

This Week's Stories

NSN Reports Surprising 1Q Results, While Ericsson Slumps

April 25, 2010

While Ericsson reported a bruising first quarter, characterized by a profit slump of 26 percent on weaker sales in emerging markets and continued restructuring charges, historically struggling Nokia Siemens Networks (NSN) reported a surprise profit in the quarter even though sales fell 9 percent.

Things had gotten so bad for the NSN venture this year that analysts and media pundits were suggesting actions as to either sell the venture or dismantle it. The partnership has struggled for profitability ever since its inception three years ago.

NSN's sales reached \$3.6 billion, which is down 9 percent year over year and down 25 percent sequentially. Services contributed nearly half of the total sales. The venture reported an operating profit of \$20 million, compared with a loss of \$163 million the previous year.

"Nokia Siemens Networks' profitability benefited from a positive sales mix in Q1," according to a statement from Olli-Pekka Kallasvuo, CEO of Nokia. "I am also pleased to see encouraging results from the company's focus on helping operators meet the challenge of the rapid growth in data and signalling traffic from smartphones."

NSN has been racking up contracts and gaining momentum on the LTE side. It announced new frame agreements with China Mobile and China Unicom in the past week valued at \$1 billion to extend existing GSM and 3G contracts. And Nokia surprisingly won a chunk of TeliaSonera's LTE business, beating out Huawei in January.

The second quarter for NSN is showing some promise. NSN expects it will report \$4.1 to \$4.5 billion in second-quarter revenue. Key growth areas for NSN continue to revolve around LTE and managed services.

Meanwhile, Ericsson reported a net profit of \$174.4 million, down from \$238.8 million in the year-ago period. The company's sales fell 9 percent to \$6.26 billion, weaker than the \$6.88 billion it had in the first quarter last year. However, the company's gross margin jumped to 39 percent, up from 36 percent in the year-ago period.

Ericsson said operators in a number of developing markets remained cautious on spending, which impacted its networks business. In an interview with *FierceWireless*, Ericsson CFO Jan Frykhammer said sluggish operator spending started in 2009 and likely won't improve

overnight. Nevertheless, he said the company is seeing strong growth from operators in regions of the world, such as North America, where mobile broadband data is exploding. "Voice capex declined, but mobile broadband data capex increased," he said.

The Swedish company added that solid sales in its services business partly offset the decline in network sales. Ericsson's sales in China were down 15 percent and sales in India slipped 43 percent.

Frykhammer said the company's integration of Nortel Networks' CDMA business is going very well. "CDMA customers started to show confidence when we purchased Nortel's assets, and that is a good thing for the business. We also acquired a design team with LTE skill sets. This is very important," he added.

<http://www.fiercebroadbandwireless.com>

Verizon Sees 33% Increase in Data Revenue

April 25, 2010

Verizon Wireless saw a slowdown in their postpaid subscriber growth in the first quarter and for the first time broke out the number of other connections--such as e-readers, machine-to-machine and telematics.

Verizon said it added 1.6 million new net subscribers in the first quarter, adding just 423,000 retail postpaid customers and 1.3 million reseller customers. For the first time, Verizon revealed that it has 7.3 million "other" wireless connections, but did not indicate how many were added in the first quarter.

Verizon CFO John Killian, during a conference call with analysts, said the postpaid business still generates around 85 percent of revenue for the wireless business. He indicated Verizon will focus on squeezing out as much revenue as it can from existing customers. About 30 percent of customers use smartphones or multimedia phones that require a data plan, Killian said.

Data revenue was up 26.4 percent to \$4.5 billion, and exceeded 33 percent of Verizon's service revenue. This is an increase from 27.9 percent in the first quarter of 2009. In the quarter, 30 percent of retail postpaid subscribers had 3G devices, 17 percent had smartphones and 13 percent had multimedia devices.

Verizon Wireless total revenue was \$15.8 billion, up 4.4 percent year over year.

