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PICKING BLACKBERRY®'S

Patent Trolls are out there. They come in all shapes, sizes and colors. Okay, so what is a “troll,” you ask? (You know what a patent is.) And, what does this have to do with Blackberry’s?

An old Norwegian folk tale *The Three Billy-Goats Gruff* tells us that a troll is “ugly . . . with eyes as big as saucers, and a nose as long as a poker.”¹ Given the objectives of some of today’s patent trolls, no doubt some businesses would agree with the description. But that is not the complete story.

Low-Hanging Fruit?

The current woe of Research in Motion, Ltd., the Canadian company that sells the Blackberry, tells much more about the patent troll. Everyone knows about the Blackberry. RIM introduced the Blackberry in the late 1990’s, and it has become the quintessential PDA – the personal digital assistant. The PDA is now a huge success. Not everyone knows about NTP.

NTP Incorporated, an Arlington, Virginia company, is a patent troll; but it is unlike most patent trolls that have no products and little infrastructure and that build patent portfolios with the intent to file patent infringement lawsuits against legitimate businesses. In the early 1990’s NTP’s founder Thomas J. Campana, Jr. had actually developed a system to deliver emails between computers and wireless devices and he later obtained a patent for it. His efforts to start a business based on his invention did not succeed.

After noting the similarities between the Blackberry and NTP’s patented technology and offering a license to Blackberry’s maker (which offer RIM did not accept), in November 2001 NTP brought a patent infringement suit against RIM that now threatens to shut down Blackberry, at least for now. After proceedings all the way to the U.S. Supreme Court, a Federal District Court is currently considering an

¹ The Three Billy Goats Gruff, <http://www.pitt.edu/~dash/type0122e.html#gruff> (last visited Sep. 26, 2007).

Blackberry is a trademark of Research in Motion, Ltd.

injunction against RIM to prohibit U.S. sale of the Blackberry and delivery of Blackberry service in the U.S.

How do the three Billy-Goats Gruff fit in? Well, the folk tale teaches that being greedy can be deadly. Each Billy-Goat Gruff that sought to pass over the Troll's bridge appealed to the Troll's greed and obtained passage by saying that the next Billy-Goat Gruff to approach would be bigger and fatter and tastier than he. The third Billy-Goat Gruff, the biggest and the fattest one, killed the Troll and secured free passage for all.² NTP may well have met its match in RIM, but that remains to be seen.

The Analogy

So, one might ask: "Why should I care about the Blackberry case? Sure, my Blackberry service might be discontinued; but that hardly threatens my company." There is a larger lesson in the Blackberry litigation.

Whether one outsources its information technology requirements or licenses software for in-house use, the ownership, or right to use, the "invention" at the heart of the processing is a key factor that should be considered in any selection and in negotiating a contract for it.

In-House

Businesses that license software for in-house data processing often see this kind of language in their license agreements:

If an infringement claim has occurred or in Licensor's opinion is likely to occur, or if a Licensed Program is held to constitute an infringement and its use is or may be enjoined, Licensor may at its option and expense either replace or modify the Licensed Program so that it becomes non-infringing or procure for Licensee the right to continue using the Licensed Program. If using commercially reasonable means Licensor cannot provide either of these alternatives, Licensee agrees on written notice from Licensor to return or destroy, and certify in writing the destruction of, the original and all copies of the Licensed Program, and Licensor will refund to Licensee the license fee, prorated on a straight-line 5-year basis, and all prepaid, unearned maintenance fees.

What this provision essentially says: "We reserve the right to either fix a problem caused by our software's infringing on someone else's intellectual property or get it back from you and refund your money." In either case, the licensee may be stuck with the associated costs of a new technology solution (costs that often cannot be recovered from the licensor).

Outsourcing

Businesses that outsource their information technology requirements may not be much better off. Some older contracts, and maybe even some newer or renewed ones, have contained provisions like these:

We provide some services that may be included in this Agreement using computer applications that are either proprietary or licensed from third parties. If any of them is (or will be within 12 months) no longer available or maintained in a manner acceptable to us, we may discontinue using it. In that event, we will provide you with an alternative processing application solution with functionality that is comparable to the discontinued application.

² The Texas parody of the moral of this tale is "Pigs get fat; hogs get slaughtered."

Often the same concept is couched in less direct language: “We may establish, modify, or substitute from time to time any equipment, processing priorities, programs, or procedures used in the operation of the Systems or the provision of the Services that we reasonably deem necessary, and notify you of any such changes that will affect your operations.”

Like the in-house customer, the business that outsources can be left with equipment, license and retraining costs after replacement or modification of the system that has previously been used to process its data.

IP Due Diligence

This situation is exactly that facing the Blackberry user today, except that its magnitude is probably much greater. When licensing software or contracting for outsourced IT services, one cannot underestimate the need for due diligence regarding the underlying intellectual property.

In *Southeastern Banking Corp. v. Group Data Services, Inc.*,³ a case dealing with a newly developed bank data processing application, a Federal court jury found that a developer had misappropriated parts of a prior employer’s source code – code that he had in fact written for the prior employer. The jury concluded this because some parts of the new source code resembled that in the source code of his prior employer – a fact that might have resulted as much from general banking conventions and the developer’s role in both development efforts as from any misappropriation of trade secrets. Nevertheless, the court issued an injunction that, at least temporarily, impeded use of the new software.

Of course, this caution may seem to augur in favor of the more mature software and systems that presumably have withstood the test of time. But even those can contain infringing features or functions because of more recent code maintenance.

Legal provisions that address who bears extraordinary costs incident to business disruptions caused by IP infringement can alleviate some of the tangible burdens. Only a careful and systematic due diligence on the software being used, whether in-house or by a service provider, can help to avoid the intangible pain that an IP infringement problem can cause.



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³ No. CV297-149 (S.D. Ga. 1999); *aff'd per curiam sub nom.* *Group Data Services, Inc. v. John E. Linton & Morningside Corp.*, No. 99-11642 (11th Cir. Mar. 22, 1999); *cert. denied* No. 00-397 (U.S. Oct. 10, 2000).