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PANL: Gabelli, Avian Doubt Skeptical View Of Patent Hearing

By Tiernan Ray

In response to negative reports about organic light-emitting diode maker Universal Display's (PANL) hearing in a German court last Thursday regarding patent disputes, which I wrote about yesterday, a couple of bullish analysts of the company weighed in today, basically saying they think the matter will work out for the company just fine in the end.

The company is expected to report Q3 results this afternoon, after the bell.

Andrew Abrams of Avian Securities LLC today reiterates a "Positive" rating on the stock. He believes what the company has to say about its deal in August with Samsung Electronics's (SSNLF) Mobile Devices group, will have much more impact than any of the particulars of the Q3 results themselves.

That Samsung deal is important to the broader patent issue, as the terms of it has been used by both bull and bear to defend or refute Universal's patent standing. The lack of full disclosure by Universal leaves the exact scope and nature of the deal unclear, however.

The Samsung deal, in Abrams's view, ultimately refutes the skeptics, and he sees little downside from the German hearing:

Most recently the European Patent Office reviewed challenges to some of PANL's broad phosphorescent emitter patents. We expect, as is the case with many broad-based patents, that the eventual outcome will be that wording on the patent will modestly limit the scope or composition, without invalidating the patent invention, and more importantly look to the Samsung agreement as validating PANL's OLED patent family to a degree of due diligence that we doubt could be matched by many.

Abrams doesn't expect much disclosure tonight about the Samsung deal, but "We expect that the SEC will eventually push PANL to increase disclosure, either in a specific filing or in the 3rd quarter or full year filing but we expect only generalities until that point."

And Hendi Susanto with Gabelli & Co. today reiterates a Buy rating on PANL shares, addressing more directly the assertions I reported yesterday made by the Alliance for Economic Stability in a letter to the Securities & Exchange Commission.

Susanto is not convinced anything is really clear about the results of the hearing, and is looking forward to further clarification:

Barron's reported that a letter from a non-profit group Alliance For Economic Stability to SEC indicated that Universal Display(PANL) was denied of its petition to uphold its patents in its disputes with Sumation (a JV of Sumitomo & CDT), Merck, & BASF. The group claimed that it had one representative at the hearing of PANL's patent disputes in Germany. The letter claimed that the panel invalidated & revoked the majority of PANL's PHOLED patent claims, including but not limited to its broadest patent claims, & instructed PANL to republish the disputed patents in its reduced form. According to Barron's, PANL is expecting the transcript of the hearing will be available in two weeks. We would like to note that the disputed patents cover broad patents on Universal PHOLED® phosphorescent OLED technology, exclusively licensed to PANL by Princeton. We still think there are many unknown factors related to this hearing and what the outcomes will be, e.g. further legal process, possibility of appeal processes, specifications on requested reduced form of revised patents, and other barriers of entries beyond patents. We believe that the negative talks surrounding patent disputes should not undermine patent portfolio that PANL has and we are waiting for more reliable data and insights on the patent hearing dispute above.

Susanto has tussled as recently as November 1st with Piper Jaffray's Jagadish Iyer over outlook for Universal's market prospects for OLED.

Universal shares today are rebounding from yesterday's sell-off, rising 33 cents, or 0.7%, at \$47.69.