



SemiQuest to hold April patents auction

By Mike Schoeck Updated 03:30 PM, Feb-24-2012 ET

Intellectual property advisory firm **Pluritas LLC** will hold a public auction on April 24 for some 12 registered patents and patent applications of defunct chemical-mechanical polishing company **SemiQuest Inc.**

San Francisco-based Pluritas was retained by 3M Innovative Properties Co., a unit of diversified manufacturer **3M Co.** that facilitates debtor-to-creditor sales, to auction the patents of San Jose, Calif.-based SemiQuest.

According to Pluritas' Mark Thomann, 3M is SemiQuest's only secured creditor and both companies opted to conduct the sale under Article 9 (Section 9611) of the Uniform Commercial Code of the state of California, where SemiQuest is incorporated, instead of employing two other options: a sale under Section 363 of the U.S. Bankruptcy Code or one under an Assignment for the Benefit of Creditors, or ABC, procedure.

"An Article 9 sale is not as expensive as a bankruptcy [proceeding] while at the end of the day, the results are essentially the same," Thomann explained. "Bank lenders typically use Article 9 all the time to enforce their rights as creditors, but this case is groundbreaking because a nonbank lender [3M] is credit-bidding its debt in the form of a competitive auction."

"The patent auction process under Article 9 puts the intellectual property front and central," Thomann said, adding that the process is so rare that he was unable to provide an example of other patent auctions conducted under its auspices.

Thomann added that since the target company has gone out of business, with no underlying cash flow or equipment assets, 3M opted to use a public auction process to extract additional value from SemiQuest's CMP patent assets.

The IP adviser said that, although 3M is owed more than \$2 million in total debt, the auction will kick off with a \$1.1 million credit bid from 3M, which will serve as a stalking-horse bidder should no other bidders appear at auction.

Thomann expects robust in-person and phone participation in the auction, namely from companies that make scrubbing and polishing products for semiconductor manufacturers, which is SemiQuest's niche market. The IP adviser said he expects publicly traded **Cabot Microelectronics Corp.** of Aurora, Ill., and **DuPont**, of Wilmington, Del., to be among the bidders.

Thomann said prospective bidders have a nonbinding April 10 bid deadline to submit letters of intent to participate in the April 24 auction. Interested parties would have to tender a \$1.1 million bid with an initial overbid of \$100,000 to participate in the auction — or a total offer of \$1.2 million — after which point bidding would follow in \$50,000 increments. Thomann expects the sale to close immediately after the auction concludes.

Five U.S. patents of SemiQuest are offered for sale by 3M, along with seven patent applications with foreign equivalents in Europe, China, Taiwan, South Korea and Singapore, meaning the auction could also draw international bidders.

Thomann and Craig Carothers of Pluritas are advising the sale process for 3M.