

Patents a big prize in Google-Motorola deal

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When Google CEO Larry Page waxed enthusiastically about the company's surprise \$12.5-billion US deal to buy cellphone maker Motorola Mobility, he said it would "supercharge the entire Android ecosystem."

The deal announced Monday will see Google acquire an independent, publicly traded company that produces, among other devices, the Droid family of smartphones. The deal also includes a patent portfolio, something some analysts see as a big prize in the deal as Google tries to bolster its patent holdings.

"Here's a company [Motorola] that grew up for all those years doing nothing but technology and so the patent portfolio that they developed is so extensive," says Ed Snyder, managing director of Charter Equity Research.

Motorola Mobility's business

Motorola Mobility includes two businesses: one for mobile devices such as smartphones and tablets, and one for digital set-top boxes and other video services.

According to Motorola Mobility, the mobile devices division launched 23 smartphones globally last year. In January 2011, it had more than 20,000 employees, and 24,500 patents granted or pending.

The company's latest filing of financial information with the U.S. Securities and Exchange Commission shows net revenues for the second quarter of 2011 at \$3.3 billion.

A spokesperson for Motorola did not respond to a request for information about Monday's deal.

In a news release, Motorola Mobility CEO Sanjay Jha said: "This transaction offers significant value for Motorola Mobility's stockholders and provides compelling new opportunities for our employees, customers and partners around the world. We have shared a productive partnership with Google to advance the Android platform, and now through this combination we will be able to do even more to innovate and deliver outstanding mobility solutions across our mobile devices and home businesses."

"Google recognized the value of those patents and that's the reason they went after them. I think the big win for Google is that they not only have what could be construed as an offensive patent portfolio but a defensive one, too."

Indeed, the deal could serve to propel the already ubiquitous company into a new stratosphere of the telecommunication business, upping the ante in its war with Apple.

Duncan Stewart, director of technology research for Deloitte Canada, said Apple and Research in Motion are the only companies that oversee smartphone manufacturing along with the development of their operating systems.

"Now, it would seem Google is at least looking as if they might get into the handset manufacturing business in a big way."

While analysts stress these are early days, a general consensus exists that the acquisition will give Google a better stronghold in the smartphone industry, equity from which is expanding at an exponential rate.

However, there is concern that Google could alienate its partners, companies like HTC, Samsung or LG, which build their smartphones with Google's Android operating system.

Page said Google will run Motorola as a separate business, but the California-based multinational corporation known first for its search engine was saying little else about the future of the Motorola name and brand. Queries about that were directed to Page's [blog post](#) on the deal, which is light on detail.

"This is the delicate part," said Snyder. "Android is Google's future; they can't risk alienating all those handset companies that are building Android [phones] right now. If it comes to pass that the hardware part of this deal is starting to cause problems for Android, I have no doubt that the hardware part will be shut down."

"They want to be successful in hardware but not too successful."

Kevin Restivo, a senior analyst at IDC, shares a similar sentiment.

"[Google] can only take the Motorola experiment so far, it's not going to want to upset top-tier partners like Samsung or LG," he said.

However, Restivo was quick to point out that Google does hold the "balance of power" in its relationships with its manufacturing partners.

"Overnight, those companies, who weren't even bit players in the market, have been able to turn their smartphone battleships around. So even if they are disgruntled because of this acquisition, they certainly won't be able to turn their backs on Google."

A company steeped in history

Motorola's roots in the communications business run deep. The name dates to 1930, when Galvin Manufacturing Corporation founder Paul Galvin went looking for a trademark for the company's latest product: a car radio. According to the company website, he combined "motor," signifying motion, with "ola," to represent sound. In 1947, the company's name was officially changed to Motorola.

Motorola Mobility launched as an independent company on Jan. 4, 2011, when a previously announced spinoff from Motorola, Inc. came into effect.

Restivo said Motorola's strong pedigree worldwide combined with Google's money and innovation could potentially be major trouble for Waterloo, Ont.-based RIM.

"Motorola Mobility has been quite weak recently in western Europe where RIM is quite successful," he said. "A reinvigorated Motorola might be able to use Google's deeper pockets to expand its sales and marketing efforts and drive more market share."

RIM's fortunes, though, are far from directly tied to this acquisition, according to Stewart.

"Some people have said that this deal makes it more likely that RIM will get bought," he said. "Other people have said this is bad for RIM because it means that Android will be stronger. It could even be good for RIM because it validates the whole system of having handsets and an operating system work together. I don't think anyone knows for sure."

Google's mandate will remain

Snyder said it is not in Google's corporate culture for it to want to dedicate all its resources to manufacturing, something that could be positive for RIM and other smartphone companies.

"Google's never had aspirations to be a product company like Apple," he said. "They want to continue on their merry way of pushing Android into the world and getting everybody to use it as a standard. Microsoft and Apple most fear Google, in all regards. There's this much bigger war forming between the titans and this is just one battle in the war."

"By acquiring Motorola, Google has gone on the offensive but they won't let hardware imperil [what Android has built]."

Restivo said Google should not get caught up in a manufacturing windfall.

"Google does need to remember what has brought Android to this level a success: a healthy array of partners that have driven Android unit shipments."

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