

But Google, Apple, and Microsoft saw the same promise as Veschi, and soon, they marshaled forces for a bidding war over Nortel's patent portfolio. When the dust settled, Nortel's patents sold for \$4.5 billion — \$1.3 billion more than the combined value of all of the company's business units.

The \$4.5 Billion Sales Job

John Veschi and his small team of former Nortel employees had front-row seats to the bidding war. In fact, they deserve a lot of the credit for driving the patent portfolio sale as high as it went. Veschi is serious and intense. A half-marathon runner who likes to talk, but with a peripatetic way of qualifying his thoughts in mid-sentence. His first job out of school was as an officer at Fort Monmouth, New Jersey, the now-decommissioned Army signals facility that was once the workplace of Julius Rosenberg.

Veschi signed on to run Nortel's licensing business in the summer of 2008 — just six months before the company declared bankruptcy. He had run licensing practices at Lucent and semiconductor maker LSI before Nortel, and he saw a rare opportunity: a vast portfolio of top-quality patents that nobody had yet tried to license.

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He thought it was the perfect time to jump onboard and work on building a licensing business that rivaled Lucent or IBM. "I was getting my equity struck at a nice low point and the future was rosy and I could help make it that way," he said, because "we could be less wimpy about our IP."

What he ended up with was a quick hiring freeze and then, after bankruptcy, the job of analyzing Nortel's 8,500 patents, figuring out which ones should be sold with the company's business units, and which ones could be sold separately at auction. When this job — called the Patent Segmentation Exercise — was done, Veschi had a portfolio of 6,000 patents to put up at auction. It's a remarkable story. Veschi and his small team ended up riding along with Nortel right through the bankruptcy, and ultimately selling Nortel executives and creditors on the idea that the patents should be split apart from the rest of company's assets and sold separately. That wasn't immediately obvious to some creditors and company executives who thought they could bump up the sale prices of Nortel's business units by rolling in more patents. "It was at the time controversial," says Michael Lasinski, an early ally of Veschi's who worked on a committee for unsecured Nortel creditors during the bankruptcy.

Lasinski was quick to see the value of Nortel's patents because, like Veschi, he'd had some experience in the patent marketplace. He'd worked at the Ocean Tomo Patent Brokerage, a company that had pioneered the idea of Sotheby's-style patent auctions.

Veschi and his team started building financial models. From his time at Lucent, he knew how to show just how much Nortel's patent portfolio could bring in. At first, some executives thought it would be less than a billion dollars. But with Lasinski's support the models showed a lot more money. The team built a database of Nortel's patents and mapped them out to current and emerging networking standards to show where they might play.

Then came the sales job of proving just how valuable these patents were to potential buyers.

Google was first out of the gate, with a \$900 million stalking horse bid — a bid pre-approved by Nortel's management and creditors aimed at establishing the minimum amount that the patents would sell for in bankruptcy auction.

It didn't take long for others to jump in. At first, Apple, Intel, RIM, and others were interested, as was a patent company called RPX, which buys up patents defensively, so they cannot be used against its investors. By the time the bidding got to \$4.5 billion, there were just two groups: Rockstar, and a group called Ranger. Ranger was Intel and Google.

Does Rockstar Own 4G?

After the Rockstar group acquired the 6,000 Nortel patents, about 2,000 were transferred to the companies behind the consortium. But 4,000 remained with Rockstar the company, which is actively trying to make money from them.

It turned out that Nortel had patents that covered parts of the up-and-coming mobile data technology called Long Term Evolution. Also known as 4G, this is the standard now bringing speedier internet access to mobile phones. Many of those patents are now [owned by Rockstar](#) and could be enforced against mobile phone companies — Google, for example — in the coming months.

“You knew you were making tens or hundreds of millions of dollars’ difference.” — Scott Widdowson

But Nortel’s patents also covered core networking technologies used by routers and switches and many other areas. The European Telecommunications Standards Institute, the standards body for the European telecommunications industry, has a [database](#) that lists whose patents may apply to emerging telecommunications standards, and it lists 43 standards areas, many relating to LTE, where Nortel patents — some of them now transferred to Rockstar — are in play.

Close to 25 of Rockstar’s employees are former Nortel workers, including lawyers, managers and engineers. Having longtime Nortel engineers like Widdowson and McColgan — people who know the business and the patent portfolio — is going to help Veschi do a better job in figuring out where to go looking for licensing fees. Widdowson won’t say what he’s working on, by the way, except that it’s related to consumer telecommunications technology.

But that’s not why Widdowson says he stuck it out through the bankruptcy. He was offered another job, and he turned it down.

Former coworkers might have found this a little strange, but it turned out that Widdowson liked the work he was doing. The mesh of the legal and technical work was a new challenge for him, but there was another reason he stuck with it. He felt like he was helping his former Nortel colleagues who were hurting because of the bankruptcy.

McColgan reports a similar story. Even though she had colleagues telling her she was “off her rocker,” she stuck it out with the patent work because she thought she could make a difference and increase the amount paid back to Nortel’s workers.

“You knew you were making tens or hundreds of millions of dollars’ difference,” Widdowson says, “which is not usual for someone who is an engineer.”

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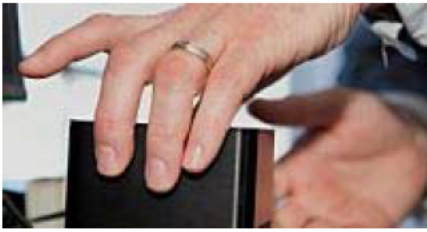
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