NTP Inc. v. Research in Motion Ltd.
The BlackBerry Dispute

The long winding legal battle between Research in Motion (RIM) and New Technology Products (NTP Inc.) over patent infringement issues concerning RIM’s flagship product, the BlackBerry platform of wireless email communication, finally came to an end on March 3, 2006. RIM agreed to pay a settlement of $612.5 million to NTP in a full and final settlement. In return, RIM receives a license to all of NTP’s patents that relate to RIM’s products. This settlement brings an end to litigation that spanned nearly six years, and likely brings relief to over three million BlackBerry customers who feared a disruption in service in the wake of looming injunctions on the sale and support of BlackBerry devices in the U.S.

The dispute centered on the know-how used in the BlackBerry system for integrating existing electronic mail systems, or “wire line” systems, with radio frequency (RF) wireless communication networks, enabling a mobile user to receive email over a wireless network. Distinguished from conventional email systems, BlackBerry provides connectivity to the consumer’s fingertips by providing mobile or remote internet access.

NTP and RIM locked horns soon after the BlackBerry handheld was introduced to the market in 1998. NTP was formed in 1992 by Thomas J. Campana for the business of licensing patents. Campana, along with two others, Michael P. Ponschke and Gary F. Thelen, developed and patented an electronic mail system to integrate existing email systems with RF wireless communications networks. After RIM declined NTP’s request for a licensing agreement, NTP filed a lawsuit in the U.S. District Court for the Eastern District of Virginia in November 2001,
claiming that over forty system and method claims from its several patents-in-suit had been infringed by various configurations of the BlackBerry system.

A year later, RIM was found by the jury to have infringed sixteen claims found in five of NTP’s patents. NTP was initially awarded $23.1 million in damages, based on 5.7% of U.S. BlackBerry sales, but that amount was later raised to $53.7 million upon the court’s finding of willful infringement by RIM. The court further granted an injunction preventing RIM from making, using, or offering to sell handhelds, services or software in the United States. However, the injunction was stayed pending an appeal to the U.S. Court of Appeals for the Federal Circuit (CAFC). An injunction would have been financially devastating to RIM, as by 2002, the BlackBerry system accounted for approximately 54% of RIM’s sales. The company’s business was booming in the U.S. and BlackBerry was fast becoming a ‘must have’ gadget among professionals.

During this period of litigation, RIM requested reexaminations of the patents in question by the United States Patent and Trademark Office (USPTO). Reexamination is a separate process from the appeals process in the US Federal Courts. RIM asserted that previously unconsidered prior art invalidated NTP’s patents. Although all of the patents have received final rejections, NTP is currently appealing the rejections and the patents are still considered to be fully valid at this time. RIM also began the process of developing a software work-around design that would keep the BlackBerry service running in the event of a future injunction.

In December 2004, the CAFC upheld the majority of the jury verdict of infringement however, the appellate court did remand for misconstruction of a single term affecting five claims, and vacated the district court’s injunction. Following the appellate opinion, the two companies negotiated a settlement in March 2005 whereby RIM would pay $450 million to NTP, for full and final settlement. However, the parties were unable to agree to the terms of the settlement, and negotiations were abandoned.

In August 2005, the CAFC allowed a rehearing and released a second opinion revealing a modified analysis of U.S protection for method patents in relation to infringing activities abroad.
The court stated that a system is used “within the United States” when the United States “is the place at which the system as a whole is put into service, i.e., the place where control of the system is exercised and beneficial use of the system obtained.” The revised opinion distinguished that a method, however, is used “within the United States” only if each step is performed within the U.S. Thus, the CAFC maintained its earlier decision that RIM, a Canadian based company, had infringed the system claims of the pertinent patents, but had avoided infringement of the method claims.

In the early months of 2006, after the U.S. Supreme Court refused to RIM’s petition to intervene in the legal dispute, followed by a hearing wherein the district court judge warned that another injunction might soon be imposed, the two companies finally reached an agreement in March 2006. RIM agreed to make a payment of $612.5 million to NTP to settle all claims and for a perpetual license for all of NTP’s patents, and unfettered right to continue it’s BlackBerry services. The agreement allows RIM to sell all of its products and services without paying further royalty payments. By this provision, RIM’s wireless carriers, partners, suppliers, or customers are also free from licensing or royalty fees to NTP. The agreement does not require NTP to repay the settlement amount even if the USPTO ultimately invalidates NTP’s patents in the reexamination process.

This legal dispute highlights the overburdened workload of the USPTO. Applications, especially in the field of technology, are being filed in record numbers. With the rapid change and innovation in the field, the effort expended to find prior art increases in difficulty and time consumption. There is a strong concern that the USPTO is overburdened by the screening assignments. Currently, the search for prior art is conducted only by the USPTO, whereas in many other countries, the patent office will ask for outside comment.

The BlackBerry case also exposes the ever present need for caution in the corporate world when dealing with intellectual property. Companies are warranted in performing thorough research before embracing technology vulnerable to a patent infringement lawsuit that could lead to expensive work-around designs or outright shutdown of the system.
Finally, the revised appellate opinion of the CAFC involves the significant question of what sort of protection can the US patent laws provide to patent holders when dealing with foreign activities believed to be of an infringing nature. For this reason, case law involving the application of US patent laws to activities carried out abroad is understandably receiving attention by astute companies, both those companies seeking ways to avoid infringement, and those hoping to protect their intellectual property rights.

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