

AOL SELLS 800 PATENTS TO MICROSOFT



It was announced recently that AOL sold close to 800 of its patents in an auction to Microsoft for more than \$1 billion. "There is a fight for market share occurring on multiple fronts -- technology, patents, advertising," said Colin Gillis. Gillis is an analyst for BGC Financial. "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 did not discuss what the patents are for nor did it say if that information would be released anytime soon. Clayton Moran, a benchmark analyst, said that the patents involve internet technology such as advertising, search and mapping. If the patents do involve these three areas, the purchase would enable Microsoft to challenge Google Inc., which is ahead of Microsoft in all three sections. The purchasing of patents in the technology world is nothing new right now. For example, Facebook recently bought 750 patents from IBM Corp. in an effort to defend itself after Yahoo accused Facebook of violating 10 of its patents. Facebook decided to retaliate by filing a lawsuit that claims Yahoo violated 10 of Facebook's patents. In another example, Google is buying Motorola Mobility Holdings Inc. for a price tag of \$12.5 billion in an effort to acquire its patents. After the announcement of the patent sale was made, the shares for AOL surged to their highest level in over a year. AOL sold 800 patents and licenses to others to Microsoft for \$1.06 billion. AOL, based in New York, said that it plans to return some of the sale money to its shareholders. The company said that once the sale is complete it would have close to \$15 per share of cash in its pockets. The company's stock rose \$7.83, good for a 43 percent increase, to \$26.25 during midday trading. This increase added over \$750 million to the company's market capitalization. The shares for Microsoft fell 20 cents to \$31.32 per share. Even though the sale includes 800 patents, the company said that it would still hold onto 300 patents and other applications. Those patents and applications include technologies such as content generation, multimedia, mapping, advertising and security. Included in the deal is the fact that AOL received a license to use the patents that it sold to Microsoft. "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.

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