

# Nortel Networks' patent portfolio up for auction

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One of the more intriguing auctions scheduled later this month won't involve fine art or vintage sports cars or other expensive trinkets, but it is expected to attract some deep pockets.

The bankrupt [telecommunications company Nortel Networks](#) is selling a cache of patents that cover a wide range of technologies used in [wireless phones](#) and infrastructure, Internet search and [social networking](#).

"We think it's likely that the Nortel portfolio will sell for several billion dollars," said Raymond Zenkich, a partner at Red Chalk Group, a Chicago-based patent broker. "I don't think there's ever been a patent portfolio sold for this amount."

Google Inc., whose Android software is used in smartphones made by Motorola Mobility Holdings Inc., set the opening bid for the private auction at \$900 million.

The winner will take home a formidable patent portfolio that could be used to develop new products or services. The patents also could be used as a legal weapon in the highly litigious wireless industry. The U.S. Justice Department is reportedly concerned that a tech giant like [Google](#) or Apple Inc. could leverage the Nortel portfolio to stifle competition or extract huge licensing fees from rivals.

The sales process is being run by a boutique Chicago-based law firm, Global IP Law Group, in tandem with the Lazard investment bank. It's a

high-profile assignment for the 2-year-old law firm that specializes in intellectual property.

The Nortel auction highlights the growing importance of the marketplace for patents where values are set outside the courtroom by buyers and sellers. Several companies have sprung up just to buy patents. They generate revenue by licensing their technology or suing those who infringe on their patents.

Patents are much harder to value than traditional assets such as financial securities or real estate. After all, a patent is really just an exclusive right to develop an invention for a certain period of time.

It's no surprise then that a whole industry of brokers, lawyers and engineers has recently formed to help companies and inventors figure out what patents are worth.

David Berten was an associate at Kirkland & Ellis and a partner at Bartlit Beck Herman Palenchar & Scott and Competition Law Group before founding Global IP Law Group in March 2009. Intellectual property law firms generally focus on litigation first.

But Berten said he has found real value in exploring the sales side first. He started the firm with Steve Steger, who also is an intellectual property lawyer with a degree in electrical engineering. They have two partners, Graham Gerst and Ragnar Olson.

Their timing could not have been better. Nortel filed for Chapter 11 in early 2009 in Delaware, Canada and Europe. A few months later, the company said it would sell its businesses, including its patent portfolio.

In October 2009, Nortel selected Global IP Law Group to become its intellectual property consultant. It was a huge undertaking for a small

firm. Berten and his partners spent the next three months reviewing some 6,000 patents. During the review each partner billed \$400 an hour, a 20 percent reduction from their standard fees, with the total capped at \$75,000, according to court documents.

"It was not a fun Thanksgiving for us," Berten said.

Starting in 2010, the lawyers began organizing the patents to make the bid process easier. At that point the firm began charging a fixed fee of \$250,000 per month, which has been approved by the bankruptcy court.

A key bucket of Nortel's patents involves a next-generation mobile data technology now being adopted by carriers, known as LTE. The [patents](#) are valuable because they relate to broadly deployed technologies, Berten said.

He and his partners working with Lazard have spent several months in a confidential bidding process. In April, Nortel chose Google's offer as the starting point of the auction, also known as the stalking horse bid.

The auction will start June 20 behind the closed doors of a New York law firm.

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