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Comment and Analysis

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Sour Berries: Recent Patent Case Ruling May Halt BlackBerry Use

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With the growing dependence on remote and electronic forms of communications to maintain their competitive business advantages, many professional firms have incorporated the very popular BlackBerry line of wireless e-mail and paging systems into their daily business operations.

Among its many specialized applications, the BlackBerry system allows users to send and receive e-mails without physically accessing a computer, thereby dispensing with the need to tow laptops or locate a dial-up Internet service for this purpose. In a short time, the mobile device has become infamously addictive, even earning the moniker "CrackBerry". However, recent rulings from the leading U.S. court on patent law and the U.S. Supreme Court have renewed the possibility that U.S. service to the versatile BlackBerry may be halted.

On October 26, 2005, newly appointed Chief Justice John Roberts denied Research In Motion's (RIM) last-minute attempt to stay a patent-infringement judgment against it. That judgment could now prohibit RIM from selling or providing its BlackBerry handhelds and server software to over a million users in the United States. This high-profile patent lawsuit is not over, as the case heads up to the U.S. Supreme Court and down to the District Court for further proceedings. Its resolution may have a significant impact on businesses across the United States.

The Legal Background

In November 2001, NTP, a small Virginia-based intellectual property holding company, filed suit in Virginia against RIM, the Canadian manufacturer of the BlackBerry, alleging that several of its patents had been infringed by various configurations of the BlackBerry system. The technology at issue related to systems for integrating existing electronic mail systems with radio frequency wireless communication networks, to enable a mobile user to receive e-mail over a wireless network.

In August 2003, the District Court awarded NTP monetary damages totaling \$53.7 million. The court also issued a permanent injunction against RIM, enjoining it from selling, using, or importing its accused BlackBerry systems, software, and handhelds in the United States. The injunction was stayed pending a federal appeal.

The Legal Battle In the Appellate Court and U.S. Supreme Court

In December 2004, the U.S. Court of Appeals for the Federal Circuit in Washington, an intermediate court which oversees all

patent appeals in the United States, upheld the District Court's ruling that RIM's BlackBerry devices infringe several NTP patents. At that time, however, the Federal Circuit granted RIM permission to continue to market the services in dispute while the case was remanded to the District Court for further review. RIM thereafter filed a petition to rehear the appeal.

In March 2005, prior to the Federal Circuit's reconsideration of its December 2004 opinion, RIM announced that it had reached a \$450 million settlement with NTP that appeared to end the protracted dispute. In June 2005, RIM went back to the District Court to enforce the agreement amid signs it was beginning to unravel. The deal subsequently collapsed, with each side accusing the other of adding unacceptable conditions. The battle continued in the appellate courts.

In August 2005, a three-judge panel of the Federal Circuit withdrew its December 2004 opinion and definitively upheld some parts and struck down other parts of the District Court's ruling. Specifically, the Federal Circuit opined that RIM had indeed violated seven of the patents under consideration. However, the Federal Circuit concluded that the District Court had wrongly construed the term "originating processor", which it defined as "a processor in an electronic mail system that initiates the transmission of a message into the system."

As a result, it upheld the infringement rulings with respect to the claims that do not contain an "originating processor" limitation, but vacated the rulings for those that contain the "originating processor" limitation. The Federal Circuit therefore returned the case to the District Court for further arguments over the claims that may have been affected by the flawed definition.

En Banc Review Sought

In the interim, the Federal Circuit stayed the permanent injunction against RIM, ordering the District Court to revise the 2003 injunction to reflect decisions made on appeal. RIM, however, appealed again, asking that all twelve judges of the Federal Court (referred to as an *en banc* request) reconsider the case.

On October 10, 2005, the Federal Circuit refused to rehear RIM's *en banc* request and on October 21, the Federal Circuit further refused RIM's request to suspend the patent-infringement lawsuit while RIM appealed the case to the U.S. Supreme Court. RIM immediately filed an emergency appeal with the Supreme Court, asking to suspend the District Court's judgment before RIM exhausts its appellate options.

On October 26, the Supreme Court denied without comment RIM's request, prompting many to consider whether this latest setback would forecast the end of the road for RIM. Others, however, point out that the court rulings simply mean the case will now return to the District Court in Virginia for further arguments on the merits of some of the patent claims and a decision on whether to impose the injunction.

Ordinarily, imposing such an injunction would likely take many weeks, if not months, making an immediate end to BlackBerry service unlikely. Nonetheless, since about 75 percent of RIM's business is reportedly in the U.S. market,

any termination of operations would be a serious impediment to RIM.

The District Court will also reconsider a dispute over whether the companies reached a valid and binding settlement in March 2005. RIM is expected to renew its request that the trial court enforce the terms of the settlement, and is expected to argue against an injunction by pointing out that it agreed to settle the case months ago. NTP, on the other hand, has maintained that the companies failed to reach a definitive agreement over licensing terms for the patents in dispute.

RIM also announced that it plans to appeal the Federal Circuit decision to the U.S. Supreme Court, arguing that the case "raises significant national and international issues warranting further appellate review." In particular, RIM has argued that U.S. patent law should not apply because the controlling BlackBerry software is found on computers in Canada – beyond the jurisdiction of U.S. courts. According to RIM, this case pushes United States laws beyond the country's borders, because the disputed e-mail software at its heart resides only on servers near the company's head office in Canada. It is unknown whether and when the Supreme Court will decide to review this case.

USPTO Re-examination of the Disputed Patents

Following the District Court's 2003 judgment, the United States Patent and Trademark Office (USPTO) initiated an

independent re-examination of several of NTP's patents at issue in the lawsuit. While the re-examination process has not been completed, the USPTO recently cast doubt on all eight of the patents involved in the dispute, issuing a preliminary rejection of a key patent in the case.

If all eight NTP patents being re-examined are eventually overturned, NTP's court case against RIM would be null and void. NTP has dismissed the USPTO rulings as a common formality in the agency's lengthy review process and is expected to appeal that decision. NTP can respond to the preliminary ruling, after which the USPTO will issue a final ruling.

It is unclear what impact, if any, this development might have on any settlement negotiations between RIM and NTP. NTP has said that it will ask the District Court to confirm the permanent injunction. RIM Co-Chief Executive Jim Balsillie has maintained that RIM has a "workaround" technology designed to avoid the patents in question and that RIM is "committed to supporting its market and supporting its customers".

RIM will hope that the USPTO rulings, which are independent of the litigation process, will boost its arguments before the trial court against re-issuing an injunction until a final ruling by the USPTO. In the meantime, BlackBerry users remain tuned to the highly anticipated outcome of this lawsuit.