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Microsoft Claims Android Steps on its Patents

April 27, 2010

The mobile phone wars got more interesting late on Tuesday as Microsoft publicly asserted for the first time that Google's Android operating system infringes on its intellectual property.

Microsoft has taken the position, according to those close to the company, that Android infringes on the company's patented technology and that the infringement applies broadly in areas ranging from the user interface to the underlying operating system.

In a statement to CNET, Microsoft deputy general counsel Horacio Gutierrez said that, although Microsoft prefers to resolve intellectual property licensing issues without resorting to lawsuits, it has a responsibility to make sure that "competitors do not free ride on our innovations."

His comments came as Microsoft and HTC announced they have inked a new patent deal that specifically provides the Taiwanese cell phone maker with the right to use Microsoft's patented technologies in phones running Google's Android operating system. Microsoft said it has been in talks with other phone makers.

"We have also consistently taken a proactive approach to licensing to resolve IP infringement by other companies and have been talking with several device manufacturers to address our concerns relative to the Android mobile platform," Gutierrez said.

Although Microsoft and HTC did not disclose details of the financial terms of their agreement, they did note that "Microsoft will receive royalties from HTC." The deal covers all Android-based phones made by HTC, including the Nexus One, which Google sells directly.

"HTC and Microsoft have a long history of technical and commercial collaboration, and today's agreement is an example of how industry leaders can reach commercial arrangements that address intellectual property," Gutierrez said in a press release announcing the deal. "We are pleased to continue our collaboration with HTC."

For the past several years, Microsoft has claimed that Linux-based products infringe on its patents and sought out licensing deals with those making devices based on the open-source operating system. The company has signed scores of such deals, however, this is the first one covering Android.

Android is based on Linux but also includes other mobile-specific interfaces and programs that could be among the areas in which Microsoft sees infringement. Microsoft declined to comment on the specific areas where it sees infringement by Android.

The pact comes as the patent battle in the cell phone space has grown more intense. Apple announced last month it was suing HTC for patent infringement. HTC is in an interesting position, being a leading maker of both Windows Mobile and Android-based devices.

Apple's suit mentions HTC's Android and Windows Mobile phones, although some observers have said that Android appears to be the focus of the suit.

"Google is really unable to protect HTC because they don't have any portfolio of patents in this area," said Gartner analyst Ken Dulaney. Microsoft, by contrast, has a broad portfolio and a patent cross-licensing deal with Apple that probably covers HTC's use of Windows Mobile, though perhaps not other things that HTC has done on its Windows Mobile-based phones.

Apple may have picked HTC, Dulaney said, because it also doesn't have much in the way of patents used to counter Apple's claims.

"Motorola could probably be a different story because they have more patents that they can bring to the table," Dulaney said.

It's not clear to what degree, if any, the Microsoft agreement will help HTC in its battle against Apple. However, Dulaney said that is the key battle for HTC.

"If this doesn't in some way help HTC against Apple, frankly, I don't think they gain much," Dulaney said.

<http://news.cnet.com>

Apple Likely To Unveil New iPhone On 6/7

April 28, 2010

Apple will likely unveil its fourth generation iPhone on Monday, June 7. That's the first day of Apple's WWDC conference, a podium the company has used to announce new iPhones for two years in a row.

What will the new iPhone look like?

Most likely, it'll be very similar to the prototype that Gizmodo obtained and took apart earlier this month, including a second, front-facing camera, new case design, and likely a faster processor with longer battery life.

What about compatibility with Verizon Wireless' network? That's something Apple could possibly announce in June, but plugged in Apple blogger John Gruber has previously guessed that Apple won't announce that until its annual iPod event in September. (If it does at all.)

<http://www.businessinsider.com>

Product & Service News

Google's Android Surpasses 50,000 Applications

April 26, 2010

Google's Android mobile operating system now boasts more than 50,000 applications, up from about 40,000 roughly a month ago, according to tracking service AndroLib. The AndroLib numbers span inventories across close to a dozen different app download portals worldwide, not only Google's Android Market storefront, according to *Android Police*--given current development trends, Android is poised to reach the 100,000 app milestone sometime in September.

