

AUTOMOTIVE

VW accused of using unlicensed hybrid technology in emissions scandal aftermath

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Porsche Cayenne S E-hybrid

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German automaker Volkswagen is the target of a patent infringement complaint by a hybrid technology developer.

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The developer, Paice, filed the complaint alleging that automobiles under the Volkswagen, Audi and Porsche brands are using its technology without a license in April 2016, and the U.S. International Trade Commission has now voted to formally investigate. The suit comes less than a year after it was revealed that Volkswagen-owned brands had been cheating emissions test.

"It's clear that the ITC takes our claims seriously and believes a full investigation is warranted," said Paice CEO Robert Oswald. "This investigation will prove that VW, Audi, and Porsche are using our patented hybrid vehicle technology without a license and should not allowed to import these vehicles into the United States."

Patent infringement

Paice founder Alex Severinsky was honored in 2008 for having invented the modern hybrid and currently has licensing deals for its technology with Toyota, Hyundai and Kia, but previously sued all three for similar reasons. Paice is also currently pursuing litigation against Ford.

Volkswagen and Paice have also worked together. From 2001 to 2004, the two were collaborators, but the automaker ended the relationship without licensing the technology when it shifted focus to clean diesel vehicles.



Audi Q5 hybrid

According to Paice, VW hailed Paice's technology as "the current go-to-market hybrid strategy" and looked at a report detailing how the technology would save hundreds of millions in its compliance with U.S. emissions regulations.

If Paice wins the suit, it could result in the cessation of imports of some vehicles into the U.S. Given that Volkswagen has recently had to stop selling numerous models, including Audi and Porsche models in the U.S., due to the emissions scandal, a hit to its hybrid vehicles that could have cleaned up the brand's image would be especially harmful.

The emissions recall extended to 2.1 million Audi vehicles and 10,000 Porsches and the brand's stock value is only 75 percent of what it was prior to the news breaking. The company has set aside \$7.3 billion to pay for the scandal, but fines could add up to \$18 billion ([see story](#)).



Audi A3 hybrid

The increased focus on sustainability and the environment over the past several years has made the fallout especially rough, but promoting hybrid and electric powertrains, as many automakers are, could have helped to mitigate the damage and clean the brand's polluted image.

However, formal investigation does not mean that VW is guilty of patent infringement. Moreover, given the added significance its hybrids have in the U.S. markets in the wake of the emissions scandal, an out-of-court settlement is the more probable outcome if VW is at fault.



Porsche Panamera hybrid

Additionally, patent infringement suits do not garner the public attention the same way performance-related scandals might, in part because the driver is not impacted directly. For this reason, it may be in Volkswagen's best interest to resolve the matter quickly.

Legal matters

News of the patent infringement suit broke only two days after another automaker was sued.

German automaker BMW is fighting allegations of defects in its electric i3 vehicles.

On May 17, MLG Automotive Law filed a national class action lawsuit against BMW North America, LLC alleging that the i3's "Range Extender" feature is defective. Automakers are clamoring to garner a sizable share of the growing electric vehicle market, so the setbacks of the lawsuit could be substantial if these allegations are verified ([see story](#))

It has been a particularly tumultuous month for the automotive industry.

U.S. automaker Tesla is reinforcing its commitment to fair labor practices following a story in a newspaper about cheap laborers from overseas working at one of its manufacturing facilities.

A Bay Area News Group story broke May 15 on The Mercury News, focusing on the contractors who falsified visa

applications to bring unskilled laborers to Silicon Valley from Eastern Europe, where at least one man profiled only earned about \$5 an hour to paint the automaker's vehicles. Following the report, Tesla issued a statement on its blog, saying that it was looking into the claims, and stating its plans to "do right" by the workers and "take action" to ensure something like this does not happen again ([see story](#)).

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