

FILED

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

JUN 17 1996
U.S. DISTRICT COURT
RICHMOND, VA

NTP, INC.,

Plaintiff,

v.

RESEARCH IN MOTION, LTD.,

Defendant.

CIVIL ACTION NO. 3:01CV767

JUDGE JAMES R. SPENCER

**DEFENDANT RESEARCH IN MOTION, LTD.'S
NON-CONFIDENTIAL CONSOLIDATED MEMORANDUM ON REMAND ISSUES**

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INTRODUCTION

Circumstances today are now very different than they were when the Court entered its now vacated damage award and injunction on August 5, 2003. The Federal Circuit reversed the jury's infringement finding as to each of the six asserted method claims, removing one patent entirely from this case (the '172 patent). The Federal Circuit also vacated the infringement finding as to three additional claims based on this Court's claim construction of the term "originating processor" and, as discussed below (*see* Section I *infra*), this Court should therefore set aside the jury's finding of infringement as to one of these claims – Claim 8 (the only asserted claim) of the '670 patent.

These developments have several critical consequences:

First, because the jury improperly found that RIM infringed 7 of the 16 claims asserted in the case and considered such claims in its damages findings, this Court should hold a new trial on damages. (*See* Section II *infra*.)

Second, in light of the Federal Circuit's reversals in this case and its intervening decision in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (*en banc*), the Court should set aside the jury's willfulness finding, or at least reconsider its decision to award enhanced damages to NTP. (*See* Section III *infra*.)

Third, certain amounts paid by RIM into escrow should be refunded because the products and services RIM has introduced since the trial are either non-infringing or contain many substantial non-infringing features. (*See* Section IV *infra*.)

Fourth, the Court should find that an implied license exists permitting RIM to continue to provide services to owners of the handheld devices for which damages are awarded. (*See* Section V *infra*.)

Finally, this Court should not enter a permanent injunction in this case, given the exceptional public interest in the continued and uninterrupted availability of RIM's BlackBerry system (as evidenced by the U.S. government's Statement of Interest and the more than twenty declarations from a broad spectrum of public and private entities filed herewith) and the fact that NTP can be more than adequately compensated by on-going royalty payments. (*See* Section VI *infra*.)

Of course, all of these issues must be considered in light of the critical backdrop that – as even NTP concedes – the U.S. Patent and Trademark Office (“PTO”) will fully and finally reject all patent claims at issue in this case in a matter of weeks. NTP's co-founder Donald Stout recently acknowledged that NTP “fully expects its patents ...will be overturned by the patent office.” Ian Austen, *U.S. Patent Office Likely To Back BlackBerry Maker*, N.Y. Times, Dec. 20, 2005, at C5 (Ex. 1).¹ “‘I’m a realist,’ Mr. Stout said.” *Id.* Given the significant new developments in the PTO since RIM made its prior motion to stay and NTP's candid concession, the Court should decline to enter an injunction and reconsider its denial of the stay motion, or at least stay the effect of any Final Order on damages or an injunction until the conclusion of the PTO reexaminations.

I. UNDER THE PROPER CONSTRUCTION OF THE TERM “ORIGINATING PROCESSOR,” RIM DOES NOT INFRINGE CLAIM 8 OF THE '670 PATENT.

Adopting NTP's proposed construction, this Court instructed the jury that the term “originating processor” meant “[a]ny one of the constituent processors in an electronic mail system that prepares data for transmission through the system.” Trial Tr. (Ex. 2) at 2183:12-14. On appeal, the Federal Circuit ruled that the Court's claim construction was incorrect and that

¹ The declarations filed herewith are identified as Exhibit A, B, C . . . , etc. All other exhibits are identified as Exhibit 1, 2, 3, . . . , etc.

the “[t]he term ‘originating processor’ is properly construed as ‘a processor in an electronic mail system that *initiates* the transmission of a message into the system.’” 481 F.3d at 1299 (emphasis added).

The Federal Circuit held further that, “[o]n remand, if RIM can establish that the erroneous claim construction prejudiced the jury’s verdict as to the affected claims, the district court will have to set aside the verdict of infringement as to those claims.” *Id.* at 1312-13. The trial record shows that RIM plainly was prejudiced by the erroneous claim construction. Given the proper construction, the jury could not have found that RIM infringed Claim 8 of the ’670 patent. RIM is therefore entitled to a judgment of non-infringement as to Claim 8 – the only asserted claim of the ’670 patent.

A. The Accused System.

The accused BlackBerry system allows an e-mail message sent from a personal computer to be transmitted wirelessly to a BlackBerry handheld. As shown in NTP’s trial exhibit (Ex. 3 (color coding added)), an e-mail message initiated from a personal computer (*e.g.*, “USER 1”) is received by the “**Redirector**”.² The **Redirector** then adds the address of the “**BlackBerry Relay**” and transmits the message to the **BlackBerry Relay**. The **BlackBerry Relay** then routes the message to the “**RF Network**”, which then wirelessly transmits the message to USER N’s “**BlackBerry Handheld**.”

B. Claim 8.

In order to establish infringement, NTP was required to prove that each and every limitation of Claim 8 literally exists in the accused BlackBerry system. *See Mas-Hamilton*

² Through its expert Dr. Rhyne, NTP argued that there were three different versions of the RIM Redirector – *i.e.*, the Desktop Redirector, the BlackBerry Enterprise Server, and the ISP Server Redirector – but “the pertinent functionality of the three versions is the same.” Expert Report of Dr. Thomas Rhyne (“Rhyne Report”) (Ex. 4), App. A at 7; Trial Tr. at 426-429.

Group v. LaGard, Inc., 156 F.3d 1206, 1211 (Fed. Cir. 1998). “If even one limitation is missing or not met as claimed, there is no literal infringement.” *Id.* Claim 8 of the ’670 patent requires, among other things, (1) an “*originating processor*” that transmits “*originated information*” in an e-mail system, and (2) an “*interface*” that connects the e-mail system to the RF network. Importantly, Claim 8 requires the originating processor to transmit information “in association with the address of the ... interface.”

C. Infringement Verdict At Trial.

NTP argued at trial that the **Redirector** met the “originating processor” limitation of Claim 8, because the Redirector added the address of the **BlackBerry Relay** when transmitting a message to the **BlackBerry Relay**. For example, NTP’s expert Dr. Thomas Rhyne presented a report – admitted as PX 192-- that relied on the Redirector to satisfy this limitation of Claim 8:

The originated email information is transmitted to the Relay/interface by the Redirector in association with *the Relay address added by the Redirector*, with the Redirector responding to the Relay address to direct the originated email to the Relay. (See Rhyne Report (Ex. 4), Appendix A, at 13 (emphasis added).)

Consistent with his report, Dr. Rhyne emphasized in his trial testimony that this “originating processor” limitation of Claim 8 was met by the Redirector:

This [Claim 8 limitation] deals with the *originated information transmitted in association with an address of the interface*. That's the address of the relay. It is kind of half of the two addresses we dealt with before. And that's the way *the Redirector* communicates with the relay, is using its address. (Trial Tr. (Ex. 2) at 484 (emphasis added).)

Importantly, NTP did not assert that any other device met this claim limitation.

The sum and substance of NTP’s infringement argument and evidence at trial on Claim 8 thus was that RIM infringed the claim because the Redirector is the “originating processor” that, after receiving an e-mail message initiated by a prior processor, adds the address of the BlackBerry Relay and transmits the message to the BlackBerry Relay. Because the jury was

instructed – at NTP’s urging – that the “originating processor” could be “any one of the constituent processors” in the e-mail system, even if it did not initiate the e-mail message, the jury found that Claim 8 was infringed. Trial Tr. (Ex. 2) at 2183:12-14.

As the Federal Circuit made clear in setting aside this Court’s claim construction, however, the “originating processor” cannot just be *any* processor: “[T]he ‘originating processor’ is the sole processor that initiates the transmission of the electronic mail message text into the electronic mail system” 418 F.3d at 1305 (emphasis added). The jury finding that RIM infringed Claim 8 is thus indisputably inconsistent with the construction of “originating processor” as set forth by the Federal Circuit. The Redirector only redirects messages initiated by prior processors (e.g., personal computer “USER 1” in Ex. 3).³ It is not “the sole processor that initiates the transmission of the electronic mail message text into the electronic mail system”⁴

Based on NTP’s arguments and evidence at trial, the jury could not have found Claim 8 infringed under the proper construction of “originating processor.” Pursuant to the Federal Circuit’s remand instructions, this Court should set aside the infringement verdict as to Claim 8 and enter judgment that RIM does not infringe the ‘670 patent.

II. THE COURT SHOULD GRANT A NEW TRIAL ON DAMAGES.

At trial, NTP sought compensatory damages for infringement of the 16 asserted claims of the five patents-in-suit in the form of a reasonable royalty. Both NTP’s expert and RIM’s expert

³ See Trial Tr. (Ex. 2) at 458-59 (NTP expert testimony that BES Redirector receives e-mail from prior processor); Trial Tr. (Ex. 2) at 407, 439 (NTP expert testimony that desktop Redirector receives e-mail from prior processor); Rhyne Report (Ex. 4), Appendix A at 7-8 (Redirector receives e-mail message from prior processor); *see also* NTP Infringement Charts of Apr. 8, 2002 at 72 (Ex. 5) (Redirector reprocesses existing message).

testified that the jury should determine a reasonable royalty by assuming a hypothetical negotiation between the parties and considering the factors set forth in *Georgia Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y.), *modified*, 446 F.2d 295 (2d Cir. 1971). *See* Trial Tr. (Ex. 2) at 580:2-12, 1719:6-1720:4; *see also* Expert Report of Terry L. Musika (“Musika Report”) (Ex. 6) at 15; Expert Report of Richard L. Donaldson (“Donaldson Report”) (Ex. 7) at 4. NTP sought a royalty based on an assumption that *all* asserted claims, and specifically the method claims, were valid and infringed. *See* Trial Tr. (Ex. 2) at 579:18-21 (“I’m given an assumption that there is a finding of liability; that these patents are both valid and infringed.”). As emphasized by NTP’s infringement expert, the five asserted patents “cover handheld devices, software and systems and *methods*.” Trial Tr. (Ex. 2) at 2104:14-16; *see also* Trial Tr. (Ex. 2) at 1904:15 (“[T]here are five patents in this case, and the five patents in this case cover apparatus, methods and systems.”).

NTP’s damages expert testified that an appropriate royalty would be 7.13%. *See* Trial Tr. (Ex. 2) at 610:10; *see also* Musika Report (Ex. 6) at 23. RIM’s expert testified that an appropriate royalty would be 1.5%. *See* Trial Tr. (Ex. 2) at 1718:21-22; *see also* Donaldson Report (Ex. 7) at 5. The jury awarded a royalty of 5.7%. Based on this royalty rate, in its August 5, 2003 Final Order, the Court awarded NTP \$53,704,322.69 in damages payable as of March 31, 2003 – this \$33,446,172.90 in compensatory damages; \$14,032,161 in enhanced damages; and \$4,203,160.79 in attorneys fees and \$2,022,838 in interest. 8/5/03 Final Order.

On appeal, the Federal Circuit vacated this Court’s damage award. In remanding the case, the Federal Circuit stated that, “because the jury verdict did not specify the amount of

⁴ 418 F.3d at 1305. Dr. Rhyne testified that, “[i]n RIM terminology, the gateway is referred to as a Redirector.” Trial Tr. (Ex. 2) at 407. But, as the Federal Circuit explained, “the ‘originating processor’ ... is separate from the gateway or interface switches.” 418 F.3d at 1305.

infringing sales attributed to each individual patent claim, or the specific devices and services determined by the jury to infringe each separately asserted claim, the district court will have to determine the effect of any alteration of the jury verdict on [its] damage award.” 418 F.3d at 1326. Given the reversal of the jury’s verdict as to the six asserted method claims and that RIM cannot have infringed Claim 8 of the ‘670 patent under the proper claim construction (*see* Section I *supra*), it is not possible to simply recalculate damages based on the jury’s royalty. Rather, a new trial on damages is required.

RIM’s success on appeal establishes that RIM did not infringe nearly *half* of the claims (seven of sixteen) and patents (two of five) on which the jury assessed damages. The 5.7% royalty rate and the \$405 million royalty base determined by the jury, however, rested on the assumption that all 16 claims of all five patents – including the method claims – were infringed. However, because – as the Federal Circuit noted – the jury did not break down its damages finding by “the amount of infringing sales attributed to each individual patent claim or the specific devices and services determined by the jury to infringe each separately asserted claim,” there is simply no way to know what royalty rate and what royalty base the jury would have arrived at had it known that nearly half of the claims – and two entire patents – were not infringed. The jury might well have found a lower royalty rate and/or a lower royalty base was appropriate.

