

ACACIA RESEARCH CORP
Form 10-Q
November 04, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

Mark One

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 0-26068

ACACIA RESEARCH CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

95-4405754
(I.R.S. Employer
Identification No.)

500 Newport Center Drive, Newport Beach, California 92660
(Address of principal executive offices)

(949) 480-8300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90

days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting
company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 3, 2009, 31,852,066 shares of the registrant’s common stock, \$0.001 par value, were issued and outstanding.

ACACIA RESEARCH CORPORATION
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ACACIA RESEARCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share information)
(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$42,800	\$48,279
Accounts receivable	6,535	7,436
Deferred royalties and contingent legal fees	2,398	-
Prepaid expenses and other current assets	1,512	1,255
Total current assets	53,245	56,970
Property and equipment, net of accumulated depreciation	186	221
Patents, net of accumulated amortization	18,211	12,419
Investments - noncurrent	2,484	3,239
Other assets	1,948	225
	\$76,074	\$73,074
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$5,766	\$3,240
Royalties and contingent legal fees payable	8,733	10,770
Deferred revenues	4,580	318
Total current liabilities	19,079	14,328
Deferred revenues, net of current portion	2,402	-
Other liabilities	246	199
Total liabilities	21,727	14,527
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Acacia Research Corporation stockholders' equity:		
Preferred stock, par value \$0.001 per share; 10,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, par value \$0.001 per share; 100,000,000 shares authorized; 31,839,066 and 30,884,994 shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively	32	31
Additional paid-in capital	172,018	167,468

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Accumulated deficit	(118,732)	(108,952)
Total Acacia Research Corporation stockholders' equity	53,318	58,547
Noncontrolling interests in operating subsidiary	1,029	-
Total stockholders' equity	54,347	58,547
	\$76,074	\$73,074

The accompanying notes are an integral part of these consolidated financial statements.

ACACIA RESEARCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share information)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
License fee revenues	\$ 12,831	\$ 13,796	\$ 40,512	\$ 29,960
Operating costs and expenses:				
Cost of revenues:				
Inventor royalties	3,010	4,329	8,890	8,596
Contingent legal fees	3,470	3,934	9,890	8,503
Legal expenses - patents	3,536	1,110	7,000	3,111
Research, consulting and other expenses - patents	404	444	1,350	1,555
Amortization of patents	1,245	1,152	3,370	3,731
Marketing, general and administrative expenses (including non-cash stock compensation expense of \$1,472 and \$5,573 for the three and nine months ended September 30, 2009, respectively and \$1,949 and \$5,716 for the three and nine months ended September 30, 2008, respectively)	5,089	5,464	17,076	17,014
Total operating costs and expenses	16,754	16,433	47,576	42,510
Operating loss	(3,923)	(2,637)	(7,064)	(12,550)
Other income (expense):				
Interest income	23	242	122	935
Gain on foreign currency translation	-	-	201	-
Gain (loss) on investments	201	13	235	(250)
Total other income	224	255	558	685
Loss from operations before provision for income taxes	(3,699)	(2,382)	(6,506)	(11,865)
Provision for income taxes	(47)	(38)	(124)	(85)
Net loss including noncontrolling interests in operating subsidiary	(3,746)	(2,420)	(6,630)	(11,950)
Net income attributable to noncontrolling interests in	(1,029)	-	(3,150)	-

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operating subsidiary

Net loss attributable to Acacia Research Corporation	\$ (4,775)	\$ (2,420)	\$ (9,780)	\$ (11,950)
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Net loss per common share attributable to Acacia Research Corporation:

Basic and diluted net loss per share	\$ (0.16)	\$ (0.08)	\$ (0.33)	\$ (0.41)
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Weighted average number of shares outstanding, basic and diluted	30,071,492	29,553,609	29,818,956	29,365,035
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The accompanying notes are an integral part of these consolidated financial statements.

ACACIA RESEARCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	For the Nine Months Ended	
	September 30, 2009	September 30, 2008
Cash flows from operating activities:		
Net loss including noncontrolling interests in operating subsidiary	\$ (6,630)	\$ (11,950)
Adjustments to reconcile net loss including noncontrolling interests in operating subsidiary to net cash provided by (used in) operating activities :		
Depreciation and amortization	3,465	3,830
Non-cash stock compensation	5,573	5,716
(Gain) loss on investments	(235)	250
Other	-	6
Changes in assets and liabilities:		
Accounts receivable	901	(9,057)
Prepaid expenses, deferred fees and other assets	(4,378)	11
Accounts payable and accrued expenses	2,573	(19)
Royalties and contingent legal fees payable	(2,037)	6,901
Deferred revenues		