

Every R&D-oriented company needs to know how to protect its intellectual property from unwarranted attack by firms that are primarily in the patent licensing business. In the attached article, “The BlackBerry Case—An Alternate Ending,” **Larry Ebner**, a senior partner in the Washington, D.C. office of McKenna, Long & Aldridge LLP, discusses the final stages of the highly publicized BlackBerry patent infringement litigation, in which he and other McKenna attorneys played a significant role prior to the \$612.5 million settlement. Larry discusses his perspective on how the litigation—which had a crucial public interest element—could have ended less abruptly and more equitably if the presiding federal judge had been willing to wait three months for an important Supreme Court ruling on the standards governing the issuance of patent infringement injunctions.

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THE TEMPLETON DEBATES

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Why Chief Justice Schroeder and Split Opponents
Should Swap a Broad Circuit for a Broader Perspective
by Diarmuid F. O’Scaillain*

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by Abigail Thernstrom*

*Premises Owner Liability for Secondhand Asbestos
Exposure: The Next Wave?
by Mark Behrens & Frank Cruz-Alvarez*

*The Rapanos Case
M. Reed Hopper & Damien M. Schiff*

*The Constitutional Rights of the Boy Scouts
by Scott H. Christensen*

BOOK REVIEWS

*Cornerstone of Liberty, America’s Constitution, The Fallacy of
Campaign Finance Reform, Reclaiming the American Revolution,
Trapped, The Limits of International Law & Law without Nations?*

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INTELLECTUAL PROPERTY

THE *BLACKBERRY* CASE—AN ALTERNATE ENDING

By LAWRENCE S. EBNER*

For more than six months I have been ruminating about the *BlackBerry* patent infringement case and how it could have ended less abruptly and a lot more equitably. I am referring to the litigation that NTP, Inc., a Virginia-based “patent troll” (i.e., company in the business of acquiring and licensing patents rather than practicing them), filed against Research In Motion, Ltd. (“RIM”), the innovative Canadian firm that independently developed and operates the immensely popular BlackBerry® handheld wireless email and data transmission system. The legal proceeding that last winter caused more than three million Americans—including a multitude of federal, state, and local government officials—to worry about suddenly losing their BlackBerry service. The suit that RIM, confronted with (i) anxiety-ridden customers, (ii) an antiquated U.S. patent law, (iii) ruthless plaintiff, (iv) adverse jury verdict, (v) unsympathetic federal judge, and (vi) threat of a permanent injunction against sale and use of BlackBerry devices, agreed to settle in March 2006 for \$612.5 million even though the Patent and Trademark Office (PTO), upon reexamination, had issued final office actions (or their equivalent) fully and finally *rejecting* as unpatentable all of the claims upon which NTP’s patents were based.

My partners and I were among the lawyers who represented RIM in the latter stages of the litigation.¹ Jim Balsillie, RIM’s Chairman and Co-Chief Executive Officer, described the case in a *Wall Street Journal* op-ed piece as “one of the most flagrant abuses of the patent system . . . not about legitimacy [or] the government’s interests [or] the public interest,” but instead, “about greed . . . a willingness to abuse the overburdened patent system for personal gain.”² In fact, according to the *Journal*, “[t]he incentive to file patent lawsuits has increased in the wake” of the suit,³ which came to a head on February 24, 2006 at a hearing, attended by a throng of finance and technology reporters, in U.S. District Judge James R. Spencer’s Richmond, Virginia courtroom. For more than three hours Chief Judge Spencer sat in almost complete silence during the parties’ arguments on the appropriate amount of patent infringement damages due NTP, and more ominously, on whether he should issue an injunction to shut down the BlackBerry system in the United States. The hearing featured an unprecedented presentation by the Department of Justice, which had intervened on behalf of the United States in this private patent infringement case in order to address the vital need to protect from the effects of any injunction, approximately one million federal, state, and local government personnel, federal government contractors and subcontractors, private

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first responders, and other BlackBerry users who would be either exempt by law or otherwise excluded from an injunction.

