

# Facebook beefs up patent arsenal ahead of IPO

April 24 2012, by Glenn Chapman

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Facebook struck a [\\$550 million deal Monday](#) to get its hands on hundreds of AOL patents from Microsoft as the social network hardened its defenses before it goes public on the Nasdaq.

Facebook will pick up around 650 of the 925 [patents](#) Microsoft bought earlier this month in an auction from [AOL](#) in a nearly \$1.1 billion deal, [Facebook](#) and Microsoft said in a statement.

Facebook's general counsel called the move "another significant step in our ongoing process of building an intellectual property portfolio to protect Facebook's interests over the long term."

"Today's agreement with Facebook enables us to recoup over half of our costs while achieving our goals from the AOL auction," added Microsoft Executive Vice President Brad Smith.

Facebook also arranged to license the remaining 275 remaining patents or applications in the portfolio being bought by Microsoft, which gets the right to use the [patented technology](#) going to the California-based social network.

"Today's agreement with Microsoft represents an important acquisition for Facebook," said the social network's general counsel Ted Ullyot.

While the companies did not disclose specifics on the patents, AOL's trove of intellectual property is believed to include technology for

messaging, search, imaging, and [Internet telephony](#).

The patent deal enhances a longtime relationship between Facebook and Microsoft that has them apparently acting as allies against a common rival -- [Google](#).

Microsoft owns a small stake in Facebook, which is expected to go public next month in a much-anticipated stock market debut.

The company will trade on the technology-heavy Nasdaq exchange under the symbol "FB," it said in a filing with US regulators.

Facebook could raise as much as \$10 billion in the largest flotation ever by an [Internet company](#) on Wall Street.

The paperwork filed for the [initial public offering](#) provided the first glimpse of the [financial details](#) of the web giant launched eight years ago by [Mark Zuckerberg](#) from his Harvard University dorm room.

Facebook amended its filing on Monday to report quarterly profit slipped to \$205 million despite a surge in revenue as it bumped up research and promotion expenses ahead of its stock market debut.

Facebook has also been incurring the cost of shifting operations to a former Sun Microsystems campus in the California city of Menlo Park.

Facebook said that net income in the quarter ended March 31 dipped from the \$233 million logged in the same period last year despite revenue vaulting to \$1.06 billion.

While revenue improved year-on-year, it was down about six percent from the prior quarter.

Revenue nearly doubled to \$3.7 billion in 2011, with most of it coming from targeted advertising gleaned from personal information shared by the hundreds of millions of users of the platform.

Facebook --- the leading social network in all but six countries, notably China and Russia --- has been valued between \$75 billion and \$100 billion.

Facebook recently filed with the US Securities and Exchange Commission to warn potential investors that patent litigation being pursued by Yahoo! could deliver a significant blow to its business.

Facebook fired back at Yahoo! with a countersuit charging that the floundering Internet pioneer is violating the social network's patents -- and not the other way around.

The move came after Yahoo! filed suit against Facebook in a California court last month accusing the social networking giant of infringing on 10 patents in several areas including advertising, privacy and messaging.

Sunnyvale, California-based Yahoo! asked the court to order Facebook to halt its alleged patent-infringing activities and to assess unspecified damages.

"Nothing about today's action changes the fact that Facebook continues to infringe our patents," Yahoo! said in an email response to an AFP inquiry.

"Companies who purchase patents are often working from a position of weakness and take these actions to strengthen their portfolio."

The Internet Age is becoming as known for patent litigation as it is for online innovation.

From the makers of computer chips to creators of smartphones and designers of videogames, rivalries have spread from marketplaces to courtrooms with combatants warring over rights to use technology.

Facebook in February added 750 IBM software and networking patents to its arsenal on an increasingly lawsuit-strewn technology battlefield.

Facebook's latest patent purchase came as the US International Trade Commission (ITC) issued a preliminary ruling that Microsoft infringed on Motorola Mobility patents in its hit Xbox 360 videogame consoles.

A final ruling from the quasi-judicial federal agency is expected later this year.

An ITC ruling against Microsoft would force the Redmond, Washington-based company to work out a licensing deal with Motorola or risk having its top-selling videogame console banned from US stores.

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