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Acacia Research Corp. - Acacia Technologies Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from Bennett Notman from Davenport. Please go ahead with your question

Bennett Notman - Davenport

Good afternoon, guys, and congratulations on a nice quarter.

Paul Ryan

Thank you, Bennett.

Bennett Notman - Davenport

Can you just talk a little bit about the legal expense at \$1.7 million that looks a little high. I'm not aware of any particular action that would have been driving that. I am just wondering if that is because there is a bunch of stuff moving through the system or what the primary driver was.

Paul Ryan

The legal expenses cover patent prosecution; they cover all expert witnesses, arrangements that we have with law firms. So that's a pretty standard number. I don't know what number you had, but that's certainly not out of line with our expectations.

Bennett Notman - Davenport

Yes.

Paul Ryan

I think it was 2.5 in 2007, and primarily the difference was in 2007 there was an incremental amount because we did go to a trial during 2007. So I think probably you can expect that kind of level of total legal expense over the course of the year.

Bennett Notman - Davenport

Yes. It's more than 50% up over the last three quarters. So I was just thinking there might have been something driving that. Each of the last three quarters was 1.1-ish, something like that. But okay, fair enough.

You talked about how you're getting more interest from companies that have IP and want to partner with you. You added four portfolios in the quarter, but you've had other quarters where you've added more in the past.

Is it a longer lean time to get these deals done because of the types of companies you're dealing with now, or should we be expecting an acceleration in the rate of portfolios coming in as a result of what is going on?

Paul Ryan

Our target is 20 to 25 portfolios a year, and the number we have is a net number. The over 100 portfolios are the active portfolios. There's a handful that we acquired from Global that we have actually concluded the licensing of.

No, I don't think it is taking any longer, and certainly, there are more opportunities. Obviously, tech companies, particularly the ones that we often partner with, that are either private or small public companies, really don't have access to the equity markets or debt markets right now. I think more of them are looking at this as a sale lease pact where they can generate cash for an intangible asset on their balance sheet. We can grant them a license back and split the licensing revenues.

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