

Nokia-Qualcomm legal battle heats up

Nokia seeks end to Qualcomm's patents; move comes ahead of deadline

By [Dan Gallagher](#), MarketWatch

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SAN FRANCISCO (MarketWatch) -- Nokia Corp. fired the latest salvo in its legal war with Qualcomm Inc. Monday, asking European officials to end the latter's patents covering technology used in wireless phones across the globe.

The Finland-based wireless gearmaker filed complaints in Germany and the Netherlands, seeking declarations that Qualcomm's European patents have been exhausted. The move was the latest in an escalating battle between the two rivals. Nokia, which is the world's largest maker of wireless handsets, is seeking to break or at least loosen Qualcomm's hold on patents for CDMA, the digital-wireless technology that is becoming the standard in the marketplace.

San Diego-based Qualcomm, by contrast, believes that Nokia is trying to destroy its business model, which relies in a large part on royalties generated from its intellectual property.

"Our business model is creating a lot of competition," Qualcomm Chief Executive Paul Jacobs said at the company's annual shareholders meeting last week. "Entrenched manufacturers don't like to see that, and they are trying anything they can to slow that virtuous cycle down."

Qualcomm had not issued any comment on the recent action by Nokia at press time. It also has filed legal actions regarding its patents against Nokia in several countries, including France, Germany, Italy, Britain and China.

Nokia's move comes a few weeks before its current license agreement with Qualcomm ends. Qualcomm has told its investors that it is unlikely the companies will resolve their dispute by April 9, which is when the current deal expires.

Analysts were not surprised by the latest move. In an interview, John Bucher of BMO Capital Markets called the recent actions "the inevitable posturing of two companies over a license agreement that is due to expire."

Bucher, who has outperform ratings on both stocks, also believes that the companies will reach a settlement sometime in the next four to five months.

"I don't think Nokia is out to break Qualcomm's business model. I think they have a number in mind in terms of what they want to see as a royalty rate," he added. "For both sides to come together, both are going to have to capitulate a bit."

A more bearish view came from Ed Snyder of Charter Equity Research, who is neutral on Qualcomm but carries a buy rating on Nokia.

"What you're seeing here is Nokia's trying to bust up Qualcomm's monopoly on intellectual property for cell phones," Snyder said in an interview. "Since we're approaching the April 9 deadline, this seems to say that Nokia is not interested in any settlement that does not cede a lot of ground."

Shares of Qualcomm slipped 40 cents to trade at \$43.28 by early Monday afternoon. Nokia was trading up 1% at \$22.08.

Legal docket

The dispute with Nokia is only one of the many that Qualcomm is battling to protect its patent position. A consortium involving handset makers Nokia and Ericsson as well as chipmakers Texas Instruments Inc. and Broadcom Corp. has filed a complaint over the company's business practices with the European Commission.

Qualcomm is also involved in several patent-infringement lawsuits with Broadcom. Over the weekend, the two companies agreed to dismiss several of the cases that have not yet come to trial.

Three cases remain between the two, one of which is slated to begin trial on May 1. Another case will go to a hearing this week before the U.S. International Trade Commission. In that case, Broadcom is seeking an injunction against products bearing Qualcomm chipsets -- which it claims infringe on certain of its patents -- from entering the United States.

The ITC has set a date of May 8 for its final decision on the case. ■

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