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Announcing...

Monday, February 25, 2008

Blackboard Inc. Is Awarded Payment From Competitor in Patent Case

By [KATHERINE MANGAN](#)

Austin, Tex.

advertisement

A federal jury in Texas awarded Blackboard Inc. \$3.1-million on Friday, saying that a smaller Canadian competitor, Desire2Learn Inc., had infringed its patent for a system of delivering course materials online. The jury also found that Desire2Learn had not shown clear and convincing evidence that Blackboard's patent was invalid.

Blackboard's general counsel, Matthew Small, said the verdict validated the company's assertion, which has been challenged by many higher-education technology experts, that its system was unique when the U.S. Patent and Trademark Office granted Blackboard the patent in 2006. The office agreed last year to take another look at the patent after Desire2Learn and others challenged its validity. That review is still pending.

"They won this round, but the battle is not over by any stretch of the imagination," John Baker, president and chief executive of Desire2Learn, said in an interview Friday. "We'll continue to fight and hopefully remove from the educational community this very dark cloud."

The company is considering several options, including appealing the verdict, continuing to challenge the patent at the federal level, and modifying its software so it does not infringe Blackboard's patent.

Mr. Baker said he was "shocked" when the jury announced its decision after deliberating for nine hours over two days in the U.S. District Court in Lufkin. The trial lasted two weeks.

The case has been closely watched by campus-technology officials, many of whom have feared that a Blackboard win could stifle innovation and leave colleges and course-management software providers vulnerable to more legal challenges by Blackboard.

Next Steps

Mr. Small said colleges have nothing to fear. Blackboard isn't seeking an injunction against any of Desire2Learn's already-installed products. It is hoping, however, to persuade the court during a hearing scheduled for March 10 to ban the company from future sales of its course-management system in the United States.

If the judge rules against an injunction on that matter, Blackboard will ask that Desire2Learn pay royalties on any new sales, in addition to the \$3.1-million awarded for lost profits and back royalties. At the start of the trial, Blackboard was seeking \$17-million.

Blackboard, which is based in Washington, sued the smaller, Canadian-based company in 2006, saying Desire2Learn had infringed its patent and taken away customers that should have been Blackboard's (*The Chronicle*, Aug. 2, 2006). The Canadian company has been one of Blackboard's primary competitors since Blackboard took over another rival, WebCT, in 2006.



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'Prior Art' Dispute

Desire2Learn, which has its headquarters in Kitchener, Ontario, argued that Blackboard's patent was invalid and should never have been granted in the first place. Lawyers for the company said that Blackboard officials were aware of similar technology, or what's known as "prior art," that existed before it filed its patent application, and that the company had failed to divulge that information to the patent office.

The judge in the case, Ron Clark, rejected that argument.

Mr. Small said Blackboard never claimed to have invented the course-management system. What the company did invent, he said, is "a course-management system where a single user with a single log-on could have multiple roles across multiple classes." For instance, a person who was a student in one course and a teaching assistant in another could log on once and access all of his course materials.

"It really was transformative for the industry," Mr. Small said. "We knew we were the first doing it at the time, and that's why we applied for the patent. People look at the technology now and say that's obvious, but at the time, we were the first, and we're very proud of it."

Adverse Effects Predicted

Most of the higher-tech experts commenting on blogs or reached for interviews over the weekend were not as pleased as Mr. Small with the verdict.

"This is a signal event in educational technology," said Alfred H. Essa, associate vice chancellor and deputy chief information officer for Minnesota State Colleges and Universities. "It means that the big boys are playing for keeps and will use their patent portfolio at any cost to crush and deter new entrants. As a community, it will take us a long time to recover from this mess."

Blackboard, which has nearly 1,000 employees to Desire2Learn's 180, has about 80 percent of the course-management software market in the United States, according to testimony.

Eben Moglen is founding director and chairman of the Software Freedom Law Center, an advocacy group for open-source software that has challenged Blackboard's patent. Mr. Moglen, who is also a professor of law at Columbia University, said there is plenty of evidence, presented both in the trial, and to the federal patent office, of similar technology that existed before Blackboard's patent was issued. He added that his group plans to continue fighting to invalidate Blackboard's patent.

"We see this attempt to strangle or force licensing of Desire2Learn on the basis of an invalid patent as clear evidence that Blackboard cannot be trusted," Mr. Moglen said.

A Question of Geography

Mr. Moglen and others have suggested that a defendant cannot get a break in the East Texas district, which is frequently selected by big-city patent lawyers on the East and West Coasts because of its reputation for fast patent trials and plaintiff-friendly juries.

When the trial started, Desire2Learn's home newspaper, in Kitchener, wrote, "Everything Desire2Learn has built over the past nine years will soon be in the hands of 12 randomly selected people from an area where pro-rodeo-circuit stops outnumber sizable software companies two to zero."

But Mr. Small, the Blackboard lawyer, said the "highly educated jury" included two people with master's degrees in information systems, two others who were academic-computing administrators, and the city's postmaster."

Their decision left many in the industry wondering just how much power Blackboard now wields.

Peter A. Schilling, director of information technology at Amherst College, said colleges may decide it's too risky to use any course-management system other than Blackboard's. The patent, he said, is so broadly written that professors may be afraid to even use wikis or blogs.

Blackboard's president, Michael L. Chasen, testified during the trial that his company will not sue colleges that use open-source software to create their own online learning systems. Mr. Small repeated that promise during the trial and pointed out that his company signed a legally binding pledge promising that it would not take action against colleges that use free, open-source software.

"Now that we've won, we want to reiterate that we stand behind our patent pledge," Mr. Small said. "We are first and foremost an education company and we are committed to respecting the intellectual-property rights of our clients. We only ask that others do the same for us."

Desire2Learn's CEO said the verdict won't break the company or harm its clients.

"We're still a financially sound company," Mr. Baker said. "We're not going anywhere. The only real impact on us is that there's going to be a lot of job security for our in-house counsel for a while."

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