

Thumbs down

Beleaguered Blackberry maker asks, is a patent a patent if no one uses it?

By CORREY E. STEPHENSON

It all depends on your perspective.

For BlackBerry users, the patent dispute that threatens to shut off their mobile e-mail devices is a source of anxiety.

For patent lawyers, the unfolding drama is an illustration of the complications and problems inherent in the current patent system.

Soon a Virginia judge will decide whether to close down the BlackBerry network, but the battle over mobile e-mail, fought on multiple fronts, dates back more than a decade. In 1990, Thomas Campana developed a method for wireless e-mail, patented it and co-founded NTP Inc. The company never made a product.

Canadian-based Research In Motion jumped into the void, using similar technology to create the hugely successful BlackBerry device in the late 1990s. Research In Motion, or RIM, believed there wasn't a patent conflict because NTP's methods already existed in the public domain.

Not surprisingly, NTP took a different perspective, and filed a federal infringement suit in 2001. RIM responded by challenging the validity of NTP's patents in

the U.S. Patent and Trademark Office, and the government bureau has slowly pulled the plug on many, but not all, of NTP's patents.

Mark E. Stallion, a patent attorney at Blackwell Sanders Peper Martin in St. Louis, said the case sheds light on several areas of patent law currently being debated.

"This is an incredibly complex case, and has spurred a great deal of scrutiny of the patent process as a whole," he said, from the continuing debate about "patent trolls" to the rate at which patents are revoked upon reexamination.

University of Richmond law professor Carl W. Tobias agreed, noting that the possibility of an injunction has raised questions.

"Is the remedy too Draconian?" he asked. "Is there some other way to resolve these cases without that threat?"

In the suit filed in 2001, NTP alleged that RIM's Blackberry products violated five of NTP's patents.

One year later, a jury found RIM guilty of 16 counts of willful infringement and awarded \$23 million in damages, as well as royalties on future products.

Judge James Spencer, on the federal bench in Virginia, increased the award to \$53.7 million, citing wasteful legal tactics by RIM and inconsistent testimony by its executives. More importantly, Spencer also issued a permanent injunction, barring RIM from "directly making, using, offering to sell or selling within the United States or importing" its BlackBerry. RIM appealed, and the injunction is on hold pending the outcome.

An appeals court affirmed the verdict in December 2004, but the court did reverse nine of the 16 infringement claims.

The parties agreed to a \$450 million settlement a few months later. But Spencer refused to approve the settlement, for reasons that neither the judge nor the parties have explained. RIM appealed to the U.S. Supreme Court, which on Jan. 23 declined to take the case.

With its appellate options exhausted, RIM faced a hearing Feb. 24, where Spencer could lift the stay on his injunction, effectively banning all BlackBerry sales in the U.S. and barring the company from providing service to existing customers.

Eric J. Sinrod, an intellectual

property attorney with Duane Morris in San Francisco, said he doesn't expect BlackBerry users to lose service.

"Worst case scenario, if the court grants NTP an injunction, I think it will allow a phasing period, where people could migrate the use of their BlackBerrys over to another provider," he said.

Paul Esatto, a partner with Scully, Scott, Murphy & Presser in Garden City, said that if Spencer does shut down the network, precedent would allow him to limit the scope of the injunction. In cases involving prescription drugs, for instance, judges have considered the potential harm to public health when pulling products from the marketplace. That could happen here because a substantial percentage of BlackBerry's 3 million users are government workers.

"Any time there's an injunction, there can be arguments made for the public good," Esatto said.

In fact, the federal government has requested that if an injunction is issued, it exclude state and federal officials, as well as emergency service providers who depend on their BlackBerrys. On Feb. 21, Spencer turned aside a plea from the U.S. Justice Department asking the court to hold hearings on how to exempt government BlackBerry users in the event of a shutdown.

The government's involvement injects an unusual voice into these kinds of patent proceedings, Stallion said.

"It begs the question of whether the federal government has the ability to insist on the pa-

rameters of an injunction, and beyond that, is such a request feasible from a technology standpoint," he said.

Hand held combat



A brief history of the BlackBerry patent dispute

1990: NTP Inc. patents wireless e-mail technology but never develops a product.

1998: Research In Motion unveils first BlackBerry e-mail device.

2001: NTP sues RIM for patent violation.

2002: Jury finds RIM guilty on 16 counts of patent infringement. Judge increases damage award from \$23 million to \$53 million.

2004: Appeals court affirms ruling but throws out seven guilty counts.

2005: RIM and NTP agree to \$450 million settlement. Judge rejects the settlement.

2006: U.S. Supreme Court refuses to hear RIM appeal.

2006: Federal judge shuts down BlackBerry network?

— JEREMY HARRELL

But the infringement case wasn't the only legal battle between the two companies. RIM also challenged the validity of the NTP patents, targeting NTP as a "patent troll," since NTP never did anything with its patents. The pejorative term refers to individu-

als or corporations that purchase patents for the sole purpose of suing infringers, or using the threat of an injunction to shake down the users of the technology.

"Should a person or an entity that has patent rights in technology be able to get damages for past use when they are not even in the marketplace?" Stallion asked. And when the 3rd Circuit reversed more than half of NTP's infringement claims, "that begs the question, why didn't the PTO get it right the first time and avoid some of this unnecessary litigation?"

The same patent NTP is relying on to shut down BlackBerry could end up being declared invalid. If that were to happen, "the federal court would have nothing to enforce and the jury's decision would have no merit at that point," Stallion said.

RIM repeatedly filed motions to stay the infringement proceedings to wait for the patent office to reexamine the NTP patents, and Spencer consistently denied them.

"Most courts have traditionally stayed this type of litigation until re-examination was complete," Stallion noted.

But the patent office ruling puts RIM on stronger ground, both in the courtroom and in negotiating a settlement.

"RIM cannot afford to shut down," Stallion said. "Regardless of what they say about their possible contingency plan, there are bound to be some problems, not to mention the fact that users will be totally dissatisfied with having to load new software or change their habits."

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