

IP Disputes are NOT Only About Law!
What the LG-SK Dispute over Lithium Batteries Reveal About ‘Outside’ Factors

Doo-Hyeun Roh
IP Law 422 002 Presentation
Spring 2021
Word Count: 970

Introduction

While the biggest factors in Intellectual Property (IP) law are the statutory and common law established by the legislature and precedent, other factors such as politics, economic influence, and morality can nonetheless play a significant role in determining IP disputes. This paper examines the ‘non-legal’ factors in a US dispute between two South Korean companies, LG and SK, over alleged infringement of electronic vehicle (EV) battery technology patents and trade secrets.

The Case Study of the LG-SK Dispute Over Lithium Batteries

LG Energy Solution and SK Innovation are two major suppliers of lithium-ion batteries for EV companies. SK supplies Ford and Volkswagen, while LG supplies Tesla and GM¹. The issue arose when LG alleged in 2019 that SK had infringed LG patents and trade secrets related to EV battery technology². This issue went to the US International Trade Commission (ITC) – not the US Courts – and in Feb 2021 the ITC ruled in favor of LG on the issue of trade secrets, issuing a 10-year ban on importing lithium-ion batteries into the US³. However, the ITC then ruled that SK did not violate LG’s patents in a preliminary ruling on March 25⁴.

These decisions garnered attention for their significant economic and political impacts. Economically, SK is currently building a \$2.6 billion factory in Georgia that will employ almost 2,600 people – making it the “largest foreign investment in the state’s history” – while LG has made plans to invest over \$4.5 billion in US battery production in the next four years⁵. These two companies also supply 4 of the major EV producers – Tesla, GM, Ford, and Volkswagen that all have factories in the US⁶. The ITC rulings could result in either LG or SK scrapping their plans, which would cause significant supply-chain disturbances for EV producers as well as costing thousands of potential American jobs⁷.

Politically, President Biden had already espoused a clean-energy agenda, with the promotion of EVs being a critical part of his plans to revitalize the economy while fighting

¹ David Shepardson & Heekyong Yang, “SK Innovation loses U.S. battery trade case but gets temporary OK to sell to Ford, VW” (February 10 2021), online: *Thomson Reuters* <<https://www.reuters.com/article/us-lg-chem-sk-innovation-lawsuit-idUSKBN2AA2WR>>

² *Ibid*

³ *Ibid*

⁴ Heekyong Yang, “U.S. ITC says SK Innovation didn’t infringe LG Energy Solution patents” (March 31, 2021), online: *Thomson Reuters* <<https://www.reuters.com/article/us-lg-chem-sk-innovation-idUSKBN2BO3TW>> [*SK didn’t*]

⁵ *SK didn’t, supra* note 4

⁶ *SK didn’t, supra* note 4

⁷ Susan Decker and Ilya Banares, “EV-Battery Rivals prod Biden With Trade Veto in Balance” (April 6 2021), online: *Bloomberg* <<https://www.bloomberg.com/news/articles/2021-04-06/ev-battery-rivals-sk-lg-race-clock-to-sway-biden-on-import-ban>> [*Biden Veto*]

climate change⁸. LG and SK's investments in the US would bolster both aspects of Biden's plans. Yet, at the same time, Biden must also be wary of the US's dispute with China over intellectual property protection⁹.

What makes this case stand out is the fact that the ITC rulings can be *invalidated* by either the two involved parties (LG and SK) coming to a settlement, or by a Presidential veto¹⁰. That is, this IP dispute can be resolved entirely through private settlement or by a political exercise of executive power. Already, both companies have spent over \$500,000 each on lobbying efforts¹¹. SK have stated that if Biden does not overturn the decision within the allotted 60 days (which ends on April 11), they may withdraw from the US battery business and move production to Europe or China¹². There is also pressure on LG and SK to settle; for instance, the South Korean Prime Minister, Chung Sye-Kyun, publicly urged LG and SK to settle battery dispute¹³. Additional pressure likely comes from Georgia's elected officials, as well as US government officials given the overall push in recent years for more domestic production.

It should be noted that Canadian IP law does not include trade secrets legislation. Trade secrets refer to "any business information that has commercial value derived from its secrecy"¹⁴; in the SK-LG case, LG was claiming that SK had stolen its employees who held valuable knowledge and skills relating to building EV batteries (the trade secrets)¹⁵. As there is no specific legislation for Trade Secrets in Canada, contract law and common law torts such as breach of confidence or fiduciary duties are used instead¹⁶. This is another example of what seems to be within the realm of IP law relying on other fields – torts and contracts law – to settle disputes.

Other Examples: The Covid-19 Vaccine Patents.

A more relevant example is the IP rights (namely, patents) protecting COVID vaccines, and the rising calls to lift them so that more companies can produce the vaccines and thus help immunize the rest of the world, rather than the few rich countries that managed to contract a supply¹⁷. The reasons given, such as a faster end to the pandemic and acting for the 'greater good'¹⁸, clearly has a theme of 'public interest' at play, although the 'public interest' here is more of a 'global interest' or 'humanitarian' principle. It should also be pointed out that given the spread of COVID-variants, allowing COVID to fester in the poorer parts of the world would open up breeding grounds to spawn more variants, which would continually endanger the rich

⁸ *Ibid*

⁹ *Ibid*

¹⁰ *SK didn't, supra* note 4

¹¹ *Biden Veto, supra* note 7

¹² Thomson Reuters, "SK Innovation says may pull its battery business out of U.S." (March 30 2021), online: *Financial Post* <<https://financialpost.com/pmnbusiness-pmn/sk-innovation-says-may-pull-its-battery-business-out-of-u-s>>

¹³ Kim Yoo-chul, "Korea's Prime Minister Urges LG, SK to settle battery dispute" (Jan 28 2021), online: *TheKoreaTimes* <https://www.koreatimes.co.kr/www/tech/2021/02/515_303248.html>

¹⁴ Government of Canada, *What is a trade secret?* (web page), online: <<https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr03987.html>>

¹⁵ *SK didn't, supra* note 4

¹⁶ Michael Crichton & Will Boyer, "TRADE SECRET ENFORCEMENT IN CANADA: HOW RIGHTS HOLDERS CAN SECURE JUSTICE" (January 22 2019), online: *Gowling WLG* <<https://gowlingwlg.com/en/insights-resources/articles/2019/trade-secret-enforcement-in-canada/>>

¹⁷ Nature, "It's time to consider a patent reprieve for COVID vaccines" (March 30 2021), online: *nature* <<https://www.nature.com/articles/d41586-021-00863-w>>

¹⁸ *Ibid*

countries as well. Other proposed solutions include increasing the licensing of the vaccine to allow more companies to produce them¹⁹.

There are also clear economic pressures for waiving IP rights in this situation. The job market and economy have been severely hampered by COVID, and the psychological impact of social distancing has been well documented. Although there is the possibility to use the Patent Act s65(1) abuse of rights and compulsory licenses by arguing that s65(2)(c) demand has not been met, and s65(2)(d) it is in the public interest, the problem is that this only applies if 3 years have passed since patent was granted²⁰. Thus, where we are dealing in situations where time is an urgent factor or the patent is non-Canadian, economic, political, and moral factors outside of IP law can play a bigger role.

Conclusion:

The LG-SK Battery case demonstrates that when handling an IP dispute, it can be necessary to look beyond the 'IP law' and include economic, political, and moral factors. This is particularly true in situations where existing IP law is insufficient, such as regarding trade secrets in Canada or the COVID vaccine patent use situation today.

¹⁹ *Ibid*

²⁰ Patent Act RSC., 1985, c. P-4, s65