

# Chinese tech giants fight over 4G phones

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In this photo taken Feb. 17, 2011, mobile Internet devices of Huawei Technologies Ltd., right, and ZTE Corp, left, are displayed for sale at a computer mall in Beijing. China's biggest technology companies, Huawei and ZTE, have launched a court battle in Europe over mobilephone patents in a rare public clash between firms Beijing is promoting as national champions. It is the first case of its kind between major Chinese companies, which usually settle disputes in private. (AP Photo/Andy Wong)

(AP) -- Two of China's biggest technology companies have launched a court battle in Europe over mobile phone patents in a rare public clash between firms Beijing is promoting as national champions.

The fight between [Huawei Technologies](#) Ltd. and ZTE Corp. highlights the challenge for communist leaders who need to manage Chinese corporate ambitions as they try to create global competitors in telecoms, energy and other fields. It is the first case of its kind between major Chinese companies, which usually settle disputes in private.

"We're going to see more of this in this industry and others," said David Wolf, a technology marketing consultant in Beijing. "The government will find, wow, we've got these national champions, but now they're trying to kill each other."

The dispute centers on fourth-generation mobile technology, which companies that are developing it say will deliver more stable connections, [wireless broadband](#) and other advances. It is in limited use in the United States and being tested elsewhere.

Control of key patents could help decide which equipment suppliers are positioned to reap billions of dollars in sales once it is rolled out in other markets.

Huawei and ZTE make network gear, the core of phone systems. They have multibillion-dollar annual sales in China, Africa and Latin America and see themselves as potential global 4G leaders. That fits with Communist Party hopes to transform China from a low-cost factory into a creator of profitable technology.

Huawei announced last week it filed patent infringement lawsuits against ZTE in France, Germany and Hungary. ZTE rejected the claims and said it has asked a French court and Chinese regulators to invalidate a Huawei patent.

Huawei and ZTE are among China's first wave of fledgling multinational companies. They compete with [Nokia-Siemens Networks](#), Ericsson and [Alcatel-Lucent](#) and have a small but growing U.S. and European presence.

Their dispute comes amid mounting complaints by foreign business groups about Beijing's industrial policy. They say China is improperly supporting favored companies by limiting market access and providing

low-cost loans and other support.

Huawei's lawsuits accuse ZTE of infringing patents for data cards and improperly using a Huawei-registered trademark on some of its products.

"We will do whatever is required to ensure that the use of Huawei's [intellectual property](#) by any company is based on internationally accepted protocols and practices," said Huawei's chief legal officer, Song Liuping, in a statement.

ZTE said its lawsuit accused Huawei of infringing its 4G patents. The company said it also has asked a French court and China's State Intellectual Property Office to invalidate Huawei's patents for a rotary USB connector used to exchange data between devices.

"ZTE respects the intellectual property rights of other companies, but it will not stop protecting its own intellectual property rights," said a company statement.

Huawei, founded in 1987 by a former Chinese military engineer, has 110,000 employees and reported 2010 revenues of 182 billion yuan (\$28 billion). ZTE, founded in 1985, has 70,000 workers and reported 2010 revenues of 70 billion yuan (\$10.8 billion).

Their status as industry leaders gives both high-level political influence. But Chinese leaders want both to succeed - a possible reason for a stalemate and the decision to go to court.

An impartial ruling by a European court also might add to the winner's appeal for potential customers by reinforcing its status as a technology creator, rather than a Chinese policy tool.

"They are making an interesting statement by filing those lawsuits not in Chinese courts but overseas, because Chinese courts are perceived to be very political, and they want this matter obviously adjudicated on the legal merits," said Wolf, CEO of Wolf Group Asia.

Huawei and ZTE are unusual among major Chinese companies because they compete directly with each other, offering similar products in the same markets.

Authorities who want China's potential global companies to focus their competitive energies on foreign rivals have tried to head off clashes in other industries by assigning different markets or products to individual enterprises.

In aerospace, a plan to create a homegrown jetliner to compete with Boeing Co. and Airbus Industrie was assigned to one state-owned company while a potential rival was told to develop a smaller regional jet instead.

Huawei has suffered setbacks as it tries to expand in the United States. It was forced in February to unwind its acquisition of 3Leaf Systems, a maker of cloud computing technology, after it failed to win approval from a U.S. security panel.

In a separate case, Huawei won a court order that temporarily blocked the sale of Motorola Solutions Inc.'s network business to rival Nokia-Siemens Networks. Huawei said the deal might reveal business secrets because Motorola sold Huawei equipment. Motorola settled with Huawei for an undisclosed fee.

Also this month, Ericsson said it has filed lawsuits against ZTE in Britain, Germany and Italy accusing the company of infringing patents for handset and network technology. The Swedish company asked the

courts to block ZTE from selling mobile phones that contain the disputed technology and some network products.

**More information:**

Huawei Technologies Ltd: <http://www.huawei.com>

ZTE Corp.: <http://www.zte.com.cn>

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