

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Inventor: Hair	§	Attorney Docket No.:
United States Patent No.: 5,966,440	§	104677-5005-803
Formerly Application No.: 08/471,964	§	Customer No. 28120
Issue Date: October 12, 1999	§	
Filing Date: June 6, 1995	§	Petitioner: Apple Inc.
Former Group Art Unit: 2785	§	
Former Examiner: Hoa T. Nguyen	§	

For: System and Method for Transmitting Desired Digital Video or Digital Audio Signals

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**PETITION FOR COVERED BUSINESS METHOD PATENT REVIEW OF
UNITED STATES PATENT NO. 5,966,440 PURSUANT TO 35 U.S.C. § 321,
37 C.F.R. § 42.304**

Pursuant to 35 U.S.C. § 321 and 37 C.F.R. § 42.304, the undersigned, on behalf of and acting in a representative capacity for petitioner, Apple Inc. (“Petitioner” and the real party in interest), hereby petitions for review under the transitional program for covered business method patents of claims 1, 64, and 95 of U.S. Patent No. 5,966,440 (“the ’440 Patent”), issued to Arthur R. Hair and currently assigned to SightSound LLC (“SightSound,” also referred to as “Applicant,” “Patent Owner,” or “Patentee”). Petitioner hereby asserts that it is more likely than not that at least one of the challenged claims is unpatentable for the reasons set forth herein and respectfully requests review of, and judgment against, claims 1, 64, and 95 as

unpatentable under 35 U.S.C. § 101 and for obviousness-type double patenting.¹

¹ As discussed in Section I, *infra*, Petitioner has concurrently filed a Petition seeking covered business method review of the '440 Patent requesting judgment against these same claims under §§ 102 and 103. Petitioner has additionally filed Petitions seeking covered business method reviews of the (related) '573 Patent requesting judgment against claims in that patent under §§ 101 and 112 in one Petition, and under §§ 102 and 103 in a second concurrent Petition. Petitioner notes that the Director, pursuant to Rule 325(c), may determine at the proper time that merger or other coordination of these proceedings, including at minimum coordination of proceedings involving the same patent, is appropriate.

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EXHIBIT LIST	
Exhibit 1201	United States Patent No. 5,966,440
Exhibit 1202	United States Patent No. 5,966,440 File History
Exhibit 1203	Application No. 90/007,407 (?440 Patent Reexamination)
Exhibit 1204	United States Patent No. 5,191,573
Exhibit 1205	United States Patent No. 5,191,573 File History
Exhibit 1206	Application No. 90/007,402 (?573 Patent Reexamination).
Exhibit 1207	United States Patent No. 5,675,734 File History
Exhibit 1208	Application No. 90/007,403 (?734 Patent Reexamination)
Exhibit 1209	United States Patent No. 5,675,734
Exhibit 1210	10/10/1985 CompuSonics Letter from David Schwartz to Shareholders
Exhibit 1211	International Patent Application WO85/02310, filed on Nov. 14, 1984, and published on May 23, 1985 (“Softnet”)
Exhibit 1212	United States Patent No. 4,506,387, filed on May 25, 1983, issued on Mar. 19, 1985 (“Walter”)
Exhibit 1213	United States Patent No. 4,124,773, filed on Nov. 26, 1976, issued on Nov. 7, 1978 (“Elkins”)
Exhibit 1214	2/13/13 Order re Claim Construction (D.I. 175), <i>SightSound Techs., LLC v. Apple Inc.</i> , No. 11-1292 (W.D. Pa.)
Exhibit 1215	11/19/12 Special Master’s Report and Recommendation on Claim Construction (D.I. 142), <i>SightSound Techs., LLC v. Apple Inc.</i> , No. 11-1292 (W.D. Pa.)
Exhibit 1216	Excerpt from Benjamin Krepack and Rod Firestone, Start Me Up! the music biz meets the personal computer, pages 126-127 (Mediac Press May 1986)
Exhibit 1217	David Needle, “From the News Desk: Audio/digital interface for the IBM PC?,” <i>InfoWorld</i> , vol. 6, no. 23, p. 9, June 4, 1984

