



BlackBerry (TSX:BB) Stock Soars 14% After Huge Win Over Facebook

Description

BlackBerry Inc ([TSX:BB](#))([NYSE:BB](#)) stock soared 14% in the markets Yesterday, after it was announced that it settled a patent dispute with **Facebook Inc** (NASDAQ:FB). In 2018, BlackBerry sued Facebook, alleging that the social media giant infringed its messaging patents. Facebook counter sued, initially getting some favourable rulings in California court. But this week, Zuckerberg finally caved and reached a settlement with BlackBerry—much to investors' great pleasure.

In this article, I'll be exploring BlackBerry's patent win over Facebook and what it means for investors.

Facebook used BlackBerry's messaging IP

In its lawsuit against Facebook, BlackBerry alleged that FB was using its messaging IP and owed it royalties. The four patents considered in the initial suit included:

- Two systems for pushing data to a mobile device using wireless technology.
- Two systems for determining action spot locations.

Initially, California Judge George Wu denied the legitimacy of the patents. After that, Facebook even went so far as to counter-sue Blackberry, accusing it of infringing on voice messaging patents. For a while, it looked like things were going Facebook's way. But eventually, an appeals court indicated that it disagreed with Judge Wu, leading to Facebook's move to settle.

How much will BlackBerry get?

So far, media reports on the BlackBerry/Facebook settlement haven't said how much BlackBerry will be getting. However, we know a few things:

- BlackBerry sought royalties rather than a lump sum in its lawsuit.
- The fact that FB and BB settled could mean that the amount BB got was less than it initially sought in the lawsuit.

- Markets sent BB stock up 14.4% on the news, indicating that buyers believed the settlement was substantial.

Unfortunately, it's impossible at this time to put a dollar value on BlackBerry's settlement with Facebook. However, it looks likely that BB will be getting recurring amounts rather than a lump sum. If the royalties are received [as a percentage of revenue](#), the amounts BlackBerry receives could possibly scale up with Facebook's revenue growth. That would be an undeniable boon to BB, but none of this is certain at this point.

Foolish takeaway

For years, BlackBerry has been touted as a major Canadian turnaround story. After getting [175 million installs of its QNX software](#) and scoring a headline-grabbing deal with **Amazon**, it has definitely succeeded purely in terms of tech innovation. But profits have been hard to come by. In most recent quarters, BlackBerry has run net losses, and revenue declined in the third quarter. Frankly, the company's finances haven't followed its rise as a major tech innovator.

But now, all that could change. BlackBerry's settlement with Facebook could potentially be very lucrative. Particularly if they agreed on royalties rather than a lump sum payment, and if the royalties go off a percentage of revenue, BlackBerry could get a lot of money. It would be a very welcome cash infusion for an innovative tech company that has sadly struggled with profitability.

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