

Qualcomm signs patent license with Xiaomi

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Qualcomm has inked a technology licensing deal with smartphone maker Xiaomi - a major Chinese firm that previously balked at paying royalties for use of the San Diego company's patents.

The deal announced Wednesday means that four of the top five Chinese handset makers have now agreed to license Qualcomm's patents, according to analysts.

The news sent Qualcomm's shares up 5.5 percent to \$52.10 in late day trading Wednesday on the Nasdaq exchange.

Patent licensing produces the bulk of Qualcomm's \$5.3 billion annual profit, while wireless chip sales account for most of its \$25.3 billion in revenue.

Last month, Qualcomm revealed that it was having trouble collecting patent royalties from some Chinese [phone makers](#), even after a February settlement with that country's anti-monopoly regulator - the National Development and Reform Commission, or NDRC.

The struggles led Qualcomm to forecast softer licensing growth next year than Wall Street analysts expected. The company's shares dropped 9 percent on the news.

Since then, Qualcomm has signed licenses with a handful of holdouts, including LTE, TCL and now Xiaomi. Huawei reached an agreement earlier.

Lenovo remains unsigned, according to Stacy Rasgon, an analyst with Bernstein Research, in a research note.

The question now, said Rasgon, is whether Xiaomi makes catch-up payments and what patent licensing royalty rates will be for Chinese phone makers.

"Overall, our view of the China controversy at this point is not necessarily 'Will China pay?' but rather

'How much will China pay?'" said Rasgon.

Qualcomm didn't provide details but said Xiaomi's royalties are consistent with the terms of the NDRC settlement. The license covers 3G and 4G LTE devices.

China has long been an important market for Qualcomm, with about half of its revenue coming from that country. The company paid a \$975 million fine as part of the NDRC settlement. It also agreed to offer Chinese phone makers a discount on royalty rates for phones sold in China only. Smartphones sold internationally by Chinese phone makers are subject to Qualcomm's standard royalty rates.

"Qualcomm is committed to the success of its partners in China as they continue to grow their businesses and we are pleased to reach this new agreement with Xiaomi," said Qualcomm President Derek Aberle in a statement.

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