

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

_____	)	
VERANCE CORPORATION	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No. 20-cv-7720
	)	
SAMSUNG ELECTRONICS CO. LTD,	)	
	)	
Defendant.	)	
_____	)	

**COMPLAINT AND JURY DEMAND**

In this action, plaintiff Verance Corporation (“Verance”) seeks over \$1,310,000 in damages and its attorneys’ fees from Samsung Electronics Co, Ltd. (“Samsung”). Despite its use of Verance’s patented technology in millions of products, Samsung has refused to pay agreed-upon licensing fees for use of the technology in breach of a series of licensing agreements.

**PARTIES**

1. Verance is a Delaware corporation with a principal place of business at 6046 Cornerstone Court West, Suite 216, San Diego, California 92121 (“Verance”).
2. Samsung is a South Korean corporation with a principal place of business at 416 Yeongtong-Gu Maetan3-Dong, Suwon-si, Gyeonggi-Do 16679, South Korea.

**JURISDICTION AND VENUE**

3. This Court has jurisdiction pursuant to 28 U.S.C. §§ 1332(a) (2). The matter in controversy exceeds the sum of \$75,000 exclusive of interests and costs, and is between citizens of different countries; thus, there is complete diversity.

4. Pursuant to the relevant licensing agreements, the parties have consented to the exclusive jurisdiction and venue in any federal or state court of competent jurisdiction within the State of New York for the adjudication of any disputes under this Agreement.

5. Therefore, venue is appropriate in this District pursuant to 28 U.S.C. §§ 1391(b)(3) and (d).

### **FACTUAL ALLEGATIONS**

6. Verance has developed the patented Cinavia™ audio watermarking technology which, among other things, allows for the carriage and detection of copy protection information within the audio portion of audiovisual content (the “Cinavia Technology” or the “Technology”).

7. Starting in 2011, Verance and Samsung executed a series of license agreements whereby the Cinavia Technology was disclosed to Samsung and Samsung was permitted to implement the Cinavia Technology in products which conformed to certain technical specifications referenced in the license agreements.

8. Verance believes that, at a minimum, Samsung has used the following patents associated with the Cinavia Technology: Patent No. 9,055,239 Signal Continuity Assessment Using Embedded Watermarks; Patent No. 8,838,977 Watermark Extraction and Content Screening in a Networked Environment; Patent No. 9,607,131 Secure and Efficient Content Screening in a Networked Environment; Patent No. 9,547,753 Coordinated Watermarking; Patent No. 9,485,089 Stego Key Management; and Patent No. 9,251,549 Watermark Extractor Enhancements Based on Payload Ranking.

9. As a licensee of Verance, Samsung was given a limited, fee-bearing license to produce products incorporating the Cinavia Technology and related intellectual property (“IP”) rights in exchange for fees payable to Verance.

10. Samsung produced over forty million Blu-ray disc players containing the Cinavia Technology and related IP.

11. Specifically, Verance and Samsung entered into the following licensing agreements (collectively, the “License Agreements”):

- a. Verance Cinavia Watermark Technology License Agreement for Detector Developers having an Effective Date of July 29, 2011 (the “DDL Agreement”) attached hereto as Exhibit A;
- b. Verance Cinavia Watermark Technology License Agreement for Verance Finished Detectors having an Effective Date of August 18, 2011, as amended on December 31, 2014 (the “FDL Agreement”) attached hereto as Exhibit B;
- c. Verance Cinavia Watermark Technology License Agreement for AACS Integrated Product Manufacturers having an Effective Date of July 29, 2011 (the “IPL Agreement”) attached hereto as Exhibit C.

12. Verance and Samsung also entered into the Verance Cinavia Preferred Partner Program Agreement having an Effective Date of July 29, 2011 (the “PPP Agreement”) and the Verance Cinavia Watermark Technology Self-Test Agreement having an Effective Date of October 22, 2015 (the “Self-Test Agreement”). The PPP and Self-Test Agreements are attached hereto as Exhibits D and E.

13. Under the License Agreements, Samsung agreed to pay non-refundable fees to Verance on the terms and schedule set forth in the agreements. License Agreements, Section 4.1.

14. The License Agreements also provided for late fees for overdue payments of 1½ % per month. License Agreements, Section 4.3.

15. The License Agreements required Samsung to provide a written report of products sold, distributed, installed or transferred that incorporated the Cinavia Technology on or

before thirty (30) days after the end of each calendar quarter. IPL and DDL Agreements, Section 4.5; FDL Agreement, Section 4.4.

16. The term for the IPL and DDL Agreements was five years with automatic renewal of additional one-year periods unless either party provided notice of its intention not to renew at least ninety (90) days prior to renewal. IPL and DDL Agreements, Section 12.1. Expiration of the IPL and DDL Agreements automatically terminates the FDL, PPP and Self-Test Agreements. FDL Agreement, Section 9.1; PPP Agreement, Section 10.1; Self-Test Agreement, Section 7.2.

17. Within thirty (30) days after the expiration or termination of the IPL Agreement, Samsung was required to destroy or purge from its systems all copies of the Cinavia Technology and any other confidential information, as defined, in its possession and control. IPL and DDL Agreements, Section 5.5; FDL Agreement, Section 5.4.