Wholly indifferent to everything that RIM had to say, Judge Spencer concluded the hearing by reading to the assembled mass of lawyers and reporters a rebuke that he had prepared in advance. He took the injunction and damages issues under advisement, but only after reminding RIM that “in this very courtroom . . . a jury . . . decided that RIM had infringed NTP’s patent,” and that “[t]he jury consisted of . . . tried and true citizens of this district and the Commonwealth of Virginia [who] are not foolish or frivolous when it comes to the matter of fixing legal liability.”⁴ Judge Spencer then offered the following admonition:

I must say I am surprised, absolutely surprised, that you have left this incredibly important and significant decision to the Court. I’ve always thought that this, in the end, was really a business decision. And yet you have left the decision in the legal arena, and that’s what you’re going to get, a legal decision . . . a Court imposed solution [that] will be imperfect . . . in plain words the case should have been settled. But, it hasn’t. So I have to deal with that reality.⁵

The case was settled one week later, on March 3, 2006.

The following month Mr. Balsillie testified about the case and settlement before the Subcommittee on Courts, the Internet and Intellectual Property of the House Committee on the Judiciary. Among other things, he explained that “RIM faced the very real possibility of an injunction being imposed by the District Court . . . NTP further leveraged this threat by hiring a public relations firm to instill fear amongst RIM’s customers and shareholders by way of a publicity campaign, effectively threatening millions of American customers in order to put additional pressure on a public company to capitulate to excessive demands.”⁶ Mr. Balsillie indicated that “[d]espite clear evidence that the Patent Office had rejected the NTP patents and was very likely to declare these patents invalid, RIM was effectively forced to pay one of the largest settlements in U.S. history in order to end NTP’s highly publicized threats and the associated uncertainty felt by RIM’s U.S. partners and customers.”⁷ Thus, as Mr. Balsillie told the *Wall Street Journal*, “[t]here’s ‘no question [RIM] took one for the team.’”⁸

RIM did what it had to do in view of Judge Spencer’s intransigence. Indeed, the premise of this article is that Judge Spencer was too impatient, too eager to issue an injunction, award damages, and get the *BlackBerry* case off his docket. Instead of strongly implying at the conclusion of the February 24 hearing that if the case were not settled he would be issuing an injunction against RIM, he *should have*

announced that before making any decision he would await the Supreme Court's then-forthcoming opinion in *eBay Inc. v. MercExchange, L.L.C.* (rejecting the Federal Circuit's general rule requiring virtually automatic issuance of patent infringement injunctions, and holding that courts instead must apply traditional equitable principles in deciding, under the circumstances of each case, whether such an injunction is warranted).⁹ In addition, Judge Spencer *should have* announced that no damages would be awarded to NTP unless and until the PTO Board of Patent Appeals and Interferences and/or a reviewing court reverses the PTO reexamination unit's determination that all of the NTP patents-in-suit (i.e., the patents that the jury found RIM "willfully"—but not knowingly—infringed) are invalid.

BLACKBERRY CASE BACKGROUND

Alleging that it held several valid patents infringed by the highly complex BlackBerry system, NTP filed suit against RIM in November 2001 in the United States District Court for the Eastern District of Virginia (a court whose reputation as the "rocket docket" makes it a favorite venue for patent plaintiffs). In August 2003, following a jury trial and verdict in favor of NTP, the court awarded NTP \$54 million in compensatory and enhanced damages, prejudgment interest and attorney fees. The court also entered a permanent injunction enjoining sale and use of BlackBerry handheld devices in the United States, but simultaneously issued a stay pending appeal on the ground that "the stay is in the public interest, as the public has a demonstrated and increasing use of the products and services involved in this litigation."¹⁰

The *Wall Street Journal* aptly described the BlackBerry as "a cultural phenomenon."¹¹ But as discussed below, BlackBerry handheld devices are much more than a convenience for mobile professionals. The BlackBerry system is an essential tool for both urgent and routine communications in connection with national defense, homeland security, public health and safety, and operation and maintenance of the nation's critical infrastructures and essential industries.

RIM's appeal to the United States Court of Appeals for the Federal Circuit raised several legal issues challenging the district court's judgment of infringement. One of the key questions was whether the decades-old express territorial limitation of § 271(a) of the Patent Act precluded claims for "use" infringement of the *transnational* BlackBerry system. Under § 271(a), "use" infringement is expressly limited to use of a patented invention "within the United States."¹² But one of the BlackBerry system's crucial operational components, the Network Operations Center (or "Relay"), which (in conjunction with wireless carriers) electronically routes all email to or from BlackBerry handheld devices, is located *outside* the United States, at RIM's corporate headquarters in Ontario, Canada.

