

Nanoco

Patent review process going ahead

Nanoco has provided an update on the litigation against Samsung for the alleged wilful infringement of the group's IP. The US Patent Trial and Appeal Board (PTAB) has agreed to Samsung's request to review the validity of the five patents in the case. In our view, this development does not significantly swing the likely outcome of the court case one way or the other, although it could delay the final outcome by a number of months.

Year end	Revenue (£m)	EBITDA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)
07/19	7.1	(3.8)	(5.0)	(1.34)	0.00	N/A
07/20	3.9	(2.9)	(4.9)	(1.38)	0.00	N/A
07/21e	1.9	(2.6)	(3.9)	(0.99)	0.00	N/A
07/22e	2.0	(2.2)	(3.6)	(0.97)	0.00	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

It is very common for a company defending a patent infringement claim to contest the validity of the patents in the court case and through the parallel PTAB process, as Samsung is doing here. The PTAB's decision does not mean these patents are invalid, just that it has agreed to review them. The evidential burden required to instigate an inter partes review (IPR) of a patent is relatively low. Each of the five patents being contested contains a number, in some cases more than 20, of 'claims' that can be challenged. To instigate an IPR, Samsung needed to show there was a 'reasonable likelihood' it would prevail with one or more of the claims challenged in the petition. However, a patent remains valid and can be used as the basis of an infringement case if one of more of the claims relating to that patent stand up to the challenges. We note that when deciding whether to proceed with the IPRs, the PTAB dismissed many of Samsung's individual grounds of challenge against Nanoco's claims.

The IPR process is separate from the judicial court case, which will assess the validity of patents, whether the patents have been infringed and whether damages should be awarded. The IPR process can take up to 12 months to reach a conclusion followed by appeals. There is therefore a risk that for a second time Samsung will request the court case, currently set for October 2021, is delayed until the IPR process has been completed.

The cost of the IPR process and any potential extension to the litigation timeframe will be borne by Nanoco's third-party litigation funding. Any potential delay to the court case should not adversely impact Nanoco's cash runway, which extends through calendar H222.

Patent litigation update

Tech hardware & equipment

20 May 2021

Price **24.35p**

Market cap **£74m**

Net cash (£m) at end-January 2021 (excluding £0.5m convertible loan and £0.9m IFRS 16 lease liabilities) 2.9

Shares in issue 305.7m

Free float 70.0%

Code NANO

Primary exchange LSE

Secondary exchange N/A

Share price performance



Business description

Nanoco is a global leader in the development and manufacture of cadmium-free quantum dots and other nanomaterials. Its platform includes c 740 patents and specialist manufacturing lines. Focus applications are advanced electronics sensing, displays, and bio-imaging.

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