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Google Inc. is moving into a head-on war with Apple, and burrowing ever deeper into the way users access and organize information. But the execution risks are immense. Amir Efrati has details.

**A Look Back at Motorola**

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But the deal, which must pass a review by the Justice Department's antitrust division, carries enormous risks as Google steps out of its comfort zone as a software maker. It will have to run manufacturing plants, manage inventory and nurture relations with carriers and retailers.

People close to the deal said one of Google's motivations, in addition to the patent trove, was its desire to design not just the...
Google's purchase of Motorola Mobility Holdings for about $12.5 billion will help it compete with Chinese way gadgets work, but also how they look, giving it the sort of control over software and hardware that archrival Apple enjoys with its iPhone. Talks between Google and Motorola heated up only in recent months, the people said.

Google Chief Executive Larry Page, in an interview, said Google will continue to promote its software to phone makers that compete with Motorola. "The strength of Android has been its diversity, and we have 39 handset makers" that use the software, he said.

Industry-watchers still see the potential for conflict. "Google is in the business of supplying software to hardware makers, and buying one of those hardware makers isn't going to endear them to the rest of their customers," said Charles Golvin, a Forrester Research analyst.

He added that companies such as HTC Corp. and Samsung Electronics Co., which all flocked to Android as a way to compete with Apple, will likely "hedge their bets" by creating more devices using Microsoft Corp.'s mobile-operating system.

Mr. Page, a Google co-founder who took over as CEO earlier this year, said Motorola Mobility would continue to operate as a separate business and be given no advantages over other makers of Android-powered handsets.

Inside Google, the deal was a tightly guarded secret involving only top management, said a person familiar with the matter. Some senior members of Google's Android team first learned of the deal Monday morning, this person said.

The deal underscores a long-term shift in the power balance in technology from old-line manufacturing companies to younger, nimbler standard-setters that came of age during the Internet era.

In January, Motorola Inc. split itself into two companies; the second company, Motorola Solutions Inc., focused on sales of wireless technology to companies and governments. Motorola Mobility is the more prominent half of the 82-year-old radio pioneer that first commercialized the cellphone but managed to lose $4.3 billion between 2007 and 2009, thanks to a disastrous decline of its phone business.

Since then, Motorola Mobility Chief Executive Sanjay Jha has turned around the cellphone business by betting on Google's software and Verizon Wireless's need for a competitor to the iPhone, over which AT&T Inc. had an exclusive hold until this year. But his company now is a small player going up against bigger and diversified rivals.

Mr. Jha said in an interview that under Google he would run Motorola "the way I've been doing things for the past three years." The two businesses "will coexist and will have different objectives, different ways to be judged," he said.
phone makers. Also, New China Life Insurance prepares to list in Hong Kong. WSJ’s Jake Lee and Alison Tudor discuss.

Google is to acquire Motorola Mobility for about $12.5 billion in cash, giving the developer of the Android mobile operating system its own handset maker. (Photo: Associated Press)

Google’s $12.5 billion deal for Motorola Mobility would give it access to Motorola’s rich patent portfolio. Shira Ovide has details.

Google’s purchase of Motorola Mobility was cheered by the street, as Google looks to control more of its handset maker of its Android phones. The deal also gives Google access to a library of patents, which can be used to protect the Android operating system, George Stahl reports. (Photo: AFP / Getty Images.)

If he leaves the company in the next two years, Mr. Jha could gain more than $62 million, according to calculations by The Wall Street Journal and the Hay Group, a management-consulting firm.

Google, meanwhile, built a technology giant by becoming the dominant player in Internet advertising. That was largely a business built on the back of the personal computer as people used Google’s search engine to find information and products.

But as phones and other devices become the central point of computing for consumers and businesses, Google is trying to position itself to provide services that help consumers navigate and search for places to eat and shop while on the go—areas in which it is lagging rivals such as Apple and others.

For consumers, the deal could usher in new advances by letting Google integrate its Android software more tightly with Motorola devices, taking a page from Apple. For example, Apple was able to pave the way for its video-calling software, FaceTime, by including a front-facing camera on its iPhone 4. Once Motorola is owned by Google, for example, the handset maker could more aggressively incorporate a technology called NFC, for near field communications, that is used for mobile payments and is supported by a version of Google’s Android called Gingerbread.

In the same way that Apple has created hit devices by integrating software and hardware into a single experience, the deal for Motorola gives Google a way to create a consistent experience across devices, including phones, tablets and TVs.

"The best way to put itself in a position to win is to be able to influence and control how” Google services end up in hardware, said Matt Murphy, a venture capitalist at Kleiner, Perkins, Caufield & Byers.

Since Google’s 2005 deal to buy Android—a small company led by Andy Rubin, who now heads its mobile software efforts—the company has worked to ensure that its search engine becomes a mainstay in the age of smartphones and tablets. Google was once a partner with Apple, providing it with applications such as the search engine and Google Map. But now the two are competitors.

Motorola's patent trove could become an important factor in that battle. Google has fewer patents in mobile technology than some major competitors, and the company has lost out on two recent deals to buy patents.

Besides countersuing in the event it is attacked, Google could use the Motorola patents to lend a legal hand to Android partners such as HTC Corp., which is entangled in litigation with Apple over Android. Motorola last fall filed patent claims against Apple, which responded with a countersuit of its own.
When he was asked if handset makers had demanded Google do more to protect them from patent suits, Mr. Page said Motorola has "tremendous expertise in intellectual property" and pointed to supportive statements by HTC, Samsung and others that implied the deal would give them protection.

Besides smartphones, the Motorola deal gives Google a clearer path into cable set-top boxes that can connect TVs to the Web; Google has already used Android to create a system called Google TV, which has sold slowly to date but could benefit from Motorola Mobility's strong position in living room devices.

Google expects to complete the transaction by early 2012, and is on the hook for a breakup fee of $2.5 billion in cash, according to a person familiar with the matter. The hefty amount may indicate some nervousness about the deal's regulatory prospects as Google is undergoing an antitrust probe by the Federal Trade Commission, which includes an examination of whether Google prevents smartphone manufacturers that use its Android operating system from using competitors' services, people familiar with the matter have said.

Mr. Page said he was "confident this deal will be approved" by regulators. He added, "I believe it's tremendously beneficial to consumers," in part because the deal will act as a defense against "anticompetitive attacks on Android that try to limit competition"—a reference to lawsuits against Android handset makers.

The $40-a-share offer is a 63% premium to the price Friday of Motorola Mobility's shares. It is also a way to quickly appease activist investor Carl Icahn, who recently argued the company's patent portfolio was an undervalued asset.

Shares of Motorola Mobility jumped 56% to $38.12 in 4 p.m. trading Monday, while Google slipped 1% to $557.23.

"Google got a pretty good deal," Mr. Icahn said in an interview. "They are really buying a lot of good stuff. They are getting the patent portfolio relatively cheaply."


—Anupreeta Das, Yukari Iwatani Kane and Matt Jarzemsky contributed to this article.

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Corrections & Amplifications
A graphic accompanying an earlier version of this article mislabeled data on sales of tablets and smartphones. The labels, which showed Apple and Android market share, were incorrectly reversed.