

Vonage Wins Temporary Reprieve in Verizon Case

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Vonage won a temporary reprieve from an appeals court, hours after a lower court barred it from adding new customers while it appeals a finding it infringed Verizon Communications patents for making phone calls over the Internet.

"We just learned, just now, from our legal counsel that we secured a temporary stay until (the appeals court) can hear our request for a permanent stay of that order," said Vonage Holdings Corp. spokeswoman Brooke Schulz.

U.S. District Judge Claude Hilton had limited Vonage to serving its existing customers. He also required Vonage to post a \$66 million bond.

The stay is good until the U.S. Court of Appeals for the Federal Circuit hears Vonage's request for a permanent stay of Hilton's injunction.

However, it does not mean that Vonage will necessarily be able to continue its business as usual for the length of the appeals process.

An industry analyst, who said Vonage's business would face problems if the company could not add new customers while appealing the case, said the temporary stay was "unnecessary technically," as Hilton was not expected to enter his ruling until Thursday, April 12.

"But it does provide a bit of a calming effect for the market," Rebecca Arbogast of Stifel Nicolaus told Reuters.

U.S. equities markets were closed Friday for the Good Friday holiday. Vonage shares closed down almost 7 percent on Thursday to \$3.37 on the New York Stock Exchange ahead of the court hearing. Verizon shares rose 1 percent to \$38 on the New York Stock Exchange.

Verizon said the temporary stay was good until April 13. "This is no surprise. It is the next procedural step," said a Verizon spokesman.

Verizon had asked Hilton to completely bar Vonage from using its technology, but in a filing this week proposed applying it only to new Vonage customers if the judge thought a stay was required.

Hilton said Vonage could be irreparably injured if he totally barred them from Verizon technology during the appeal process. "Some question whether they could stay in business," he said in court on Friday.

However, Hilton also said Verizon would be injured if Vonage was completely free to continue infringing the patents.

A lawyer for Vonage, Roger Warin, responded in court that Hilton's ruling was a "slow strangling" of the company. The difference between a partial stay or a total prohibition on using the technology amounted to "cutting off oxygen or a bullet to the head," he said.

Hilton announced on March 23 that he intended to issue an injunction blocking all use of Verizon's technology, sending Vonage shares down nearly 26 percent that day.

The judge gave Vonage two weeks to try to convince him to stay the injunction.

Earlier in March, a jury found Vonage had infringed three patents owned by Verizon. The jury said Vonage must pay \$58 million, plus 5.5

percent royalties on future sales.

Vonage stock has steadily lost value since its initial public offering at \$17 a share in May last year. The shares posted an all-time closing low of \$3 after Hilton's March 23 hearing.

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