EXHIBIT LIST	
Exhibit 1218	Excerpt of Plaintiff SightSound Techs., LLC's Expert Report of Dr. J. Douglas Tygar Regarding Infringement, dated April 22, 2013
Exhibit 1219	Deposition Transcript of Arthur Hair, dated Dec. 11, 2012
Exhibit 1220	Deposition Transcript of Scott Sander, dated Dec. 18, 2012
Exhibit 1221	United States Patent No. 4,682,248, filed on Sept. 17, 1985, issued on July 21, 1987 ("Schwartz")
Exhibit 1222	Excerpt of Expert Report of Mark M. Gleason, CPA/ABV/CFF, CVA, CLP, dated April 22, 2013
Exhibit 1223	Declaration of Dr. John P.J. Kelly, dated Sept. 7, 2012
Exhibit 1224	7/16/84 CompuSonics Letter from David Schwartz to Shareholders
Exhibit 1225	Excerpt from, Larry Israelite, "Home Computing Scenarios for Success," Billboard Magazine Charts the Future (Dec. 1984)
Exhibit 1226	Excerpt from <i>Chambers Science and Technology Dictionary</i> (1988)
Exhibit 1227	Excerpt from <i>Webster's II New Riverside University Dictionary</i> (1988)
Exhibit 1228	Excerpt from, Steve Dupler, "Compusonics, AT&T Link," Billboard Newspaper, vol. 97 no. 40 (Oct. 5, 1985)
Exhibit 1229	United States Patent No. 4,528, 643, filed on Jan. 10, 1983, issued on July 9, 1985 ("Freeny")
Exhibit 1230	United States Patent No. 4,789,863, filed on Jan. 13, 1988, issued on Dec. 6, 1988 ("Bush")
Exhibit 1231	"Inside Macintosh," Volumes I, II, and III, Addison-Wesley Publishing Company, Inc. (1985)
Exhibit 1232	Craig Partridge, "The Technical Development of Internet Email," BBN Technologies
Exhibit 1233	United States Patent No. 4,667,088 filed on November 1, 1982, issued on May 19, 1987 ("Kramer et al.")
Exhibit 1234	Photo of CompuSonics Equipment

EXHIBIT LIST	
Exhibit 1235	Hyun Heinz Sohn, “A High Speed Telecommunications Interface for Digital Audio Transmission and Reception,” presented at the 76th AES Convention, October 8-11, 1984
Exhibit 1236	Excerpts of Lecture at Stanford by D. Schwartz and J. Stautner, 1987 (video)
Exhibit 1237	Jennifer Sullivan, “The Battle Over Online Music,” Wired.com (Jan. 29, 1999), available at http://www.wired.com/techbiz/media/news/1999/01/17609
Exhibit 1238	Excerpt of Plaintiff Sightsound Technologies, LLC’s Expert Report of John Snell dated April 22, 2013
Exhibit 1239	Declaration of Flora D. Elias-Mique In Support of Petition for Covered Business Method Patent Review
Exhibit 1240	Declaration of David Schwartz In Support of Petition for Covered Business Method Patent Review
Exhibit 1241	Declaration of Roberto J. Gonzalez In Support of Petition for Covered Business Method Patent Review
Exhibit 1242	Declaration of Megan F. Raymond In Support of Petition for Covered Business Method Patent Review
Exhibit 1243	Declaration of Ching-Lee Fukuda In Support of Petition for Covered Business Method Patent Review
Exhibit 1244	Declaration of Dr. John P.J. Kelly In Support of Petition for Covered Business Method Patent Review

I. INTRODUCTION

The three challenged claims of the '440 Patent—all method claims—represent nothing more than an attempt to patent a well-known and unpatentable abstract idea: selling digital music electronically in a series of rudimentary steps between a buyer and seller. Independent Claim 1, for example, requires (A) forming a connection between the buyer's device and seller's device; (B) selling and charging electronically for the desired digital video or audio signal; (C, D, F) transferring the desired signal from the seller's device to the buyer's device (not a tape or CD); and (E) playing the signal through speakers:

1. A method for transferring desired digital video or digital audio signals comprising the steps of:

[A] forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party control unit of a second party, said first memory having said desired digital video or digital audio signals;

[B] selling electronically by the first party to the second party through telecommunications lines, the desired digital video or digital audio signals in the first memory, the second party is at a second party location and the step of selling electronically includes the step of charging a fee via telecommunications lines by the first party to the second party at a first party location remote from the second party location, the second party has an account and the step of charging a fee includes the step of charging the account of the second party; and

[C] transferring the desired digital video or digital audio signals from the

first memory of the first party to the second memory of the second party control unit of the second party through telecommunications lines while the second party control unit with the second memory is in possession and control of the second party;

[D] storing the desired digital video or digital audio signals in a non-volatile storage portion the second memory;

[E] and playing through speakers of the second party control unit the digital video or digital audio signals stored in the second memory, said speakers of the second party control unit connected with the second memory of the second party control unit;

[F] wherein the non-volatile storage portion is not a tape or CD.²

Ex. 1201. It is hard to imagine a more basic description of selling music electronically. Moreover, it is clear that broad control over this abstract principle is precisely what was intended in these claims: in litigation to enforce this patent, SightSound's own expert asserted that "there was no way to purchase digital music for download over telecommunications lines, including the Internet that would not infringe the Patents-in-Suit." Ex. 1222 ¶ 193. This is also precisely the sort of preemption of a basic concept that is prohibited by 35 U.S.C. § 101—a prohibition that cannot be avoided by claiming the abstract idea with multiple steps or by claiming performance by a general purpose computer. *E.g., Gottschalk v. Benson*, 409 U.S. 63, 64, 71-72 (1972) (claim for converting binary-coded decimals to binary through seven separate steps

² As discussed below, *infra* n. 53, Claims 64 and 95 are similar.

including storing, shifting, and adding was invalid for claiming an unpatentable abstract idea); *DealerTrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012).

