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We thank our readers for their support of our research efforts. Via this newsletter to our clients, we publish the smallest voices from Silicon Valley, California. Our contribution is to refute or confirm what is being publicly asserted by the covered companies. Thanks again.

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Europe

English football group's claims vs. Google, YouTube dismissed

Google and its YouTube video-sharing site won dismissal of some claims for money damages in a proposed class-action copyright infringement lawsuit by England's Football Association Premier League.

In a July 3 ruling by U.S. District Judge Louis Stanton in Manhattan, the group's claim for punitive damages under U.S. copyright law was dismissed, and a claim for statutory damages was mostly dismissed, with an exception for live broadcasts.

"There is no circumstance in which punitive damages are available under the Copyright Act of 1976," Stanton said in the ruling. Statutory damages were dismissed with re-

spect to most "foreign" works that weren't registered in the U.S. YouTube, bought by Mountain View-based Google for \$1.65 billion, was sued in May

Networks and Comedy Central, also is pending in the same court. "The punitive and statutory damages claims dismissed by the court were baseless from the start," Adam Barea, an in-house lawyer for Google, said in an e-mail. "We are very pleased with the court's decision and will continue to vigorously defend against the remaining baseless claims in the case."

YouTube and Google have said their actions are permitted under U.S. copyright law, which allows "fair use" of protected material. They also have argued that the Premier League hasn't done enough on its own to limit illegal postings.

2007 for allegedly permitting rampant postings of copyrighted material without permission.

A separate lawsuit by Viacom, owner of MTV



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China

More internet censorship? China shuts down Google



“For one whole day Internet users in China were unable to access the Mountain View search giant’s main Web site, its Chinese address and email and document services, the company said.”

Google found itself at the center of escalating international controversy over censorship in China when the Chinese government apparently shut down its services, claiming the search engine is contaminating the country with pornography.

The action, a common response from the Chinese government when it believes citizens are accessing the Web sites it finds objectionable, comes amid continuing criticism of China for requiring that all new computers after July 1 be loaded with software capable of blocking not just porn but also political sites it opposes. The move has triggered a global outcry and even drawn sharp protests from many Chinese citizens. “This is a major battle in the struggle between the Chinese Communist Party and the netizens (of China) who are now 300 million strong,” said Susan Shirk, a former deputy assistant secretary of state in the Clinton administration responsible for U.S. relations with China. For one whole day Internet users in China were unable to access the Mountain View search giant’s main Web site, its Chinese address and email and document services, the company said. There also have been reports that Chinese officials manipulated search results to make a case against Google as a purveyor of pornography, though the company says it has aggressively worked to meet China’s anti-porn requirements. One reason Google may be targeted is because its email service, dubbed Gmail, is

harder for Chinese authorities to tap, Shirk said in a phone interview from Beijing, where she is doing research. The Chinese government is pressuring Google to move its servers, now located outside the country, into China to give it more control over the company, she added. “What most people are most worried about is Google – Google is crucially important to civil society in China,” said Shirk, author of “Fragile Superpower: How China’s Internal Politics Could Derail Its Peaceful Rise.” It’s not like people are plotting revolution. They just want to have their private space for communication.”

Many in the U.S. tech industry hope the Obama administration can defuse the tense situation. “It’s hard for companies to fight governments. You need governments to fight governments,” said Ed Black, CEO of the Computer & Communications Industry Association, which represents tech companies such as Google, Yahoo and Oracle. The group is seeking a congressional hearing on the controversy. Commerce secretary Gary Locke and Ron Kirk, the United States trade representative, sent a letter to the Chinese government to protest the mandate that filtering software be loaded on every PC. Palo Alto-based Hewlett-

Packard, the leading U.S. based PC vendor in China, maintained its virtual silence on the issue, reiterating in a statement that it is working “to seek additional information, clarify open questions and monitor developments on this matter.”

Some also suspect China’s jabs at Google are a not-so-subtle effort to help Chinese-owned Baidu, the nation’s largest search engine. “It’s sort of ironic that they are going after Google, which is not the biggest search engine in China,” said Colin Maclay, managing director of the Berkman Center for Internet and Society at Harvard University. Singling out Google has “economic and nationalistic purposes, as well as underscoring the commitment to (blocking) porn.”

In 2007, search engines operated by Google, Yahoo, China and Microsoft were redirected to Baidu when the Dalai Lama, whom China denounces as a “splitist” who wants to separate Tibet from China, met with President George W. Bush and was awarded the highest congressional civilian award. “They were sending a message not to the providers but to the U.S. government: Hey, we can hurt you if you hurt us,” Maclay said.



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Russia

Facebook settles trademark dispute

“Think agreed to abandon its April 2008 petition to the U.S. Patent & Trademark Office calling for the cancellation of the trademark to the term ‘Facebook’.”



A dispute over Facebook’s trademark that harkens to a rivalry between Harvard school-mates Mark Zuckerberg and Aaron Greenspan has been quietly resolved – just one business day before Facebook trumpeted its \$200 million investment from a Russian firm that valued all of Facebook at \$10 billion. Greenspan’s Silicon Valley company, Think Computer, agreed to an undisclosed settlement to resolve its claims against Facebook. Think agreed to abandon its April 2008 petition to the U.S. Patent & Trademark Office calling for the cancellation of the trademark to the term “Facebook”. “I can’t talk about the settlement, but I can tell you everyone worked very hard on the press release,” Greenspan said. “I wish them the best of luck and I’m glad I don’t have to worry about them anymore. And I’m sure the feeling is mutual.”

