

Asia Manufacturing

Sony sued in China for patent infringement

Wilan's move could prevent Japanese group from selling LTE smartphones in country



Sony smartphones: exports from China threatened by patent litigation © Bloomberg

NOVEMBER 6, 2016 by: **Tom Mitchell** in Beijing

A Canadian company is suing [Sony \(http://markets.ft.com/data/equities/tearsheet/summary?s=jp:6758\)](http://markets.ft.com/data/equities/tearsheet/summary?s=jp:6758) in a Chinese court for alleged patent infringement, in a dispute that could establish the country as an important new venue for intellectual property cases.

According to court documents, a subsidiary of Ontario-based Wilan Inc filed the suit last week against Sony Mobile Communications in the eastern city of Nanjing.

If successful, Nasdaq-listed Wilan could secure an injunction against Sony that would prevent it from selling LTE-standard smartphones in the world's largest market for mobile communications products. [Sony \(https://www.ft.com/topics/organisations/Sony_Corp\)](https://www.ft.com/topics/organisations/Sony_Corp) could also be prevented from exporting LTE smartphones from China.

Sony's market share in China, the world's largest smartphone market, is negligible. But the country remains an important manufacturing base for the Japanese company, which earlier this year closed production facilities in Brazil.

Wilan is a “non-practising entity”, or NPE, that wound down its business operations but retains a number of wireless patents that it continues to derive income from. Such companies are more popularly known as “patent trolls”.

“It’s the first time a foreign NPE has sued a foreign tech company in China,” said Erick Robinson, a lawyer with Rouse who is advising Wilan. The suit was filed by a Wilan subsidiary, Delaware-based Wireless Futures Technologies following two years of unproductive talks, he said.

Sony’s president and CEO, [Kazuo Hirai \(http://next.ft.com/content/d888391e-738c-11e6-b60a-de4532d5ea35\)](http://next.ft.com/content/d888391e-738c-11e6-b60a-de4532d5ea35), has scaled back the Japanese group’s smartphone operations in a successful effort to stem the division’s losses.

Foreign smartphone brands have been struggling in China, where the four best-selling brands are local companies — Huawei, Oppo, Vivo and Xiaomi. According to IDC, [Apple \(http://markets.ft.com/data/equities/tearsheet/summary?s=us:AAPL\)](http://markets.ft.com/data/equities/tearsheet/summary?s=us:AAPL) ranked fifth in the first half of this year while [Samsung \(http://markets.ft.com/data/equities/tearsheet/summary?s=kr:A005930\)](http://markets.ft.com/data/equities/tearsheet/summary?s=kr:A005930)’s image has been tainted by the consumer safety scandal surrounding its [Galaxy Note 7 smartphones \(http://next.ft.com/content/35bee838-91f3-11e6-a72e-b428cb934b78\)](http://next.ft.com/content/35bee838-91f3-11e6-a72e-b428cb934b78).

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“Sony and Wilan have been talking for two years and they still can’t get a deal done,” Mr Robinson said, noting that his client had also recently filed a suit against Sony in Germany. Sony declined to comment on the case.

“I expect [Wilan] to get their injunction in Germany,” Mr Robinson added. “Not selling products in Germany is painful, but not as painful as not being able to sell in China. Banning exports from China also effectively cuts off [Sony LTE phone sales] everywhere.”

China’s ruling Communist party has been reluctant to loosen its [tight grip \(http://next.ft.com/content/f03c4348-7b86-11e4-a695-00144feabdc0\)](http://next.ft.com/content/f03c4348-7b86-11e4-a695-00144feabdc0) on the country’s courts, especially in politically sensitive cases. But the party has recently taken steps to streamline court procedures for cases involving intellectual property rights, as better IPR protection is essential to its larger effort to create a more innovative economy.

According to Mr Robinson, it takes an average of only about 10 months for patent litigants to secure an injunction in Nanjing courts.