The three challenged claims of the '440 Patent all recite nothing more than the abstract idea of selling music electronically, combined at most with conventional, routine hardware that applicant Arthur Hair (“Applicant”) himself admitted was already known and available (“a first memory” and “a second memory of a second party control unit,” “telecommunications lines,” and “speakers”), and this hardware appears in the claims only to perform rudimentary, extra-solution activities—storing, transmitting and playing electronic signals. *See generally* Ex. 1244 ¶¶ 63-77, 79. The patent never describes, let alone claims, anything special about this storage, transmission or playing, and these cannot and do not lend patentability to the unpatentable abstract idea Applicant has claimed. Nor does the “control unit” mentioned in the claims as associated with the conventional “second” memory: this is described as a functional feature that can be implemented with a general purpose computer, and the mere performance of otherwise abstract methods by a general purpose computer cannot render the claims patentable. Accordingly, each challenged claim is invalid under 35 U.S.C. § 101.

The claims at issue are also all invalid for a second, independent reason addressed in this Petition:³ the challenged claims of the '440 Patent are all at most

³ As noted earlier, *supra* n.1, Petitioner is demonstrating in a contemporaneous

obvious variants of claims found in the '440 Patent's two expired predecessor patents, and are therefore invalid for violating the prohibition on obviousness-type double patenting drawn by the courts from 35 U.S.C. § 101.⁴

II. OVERVIEW OF FIELD OF THE CLAIMED INVENTION

Applicant's failure in the '440 Patent to claim anything but an abstract idea, accompanied by at most routine, well-known, commercially available hardware such as memory, telephone lines, speakers and a general purpose computer, is underscored by the repeated appearance of that same idea (with the same generic hardware) throughout the prior art leading to his so-called invention.⁵ The idea of selling and distributing digital audio and video over telephone lines was well known long before the '440 Patent's claimed June 13, 1988 priority date—and, as noted above and detailed below in Sections III.A and VI.B, the '440 Patent's Applicant disclosed no new technology for doing so. The commonplace notion of selling and transmitting digital audio over phone lines from a seller to a buyer's remote computer system—the sum and substance of what the '440 Patent Applicant would later seek to claim as his sole property—was discussed, for example, in a May 1986 book, *Start Me Up! The*

Petition that these claims are invalid as anticipated and obvious under 35 U.S.C. §§ 102 and 103. Petitioner is also demonstrating, in pending litigation with SightSound, that the challenged claims are invalid for numerous additional reasons.

⁴ See *infra* n.61.

⁵ While Petitioner is separately addressing the anticipation and obviousness of these claims, Petitioner includes this information here to provide context for its demonstration in this proceeding that the challenged claims of this covered business method patent are invalid under § 101.

music biz meets the personal computer: “The way we purchase music may change, too. We may see a dial-up service for home computers that we could use to select the titles we want. The songs would be downloaded as digital information into our home entertainment systems that could play them back in perfect fidelity.” *See* Ex. 1216 at 5.

Indeed, this idea was well known far earlier. A May 1984 *InfoWorld* piece, for example, reported that CompuSonics was also considering commercializing this same concept, “looking at potential electronic distribution of music whereby you would be able to download music onto your PC in the same manner as other digital information. The CompuSonic system has a built-in communications device that receives information via an existing phone line.” *See* Ex. 1217 at 1. A few months later, a December 1984 *Billboard* article similarly described various scenarios for selling and distributing music over telephone and cable lines, and again discussed commercialization of the idea, including introduction of a “digital audio recording/playback system” that could be used to record digital data sent into the home and would provide for the sale and distribution of digital audio over telephone and cable lines. *See* Ex. 1225 at 4.⁶ That article further explained these same scenarios

⁶ As the article outlined, “[o]ne medium that is currently used for shipping digital data over long distances is telephone lines. Unfortunately, the speed at which data can be shipped over existing phone lines is relatively slow (1,200 single pieces of information per second), and the error rate is relatively high. This makes shipment of large amounts of data via this medium somewhat difficult. In the very near future, however, a service will be available that will allow the shipment of 144,000 pieces of information per second over telephone

would likewise be available for other forms of digital data, such as digital video:

First, although the scenarios presented above relate only to music, the same data-transmission techniques will be available for *all* digital data. Thus, as other forms of entertainment (e.g., video) are digitized, they, too, will become candidates for these scenarios. Very simply, music (and other home entertainment options) will become just another type of computer software.