A spokesman for Facebook, which in five years has become the world’s largest social-networking site with more than 200 million users, said the timing of the settlement with Think

and the latest investment was coincidental. But the negotiations with Digital Sky Technologies and their \$200 million investment for 1.9 percent of Facebook could have accelerated a desire to resolve potential liabilities, said Stephen Diamond, a business law professor at Santa Clara University. Another Santa Clara law professor, Tyler Ochoa, expressed doubts about Greenspan’s case, saying his petition was highly unlikely to be upheld.



HP maintains cautious outlook

While other big technology vendors have said they’ve seen demand bottom out and show signs of recovery, Hewlett-Packard has stayed cautious, warning it’s too soon to tell when its business will improve.

HP’s CEO, Mark Hurd, reinforced told the investors and financial analysts at a meeting in New York that he’s confident HP can hit its profit forecast, but he wouldn’t speculate on the timing of a turnaround in tech spending. HP also signaled that even recently announced job cuts won’t be enough. The recession has created a lot of pent-up demand because it has disrupted the normal cycle of tech upgrades, Hurd said, and when that will get back on track is unclear. “The buildup now of

4-year-old desktops, 4-year-old notebooks, 4-year-old servers, this is creating quite a bubble,” Hurd said at Stanford C Bernstein & Co.’s “Strategic Decisions” conference. “There’s going to be a time when there’s going to be some real opportunity here.” Hurd said there is “a little more stability” in the market, particularly in China and U.S. consumer sales.

That echoed his comments from HP’s quarterly results, when Palo Alto company reported a 17 percent drop in profit and a 3 percent decline in sales. The company also announced 6,400 more layoffs, or 2 percent of its 321,000-employee work force. Already, the company is indicating it will need to cut even more jobs

than that. HP said in a statement it plans to slash 5,700 jobs from Europe, the Middle East and Africa, over the next two years. Hurd has been more reserved than the CEOs of Intel, the world’s biggest semiconductor company and Cisco Systems, the No. 1 computer – networking supplier. Both of those companies have said their orders appeared to have bottomed out.

HP is the top personal-computer maker, and in the most recent quarter dethroned Dell in the United States. The company also revealed plans to move production of some servers and data-storage machines from Germany and Scotland to the Czech Republic and Russia in 2010.

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Europe

Intel, Nokia to join forces



“Intel and Finnish cell phone giant Nokia announced what they called a long-term relationship to develop new mobile devices.”

In a deal intended to strengthen Intel's push into the mobile computing arena, the Santa Clara chip maker and Finnish cell phone giant Nokia announced what they called a long-term relationship to develop new mobile devices. Under the arrangement, the companies said they will work together on chip design and open-source software. Intel recently has entered that field with its Linux-based operating system called Moblin, designed to function on portable devices, and Nokia has a Linux-based operating system, dubbed Maemo. In addition, Intel will license some modem technology from Nokia.

However, executives with the two companies repeatedly declined during a conference call and a later interview to discuss what type of devices they might make and to what extend Nokia might use Intel's chips. “We will talk about products when we are ready to talk about products, but that is not for today's discussion,” said Anand Chandrasekher, senior vice president and gen-

eral manager of Intel's ultra mobility group. “There is a lot of room for innovation here, to really define what mobile can do,” said Kai Oistamo, Nokia's executive vice president for devices. “It's a future full of different possibilities.”

After the announcement, Intel's stock rose 13 cents to \$15.81 at the



close of trading. No financial terms were disclosed for the deal, and the two executives were evasive about when their collaborative discussions began. They said only that their companies have been doing joint research for several years. In May, Intel, Nokia and a number of other companies formed an association to promote rapid new

wireless technology for shuttling data among computers, high-definition televisions sets and other devices in homes. Although details about the agreement remain vague, the deal suggests intriguing possibilities for Intel. Although the company's x86 microprocessors serve as the brains in most personal

computers and servers, it sees the rapidly expanding market for mobile computing devices as one of the biggest growth opportunities. And the cell phone business, where Nokia is the world's biggest manufacturer, is an area Intel is especially keen to enter.

Intel, whose chips are not used in Nokia products, has so far been shut out of the

cell phone market. That's largely because Intel's microprocessors use too much power. Instead, cell phones use low-power chips based on technology developed by ARM, a small company in the United Kingdom. Oistamo said Nokia plans to continue working with ARM-based chip makers. But Intel hopes to break into the cell phone market with future versions of a chip it introduced in

March last year, called Atom, which uses less power than other Intel microprocessors and is relatively inexpensive. Moblin, one of the open-source software systems that Intel and Nokia will collaborate on, works well with the Atom chip, the companies noted in their joint press release. What sort of devices the two companies might develop remains unclear. Nokia has been rumored this year to be considering making netbooks, which are smaller than laptops. Intel, whose microprocessors already are in laptops and netbooks, is promoting its chips for even tinier gadgets, including phones.

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