named Mitsubishi Denki Kabushiki Kaisha) ("Mitsubishi"), Samsung Electronics Co., Ltd. ("Samsung"), Thomson Licensing ("Thomson"), Koninklijke Philips Electronics, N.V. ("KPEENV") and U.S. Philips Corporation ("U.S. Philips") (collectively "Philips"), and The Trustees of Columbia University in the City of New York ("Columbia") (collectively "Plaintiffs"), by their undersigned attorneys, for their complaint against defendants Target Corporation ("Target") and Doe Corporations 1-10 (the "Doe Corporations") (collectively "Defendants"), allege as follows:

SUMMARY OF CLAIMS

1. This is a patent infringement action brought against Defendants by Mitsubishi, Samsung, Thomson, Philips, and Columbia, because of Defendants' infringement of Plaintiffs' patents which are all essential to the practice of the world-wide video compression

standard known as MPEG-2. Plaintiffs are owners of a number of patents essential to the implementation of MPEG-2 as implemented in numerous devices produced by the Doe Corporations and sold by Target under Target's "Trutech," or "TruTech," house brand name (hereinafter "Trutech").

2. MPEG-2 is a compression technology that can be used for digital video signals, i.e., moving picture signals in movies or television. To produce an MPEG-2 compliant signal or bitstream, a digital video signal is compressed/encoded to remove redundant or visually insignificant information. The encoding/compression reduces the amount of information needed to represent the video signal so that it can be stored in a smaller storage area or transmitted in a lower capacity communication channel. Alternatively, MPEG-2 enables storage or transmission of more or higher fidelity video signals. For example, without compression, a 133-minute-long movie would require more than 25 standard DVD discs for storage. Using MPEG-2, a good quality 133-minute-long movie can be stored on a single DVD disc. In the case of terrestrial broadcast, MPEG-2 enables transmission of a high definition television ("HDTV") signal of 1920 x 1080 pixel resolution on the same frequency channel that currently carries a standard definition television signal of 720 x 480 pixel resolution. MPEG-2 also enables transmission of at least four standard definition television signals in the same frequency channel that currently carries one standard definition television signal.

3. MPEG-2 is currently employed in and makes possible the storage, playing, transmission, and reproduction of full-length films on DVD discs, digital terrestrial broadcast television, digital satellite television broadcasts, and digital cable television. Numerous consumer products thereby use software and/or hardware to encode and/or decode video in compliance with the MPEG-2 compression standard, including, but not limited to, video telecommunications equipment; disc players or recorders, including DVD players and recorders, personal video recorders, and digital video recorders; television sets; personal computers; camcorders; cameras; video receivers, including

internet protocol televisions ("IPTV"), terrestrial, satellite and cable receivers, set top boxes, converters, or descramblers; and video game consoles/video game equipment ("MPEG-2 Products"). Consumer spending on MPEG-2 Products in the United States amounts to billions of dollars each year.

4. Use of the patents in suit is essential to the practice of the MPEG-2 technology.

5. At Target's request, the Doe Corporations manufacture and produce unlicensed MPEG-2 Products for sale by Target under Target's Trutech brand name. These MPEG-2 Products supplied by the Doe Corporations to Target, which Target sells under the Trutech brand name, include, but are not limited to, televisions with digital tuners, DVD players, and DVD recorders ("Trutech MPEG-2 Products"). Target also sells other unlicensed MPEG-2 Products under other third-party brand names. The Trutech MPEG-2 Products use the MPEG-2 standard for a variety of applications including transmitting, decoding, encoding, processing, and/or displaying digital video signals using MPEG-2 methods and devices.

6. Defendants' infringing products include the Trutech DVD Player – Silver (TT320), Trutech 17" Widescreen LCD TV DVD – PVS31170S1W, Trutech 7" Portable DVD Player – Silver (PVS12701), Trutech 10" Undercabinet LCD TV/DVD Combo – KLV3112, Trutech 19" LCD TV/DVD/PC Monitor – PLV31199S1, Trutech DVD Recorder – T650-DR, Trutech DVD/VCR Dual Recorder, Trutech DVD Home Theater System, Trutech 7" Under-Cabinet TV/DVD Player – KLV3170, and Trutech Dual Deck DVD/VCR. (Exhibit ("Exh.") 1).

7. Target is infringing the patents in suit by, among other things, selling in this country and in this judicial district the Trutech MPEG-2 Products, which employ the MPEG-2 patented technology. The Doe Corporations are infringing the patents in suit, by, among other

things, supplying the Trutech MPEG-2 Products to Target for sale in this country and in this judicial district.