See id. Similarly, an October 5, 1985 *Billboard* article reported a proposed partnership between companies to sell and transmit digital audio to create an “electronic record store,” as well as a press demonstration in which “CompuSonics made use of AT&T’s land-based telephone data transmission system to digitally transmit and receive music between Chicago and New York.” *See* Ex. 1228 at 3

As the article recognized, the “electronic record store” concept was well-known: “David Schwartz, the president of CompuSonics, is a strong proponent of the

lines with an extremely low error rate. The expectation is that twelve cities will have access to this service by early 1985. A second means of shipping digital data to the home is over cable television lines. With current cable technology, it should be possible to ship enough data to equal a 45-minute LP in less than 15 minutes. What does shipment of data have to do with a digital recording/playback device? The answer is simple. Assume that the cost of the DSP-1000 (currently projected to be around \$1,200 when it is introduced) drops at the same rate as other computer-based electronic devices. It will cost \$200 to \$300 in a few years. Then assume that there are low-cost, high-speed techniques for shipping digital data into the home. Making these assumptions, in the not-too-distant future consumers will be able to buy music at home, over telephone lines or through cable television hookups, and play it back through an audio device resembling a microcomputer.” *See id.* at 4.

‘electronic record store’ concept, an idea that has been bandied about for some time, but which Schwartz says is now poised to ‘become a reality.’” *See id.* This would “allow music software dealers to receive an album master via a digital transmission from the record company,” and “[t]he retailers would then be able, in turn to digitally transmit the music to consumers who would use credit cards to charge their purchases over the phone lines.” The consumer digital audio recorder/player would record the purchased music onto disk. *See id.* As Mr. Schwartz explained in 1984 and 1985 letters to CompuSonics shareholders:

A successful test of the digital transmission of high fidelity music over telephone lines will be followed by a joint press conference of CompuSonics, CMI Labs, and AT&T, heralding the dawn of a new era in the music industry. In the not too distant future consumers will be able to purchase digital recordings of their favorite artists directly from the production studio’s dial-up data base and record them on blank SuperFloppies in a DSP-1000.[⁷]

AT&T’s commitment to telerecording may hasten the arrival of that day, in the not too distant future, when the technology will filter down to the consumer level, allowing all-electronic purchases, transfers and digital recording of high fidelity audio from any music dealer’s DSP-2000 to the DSP-1000 in your living room.[⁸]

Moreover, the sale of digital products in general over telephone lines was also

⁷ *See* Ex. 1224 at 1.

⁸ *See* Ex. 1210 at 1

known in the art. For instance, WO85/02310 (“Softnet”), published May 23, 1985, discloses the sale of digital products—and in particular, software—over telephone lines. Ex. 1211. Softnet describes allowing a user to connect his or her computer, via a modem and telephone lines, to a host computer. *Id.* at 11-12. The user can then use a menu to select a software package for purchase, and—after the host computer performs a credit card authorization—the purchased software package is transmitted to the user’s computer for storage to a disk. *Id.* The user’s computer can then execute the purchased software from the disk. *Id.* at 13.

Other elements of the ’440 Patent claims, such as a speaker, were similarly known in the art, as the specification itself concedes. *See, e.g.*, Ex. 1201 at 4:33-38 (“Stereo Speakers” are “already commercially available”).

Thus, a number of companies were well aware of (and, indeed, were publicly discussing strategies for commercializing) the same supposed “invention” now memorialized in the challenged claims of the ’440 Patent. The prior art—long before the ’440 Patent’s first purported priority date—was full of disclosures of the very same abstract notion that Applicant later sought to claim as his exclusive property, as well as disclosures of the very same conventional hardware Applicant would later recite in the challenged claims. Although a full discussion of the invalidity of the challenged claims under §§ 102 and 103 is reserved for the separate Petition filed concurrently herewith, these prior art teachings certainly bar any claim by the Patent

Owner that the challenged claims of the '440 Patent recite anything other than an abstract idea with, at most, the addition of routine and conventional hardware, or that the challenged claims recite anything remotely resembling a “technological invention.”