Earlier this month, Google announced that Android Market offers about 38,000 apps, a 70 percent quarter-over-quarter increase. Speaking during the firm's Q1 earnings call in mid-April, vice president of engineering Jeff Huber also said Google is now selling and activating more than 60,000 new Android devices each day, with the OS powering 34 total devices from a dozen different OEM partners.

Developer interest in Android continues to rise: According to a recent survey conducted by mobile advertising network AdMob, more than 70 percent of existing iPhone developers said they plan to extend their efforts to Android, compared to 48 percent of Android developers planning iPhone projects. Thirty-five percent of existing Android developers consider their app's release "very successful," with 29 percent deeming it "somewhat successful." Perhaps most notable, 40 percent label themselves "very satisfied" with the Android platform, another 40 percent are "somewhat satisfied" and only 2 percent express dissatisfaction.

<http://www.fiercedeveloper.com>

T-Mobile Drops Cap on 5 GB Plan

April 27, 2010

T-Mobile USA said it will drop overage charges on its 5 GB monthly webConnect mobile data plan, but noted it will throttle users' speeds if they exceed that limit. Additionally, the carrier said it is cutting in half its overage charges for its introductory 200 MB monthly plan.

Previously, the nation's No. 4 carrier charged \$0.20 per MB of data that users went over their 5 GB limit; now users will just have their data speeds slowed--but T-Mobile did not say by how much. T-Mobile said that only a "very small" number of users go over 5 GB per month when the plan is used in conjunction with an existing home broadband service. T-Mobile also cut the overage on its

200 MB monthly plan from \$0.20 to \$0.10 per MB. The carrier first introduced the data plans in March.

The carrier, which is deploying an HSPA+ network this year, also launched a promotional offering for its plans. The 5 GB plan now costs \$40 per month and the 200 MB plan now costs \$20 per month for existing T-Mobile subscribers. The company currently has HSPA+ commercially available in Philadelphia, parts of New York City, New Jersey and Long Island, and will launch the faster service in Washington, D.C., and Los Angeles soon.

Other carriers, such as Leap Wireless and Clearwire do not cap usage, but retain the option of throttling speeds. AT&T Mobility, Verizon Wireless and Sprint Nextel all cap at 5 GB their monthly 3G data plans.

<http://www.fiercewireless.com>

AT&T Reveals Specs for Android OS-Powered Dell Aero

April 30, 2010

When AT&T first announced plans to offer the Dell Aero, it gave few details on this smartphone, just that it will run Google's Android OS. Today, AT&T gave a much more complete description of the upcoming model.

The Aero is going to have a tablet shape with a 3.5-inch, 360 x 640 (nHD) pixel touchscreen. AT&T describes it as the lightest smartphone ever running Android.

It will be able to connect to this carrier's 3G mobile broadband network, and it will also have Wi-Fi. It will likely include Bluetooth as well, but the carrier hasn't confirmed this yet

In addition, the Aero is going to sport a 5 megapixel camera, which is a higher resolution than previously thought.

Android with a Dell UI

Dell's first smartphone will run the Android OS but with an alternate user interface created by Dell and AT&T.

Earlier, there were questions about whether the standard Android applications would be bundled with the Aero, but AT&T said it will come with Gmail, Google Maps, Google search, YouTube, Google Talk and the Android Market.

As a consumer-oriented smartphone, it will also come with a range of social-networking software, like Facebook.

Camera images can be uploaded directly to Facebook as well as Flickr, Picasa and TwitPic, while movies can be sent to YouTube.

Availability?

AT&T still has not said when the Dell Aero will be released, but a recent unconfirmed report indicated that it will debut in June.

A price has yet to be revealed, either by official or unofficial channels.

