

## **Google girds for battle in wake of Apple's legal victory**

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Google Inc. bought ailing mobile device maker Motorola Mobility this year to stockpile patents for the war that was heating up with rival Apple Inc.

But those patents may not be much help in defending challenges to its <u>Android</u> mobile operating system in the wake of Apple's sweeping courtroom victory last week over <u>Samsung Electronics Co</u>.

Experts said that <u>Google</u> probably would unsheathe the 17,000 patents it picked up in the \$12.5 billion acquisition of Motorola Mobility but that Google still would be outmatched.

"In theory, the Motorola patents do matter because they give Google some leverage against Apple," UCLA law professor Douglas Lichtman said. But even so, he said, it's "not an even fight."

"Motorola was not Apple's complete peer before its acquisition, and so owning Motorola does not make Google a complete peer today," Lichtman said.

On Friday, a jury awarded Apple more than \$1 billion in one of the nation's largest patent verdicts, siding almost entirely with Apple in finding that Samsung had infringed six of seven patents by copying the look and feel of Apple's <u>mobile devices</u>.

Google was not named in that lawsuit, but that's who Apple is gunning



for in dozens of regulatory and legal actions around the globe.

Just weeks before it's expected to unveil its next <u>iPhone</u>, Apple is ramping up its war against the more popular Android, the <u>mobile</u> <u>software</u> that Google gives away without charge to mobile device makers.

The two technology giants are locked in a bruising battle to dominate the lucrative <u>smartphone</u> and tablet markets. Apple has not sued Google, which generates most of its revenue from online advertising. Instead, Apple has attacked the search giant by going after device makers.

Friday's verdict sent shivers through the wireless world.

Apple, which is the world's most valuable company, has made more than \$156 billion in iPhone-related revenue since 2007. And now it has powerful ammunition against smartphone makers who use Android software.

Device manufacturers basing their wireless technology on Android may be forced to rethink their products under the rising threat of patent litigation. And that could slow Android's runaway success, analysts said.

Google said Sunday that most of the infringing patents "don't relate to the core Android operating system." But analysts tracking the case said the giant jury verdict hit an Android bull's-eye. Samsung said it would ask the trial judge to overturn the verdict or it would appeal.

"This verdict is a major victory for Apple vis-a-vis the Android ecosystem," said Toni Sacconaghi, an analyst at research firm Sanford C. Bernstein & Co. "We believe this is unambiguously negative for Google and the Android ecosystem."



Samsung is the quintessential Android success story. The Google software has helped catapult the South Korean electronics company into the No. 1 spot in the phone market.

In a court filing Monday, Apple urged U.S. District Court Judge Lucy Koh to ban the sale in the U.S. of eight models of Samsung's Galaxy smartphones. Koh has scheduled a hearing next month to consider Apple's request. The models aren't the company's most recent, but Apple has another federal court lawsuit pending against Samsung in San Jose over more recent devices.

The <u>courtroom</u> drama unfolded just miles from Apple's campus in Cupertino, Calif., and Google's campus in Mountain View, Calif. The onetime allies are now adversaries, their solidarity shredded by their competing ambitions for smartphones and tablets.

Analyst Douglas Anmuth at JPMorgan Chase & Co.'s research unit estimated that Android's market share is approaching 60 percent of smartphone shipments.

Toward the end of his life, Apple co-founder Steve Jobs, outraged that Android phones offered features he claimed Apple invented, became obsessed with crushing Android. "I'm going to destroy Android because it's a stolen product," Jobs told his biographer, Walter Isaacson.

But analysts said Friday's verdict did not strike a fatal blow. Device makers may have to go back to the drawing board to modify features that infringe Apple's patents or brainstorm new ones, but that is unlikely to delay new products significantly or undercut their appeal with consumers.

"We don't think it is a game-changing loss for Android," Sacconaghi said.



But it will cause headaches for Google, said analyst Charles Wolf at research and investment banking firm Needham & Co.

"The bad news for Android licensees is that the three patents represent but a handful of the patents in Apple's arsenal. We anticipate Apple will assert many of these reportedly even more powerful patents in future cases against Android licensees," Wolf said. "Google will be forced to design work-arounds of the violated software patents, which was the intent of Apple's lawsuit."

When Google bought Motorola Mobility in May, the cellphone maker had fallen behind its largest competitors, Apple and Samsung. Google, considered to have an anemic patent portfolio, seized on the opportunity to scoop up Motorola's patents.

But Macquarie Securities Group analyst Ben Schachter said it's unclear how effective the patents would be in coming battles.

"The verdict does remind us that the value of Google's Motorola Mobility remains very much an open question. Thus far, and it is clearly still early, we have yet to see any meaningful evidence that Google's acquisition of Motorola's (intellectual property) can protect various players in the Android ecosystem," Schachter said.

Recon Analytics analyst Roger Entner agreed, saying Motorola was "a notoriously weak software developer. He noted that "a lot of the patents that Apple has cited are exactly in that weak spot."

Rutgers University law professor Michael Carrier said the patents will be helpful "in the sense that Google now can claim that <u>Apple</u> has infringed its patents."

"In the patent war, the mere possession of <u>patents</u>, even if they aren't



## valid or the strongest around, is crucial," Carrier said.

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