III. PETITIONER HAS STANDING

A. The '440 Patent Is a Covered Business Method Patent

The '440 Patent is a “covered business method patent” under § 18(d)(1) of the Leahy-Smith America Invents Act, Pub. L. 112-29 (“AIA”) and § 42.301. As discussed above, the '440 Patent is directed to activities that are financial in nature—the electronic sale of digital music or video. *See* AIA § 18(d)(1); 37 C.F.R. § 42.301(a). *See also* 77 Fed. Reg. 48,734, 48,735 (Aug. 14, 2012) (“[T]he definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’”) (citation omitted). The patent states, for example, that “it is an objective . . . to provide a new and improved methodology/system to electronically sell and distribute Digital Audio Music or digital video,” Ex. 1201 at 2:22-25, and explains that “[t]he method comprises the steps of transferring money via telecommunications lines to the first party from the second party or electronically selling to the second party by the first party.” *Id.* at 5:46-49.^{9,10} Another SightSound

⁹ While the specification also speaks vaguely of manipulation of digital music (sorting, selection, etc.) and protection from unauthorized copying (*e.g.*, Ex. 1201 at 2:17-24),

executive similarly described the invention as nothing more than “a method for selling a desired digital audio or digital video signal over networks versus the old way of distributing hard media on trucks through stores.” Ex. 1220 at 36:23-37:5.¹¹

While the claims at issue reference certain conventional components, the '440 Patent is not a “technological invention” because it does not claim “subject matter as a whole [that] recites a technological feature that is novel and unobvious over the prior art[] and solves a technical problem using a technical solution.” § 42.301(b) (emphasis added). First, no “technological feature” of the '440 Patent is novel and unobvious. Claim 1 is exemplary:

1. A method for transferring desired digital video or digital audio signals comprising the steps of:

[A] forming a connection through telecommunications lines between a

these functions do not appear in any of the challenged claims, and in any event were not inventive.

¹⁰ Applicant confirmed again during prosecution that “[t]he present invention is related to a system and associated method for the electronic sales and distribution of digital audio or video signals, and more particularly, to a system and method which a user may purchase and receive digital audio or video signal from any location which the user has access to telecommunications lines.” Ex. 1202 (6/11/98 Petition at 33). The inventor has elsewhere described his supposed invention simply as “the electronic sale of digital video and digital audio recordings via telecommunications” or “digital video and digital audio download recordings via telecommunications.” Ex. 1219 at 33:1-11.

¹¹ Indeed, SightSound has taken the same view in seeking to enforce the '440 Patent in litigation, with its own experts stating that the '440 Patent “generally relate[s] to the field of electronic sale and distribution of digital audio or digital video. More specifically, the patented technology pertains to selling or purchasing digital audio or video via telecommunications lines.” Ex. 1218 ¶ 22. *See also id.* ¶ 24.

first memory of a first party and a second memory of a second party control unit of a second party, said first memory having said desired digital video or digital audio signals;

[B] selling electronically by the first party to the second party through telecommunications lines, the desired digital video or digital audio signals in the first memory, the second party is at a second party location and the step of selling electronically includes the step of charging a fee via telecommunications lines by the first party to the second party at a first party location remote from the second party location, the second party has an account and the step of charging a fee includes the step of charging the account of the second party; and

[C] transferring the desired digital video or digital audio signals from the first memory of the first party to the second memory of the second party control unit of the second party through telecommunications lines while the second party control unit with the second memory is in possession and control of the second party;

[D] storing the desired digital video or digital audio signals in a non-volatile storage portion the second memory;

[E] and playing through speakers of the second party control unit the digital video or digital audio signals stored in the second memory, said speakers of the second party control unit connected with the second memory of the second party control unit;

[F] wherein the non-volatile storage portion is not a tape or CD.

The PTO has confirmed that “[m]ere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory,

computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device,” or “[r]eciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious” will “not typically render a patent a technological invention.” *See, e.g.*, 77 Fed. Reg. 48,756 48,764 (Aug. 14, 2012).

Indeed, as its language makes clear, Claim 1 involves no “technology” at all other than “a first memory” and “a second memory of a second party control unit,” “telecommunications lines,” and “speakers.” And the patent itself concedes these were all well known and entirely commonplace at the time, stating that the first and second parties’ memories (“agent’s Hard Disk” and “user’s Hard Disk”), telecommunication lines (“Telephone Lines”) and speakers (“Stereo Speakers”) are “already commercially available.”¹² Ex. 1201 at 4:33-38. Further, the “control unit” mentioned in the claims as associated with the conventional “second” memory is described as a functional feature that can be implemented with a general purpose computer: the patent provides no disclosure of specific algorithms, and expressly states that the specification’s description of such a “unit” does not indicate any particular requirements—it “is not restrictive with respect to the exact number of components and/or its actual design.” Ex. 1201 at 4:65-67; Ex. 1215 at 19-20.

¹² A SightSound executive has similarly admitted that Applicant did not invent computers, computer networks, the Internet, telephone lines, or telecommunications lines. Ex. 1220 at 42:12-44:5.