8. Target had an opportunity to license the patents in suit by either licensing one or more such patents directly from the individual Plaintiffs or, in the alternative, by taking a license from MPEG LA, L.L.C. ("MPEG LA"), which offers a non-discriminatory patent portfolio license under many patents essential to the practice of MPEG-2 technology, including all patents in suit ("MPEG-2 Patent Portfolio License"). *See, e.g.*, Letter from Monique Williams (administrative assistant at MPEG LA) to Timothy Baer (General Counsel, Target) (December 5, 2005); Letter from Dean Skandalis (Vice President, Licensing, MPEG LA) to Timothy Baer (July 20, 2007) (Exh. 2). Target has not entered into any license with Plaintiffs or the license offered by MPEG LA.

9. Individual licenses with each of the Plaintiffs or the MPEG-2 Patent Portfolio License likewise have been available to the Doe Corporations. Moreover, the Doe Corporations also could pay royalties on behalf of Target if Target entered into licenses with the Plaintiffs or the MPEG-2 Patent Portfolio License.

10. MPEG LA was established in 1996 to provide the marketplace with non-discriminatory access to as many of the patents which are essential to MPEG-2 technology as possible. MPEG LA is a non-exclusive licensee of each of the patents in suit as well as numerous other patents essential to the practice of the MPEG-2 technology. MPEG LA has the non-exclusive authority to sublicense the approximately 150 MPEG-2 patent families offered in the MPEG-2 Patent Portfolio License throughout the world — including the patents in suit — on non-discriminatory and reasonable terms. Approximately 1,300 licensees located throughout the world have executed the standard MPEG-2 Patent Portfolio License offered by MPEG LA. MPEG LA's licensing program began after the United States Department of Justice reviewed the circumstances surrounding the

formation of MPEG LA and its standard MPEG-2 Patent Portfolio License, among other things, and issued a favorable Business Review Letter.

11. Each plaintiff is committed to license the patents in suit on reasonable terms. As an alternative, Defendants, and indeed any potential licensee, can get a license from MPEG LA as a convenience to the licensee. The MPEG LA license adds an alternative choice to the marketplace, in addition to, not instead of, bilateral licenses with each of the licensors, including the Plaintiffs herein.

12. Best Buy Purchasing, L.L.C., a subsidiary of Best Buy Co., Inc., and numerous other consumer electronics companies that compete with Target have executed the license that Target willfully refuses to execute.

JURISDICTION AND VENUE

13. This is an action for patent infringement under Title 35 of the United States Code. This Court has subject matter jurisdiction under 28 U.S.C. § 1338. Upon information and belief, Target is incorporated in Minnesota and is authorized to do business in New York, and is in fact doing business in the Southern District of New York. Both Target and the Doe Corporations have purposefully sold infringing products both directly and through regular distribution channels knowing such infringing products would be used and/or sold in this judicial district.

14. Venue is proper in this district pursuant to 28 U.S.C. §§ 1391(b) and (c), and § 1400(b).

THE PARTIES

15. Plaintiff Mitsubishi is a corporation of Japan, having its principal place of business in Tokyo, Japan.

16. Plaintiff Samsung is a corporation of Korea, having its principal place of business in Seoul, Korea.

17. Plaintiff Thomson is a corporation of France, having its principal place of business in Boulogne-Billancourt Cedex, France.

18. Plaintiff KPENV is a corporation of Netherlands, having its principal place of business in Amsterdam, The Netherlands.

19. Plaintiff U.S. Philips is a Delaware corporation, having its principal place of business in Briarcliff Manor, New York.

20. Plaintiff Columbia is a New York not-for-profit entity, having its principal place of business in New York, New York.

21. Upon information and belief, defendant Target is a Minnesota corporation, having its principal place of business in Minneapolis, Minnesota.

22. Upon information presently available to Plaintiffs, the number, names, and location of the defendant Doe Corporations are unknown. Plaintiffs expect to obtain this information during discovery.

DEFENDANTS' INFRINGEMENT

23. While Target sells numerous third party-branded MPEG-2 Products from a variety of consumer electronics companies, many of whom are MPEG LA licensees, Target also competes directly with these consumer electronic companies through sales of MPEG-2 Products under the Target "Trutech" brand and through sales of other unlicensed products under third-party brand names.

