

## OPINION

### ■ BLACKBERRY SETTLEMENT ■

# NTP patents are strong

By George Wheeler SPECIAL TO THE NATIONAL LAW JOURNAL

IN THE CLOSELY watched litigation between patent owner NTP Inc. and adjudicated patent infringer Research in Motion Ltd. (RIM) over the BlackBerry wireless e-mail system, RIM has settled for \$612.5 million to avoid an injunction and continue to operate its current e-mail system. This intellectual property case was perhaps one of the most noteworthy in recent business history for the breathtaking brinkmanship exhibited by a major corporation. This is particularly so, given the variety of factors suggesting that NTP's patents are much stronger than many people believed.

First, RIM had steadfastly maintained for years that NTP's patents were invalid, and had repeatedly requested that the U.S. Patent and Trademark Office (PTO) re-examine their validity. Despite all of those efforts, NTP's patents have held strong. RIM first contested the validity of the NTP patents while defending itself against NTP's 2001 patent infringement suit. RIM lost at every stage—in summary judgment proceedings, at trial, in a motion for judgment as a matter of law and on appeal. *NTP Inc. v. Research In Motion Ltd.*, 418 F.3d 1282, 1290-1291, 1325 (Fed. Cir. 2005). The trial court stated, "RIM's anticipation and obviousness [validity] defenses were not substantial." 270 F. Supp. 2d 751, 759.

After RIM lost at trial, in December 2002, the PTO took the unusual step of starting patent re-examination proceedings on its own initiative, challenging the validity of five NTP patents. In addition, RIM later started 14 separate re-examination proceedings of its own, attacking eight NTP patents. Each of the five NTP patents adjudicated in court has had three separate re-examination proceedings pending against it at the PTO.

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Interestingly, although the litigation is settled, the re-examinations are not because it is not possible for private parties to settle a re-examination. Once started, a re-examination does not stop until the validity of the patent has been finally determined and any claims determined to be invalid are canceled.

Although one patent is under a "final" rejection and others may follow suit, PTO final rejections are frequently overcome. Moreover, the re-examinations probably will remain pending for years, as the decisions made by PTO examiners can be appealed twice, and a third time if the Supreme Court grants certiorari. But, even if ultimately successful, the re-examinations were not enough to enable RIM to avoid coming to terms with NTP.

RIM apparently has no further interest in extinguishing NTP's patents. Having settled for a paid-up license, RIM may actually want the patents to withstand re-examination to avoid letting others into the field. But, at this point, the ultimate fate of the patents is not clear.

#### Work-around delay

Second, NTP's patents were shown to be much stronger than many observers believed because RIM was reluctant to implement its announced work-around option. RIM could have attempted to avoid further liability by changing to software designed to work around the NTP patents. An unusual and captivating feature about this lawsuit, however, was RIM's strategy of brinkmanship—it had not implemented a proposed work-around solution even as an injunction was imminent. If a work-around solution performs as well as the existing, patented technology and does not infringe the patents in dispute, the accused infringer will usually bring it to the market as soon as feasible. Doing so cuts off the accrual of damages and also enables the accused infringer to survive an injunction. See, e.g., *Grain Processing*

*Corp. v. American Maize-Products Co.*, 185 F.3d 1341, 1345-1347 (Fed. Cir. 1999).

RIM's choice to settle instead of distributing its work-around software suggests that its new software either was inferior to its current technology or was still likely to infringe upon NTP's patents. Thus, one should be skeptical about RIM's assertion that NTP is a mere "patent troll," asserting supposedly dubious patents to extract a nuisance settlement. NTP used the patent system as it was intended to be used—to reward the first inventor of a worthwhile development and also encourage more development by that inventor and others.

A lesson to be learned from this case is that a patent is a sword, not a shield. Even an innovator such as RIM with numerous patents of its own needs to spend substantial time and money to identify every published patent application or patent that may affect its investment. As it finds relevant patents, the innovator must then erect a shield by reaching accommodation with the patent owners, developing a robust defense that the patents are invalid or ensuring that its product (whether originally or after modification) will not infringe them.

To succeed in today's marketplace, an innovative enterprise must not only have a superior product and a patent position of its own, but also a good defense against infringement. Otherwise, as we all just witnessed, a tiny company with unbeaten patents will be more than a match for a global corporation with almost \$2 billion in revenue. **NLJ**

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