

## Volkswagen Pumps the Breaks on Rising Research and Development Costs

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Volkswagen, still recoiling from their 2015 emission [scandal](#), faces yet another costly lawsuit. U.S. semiconductor supplier [Broadcom](#) recently filed a [claim](#) against Volkswagen for \$1 billion. Broadcom's lawsuit concerns Volkswagen's integration of various patents into its navigation and entertainment system. Toyota and Panasonic were also hit with patent infringement [lawsuits](#) from Broadcom earlier this year.

Patent issues are not new to the auto industry and have occurred since [George Seldon](#) sued Henry Ford in 1903. However, in an age where cars can speak and drive themselves, the [growing](#) number of IP lawsuits demanding royalties threatens to raise transaction costs and impede innovation.

We've seen it happen before. Enforcing exclusive IP rights in the biomedical sphere led to widespread [patent fragmentation](#). Research and development costs skyrocketed as companies were required to purchase countless licenses for basic yet requisite technology. Increased operating costs and subsequent litigation led to unaffordable products and substandard downstream research.

However, carmakers face a more significant challenge because outside industries invent the technologies they need. Thus, the [informal patent sharing system](#) that emerged in biomedical subgroups will not materialize to provide relief in the auto industry.

Nevertheless, Volkswagen attempted to address this issue. They retained talent and provided funds to make Audi, one of their brands, a leading development center. But their efforts were not enough. In the race to make energy efficient and develop autonomous vehicles, Volkswagen spent an unsustainable \$13.1 billion on research and development in 2017. Consequently, CEO [Herbert Diess](#) intends to develop a [10-year plan](#) to slash research costs by partnering with rival companies.

An increase in IP litigation, stringent environmental regulations, and consumer pressure require other car companies to follow suit. Further, the auto-industry's growing dependence on large-scale tech licensing necessitates industry collaboration. Without this [shift](#), carmakers will not be able to endure nor avoid the patent prosecution and subsequent settlements that historically inhibit affordable innovation.