24. Trutech MPEG-2 Products are manufactured by the Doe Corporations for Target which then sells these MPEG-2 Products within the United States and in this judicial district. Such products have not been licensed, by either Target or the Doe Corporations, under the patents in suit. MPEG LA has approached Target several times about Target selling MPEG-2 Products without a license, including the Trutech MPEG-2 Products, but Target insisted that its vendors had paid any

MPEG-2 royalties on Target's behalf. *See, e.g.*, E-mail from Huong Nguyen (attorney for Target) to Dean Skandalis (February 16, 2007) (Exh. 3). Target has never presented evidence that the Doe Corporations paid royalties on Target's behalf and, in fact, no one has ever paid on the Doe Corporations' or Target's behalf.

25. The Trutech MPEG-2 Products are purposely shipped by Defendants through an established distribution channel and are knowingly sold by Target, among other places, within this judicial district. In addition to its online store and retail stores throughout the United States, Target has ten retail stores in this judicial district where it sells the infringing products directly. (Exh. 4).

26. The manufacture, use, and sale by Defendants of the Trutech MPEG-2 Products — which do any one or more of the following: transmit, decode, encode, process, or display digital video signals using MPEG-2 methods and devices — directly and/or indirectly infringe the patents in suit.

27. Target has published and continues to publish product descriptions and advertisements on the Internet and in newspapers for the Trutech MPEG-2 Products. (Exh. 1).

28. Defendants contributorily infringe the patents in suit by selling the Trutech MPEG-2 Products in this judicial district and elsewhere, knowing that such MPEG-2 Products are especially made and/or especially adapted for use in infringement of the patents in suit. Without such MPEG-2 hardware and/or software included in the Trutech MPEG-2 Products, video that is encoded in MPEG-2 format cannot be decoded and viewed on the Trutech MPEG-2 Products.

29. Target actively induces the infringement of the patents in suit by offering for sale and by selling, encouraging, and instructing others to use the Trutech MPEG-2 Products, knowing that the use of these products to transmit, decode, encode, process, and/or display digital video signals using MPEG-2 methods and devices, causes others to infringe the patents in suit.

30. Defendants' infringing actions are without the consent or authority of Plaintiffs. Defendants do not now and have never possessed a license under any of the patents in suit. MPEG LA repeatedly offered Target a license, and thus an opportunity to respect Target's intellectual property obligations, but Target refused. (Exh. 2). Moreover, each Plaintiff is committed to bilaterally license the patents in suit on reasonable terms.

31. Target had actual knowledge of the patents in suit prior to engaging in acts of infringement. For many years, Target has been on notice about which types of products incorporate MPEG-2 technology and that sale of these MPEG-2 Products infringe numerous patents unless the products are licensed and royalties are paid. Moreover, for several years, Target has repeatedly received express notice that the sale and use in the United States of the Trutech MPEG-2 Products infringe the patents in suit. Target received this notice from telephone conversations, including conversations between MPEG LA and Target in April and November 2006, as well as various written communications, including by letter, fax, and e-mail from MPEG LA sent during 2006 and 2007. *See, e.g.,* Trutech Communications Between MPEG LA and Target (2006-2007) (Exh. 5). Thus, infringement of the patents in suit by Target is willful. This is an exceptional case and, accordingly, Plaintiffs are entitled to enhanced damages and their attorneys' fees pursuant to 35 U.S.C. §§ 284 and 285.

32. Each plaintiff has suffered irreparable injury for which there is no adequate remedy at law as a result of Defendants' infringement of the patents in suit. Pursuant to 35 U.S.C. § 283, Plaintiffs are entitled to an injunction against further infringement by an order preventing Defendants from manufacturing any unlicensed MPEG-2 Products and selling these unlicensed products in the United States.

FIRST CAUSE OF ACTION

33. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

34. Mitsubishi is the legal owner by assignment of United States Letters Patent No. 5,072,295 ("the '295 patent"). (Exh. 6).

35. Defendants have infringed and are infringing the '295 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

36. Unless enjoined, Defendants will continue to infringe the '295 patent.

SECOND CAUSE OF ACTION

37. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

38. Mitsubishi is the legal owner by assignment of United States Letters Patent No. 5,990,960 ("the '960 patent"). (Exh. 7).

39. Defendants have infringed and are infringing the '960 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

40. Unless enjoined, Defendants will continue to infringe the '960 patent.

THIRD CAUSE OF ACTION

41. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

42. Mitsubishi is the legal owner by assignment of United States Letters Patent No. 6,097,759 ("the '759 patent"). (Exh. 8).

