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THE ONCE DOMINANT IP-FACTORY FALLS OUT OF FAVOR AND BECOMES AN ATTRACTIVE TAKEOVER TARGET.

Prepared by PATENTVEST®

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Sun Microsystems (JAVA) falls out of favor on Wall Street as it is unable to adapt its business from high-end mainframes to low-cost commodity servers and software. An innovation machine, with nearly 7,000 patents and 2,000 applications, JAVA becomes an attractive takeover when its market cap fell to \$2B, inline with its cash reserves. The businesses of its competitors ORCL and IBM depended heavily on Sun's intellectual property for the JAVA programming language and both emerged as bidders for the fallen player.

With no turn-around in sight, JAVA was written off by the investment community in late 2008.



- 1/22/2007 **JAVA trades at \$26.52/shr**
- 3/17/2009 **JAVA trades at \$4.97/shr**
IBM bids \$9.40/shr
- 4/20/2009 **ORCL buys at \$9.50/shr**

FUNDAMENTALS UNATTRACTIVE

Negative growth and declining earnings pushed JAVA from a 52 week high of \$16.47 to its 52 week low of \$2.60 in December of 2008, trading near cash reserves. With no turn-around in sight, JAVA was written off by the investment community in late 2008.

ATTRACTIVE INTELLECTUAL PROPERTY

With nearly 7,000 US patents and nearly 2,000 US patent applications on file, Sun Microsystems holds an incredibly large IP portfolio. Using PatentVest's PV Ratios which relate market-value to patents, weighted by time value and relevance measured by peer citations, the JAVA portfolio ranked in the 98th percentile for companies over \$1B market cap. The highly cited nature of this portfolio combined with the low market value of Sun Microsystems showed the attractiveness of Sun to its competitors.

*Larry Ellison described
JAVA as “the single most
important software asset
we have ever acquired.”*

COMPETITIVE DEPENDENCE

Both bidders for Sun Microsystems depend heavily on the Java programming language. Oracles E-business suite and Fusion middleware as well as IBM's Websphere middleware are built off of and depend heavily on the Java programming language. While Sun Microsystems never effectively monetized their Java technology, it is responsible for significant revenue of both ORCL and IBM. As shown by the number of times they cite Sun Microsystem's IP portfolio with their own IP, it is not surprising that they both emerged as bidders.

TOP COMPANIES THAT REFERENCE JAVA PATENT PORTFOLIO

IBM	7,854	JAVA programming language
Microsoft	5,214	JAVA programming language
Intel	3,664	SPARC CPU / CMT
Hewlett-Packard	2,617	Server Business
Micron	1,911	SPARC CPU / CMT
Oracle	1,654	JAVA programming language

THE PATENTVEST ADVANTAGE

PatentVest's proprietary tools are geared to find value in the world of Intellectual Property. Sun Microsystems (JAVA) continuously showed up in screens for companies with market capitalizations of greater than \$1B (1389 companies) and PatentVest PV ratios or PV citation-weighted ratios of less than 1.0 (12 companies). These results conveyed how valuable Sun's IP portfolio had become relative to its market capitalization and how fundamentally unattractive Sun Microsystems had become to Wall Street, evidenced by the analyst's ratings.

JAVA's consensus analyst rating as of March 1, 2009 - HOLD.

- Strong Buy – 1
- Buy – 1
- Hold – 7
- Sell – 1
- Strong Sell – 3

When traditional research and financial analysis overlooked the true value of JAVA, PatentVest was able to bring it to the forefront. Reviewing the PatentVest report for JAVA's highly cited patents confirmed its hidden IP value, and predictive of the actual events that unfolded PatentVest was able to draw attention to the potential acquirers from its technology competitors. One of these (Oracle) eventually emerged as the eventual buyer.