A three-judge Federal Circuit panel struggled with this Internet Age extra-territoriality issue, first answering "no," and then, after RIM filed a petition for rehearing, ultimately issuing a revised opinion in August 2005 that drew an artificial and illogical distinction between NTP's

"method" (i.e., process) claims and "system" (i.e., apparatus) claims. As to the method claims, the court of appeals held that "a process cannot be used 'within' the United States as required by section 271(a) unless each of the steps is performed within this country;" that "each of the asserted method claims . . . recites a step . . . which is only satisfied by the use of RIM's Relay located in Canada;" and "[t]herefore, as a matter of law, these claimed methods could not be infringed by use of RIM's system."¹³ Regarding NTP's "system" claims, however, the court held that "[t]he use of a claimed system under section 271(a) 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;" that "RIM's customers located within the United States controlled the transmission of the originated information and also benefited from such an exchange of information;" and "[t]hus, the location of the Relay in Canada did not, as a matter of law, preclude infringement of the asserted system claims in this case."¹⁴

We filed a petition for a writ of certiorari on behalf of RIM, urging the Supreme Court to review the question of whether the BlackBerry system is used "within the United States" for purposes of § 271(a) even though components crucial to the system's operation are located outside the United States. The Court had not addressed § 271(a)'s territorial limitation since *Deepsouth Packing Co. v. Laitram Corp.*,¹⁵ a 1972 case involving manufacture and export of an unassembled shrimp deveining machine. In January 2006 the Supreme Court denied RIM's petition, thus leaving unresolved the important and recurring question of how courts should apply § 271(a) to Internet-based systems, such as the BlackBerry system, that operate with vital components located outside the United States.

Because the Federal Circuit had not affirmed the district court's judgment of infringement as to construction of one claim term (the "originating processor" claim), the court of appeals vacated the original damages award and injunction and remanded the case to the district court for further proceedings. As a result, in January 2006, after the Supreme Court declined to hear the case, the question of whether to issue a permanent injunction, as well as the amount of damages due NTP, was back before Judge Spencer.

THE SUPREME COURT'S OPINION IN *eBAY*

Meanwhile, in November 2005 the Supreme Court granted review in *eBay Inc. v. MercExchange, L.L.C.* on the *precise* and *most transcendent* legal question confronting Judge Spencer—what standards govern the issuance of patent infringement injunctions, especially where (as in both the *eBay* and *BlackBerry* cases), the plaintiff is merely a patent assertion company and does not practice its patents.

eBay is a patent infringement case involving that Web site's method for conducting on-line sales. After *MercExchange*, a patent assertion company, filed suit in the U.S. District Court for the Eastern District of Virginia (the same district where the *BlackBerry* suit was filed), a jury found that its business method patent for an electronic market was valid (even though the validity of that patent was being reexamined by the PTO); that *eBay* and its subsidiary

Half.com had infringed the MercExchange patent; and that an award of damages was appropriate.¹⁶ The district court (Judge Jerome Friedman), however, applying traditional equitable factors, denied MercExchange's motion for permanent injunctive relief on the ground that "a 'plaintiff's willingness to license its patents' and 'its lack of commercial activity in practicing the patents' would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue."¹⁷

On appeal, the Federal Circuit reversed. As the Supreme Court subsequently explained, the court of appeals "articulated a 'general rule,' unique to patent disputes, 'that a permanent injunction will issue once infringement and validity have been adjudged.'"¹⁸ According to the Federal Circuit, "injunctions should be denied *only in the 'unusual' case*, under '*exceptional circumstances*' and '*in rare instances . . . to protect the public interest*'" (emphasis added).¹⁹

On May 15, 2006 (less than three months after Judge Spencer signaled his intention to enter an injunction in the *BlackBerry* case), the Supreme Court rejected the Federal Circuit's "exceptional circumstances" test, unanimously holding in *eBay* that the "well-established principles of equity," specifically the traditional four-factor test that a plaintiff seeking a permanent injunction must satisfy, "apply with equal force to disputes arising under the Patent Act."²⁰ Under that test, "[a] plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction."²¹ The Court emphasized in this regard that § 283 of "the Patent Act expressly provides that injunctions 'may' issue '*in accordance with the principles of equity*'" (emphasis added).²²

Writing for the Court, Justice Thomas indicated that "[n]either the District Court nor the Court of Appeals below fairly applied these traditional equitable principles in deciding respondent's motion for a permanent injunction."²³ More specifically, "[a]lthough the District Court recited the traditional four-factor test . . . it appeared to adopt certain expansive principles suggesting that injunction relief could not issue in a broad swath of cases . . . But *traditional equitable principles do not permit such broad classifications*" (emphasis added).²⁴ The Court indicated that the district court's "analysis cannot be squared with the principles of equity adopted by Congress [in § 283 of the Patent Act]," and that its "categorical rule is also in tension with *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 422-430 [1908], which rejected the contention that a court of equity has no jurisdiction to grant injunctive relief to a patent holder who has unreasonably declined to use the patent."²⁵