This Court “is not at liberty to supplant its own judgment on the damages amount for the jury’s findings.” *Oiness v. Walgreen Co.*, 88 F.3d 1025, 1030 (Fed. Cir. 1996) (*citing Unisplay, S.A. v. American Elec. Sign Co.*, 69 F.3d 512, 519 (Fed. Cir. 1995)). Thus, in this circumstance, where the jury’s damages determination in light of the alterations of the jury’s verdict cannot be

known, the Court should order a new trial on damages.⁵ Adopting the previous award would unduly and unfairly prejudice RIM and would allow NTP to extract an award wholly untied to the present set of patents and claims and the current evidentiary record. Retrial of damages is the only proper way to assess NTP's damages claims.

III. THE COURT SHOULD SET ASIDE THE WILLFULNESS FINDING, OR AT LEAST, DENY ANY REQUEST FOR ENHANCED DAMAGES.

As part of its special verdict, the jury concluded that RIM had willfully infringed each of the five patents in suit. Based on this finding, the Court awarded enhanced damages to NTP in the form of a 0.5 increase in the royalty rate. *See* 5/23/03 Mem. Order at 13.

The Federal Circuit's decision in this case and its recent intervening decision in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (*en banc*), however, substantially change the landscape with respect to willfulness and enhanced damages from when this Court originally considered these issues. Because the Federal Circuit concluded that RIM does not infringe a substantial number of the asserted claims and that infringement of other claims was a close case, this Court should set aside the jury's willfulness finding, or at least reconsider its now-vacated award of enhanced damages.

A. The Federal Circuit's Decision Establishes This Was A Close Case And That The Willfulness Finding Should Be Set Aside.

"Willfulness is determined from the totality of the circumstances. . . ." *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510 (Fed. Cir. 1990). These circumstances

⁵ In reviewing a jury's damage award, a Court sometimes may allow a "plaintiff the option of agreeing to a remittitur in a specified amount." *Oiness*, 88 F.3d at 1030. Here, the trial record lacks sufficient information for this Court even to propose a new royalty rate on its own for NTP to consider. Although NTP's damages expert's chart (PX 517) purported to allocate damages on a claim-by-claim basis, the chart only takes into account the relative age of the patents-in-suit. The chart does not purport to make any adjustments – either in the relevant royalty rate or the royalty base – for the possibility that, contrary to NTP's expert testimony, the infringed patents did not cover "methods." *See* Trial Tr. (Ex. 2) at 641:6-642:11.

include, among other things, “the closeness or complexity of the legal and factual questions presented.” *SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997).

Here, the Federal Circuit’s decision on appeal establishes that this case was much closer than the jury and this Court allowed and thus mitigate in favor of setting aside the willfulness finding.

First, the Federal Circuit agreed with RIM’s construction of the term “originating processor,” and vacated and remanded the infringement finding for claims using that term. 418 F.3d at 1326. This ruling affects three of the patents-in-suit, and should remove another patent from this case (*see* Section I *supra*).

Second, the Federal Circuit held on appeal that the location of RIM’s Network Control Center outside of the United States has important consequences in this case. Specifically, the Federal Circuit held that because the Network Control Center was located in Canada, RIM could not infringe any of NTP’s asserted method claims (eliminating entirely the ‘172 patent), 418 F.3d at 1318, and that it was “unclear” whether remaining system claims in the ‘960, ‘670 and ‘451 patents were infringed.⁶ *Id.* at 1315.

Thus, the Federal Circuit’s ruling resulted in full reversal, or at least a determination that liability was a close case, for claims in all five NTP patents in suit. As a result, as illustrated in the table below, the Federal Circuit’s ruling shows that there was no infringement (dark red) or

⁶ The Federal Circuit’s holding in this regard is controversial and has been criticized by many patent law scholars. *See* Donald S. Chisum, *Reforming Patent Law Reform*, 4 J. Marshall Rev. Intell. Prop. L. 336, 344 (2005) (“One certainly might have thought, applying basic patent law principles, that the infringement was not in the United States.”); Chaikovsky & Percer, 9 No. 2 Intell. Prop. L. Bull. at 101 (commenting on the Federal Circuit’s original opinion); Mark A. Lemley, *et al.*, *Divided Infringement Claims*, 33 AIPLA Q.J. 255 (2005) (discussing the Federal Circuit’s revised opinion); *see also* Dan L. Burk, *Transborder Intellectual Property Issues on the Electronic Frontier*, 6 Stan. L. & Pol’y Rev. 9, 11 (1994); Stanley Young & Nishita Doshi, *Global Aspects of United States Patent Protection*, 823 PLI/Pat 363, 382 (2005). RIM has filed petition for certiorari to the Supreme Court based on this extraterritoriality issue. Should the

infringement was a close case (light red) for all three patents identified in NTP's January 2000 pre-suit letter to RIM on which NTP based its charge of willful infringement (the '960, '670 and '172 Patents). For the remaining two patents, which RIM did not receive notice until NTP filed its Complaint in November 2001 ('451 and '592 Patents), the Federal Circuit expressly reversed (dark red) or at least called into question (light red) the infringement findings for most claims, and infringement of the remaining claims (orange) remain at issue in RIM's pending petition for Supreme Court review.

TRIAL	'960 Patent			'670 Patent		'172 Patent		'451 Patent					'592 Patent				
	15	32	34	8		199	28	248	309	313	317	40	150	278	287	653	654
	Pre-Suit Notice							Post Suit Notice									
REMAND	'960 Patent			'670 Patent		'172 Patent		'451 Patent					'592 Patent				

Since it cannot be known what the jury would have decided regarding willfulness if it had been allowed to consider the proper claim construction of the term "originating processor" and the impact of the location of the Network Control Center outside the United States, the Court should set aside the willfulness finding for both (1) the three pre-suit notice patents and (2) the two Complaint-notice patents.

B. Even If The Jury's Willfulness Finding Is Not Set Aside, The Court Should Not Enhance Damages Based On The Finding.

Even if the Court does not set aside the jury's willfulness finding, the Court should not reinstate the vacated enhanced damage award. As this Court noted in its original opinion on enhancement, even a finding of willfulness "does not mandate that the court award enhanced

Supreme Court grant RIM's petition, RIM will seek a stay in this Court pending the Supreme Court's decision in the case.

damages.” See 5/23/03 Mem. Order at 2 (citing *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d 1364, 1377 (Fed. Cir. 2002)).

In order to award enhanced damages, the Court must engage in a separate analysis to determine “the egregiousness” of the defendant’s conduct. *Id.* This requires examining the totality of the circumstances, including the factors set forth in the Federal Circuit’s decision in *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992) (listing nine factors to consider in determining the degree of the infringer’s culpability).

This Court’s original decision to enhance damages was based on its finding that this was not a close case. See 5/23/03 Mem. Order at 11. Given the Federal Circuit’s substantial rulings in RIM’s favor and its intervening *en banc* opinion in *Knorr-Bremse*, on balance, the *Read* factors now further mitigate in favor of either no enhancement or, at a minimum, a lower enhancement than the 0.5 previously assessed by the Court:

Read Factor 1: RIM Did Not Copy NTP’s Technology. As the Court previously concluded, “the absence of copying by RIM is a mitigating factor” for eliminating or reducing enhancement. 5/23/03 Mem. Order at 4.

Read Factor 2: RIM’s Investigation and Good-Faith Defenses. The Court previously found that this factor favored enhancing damages. 5/23/03 Mem. Order at 9.⁷ Importantly, the Federal Circuit’s *en banc* decision in *Knorr-Bremse* has altered the law in this area. In *Knorr-Bremse*, the Federal Circuit held that, in light of the often unwarranted burden and expense

⁷ The primary basis for the Court’s ruling was concern that, after receiving NTP’s form letter in January 2000, RIM conducted an internal investigation by in-house attorneys (including RIM’s General Counsel at the time, an experienced U.S. patent attorney) and technical staff that was not fully documented or otherwise may have been inadequate under the then-existing law that one who receives notice of another’s patents “has an affirmative duty of care that normally requires the potential infringer to obtain competent legal advice before infringing or continuing to infringe.” 5/23/03 Mem. Order at 5.

associated with investigating all possible infringement allegations, a party has no duty to obtain an exculpatory opinion of counsel in all cases and no adverse inference can be drawn from a party's not seeking such an opinion. 383 F.3d at 1345-46. This case presents the precise issue that gave rise to the Federal Circuit's concerns about its prior willfulness jurisprudence. At the cost of a few postage stamps, NTP sent form letters to over 40 companies – including RIM – identifying a few patents with nearly 1,000 claims that could cost hundreds of thousands of dollars to investigate. Importantly, the form letter did not expressly accuse RIM of infringing any patent claim, and NTP never contacted RIM by phone, letter or otherwise after sending the form letter. Under *Knorr-Bremse*, NTP's vague form letter and subsequent disinterest and failure to follow-up in any way did not require RIM to seek and obtain an exculpatory legal opinion. Accordingly, RIM's response was entirely appropriate and is no basis for either a finding of willfulness or enhancing damages.

Read Factor 3: RIM's Litigation Conduct. This Court's previous decision to enhance damages pointed to RIM's unsuccessful summary judgment motions challenging this Court's construction of "originating processor" (among others issues). 5/23/03 Mem. Order at 9 ("RIM continued to improperly challenge the claim construction"). RIM ultimately prevailed on that claim construction issue, as well as a substantial portion of its arguments that the claims could not cover RIM's activities outside the United States. This new circumstance should mitigate against an enhancement factor.

Read Factor 4: RIM's Financial Condition. The Court previously found that RIM's financial condition did not mitigate against enhancing damages. 5/23/03 Mem. Order at 11.

Read Factor 5: This Was A Close Case After All. The Federal Circuit characterizes closeness of the case as an important factor that is alone sufficient to sustain a trial court's

decision not to enhance damages or only nominally enhance.⁸ In its prior ruling, the Court found this factor supported enhancing damages “because RIM did not put forth a ‘meritorious good faith defense,’ or a ‘substantial challenge to infringement,’” and, therefore, “this was not a close case.” 5/23/03 Mem. Order at 11. As discussed above, however, the Federal Circuit reversed the infringement finding of many of the asserted patent claims, or found the infringement issue to be close on the others on multiple grounds – *i.e.*, RIM put forth a “meritorious good faith defense” and “a substantial challenge to infringement.” *Delta-X Corp. v. Baker Hughes Prod. Tools, Inc.*, 984 F.2d 410, 413 (Fed. Cir. 1993); *see also Paper Converting Mach. Co. v. Magna-graphics Corp.*, 745 F.2d 11, 20 (Fed. Cir. 1984). Moreover, the PTO has soundly rejected all claims of the patents-in-suit on reexamination – rejections that even NTP expects will be sustained in the imminent final actions. Since a panel of Senior PTO Examiners has rejected every NTP patent claim – including in five out of the nine remaining claims-in-suit based on its determination that NTP was claiming what RIM invented – it at least follows that RIM cannot be guilty of willfully violating these patents.

On remand now, it is clear that this case was much closer than the Court previously considered when it awarded the 0.5 enhancement after trial. This was a critical factor in the Court’s enhancement ruling before, and now strongly counsels the Court not to enhance damages, or to greatly reduce the prior 0.5 enhancement.

⁸ *See Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 867 (Fed. Cir. 1997); *Delta-X Corp. v. Baker Hughes Prod. Tools, Inc.*, 984 F.2d 410, 413 (Fed. Cir. 1993) (“[A]n infringer may generally avoid enhanced damages with a meritorious good faith defense and a substantial challenge to infringement.”); *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 20 (Fed. Cir. 1984) (“[A]n increase in damages for willfulness . . . is generally inappropriate when the infringer mounts a good faith and substantial challenge to the existence of infringement.”).

Read Factor 6: The Duration of RIM's Alleged Willful Infringement. The asserted duration of willful infringement was from the time RIM received notice of each patent until May 2002, after which NTP concedes there was no willful infringement based on RIM's having received unchallenged non-infringement opinions from competent outside counsel. Therefore, even if RIM willfully infringed any of the three asserted patents on which RIM received pre-suit notice in January 2000 (the '960, '670, and '172 Patents), the duration of any willful infringement was a little over two years. With respect to the Complaint notice patents (the '451 and '592 Patents), any willful infringement lasted no more than six months – *i.e.*, from November 2001 Complaint to May 2002. However, given the number of claims contained in these patents, and the speed with which RIM obtained an opinion of counsel, RIM acted timely and properly, not “egregiously” as required for enhancement. In previously considering this factor, the Court found it was “neutral.” 5/23/03 Mem. Order at 12. Since the Court's ruling, this factor has turned sharply in RIM's favor due to its substantial vindication of non-infringement for the three pre-suit notice patents. Now, the bulk of the alleged “misconduct” is limited to the six month period after the Complaint was filed.

Read Factor 7: RIM's Remedial Efforts. The Court previously considered this to constitute an enhancing factor. 5/23/03 Mem. Order at 12. After trial, RIM was allowed to continue to make its products and services available to the public pending appeal. On appeal, the Federal Circuit vacated entirely the Court's damage award and the injunction. As a result, this factor should be neutral. Moreover, while the case was on appeal, RIM negotiated what it believed to be a binding settlement with NTP that would have resolved the case and granted RIM a license to continue its business uninterrupted. Such remedial actions further mitigates against this factor being an enhancement factor now.

