XIAOMI’S
GLOBAL EXPANSION PLAN

A PATENT LANDSCAPE STUDY
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XIAOMI’S GLOBAL EXPANSION PLAN IS STEERED BY PATENTS

If we start to dig market for affordable and powerful Smartphones, Xiaomi is the first name that comes to the mind. The 4th largest Smartphone maker sold over 60 million Smartphones in 2014 and has been surprising the smartphone industry with its innovative yet cheap products for the past few years.

In China, the domestic media refer to Xiaomi as the ‘Apple of China’ which helped its CEO Lei Jun earn the moniker of ‘Steve Jobs of China’. In the western world, however, Xiaomi is regarded as a blatant cribber that copies iPhone’s designs and applies them to cheap smartphones.
THE GLOBAL EXPANSION PLANS OF XIAOMI

In 2014, Xiaomi took the smartphone world by storm by introducing flash online sales and sleek marketing strategy. In India alone, Xiaomi claimed to have sold 1 million smartphones by partnering with Indian e-commerce giant Flipkart.

WE ARE 3RD LARGEST IN THE WORLD
TO INFINITY & BEYOND!

Image shared by Xiaomi’s G+ account on 24 Oct, 2014

Recently released sales figures of Xiaomi claimed selling 70 million smartphones in 2015. Though it was 9 million up than 2014 however, Xiaomi fell short by 10 million from its target.
The table for Xiaomi started turning in the second quarter of 2015 when Huawei toppled it as a top smartphone vendor of the Chinese market. Soon after the reports by Canalys surfaced, Xiaomi’s co-founder Bin Li went vocal about its global expansion plan encompassing the US as well.

However, the company’s plan to expand itself outside the Asian region had already begun before Huawei made it to chase the #1 spot. Xiaomi launched itself in Brazil on 1st of July, last year. From Brazil, it later expanded to Africa and then entered the US and European markets to sell smartphone accessories and activity trackers.

**XIAOMI AND THE NIGHTMARE OF PATENT LAWSUITS**

In India, Xiaomi faced its first setback when the Delhi High Court issued a temporary order and blocked Xiaomi and its distributor, Flipkart, from importing, marketing and selling smartphones that were infringing Ericsson’s eight patents. Similarly, in the USA, it received a not-so-warm welcome with a patent lawsuit by Blue Spike over its upcoming devices MI 5 and MI 5 plus.
Though Xiaomi yearns for global expansion, it lacks a strong patent portfolio. And to top it all, most of its products resemble other existing products; for example, critics like Damien of Knowyourmobile refers to Mi4 as massive iPhone5s.

These all factors in unison made it imperative for Xiaomi to boost its patent portfolio by acquiring third party patents – which was long anticipated. Broadcom, a semiconductor company based out of the US, recently transferred 19 patents to Xiaomi, pinpoints an assignment of the USPTO.

Having said that, we accessed the patent portfolio of Xiaomi, which has been filing patents since 2009, to see what the Chinese Apple is up to in term of innovation.

**HOW XIAOMI’S PATENT PORTFOLIO LOOKS LIKE?**

We extracted entire patent portfolio of Xiaomi that has 3868 patents (one patent per family) from Orbit database and plotted the number of patents filed against the filing year. The chart below represents the emerged patent filing trend of Xiaomi.

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**Download Also:**

Top 50 Most Innovative Companies of 4G LTE Technology
A brief patent landscape study focusing on innovation taking place in 4G LTE technology and companies behind that. The study also reveals the top NPEs working in the same domain.
The emerged filing trend took us by surprise as the company had increased its patent filing by almost 1300% since its inception. We went ahead with our investigation which further revealed surprising insights. All of which we are sharing today in this report.

