

Vonage Backs Down In Fight With Sprint

By **Anne Urda**, anne.urda@portfoliomedia.com

Monday, Oct 08, 2007 --- Two weeks after a federal jury ruled in favor of Sprint Nextel Corp., Vonage Holding Corp. has decided to throw up the white flag and pay \$80 million to end the patent infringement dispute involving the voice-over-packet technology.

On Monday, Vonage revealed that it will pay Sprint \$35 million for past use of the patented technology and then another \$40 million for future licensing and a \$5 million prepayment in a deal that will resolve all claims connected to the Internet-phone calling dispute.

"We are pleased to resolve our dispute with Sprint and enter into a productive future relationship," said Sharon O'Leary, general counsel for Vonage. "We believe this deal is good news for Vonage, our customers and our shareholders. It allows us to put this litigation behind us and continue to focus on our core business by removing the uncertainty of legal reviews and long-term court action."

Vonage's decision to surrender serves as a stark contrast to its earlier vow to either ask the court to set aside the verdict or appeal the decision handed down by a Kansas jury last month.

In September, the jury ruled that Vonage Holdings Corp must pay \$69.5 million in damages to Sprint for allegedly infringing six of its patents related to voice-over-packet technology.

Jurors in the U.S. District Court for the District of Kansas also found that Vonage had willfully infringed on the patents at issue. The \$69.5 million in damages was calculated as 5% of Vonage's revenues over the infringing period, the company said.

Sprint said that it was pleased with the agreement.

"We view this settlement and licensing agreement as a validation of the strength and breadth of our patent portfolio," said Harley Ball, Sprint Nextel's vice president of intellectual property. "This is an affirmation of Sprint's research and development and a testament to the rich history of innovation at Sprint Nextel."

The trial began in early September when jury selection took place and opening arguments were heard.

Sprint first filed the suit in October 2005 against Vonage, Theglobe.com Inc. and Tglo.com for allegedly infringing seven patents for voice-over-packet technology. Theglobe.com and Tglo later settled with Sprint, agreeing to a non-exclusive licensing deals. The terms of those settlements were not disclosed.

The suit alleged that Vonage intentionally infringed Sprint's patents.

Voice-over-packet technology facilitates the transfer of data, like voice messages, phone calls and faxes over the Internet.

This is the second big loss in a year for Vonage over patent claims. On March 22, a jury in the U.S. District court for the Eastern District of Virginia found Vonage had infringed three Verizon patents involving Internet phone technology. The court awarded Verizon \$58 million in damages.

Last month, a federal appellate court overturned part of the district court's March ruling.

The U.S. Court of Appeals for the Federal Circuit upheld the lower court's ruling that Vonage had infringed two of the three Verizon patents-in-suit. But the appellate court overturned the district court's finding of infringement on the third patent and vacated that part of the judgment along with the damages award.

The appellate court remanded the judgment relating to the third patent, U.S. Patent Number 6,359,880, to the district court and ordered a new trial.

Sprint is represented by Shook Hardy and Bacon LLP.

Vonage is represented in this matter by Duane Morris LLP, Dysart, Taylor, Lay, Cotter & McMonigle PC, Steptoe & Johnson LLP and Barber Emerson LC.

The case is Sprint Communications Company LP v. Vonage Holdings Corp., case number 2:05-cv-02433, in the United States District Court for the District of Kansas.

--Additional reporting by Ron Zapata and Jacqueline Bell