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SUPREME COURT ISSUES A "RIM" SHOT HEARD 'ROUND THE WORLD

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Patents are not necessarily something that come up in day to day business discussions. One highly publicized and closely watched case for both technology and non-technology based businesses involves Research in Motion (RIM) and its popular BlackBerry wireless e-mail service. For those readers who may not be familiar with Blackberrys, they are hand-held, wireless devices which can, among other things, send and receive e-mail messages via a cellular service. The use of BlackBerrys has become so prevalent and addictive, they have affectionately been dubbed "CrackBerrys" by the business community.

The dispute between RIM and patent holding company NTP, Inc., began in January 2000, when NTP, which had been issued several patents with claims directed to e-mail delivery systems and methods, sent a letter to RIM inquiring as to whether RIM was interested in licensing NTP's patent portfolio on this technology. Although there is disagreement between what transpired following that letter, in November 2001, NTP filed a patent infringement lawsuit against RIM alleging that its BlackBerry system infringed upon several of the NTP patents.

The dispute is now entering its seventh year, and has involved a highly complex and obviously long, drawn out legal proceeding not only in the federal courts, but also at the Patent and Trademark Office where thousands of claims in the NTP patents have been and are being reexamined at the request of RIM. In the court proceeding, NTP has prevailed on proving that RIM is in fact infringing upon its patents, and RIM has taken advantage of every legal procedure available to delay and fight this verdict. The court rulings leave a looming injunction which, if issued, would force RIM to turn off its BlackBerry service, leaving millions of users without their "CrackBerrys." The remainder of this article will summarize the proceeding to date, and provide a sense of the economic and practical significance of this closely watched patent dispute.

To appreciate RIM's defense to the lawsuit, it is important to understand the basic components of the BlackBerry system. The BlackBerry system essentially requires three components: 1) a handheld BlackBerry unit for sending and receiving messages, 2) "Redirector" software installed at the user's home e-mail system that forwards e-mails into RIM's system, and 3) access to a wireless transmission

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network for transmitting wireless messages to and from the handheld unit. The “Redirector” software component of RIM’s system retrieves all e-mail messages destined for delivery to a BlackBerry user and forwards it to RIM’s Relay Switch, which is located in Ontario, Canada. The Relay Switch performs the processing necessary to deliver the e-mail message to the appropriate wireless network for the intended BlackBerry user. Every e-mail message sent from or destined to be sent to a BlackBerry handheld unit must pass through the Relay Switch. Thus, a critical part of the BlackBerry system is located outside the United States.

The principal defense mounted by RIM is that because an essential part of its system is located outside the United States, and because a U.S. patent only excludes certain acts (e.g., making, using, selling, offering to sell, and importing an infringing article) from occurring in the United States, its system was not within the jurisdictional scope of the U.S. patent laws. The courts have agreed in part and disagreed in part with this defense. In a fairly novel issue, the Court of Appeals for the Federal Circuit has held that a “system” that has components located outside the United States may still be within the confines of U.S. patent law if a beneficial use” for the system that exists within the United States. The court also held, however, that a “method” must be entirely performed within the United States in order for it to come within the jurisdiction of the United States patent laws. Hence, the Appeals Court held that the “system” claims in NTP’s patents were infringed by RIM despite a portion of the system being located outside of the United States because of the unquestioned beneficial use the system has here. The Court did reverse the lower court in finding that the “method” claims were not infringed because all steps in the claimed method were not performed in the United States.

Due to the failure (partial failure) of this argument, the case proceeded to trial where RIM was found to be in violation of all five NTP patents involved in the suit and NTP was awarded damages of \$53.7 million. The verdict also resulted in the court issuing a permanent injunction prohibiting RIM from taking any actions that constitute infringement of NTP’s patents (in other words, shutting down BlackBerry service in the United States). The injunction was, however, stayed pending RIM’s appeal of the verdict to the Court of Appeals for the Federal Circuit.

A second defense mounted by RIM is that the claims in NTP’s patents are not valid in view of certain “prior art” that teach the claimed system and methods. In pursuing this defense, RIM has instituted a “reexamination” proceeding at the U.S. Patent Office wherein the Patent Office will actually conduct a new examination of the patents to determine whether the inventions claimed are in fact novel and non-obvious over the newly considered prior art. The Patent Office has initially rejected the claims in NTP’s patents, but NTP has the opportunity to respond and if finally rejected, to appeal this decision to the federal courts. The reexamination proceeding does give RIM a glimmer of hope of ultimately prevailing in this dispute, but it could be years before the reexamination proceeding is finally terminated.

In view of the favorable first “office action” issued by the Patent Office, RIM had again requested that the courts stay an injunction shutting down its BlackBerry service. This request has been denied by the Appeals Court, and on January 23, 2006, the Supreme Court refused to consider the issue, thus leaving the appellate decision in place. Before an injunction is issued, the court has requested that the parties submit briefs explaining their positions relative to the scope of an injunction by February 1, 2006. Virtually any time after that, an injunction could be issued, the result of which would be termination of BlackBerry service in the United States. To symbolize the great effect BlackBerry service has in the United States, the Federal Government has intervened asking that the service provided to government workers not be interrupted as to do so could put “essential government services in jeopardy.”

Analysts are now predicting a settlement that could amount to at least \$1 billion. Absent a settlement, it is quite likely that BlackBerry service will be shut down at least for some period of time in the United States. The courts could provide RIM with a period of time in which to try and resolve this matter with NTP before forcing it to shut down service, but the recent refusal by the Supreme Court to upset the Appeals Court’s denial of RIM’s request for a stay of the injunction does signal the improbability of judicial relief for RIM. Stay tuned.

If you have any questions, please contact George R. McGuire, Chair, Intellectual Property Practice Group, at 315-218-8515 or gmcguire@bsk.com.