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Patriot Scientific Stock Soars on Licensing Deal

By: BRADLEY J. FIKES - Staff Writer

RANCHO BERNARDO ---- Shares of Patriot Scientific Corp. jumped 52 percent Wednesday after the company announced a patent licensing agreement for its microprocessor technology.

Patriot stock closed at 91 cents per share, a gain of 31 cents for the day. At that price, the company has added more than \$90 million to its market capitalization, or total stock value. The current value is \$276 million.

The agreement, with Casio Computer Corp., allows the company to use intellectual property that Patriot claims under its Moore Microprocessor Patent portfolio. A similar agreement with Hewlett-Packard was announced last month.

Microprocessors are ubiquitous in electronic equipment, and Patriot said it expects to get revenue from licensing the technology.

By getting large companies such as Casio and Hewlett-Packard to license the technology, Patriot may establish a precedent to get easier acceptance of its patent claims.

"The intellectual property represented by the MMP Portfolio, and protected around the world, encompasses building blocks for virtually all digital products being designed and shipped today," David Pohl, Patriot's chairman and chief executive, said in a Wednesday news release announcing the Casio deal.

Earlier in the day, the stock had briefly exceeded \$1 per share, a price that it had not closed above since February 2001. The stock skidded sharply after that, closing as low as 3 cents per share in October 2004. The stock was still trading below a dime per share as recently as Jan. 12.

The Casio agreement appears to have piqued investor interest because it's the second such agreement, said Patric J. Rawlins, an intellectual property attorney in the San Diego office of Procopio, Cory, Hargreaves & Savitch LLP. Rawlins said he owns "a little bit of stock in Patriot."

Often, the first agreement on a license is made at a discounted rate, Rawlins said. "When other big players start lining up ... the industry takes notice."

Rawlins agreed with Patriot that the company's patent claims are far-reaching, covering "the basic building blocks of digital processors."

"Very few patents have ever really dominated an industry," Rawlins cautioned. But if Patriot's claims are accepted, the company would have a powerful position in microprocessors, he said.

But Rick Mayes, a fee-only financial adviser in Carlsbad, said the potential for future gains is limited because so many Patriot shares have been issued.

Patriot has about 300 million shares outstanding, an unusually large number for a company of its market value. In financial jargon, this means that Patriot stock is highly diluted. By comparison, San Diego's Qualcomm Inc., with six times as many shares outstanding as Patriot, has a market value 282 times greater.

"If you buy a lottery ticket, you could win tens of millions. A share of Patriot could bring you 10 bucks. Either could be suitable for framing on your wall if they don't pan out," Mayes said. "As a fundamental investment, I think only patent attorneys should invest."

"The company said in November of '04 that its patents have a value of more than \$1 billion. If that's true and the company got \$1 billion tomorrow, that would be a cash value of between \$3 and \$4 per share," Mayes said.

"However, they do have a countersuit from 20 Japanese companies challenging the validity of their patents, so the road could be a little rocky. If they do run into major problems, the stock could also be worth what it was a month ago."

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