Indeed, during prosecution of the '440 Patent Applicant himself equated the control unit in the claims to a generic computer, arguing that Napster and N2K copied the claimed invention when they enabled a generic computer (equated by Applicant to the second control unit) to access a website and purchase digital audio signals. Ex. 1202 (1/08/98 Decl. at 2-3). Thus, as the intrinsic record reflects, Claim 1 recites nothing more than a method for electronically selling digital audio or video between a seller and buyer, using conventional, commercially available hardware and a general purpose computer with no specific algorithm.¹³ The generic level at which this hardware is disclosed is further illustrated in the patent's Figure 1 (Ex. 1201):

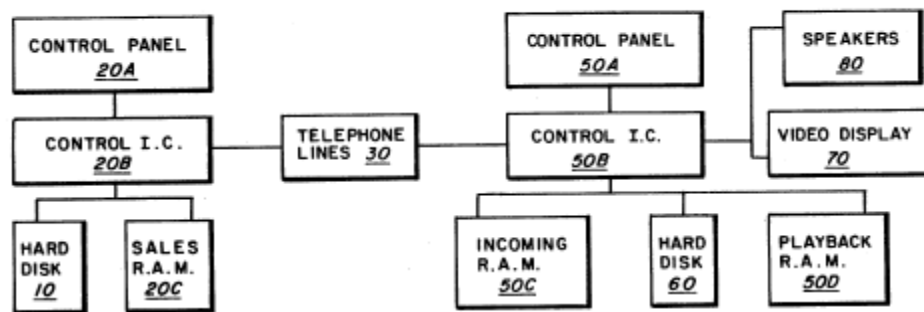


FIG. 1

The subject matter as a whole also solves no “technical problem” because there was no technical problem to begin with: those of ordinary skill certainly already knew how to sell digital products over telephone lines. Applicant conceded that one of

¹³ A SightSound executive, Scott Sander, admitted that the Applicant did not invent computers, computer networks, the Internet, telephone lines, or telecommunications lines. Ex. 1220 at 42:12-44:5.

ordinary skill would have understood, at the '440 Patent's claimed priority date, that "electronic sales" involved transferring a digital product through telephone lines (along with charging a fee and transferring funds electronically—which were "well known practices"). For instance, during prosecution of a related patent, Applicant stated that "[o]ne skilled in the art would know that an electronic sale inherently assumes a transferring of money by providing an account number or a credit or debit card number which then allows for access to or a transferring of a service or product through telecommunication lines. One skilled in the art would know that an electronic sale inherently assumes a charging of a fee to an account which then allows for access to or a transferring of a product or service through telecommunications lines." (emphasis added). *See, e.g.*, Ex. 1205 (5/05/92 Hair Decl. at 2 & 5 (emphasis added). *See also* Ex. 1211 at 11-12. Furthermore, the inventor himself has admitted that he did *not* invent electronic sales, or the electronic transmission of digital video or audio signals. Ex. 1219 at 49:3-52:2. And the specification further concedes that music was known at the time to be an example of a digital product. *See, e.g.*, Ex. 1201 at 1:58-9 ("Digital Audio Music is simply music converted into a very basic computer language known as binary. A series of commands known as zeros or ones encode the music for future playback."), *id.* at 3:6-7 ("Digital Audio Music is software").¹⁴

In sum, the supposed invention of the '440 Patent—as claimed, argued and

¹⁴ SightSound's own expert in litigation has similarly described digital audio signals simply as "digital representations of sound waves." Ex. 1218 ¶ 70.

prosecuted—concerns nothing more than non-technical idea of selling music over a connection between a seller and a buyer.

B. Petitioner Is a Real Party In Interest Sued for and Charged With Infringement

SightSound’s complaint in Case No. 2:11-cv-01292, *SightSound Technologies LLC v. Apple Inc.*, pending in the U.S. District Court for the Western District of Pennsylvania, asserts the ’440 Patent against Petitioner.¹⁵

IV. OVERVIEW OF SPECIFIC GROUNDS FOR WHICH IT IS MORE LIKELY THAN NOT THAT THE CHALLENGED CLAIMS (1, 64, AND 95) OF THE ’440 PATENT ARE UNPATENTABLE

Pursuant to § 42.208 (and § 42.300), Petitioner asserts that at least one—and, indeed, every one—of the challenged claims of the ’440 Patent is invalid under 35 U.S.C. § 101 as claiming patent-ineligible subject matter and for obviousness-type double patenting (“ODP”). Sections VI.B and VI.C, respectively, list each ground upon which it is more likely than not that the challenged claims are unpatentable, and render a detailed explanation therefor.