Read Factor 8: RIM Had No Motive To Harm NTP. As the Court previously found, “RIM had no motivation to harm NTP.” 5/23/03 Mem. Order at 13. Therefore, this factor continues to be “a basis for mitigating enhanced damages.” *Id.*

Read Factor 9: RIM Did Not Attempt To Conceal Its Conduct. RIM did not attempt to conceal the alleged infringing activity. Therefore, as the Court previously found, “this is a basis for mitigating enhanced damages.” 5/23/03 Mem. Order at 13.

* * *

The Court’s previous enhancement of 0.5 was based on an assessment of *Read* factors in which it found that most factors – including the important Factor 5 on closeness of the case – favored enhancement (*i.e.*, Factors 2-5 and 7). On remand, however, most of the factors – including Factor 5 – favor either no enhancement or a mitigation of enhancement (*e.g.*, Factors 1-2 and 5-9), and the two remaining factors remain either unchanged or more inclined to RIM’s favor. Accordingly, the Court should exercise its discretion and not award any enhanced damages.

IV. RIM IS ENTITLED TO A REFUND OF CERTAIN MONIES DEPOSITED INTO ESCROW.

The Court’s original damage award covered products and services that were the subject of the trial (the “Adjudicated Products”) – including the 850, 857, 950, 957, 5810 handheld devices and certain versions of the Redirector software – as well as certain other products that were subject to a stipulation between the parties (the 6710, 6510, 6210, and 6750 handheld devices – the “Stipulated Products”). The parties and the Court subsequently agreed that RIM would provide NTP with a Letter of Credit guaranteeing payment of the damage award in lieu of a *supersedeas* bond while the matter was pending appeal. *See* Order, 10/31/03.

In addition, in accordance with the Court orders and the parties' stipulation and subsequent correspondence, RIM has continued to pay enhanced royalties on the *full value* of its sales and service revenue (since May 31, 2003) for *all* of its products and services into an interest-bearing escrow account on a quarterly basis.⁹ This includes payments for the Adjudicated Products, the Stipulated Products and all other products and services RIM has introduced since trial (the "Non-Adjudicated Products"). Since March 2003, RIM has paid approximately \$195 million into escrow. Over of this amount relates to products and services that were not adjudicated at trial. *See* Decl. of Donald H. Morrison, Chief Operating Officer, RIM (Ex. Z) ¶ 20.

With respect to the Stipulated Products, however, these escrow payments carried with them certain conditions. As this Court held that with respect to these products, "RIM may make a good faith application to the Court to cease accounting and deposits for model numbers 6710, 6510, 6210 and 6750 and related services based on a showing that such products and services avoid infringement or contain substantial non-infringing functionality under the Court's claim construction." 8/5/03 Order at 2.

In addition, although RIM agreed to make payments into escrow for the Non-Adjudicated Products, it did so without prejudice to its right to a new trial with respect to these new products.

⁹ *See* 3/11/03 Order at 3, ¶¶6-7; Stipulation, Apr. 10, 2003; 6/23/03 Order at 2-3; 8/5/03 Order at 1-2. Although the Court only ordered RIM to make escrow payments for the Adjudicated and Stipulated Products, RIM has paid into escrow enhanced royalties on all its products and services at NTP's request. For example, in March 2004, NTP requested RIM enter into a stipulation to pay royalties on its new handheld models into escrow, and if not, to provide a full explanation as to why each product did not infringe. *See* Ex. 8 (Letter from J. Wyss to H. Bunsow, Mar. 17, 2004). In response, RIM confirmed that its escrow payments accounted for any additional BlackBerry models introduced after May 31, 2003 (the "nonadjudicated products"), under the heading "Other BlackBerry Models." *See* Ex. 9 (Letter from D. Long to J. Wyss, Mar. 30, 2004). Similarly, in June 2004, NTP asked RIM to confirm that RIM is including additional products in its escrow deposits.

Indeed, when NTP requested that this Court *order* RIM to pay monies into escrow with respect to the Non-Adjudicated Products, the Court denied NTP's request: "This Court will not direct RIM to make escrow deposits for all new products that it develops without a showing that the products and services are not colorably different from those found to infringe at trial." 6/23/03 Order.

On remand, the Court should address what is to become of the monies that RIM has deposited into escrow for both the Stipulated and Non-Adjudicated Products. There are two important adjustments that the Court must make to the escrow payments.

First, RIM's new product and service offerings include the BlackBerry Internet Service ("BIS"). This is a fourth type of redirector software, one not adjudicated at trial, which unlike the other three is located, along with the RIM Network Control Center ("NCC") and the BIS email server, in Waterloo Ontario. *See Morrison Decl. (Ex. Z) ¶ 21*. This redirector software was developed for customers that might not have access to a corporate server. *See id.* This product has not been found to be infringing, and cannot be given the substantial components located outside the United States. Accordingly, the handhelds and relay used solely in conjunction with this product cannot infringe NTP's patents either. RIM is entitled to a full refund from the escrow account of all royalties paid in connection with BIS and other components of this BlackBerry solution.¹⁰

Second, RIM's new product and service offerings, including the Stipulated and Non-Adjudicated Products, contain substantial non-infringing functionality that requires an adjustment both to the royalty rate and royalty base. These new products are different in

¹⁰ Even to the extent that NTP contends that BIS, which was introduced well after trial, is infringing, NTP would have to file a new lawsuit with respect to BIS. BIS cannot be the subject of this litigation.

substantial respects from the Adjudicated Products and contain new features that plainly do not infringe and should not properly be included in the royalty owed NTP. Since the time of trial, RIM has introduced handheld products with features that were not available in the products at trial, that are not even arguably within the scope of NTP's patents: telephone capability (including integrated speakers and microphones that did not exist even in the 5810 product); internet browsing capability; international roaming capability; digital walkie-talkie capabilities; Bluetooth(r) support; and Mobile Data Service. *See* Morrison Decl. (Ex. Z) ¶ 19.

Because of these substantial non-infringing features, the amounts RIM has paid into escrow must be adjusted. For example, RIM's internal records show that more than 60% of BES pass non-email data traffic through RIM's NCC. *See* Morrison Decl. (Ex. Z) ¶22. As there is *no* evidence in the record concerning these products, a new trial on damages is essential to determining the appropriate royalty rate and royalty base for the Stipulated and Non-Adjudicated Products.

V. RIM HAS AN IMPLIED LICENSE TO CONTINUE TO PROVIDE SERVICE TO OWNERS OF EXISTING BLACKBERRY HANDHELDS.

When the Court finally enters a damage award in this case – whatever the amount – an implied license will be created that permits RIM to continue providing service to any of the infringing BlackBerry handheld devices for which damages are awarded.¹¹

A. NTP's Demand For And RIM's Payment Of Royalties Create An Implied License to Use Existing Handhelds.

The implied license doctrine arises out of the well-established rule that when a patent holder sells a patented article, "he receives the consideration for its use and . . . parts with the right to restrict that use." *Adams v. Burke*, 84 U.S. (17 Wall.) 453, 456 (1873). Because the sale "exhausts the monopoly in that article," "the patentee may not thereafter, by virtue of his patent,

control the use or disposition of the article.” *United States v. Univis Lens Co.*, 316 U.S. 241, 250 (1942). The implied license doctrine, like patent exhaustion generally, ensures a patentee is compensated for – but not permitted to expand – its patent rights: “[T]he purpose of the patent law is fulfilled with respect to any particular article when the patentee has received his reward for the use of his invention by the sale of the article, and . . . once that purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold.” *Id.* at 251.

In this litigation, NTP sought and will receive compensatory damages in the form of a royalty. As both NTP’s expert and RIM’s expert testified, the royalty is determined by assuming a hypothetical negotiation between the parties for an unrestricted license that, importantly, would last *for the entire life of the patents-in-suit*. See Trial Tr. (Ex. 2) at 602:19-603:19 (“These patents, there are five of them and I think the earliest is issued in 1995, I believe. . . . And the latest was in 2001 I believe. Regardless of which end, which of the patents, the last one to issue or the first one to issue, we have a substantial amount of time remaining in the 17 years. And for that reason, that creates upward pressure on the royalty rate.”); see also Musika Report (Ex. 6) at 18 (“I have assumed that the license *would be for the duration of the patents*. As the patents all still had significant time remaining, this would have a positive influence on the royalty rate.”). Thus, the royalty rate and revenue base recommended by NTP’s own expert presumed that BlackBerry users – upon payment of the royalty – would be licensed to use their handhelds throughout the life of the patents, with no further obligation or compensation to NTP.

When this Court orders the payment of damages to NTP, an implied license will arise for the use of RIM’s existing products throughout their lifetimes. See *Union Tool Co. v. Wilson*, 259 U.S. 107, 113 (1922); *Odetics, Inc. v. Storage Tech. Corp.*, 14 F. Supp. 2d 785, 788 (E.D. Va.

¹¹ The implied license will extend to any handhelds for which the Court awards damages.

1998), *aff'd* 185 F.3d 1259 (Fed. Cir. 1999); *King Instrument Corp. v. Otari Corp.* (“*Otari*”), 814 F.2d 1560, 1564 (Fed. Cir. 1987). By demanding and receiving royalty damages, NTP has “adopt[ed] the sales” of those products as though made by itself¹² and “necessarily license[d] the use of the devices” and “free[d] them from the monopoly of the patent.” *Union Tool*, 259 U.S. at 113. This implied license precludes the entry of an injunction against service to these now-licensed products. *See Odetics*, 14 F. Supp. 2d at 788 (license “frees the infringer from the monopoly of the patent as to those products”). Once the implied license arises, RIM’s provision of services to its existing and licensed BlackBerry users does not directly or indirectly infringe any of NTP’s patents.¹³

Particularly in light of the reversal on the method claims, users of existing BlackBerry handhelds for which damages are awarded cannot be precluded from continuing to use their devices and RIM cannot be precluded from providing service to existing BlackBerry handhelds. Permitting NTP to recover royalties for the existing products and to receive an injunction rendering the existing products worthless would impermissibly expand NTP’s patent rights and unjustifiably harm BlackBerry users who have (through RIM) already compensated NTP for their infringement of NTP’s patents.

¹² If NTP had sold the handhelds and software at issue, users of those products would have a license to practice the entirety of NTP’s patented system or method. *See Anton/Bauer, Inc. v. PAG, Ltd.*, 329 F.3d 1343, 1352 (Fed. Cir. 2003); *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 686 (Fed. Cir. 1986).

¹³ It is well settled that “there can be no contributory infringement in the absence of a direct infringement.” *FMC Corp. v. Up-Right, Inc.*, 21 F.3d 1073, 1076 (Fed. Cir. 1994) (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 341 (1961)). Once the BlackBerry handheld users are licensed, RIM’s provision of services to those handhelds can no longer constitute indirect infringement.

B. At A Minimum, NTP's Demand For An Undiscounted Royalty On Handhelds And Software Limits NTP's Remedy Regarding Future Service, If Any, To An Ongoing Royalty.

NTP may contend that an implied license for the existing products cannot arise because NTP has not been adequately compensated for the “interface” component of the BlackBerry system.¹⁴ This argument is unavailing. Having sought and received a royalty based on a license extending for *the life of the patents*, NTP cannot now avoid recognition of an implied license by suggesting that the hypothetical license that served as the basis for the reasonable royalty awarded by the Court was in fact restricted in time – such that the license would end when the case ended – after all. This conclusion reflects not just basic fairness, but economic reality. Had NTP sought in the hypothetical negotiations a royalty based on a license good only until the end of trial, whereafter all BlackBerry products would cease to function, NTP could not possibly have demanded, nor would it have received, the same royalty at trial that it did.

¹⁴ NTP may rely on *Carborundum Co. v. Molten Metal Equipment Innovations, Inc.*, 72 F.3d 872 (Fed. Cir. 1995) in this regard. *Carborundum*, however, held only that a district court did not abuse its discretion in refusing to modify an injunction so as to allow future sales of spare parts for infringing products, when the court had entered that injunction *before* the damages trial, and the patentee had then “not receive[d] compensation for *future* repair parts sales during the trial on damages because the injunction [against such sales] had been granted” before trial. *Id.* at 881. *Carborundum* does *not* hold that a court *must* or even *should* grant an injunction to a patentee who has been compensated for infringing products, but not for ongoing service to or repair of those products. Indeed, the Federal Circuit was troubled by its recognition that awarding damages based on the sale of infringing products while also entering an injunction that curtails the products’ useful lives is unfair to customers and gives a patent owner a windfall:

We recognize that this result places some hardship on . . . customers, who may have to replace a pump purchased from [infringer] with either a noninfringing pump or a pump sold by [the patent owner]. Moreover, [owner] also stands to gain additional pump sales because its customers cannot repair [infringer]’s pumps with repair parts purchased from [infringer]. (*Id.* at 882 n.9)

The Federal Circuit merely held that the unfairness and overcompensation were not so great as to make the district court’s ruling, in the unusual procedural posture of the case, an abuse of discretion. *Id.* at 881-82.

