

BlackBerry: Lawsuit and Patent Reform

By George H. Pike*

It appears that your BlackBerry is safe. After more than four years of litigation and a threatened shutdown, a settlement was reached between Research in Motion (RIM)—the manufacturer of the BlackBerry—and NTP the holder of several patents that RIM had allegedly infringed.

There were a number of questions underlying this lawsuit. However, the core question that emerged in the final stages of the suit, when a shutdown was considered imminent, was whether the patents that NTP held were valid. Even though a federal court established in 2002 that RIM had infringed the patents, a review of the patents by the United States Patent and Trademark Office (USPTO) in 2005 and 2006 had declared at least some of the patents to be invalid. While RIM and NTP were in court dealing with a possible shutdown, and conducting behind-the-scenes settlement negotiations, a possibility existed that the entire exercise might be irrelevant.

Patent holding company

NTP is a patent holding company based in McLean, Virginia. It exists primarily to administer several patents developed by NTP's founder, Thomas Campana, Jr. Campana was a communications engineer who developed a system to deliver electronic mail through paging networks. He patented his development in 1991, first with three patents, later adding five additional patents. NPT's sole purpose has been to administer and economically exploit the Campana patents.

The BlackBerry was the result of a long series of developments that likewise date back to the late 1980's and early 1990's, arising out of experiments with the use of palmtop computers as wireless e-mail devices. RIM went public in 1997 largely on the strength of the BlackBerry, which is now in the hands of over 3 million subscribers.

Patent claims

Central to the RIM-NTP patent battle was identifying exactly what the NTP patents covered. In obtaining a patent, the inventor must not only describe what the particular invention is, but also set out what the invention does. These pieces of the patent are called patent claims and are intended to outline the scope of activities, tasks, or processes included within the patent. If something is included within a valid patent claim, then another invention doing the same thing would be infringing. A given patent may have a number of claims, some of which may be very narrow, others broad. One of NTP's patents, #5,438,611, for an "Electronic mail system with RF communications to mobile processors" had 80 patent claims.

In that light it seems likely that similar technologies would potentially infringe on existing patent claims. The interpretation of patent claims and the comparison of patent claims to new and allegedly infringing devices are among the most complex and controversial components of patent law.

On the other hand, the extensive use of patent claims can also lead to the invalidation of patents. Throughout the RIM-NTP lawsuit, RIM based most of its defense on the grounds that the patents and patent claims were not valid. Specifically, RIM argued that the patents and some or all of the claims were not novel enough or were too obvious to be considered patentable. Unfortunately, a federal court did not agree and found that the BlackBerry infringed on NTPs patent claims and awarded damages to NTP. More critically, RIM was ordered to stop infringing on the patents. This order is what threatened the shutdown of the BlackBerry network.

BlackBerry shutdown order

The shutdown order was stayed while RIM appealed the verdict. Over three years RIM appealed the court decision to the appellate and Supreme Courts, but was unsuccessful. As its court options dried up, RIM faced a growing risk that the shutdown would finally be ordered. However, two weeks after a final court hearing on the shutdown order, RIM agreed to settle the lawsuit for just over \$600 million. That amount, far higher than the damages awarded on the infringement claim, was likely based on what the two companies might consider reasonable licensing fees for past, present, and future use of the NTP technology by the BlackBerry. More importantly for RIM, it provided assurance that the BlackBerry would remain in business.

However, while the lawsuit was working its way through the appeals process, a separate investigation of the NTP patents was underway at the USPTO. Beginning in 2003, the USPTO began a review of the patents to determine if they are valid.

Post-patent review

This post-patent review process, while fairly common, has become one of the more controversial parts of U.S. patent law in the Internet age. The post-patent review process takes place after the patent has been granted, often in response to a claim of infringement. In some circumstances, the alleged infringer will ask the USPTO to review the patent, in others, the USPTO initiates the review. In the RIM-NTP case, the USPTO initiated a review of seven of the eight patents, later adding the eighth patent at RIM's request.

The review process is essentially a re-exploration of whether the patented invention or process meets the legal requirements for a patent. While the patent granting process is arduous, often taking a year or more, there are often limits to the information available to the patent reviewer. After the patented technology has been in the marketplace, more information becomes available, often establishing that the invention or process was not novel enough or too obvious to be patented. The identification of "prior art"—to use the patent lawyer's lingo—may be enough to show that the invention wasn't an invention at all.

The post-patent review process can also be very lengthy. The review of the NTP patents began in 2003 and was still ongoing as the potential BlackBerry shutdown loomed. Even as the USPTO issued orders in late 2005 and early 2006 declaring the patents invalid, appeals of those orders would have served to keep the patents intact for years.

This ended up being one of the central controversies arising out of the BlackBerry settlement: From RIM's perspective, they paid over \$600 million to use a technology that the government said was not validly patented. From NTP's perspective, however, the patents remained valid unless and until a final court determination, and RIM was rightfully paying for its use of NTP's technology.

Criticisms of post-patent review

Critics of the post-patent review process also argue that the USPTO office has been granting patents too readily, relying on the post-patent review process to separate out the wheat from the chaff. The patent office, they argue, should be more critically investigating patent and patent claims prior to issuing the patents. Technology patents have been particularly criticized as being issued too readily.

As seen in the BlackBerry litigation, the cost can be considerable. A developer who is alleged to have infringed on a questionable patent must initiate and wait-out an expensive post-patent review, quit or be forced to quit using the patent, or pay a licensing fee to the patent owner. These licensing fees have given rise to "patent trolls", individuals or groups that buy up patents from individual inventors who were not exploiting them. Patent trolls then attempt to obtain licensing revenue from others who use similar technology under the threat that they may be infringing the patents. (It should be made clear that this was not the case in the RIM-NTP lawsuit, in that NTP was established by the original inventor.)

But patents, like copyrights, can be used or not used, bought and sold just like any other property. A patent holder can sell his patent to another who may be better positioned to exploit that patent, through actual use or licensing to others. Patent owners argue that they are often up against major corporations who are using their patented technology without their permission.

Calls for patent reform

The BlackBerry lawsuit has renewed calls for reform of the U.S. patent laws. In a letter to its customers published in several national newspapers, RIM called for renewed attention to the patent system to "close the loopholes" that led to its battle.

A bill to substantially reform U.S. patent law is currently before Congress. That bill addresses a number of these controversies. First, it would increase the information available to patent examiner, potentially reducing the issuance of invalid patents. Second, it would make it a bit harder to use the threat of a shutdown to obtain licensing fees, by requiring the court to evaluate additional information about the use of the technology before issuing an automatic shutdown order. Finally, it creates a new, more expeditious post-patent review process. The bill was introduced last summer but has been stalled in committee since September.

It is clear that questionable technology patents create problems for technology developers and can enhance technology costs. RIM's problems are not all solved as it is being sued for patent infringement in the U.K. and Germany. Microsoft's recent entrance into the mobile e-mail business resulted in a patent infringement lawsuit by Visto, a fellow competitor and licensor of

NTP's technology. eBay and IBM are also battling patent infringement suits, one of which is before the U.S. Supreme Court. Whether through the courts or Congress, the BlackBerry experience suggests that some modification of patent law is likely and necessary.

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