Even more important, the Court also held in *eBay* that "[j]ust as the District Court erred in its categorical denial of injunctive relief, the Court of Appeals *erred in its categorical grant of such relief*" (emphasis added).²⁶ Thus, the Court

held "that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised *consistent with traditional principles of equity*, in patent disputes no less than in other cases governed by such standards."²⁷

In a concurring opinion, Chief Justice Roberts, with whom Justices Scalia and Ginsburg joined, indicated that although the "historical practice" of granting injunctive relief "upon a finding of infringement in the vast majority of patent cases . . . does not *entitle* a patentee to a permanent injunction or justify a *general rule* that such injunction should issue . . . there is a difference between exercising equitable discretion pursuant to the established four-factor test and writing on an entirely clean slate."²⁸ According to Chief Justice Roberts, "[w]hen it comes to discerning and applying those standards, in this area as others, a page of history is worth a volume of logic."²⁹

Prompted by the new Chief Justice's observations about the historical practice of granting injunctions in patent infringement cases, Justice Kennedy also wrote a concurring opinion, in which Justices Stevens, Souter, and Breyer joined. Justice Kennedy's pointed observations are particularly relevant to the *BlackBerry* case:

In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases. *An industry has developed in which firms use patents not as a basis for producing and selling goods, but, instead, primarily for obtaining licensing fees. . . .* For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed *as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent. . . .* When . . . the threat of an injunction is employed *simply for undue leverage in negotiations*, legal damages may well be sufficient to compensate for the infringement and *an injunction may not serve the public interest*.³⁰ (Emphasis added.)

Despite the debate between Chief Justice Roberts and Justice Kennedy over the significance of the historical practice of issuing patent infringement injunctions, the Court's principal *eBay* opinion is elegantly straightforward, and it represents a *major* and *stunning* setback for the patent troll industry. Permanent injunctions against continuing patent infringement no longer will be virtually automatic, or even the general rule. As a result, the threat of an injunction now is much less of a weapon for patent assertion companies to use when attempting to exact outrageous licensing fees from successful innovators. Although the fact that a plaintiff is a patent assertion company does not preclude entry of a permanent injunction, each prong of the traditional, four-part equitable test must be satisfied in order for an injunction to be issued.

A June 14, 2006 opinion by the U.S. District Court for the Eastern District of Texas in *z4 Technologies, Inc. v. Microsoft Corporation*³¹ followed *eBay* and illustrates how a federal district court is supposed to utilize and apply the four-part test for permanent injunctive relief in patent infringement cases. The plaintiff, z4, alleged that Microsoft infringed patents for online, software activation methods. The jury agreed, finding that Microsoft's Office and Windows software products infringe the patents-in-suit, and awarded \$115 million in damages against Microsoft. z4 also asked the court "to enjoin Microsoft from making, using [or] selling . . . its current software products that use product activation, i.e., Windows XP products since 2001 and Office products since 2000 [and] order Microsoft to deactivate the servers that control product activation for Microsoft's infringing products and to re-design its Windows and Office software products to eliminate the infringing technology."³²

After applying the facts of the case to each of the four equitable factors identified in *eBay*, the district court denied z4's motion for an injunction:

Irreparable Harm

Explaining that "in *eBay*, the Supreme Court warned against the application of categorical rules when applying the traditional principles of equity," the district court rejected z4's contention that a finding of infringement and validity raises a rebuttable presumption of irreparable harm.³³ The court then found that because "Microsoft's continued infringement does not inhibit z4's ability to market, sell, or license its patented technology to other entities in the market . . . [i]n the absence of a permanent injunction against Microsoft, z4 will not suffer lost profits, the loss of brand name recognition or the loss of market share."³⁴

Adequacy of Remedies Available at Law

Citing *eBay*'s holding that "the right to exclude alone is not sufficient to support a finding of injunctive relief," the district court rejected z4's argument "that a violation of the right to exclude under the patent act can never be remedied through money."³⁵