In any case, implied license aside, NTP's demand for and receipt of royalties based on the full sales prices of all existing handhelds and software make it inequitable to enjoin the provision of future service to those same products. BlackBerry users have invested millions of dollars in purchasing and implementing BlackBerry technology, and RIM has paid into escrow additional millions in enhanced royalties to ensure that NTP ultimately is compensated for any infringement by these products. To let NTP collect full royalties for all existing BlackBerry products and then obtain an injunction barring their use would be grossly inequitable. Therefore, if the Court finds that the royalties paid so far on existing BlackBerry products are not complete because NTP is still entitled to compensation for the interface component of the system, it should at a minimum hold that existing users can continue to use their BlackBerry products – subject to RIM's payment of ongoing royalties for such component.¹⁵ Such ongoing royalties, in conjunction with those NTP already has received, will ensure beyond any dispute that NTP is fully compensated for all past and future patent rights with regard to all existing products, while avoiding the unfairness of an injunction on now-licensed BlackBerry users.

VI. THE COURT SHOULD NOT ISSUE AN INJUNCTION

A. An Injunction Is Unwarranted.

This Court is not duty-bound to issue an injunction, especially where, as here, a continuing royalty would provide an adequate remedy. Section 283 of the Patent Act expressly vests the Court with the *discretion* either to issue, or to refrain from issuing, an injunction:

¹⁵ Moreover, as NTP has consistently argued that the '592 claims do not claim the interface as a limitation (a point which RIM has contested), and in fact has taken the position that RIM ought to be denied its petition for certiorari on this basis, under NTP's own theory of the case, ongoing royalties on the interface component of the system would be appropriate only for 3 of the 16 claims asserted at trial. This further counsels in favor of a new trial on damages in this case. (*See* Section I *supra*.) Plainly, the Court could not simply apply the jury's original royalty determination – which assumed infringement of all 16 asserted claims – going forward.

The several courts having jurisdiction under this title *may* grant injunctions *in accordance with the principles of equity* to prevent the violation of any right secured by patent, on such terms as the court deems reasonable. (35 U.S.C. § 283 (emphases added)).

See Windsurfing Int'l, Inc. v. AMF, Inc., 782 F.2d 995, 1002 (Fed. Cir. 1986) (“The statute makes clear that the district court’s grant or denial of an injunction is within its discretion depending on the facts of each case.”); *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865 (Fed. Cir. 1984) (“The trial court thus has considerable discretion in determining whether the facts of a situation require it to issue an injunction.”).

Although the Federal Circuit’s current “general rule,” that “courts will issue permanent injunctions against patent infringement absent exceptional circumstances,” is under Supreme Court review, *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005), *cert. granted*, No. 05-130, 126 S. Ct. 733 (Nov. 28, 2005), even under that stringent test an injunction should not issue in this case.¹⁶ *See id.* at 1338 (“Thus, we have stated that a court may decline to enter an injunction when ‘a patentee’s failure to practice the patented invention frustrates an important public need for the invention,’ such as need to use an invention to protect public health.”)(citing *Rite-Hite Corp. v. Kelley, Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995)).

¹⁶ In *eBay*, an infringement suit brought by a patent holding company, Judge Friedman applied traditional equitable factors and held that a permanent injunction was not warranted even though the jury found willful infringement of an Internet-based invention. *See MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 710-15 (E.D. Va. 2003). The Federal Circuit reversed. *See* 401 F.3d at 1339.

The question presented to the Supreme Court is “[w]hether the Federal Circuit erred in setting forth a general rule in patent cases that a district court must, absent exceptional circumstances, issue a permanent injunction after a finding of infringement.” To ensure that all dimensions of this issue are considered, the Supreme Court *sua sponte* directed the parties to address the related question of “[w]hether this Court should reconsider its precedents, including *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908), on when it is appropriate to grant an injunction against a patent infringer.” Order, Nov. 28, 2005. This second question, like the first, is pertinent here because the Supreme Court held in *Continental Paper* that a patent holder’s “nonuse” of its invention does not justify withholding an injunction.

Furthermore, issuance of an injunction “certainly depends on the equities in the case,” including the public interest. *Roche*, 733 F.2d at 865.¹⁷ The equities in this case strongly suggest that the Court should exercise its discretion to deny an injunction here. As the numerous declarations appended to this brief vividly and indisputably demonstrate, there is an exceptional public interest in uninterrupted BlackBerry use by a multitude of individuals (almost certainly exceeding one million of the total U.S. users), in both the public *and* private sectors, who 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 and essential industries (such as telecommunications, energy, transportation, and banking and finance). Indeed, NTP itself repeatedly has acknowledged, the important public interest in the BlackBerry system by conceding that federal, state, and local government BlackBerry users, and “first responders,” should not be subject to an injunction:

- “NTP agrees that in the permanent injunction there should be an express provision that has an exclusion for governmental use, and that . . . can include appropriate state and local entities, fire departments, people like that.” (Hearing Tr., Feb. 28, 2003 (Ex. 11), at 66:23-67:3.)
- “NTP is not seeking, and by law cannot obtain, an injunction that would prevent the United States government from continuing to use the infringing BlackBerry products, methods and systems.” (NTP Reply Br., Jan. 23, 2003 at 14.)
- “As a matter of law, injunctions cannot apply to federal government usage. . . . As for state and local government and other first responders, NTP unequivocally stated to the District Court that any issued injunction would not apply to such

¹⁷ Cf. *Freedom Wireless, Inc. v. Boston Communications Group, Inc.*, Nos. 06-1020, -1078, -1079, -1098, -1099 (Fed. Cir. Dec. 15, 2005) at 5 (Ex. 10) (granting stay of patent infringement injunction pending appeal “based on the equities as they affect the parties and the public,” specifically, the financial impact on the enjoined party, the fact that the non-practitioner plaintiff can be adequately compensated with money damages, and the burden that an injunction would place on millions of wireless subscribers).

users.” (NTP Response To Application For Recall And Stay Of Mandate (No. 05-A-357) (Sup. Ct. Oct. 26, 2005), at 18)

- NTP will specify “exceptions for federal, state, and local government as well as first responder use (e.g., Red Cross, police, fire . . .) to which NTP is committed.” (NTP’s Proposed Scheduling Order, Nov. 1, 2005, at 5.)

Although NTP suggests that such users can easily be excluded from an injunction, in reality it would be extraordinarily difficult, if not impossible, for the Court to devise, implement and continue to administer any injunction that would not disrupt or diminish the use of BlackBerry devices by the mass of BlackBerry users that NTP concedes should be exempt. Moreover, NTP’s concessions do not go far enough to protect the public interest in the ongoing use of the BlackBerry system – there is a multitude of other users who are also exempt by law or should be exempted by the Court from any injunction – which only increases the magnitude of the problems in imposing a “partial” injunction here. It should be noted in this regard that excluding only government and first responder users would not take into account the potential national economic impacts of requiring essential industries either to abruptly replace their embedded BlackBerry communications systems or expend the time and resources necessary to implement a workaround that NTP threatens to immediately challenge by initiating further proceedings in this Court.

No injunction should be issued in this case. The public interest here far outweighs NTP’s economic interests, which are fully compensable through damages. Rather than issue an injunction, the Court should order ongoing royalty payments from RIM at the jury-established rate or a rate determined by a jury at a new trial.

There are three key reasons why the public interest in this case is exceptional:

First, this case involves the *nationally vital* BlackBerry system, upon which more than BlackBerry users in the United States depend for urgent as well as routine

communications. This includes a very substantial number of BlackBerry users in all three branches of the federal government, in state and local government agencies and instrumentalities, and in the nation's critical infrastructure, essential industries, and non-governmental organizations (NGOs) such as the Red Cross. This alone establishes that there is an unusually strong public interest against any injunction that would disrupt, diminish, or otherwise interfere with, BlackBerry usage by, within, or among the interconnected network of government and private sector users. Notably, the federal government has underscored the public interest in this case by filing its own Statement of Interest to advise the Court that "[t]he United States has a considerable interest in this action, to assure that its use of BlackBerry™ devices and software, which falls outside of the scope of any injunction that may be entered by this Court, *is not impeded and the public interest is not substantially harmed* by any injunctive relief." U.S. Statement of Interest (Nov. 8, 2005), at 7 (emphasis added).

Second, there is no practical mechanism for protecting the public interest by ensuring that if this Court were to issue an injunction, BlackBerry service would continue undisrupted and unimpaired for the more than one million individual BlackBerry users in the public and private sectors who would be, or who this Court determines should be, exempt. As discussed in detail below, RIM cannot create a "white list" of excluded BlackBerry users. NTP's speculation that (non-party) wireless carriers could and would create and maintain an ever-changing white list is both unsupported and contrary to reality. *See* Decl. of Michael Altschul, Senior Vice President and General Counsel, CTIA – The Wireless Association, ¶ 12 (Ex. A) (a white list "endeavor would be exceptionally difficult, if not impossible, for wireless carriers to perform"). Needless to say, the formidable logistical difficulties presented by having to identify and verify the continuing status of "excluded or included" users from among the tens of thousands of

governmental agencies, government contractors and subcontractors, and other companies and organizations that would be, or should be, exempt are prohibitive. Similarly, RIM's workaround solution, which will be deployed if and when required, does not provide an instant or technologically uncomplicated solution for exempt users.

Third, the strong public interest against an injunction should be viewed against the backdrop that the PTO, which as NTP itself has conceded, is on the verge of issuing Final Office Actions (by no later than the end of March) fully and finally rejecting all of the remaining patents-in-suit as unpatentable. In view of this significant development, the Court should preserve the status quo, either by reconsidering its denial of RIM's prior motion and staying these proceedings, or by refraining from entering any injunction, pending release of the final actions, and then during whatever period of time it takes NTP to seek review. *See generally Standard Havens Prods. Inc. v. Gencor Indus. Inc.*, 27 U.S.P.Q.2d 1959, 1960 (Fed. Cir. 1993) (unpublished) (directing the 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") (Ex. 12). The alternative, issuing an injunction (based on soon-to-be rejected patents) that could deprive the public of BlackBerry use while imposing upon the vast number of exempted users the unwieldy burdens of trying to create and maintain a white list or adopting a workaround, would be manifestly unjust. This is especially true since NTP does not seek an injunction for equitable reasons at all, but only to "get a lot of bargaining power" by its threat to "shut [RIM] down." T. Krazit, *Appeals Court Denies RIM a Rehearing of NTP Case*, InfoWorld, Aug. 2, 2005 (Ex. 13).¹⁸

¹⁸ See also K. Crowley, *RIM Gets Win in Patent War, but NTP Won't Give Up Fight*, The Record, Oct. 1, 2005 (NTP's counsel stating: "[S]ooner or later, we're going to be back before

B. The Public Has A Substantial Interest In Ensuring Undisrupted Use Of The BlackBerry System, Especially By The Interconnected Network Of Government And Private Sector BlackBerry Users Who Would Be, Or Should Be, Excluded From An Injunction.

There is an extraordinary public interest in ensuring continued, undisrupted, and undiminished use of the BlackBerry system for routine and urgent communications in connection with national defense, homeland security, public health and safety, government operations and services, and maintenance of the nation's critical infrastructure and economy. The millions of individuals who rely upon their BlackBerry devices for these purposes not only include federal, state, and local government and first responder personnel, whom NTP has repeatedly conceded would be excluded from an injunction, but also a mass of private sector users, such as federal contractors and subcontractors, state and local contractors and volunteer service providers, hospitals, doctors, and other health care providers, and other key personnel responsible for operating and preserving the nation's critical infrastructure. This weighs heavily against entry of an injunction in this case. *See, e.g.*, Decl. of Robert Liscouski, former Assistant Secretary for Infrastructure Protection, U.S. Department of Homeland Security, ¶ 32 (Ex. B) (describing numerous recent threat events in which DHS relied upon BlackBerry technology to communicate with state, local and private sector entities to protect critical infrastructure.); Decl. of John Halamka, M.D., Chief Information Officer of Harvard Medical School, ¶ 21 (Ex. C) (any injunction "would cause severe damage to . . . the national health care system, and create[] a significant risk of harm [to] the ability of hospitals across the country to care for their

Spencer and we're going to get the injunction. All I need is one of my 16 claims to shut 'em down, and I'm gonna shut 'em down.") (Ex 14).

patients.”).¹⁹ Indeed, “[t]he adverse impact of even a partial shutdown of BlackBerry devices should not be underestimated.” Liscouski Decl. (Ex. B) ¶ 35.²⁰

1. A Substantial Percentage Of BlackBerry Users Would Not Be, Or Should Not Be, Subject To An Injunction.

There are overlapping categories of BlackBerry users (i) who would be legally exempt from an injunction; (ii) whom NTP otherwise acknowledges should not be subject to an injunction; or (iii) whom this Court in its discretion should exempt from an injunction because, even though in the private sector, they use BlackBerry devices in connection with providing

¹⁹ The testimonials about the BlackBerry system’s utility and reliability in protecting the American public are legion. For example, recalling the chaos of September 11, 2001, U.S. Northern Command chief Adm. Timothy Keating, the nation’s top military officer for homeland defense, explained that “BlackBerrys worked, cell phones didn’t.” Elaine Grossman, *Keating Might Issue Messaging Devices For Disaster Response*, Homeland Defense Watch, Oct. 6, 2005 (Ex. 15). Similarly, commenting on the Hurricane Katrina crisis, New Orleans Mayor Ray Nagin stated that “All communications broke down. . . . My Blackberry pin-to-pin was the only thing that worked.” Gordon Russell, *Mayor Nagin Speaks Out*, Times-Picayune (Sept. 10, 2005) (Ex. 16). See also Decl. of Thomas Belcuore, Admin., Alachua Cty. Health Dept., Fla. Dept. of Health, ¶ 10 (Ex. D) (BlackBerry device was the sole means of communication in disabled areas of Mississippi following Hurricane Katrina); Decl. of Ira Hammerman, Sr. V.P. and General Counsel of the Securities Industry Association (SIA) ¶ 11 (Ex. E) (“BlackBerry communications remained in service and provided an essential communications backbone” after 9/11 attacks).

