

New York Law Journal Technology Today

Tuesday, March 14, 2006

ALM

Patent Injunctions

The Effect on the Public Interest of 'NTP v. RIM'

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On March 3, 2006, NTP, Inc. and Research In Motion, Ltd. (RIM) reached a settlement of their protracted litigation over plaintiff NTP's claim that RIM's BlackBerry service infringed NTP patents.¹

RIM will pay NTP \$612.5 million to conclude the matter. The settlement talks heated up following the much-anticipated Feb. 24 hearing before Chief Judge James Spencer of the U.S. District Court for the Eastern District of Virginia on NTP's application to enjoin RIM from continuing to operate its wireless e-mail service.

Relying on some 20 declarations signed by representatives from a broad spectrum of public and private organizations, RIM argued that a court-ordered shutdown of its service would cause severe economic and societal consequences. Such burdens were particularly unwarranted, RIM asserted, given that the U.S. Patent and Trademark Office was in the process of declaring each of the patents invalid, one by one, in director-initiated re-examination proceedings.

Though Judge Spencer acknowledged that the injunction application presented the court with an "incredibly important and significant decision," the settlement

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INTERNET ISSUES



between the parties means that we will never know how he would have resolved the matter.

The fanfare about *NTP v. RIM* may spur a dialogue, however, about public interest factors courts are to consider in deciding whether to grant an injunction against patent infringement. Such debate is particularly timely given that the U.S. Supreme Court will soon weigh in on the subject in a patent case on its docket.²

NTP's patent infringement action against RIM was filed in November 2001 and went to trial less than one year later. For the Eastern District of Virginia, home of the "rocket docket," this was standard fare. Most cases are filed, proceed to trial, and are off the docket within a matter of months. It was either fortuitous, or very good planning, that one of NTP's two founders was a patent lawyer with an office in Arlington, Va., ensuring that future patent litigations could be filed in the court with just about the quickest docket in the nation.³

The prospect of future litigation may well have been in the minds of NTP's founders from the outset because NTP never practiced its inventions. The company, whose name stands for New Technologies Products, was formed to hold the patents of Thomas Campana, the most important of which related to the transmission of e-mail messages over a radio frequency (RF) signal.⁴

Readers of news accounts of the trial may recall that RIM attempted a demonstration before the jury to show that others had invented wireless e-mail years before Campana claims to have done so. To prove this point, the RIM demonstration was supposed to send an e-mail over an RF signal in the same way as could have been accomplished using technology that predated the filing of the Campana patent.

On cross-examination, however, NTP's lawyers discerned that the device used for the demonstration had been equipped with newer software. This resulted in a jury instruction that the demonstration should be disregarded and permitted the jury to conclude that RIM had fabricated a key piece of evidence. Thus, the ultimate jury verdict in some measure may have been attributable to a trial tactic that badly backfired.

It is ironic that the patent office now appears to agree with the point of RIM's trial demonstration—that the Campana invention was reduced to practice after earlier patents had disclosed the invention. In 2005, the patent office moved ahead on its own re-examination

of the seven NTP patents in question. By Feb. 24, the day of the hearing before Judge Spencer, the office had determined that all of the patents relied upon were invalid as a result of prior art.⁵

The patent office re-examination obviously came too late to help RIM before the District Court. In late 2002, NTP won a jury verdict of \$33 million based on a reasonable royalty rate of 5.7 percent, \$14 million in enhanced damages for willful infringement, plus attorney's fees and prejudgment interest.⁶ Following the verdict, the District Court granted a permanent injunction, but stayed entry of that injunction pending appeal.

In 2005, the U.S. Court of Appeals for the Federal Circuit reversed several of the District Court's claims construction rulings, affirmed others, and remanded with direction that the district court reconsider the damages verdict and other aspects of the case in light of the guidance provided by the Federal Circuit's decision.⁷

It was in this context—remand following Federal Circuit review—in which the injunction issue once again came before the district court on Feb. 24.

§283 of Patent Act

Section 283 of the Patent Act gives courts the power to grant injunctions to prevent patent infringement "in accordance with the principles of equity." The "right to exclude recognized in a patent is but the essence of the concept of property." *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (Fed.Cir.1989). For that reason, the general rule is that a permanent injunction will issue once infringement and validity have been adjudged.