The Balance of Hardships

Microsoft argued "that the repercussions of 'turning off' its product activation system are incalculable particularly in the likely event that the public became aware of the fact that the activation servers were deactivated."³⁶ The court found that "[a]lthough the arguments presented by Microsoft may be hypothetical . . . the potential hardships Microsoft could suffer if the injunction were granted outweigh any limited or reparable hardships that z4 would suffer in the absence of an injunction."³⁷

The Public Interest

Microsoft also argued that an injunction requiring the redesign of its Windows and Office products would adversely affect the public. Noting that "Microsoft's Windows and Office software products are likely the most

popular software products in the world," the district court indicated that although "[i]t is impossible to determine the actual effect that the implementation of such a re-design might have on the availability of Microsoft's products . . . it is likely that any minor disruption . . . could occur and would have an effect on the public due to the public's undisputed and enormous reliance on these products."³⁸ The court found that under the proposed permanent injunction "there is a risk that certain sectors of the public might suffer some negative effects [but] the Court is unaware of any negative effects that might befall the public in the absence of an injunction."³⁹

For these reasons, the district court in *z4 Technologies*, applying the "principles of equity" required by § 283 of the Patent Act and the four-part test mandated by the Supreme Court's opinion in *eBay*, denied z4's motion for a permanent injunction. This is exactly the type of full-fledged, equitable-factors analysis that Judge Spencer would have had to conduct in the *BlackBerry* case if the case had not been settled and he had awaited *eBay*.

THE BLACKBERRY INJUNCTION ISSUE REVISITED

Based on his stern comments at the close of the February 24 hearing, and his promise to "issue a decision as soon as reasonably possible,"⁴⁰ it seems quite unlikely that Judge Spencer was inclined to await *eBay* and defer issuing a permanent injunction under what was then the Federal Circuit's "general rule" in patent infringement cases. To be sure, Judge Spencer asserted that he had not decided whether to order an injunction.⁴¹ In my view, however, his statement should have gone considerably further. The district court was well aware that the Supreme Court was considering in *eBay* the very question of what standards govern issuance of patent infringement injunctions, including where the plaintiff, like NTP, does not practice its patents and seeks an injunction solely to enhance its bargaining position. As a result, Judge Spencer *should have* unequivocally announced to the parties at the February 24 hearing that he was going to wait for the *eBay* opinion.

Under this "alternate ending" to the litigation, the district court would have been compelled by *eBay* to apply fully the traditional four-part test for determining whether NTP was entitled to permanent injunctive relief. Under that scenario, it is difficult to imagine that the court could have, or would have, entered an injunction, which in the words of the *Wall Street Journal*, "would have wreaked havoc on the lives of the device's three million American users."⁴² This is particularly true given the insurmountable public interest in ensuring that use of the BlackBerry system by the large and complex, interconnected web of public and private sector BlackBerry users involved with national defense, homeland security, and public health and safety, would continue undisrupted and undiminished.

The Public Interest

When considering whether to issue a permanent injunction, most courts save the public interest factor for last. But in the *BlackBerry* case, the public interest against issuance of an injunction was so overwhelming it dwarfed

the three other equitable factors. (Indeed, RIM contended that the public interest even would have satisfied the Federal Circuit's pre-*eBay* "exceptional circumstances" standard for avoiding an otherwise virtually automatic patent infringement injunction.)

The BlackBerry system is a *vital* communications tool upon which millions of Americans depend for both routine and urgent communications. This includes federal, state, and local government personnel, government contractors, and industries and professions essential to the nation's economy and well being. Judge Spencer had before him a wealth of undisputed, third-party declarations and other evidence, summarized in RIM's legal briefs, establishing that a multitude of U.S. BlackBerry users, in both the public and private sectors, rely upon the BlackBerry system to facilitate national defense, homeland security, emergency preparedness and crisis management, law enforcement and public safety, health care, government services, and the operation and maintenance of the nation's critical infrastructure industrial sectors (such as transportation, energy, telecommunications, and banking and finance).

