

Avanci Takes Aim at the Tech Giants

A photograph of a modern building with a curved, glass-and-steel facade, showing multiple floors and windows, set against a clear blue sky.

3 MIN READ

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Last week, Avanci announced a licensing program for video codecs. Avanci, of course, is a big name in the development of patent licenses. It should therefore be no surprise that it has created a new offering for video technology, which has recently gained traction as a key technology for potential licensing and litigation efforts. However, Avanci's targeted licensees *are* somewhat surprising. Instead of focusing on end-device developers as it has done in the past, Avanci is now taking aim at the world's largest tech companies.

For context, Avanci is not a patent owner, but rather an administrator of patent pools. Its focus has been developing licenses for standard essential patents (SEPs) and securing licensees within particular vertical markets. For example, Avanci's most successful licensing program to date is its 4G cellular standards license in the automotive market. By some accounts, Avanci has now secured licenses for over 80% of that market. That is, for nearly every 4G connected car sold, Avanci now makes \$20 for its licensors.

To get there, Avanci approached the automakers for a license, rather than the manufacturers of chips (that implement 4G communication standards) or developers of tier 1 components (that directly incorporate the 4G chips). Indeed, Avanci sought and obtained licenses from companies like Toyota, Ford, and Mercedes. This has been a common licensing approach in certain industries, but has long been controversial. Some argue that the licensing value of SEPs should not be based on the sales of end-products, but rather the "smallest salable

patent-practicing unit,” citing the Federal Circuit in *LaserDynamics, Inc. v. Quanta Computer*. In fact, even the Department of Justice, who previously concluded that Avanci’s licensing pool was unlikely to harm competition, included a caveat about end-device licensing. It stated that it “makes no assessment of whether end-device licensing...is the correct approach in licensing...” Still, that is the approach Avanci took to successfully capture the majority of the automotive market.

Now, moving to video, Avanci does an about-face. Rather than end-devices, its new video licensing program is aimed at “internet video streaming” services, including “subscription-based entertainment services, ad-based video sharing sites, social media and video messaging platforms, and video conferencing providers.” By that definition, Avanci appears to be no longer targeting end-device developers that might haplessly find themselves at the center of an unfamiliar world of SEPs. Instead, it is focused on companies truly at the heart of that world. It is taking on the tech giants.

Specifically, one of the video codecs that Avanci intends to license is AV1, which is developed by the Alliance for Open Media (AOMedia). At the time of this writing, the AOMedia website lists twelve founding members, nearly all of which are household names in the technology industry. As the chart below highlights, these are the same companies that own many of the world’s most popular video platforms. These are among Avanci’s target licensees.

Avanci doubtlessly did not make this decision lightly. Backlash is inevitable. AOMedia has been steadfast in its position that AV1 can only be licensed on royalty-free terms. They claim to have carefully developed that standard to avoid entanglement with patents owned by non-members. AOMedia is certain to take issue with Avanci's ownership claim to this technology. Here begins the clash with the giants.



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