V. BACKGROUND INFORMATION FOR THE ’440 PATENT

The two specific bases for invalidity presented in this petition—the invalidity of the challenged claims under § 101 as patent-ineligible subject matter and for ODP—were never substantively determined during prosecution or reexamination of the ’440

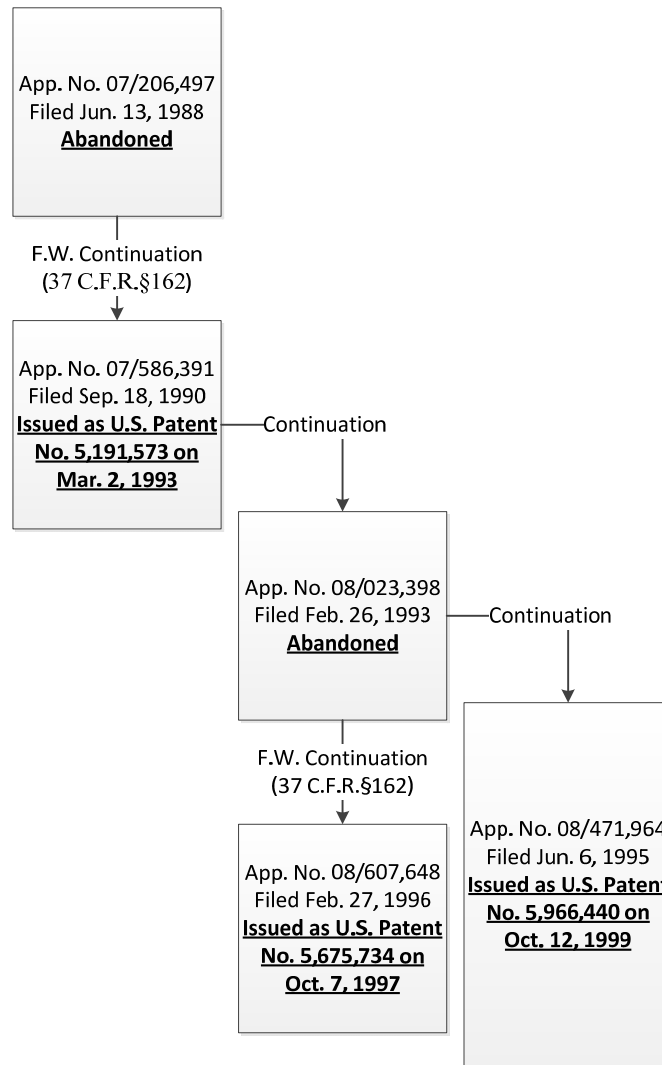
¹⁵ The ’440 Patent was previously the subject of an *ex parte* reexamination proceeding under Application No. 90/007,402, and two prior litigations: *SightSound.com Inc. v. N2K, Inc.*, No. 2:98-cv-00118-DWA (W.D. Pa.) and *SightSound Techs., LLC v. Roxio, Inc.*, No. 2:04-cv-01549-DWA (W.D. Pa.).

Patent. However, the distinctions made between the prior art of record and the pending claims under §§ 102 and 103 emphasize that the claims at issue do not cover any technological invention, and add nothing patentable to the abstract concept of the electronic sale and transfer of digital music and video between buyer and seller. Examiner's statements during reexamination further underscore that the challenged claims of the '440 Patent add nothing to what had already been disclosed by the claims of the '734 and '573 Patents.

A. The '440 Patent and Its Prosecution History

1. The '440 Patent Family

The '440 Patent is the third of three patents issuing from a chain of applications claiming priority to an application (No. 07/206,497) filed June 13, 1988.



2. File History of the Parent '573 Patent

Prosecution of the '573 Patent—parent to the challenged '440 Patent at issue here—commenced June 13, 1988. The originally-filed claims were directed to electronically transferring binary “Digital Audio Music” via telephone lines from a seller’s hard disk to the hard disk of a user to allow future playback.¹⁶

During prosecution (including both the original '497 Application and the

¹⁶ Ex. 1205 (6/13/88 Spec. at 1-6).

continuation ‘391 Application noted above), Applicant amended its claims to overcome obviousness rejections by arguing a variety of non-technical distinctions between the pending claims and the prior art of record.¹⁷ Applicant described the distinctions as relating to who has control of hardware and where that hardware is located—not to any technological innovation. Examiner repeatedly rejected the pending claims as obvious or anticipated in light of two prior art references, Lightner and Hughes. To overcome the obviousness rejections, Applicant argued, *e.g.*, that its claims differed from Lightner because Lightner does not teach that the second party is controlling the second memory, that the second memory is in possession and control of the second party, or that the receiver is “in possession and control of the second party.”¹⁸ Similarly, with respect to Hughes, Applicant argued that the receiver in the claims is not in possession of the second party or at a location determined by the second party.¹⁹ Applicant also argued that Hughes uses coins and did not teach

¹⁷ See, *e.g.*, *id.* (2/26/90 Amend. at 2-3; 8/21/90 Amend. at 2-3; 9/14/90 Prelim. Amend. at 2-3; 12/09/91 Amend. at 4-6).