As just one example, John Halamka, M.D., Chief Information Officer of Harvard Medical School and Beth Israel Deaconess Medical Center, explained in a declaration that BlackBerry devices not only "are often the only means of communicating in an emergency" and "a crucial part of . . . disaster preparedness," but also that "any injunction . . . would cause severe damage to . . . the national healthcare system, and create[] a significant risk of harm [to] the ability of hospitals across the country to care for their patients." Along the same lines, Robert Liscouski, former Assistant Secretary for Infrastructure Protection, U.S. Department of Homeland Security (DHS), stated in a declaration that the BlackBerry system "plays a special role" in "safeguarding of the critical infrastructure of the United States," in part because of its reliability in enabling "effective and efficient communication, not only within the public sector but also within the private sector and between the two sectors" during emergency situations. For example, on September 11, 2001, "BlackBerrys worked, cell phones didn't."⁴³

Probably the most compelling, and palpable, demonstration of the tremendous disservice that an injunction would have imposed upon the public interest was the fact that the United States, through the Department of Justice, took the extraordinary steps of filing with the district court a sharply worded Statement of Interest, and then formally intervening in the case, in order to convey directly to the court, the Federal Government's grave concerns about whether it would be feasible to issue an injunction that would not interfere with BlackBerry communications to, from, and among federal, state, and local government personnel, federal government contractors, and others, who would be legally exempt, or otherwise should be excluded, from any injunction that was issued. Such communications probably account for as much as one third of BlackBerry usage within the United States, and in and of itself establish the public interest. In its Brief Regarding Injunctive Relief, the Justice Department explained that "the government's principal interest lies in assuring that federal

government entities and their contractors are able to continue using BlackBerry™ devices and service . . . *There is a public interest in these uses, and indeed, many of them relate directly to national defense, security and law enforcement*" (emphasis added).⁴⁴

"The United States (government) is a major user of BlackBerry™ devices and technology."⁴⁵ In fact, RIM's "biggest customer in the United States is the federal government," and includes the Departments of Defense and Homeland Security, among many others.⁴⁶ As the United States emphasized to the court, "an injunction entered pursuant to 35 U.S.C. § 283 cannot enjoin use of a patented invention by the federal government because the exclusive remedy for any such unauthorized use of a patented invention is the award of compensation pursuant to 28 U.S.C. § 1498(a)."⁴⁷ Further, because Federal Government departments and agencies use BlackBerry devices "to communicate in real-time with private parties, including government contractors," any federal government contractor, subcontractor, or other corporation or person using BlackBerry devices "with the authorization or consent of the Government," would have been legally exempt from an injunction under § 1498(a). Moreover, the Justice Department noted that state governments are immune from patent infringement injunctions under the Eleventh Amendment.⁴⁸ Even NTP eventually conceded that it was not seeking to enjoin federal, state, and local government personnel, or "first responders," from using BlackBerry devices.

It was evident that the issue was not whether the public had an interest in continued availability and usage of the BlackBerry system (including for personal and family security, as well as for official and business use). Instead, the question was whether it would have been feasible to create, implement, and maintain a "white list" of more than *one million* BlackBerry users who would have been legally exempt, or otherwise should have been excluded, from the scope of an injunction. RIM contended that it would have been virtually impossible to issue an injunction without discontinuing, disrupting, or diminishing BlackBerry service to the substantial percentage of U.S. BlackBerry users who should have been protected from the effects of an injunction. The United States expressed its significant concern to the court that "there are still a number of serious questions to be answered as to how an injunction can be implemented so as to continue BlackBerry™ service for governmental and other excepted groups . . . questions that we feel must be answered before any injunction should be issued."⁴⁹ The Justice Department advised the court that:

. . . in the formulation of any injunction, it is imperative that some mechanism be incorporated that permits continuity of the federal government's use of BlackBerry™ devices . . . Since the federal government does not maintain any central agency for purchasing and deploying BlackBerry™ devices, the procedure for supplying information to identify government-owned BlackBerry™ devices may

require a time-consuming inventory of every agency within the federal government, including the legislative branch and the judicial branch, in order to assure that service to those devices is not terminated as part of any injunction.⁵⁰

Confirming its true motives for seeking an injunction—to force an extravagant settlement by inflicting as much pain and pressure as possible, as quickly as possible, upon RIM—NTP’s hasty and inequitable solution to the daunting “white list” problem was to go after the “low hanging fruit” identified on a BlackBerry testimonial section of RIM’s Web site. More specifically, NTP proposed that the court initially enter an injunction against what was tantamount to a “blacklist” of RIM’s major law firm and corporate customers (including many federal government contractors who would have been exempt under § 1498(a)).

In his closing pronouncement at the February 24 hearing, Judge Spencer appears to have acknowledged the incredibly difficult problem of fashioning and implementing an injunction that would not affect exempted users when he said that “if an injunction is ordered by the Court, I want to make very sure that these exclusions and exemptions are appropriate. That the government and its needs are met.”⁵¹ It is reasonable to assume that the legal, logistical, and technological challenges of identifying with specificity the vast number of individual BlackBerry users who would have had to be excluded from any injunction, and ensuring that their use of the BlackBerry system would have been unimpaired, was the principal, if not the only, reason that the court did not enter an injunction on February 24.

