

AOL To Sell More Than \$1B In Patents To Microsoft

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NEW YORK (AP) — Faltering Internet icon AOL was able to squeeze out more than \$1 billion from Microsoft for a trove of some 800 patents in an auction, the latest sign of just how valuable such portfolios can be for the world's biggest technology companies.

"There is a fight for market share occurring on multiple fronts — technology, patents, advertising," said Colin Gillis, an analyst with BGC Financial who covers Microsoft. "Microsoft, more so than others out there, has been (using) its patent portfolio as a way to generate license fees. This should strengthen that."

Microsoft refused to say what the patents cover. Benchmark analyst Clayton Moran said they revolve around Internet technology, including advertising, search and mapping. This would help Microsoft go up against Google Inc., a big rival that is ahead of it in all three areas.

Patents have become a hot commodity in the high-tech industry in recent years. They're useful both for attack — for suing competitors — and for defense — for warding off lawsuits with threats of countersuits.

Rising star Facebook, for instance, recently purchased 750 patents from IBM Corp., a move that likely helped the company defend itself after Yahoo Inc. accused it of violating 10 Yahoo patents. Facebook shot back with its own lawsuit, claiming Yahoo is violating 10 Facebook patents.

Software patents can have broad applications, and thousands of patents can apply to a complicated product like a cellphone. Google is buying phone maker Motorola Mobility Holdings Inc. for \$12.5 billion, in large part, to get hold of its patents.

AOL's shares surged to their highest level in more than a year following the announcement. The company agreed to sell 800 of its patents and license others to Microsoft for about \$1.06 billion in cash. The New York-based Web site developer and Internet access company said it plans to return some of the sale proceeds to its shareholders. After the sale, AOL said it should have about \$15 per share of cash on hand.

Its stock rose \$7.83, or 43 percent, to \$26.25 in midday trading, adding more than \$750 million to its market capitalization. Microsoft shares slipped 20 cents, to \$31.32 amid a broader market decline.

AOL's move signals that it's listening to stockholders who are asking for more return on their investment. In February, one of AOL's largest shareholders, an investment

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firm, said it will nominate candidates for the company's board because it wasn't doing enough to make money from its patents. AOL said at the time that it had already begun to look at ways to unlock patent value.

After the sale, AOL said it will still hold more than 300 patents and applications covering a variety of technologies, including advertising, search, content generation, social networking, mapping, multimedia, and security among others.

As part of the deal, AOL also received a license to use the patents it sold to Redmond, Wash.-based Microsoft Corp.

"The combined sale and licensing arrangement unlocks current dollar value for our shareholders and enables AOL to continue to aggressively execute on our strategy to create long-term shareholder value," AOL Chairman and CEO Tim Armstrong said in a statement.

AOL said it will determine the best way to distribute a "significant portion" of the sale proceeds to shareholders before the sale closes, which is expected to happen by the end of this year.

AOL Inc. owns news sites like Huffington Post, Engadget and Techcrunch, but still makes much of its money by providing dial-up Internet access.

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