18. From 2011 until 2017, Samsung produced units using the Cinavia Technology under a special “Preferred Partner Program” in which Verance waived fees due under the License Agreements in exchange for Samsung meeting enhanced technical requirements. PPP Agreement, Section 4.

19. If the PPP Agreement is terminated but one or more of the License Agreement remain in effect, then the fee waivers of the PPP Agreement would no longer apply. PPP Agreement, Section 10.4.

20. In 2017, Samsung could no longer comply with the technical requirements and its participation in the Preferred Partner Program and the associated fee waivers ended.

21. On April 24, 2017, pursuant to Section 12.1 of the IPL and DDL Agreements, Verance provided Samsung with ninety days’ notice of its intent not to renew the IPL and DDL Agreements after the annual expiration of July 29, 2017 (the “Non-Renewal Notice”).

Expiration of the DDL and IPL Agreements automatically terminated the FDL, PPP and Self-Test Agreements. The Non-Renewal Notice is attached as Exhibit F.

22. In the Non-Renewal Notice, Verance stated that, although it would not be renewing the particular agreements, it planned to maintain Samsung's license coverage. It informed Samsung that it was in the process of updating its standard license agreements to address issues that had arisen since the Cinavia Technology licensing program began. It stated that it would also provide an updated PPP Agreement and Self-Test Agreement.

23. Verance thereafter sent Samsung the updated forms of its license agreements – without any change in the fees to be paid.

24. Verance and Samsung thereafter began an extended negotiation for the updated license agreements on various topics other than fees. In the meantime, the parties continued to operate under the terms of the expired License Agreements.

25. From July 29, 2017 through September 30, 2019, Samsung continued to produce and ship products containing the Cinavia Technology. Samsung continued to report those sales to Verance on a quarterly basis– as required under the License Agreements, as well as the updated license agreements. The “Samsung Quarterly Reports July 1, 2017 – March 31, 2019”, attached hereto as Exhibit G, reflect shipment of over seven million units during this period.

26. Upon information and belief, Samsung never destroyed or purged all copies of the Cinavia Technology from its systems.

27. However, Samsung never signed the updated agreements and never paid any licensing fees for the seven million reported products.

28. Consistent with the terms of the License Agreements, Verance invoiced Samsung for the products sold incorporating the Cinavia Technology.

29. Samsung has refused to pay the invoiced fees despite repeated demand by Verance.

30. As a result of its failure to pay the invoiced fees for use of the Cinavia Technology in a timely manner, Samsung incurred over \$299,267 in late fees as of June 30, 2020.

31. The invoices and the amounts due for the period of July 29, 2017 through September 30, 2019 are summarized in the document entitled “Verance – Samsung Account Statement 6-30-2020” attached hereto as Exhibit H.

**COUNT I**  
**(Breach of Contract)**

32. Verance incorporates by reference its allegations in paragraphs 1- 31.

33. Verance and Samsung entered into valid and enforceable License Agreements and continued to operate under the terms of those Agreements while the parties negotiated updated versions of the agreements.

34. The License Agreements required Samsung to pay fees for the use of the Cinavia Technology in its products.

35. From July 29, 2017 through September 30, 2019, Samsung shipped products using Verance’s proprietary Cinavia Technology and covered by Verance’s Cinavia intellectual property rights. Samsung’s own quarterly reports provided to Verance prove that these sales took place.

36. Pursuant to the License Agreements, Verance sent Samsung invoices for the products using the Cinavia Technology.

37. Samsung has breached the License Agreements by refusing to pay \$1,010,737.65 fees for use of the Cinavia Technology in its products.

38. Pursuant to the terms of the License Agreements, Samsung's failure to pay the fees owed in a timely manner entitles Verance to collect late fees of 1½ % per month. Samsung owed \$299,267 in late fees as of June 30, 2020.

39. Verance has been damaged by Samsung's refusal to pay the licensing fees and the late fees.

40. In addition to its damages, Verance also is entitled to recover its reasonable attorney's fees and other costs incurred in connection with this action. IPL and DDL Agreements, Section 13.5; FDL Agreement, Section 10.5.

**COUNT II**  
**(Unjust Enrichment)**

41. Verance incorporates by reference its allegations in paragraphs 1- 40.

42. By continuing to use the Cinavia Technology in its products, Samsung was enriched.

43. By refusing to pay Verance for its use of the Cinavia Technology, Samsung was enriched at Verance's expense.

44. It is against equity and good conscience to permit Samsung to retain the amounts Verance is seeking to recover.

45. Verance is entitled to recover the fees for Samsung's use of the Cinavia Technology, the late fees incurred as a result of Samsung's failure to pay the fees when due, and its reasonable attorneys' fees and costs incurred in pursuing this action.

**JURY DEMAND**

Verance respectfully demands a jury on all issues so triable.

**PRAYER FOR RELIEF**

**WHEREFORE**, Verance respectfully requests the Court to award the following relief:

1. Award Verance any monetary damages to which it is entitled including costs and interest;
2. Award Verance its attorneys' fees, court costs, and other expenses incurred in this action; and
3. Grant Verance such other relief as is just and proper.

Respectfully submitted,

VERANCE CORPORATION

/s/ J. Christopher Jensen

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(Pending Pro Hac Vice Admission)

September 18, 2020