²⁰ By way of comparison, the current controversy over denial of the patent infringement injunction in *eBay*, which the Supreme Court has deemed worthy of review, merely involves “the fixed-price purchasing feature of eBay’s website,” 401 F.3d at 1325, an invention which unlike the BlackBerry, has no national defense, homeland security, or public health and safety uses or implications. Along the same lines, in *eSpeed, Inc. v. BrokerTec USA, L.L.C.*, No. Civ. A. 03-612-KAJ, 2004 WL 62490 (D. Del. Jan. 14, 2004), a Delaware federal district court recently denied a preliminary patent infringement injunction where the United States had “taken the extraordinary step of filing a Statement of Interest in this case that exclusively discusses the impact of eSpeed’s requested preliminary injunction” on a single industry, “the ‘critical market for Treasury securities.’” *Id.* at *3. And in *City of Milwaukee v. Activated Sludge, Inc.*, 69 F.2d 577, 593 (7th Cir. 1934), the Seventh Circuit overturned a patent infringement injunction against operation of a single sewage plant because it would have endangered the health and lives of a single metropolitan area. Here, an injunction disrupting or compromising the expansive, interconnected web of government and private sector BlackBerry users could adversely affect the entire nation.

goods and services to federal, state, and local government agencies, to communicate directly with the government, or for other important, and often vital, purposes.

Category A: The Federal Government and Government Contractors

Use of BlackBerry devices is pervasive throughout all three Branches of the U.S. Government. *See* U.S. Statement of Interest at 1 (“The United States (government) is a major user of BlackBerry™ devices and technology.”)²¹ RIM believes that the Federal Government is the single largest user of BlackBerry devices. *See* Morrison Decl. (Ex. Z) ¶ 11.

As NTP concedes, all federal government BlackBerry usage would be exempt from an injunction pursuant to 28 U.S.C. § 1498(a). In its Statement of Interest, the United States explained that “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).” U.S. Statement at 2.

The federal government, however, not only uses the BlackBerry system for intra-agency and inter-agency communications, but also “to communicate in real-time with private parties, including government contractors.” *Id.* at 2. Countless government contractors and subcontractors use BlackBerry devices, both for email and specialized applications, in connection with performance of their contracts, including “in the defense industry where BlackBerry’s level of security is critical.” Panezic Decl. (Ex. F) ¶¶ 11-12 (discussing BlackBerry use by major defense contractors). Government contractors use BlackBerry devices to communicate internally and with each other, with subcontractors in connection with

²¹ *See* Decl. of Alan Panezic, Dir., BlackBerry Solutions Group, RIM ¶¶ 5, 8-10 (Ex. F) (listing major federal agency users); Decl. of Jean Paul Boucher, Dir., Wireless Integration Services., SRA Int’l, Inc., ¶ 1 & Ex. A (Ex. G) (federal government BlackBerry use).

performance of their contracts, and also with federal procurement and other government officials.

Section 1498(a) applies to “the use . . . of an invention . . . by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government.” Thus, any government contractor or subcontractor which has the federal government’s express authorization and consent to use BlackBerry devices would be statutorily exempt from an injunction. Indeed, cutting off BlackBerry service to a contractor or subcontractor with which the federal government engages in two-way BlackBerry communications would compromise BlackBerry usage by the federal government itself.²² That would be tantamount to a *de facto* injunction against an important aspect of federal government BlackBerry usage, and thus, barred under § 1498(a). Regardless of whether they have express authorization or consent, many government contractors and subcontractors use BlackBerry devices directly in connection with performance of their government contracts. Because of this important type of federal government-related BlackBerry usage, if an injunction were entered, the Court would need to decide whether and to what extent to exempt federal government contractors and subcontractors which, even without federal government § 1498(a) certification, use BlackBerry devices for this purpose.²³

²² While NTP’s patents cover only the delivery of email to a wireless device, email communications are generally two-way, and the extent of the security and timeliness of such communications clearly depends on the nature of the devices used on both sides of the communication. The inability of a private entity with [which] the government regularly communicates to receive messages on a BlackBerry handheld may well impact the government’s ability to obtain the full benefit of timely and secure communications using the BlackBerry system.

²³ Some such contractors are actively covered by the Defense Priorities and Allocation System (“DPAS”), 15 C.F.R. pt. 700, which implements the Defense Production Act by “seek[ing] to ensure timely availability of industrial resources to meet national defense

Category B: State and Local Governments and Agencies

A wide variety of state and local governments and their agencies and instrumentalities involved in public safety and emergency response,²⁴ law enforcement,²⁵ and similar activities and services (e.g., state health departments and hospitals, state transportation departments, state police departments), also rely upon BlackBerry devices for fast, reliable and secure communications, both within and among governmental bodies, and with private contractors, organizations, and volunteers. NTP concedes that state and local government BlackBerry usage would be excluded from an injunction. *See also* U.S. Statement of Interest at 3 n.2 (“State governments enjoy an Eleventh Amendment immunity from patent infringement actions in

requirements and supports rapid industrial response in times of national emergency.” Joseph D. West & Mary I. Snyder, *The Must-Do Contract*, Legal Times (Nov. 7, 2005) (Ex 17).

²⁴ *See, e.g.*, Decl. of Robert O’Neill, Exec. Dir., Int’l City/County Management Ass’n (Ex. H) ¶ 7 (“During an emergency, BlackBerries have permitted crucial communications among government officials, emergency government contractors, health care providers, and the media.”); Decl. of Christopher David, Chief Tech. Officer, Arlington Cty, Va., ¶¶ 8, 19 (Ex. I) (BlackBerry devices “store emergency documents and procedures even when the [host] server is down. . . . The BlackBerry solution provides an unparalleled ability to alert thousands of employees during a crisis, and ensures continuity of government.”); Decl. of Nancy Humbert, Deputy Sec., Fla. Dept. Health, ¶ 12 (Ex. J) (absence of BlackBerry communications “would significantly impede our ability to provide on-the-spot, up-to-date, emergency response and ensure the safety and protection of lives in the State of Florida.”); *see also* Belcuore Decl. (Ex. D) ¶ 11; Decl. of Karen Eaton, Dir., Public Health Nursing, Fla. Dept. Health, ¶¶ 10, 12 (Ex. K); Decl. of Jon Erwin, Spec. Proj. Coord., Div. of Emerg. Mgmt. Ops., Fla. Dept. Health, ¶ 16 (Ex. L) (“Without immediate access to information via BlackBerry Wireless devices, I believe the state’s emergency response effort would severely suffer and put Floridians lives at risk.”).

²⁵ *See, e.g.*, Decl. of Mark Zadra, Chief of Investigations, Office of Statewide Intel., Fla. Dept. of Law Enforcement (Ex. M) ¶¶ 6, 7 (any disruption of BlackBerry service “will directly and adversely impact the domestic security of the State of Florida in that no known other equivalent alternative for disseminating crucial information to state and local law enforcement and other public safety officials . . . is currently available”); *see also* Decl. of Bill Nye, Consultant, Fla. Dept. Law Enforcement, ¶ 10 (Ex. N) (“Any disruption caused by enjoining the operation of the encryption services of ‘BlackBerry Wireless’ will have a significant impact on . . . state law enforcement in general.”).

federal courts.”) (citing *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank*, 527 U.S. 627 (1999)).

Further, “[b]ecause local governments [and state governments] tend to contract out many governmental functions (road building, maintenance of public lands, emergency rebuilding, debris removal, computer and communications support, etc.), it is crucial that governments be able to contact these private parties in the event of an emergency, particularly when other forms of communication are unavailable.” Decl. of Robert O’Neill, Exec. Dir., Int’l City/County Management Ass’n, ¶ 12 (Ex. H). Therefore, in order to prevent an injunction from interfering with state and local government BlackBerry usage, the Court should exempt from any injunction all state and local contractors (e.g., private ambulance services) and volunteers (e.g., volunteer firefighters) whose use of BlackBerry devices is in performance of their contracts or services.

Category C: Federal Critical Infrastructure and Essential Industries

As NTP has conceded, certain private users of the BlackBerry system, such as the Red Cross and other “first responders,” should also be exempt from any injunction. Beyond just “first responders,” however, other private sector users of the BlackBerry system (including but not limited to the types of government contractors discussed above) also should be exempt. They are an integral part of the nation’s “critical infrastructure” and/or essential industries, and rely upon the BlackBerry system not only in times of disaster and emergency situations, but also, more typically, in the performance of work important to the nation’s economic security. Therefore, use of the BlackBerry system by such individuals should not be enjoined.

As Robert Liscouski, former Ass’t Secretary for Infrastructure Protection, U.S. Dept. of Homeland Security, explains in his declaration, the federal Homeland Security Act (and other recent laws) have established a federal “critical infrastructure,” which is comprised of “systems

and assets so vital to the United States that the incapacity or destruction of them would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters.” Liscouski Decl. (Ex. B) ¶ 3 (listing Telecommunications, Energy, Banking and Finance, Emergency Services, and Transportation as examples of critical infrastructure sectors); *see also* Jeff Moteff, *Critical Infrastructures: What Makes An Infrastructure Critical?*, Report for Congress, 17 (Jan. 29, 2003) (Ex. 18). While the critical infrastructure includes federal, state, and local government resources, “[t]he private sector owns approximately 85% of the critical infrastructure in the United States.” Liscouski Decl. (Ex. B) ¶ 5.

BlackBerry devices are essential to the maintenance and operation of the critical infrastructure. “Effective and efficient communication, not only within the public sector but also within the private sector and between the two sectors, is crucial for the safeguarding of the critical infrastructure of the United States. BlackBerry technology plays a special role in that communication effort.” *Id.* ¶ 30. This is especially true in emergency or crisis situations.²⁶

Among other things, the BlackBerry system is relied upon by both the public and private sectors to facilitate “continuity of operations” (“COOP”) plans by enabling emergency broadcast

²⁶ *See, e.g.*, Decl. of Gadi Mazor, Pres., Onset Technology Ltd., (Ex. Q) ¶ 8; Boucher Decl. (Ex. G) ¶ 14 (discussing the government’s use of the BlackBerry system in emergency situations); *see also* Decl. of Robbie Moffat, Pres., Wallace Wireless, Inc., ¶ 27 (Ex. O) (BlackBerry provides “essential service” as “emergency response tool” both to government entities and private sector); *see also* *Government and Industry Efforts To Protect Our Money During Blackouts, Hurricanes and Other Disasters: Hearing Before the H. Comm. on Fin. Servs.*, 108th Cong. (2003) (statement of Catherine A. Allen, CEO of BITS) (Ex. 19); Francis Bradley, *Critical Infrastructure Protection: A Priority For Industry*, *Electric Energy T&D Magazine*, March/April 2003, at 4 (Ex. 31); Decl. of Viktor Mayer-Schönberger, Prof., Harvard Univ., ¶ 3-7 (Ex. P) (discussing essential nature of emergency communications between public and private sectors); Hammerman Decl. (Ex. E) ¶ 11 (injunction “may negatively impact the trust and confidence of the public in the U.S. financial markets”).

of BlackBerry PIN numbers (to permit PIN-to-PIN BlackBerry communications when servers are down), building floor plans and evacuation routes, etc. *See, e.g.*, Moffat Decl. (Ex. O) ¶ 14 (discussing how “PIN communications have repeatedly demonstrated their effectiveness in emergency situations”); Mazor Decl. (Ex. Q) ¶ 10 (discussing how without BlackBerry technology to facilitate COOP plans, emergency personnel would have to receive essential information manually); Decl. of Sameer Bade, M.D., MedStar Health (Ex. R) ¶¶ 6-7 (detailing BlackBerry use in state and federal medical emergency planning related to homeland security and Hurricane Katrina response); Hammerman Decl. (Ex. E) ¶¶ 7, 8 (some securities companies rely on Blackberry-specific “PIN-to-PIN” communications for disaster response, and for communications with federal and state officials in the event of emergency.). As another example, Dr. John Halamka, who serves as Chairman of the New England Health Electronic Data Exchange Network, has been planning a response to an avian flu outbreak. He explains that “one of the key aspects of our response is BlackBerry communication [which] can continue unabated. Without BlackBerry communication, our emergency planning ... would be severely hampered [and] [i]n the event of a pandemic, the health-care consequences could be catastrophic.” Halamka Decl. (Ex. C) ¶ 14. For this reason, it is clearly in the public interest for the Court to exempt from an injunction any private sector BlackBerry user who is not otherwise legally exempt and uses BlackBerry devices to maintain or protect the nation’s critical infrastructure.

