

TECH PATENT ARMS RACE ESCALATES



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Recent events in the world of high technology titans demonstrate that a patent arms race is reaching fever pitch, with companies amassing patent portfolios for offensive and defensive purposes. And the prices being paid for patents and intellectual property technology have reached staggering figures. Patents are increasingly viewed as strategic financial weapons and resources, not merely legal assets.

Tech companies, with war chests overflowing with cash, have turned their backs on traditional acquisition formulas which focus upon rules such as multiples of sales and profitability. Here is an examination of recent acquisitions and developments which follow Google's \$12.5 billion acquisition of Motorola Mobility Holdings and its huge, 17,000-strong, patent portfolio in 2011.

Microsoft/AOL/Facebook

On April 9, 2012, Microsoft agreed to pay nearly \$1.1 billion to purchase and license some 1,100 AOL patents relating to Internet functions. Two weeks later, Microsoft sold many of these patents to Facebook for \$550 million, thereby keeping them out of the hands of rivals such as Google.

As reported in the April 10, 2012, edition of *The Wall Street Journal* (WSJ), the patents acquired and licensed by Microsoft cover online advertising functions as well as email, web-searching rankings, web browsers, instant messaging and video conferencing. A number of these AOL patents include formerly acquired assets of Netscape. The use of these and other acquired patents to generate significant licensing revenue will add to Microsoft's coffers.

Based upon statements by Microsoft general counsel Brad Smith, it is not expected that Microsoft will immediately use the AOL patent portfolio to commence new rounds of litigation. The WSJ observes that Microsoft will bring patent litigation against those who refuse to accept software licence arrangements, as it did against Barnes & Noble's sales of its Android-powered Nook electronic reader. The company has teamed with Nokia in releasing an AT&T Windows-based version of the Nokia Lumia 900. This places it in direct competition with Apple, HTC, LG and Samsung.

Facebook/Instagram/IBM

On April 9, 2012, Facebook signed a \$1 billion cash/stock deal to acquire Instagram, the company marketing the popular photo-sharing app of the same name. The target of patent litigation by Yahoo, Facebook only recently acquired patents from IBM, which it has used to bring counterclaims against Yahoo. No longer facing Instagram as a competitor, Facebook will now build Instagram IP-protected features into its products.

6,000 patent Nortel sale

The WSJ reports that Nortel Networks has sold a portfolio of 6,000 patents for \$4.5 billion to a consortium of companies including Apple, RIM, EMC, Ericsson,

Sony and Microsoft, reflecting an average purchase price of \$750,000 per patent. Intel and Google both unsuccessfully competed with the consortium to purchase this Nortel patent collection.

Google Android patent win

In a win for open source software, Oracle lost its patent infringement claims against Google on May 31 when a unanimous San Francisco jury found that Android does not infringe two Oracle patents. Judge Alsup has since also ruled that Android does not infringe Oracle's Java copyrights.

Microsoft ITC win against Motorola

The US International Trade Commission (ITC) on May 18 ruled that Motorola's Android-based mobile devices infringe a Microsoft smartphone US patent No. 6,370,566, and called for an import ban on the infringing devices.

Nvidia/Intellectual Ventures/IPWireless

Nvidia has teamed with Intellectual Ventures (IV) to purchase and divide 500 wireless patents from IPWireless. These patents cover LTE, LTE-Advanced, 3G and 4G wireless technologies. IV brought patent suits against Motorola Mobility in October 2011, and against AT&T, Sprint and T-Mobile in February 2012.

Kodak ITC patent loss

On May 21 an ITC judge ruled that Kodak's patent covering previewing images on digital cameras was invalid, giving a victory to Apple and Research In Motion. Kodak, in Chapter 11 bankruptcy, will appeal.

Microsoft wins Walker Digital appeal

The Federal Circuit on May 24 upheld Microsoft's win in an Internet search patent case brought by Walker Digital LLC.

FTC standard-essential patent position

The US Federal Trade Commission (FTC) in a June 6 filing told the ITC that an import ban on Apple iPhones over standard-essential patents could be damaging to competition.

The soaring value of patents is a boon to patent practitioners, who must refocus their attention on the use of patents for generating significant ongoing revenues as well as for defensive purposes. The patent attorney who fails to counsel his/her client regarding licence opportunities deprives the client of significant potential returns on investment.

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