In the *z4 Technologies* case discussed above, the district court found that the public interest would be disserved by a permanent injunction because there was “a risk that certain sectors of the public might suffer some negative effects” and there was no indication “of any negative effects that might befall the public in the absence of an injunction.”⁵² By comparison, the unavoidable adverse effects of entering an injunction in the *BlackBerry* case, particularly on more than a million “exempt” users, would have been far more devastating to the public interest, and a legally sufficient if not ample reason to deny NTP’s injunction request.

Other Equitable Factors

In applying *eBay*, the district court would have been required to consider, in addition to the public interest, the three other equitable factors, which will not be discussed in detail here. Suffice it to say, there were compelling reasons why NTP, which made or sold no products, and whose handful of patents (even if valid) covered only a tiny fraction of the multi-faceted BlackBerry system, could not have met its burden of demonstrating (i) that without an injunction it would have suffered irreparable harm; (ii) that monetary damages would have been an inadequate remedy for future infringement (assuming, for the sake of discussion, that its patents are valid); and (iii) that the hardships of depriving NTP of an injunction would have been greater than imposing one upon RIM. The parties briefed these points, and in light

of *eBay*, the district court not only would have had to consider them fully, but also view them as further confirmation that no injunction should be issued.

THE PTO

As noted above, the district court also had to deal on remand with the issue of what monetary damages to award NTP for infringement of its putative patents. By the time of the February 24 hearing, and despite NTP’s concerted efforts to slow down the patent reexamination process, a team of highly experienced examiners within the PTO’s Central Reexamination Unit had exhaustively reviewed, and fully and finally rejected as unpatentable, all of the claims upon which the patents underlying NTP’s infringement suit were based. As RIM Co-Chairman Balsillie observed in his *Wall Street Journal* article, “the idea of paying for invalid patents [is] philosophically offensive.”⁵³ This seemingly indisputable matter of fundamental fairness, however, did not deter either NTP or the district court.

Congress established the PTO more than 200 years ago as the agency responsible for fulfilling the Federal Government’s responsibility under Article I, § 8 of the Constitution “to promote the progress of science and the useful arts.” Despite the PTO’s experience and expertise regarding the validity of patents, and the broad public interest in allowing the PTO to do its job and correct its own errors, the district court afforded that federal agency’s reexamination of NTP’s patents no deference whatsoever. For example, at a November 9, 2005 status conference, Judge Spencer stated that “it is highly unlikely that I am going to stay these proceedings waiting on the reexamination of the Patent Office. *I don’t run their business and they don’t run mine.*”⁵⁴ And when NTP’s attorneys indicated at the February 24 hearing that they wanted to respond briefly to RIM’s arguments regarding the PTO, Judge Spencer said “If you must. *I think that’s a waste of time.*”⁵⁵ Although nothing in the current patent law apparently required the court to defer to the PTO, or wait for NTP to pursue administrative and judicial appeals rather than awarding damages on patents that the PTO’s reexamination unit has determined are *invalid*, nothing prohibited the court from abating the proceeding in order avoid such an inequitable result.⁵⁶

But do not despair—my “alternate ending” to the *BlackBerry* patent infringement saga has one more chapter: Judge Spencer not only awaits *eBay* and then denies NTP’s request for an injunction, *but also* holds the question of damages in abeyance until NTP exhausts (unsuccessfully) its administrative and judicial appeals of the PTO’s full and final rejection of the patents-in-suit. *And then* Judge Spencer finally gets to purge his docket of NTP’s ill-conceived suit. He issues an order dismissing the *BlackBerry* case with prejudice, sending NTP (and its lawyers) home with no RIM check in their pocket.

