

BIG SUITS

- Cablevision's new DVR service attracts a copyright battle.
- Verizon takes on Vonage.
- Powdered milk patent deal spoils.



Scott Doyle
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Verizon v. Vonage

Vonage Holding Corp.'s May IPO brought the Internet telephone provider \$531 million in cash. It also ushered in lawsuits, including a slew of patent infringement charges filed in June in federal district court in Alexandria, Virginia, by telecom giant Verizon Communications, Inc.

Verizon alleges that Vonage's VoIP service infringes seven patents, covering a range of technologies designed to make VoIP commercially viable. These include the technology that enables calls between VoIP and landline users; techniques that improve billing and fraud detection; methods of implementing extra features such as call forwarding and voicemail; and ways of routing VoIP calls to Wi-Fi handset users. In June, *The Wall Street Journal* reported that Verizon discovered the infringement and decided to sue after examining the technical diagrams and documents that Vonage filed with the Securities and Exchange Commission when it decided to go public.

Verizon, whose own VoIP service has 50,000 customers in comparison to Vonage's 1.6 million, asked the court to

enjoin Vonage's service and award Verizon damages. In its answer, Vonage denies any infringement and asks the court to invalidate Verizon's patents.

Vonage is embroiled in three other patent lawsuits. Sprint Nextel sued last October in Kansas City, Kansas. Another suit was filed in July by New York-based Klausner Technologies, which claims that Vonage infringes its patent for voicemail technology.

Vonage bought its way into the third case. In June the company purchased three VoIP patents from a Fort Worth, Texas-based patent-holding company called Digital Packet Licensing, Inc. The licensing company had filed suit in July against some VoIP providers—including Verizon—for infringing one of the three patents. Vonage has petitioned the federal court in Fort Worth to allow it to step in as the plaintiff. But the patents turn out to be of limited use: One has already expired, and another one will expire in less than two years. A Vonage spokesperson says that all the patents are important because they give the company a basis to sue for past infringement by other VoIP providers.

Patent woes are just the beginning for Vonage. At press time in August, the company's stock had plummeted by more than 60 percent from its May IPO sales price of \$17. Investors weren't pleased, and nearly 20 securities fraud suits have been filed.

For Verizon (New York)

In-house: John Thorne (Virginia corporate counsel, Verizon Services Corp.).

Winston & Strawn (Chicago): Peggy Balesteri, Peter McCabe III, and Dan Webb.

McGuire Woods (Richmond): Richard Cullen, Brian Riopelle, and Robert Tyler.

For Vonage (Holmdel, New Jersey)

Step toe & Johnson (Washington, D.C.): Steven Barber, Scott Doyle, Robert Fleishman, Roger Warin, special counsel Seth Watkins, and associate Jose Gonzalez-Magaz.

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