Further, private sector components of the federal critical infrastructure represent many of the industries and professions that are essential to the functioning of the nation, its economy, and its society, not only in times of crisis, but also every day. These essential industries, some of which are closely regulated by the federal government (e.g., transportation), encompass an

enormous number of BlackBerry users, for example, in the energy²⁷, health care²⁸, and banking and finance²⁹ industries. As the accompanying declarations demonstrate, the public interest in preserving and fostering national economic security squarely supports ensuring that those whose use of the BlackBerry is integral to the operation of nation's essential industries and professions can continue to use the BlackBerry system without disruption. Indeed, the declarations from associations in the telecommunications, securities, and natural gas sectors demonstrate that an injunction precluding use of the BlackBerry system in the nation's essential industries would have far reaching impacts on productivity in the U.S. economy. Accordingly, the Court should exercise its discretion to exempt such BlackBerry users from any injunction.

2. There Are No Readily Available, Equally Versatile, Reliable, and Secure, Substitutes For The BlackBerry System.

The fact that there are no comparable substitutes that combine many important aspects of the BlackBerry technology underscores the reasons why any injunction would be contrary to the public interest. *See* Decl. of Scott Totzke, Dir. of the Global Security Group, RIM (Ex. V) ¶¶ 7-

²⁷ Decl. of James Linn, Dir. of Information Technology, American Gas Ass'n (Ex. S) ¶ 7 ("The natural gas distribution industry is very dependent on BlackBerry. We have thousands of users."); *see also* Decl. of Derek Roga, CEO, Outercurve Technologies, Inc. (Ex. X) ¶¶ 8-11 (discussing extensive BlackBerry use by Saudi Aramco).

²⁸ Halamka Decl. (Ex. C) ¶ 20 (stating that "BlackBerry use has become necessary to the efficient operation of . . . the national Healthcare Information Technology Standards Panel"); *see also* Decl. of Dr. Joseph Yermus, CEO, Med. Comp. Servs., Inc. (Ex. T) ¶¶ 3-4 (BlackBerry used to provide drug interaction data to physicians); Bade Decl. (Ex. R) ¶¶ 4-5, 14 (discussing the extensive BlackBerry use by healthcare system personnel and describing the "severe damage" an injunction would cause to patient care); Decl. of Cathal Copas, CEO, mBiztech Corp. ¶¶ 5-8 (Ex. U) (discussing how BlackBerry use facilitates organ and tissue donation efforts).

²⁹ Hammerman Decl. (Ex. E) ¶ 4 (discussing how "BlackBerry e-mail communications have become important to certain SIA members and their clients, particularly for disaster recovery planning and daily business communications"); *see also* Liscouski Decl. (Ex. B) ¶¶ 35-36 (survey of financial service providers confirms the extensive use of BlackBerry technology in connection with continuity plans or to communicate with government entities).

16 (discussing the “Unique Features of BlackBerry Technology”); Halamka Decl. (Ex. C) ¶ 10 (no BlackBerry alternatives “have the unique security and redundant reliability as BlackBerry communications”); Hammerman Decl. (Ex. E) ¶ 10 (“currently no other two-way mobile e-mail service appears to have the same combination of security, functionality, and global reliability that BlackBerry communications employ.”). “If a patentee’s failure to practice a patented invention frustrates an important public need for the invention, a court need not enjoin infringement of the patent.” *Rite-Hite Corp. v. Kelley, Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995); *see also Hybritech, Inc. v. Abbott Lab.*, 4 U.S.P.Q.2d 1001, 1015 (C.D. Cal. 1987) (denying an injunction that would enjoin the production of medical test kits because otherwise “the public will have to switch to an alternative technology that is presumably less effective”), *aff’d*, 849 F.2d 1446 (Fed. Cir. 1988). That is precisely the situation here.

While other vendors’ wireless email products may provide email functionality, the BlackBerry system is unique because RIM developed an entire cohesive system – *i.e.*, not only the handheld, but the operating system, Java Virtual Machine, handheld application software, middleware (*e.g.*, “BES”) and routing services used in conjunction with the handheld. This comprehensive and cohesive approach enables several unique properties of the BlackBerry system:

PIN to PIN Messaging. BlackBerry handhelds can bypass the corporate email server and send messages from one BlackBerry handheld to another BlackBerry handheld (called “pin to pin” messaging). Because they do not pass through an organization’s email server, these communications are available even if an organization’s email servers are not functioning (*e.g.*,

power outage). This makes the BlackBerry handheld uniquely suited for communications during emergencies and as part of an organization's continuity of operations plans.³⁰

Unique Combination of Security Features. The BlackBerry system has FIPS certified software encryption modules in both the middleware (e.g., the "BES") and the handheld. These encryption modules use both triple Data Encryption Standard ("DES") and Advanced Encryption Standard ("AES") encryption to encode data during transmission over a wireless network. The BlackBerry handhelds also supports smart cards, a security feature designed to ensure that only authorized users can access a particular handheld, and Secure Multipurpose Internet Mail Extensions ("SMIME") designed to enable secure transmission of data over the Internet and to ensure that only the intended recipient can read a message. Administrator tools like Code Signing, IT Policy and Application Control can be used to prevent unauthorized applications

³⁰ See David Decl. (Ex. I) ¶¶ 9-11 ("BlackBerry solution provides an unparalleled ability to alert thousands of employees during a crisis, and ensures continuity of government" because of its unique PIN to PIN communication feature); Moffat Decl. (Ex. O) ¶¶ 12-18, 24 (PIN to PIN "direct communication is unique to the BlackBerry" and allows for the BlackBerry to be "the only device that meets the government certification standards . . . mandated by Sarbanes-Oxley"); Mazor Decl. (Ex. Q) ¶12 (RIM's "pin blasts" system allows for markedly faster communication to a greater number of people than SMS messages, even when the user's computer network infrastructure is immobilized); Totzke Decl. (Ex. V) ¶¶ 12-13 (PIN-to-PIN BlackBerry communication is essential when an organization's computer network is disabled); Essential industries, including the healthcare and securities industries, have adopted BlackBerry communications in part because of this unique redundancy. See Halamka Decl. (Ex. C) ¶ 11 (healthcare); Hammerman Decl. (Ex. E) ¶¶ 7-8 (securities industry). Alternative technologies are not adequate to replace this unique feature. The closest comparable communication method is the Short Messaging Solution ("SMS"). SMS is a form of device to device text messaging which has significant shortcomings in terms of reliability, timeliness and security. Hence it is not nearly as well suited for emergency communications (or any other important communications) as PIN to PIN messaging. See Mayer-Schönberger Decl. (Ex. P) ¶¶ 12-17 (describing inadequacies of SMS messaging alternative).

from loading or running on a BlackBerry handheld. In addition, an IT administrator can remotely disable and wipe all data and encryption keys from a lost or stolen handheld.³¹

Third Party Applications Can Leverage BlackBerry Features. The fact that RIM has control over all aspects of the BlackBerry system makes it uniquely suited for developing third party applications, such as applications used for emergency situations that leverage the BlackBerry's pin to pin messaging to "blast" messages to large numbers of individuals at one time in a timely, secure and auditable manner. Other core features such as IT Policy enable third party developers to seamlessly and fully integrate the BlackBerry system's security architecture into their applications used in law enforcement and in other situations where confidentiality is critical.³²

Reliability, Scalability, and Manageability of Single Vendor System. The BlackBerry system is a single vendor solution that is reliable, manageable, and scalable with a single point of contact for problem resolution. Multi-vendor solutions increase complexity and compatibility

³¹ See Panezic Decl. (Ex. F) ¶ 11 ("BlackBerry's unparalleled level of security is critical" for defense contractors); Boucher Decl. (Ex. G) ¶ 10 (BlackBerry's encryption is "more secure than other handheld solutions on the market today . . ."); Moffat Decl. (Ex. O) ¶ 6 (noting encryption and communication features that are unique to the BlackBerry); Mazor Decl. (Ex. Q) ¶ 20 (BlackBerry provides level of security required by most federal government agencies); Totzke Decl. (Ex. V) ¶ 8 (describing how "BlackBerry technology is unique in its overall security").

³² See Moffat Decl. (Ex. O) ¶6 (Wallace Incident Communicator software deployed only on BlackBerry platform because of Blackberry's unique encryption and communication features); Mazor Decl. (Ex. Q) ¶20 (innate encryption functionality of the BlackBerry available for software developers through interfaces is provided solely by the BlackBerry tools); Yermus Decl. (Ex. T) ¶¶3-4; Declaration of David Birnbach (CEO of Vaultus Mobile Technologies) (Ex. W) ¶¶4-9 (for 90% of Vaultus's clients such as AIG, Prudential, Tiffany's, Boston Globe and the United States Army, BlackBerry technology is the platform of choice); Roga Decl. (Ex. X) ¶¶3, 5-7 (discussing Outercurve's development of business software applications for the BlackBerry for use by financial institutions – including Deutsche Bank, Citigroup, Barclays – and pharmaceutical companies).

issues, which impacts each of the factors set out above. This alone has made the BlackBerry system the preferred solution for many customers, and has led some to characterize the BlackBerry system as the only system that offers the federal government the security that it demands and the ease of use and operation that it covets. Boucher Decl. (Ex. G) ¶ 13.

In view of this unmatched combination of BlackBerry benefits, any injunction that disrupts use of the BlackBerry system for any period of time would create important communications voids in the nation's critical infrastructure and economy, which is contrary to the public interest.

C. It Would Be Extraordinarily Impractical, If Not Impossible, To Devise And Administer An Injunction That Would Protect Government and Private Sector BlackBerry Users Who Would Be, Or Should Be, Excluded From An Injunction.

In its Statement of Interest, the United States expresses its concern that “there is no simple way in which federal government [BlackBerry] users can be easily identified to assure that their service is not being cut off along with commercial users. The same would apply to state and local governments, and any other authorized users.” U.S. Statement at 4-5.

These caveats not only are entirely accurate, but also greatly understate the reasons why *any* injunction entered in this case, including a “partial” injunction, would be extremely difficult, if not impossible, to administer. More specifically, there would be no practical way to ensure that if an injunction were issued, there would be no impact on the enormous number of BlackBerry users (i) who would be legally exempt from an injunction, or (ii) whom NTP concedes would not be subject to an injunction, or (iii) whom this Court otherwise should exempt from an injunction (*see* Section V(B)(1), *supra*). In view of these circumstances – because it would be difficult, if not impossible, for the Court to issue an injunction but protect the public interest in ensuring undisrupted and undiminished BlackBerry use by these

overlapping categories of BlackBerry users – no injunction should be issued. *See generally Hudson v. School Dist. of Kansas City*, 578 S.W.2d 301, 312 (Mo. Ct. App. 1979) (“It is also a principle of the equity jurisprudence surrounding the use of injunctive relief that the court will not issue an injunction when the order of the court to be embodied in an injunction is impossible of performance.”)³³

1. Creating And Maintaining A “White List” Is Not A Realistic Option.

In its Statement of Interest, the United States cautions that creating a “‘whitelist’ of [BlackBerry] devices used by the federal government, as well as any other users who are excepted from the scope of any injunction” would “raise[] some substantial challenges that cannot be instantly surmounted.” U.S. Statement at 5. Again, this understates what would be a practically insurmountable problem. Creating a white list would involve an attempt, through mechanisms that would have to be established by the Court, to build a database of what RIM believes would amount to more than one million BlackBerry users, spread over tens of thousands of government agencies, companies, and non-governmental organizations that would, or should, qualify for exemption. This unprecedented effort would place enormous practical and logistical burdens on federal, state, and local government agencies and other excluded BlackBerry users.