<http://www.brighthand.com>

Mergers/Acquisitions/Partnerships

HP Snatches Up Palm for \$1.2B

April 28, 2010

Hewlett-Packard stunned the industry yesterday by announcing it will buy beleaguered smartphone maker Palm for \$1.2 billion. The news ended weeks of speculation about Palm's fate and pushed HP deeper into the smartphone market.



Palm's stock has been on the decline since last summer. [Click here](#) for more.

The price values Palm's stock at \$5.70 per share--a 23 percent premium over the closing price of Palm's shares on Wednesday.

Boards from both tech companies have approved the deal, and the

transaction is expected to close by July 31.

WebOS to netbooks?

HP said it will use Palm's resources to expand its own mobile strategy, and lauded Palm's intellectual property and team. During a conference call with analysts after the deal was announced, Todd Bradley, executive vice president of HP's Personal Systems Group, praised Palm's webOS operating system and said that HP will leverage its distribution channels and financial strength to help expand the platform. He said HP expects to take webOS beyond smartphones, possibly to tablets and netbooks for both consumers and enterprise users.

Jim Burns, HP's vice president of investor relations, said HP will invest in webOS research and development and sales and marketing. Further, Bradley promised HP will nurture Palm's still-nascent webOS developer community. "We believe the developer community will very aggressively--as we invest and provide support--begin to develop that suite of applications for webOS to make it more compelling than it is today," he said.

The companies said in a release that Palm CEO Jon Rubinstein will remain at the company, though they did not say in what capacity. "Jon is very excited about staying

and executing his vision for [taking] webOS into the broader market, and I think HP brings those capabilities for him to do that," Bradley said.

One outstanding question is what will happen to the Palm brand. According to *Engadget*, HP has not yet decided how to handle the Palm brand--whether to replace it with the HP brand, maintain the Palm branding or somehow join the two.

Don't compare it to the iPhone

At least one analyst sees the teaming as positive. "The products and the businesses seem very complimentary," NPD Group analyst Ross Rubin told *FierceWireless*. "HP has been dabbling in the smartphone market for a couple of years now. Companies that are leaders in the notebook space need to be more mindful of what's happening in smaller form factors, because increasingly the competition is going to come from those smaller devices that are growing up and getting larger in size."

Rubin warned against analyzing the deal through a comparison to Apple and its popular iPhone. "Not every mobile OS needs to serve the same purposes or have the same goals that iPhone OS has," he said.

Palm, which essentially launched the PDA market in the 1990s, has been trying to stage a comeback for the past year and a half on the back of its new operating system, webOS. Though Palm's webOS received wide praise when it launched last year, the company's Pre and Pixi phones have struggled to find a following in the market. Analysts at J.P. Morgan recently estimated Palm was on track to burn through \$534 million before reaching breakeven in May 2012.

Acquisition speculation has been rampant since multiple reports earlier this month indicated Palm had tapped Goldman Sachs and another investment bank, Qatalyst Partners, to find a buyer. HTC, Lenovo and other handset makers had been bandied about by analysts as potential suitors. HP was [sometimes mentioned](#), but had not been thought of as a serious contender by many analysts. Through the deal, HP joins the likes of computer makers Dell, Lenovo and Acer in targeting the smartphone market.

Palm first launched its webOS phones through Sprint Nextel in the middle of last year, and Verizon Wireless introduced newer versions of Palm's Pre and Pixi smartphones in January. AT&T Mobility is expected to launch Palm's products later this year as well.

In its most recent quarter, Palm reported a net loss of \$18.5 million, narrower than the \$95 million net loss it posted in the year-ago period. The company shipped a total of 960,000 smartphone units during the quarter, up 23 percent from the second quarter of fiscal year 2010 and

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an almost 300 percent increase from the year-ago quarter. However, smartphone sell-through for the quarter, which ended Feb. 26, was 408,000 units, down 29 percent from the second quarter and down 15 percent year-over-year.

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