IPod Patent Dispute Settled
Apple Agrees to Pay Rival $100 Million

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Apple Computer Inc. said yesterday that it would pay $100 million to Creative Technology Ltd. to settle a patent dispute between the bitter rivals in the booming digital music player business.

The truce comes after Creative and Apple filed five lawsuits against each other over competing claims to the software and systems that make their music players work. Apple, based in Cupertino, Calif., launched its iPod after Singapore-based Creative brought its portable music player to market.

But over the years, Apple has dominated, selling about 60 million iPods and grabbing about 75 percent of the market while competitors -- Creative and its Zen line of music players among them -- have struggled to reach double-digit percentages.

Apple has also sold more than 1 billion music and video downloads through its online music store, iTunes.

As part of the agreement, Apple agreed to pay for a license to use Creative's patent. Creative, in turn, will be able to design iPod accessories, such as speakers and earphones.

The companies' rivalry was as well known as their outspoken leaders.

"From the point of view of Creative, their bitterness stems from the fact that when they approached Apple, they were arrogantly dismissive" about licensing their technology, said Phil Leigh, senior analyst with Inside Digital Media Inc., a Tampa-based research company.
Leigh, senior analyst with Inside Digital Media Inc., a Tampa-based market research firm. "Apple's point of view on this is, 'These guys are patent trolls,' " who are profiteering off of the technology patent process, he said.

"Creative is very fortunate to have been granted this early patent," Apple's chief executive, Steve Jobs, said in a statement released by both companies. "This settlement resolves all of our differences with Creative."

Sim Wong Hoo, chairman and chief executive of Creative, noted that the much-smaller company's business stands to benefit from its alliance with the market leader.

"We're very pleased to have reached an amicable settlement with Apple and to have opened up significant new opportunities for Creative," he said in the statement. "Apple has built a huge ecosystem for its iPod and with our upcoming participation in the Made for iPod program we are very excited about this new market opportunity."

The Creative-Apple dispute is among many recent high-profile technology patent conflicts.

Echostar Communications Corp. and TiVo Inc., as well as eBay Inc. and MercExchange LLC, are locked in ongoing patent disputes. And earlier this year, BlackBerry maker Research in Motion Ltd. settled its patent case with NTP Inc. for $612.5 million.
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