Though Xiaomi’s patent portfolio has patents from 2003, but, it filed its first patent in 2010. Thus, all of the 38 patents appearing in its portfolio before 2010 were result of patent acquisitions and were of Chinese origin. We got curious and decided to dig deep to see the origin of these patent. Our analysis revealed that out of these 38 patents, Datang Communication, a subsidiary of Leadcore Technology, is the original owner of the 30 patents.
Let’s zoom in to have a more closer view of Xiaomi’s patent portfolio. The chart below highlights Xiaomi’s patent filing in recent years.

Xiaomi
Filling Trend

Xiaomi filed its first two patents on 27th Dec, 2010. The third patent of 2010 is of China Academy of Telecommunication Technology. In 2011, Xiaomi added 49 patents in its portfolio. Out of these 49, 10 patents are of Broadcom Corp (more details in a later section) and the rest are filed by Xiaomi itself. Broadcom Corp, thus, was the second entity Xiaomi has bought patents from.
With 272 patents, Xiaomi’s patent filing almost skyrocketed in 2012. Out of these 272, 5 patents are the result of their patent acquisition deals. Three out of these five are of Broadcom Corp. And the rest of the patents are filed by Xiaomi in China.

In 2013, Xiaomi’s patent filing kept a rising trend. The Millet Company filed 685 patents that year. In 2014, Xiaomi beefed up its patent arsenal by adding 1412 patents, 111 out of which were a result of various patent acquisition deals. Out of 111 acquired patents, 94 are of Foshan Gales and Electrical Appliance Technology Co. Ltd, a company that manufactures high-tech home gadgets (more details below in the acquisition section).

“We’re building our own portfolio of patents for defensive purposes, because you kind of have to have that. Think of it as a war chest of sorts. We’ve filed over 2,000 patents, which is actually a lot, and we’re acquiring patents”, Hugo Bara in one of his interviews with Bloomberg.

In 2015, Xiaomi further added 1409 patents into its portfolio, out of which 1363 are filed by Xiaomi while the rest 46 patents are the result of patent acquisition deals with 7 different companies. The breakdown of those 46 patents is in the table below:

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The State of Innovation in Australia
Traditionally, the Australian economy has been highly dependent on mining operations and farming. Although a consistent innovation is happening in the mining sector, the other sectors are being hugely neglected.
Please note that for the year 2014 and 2015, most of the Xiaomi’s patents (filed and acquired) have not been published yet. A screenshot of the presentation released by Hugo Barra on Facebook points filing 2045 and 3738 patents in the years 2014 and 2015. Comparing it with available data, we can see that 600+ patents of 2014 and 2300+ of 2015 haven’t been published yet.

<table>
<thead>
<tr>
<th>Companies</th>
<th>No. of Patent</th>
<th>Type of Company</th>
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<tr>
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<td>Drone Company</td>
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<td>Foshan Gales Electrical Appliance Technology</td>
<td>11</td>
<td>Household Electrical Appliances</td>
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<td>E-commerce</td>
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<td>Household Electrical Appliances</td>
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<tr>
<td>Anhui Huami Information Technology</td>
<td>1</td>
<td>Wearable and Smart Devices</td>
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<td>Qiji Technology</td>
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<td>Software platform for Medicine Patient visit</td>
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GEOPGRAPHICAL DISTRIBUTION OF XIAOMI’S PATENT PORTFOLIO

The chart below represents the geographical distribution of Xiaomi’s patent portfolio. These are the countries where Xiaomi has patent protection.

Xiaomi
Top Geographies

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Patents</th>
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<tr>
<td>China</td>
<td>3,795</td>
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<tr>
<td>USA</td>
<td>222</td>
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<tr>
<td>South Korea</td>
<td>144</td>
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<td>Europe</td>
<td>142</td>
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<tr>
<td>Mexico</td>
<td>56</td>
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<td>Japan</td>
<td>51</td>
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</table>
Xiaomi has 3769 patents in China. After China, the USA is at the second place where Xiaomi has 222 patents in its portfolio. This is an indication of Xiaomi’s efforts to penetrate the US market.

