

Sense of the markets: Nortel's patent portfolio

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Updated 04:31 PM, Feb-19-2010 ET

Will Nortel Networks Corp. live on as a patent-licensing entity? As the bankrupt telecom equipment company and its long-suffering creditors contemplate what to do with its portfolio of almost 4,000 patents - its only remaining assets after the selloff of its main businesses over the past year - that is one intriguing possibility.

The patents cover technologies ranging from wireless infrastructure to fiber networks to handsets. According to a Dow Jones report, they've been divided into eight lots. The most prized are the so-called long-term-evolution, or LTE, patents, for next-generation wireless handsets, which were the subject of much speculation over the summer as Nortel's businesses were sold off in a series of auctions that brought in nearly \$3 billion.

The patents are now thought to be worth around \$1 billion, which is a lot less than the \$2.9 billion figure previously bandied about for the LTE patents alone. The variance is a reminder of how subjective patent valuations are; what they're worth depends importantly on what you want to use them for. And it signals the complexities to be sorted through as Nortel creditors and advisers consider the mix of strategic buyers and so-called nonpracticing entities now eyeing the different lots.

BlackBerry maker Research In Motion Ltd. is presumably still interested in the LTE patents, having reportedly negotiated over them in July.

Wireless infrastructure patents might interest China's ZTE Corp., says IP strategist Lewis Zaretski of ThinkFire Services USA Ltd. But ultimately, Zaretski thinks, Nortel will pursue a hybrid strategy, selling some patents but keeping others to license them out.

Creditors might not like having to wait for their money. But, says Zaretski, they may not have much choice, since any attempt to divest all the IP at once would likely depress the value. "One would suspect that if Nortel wants to break it up and sell it off, it will have to do so over a period of time so as not to flood the market," he explains.

Let's see: creditors who want their money now, and a set of complex assets whose highest value can only be realized over time. There's been a certain amount of creative capital looking for ways to monetize intellectual property in recent years. Perhaps some of it will go to work here. -Peter Moreira