¹⁸ Specifically, Applicant asserted, for instance, that “[t]here is no teaching or suggestion in Lightner of the ‘second memory’ to which the digital signal is transmitted to be ‘in control and in possession’ by the ‘second party.’” *Id.* (8/21/90 Amend. at 6).

¹⁹ Applicant argued, *e.g.*, that “[t]here is simply no teaching or suggestion within Hughes of ‘transferring money (or fee) to a first party at a location remote from the second memory and controlling use of the first memory from a second party financially distinct from the first party’, as disclosed in applicant’s newly amended Claims 11 and 15.” *Id.* (6/22/92 Amend. at 17).

transferring money to a remote location.²⁰ In conjunction with such arguments, Applicant amended its claims to require that the second party be “financially distinct from the first party” and “in control and in possession of the second memory” and that the location of the receiver be “at a location determined by the second party” and that it be “in possession and control of the second party.”²¹

During prosecution, Examiner also objected to the specification and rejected pending claims under § 112 ¶1 as lacking written description and enablement.²² Applicant argued that the § 112 ¶1 rejections were improper because, *inter alia*, “‘electronic sales’ over ‘telephone lines 30’ are terms which encompass the well known process of ‘providing a credit card number’ over a telephone line . . .”²³ Applicant also filed an inventor’s declaration to overcome Examiner’s rejection of the amended claims and various newly-added parts of the specification.²⁴ The declaration and accompanying arguments presented in the reply asserted that the objected-to phrases and steps were inherent in the phrase “electronic sales” in the original application.²⁵ Finally, Applicant argued that the amended claims were patentable

²⁰ *Id.* (12/09/91 Amend. dated at 4-6); *see also id.* (6/22/92 Amend. at 5-9; 2/24/92 OA at 7-8).

²¹ *Id.* (2/26/90 Amend. at 2-3; 8/21/90 Amend. at 2-3; 9/14/90 Prelim. Amend. at 2-3).

²² Ex. 1205 (2/24/92 OA at 5-6).

²³ Ex. 1205 (6/22/92 Amend. at 5-9, 13 (emphasis added); 5/05/92 Decl. at 2-3).

²⁴ Ex. 1205 (5/05/92 Decl. at 2-3).

²⁵ The declaration stated, *inter alia*, that “[o]ne skilled in the art would know that an electronic sale inherently assumes a transferring of money by providing a credit or

because the prior art failed to teach or suggest “transferring money electronically via a telecommunications line to the first party from the second party.”²⁶

When Examiner eventually allowed the claims, his explanation confirmed this was not based on any technical innovation in the claims, but simply a view that the prior art then of record did not teach two separately-located parties—*i.e.*, a transmitter that was “in control and possession of the first party,” or a receiver “in possession and control of the second party” and with a second memory “at a location determined by the second party.” *Id.* (9/21/92 OA at 2). Examiner ultimately issued a Notice of Allowability on October 19, 1992, and the ’573 Patent issued on March 2, 1993. *Id.* (10/19/92 Notice at 1).

3. File History of the ’440 Patent

The application that issued as the ’440 Patent was filed on June 6, 1995. During prosecution, Examiner issued a series of §§ 112 ¶1, 102, and 103 rejections.²⁷

With respect to § 112 ¶1, Examiner stated that the patent lacked proper written description and “[t]he specification fails to make clear what the problems in the prior

debit card number (since that is the only way for electronic sales to occur) coupled with a transferring of a service or product” and that “[t]he use of transferring money across telecommunication connections, such as by telephoning the agent who has the hard disc over the phone lines, for obtaining data on the hard disc is well known to one skilled in the art to be part of electronic sales.” Ex. 1205 (5/05/92 Decl. at 2-3).

²⁶ See, e.g., Ex. 1205 (6/22/92 Amend. at 17; 9/30/92 Amend. at 17-20). However, art cited but not discussed during reexamination, such as Softnet, confirms that transferring money electronically via telecommunication lines was actually well known in the art. Ex 1011 at 11-12, 1229, 1230.

²⁷ Ex. 1202 (1/04/96 OA at 2-4; 10/09/96 OA at 2-3; 7/10/97 OA at 2-3).

art that the present invention intends to overcome.” Ex. 1202 (1/04/96 OA at 2). To overcome the rejection, Applicant added the following to the specification: “Thus, as is apparent from the above discussion, the inflexible form in which the songs are purchased by an end user, and the distribution channels of the songs, requires the end user to go to a location to purchase the songs, and not necessarily be able to purchase only the songs desired to be heard, in a sequence the end user would like to hear them. This is not limited to just songs, but also includes, for example, videos.” *Id.* (7/3/96 Amend. at 2).

During prosecution, Examiner never explicitly considered whether an ODP rejection would be appropriate in light of the ‘648 Application and/or the ’573 Patent. While Applicant informally “remind[ed] the Examiner of [the ