NON-CONFIDENTIAL

03–1615

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

NTP, INC.,

Plaintiff-Appellee,

v.

RESEARCH IN MOTION, LTD.,

Defendant-Appellant.

Appeal from the United States District Court For the Eastern District of Virginia in Case No. 01-CV-767, Judge James R. Spencer

RESEARCH IN MOTION'S REPLY SUPPORTING ITS MOTION TO STAY APPEAL AND REMAND FOR ENFORCEMENT OF SETTLEMENT AGREEMENT

CONFIDENTIAL MATERIAL: The confidential version of this reply contains proprietary business information prepared during settlement discussions and is subject to a protective order. Such information is designated within the reply by enclosed, bold brackets **[** **]** and redacted in the non-confidential version of the reply.

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James Wallace, Esq., Counsel for NTP, Mar. 15, 2005 (RIM Exhibit 4).

That was NTP's unequivocal position after executing the detailed Term Sheet on March 13 that [

]1 RIM similarly confirmed that [

]2 Indeed, the parties jointly prepared a press release at the time to "announce[] that they have signed a binding term sheet that resolves all current litigation between them."3 The *evidence* (RIM Exhibits 1- 4) before the Court shows that this litigation was settled on March 13. NTP's change of mind now does not undo the clear meeting of the minds and binding agreement then.

NTP submits no *evidence* to the contrary. NTP's opposition rests solely on bare attorney argument portraying an inaccurate story of the mediation process. Such hollow, self-serving rhetoric cannot rebut the strong evidence that this case settled on March 13.4

NTP's allegations also violate the mediation privilege imposed by Virginia statute (and applicable here) to preclude parties from disclosing in court what occurs during mediation (other than written agreements arising from the mediation

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1 Term Sheet (RIM Ex. 2).

2 E-mail Agreement (RIM Ex. 4) (statement from RIM's counsel).

3 Joint Press Release (RIM Ex. 1).

4 *Johnston v. IVAC Corp.*, 885 F.2d 1574, 1581 (Fed. Cir. 1989) (attorney argument no substitute for evidence); *In re Budge Mfg. Co.*, 857 F.2d 773, 776 (Fed. Cir. 1988) (statements of attorney are "no evidence").

– *e.g.*, RIM Exhibits 2-4).[5] Throughout its opposition, NTP makes allegations about positions the parties purportedly took during the settlement mediation. NTP tries to cast RIM in a derogatory light, depict RIM as unreasonable, and blame RIM for an alleged failure to finalize additional settlement documentation. NTP is fully well aware that the only way RIM can factually rebut NTP's baseless arguments and innuendo is to disclose point by point what actually occurred. But this is clearly precluded by the Virginia mediation privilege. The Court should set aside NTP's improper characterization of the mediation for two independent reasons: (1) such characterizations are bare argument unsupported by evidence and (2) the characterizations violate the mediation privilege.[6]

Bottom line: Either the parties settled this case on March 13 or they did not. If the case settled on March 13, then it became moot on March 13. If moot, then the courts have no constitutional authority after March 13 to continue on the merits of the settled action.

NTP's purported "dispute" does not change the fact that this case either settled March 13 – and mooted this action – or it did not. The courts must resolve the "dispute" before proceeding further. The record evidence is clear that the case settled on March 13, and this Court may rule accordingly. But, as RIM's motion anticipates, this Court may decline to act as a court of first instance, and remand the settlement issue to the district court (as appellate courts typically do). Either

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[5] *See* Va. Code Ann. § 8.01-581.22; Fed. R. Evid. 501 (state law privileges apply in federal court proceeding).

[6] RIM considered filing a motion to seal NTP's brief last Friday before the Court made it publicly available. RIM learned, however, that NTP already had distributed copies of its brief to the public – *including investment analysts* – thus rendering such a motion futile. RIM maintains the mediation privilege as to such disclosures and will seek recourse as and when appropriate.

way, the courts cannot take further action on the underlying merits of the action until first resolving the settlement/mootness issue. The Constitution absolutely forbids NTP's "shoot first and ask questions later" approach to the Article III case or controversy jurisdictional limit on judicial authority.

Finally, even if the Court had discretion to proceed with the underlying case, it still should stay the proceedings and remand to the district court to resolve and enforce the settlement. Otherwise, the Court would entirely frustrate a fundamental purpose for RIM's agreement to the particular terms of settlement when it did – *i.e.*, **immediate** cessation of the litigation. The continued litigation places a cloud of uncertainty over RIM's business and RIM's ability to supply unique, leading technology that is used by businesses world-wide, and heavily relied on by U.S. government and emergency providers in times of crisis. In full acknowledgement of why RIM agreed to settle when it did, NTP agreed that

[

]7 RIM's motion is consistent with that agreement, which belies NTP's feigned question of RIM's intent here.8 A stay of proceedings is consistent with this agreement and the strong public policy to enforce settlement agreements, rather than frustrate them. This Court recognizes that "courts favor dispute resolution through voluntary settlements" and "[t]hose who employ the judicial appellate process to attack a settlement … bear a properly heavy burden."9 A stay also will prevent wasting

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7 E-Mail Agreement (RIM Ex. 4) (emphasis added).

8 *See* NTP Opp. at 2.

9 *S&T Manuf. Co. v. County of Hillsborough*, 815 F.2d 676, 678-679 (Fed. Cir. 1987) (sanctioning patentee for challenging settlement in a "frivolous" appeal where – as here – the patentee had "no factual basis in the record" and "no analysis under any legal theory" supporting its challenge).

judicial resources on the underlying action if – as the evidence shows – the case is indeed settled, because the settlement dispute *must* be resolved, but the underlying action need not be if the case is settled.

I. Mootness Is A Jurisdictional Limit On Judicial Authority.

The March 13 settlement triggers the duty of this Court to assess whether a case or controversy continues to exist. Where the Court cannot do so on its own and "where circumstances have changed between the ruling below and the decision on appeal, the preferred procedure is to remand to give the district court an opportunity to pass on the changed circumstances."[10] The constitutional case or controversy limit on judicial authority is a mandatory – not discretionary – jurisdictional requirement that must exist at all stages of review.[11] If this condition is not met, resolution of the case is no longer within the constitutional purview of the federal courts.[12]

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[10] *Concerned Citizens of Vicksburg v. Sills*, 567 F.2d 646, 649-50 (5th Cir. 1978) (citing *Korn v. Franchard Corp.*, 456 F.2d 1206, 1208 (2nd Cir. 1972)); *see also, Caldwell v. United States Dep't of Housing & Urban Dev.*, 522 F.2d 4, 6 (4th Cir. 1975) ("The matter of mootness in this setting is more properly addressed to the district court, where the facts surrounding the settlement may be ascertained, and the district court, of course, may dismiss the case, not merely the appeal, if it is in fact moot.").

[11] *See* U.S. CONST. Art. III § 2, cl. 1; *see also Steffel v. Thompson*, 415 U.S. 452, 459 n.10 (1974) ("an actual controversy must be extant at all stages of review, not merely at the time the complaint is filed"); *Aqua Marine Supply v. Aim Machining*, 247 F.3d 1216, 1219 (Fed. Cir. 2001) ("[I]t is axiomatic that a federal court may not address 'the merits of a legal question not posed in an Article III case or controversy,' and that 'a case must exist at all stages of appellate review.'") (quoting *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 513 U.S. 18, 21 (1994)).

[12] *See Foster v. Carson*, 347 F.3d 742, 747 (9th Cir. 2003) ("We do not have the constitutional authority to decide moot cases.").

"Settlement moots an action."[13] That is the case here. The evidence before the Court shows that this case was settled and rendered moot on March 13 when the parties executed the binding Term Sheet.[14] This raises a threshold jurisdictional issue that – whether disputed or not – the Court must address before proceeding any further on the merits of the underlying action.[15] NTP's "dispute" whether a settlement exists does not convert the mandatory jurisdictional requirement into a discretionary one, but – at most – suggests the need to have an evidentiary hearing on the settlement dispute, which is more properly conducted by the district court. The Court, therefore, should immediately stay the appeal in this case and order a limited remand of the settlement dispute.

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[13] *Gould v. Control Laser Corp.*, 866 F.2d 1391, 1392 (Fed. Cir. 1989) (citing *Lake Coal v. Roberts & Schaefer Co.*, 474 U.S. 120 (1985)).

[14] *See IAL Aircraft Holding, Inc. v. FAA*, 216 F.3d 1304, 1306 (11th Cir. 2000) ("We evaluate our jurisdiction *at the moment* the alleged mooting event occurred.") (emphasis added); *Key Enter. of Delaware, Inc. v. Venice Hospital*, 9 F.3d 893, 897 (11th Cir. 1993) ("The point at which our jurisdiction is to be determined, however, is not the present but rather the moment the case settled.")

NTP's suggestion that a settlement does not moot an action until it is filed with the court, Opp. Br. at 6, is unsupported by case law. *See Estillette v. Estillette*, 555 F.2d 474 (5th Cir. 1977) (holding that action was moot absent any settlement agreement where parties to divorce proceedings informed court at oral argument that they had reconciled); *Principal Mut. Life Ins. Co. v. United States,* 29 Fed. Cl. 157, 162 (Ct. Fed. Cl. 1993), *aff'd* 50 F.3d 1021 (Fed. Cir. 1995) (rejecting argument that issue was not moot because settlement reflected in letter exchange had not been filed in stipulated of dismissal with the court).

[15] *Donovan ex rel. Donovan v. Punxsutawney Area School Bd.*, 336 F.3d 211, 216 (3d Cir. 2003) ("At the outset, we must address whether Appellant's request for injunctive and declaratory relief has become moot ... Although the parties did not raise the issue in their original briefs, we resolve the issue *sua sponte* because it implicates our jurisdiction); *Rogin v. Bensalem Township,* 616 F.2d 680, 684 (3d Cir.1980) ("Inasmuch as mootness would divest us of jurisdiction to consider this appeal, we are obligated to address this issue as a threshold matter.").

Even if staying proceedings were discretionary, NTP cites no prejudice flowing from a stay. None will occur. RIM pays money into escrow at an enhanced royalty rate for every day that passes, and RIM publicly confirmed that it also has set aside additional funds to satisfy the agreed $450 million. RIM has settled this case in good faith. The Court should allow RIM to prove the settlement before taking further action on this appeal that may frustrate that settlement and deprive RIM of the benefit of its bargain.

It should be clear what NTP actually seeks to achieve here. On March 13 (and now), RIM strongly believed in the merits of its petition for rehearing. But RIM agreed to settle this case then in order to **immediately** stop the looming uncertainties created by the continued litigation and its detrimental impact on RIM's business. As NTP well knows, if the Court proceeds with the underlying action, it will wholly frustrate a fundamental purpose for RIM agreeing to the settlement (and its terms) when it did. NTP's actions here are nothing less than a strategy to extract more money and concessions from RIM than it agreed to on March 13 under the threat of that continued litigation.[16] NTP sees no downside to this tactic, viewing (perhaps improvidently) that its "worst case" is collecting $450 million in exchange for the bargain it actually struck on March 13.

II. The Court Should Remand To Allow the District Court to Interpret and Enforce the Settlement Agreement.

The record evidence is clear: the parties entered a binding settlement agreement on March 13. At most, NTP's opposition demonstrates why this case may need to be remanded to the district court for evidentiary and other

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[16] To that end, NTP apparently forwarded its misleading brief to securities analyst to use in evaluating RIM's stock.

proceedings on the settlement issue.[17] NTP's attempt now to renege on the settlement does not change the salient fact that, under controlling Virginia law, a binding agreement was entered March 13 that must be honored.

A. RIM presents compelling evidence of a binding settlement.

In Virginia, it is well established that a binding contract comes into existence even if it contemplates preparing more definitive documents later: "Where the minds of the parties have met and they are fully agreed and they intend to be bound there is a binding contract even though a formal contract is later to be prepared and signed."[18] Thus, the Term Sheet's anticipation that the parties would prepare more formal final documents does not preclude the Term Sheet itself from being what it purports to be – and what the parties contemporaneously agreed it to be – *i.e.*, a binding settlement agreement.

NTP erroneously argues – without any evidentiary support – that there was no meeting of the minds between the parties.[19] But the only *evidence* of record establishes that the parties entered a binding agreement on March 13:

[ ] Letter (RIM Ex. 3): First, RIM submits a letter from RIM to NTP dated February 9, 2005 that [

[20]

[21]

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[17] *See Guinness PLC v. Ward*, 955 F.2d 875, 897 (4th Cir. 1992).

[18] *Agostini v. Consolvo*, 153 S.E. 676, 679 (Va. 1930).

[19] NTP Opp. at 3.

[20] Letter (RIM Ex. 3).

[21] Importantly, these [

]. Letter at 1-2 (RIM Ex. 3).

[22]

These [ ] are expressly incorporated in the formal "Term Sheet."[23]

Executed Term Sheet (RIM Ex. 2): Second, RIM submits the Term Sheet itself. The Term Sheet states that the Parties [

] indicating a meeting of the minds and full agreement on express terms.[24] For example, RIM is granted [

][25] And RIM also is [

][26] In consideration of these rights, the "Term Sheet" states that [

].[27] There is little doubt the Term Sheet has all elements of a binding contract.

E-mail Agreement (RIM Ex. 4): Third, RIM submits an e-mail agreement dated March 15, 2005 – immediately after the Term Sheet was executed – that provides contemporaneous evidence that the Term Sheet is a binding agreement.[28]

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[22] Letter (RIM Ex. 3).

[23] *See* Term Sheet, ¶ a (RIM Ex. 2) [ ].

[24] Term Sheet (RIM Ex. 2).

[25] Letter at 2 (RIM Ex. 3).

[26] Term Sheet, ¶ (c) (RIM Ex. 2).

[27] Term Sheet, ¶¶ (a), (b) (RIM Ex. 2).

[28] E-Mail Agreement (RIM Ex. 2).

At that time, NTP's lead trial counsel stated unequivocally that [

]29

Joint Press Release (RIM Ex. 1): Finally, RIM submits a joint press release, dated March 16, 2005, as further contemporaneous evidence that the parties entered a binding agreement.30 This joint press release was made based on [

]31 Among other things, [ ] the parties "have signed a binding term sheet that resolves all current litigation between them."32 In return, RIM "will pay to NTP US$450 million in final and full settlement of all claims to date against RIM, as well as for a perpetual, fully-paid up license going forward."33

B. NTP's unsupported claim that the Term Sheet is "vague" at most is an issue of contract interpretation, not contract formation.

Virginia law recognizes that, because perfection is not attainable, "reasonable certainty is all that is required" in order to have a binding contract.34 NTP's conjecture that the terms of the parties' settlement are somehow "vague" is made without any evidentiary support. Likewise, NTP fails to identify or even suggest that a material term is missing from the Term Sheet. Rather than "sparse" and "vague," the evidence demonstrates that the agreement was detailed, concrete,

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29 E-Mail Agreement (RIM Ex. 4) (emphasis added).

30 Joint Press Release (RIM Ex. 1).

31 E-Mail Agreement (RIM Ex. 4).

32 Joint Press Release (RIM Ex. 1).

33 Joint Press Release (RIM Ex. 1).

34 *Smith v. Farrell*, 199 Va. 121, 128 (1975).

and strongly evidences a binding agreement, particularly given Virginia law's strong preference to construe contracts to preserve their enforceability.[35]

NTP's further suggestion that the parties' agreement is somehow ambiguous is similarly unsupported and unavailing. In any event, ambiguities are matters of contract interpretation – not formation – and are precisely the kind of matters to be resolved by the district court. A contract is not ambiguous merely because the parties disagree as to the meaning of terms.[36] The Supreme Court of Virginia recently spoke to the issue of ambiguities in contracts and held that contracts between parties are subject to basic rules of interpretation and the terms, if ambiguous, will be given their reasonable meanings.[37] NTP's attempt to raise purported ambiguities in the Term Sheet as a reason for this Court to refuse a limited remand runs afoul of these basic precepts.

III. Conclusion

For the foregoing reasons, RIM respectfully requests this Court to stay the appeal and remand to the district court for further proceedings limited to enforcing and interpreting the parties' settlement agreement, including any discovery, briefing, and/or an evidentiary hearing as necessary to resolve that issue.

Respectfully submitted,

Dated: June 13, 2005

Counsel for Defendant-Appellant,
RESEARCH IN MOTION, LIMITED.

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[35] *See, e.g., Coastland Corp. v. Third National Mortgage Co.*, 611 F.2d 969, 976 (4th Cir. 1979) (citing *High Knob, Inc. v. Allen*, 138 S.E.2d 49, 53 (1964)).

[36] *Ross v. Craw,* 231 Va. 206, 212-13 (1986).

[37] *TM Delmarva Power v. NCP of Va., L.L. C.*, 263 Va. 116, 119 (Va. 2002).

CERTIFICATE OF INTEREST

Counsel for the Defendant/Appellant, identified in the record as RESEARCH IN MOTION, LTD., but properly known as RESEARCH IN MOTION LIMITED, certifies the following:

1. The full name of the party we represent is Research in Motion Limited.

2. The name of the real party in interest we represent is Research in Motion Limited.

3. There are no parent companies, subsidiaries, or affiliates that have issued shares to the public of the party we represent.

4. The names of all law firms and the partners or associates that have appeared for the party we represent in the trial court or are expected to appear for the party in this court are:

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CERTIFICATE OF SERVICE

I hereby certify that I have caused two true and correct copies of RESEARCH IN MOTION'S SUPPORTING ITS MOTION TO STAY APPEAL AND REMAND FOR ENFORCEMENT OF SETTLEMENT AGREEMENT to be served on this 13th day of June 2005, as noted, on the following:

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