RIM itself cannot create a white list. *See* Decl. of Richard A. Belgard, ¶ 68 (Ex. Y); Decl. of David Clark, Director, BES Technology, RIM (Ex. AA); Decl. of David Clark (Nov. 8, 2005)(appended to U.S. Statement of Interest) (discussing “technical issues surrounding the

³³ *Cf. United States v. Rylander*, 460 U.S. 752, 757 (1983) (“Where compliance is impossible, neither the moving party nor the court has any reason to proceed with the civil contempt action.”); *see also American Rivers v. United States Army Corps of Eng’rs*, 274 F. Supp. 2d 62, 66 (D.D.C. 2003) (impossibility of compliance with an injunction is a well-established defense to a finding of contempt for refusal to comply with an injunction).

creation of a 'white list' of BlackBerry users authorized for continued operation"). The database that would be needed to implement the white list option does not exist, and RIM does not have the information needed to build or maintain an accurate database.

Contrary to NTP's speculation, the wireless carriers (none of which are parties to this litigation, and thus, could not be bound by an injunction)³⁴ could not create such a list. *See* Response to the United States' Statement of Interest at 2. RIM has no contractual or other legal right to compel the carriers to undertake the burden and responsibility of creating such a database. Even if the carriers could be legally compelled, the problems of defining, validating and maintaining a white list would be "exceptionally difficult, if not impossible, for wireless carriers . . . [which] simply are not in a position to make these determinations." *See* Altschul Decl. (Ex. A) ¶¶ 12, 14.³⁵

As a result, much if not all of the staggering responsibility for creating (i.e., compiling) and maintaining (i.e., continuously updating) a white list would have to be splintered among tens of thousands of federal, state, and local government agencies, boards, commissions, legislative and judicial bodies, and among tens of thousands of government contractors, companies in the critical infrastructure or essential industries, non-profit organizations, etc., that use BlackBerry devices and would be, or should be, exempt. It is unclear who would, or how anyone would,

³⁴ *See Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 96 F.3d 1390, 1394 (Fed. Cir.1996) ("[C]ourts of equity have long observed the general rule that a court may not enter an injunction against a person who has not been made a party to the case before it.")

³⁵ In his declaration, Mr. Altschul, who is Senior Vice President and General Counsel of CTIA – The Wireless Association, discusses these difficulties, including "definition" ("It is no simple matter to determine whether a user is, in fact, connected with a government entity or 'as a first responder'"); "validation" ("Wireless carriers have no basis to verify that an individual or an entity claiming to belong on the 'white list' is, in fact, a governmental organization or eligible first responder."); and "maintenance" ("[W]ireless carriers cannot keep track of the employment

take on the daunting task of organizing, implementing, administering, and overseeing the creation, certification and maintenance of such a necessarily fragmented white list. Further, creation of a white list assumes that the government agencies involved do not have important issues of security or privacy in providing to RIM potentially sensitive lists of individual BlackBerry users.

With respect to federal government personnel, the United States explains in its Statement of Interest that “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.” U.S. Statement at 5-6 (emphasis added). As a cursory review of the *Federal Yellow Book* will verify, there are thousands of federal departmental divisions, agencies, sub-agencies, boards, commissions, etc. within the Executive Branch alone (and some of them, which very well may be BlackBerry users, are most decidedly *not* listed in the *Yellow Book*).

As if that were not complicated enough, determining which individual BlackBerry users among the tens of thousands (perhaps hundreds of thousands) of federal government contractors and subcontractors may be exempt under § 1498(a) would be even more decentralized and complex. There are more than 50,000 contracting officials scattered throughout the federal government. They somehow would have to decide which specific contractors and subcontractors – and presumably which individual BlackBerry users employed by those contractors (ranging from the CEO to engineers, technicians, and manufacturing personnel) should receive a written

status of these individuals and update the proposed national ‘white list’ of authorized BlackBerry

certification that their use of a BlackBerry device is covered by § 1498(a), and thus exempt from an injunction. There are no guidelines or criteria governing how each cognizant federal contracting officer would make these determinations, thus creating the potential for conflicts, inconsistencies, protests, appeals to this Court, etc. Moreover, if the Court agrees with RIM that contractors and subcontractors which are not certified under § 1498(a) but use their BlackBerry devices in performance of their contracts (including but not limited to communicating directly with the federal government) should be considered for exemption by the Court, the universe of excluded BlackBerry users would be even larger.

The enormity of the task is compounded again by orders of magnitude when it comes to state and local governments and agencies, all of which NTP concedes would be excluded. In addition to the 50 state governments, there are approximately 75,000 local government units (excluding school districts) in the United States, and countless state and local agencies, instrumentalities, etc. See U.S. Department of Commerce, *Government Organization, 2002 Census of Governments* 6 (Vol. 1, No. 1, Dec. 2002). That does not even include hundreds of thousands of state and local government contractors (many of which are relatively unsophisticated small businesses) and part-time volunteers, which as discussed above, RIM believes should be exempted by this Court if they use BlackBerry devices in performance of their government-related contracts or services.

Finally, as discussed above, there are the numerous private sector components of the federal critical infrastructure, and other essential industries, that use BlackBerry devices for reasons that are squarely in the public interest. Insofar as the Court determines that some or all categories of such private sector BlackBerry users should be excluded from an injunction, the

users.”). *Id.* (Ex. A) ¶¶ 13, 15, 16.

task of identifying the pertinent BlackBerry devices to ensure that they are not shut off increases geometrically again.

To try to avoid disorganization and chaos, and assuming that this Court would not want to directly administer an attempt to create and maintain a white list, some sort of white list “czar” – presumably under the aegis of the Court – would have to undertake that incredibly challenging responsibility. He or she would have to study how and when the pertinent identifying BlackBerry information could be solicited, marshaled, verified, and transmitted to RIM³⁶ from within the federal government, state and local governments, and first responders (after defining the scope of that term); from federal government contractors and subcontractors that receive § 1498(a) certifications issued by federal procurement officers (possibly pursuant to guidelines promulgated by the white list “czar”); and from other private sector BlackBerry users that the Court determines should be exempted from an injunction. In addition, the white list “czar” would have to establish and implement a white list protest procedure for government contractors and subcontractors, and individuals within those companies, who have not received a § 1498(a) BlackBerry certification. Moreover, the “czar” would have to develop procedures for daily updating of information from around the country to ensure that the white list is always current (e.g., to remove federal, state, or local government employees who leave government service; or to remove BlackBerry user personnel who leave an exempt government contractor or

³⁶ If a white list database somehow could be created, PIN numbers for the individual exempt devices would have to be transmitted to RIM, which has the technological capability to operate the BlackBerry system in a manner that would continue service to the devices listed in the database, while enforcing the terms of the injunction against others. *See* Belgard Decl. (Ex. Y) ¶¶ 68, 77. But even that would entail technological and administrative issues. For example, PIN numbers (for individual BlackBerry devices) and SPRD numbers (for BESs) would have to be aggregated and electronically transmitted to RIM in a standardized format. Also, there would have to be uniform security and verification procedures applicable to federal, state, and local

subcontractor; or to record a change in the BlackBerry device being used by any individual user on the white list).

As the foregoing discussion demonstrates, creating and maintaining a white list is anything but a simple solution. In the end, even after many months of effort by exempt BlackBerry users, the magnitude and complexity of the project ensures that there would be errors, such as failing to be properly white listed, thus creating the very real prospect that some vital government or private sector communications would fail in the event of a crisis or emergency.

2. RIM's "Workaround" Would Create Unnecessary Concerns, Burden BlackBerry Users and Providers and Cause Irreparable Business Injury.

If an injunction is entered against current BlackBerry products and services, RIM will proceed to modify its products into non-infringing alternatives. Although RIM has developed and tested several software modifications to its present products in this regard, any modifications will cause concern to users and service providers. Implementing a workaround requires reloading software on servers and BlackBerry handheld devices. This which would likely involve some significant effort on behalf of users and their supporting organizations, which will need to take time to implement the upgrades, and will likely experience typical problems experienced with undertaking upgrades.

If an injunction is implemented and a workaround rolled out, it is reasonably certain that some of RIM's existing customers will opt for other providers, even though inferior in many respects, rather than go through the trouble of installing the new software, particularly given

government, and private sector transmitters of such information. See Clark Decl. (Ex. AA) ¶¶ 8-12.

NTP's threats with respect to the implementation of a workaround.³⁷ Also potential new customers may well choose suppliers other than RIM when news of the issuance of an injunction is broadcast regardless of the practical effect of that order. Once lost, customers may never return to RIM regardless of the ensuing invalidity of the NTP patents.

Implementing a workaround may also have implications for non-U.S. BlackBerry users who may roam to the United States in that they may be required to implement upgrades to be able to use their BlackBerry devices when they travel to the U.S. Similarly, implementing a workaround, if an injunction is issued, may have unintended consequences on the operation of certain third party applications used on the BlackBerry handhelds (which may in no way relate to NTP's patents).

Another consequence of implementing the workaround is that the federal government and its contractors may be forced to implement the software upgrades associated with the workaround under a threat of having government communications shut off. This would inevitably be the case if a white list cannot be effectively created and maintained. It may also well be that with respect to future deployments of the BlackBerry solution, exempt users will be required to implement the workaround in any event, because it will likely not be commercially viable or feasible for RIM and its carrier partners to have two separate builds of the software for each of RIM's products and services and two separate distribution channels – one for exempt users and one for other U.S. users. Such a compelled software upgrade would constitute an

³⁷ "If NTP wins an injunction to end BlackBerry service and RIM keeps BlackBerry service operating through the new [workaround] software . . . Stout said NTP would ask that RIM and every wireless carrier in the United States offering BlackBerry service be cited for contempt." Ian Austen The N.Y. Times, *A Nightmare For Corporate America: Life Without the BlackBerry*, Int'l Herald Tribune (Dec. 6, 2005) (Ex. 20). Having taken these positions, NTP cannot now claim that the future availability of a workaround presents such an attractive option to the federal

“injunction” for purposes of § 1498(a). It “would amount to a *de facto* injunction against the government’s use of BlackBerries.” U.S. Statement of Interest at 2.

3. Requiring The Governmental And Other Exempt Users To Participate In The Development Of A White List Or Implementation Of A Workaround Is Contrary To The Public Interest.

As explained above, the imposition of any injunction would subject excluded BlackBerry users to the significant burdens and risks of either trying to participate in creating and maintaining a white list, or utilizing the RIM workaround. These are the very BlackBerry users who are exempt by law or otherwise exempted by this Court because their uninterrupted use of the BlackBerry system is important, if not vital, to the public. Even more important, as discussed above, neither the white list approach nor the workaround are an instant or technologically uncomplicated solution to ensure undisrupted service if an injunction went into effect. These are powerful reasons why no injunction should be issued.

D. The Balance Of Equities Weighs Heavily Against Issuing An Injunction.

In addition to the exceptional public interest against issuance of an injunction, the other traditional “principles of equity,” 35 U.S.C. § 283, strongly favor RIM. NTP does not need an injunction to protect its interests. Damages in this case are a more than adequate remedy to compensate NTP for any continued infringement by RIM.

If the Court refrains from issuing an injunction, there would no irreparable harm, or for that matter any harm at all, to NTP. NTP cannot credibly point to any competitive or other harm that it has incurred, or would suffer, resulting from the absence of an injunction against continued manufacture, sale and use of the BlackBerry system. This is especially true since NTP is merely a patent holding company, which markets no products or services of its own. *See*

government (or to state or local governments, or other exempt BlackBerry users), that they should be compelled to implement it.

generally Freedom Wireless (Fed. Cir. Dec. 15, 2005) at 7 (Ex. 10)(granting stay of injunction and noting that the patent holder “does not offer or sell prepaid services in the prepaid wireless market and can be compensated by money damages if it prevails upon appeal”); *High Tech Med. Instrumentation, Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1556 (Fed. Cir. 1995) (“the lack of commercial activity by the patentee is a significant factor in the calculus” of assessing irreparable harm); *E.I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 835 F.2d 277, 278 (Fed. Cir. 1987) (granting stay of injunction pending appeal and noting that “[o]f great importance here is the unusual position of the patentee . . . that it has never sought to exclude others from the . . . market”).

Damages in the form of an ongoing royalty are thus an adequate remedy for NTP, and indeed, at the rate previously established by the jury (*but see* Section II *supra*), NTP would receive compensation at levels that far exceed industry standard royalties for the telecommunications industry. Under the circumstances of this case, these royalty payments provide NTP with adequate protection against any future infringing sales. Further, NTP does not need an injunction to be able to continue to collect fees on the patent licenses that it has issued to at least three companies. *See* Ian Austen, *BlackBerry Dispute Aids Rivals*, N.Y. Times, Dec. 15, 2005, at C5 (“[A] wireless e-mail software provider, Visto, joined Good Technology and Nokia in licensing NTP’s patents for reasons that appear to have as much to do with marketing as with law.”) (Ex. 21). *See generally Illinois Tool Works, Inc. v. Grip-Pak, Inc.*, 906 F.2d 679, 683 (Fed. Cir. 1990) (affirming district court’s denial of preliminary injunction in patent infringement suit, in part because where patent holder “has licensed its patent to another, monetary damages can sufficiently compensate the patent holder for infringement occurring during the course of the litigation”)(citation omitted). If NTP has any difficulty licensing its patents, it is a reflection of

the questions raised by the PTO about the patentability of the NTP patents, and not the fact that RIM continues to operate its business in the United States.