“Of course, we intend to gain space in those major markets, U.S. and Europe, but we’ll only try it when we feel stronger and more mature.” - Hugo Barra

South Korea, where consumers have an appetite for the high end smartphone at cheaper prices, is vital for Xiaomi’s sales expansion outside the home country. The company has filed 144 patents there. Xiaomi launched its first smartphone in South Korean market on January 4. And on January 6 it pulled its smartphones from Korean Market due to some legal matters, reads a report by Korean Times. Thus, to meet its ambitious goals in Korea, Xiaomi has to bolster its patent portfolio.

Europe with 142 patents is the fourth geography where Xiaomi has filed maximum of its patents, followed by Mexico at fifth spot with 56 patents. Japan with 51 patents sits at the sixth spot.

The table below represents the year wise distribution of Xiaomi’s patent portfolio in different geographies.

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A patent landscape study shedding light on how Li-Fi, from just a concept, is becoming a household thing. We also uncovered the entities that were researching in this technology much before its public disclosure in 2011.
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**ACQUISITION - THE WAY TO BEEF UP THE PATENT DEFICIT**

Xiaomi has a dream of global presence which means entering into multiple markets. But one thing is sure; every country will be welcoming Xiaomi with warm patent infringement suits. Ericson in India and Blue Spike in the US have already done that.

So should Xiaomi be worried? Yes of course, if it doesn’t have patent assets at its disposal, then it may get drenched in rain of lawsuits, especially in the Northern America and Europe.

So what should Xiaomi be doing? It should be doing patent acquisitions and walking on the same road once walked over by many tech giants like Google and Facebook. Simply put, it should have an IP strategy in place which it didn’t have when it entered in the Indian market.
Having said that, let’s see the list of acquisitions that Xiaomi did to beef up its patent arsenal:

1. TECHNOLOGY TRANSFER AGREEMENT WITH LEADCORE TECHNOLOGIES

As Qualcomm was facing some inevitable complications in China, the technology transfer was a major negotiation to the situation for Xiaomi. This led Xiaomi to Leadcore technologies, a subsidiary of Datang Telecom and a renowned smartphone chip manufacturer in China.

In Nov 2014, Leadcore technologies entered into a $US16.8 million deal with Beijing Sunggao Electronics, which according to TechWeb is a company controlled by Xiaomi. The purpose behind the deal was the acquisition of Leadcore’s core technology patents, reads a report by QQ.

The extracted patent portfolio of Xiaomi revealed an acquisition of 30 patents. These patents cover 4G and other chip related technologies.
2. NINEBOT ACQUISITION OF SEAGWAY

In Apr 2015, Ninebot Inc., which claims itself as the first smart short transportation equipment operator in China, acquired Segway. As per a report by Bloomberg, the purchase also added 400 patents of Segway into portfolio of Ninebot, parts of which are owned by Xiaomi.

In Oct 2015, Ninebot launched its first self-balancing scooter with which Xiaomi embark to the field of transportation gadgets.

3. PATENT ASSIGNMENT WITH BROADCOM CORPORATION

In October last year, Broadcom Corporation assigned 19 patents to Xiaomi. The patents covered in the deal were majorly of wireless communication domain. Oblon was the law firm involved in this assignment. You can access the assignment details from here.

4. PATENT LICENSING DEAL WITH QUALCOMM

Qualcomm, last month, announced signing a patent licensing agreement with Xiaomi under which the latter will be paying royalties for its 3G and 4G smartphones. The deal helped Xiaomi include one out of two types of patents – related to wireless communication – in its arsenal. The other type of patents Xiaomi seeking is of smartphone designs and features.
5. PATENT COLLABORATION WITH GUANGZHOU FEIMI ELECTRONIC TECHNOLOGY

In 2014, an Investment subsidiary of Xiaomi, Tianjin Jinxing Investment, invested 4 million Yuan in Guangzhou Femini Electronic Technology which later filed 27 patents in collaboration with Xiaomi.

