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Telecom Law:

Patent issues in the telecom space

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A great deal of attention has been paid lately to issues of patent infringement and costs associated with litigating such infringement.

The folks at NTP, an entity that owns patents that it has successfully protected in protracted and costly litigation with Research in Motion (RIM), and more recently Verizon and Sprint, have been very successful in securing damages, both in terms of cash and future earnings from those it has sued.

Last year, it almost successfully shut down the operation of millions of BlackBerries in the United States. This may be the most obviously visible technology patent problem, but there remains at least one other that affects — or could affect — users of contact centers (formerly known as call centers) and certain voicemail applications, and it's one worth considering before an entity acquires new equipment that supports either of these applications.

Ron Katz and his company, Ronald A. Katz Technology Licensing LP (RAKTL), is a California-based company that owns patents to a number of processes which the company believes are heavily utilized, particularly in the contact center and voicemail hardware/software space. Specifically, according to press releases distributed by RAKTL, the patents and pending applications "relate to interactive and automated call-processing and computer telephony, including product/service support, customer service, credit card and calling card authorization, prepaid cards, service bureaus, home shopping, remote ordering, merchandising, promotion, registration, contests, lotteries, as well as securing information from databases, interactive cable transactions and various other uses of toll free and local numbers." (PR Newswire, quoting a release issued by RAKTL)

As a result of this market "niche," many end users, in addition to equipment providers, have received letters from RAKTL's attorneys looking to settle or face consequences of patent infringement and violation. As the representative of one large corporate entity that settled with RAKTL told me, "the vendors have already rolled over." Now they're going after the end user. And RAKTL is doing so-and making



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money — with a vengeance.

Please note I am not making any claim or suggestion that RAKTL's claims are not valid. That is a decision that each end-user, and the vendors who support it, must make if contacted.

End users need to be aware of the steps to take in the event that they are contacted by attorneys representing RAKTL, or what to do to prevent — or minimize — the aggravation and expense of being blind-sided by these issues.

Given that very large corporate entities in this area (i.e. M&T Bank) have recently settled, this issue remains on the radar somewhere between noteworthy and critical.

In advance of the acquisition of new contact center or voicemail applications (or, to be extra careful, existing ones) the following steps are suggested:

1. Make the legal department of the affected entity aware of the potential patent infringement issue;
2. Secure a much tighter indemnity clause than the vendor normally provides. The vendor will be resistant (because in all likelihood either it has already settled or the account exec knows nothing about RAKTL), but this is an essential step. This redrafting can be done in-house, or with outside counsel with special expertise, but it is critical that the attorney understand the client's vulnerabilities to provide the best level of protection; and, most importantly,
3. Cross your fingers RAKTL doesn't knock on the door at all. Hardly a legal standard, but certainly a realistic one.

In the event the letter arrives before the client is aware of the possible infringement, or the consequences of such alleged infringement, these are the steps that I recommend:

1. Read the letter carefully to determine what RAKTL or its representatives are seeking.
2. Contact the appropriate legal representative ASAP. If the in-house legal staff is unfamiliar with patent infringement claims, find an attorney who specializes in this practice.
3. Provide the sales agreement covering the equipment to the attorney immediately to determine the extent of the applicable indemnity provision.
4. Contact vendor who provided equipment.

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5. Assess, in both legal and technological terms, the cost of settling versus going forward with litigation. Given the large parties who have settled (Citigroup, FedEx, Hilton Hotels, Disney, M&T Bank etc.), it's more than likely that settlement will cost less, in terms of both dollars and aggravation, than would a protracted legal battle.

If settlement is the chosen solution, which it almost always is, it is advisable that the client secure a carefully worded confidentiality agreement from RAKTL. Once settled, the plaintiff (RAKTL) in these cases is quick to issue self-congratulatory press releases (most likely in an effort to secure easily settlement from the next guys in line) which announce that the defendant and RAKTL have entered into a "licensing agreement." Whatever.

In my opinion, such press releases are not in the best interest of end-users (and their stock prices) and should be avoided at all costs. The vendors who sell this equipment and these

services have already settled with RAKTL, leaving the unsuspecting customer directly in the line of fire. It's important to not only beware, but to understand that the account rep who is selling these services is largely unaware as well. Bring the issue up early and take steps to minimize, if not avoid, receipt of "the letter." And if it comes, be prepared to address the issue. Absent immediate and careful attention, the costs can be frightfully high.

As technology becomes more sophisticated and subtle, the phrase "patent troll," coined by Peter Detkin of Intel takes on whole new meaning-and value.

Martha Buyer is an attorney concentrating in the practice of telecommunications law. Her clients range from Fortune 500 companies to small family-owned businesses where she has provided a range of telecommunications consulting and legal services, primarily geared to support corporate end-users working with carriers and equipment providers. Buyer can be contacted at martha@marthabuyer.com