The issuance of an injunction is not automatic, however; district courts must instead follow the traditional equitable principles that guide the decision whether to enjoin certain conduct and enjoy "considerable discretion in determining

whether the facts of a situation require it to issue an injunction." *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865 (Fed.Cir.1984) ("standards of the public interest, not the requirements of private litigation, measure the propriety and need for injunctive relief").

Courts have in rare instances exercised their discretion to deny injunctive relief in order to protect the public interest.

The fanfare about 'NTP v. RIM' may spur a dialogue about public interest factors courts are to consider in deciding whether to grant an injunction against patent infringement. Such debate is particularly timely given that the U.S. Supreme Court will soon weigh in on the subject in a patent case on its docket.

MercExchange, L.L.C. v. eBay, Inc., 401 F.3d 1323, 1325 (Fed. Cir. 2005), quoting *Rite-Hite Corp. v. Kelley, Inc.*, 56 F.3d 1538, 1547 (Fed.Cir.1995).

In *Hybritech Inc. v. Abbott Laboratories*, 1987 WL 123997 (C.D.Cal. 1987), aff'd, 849 F.2d 1446 (Fed.Cir.1988), for example, the court granted an injunction against the sale of the accused blood test kits, but excluded certain cancer patients from the effect of the injunction, and removed entirely another category of test kits, for hepatitis, because there was no substitute on the market. A few older instances can be found in which courts declined an injunction based upon public interest factors. *Vitamin Technologists, Inc. v. Wisconsin Alumini Research Found.*, 64 USPQ 285 (9th Cir.1945) (public interest warranted refusal of injunction on irradiation of oleomargarine); *City of Milwaukee v. Activated Sludge, Inc.*, 21 USPQ 69 (7th Cir.1934) (injunction refused against city

operation of sewage disposal plant because of public health danger).

More clarity on this issue hopefully will emerge soon from the U.S. Supreme Court. In *MercExchange v. eBay, Inc.*, the Supreme Court granted certiorari to address the broad issue of "whether this Court should reconsider its precedents...on when it is appropriate to grant an injunction against a patent infringer."⁸

Public Interest Arguments

Before Judge Spencer, RIM presented affidavits from a variety of federal, state and local government agencies and from numerous other organizations, including corporations, charitable organizations, law firms, and investment banks, describing the crisis each would face in the event of an injunction. Based on this array of evidence, RIM made arguments which included the following points:

- There is "exceptional public interest in undisrupted BlackBerry use by... individuals in both public and private sectors who rely upon the BlackBerry system to facilitate national defense, homeland security, emergency preparedness and operation and maintenance of the national's critical infrastructure."⁹ These users are found throughout federal, state and local governments.

- Industries critical to the health of the U.S. economy rely on BlackBerrys, including Fortune 500 companies, investment banks, law firms and accounting firms. One study suggests that a shutdown of the BlackBerry service would have a quantifiable impact upon the economy, perhaps reaching \$25 billion in lost productivity and other indirect effects.¹⁰

- The public health would be adversely affected to the extent that doctors, nurses and hospitals relying upon BlackBerrys were no longer able to communicate effectively.

The number of government workers relying on BlackBerrys appears attributable to an early strategy employed by RIM. To

gain acceptance by users, RIM gave away thousands of its handsets in the late 1990s to members of Congress and other governmental users.¹¹ In the post-9/11 era, early acceptance by such users has turned the government into a RIM ally. The Justice Department was permitted to intervene before the district court in *NTP v. RIM*, and argued that a shutdown of the BlackBerry service would hamper communications during emergencies and that it might not be technically feasible to keep government users connected to the service while cutting off others.

NTP responded to these arguments by arguing that the public interest is advanced when valid patent rights are enforced by an appropriate injunction. Cases supporting this proposition include *Smith International, Inc. v. Hughes Tool Company*, 718 F.2d 1573 (Fed. Cir. 1983) and *E.I. duPont de Nemours & Co. v. Phillips Petroleum Co.*, 711 F.Supp. 1205, 1228 (D. Del. 1989).

NTP also argued that RIM's prediction of a doomsday scenario was at odds with its public announcements that a "work-around" could be implemented in the event of an injunction which would enable RIM to provide service without infringing.

NTP further stated that its proposed form of injunction sought to exempt the government and "non-governmental first responders." In the case of the United States, such a carve-out is necessary to comply with the compulsory license which the United States enjoys pursuant to 28 U.S.C. §1498.

