Google To Sell Motorola Set-Top Business

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SAN FRANCISCO (AP) — Google is selling Motorola Mobility's TV set-top business for $2.35 billion, lightening the load that the Internet search leader took on earlier this year when it completed the biggest acquisition in its history.

The cash-and-stock deal announced late Wednesday will turn over Motorola's set-top division to Arris Group Inc., a relatively small provider of high-speed Internet equipment that is looking to become a bigger player in the delivery of video. Investors applauded the move, driving up Arris' stock by nearly 17 percent.

Google's decision to jettison the set-top boxes comes seven months after the Mountain View, Calif., company took control of Motorola Mobility Holdings in a $12.4 billion purchase.

The set-top boxes were never a big allure for Google, although the company is interested in finding ways to pipe its service on to TVs so it can sell more advertising.

Google prized Motorola for its portfolio of more than 17,000 mobile patents. Those form an arsenal that it can use in a fierce battle that has broken out over intellectual property as smartphones and tablet computers have emerged as hot commodities in recent years.

Motorola also makes smartphones and tablets, a manufacturing business that Google will retain, despite lingering concerns on Wall Street about the hardware shrinking Google's profit margins and possibly alienating other device makers that use the company's Android software.

Besides not being a natural fit for Google, Motorola's set-top box also has become a potentially expensive liability. Digital video recorder pioneer TiVo Inc. is seeking billions of dollars in damages in a lawsuit alleging that Motorola's boxes infringed on its patents. Those claims are scheduled to go to trial next year in federal court in Texas.

Although they declined to provide specifics, Arris Group executives told analysts in a Wednesday conference call that Google still must cover most of the bill for any damages or settlement that TiVo might win.

TiVo already has negotiated about $1 billion in combined settlements in other patent-infringement cases it has brought against other companies, including Dish Network Corp., AT&T Inc. and Verizon Communications.

The proposed sale of Motorola's set-top division calls for Google to receive $2.05 billion in cash and $300 million worth of Arris stock. If the deal wins regulatory

approval, Arris Group expects to take over the division before the end of June.

Google will also pare its expenses, something likely to please investors concerned about Motorola being a drag on the company's earnings. Arris said about 7,000 people work in Motorola's set-top division. Google ended September with about 53,500 employees, including 17,400 who worked on the Motorola side of its operations. More than 20,000 people worked at Motorola Mobility when Google became the owner in late May, but the payroll was slashed as part of an effort to pare the losses that have been piling up within Motorola as its once popular cellphones lost market share to Apple Inc. and Samsung Electronics.

But Motorola's set-top business had been making money, according to Google, though the company didn't say how much.

In the past year ending in September, Motorola's set-top operations generated $3.4 billion in revenue. That makes it twice as big as Arris Group, whose revenue totaled $1.3 billion during the same period. Arris Group, which is based Suwanee, Ga., had earned $39 million through the nine months of last year after suffering a loss of nearly $13 million for all of 2011.

"This represents a great leap forward for Arris," CEO Bob Stanzione said during Wednesday's conference call.

Arris' stock surged $2.46 to $17 in extended trading Wednesday while Google's stock dipped $2.61 to $717.50.

The other half of the old Motorola Inc., Motorola Solutions Inc., remains an independent company. Based in Schaumburg, Ill., it sells communications equipment to government and corporate customers.

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