



July 11, 2024

Mr. Kasim Alfalahi, Founder and CEO  
Avanci, LLC  
1717 McKinney Avenue  
Suite 1050, Dallas, Texas 75202

Dear Mr. Alfalahi,

We – the following associations – write with regard to your 5G Connected Vehicle licensing programme and your claim to be offering licenses to standard essential patents (SEPs) on fair, reasonable and non-discriminatory (FRAND) terms.

- 1) The Alliance for Automotive Innovation
- 2) The Japan Automobile Manufacturers Association
- 3) European Automobile Manufacturers' Association
- 4) German Association of the Automotive Industry
- 5) Korea Automobile & Mobility Association
- 6) French Association of the Automotive and suppliers Industry (Plateforme de la Filière Automobile)

More specifically, we write to give you the opportunity to resolve pressing concerns about the lack of transparency of your licensing programme and the commercial terms you are promoting on your website.

As you will be aware, the European Parliament has recently voted in favour of the European Commission's proposal for a new regulation for SEPs.<sup>1</sup> The commendable objective of the proposed regulation is to introduce more transparency, predictability and efficiency in the licensing of SEPs.

As rightly pointed out in the recitals to the proposed regulation, insufficient transparency with regard to SEPs and FRAND terms and conditions as well as a lack of licensing throughout the value chain impedes fair and efficient licensing and results in excess transactional costs.<sup>2</sup>

While the draft regulation as approved by the European Parliament acknowledges that SEP patent pools are generally beneficial to the market, it also emphasizes that they should provide full transparency with regard to the patents that are covered by their portfolio and ideally license them to all interested licensees regardless of their position in the value chain.<sup>3</sup>

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<sup>1</sup> See "Report on the proposal for a regulation of the European Parliament and of the Council on standard essential patents and amending Regulation (EU) 2017/1001" published on the website of the European Parliament ([https://www.europarl.europa.eu/doceo/document/A-9-2024-0016\\_EN.html#\\_section7](https://www.europarl.europa.eu/doceo/document/A-9-2024-0016_EN.html#_section7)).

<sup>2</sup> Recital 2 of the proposed regulation (as amended)

<sup>3</sup> Recital 10a of the proposed regulation (as amended).



The Associations firmly believe that Avanci – being the leading 5G patent pool operators targeting the automotive industry – should heed these calls for transparency and lead by example.

Unfortunately, when reviewing the information published by Avanci about its 5G Connected Vehicles licensing programme, we discovered that Avanci is far from being transparent.

In fact, contrary to the conditions defined by the EU Commission and endorsed by the European Parliament in the proposed regulation, Avanci does not disclose the patents included in its licensing programme.

Furthermore, Avanci does not provide any indication on how Avanci has confirmed that the included patents are actually standard essential nor does Avanci provide any pertinent information on how the included SEPs are licensed on FRAND terms.

In particular, while Avanci advertises a "*base running royalty*" of USD 32 per vehicle (USD 29 for early adopters) it remains entirely unclear how Avanci has arrived at these amounts and why they are FRAND. On Avanci's website, these royalty rates are being promoted under the heading "*market-driven pricing*" without any reference to FRAND or FRAND principles.

In light of this lack of transparency and driven by the desire to facilitate transparent, predictable and efficient licensing of 5G standard essential patents in the automotive industry and beyond, we call on Avanci to make public the following baseline information about its 5G Connected Vehicles licensing programme for 5G standard essential patents:

1. What are the specific, purportedly standard essential patents and/or patent applications included in the licensing programme?
2. How does Avanci ensure that patents included in the licensing programme are, in fact, standard essential? If patents/patent applications need to pass an essentiality check before being included in the programme, how are these checks conducted and by whom?
3. What is the rationale behind the royalty rates of USD 32 and USD 29, respectively, and how has Avanci ascertained (if at all) that these rates are FRAND? Specifically:
  - a. The stated royalty rate of USD 32 is 160% of Avanci's stated royalty rate for 4G (USD 20). What is the rationale for the difference?
  - b. According to statements made on Avanci's website, the stated 5G royalty rates include use of V2X functionality. However, not all 5G connected vehicles support V2X. Does Avanci offer reduced royalty rates for 5G connected vehicles not supporting V2X and, if not, why?
  - c. Which method was used to determine those royalty rates and what specific factors/metrics have been taken into account?




- d. Has Avanci considered an aggregate royalty burden for 5G implementers and, if so, with what amount/percentage?
4. According to statements made on Avanci's website, Avanci is willing to license only automakers of 5G connected vehicles but not, for example, manufacturers of the components actually implementing the 5G technology. What is the reason for refusing to license those immediate implementers of 5G technology on FRAND terms?


We hope that Avanci will respond to these questions to promote transparency as to Avanci's stated goal to offer SEPs on FRAND terms, and, accordingly, look forward to your responses.

Sincerely yours,

The Alliance for Automotive Innovation

The Japan Automobile Manufacturers Association

By:   
 Name: John Bozzella  
 Title: President & CEO  
 Date: July 9, 2024

By:   
 Name: Akira Matsunaga  
 Title: Vice Chairman, President  
 Date: July 3, 2024

European Automobile Manufacturers' Association

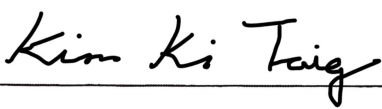
German Association of the Automotive Industry


By:   
 Name: Sigrid de Vries  
 Title: Director General  
 Date: 1 July, 2024

By:   
 Name: Jürgen Mindel  
 Title: Managing Director  
 Date: 28 June, 2024

Korea Automobile & Mobility Association

Plateforme de la Filière Automobile

By:   
 Name: Ki Taig Kim  
 Title: Vice President  
 Date: July 3, 2024

By:   
 Name: Marc Mortureux  
 Title: Director General  
 Date: June 25, 2024