43. Defendants have infringed and are infringing the '759 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

44. Unless enjoined, Defendants will continue to infringe the '759 patent.

FOURTH CAUSE OF ACTION

45. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

46. Samsung is the legal owner by assignment of United States Letters Patent No. 5,654,706 ("the '706 patent"). (Exh. 9).

47. Defendants have infringed and are infringing the '706 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

48. Unless enjoined, Defendants will continue to infringe the '706 patent.

FIFTH CAUSE OF ACTION

49. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

50. Samsung is the legal owner by assignment of United States Letters Patent No. 6,680,975 ("the '975 patent"). (Exh. 10).

51. Defendants have infringed and are infringing the '975 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

52. Unless enjoined, Defendants will continue to infringe the '975 patent.

SIXTH CAUSE OF ACTION

53. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

54. Thomson is the legal owner by assignment of United States Letters Patent No. 5,422,676 ("the '676 patent"). (Exh. 11).

55. Defendants have infringed and are infringing the '676 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

56. Unless enjoined, Defendants will continue to infringe the '676 patent.

SEVENTH CAUSE OF ACTION

57. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

58. Thomson is the legal owner by assignment of United States Letters Patent No. 7,020,204 ("the '204 patent"). (Exh. 12).

59. Defendants have infringed and are infringing the '204 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

60. Unless enjoined, Defendants will continue to infringe the '204 patent.

EIGHTH CAUSE OF ACTION

61. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

62. KPENV is the legal owner by assignment of United States Letters Patent No. 5,606,539 ("the '539 patent"). (Exh. 13).

63. Defendants have infringed and are infringing the '539 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

64. Unless enjoined, Defendants will continue to infringe the '539 patent.

NINTH CAUSE OF ACTION

65. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

66. U.S. Philips is the legal owner by assignment of United States Letters Patent No. 5,844,867 ("the '867 patent"), while KPENV is the exclusive licensee of the '867 patent in the field of products that comply with the MPEG-2 standard. (Exh. 14).

67. Defendants have infringed and are infringing the '867 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

68. Unless enjoined, Defendants will continue to infringe the '867 patent.

TENTH CAUSE OF ACTION

69. The allegations contained in paragraphs 1 through 32 above are repeated and realleged as if fully set forth herein.

70. Columbia is the legal owner by assignment of United States Letters Patent Reissue No. 35,093 ("the '093 patent"). (Exh. 15).

71. Defendants have infringed and are infringing the '093 patent by making, using, offering for sale, or selling MPEG-2 Products throughout the United States or importing into the United States MPEG-2 Products, in violation of 35 U.S.C. §§ 271(a)-(c).

72. Unless enjoined, Defendants will continue to infringe the '093 patent.

WHEREFORE, Plaintiffs demand judgment as follows:

1. Adjudging, finding, and declaring the Defendants are infringing the patents in suit.
2. Permanently enjoining Defendants, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with Defendants, from infringing the patents in suit.
3. Awarding the respective Plaintiffs an accounting and damages against Defendants in a sum to be determined at trial, together with interest and costs as fixed by the Court; all of these damages to be enhanced in amount up to treble the amount of compensatory damages, as provided by 35 U.S.C. § 284.
4. Awarding Plaintiffs their reasonable attorneys' fees, costs, and disbursements in this action pursuant to 35 U.S.C. § 285.
5. Granting Plaintiffs such other and further relief as is just and proper.

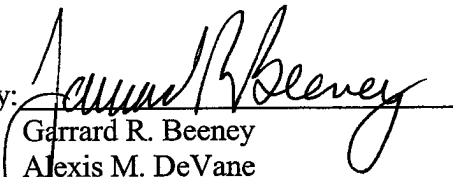
JURY DEMAND

Plaintiffs hereby demand a trial by jury of all issues that may be so tried.

SULLIVAN & CROMWELL LLP

OF COUNSEL:

Kenneth Rubenstein
Evan L. Kahn
Anthony C. Coles
PROSKAUER ROSE LLP
1585 Broadway
New York, New York 10036
(212) 969-3000

By: 
Garrard R. Beeney
Alexis M. DeVane
Emma Gilmore
Andrew E. Gelfand
SULLIVAN & CROMWELL LLP
125 Broad Street
New York, New York 10004
(212) 558-4000

Attorneys for Plaintiffs
Mitsubishi Electric Corp.,
Samsung Electronics Co., Ltd.,
Thomson Licensing,
Koninklijke Philips Electronics, N.V.,
U.S. Philips Corp., and
The Trustees of Columbia University in the
City of New York

Dated: April 17, 2008