An injunction, however, would cause RIM to suffer substantial and irreparable injury, even after incurring the expense of developing and deploying a “workaround,” which the forthcoming expected PTO rejection of NTP’s patents will prove to be unnecessary. *See Morrison Decl. (Ex. Z) ¶¶ 17-18.*

Therefore, the harm that RIM and the public would suffer if the Court issues an injunction would far outweigh the harm, if any, that NTP would incur. That equitable balance, along with the overwhelming public interest against issuance of an injunction and the impending PTO rejection of the NTP patents upon which an injunction would be premised, constitute an exceptionally strong case for denial of an injunction.

E. The Court Should Not Issue An Injunction Because There Is Substantial Doubt About The Validity Of The Patents Upon Which An Injunction Would Be Premised.

In light of critically important recent developments in the PTO reexaminations of NTP’s patents, there are compelling reasons why this Court should deny an injunction, or stay any injunction that is issued, during the short time it will take the PTO to complete its reexaminations and issue final determinations rejecting NTP’s patents upon which this entire suit is predicated. The Court should then continue to preserve the status quo while NTP pursues any appeals of the PTO’s determinations.

1. The PTO Has Indicated That It Soon Will Issue Final Office Actions Fully And Finally Rejecting All Of NTP’s Patents.

Despite NTP’s continuing efforts to delay the reexamination proceedings, the PTO has notified NTP that within a matter of weeks (by the end of March, unless NTP succeeds in further delaying the reexamination process), it should expect to receive final actions rejecting all four of

the patents still involved in this litigation (i.e., the '451, '592, '670, and '960 patents). Indeed, according to an article last month in the New York Times, NTP "did acknowledge . . . that the company fully expects its patents . . . will be overturned by the patent office." Ian Austen, *U.S. Patent Office Likely To Back BlackBerry Maker*, N.Y. Times, Dec. 20, 2005, at C5 (Ex. 1). " 'I'm a realist,' Mr. Stout said." *Id.*

More specifically, the PTO has issued Second Office Actions, which fully consider the arguments that NTP made in response to the First Office Actions, explicitly find those argument to be "non-persuasive," and leave no doubt that all of the claims encompassed by NTP's patents will be fully and finally rejected. For example, on November 30, 2005 the PTO issued a "non-final" Second Office Action (in connection with the '451 patent) which begins with the following summary:

The patent owner's arguments are *deemed non-persuasive* and *all rejections* from the prior Office Action in the instant *ex parte* reexamination proceeding are *repeated below*. The present Office Action would have been a final rejection but for a new rejection based on a strongly anticipatory printed publication (Norwegian Telecommunications Administration report) (also known as "TeleNor") that was *recently disclosed by the patent owner* (see the attached PTO-1449). Thus, the present Office action is non-final even though the patent owner's arguments were deemed unpersuasive. *Thus, the next Office action is expected to be a final rejection of all current claims* in the 6,067,451 (the "451 Patent").

Office Action in *Ex Parte* Reexamination, at 3 (Nov. 30, 2005) (underscored text in original; italics added for emphasis) (Ex. 22).³⁸ Virtually identical language was included in the Second

³⁸ On January 12, 2006 the PTO Central Reexamination Unit sent out a communication (Ex. 25) indicating that the final sentence quoted above "should have stated, 'The next Office action is expected to be a final action.'" It seems evident that this slight modification (which does not alter the PTO's preceding underscored statement that "the present Office Action would have been a final rejection" but for the prior art that NTP recently disclosed) reflects an effort by the PTO to be somewhat restrained in the statements that it makes about the forthcoming rejections of NTP's patents – rejections which again, NTP has publicly acknowledged that expects to receive.

Office Actions for each of the '670, '960, and four non-litigated patents (all of which the PTO issued in December 2005).³⁹

Moreover, the PTO Central Reexamination Unit has attempted to address this Court's concerns about the reexamination proceedings' timeframes, while maintaining administrative fairness of those proceedings.⁴⁰ In a December 14, 2005 ruling on yet another NTP request for an extension of the period of time in which it is required to respond, the PTO, made the following commitment to complete the reexamination expeditiously:

The patents being reexamined are also involved in litigation in the Federal District Court. Given the District Court's concerns that the Office has delayed the proceeding and the outstanding public interest in insuring that these proceedings are acted upon with special dispatch, the Office has assigned a dedicated examining team to handle all of the co-pending proceedings and this team will be responding to all communications expeditiously and without delay in the instant proceedings as well as the related co-pending proceedings.

Letter from Lissi Mojica Marquis, Director, Central Reexamination Unit, at 5 (Dec. 14, 2005) (Ex. 26) (emphasis added). As a result, the PTO letter advised NTP (in bold print) that **"the goal of the Office is to mail the next action, which is expected to be a *final action*, within six weeks from the date that the patent owner files its response."** *Id.* (italics added).⁴¹

³⁹ See Office Action in *Ex Parte* Reexamination, at 3 (Dec. 14, 2005) (Ex. 23) ('670 patent); Office Action in *Ex Parte* Reexamination, at 3 (Dec. 15, 2005) (Ex. 24) ('960 patent). The PTO's September 28, 2005 non-final action on the '592 patent rejected all of the claims covered by that patent.

⁴⁰ NTP has been trying to delay the PTO reexamination process at every turn until after this Court enters an injunction. NTP's tactics have included (i) trying to paralyze the process by attempting to file over 30,000 additional claims to the patents under reexamination; (ii) delaying submission of what the recent Second Office Actions describe as "a strongly anticipatory printed publication" (i.e., the TeleNor publication); and (iii) repeatedly requesting extensions of time for responding to PTO's Office Actions, including the Second Office Actions. NTP's conduct in the PTO, including the issue of NTP's duty of candor, as well as its patent misuse, are a sufficient basis for this Court to decline to grant an injunction.

2. In Light Of The Recent PTO Developments, The Court Should Either Stay All Proceedings, Or Refrain From Issuing An Injunction.

As discussed above, and as NTP has acknowledged, NTP's patents will imminently be rejected by the PTO. Thus, the outcome of the PTO reexamination is neither "merely speculation" nor "based on conjecture." Mem. Op. at 6 (Nov. 30, 2005). Instead, having expressly acknowledged the need to take final action because of the remand proceedings pending in this Court, the PTO has clearly signaled that the full and final rejection of the remaining NTP patents-in-suit is imminent.⁴² Therefore, as a matter of fundamental fairness, this Court should protect the interests of both parties, and also the public interest, by reconsidering its earlier ruling and issuing a stay in light of these new developments, or by declining to issue any injunction, or by staying the enforcement of any Final Order as to an injunction and damages, pending issuance of the PTO's Final Office Actions and any appeals that NTP chooses to pursue to challenge the

⁴¹ NTP filed a petition on December 15, 2005 requesting a 30-day extension for responding to the Second Office Action on the '451 patent. That extension request was granted, but with the following caveat: "The Office wishes to reiterate, at this time, its intent that the next Office action *will be a final action* . . . consistent with the Office's statutorily mandated requirements . . . that reexamination proceedings must [be] conducted with 'special dispatch.'" Letter from Lissi Mojica Marquis, Director, Central Reexamination Unit, at 3 (Dec. 30, 2005) (Ex. 27) (emphasis added). Now NTP has requested further extensions for filing responses to the Second Office actions on two of the other patents in suit (the '670 and '960 patents). See Exs. 28 & 29. Even if the PTO, in another effort to bend over backwards to give NTP the time it claims it needs, grants the latest extension requests, NTP's responses will be due by mid-February, and Final Office Actions rejecting NTP's patents then should be expected by the end of March.

⁴² A district court does not have unfettered or unreviewable discretion to ignore PTO reexamination proceedings where a stay would achieve "the reasonable Congressional purpose of facilitating the correction of governmental mistakes." *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir.), *modified on other grounds*, 771 F.2d 480 (Fed. Cir. 1985). See *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1341 (Fed. Cir. 1998) ("Of course, under some circumstances it is entirely appropriate for a district court to stay an action in favor of a copending proceeding in the PTO."); *Standard Havens*, 27 U.S.P.Q.2d at 1960.

PTO's determinations.⁴³ See generally *Standard Havens*, 27 U.S.P.Q.2d at 1960 (remanding "with instructions to stay the imposition of the permanent injunction . . . until the reexamination decision becomes final").⁴⁴

CONCLUSION

For the foregoing reasons, this Court should enter an Order: (1) setting aside the jury's finding of infringement with respect to Claim 8 of the '670 patent; (2) directing that a new trial

⁴³ NTP has indicated its intention to appeal the anticipated rejections of its patents in the Final Office Actions. RIM has been unable to find any instance where a director-initiated reexamination that found non-patentability has been reversed by either the Board of Patent Appeals or the Federal Circuit. All but one of the claims in suit is the subject of a director-initiated reexamination. That claim, however, as well as every other claim of the '960 patent, has been rejected on the same basis as the patents in director-initiated reexaminations.

After the PTO issues its Final Office Actions rejecting the patents, NTP will face the formidable burden of persuading PTO's Board of Patent Appeals that the three-member PTO reexamination team's exhaustive review and analysis of NTP's patents, and its final determinations that all of the claims covered by the patents are non-patentable, constitute reversible error. Assuming that the Board affirms those Final Office Actions, NTP then could appeal to the Federal Circuit, which it would have to try to persuade that the Board's determination is not based on substantial evidence. See *In re Gartside*, 203 F.3d 1305, 1313 (Fed. Cir. 2000) (holding that the Federal Circuit "review[s] Board factfinding for 'substantial evidence'"); see also *In re Zurko*, 258 F.3d 1379, 1381 (Fed. Cir. 2001) (explaining that the Federal Circuit in *In re Gartside* "held that substantial evidence is the correct APA standard of review for Board factual findings").

RIM's ongoing escrow payments provide NTP with adequate protection against any future infringing sales. See *Standard Havens*, 27 U.S.P.Q.2d at 1960 (ordering stay of injunction pending completion of PTO reexamination, including appeals, "conditioned on continuing deposits in the escrow account"); *Middleton, Inc. v. Minnesota Mining & Mfg. Co.*, No. 4:03-CV-40493, 2004 WL 1968669, at *9 (S.D. Iowa Aug. 24, 2004) (unpublished) (granting stay of proceedings pending PTO reexamination and finding that "money damages [are] sufficient to protect [non-practicing patent holder] from suffering any undue prejudice or a clear tactical disadvantage") (Ex. 30).

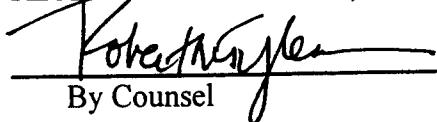
⁴⁴ NTP has repeatedly asserted in briefing to this Court that RIM's argument for a stay was specifically rejected by the Federal Circuit in *Viskase Corp. v. American National Can Co.*, 261 F.3d 1316 (Fed. Cir. 2001), which NTP asserts is "indistinguishable" from this case. NTP's assertions are inaccurate. In *Viskase*, the Federal Circuit affirmed the district court's denial of a stay because the "patentability of [one of the families of patents-in-suit] ha[d] recently been confirmed" on reexamination. *Id.* at 1328 n.2 (emphasis added). Here, rather than confirming

on damages be held; (3) setting aside the willfulness finding, or at least declining to award enhanced damages; (4) refunding certain amounts paid by RIM into escrow because the products and services RIM has introduced since the trial are either not infringing or contain many substantial non-infringing features; (5) finding that an implied license would be created upon the Court's award of damages to NTP for infringement of the NTP patents by the existing RIM products; and (6) denying a permanent injunction.

Dated: January 17, 2006

Respectfully submitted

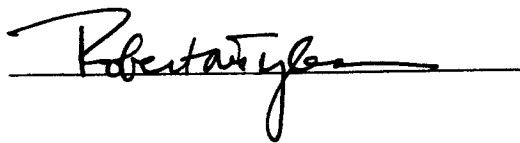
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By Counsel

their patentability, the PTO reexaminations have *rejected as invalid* all claims of the patents-in-suit.

CERTIFICATE OF SERVICE

On January 17, 2006, a copy of the foregoing was sent by hand delivery to Maya M. Eckstein, HUNTON & WILLIAMS LLP, 951 East Byrd Street, Riverfront Plaza, Richmond, Virginia 23219-8200 and by FedEx to James H. Wallace, Jr., WILEY REIN & FIELDING LLP, 1776 K Street NW, Washington, DC 20006.

A handwritten signature in black ink, appearing to read "Robert A. Tyler", is written over a horizontal line.