These patents also appeared in our extracted sets. From further analysis, we found the patent set disclosing technologies related to aircraft shock absorbers, remote control, design structures and the like.

This patent collaboration adds weight to the company’s announcement of launching its own drone in 2016.

6. PATENT ASSIGNMENT DEAL WITH FOSHAN GALES ELECTRICAL APPLIANCE TECHNOLOGY CO., LTD.

Xiaomi already has a strong presence in providing smart home products, like air & water purifiers, smart webcams and routers. In order to expand its intellectual property in this domain, Xiaomi has bought 104 patents from Foshan Gales Electrical Appliances. The company is a major manufacturer of home products like Juicers, water dispensers, etc.

Now, as Xiaomi expands globally, it would be interesting to see if it can acquire other companies to fuel its expansion:
WHICH COMPANIES XIAOMI COULD ACQUIRE IN THE FUTURE?

1. BlackBerry
Reports surfaced last year, claiming Xiaomi intend buying BlackBerry for beefing up its patent portfolio. The aim again is to improve its global presence; especially in the US and Europe. Even Microsoft is eyeing [Blackberry for the acquisition](#).

2. HTC
Since 2011, quarter after quarter, HTC has struggled to maintain its sales growth. In Aug 2015, HTC’s stock plunged further by 60% which made analysts to propound the brand as useless for investors.

The company is almost on the verge of exiting the smartphone market and could be in to-acquire list of Xiaomi. [Asus](#) also has an eye on HTC.
IS XIAOMI A THREAT FOR APPLE? SHOULD APPLE BUY IT OR CRUSH IT?

Both of the questions are contentious; however, once Xiaomi goes global, it can – which it already is – be acquirer or can get acquired. Hence, a lot of dynamics are possible. Let’s discuss the first question: is Xiaomi a threat for Apple? The answer is a yes as well as a no.

Why a Threat to Apple?
First, like Apple, Xiaomi has a huge fan following, not only in China, but in India also which was evident from their conferences there. Second, Apple aspires to make China as its largest market where Xiaomi is overwhelming.

Why Apple Should Acquire Xiaomi?
Given the large fan base and market share, acquisition of Xiaomi will help Apple to penetrate into the market captured by Xiaomi. Other than that, Apple may have another arm of low cost devices. As the recent quarterly results show, Apple is already facing a slow down. It needs to gain more market and to get more market, it needs to acquire more companies. Though Apple has never done it in past but with the change in management, it may go in this direction.
Why Xiaomi isn’t a Threat to Apple?

One reason that eliminates all speculations of Xiaomi being a threat is Apple’s goal itself. Apple goals neither include – for any reason – selling low cost smartphones targeting a marketing segment that could afford them. Apple is a premium brand with higher margins per device.

Thus, even if Xiaomi’s global expansion strategy bears fruit, in the smartphone segment, it may never become a threat to Apple and hence, Apple may never acquire Xiaomi.

Xiaomi vs Samsung

Though Xiaomi will not be a threat to Apple, however, there are fair chances of it destroying market of Apple’s best friend from lawsuits classes, Samsung. Given the same class of users and a price half of a Samsung’s flagship smartphone with similar specs; Xiaomi is all set to keep hurting Samsung profits in the future.
CONCLUSION

After facing tough competition from Huawei and Lenovo and falling sales, Xiaomi realized that it can’t do without expanding itself globally; especially without large markets of the US and Europe.

However, expansion in the US market will open floodgates of infringement lawsuits for this fast growing startup. And to make the situation even worse, Xiaomi has only 222 patents filed in the US. This left only one way for Xiaomi – to sign patent licensing deals – if it’s seriously considering to play in the US market in particular, and globally, in general.

Though Xiaomi has already kick-started the patent acquisition and purchasing campaign, however, the game has just begun and it has a long way to go.

What do you think, will Xiaomi be able to go to infinity and beyond or will it be facing a hard time to even enter into the Korean market?
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