FOOTNOTES

- ¹ Gordon Giffin, Herb Fenster, Kurt Hamrock, and Ray Aragon, and our associate, James Thayer, of McKenna Long & Aldridge LLP.
- ² Jim Balsillie, *Patent Abuse*, WALL ST. J., Dec. 19, 2005.
- ³ Shawn Young, *Internet-Calling Disputes Create Static*, WALL ST. J., Aug. 10, 2006, at B3.
- ⁴ Tr. at 56 (Feb. 24, 2006).
- ⁵ *Id.* at 56-57 (Feb. 24, 2006).
- ⁶ *Patent Quality: Before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Comm. on the Judiciary*, 12, 13 (Apr. 5, 2006) (statement of James Balsillie, Chairman and Co-Chief Executive Officer, Research In Motion).
- ⁷ *Id.* at 2.
- ⁸ Mark Heinzl and Amol Sharma, *Getting the Message—RIM to Pay \$612.5 Million To Settle BlackBerry Patent Suit*, WALL ST. J., March 4, 2006, p. A1.
- ⁹ 126 S. Ct. 1837 (2006).
- ¹⁰ No. Civ.A. 3:01CV767, 2003 WL 23325540 (E.D. Va. Aug. 5, 2003).
- ¹¹ Heinzl and Sharma, *supra* note 8.
- ¹² 35 U.S.C. § 271(a).
- ¹³ *NTP Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005).
- ¹⁴ *Id.* at 1317.
- ¹⁵ 406 U.S. 518 (1972).
- ¹⁶ *eBay*, 126 S. Ct. 1837, 1839 (2006).
- ¹⁷ *Id.* at 1840 (quoting *MercExchange, L.L.C. v. eBay Inc.*, 275 F.Supp.2d 695, 712 (E.D. Va. 2003)).
- ¹⁸ *Id.* at 1841 (quoting *MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005)).
- ¹⁹ *Ibid.* (internal quotation marks omitted).
- ²⁰ *Id.* at 1839.
- ²¹ *Ibid.*
- ²² *Ibid.* (quoting 35 U.S.C. § 283).
- ²³ *Id.* at 1840.
- ²⁴ *Ibid.*
- ²⁵ *Id.* at 1840-41.
- ²⁶ *Id.* at 1841.
- ²⁷ *Ibid.*
- ²⁸ *Id.* at 1841 (Roberts, C.J. concurring).
- ²⁹ *Id.* at 1842 (Roberts, C.J. concurring) (internal quotation marks omitted).
- ³⁰ *Ibid.* (Kennedy, J. concurring) (emphasis added).
- ³¹ 434 F.Supp.2d 437 (E.D. Tex. 2006).
- ³² *Id.* at 439.
- ³³ *Id.* at 440.
- ³⁴ *Ibid.*
- ³⁵ *Id.* at 441 (citing *eBay*, 126 S.Ct. at 1840).
- ³⁶ *Id.* at 443.
- ³⁷ *Ibid.*
- ³⁸ *Id.* at 444.
- ³⁹ *Id.* at 444.
- ⁴⁰ Tr. at 57 (Feb. 24, 2006).
- ⁴¹ *Ibid.*
- ⁴² Christopher Rhoads, *Mixed Messages In BlackBerry Case, Big Winner Faces His Own Accusers*, WALL ST. J., Aug. 23, 2006, p. A1.
- ⁴³ Elaine Grossman, *Keating Might Issue Messaging Devices For Disaster Response*, HOMELAND DEFENSE WATCH, Oct. 6, 2005 (quoting Northern Command Chief Adm. Timothy Keating).
- ⁴⁴ The United States Brief Regarding Injunctive Relief at 5, *NTP v. Research In Motion, Ltd.*, No. 3:01CV767 (E.D. Va. Feb. 1, 2006).
- ⁴⁵ The United States' Statement of Interest at 1, *NTP v. Research In Motion, Ltd.*, No. 3:01CV767 (E.D. Va. Nov. 8, 2005).
- ⁴⁶ Statement of James Balsillie, *supra* note 2, at 2.
- ⁴⁷ The United States' Statement of Interest, *supra* note 45, at 2.
- ⁴⁸ *See Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627 (1999).
- ⁴⁹ The United States Brief Regarding Injunctive Relief, *supra* at 2.
- ⁵⁰ The United States' Statement of Interest, *supra* note 45, at 2, 5, 6.
- ⁵¹ Tr. at 57 (Feb. 24, 2006).
- ⁵² *z4 Technologies*, 434 F.Supp.2d at 444.
- ⁵³ Balsillie, *supra* note 2.
- ⁵⁴ Tr. at 3 (Nov. 9, 2005).
- ⁵⁵ Tr. at 53 (Feb. 24, 2006).
- ⁵⁶ In a similar situation, the Federal Circuit directed a district court "to stay the imposition of the permanent injunction" in order "[t]o preserve the status quo pending finality of the [PTO reexamination] action." *Standard Havens Prods. Inc. v. Gencor Indus. Inc.*, 27 U.S.P.Q.2d 1959, 1960 (Fed. Cir. 1993) (unpublished).