The technical challenges of implementing such exemptions were over-blown, NTP asserted, and RIM should simply be directed to find the way to put the exemptions in place.

As for panic-stricken commercial users like law firms and investment banks, NTP argued that a 30-day grace period would permit such users to find alternative service.

Judge Spencer did not indicate during

the hearing that he was impressed by RIM's arguments. In one of the very few substantive comments the judge made, however, he harkened back to the jury verdict reached three years earlier:

[O]ne unfortunate reality for RIM, and one that they would just as soon forget or ignore, is that in this very courtroom there was a trial, a jury was selected, a trial was carried out for a period of weeks, and evidence was received, and the jury heard arguments from some of the best legal talents that money can buy. And when all was said and done, they decided that RIM had infringed NTP's patent, and that the infringement was willful.¹²

This comment, which may have been uttered in order to prod RIM into reaching a settlement with NTP, suggests that Judge Spencer was likely to issue some kind of injunctive order, perhaps only as to future sales of the accused device, because any other result would have dishonored the jury verdict.

Recent Actions

As noted, RIM also relied heavily upon the patent office's final actions invalidating the NTP patents. Under *Standard Havens Prods. Inc. v. Gencor Indus. Inc.*, 27 USPQ2d 1959, 1960 (Fed.Cir. 1993) (unpublished decision), no injunction may be maintained if a re-examination decision of unpatentability is upheld. *Viskase Corp. v. Am. Nat'l Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001) and other precedent hold that a district court is under no obligation to stay court proceedings in order for patent office re-examination proceedings to become a final judgment because that process can take years.

In earlier rulings in the case, Judge Spencer had denied the indefinite stay sought by RIM based upon the patent office re-examination, relying upon *Viskase*: "Regardless of which party's predictions

this Court might adopt, any attempt at suggesting a likely time frame and outcome of the patent office reexamination process is merely speculation. This Court cannot and will not grant RIM the extraordinary remedy of delaying these proceedings any further than they already have been based on conjecture."¹³

While *Viskase* provided legal authority for the District Court to move ahead with a case despite the patent office re-examination, there is something incongruous about a court dislocating users of an accused device in order to protect patents which may be destined for oblivion.

At the Feb. 24 hearing, it was not clear that Judge Spencer was moved by the patent office re-exam argument. When NTP's lawyer started to rebut RIM's arguments based on the recent patent office action, Judge Spencer remarked: "If you must. I think that's a waste of time. I won't stop you."¹⁴

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1. *NTP, Inc. v. Research In Motion, Ltd.*, Civil Action No. 3:01cv767 (E.D. Va.).

2. *MercExchange, L.L.C. v. eBay, Inc.*, 126 S.Ct. 733 (2005).

3. See <http://www.uscourts.gov/caseload/2005/tables/C05mar05.pdf>.

4. See Barrie McKenna, Paul Waldie and Simon Avery, "Patently Absurd, the Inside Story of RIM's Wireless War," *Toronto Globe and Mail*, Jan. 28, 2006 ("Patently Absurd"). The patents were filed by Campana along with Michael P. Ponschke and Gary F. Thelen.

5. One of these rulings can be found at the patent office Web site by the following search string: http://portal.uspto.gov/external/portal/!ut/p/_s7_0_A/7_0_CH/cmd/ad/ar/sa.getBib/c/6_0_69/cc/7_0_1ET/p/5_0_18L/d/1selectedTab=ifwtab&isSubmitted=isSubmitted&dosnum=90006681.

6. *NTP v. Research In Motion, Ltd.*, 2003 WL 23100881 (E.D.Va. 2003).

7. 418 F.3d 1282 (2005)

8. *MercExchange, L.L.C. v. eBay, Inc.*, 126 S.Ct. 733 (2005).

9. RIM Jan. 17, 2006, Consolidated Memorandum on Remand Issues, at 24.

10. RIM Feb. 1, 2006 Response Memorandum, at 12.

11. See "Patently Absurd."

12. Feb. 24, 2006 Transcript 135:4 to 12, available at http://www.aipla.org/Content/ContentGroups/About_AIPLA/AIPLA_Reports/20065/NTPTranscript.pdf (Transcript).

13. *NTP, Inc. v. Research In Motion, Ltd.*, 397 F.Supp.2d 785, 788 (E.D. Va. Nov. 30, 2005).

14. Transcript 127:9.