

SEP Licensors and Licensees Become Increasingly Fragmented

A photograph of a modern building's curved glass facade, showing multiple floors and windows, set against a light blue sky.

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By: Brian P. Johnson

In a report by IPlytics, published today, they have confirmed what most in the business already presumed: that ownership of 5G standard essential patents (SEPs) is becoming increasingly fragmented. That means, as each patent holder seeks to collect royalties on its portion of the total 5G “pie,” its slice is going to be cut thinner and thinner. Also, on the other end of the negotiation table, the group of companies likely to be targeted as licensees too is increasing. Large well-known implementers of cellular standards, like Apple, are already licensed to many of the major SEP-holders. Licensors instead are forced to look toward new markets, like security, smart devices, and healthcare, in an effort to expand their revenue base.

Taken together, this likely means that the stakes will continue to get lower and lower for each individual license negotiated. Companies with increasingly smaller portions of the 5G pie will need to seek licenses from smaller businesses that sell fewer products that implement standards. The transaction cost for these negotiations - e.g., litigation or extended back and forth - will therefore become more impactful.

It will be interesting to see what comes next. Many SEP-holders have shifted focus away from the cellular space in an effort to find greener licensing pastures in other standards technologies. Others maintain focus in cellular, but are seeking to capture more licensees in IoT markets, often through the use of patent pools. Either way, the future of SEP licensing

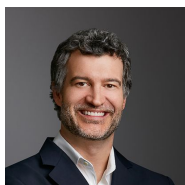
increasingly appears to have hit a turning point where the playbook of the 2010s no longer apply.

As of July 2023, the number of declared 5G patent families has grown to over 60,000 with about 30,000 patent families granted in Europe or the U.S., increasing at a rate of about 5,000 patent families annually. During the same time span, the number of 5G patent owners has increased from 32 in 2015 to 131 unique owners. While the top 10 owners control about 76% of all 5G declared patent families, the trend shows that 5G ownership is increasingly fragmented.

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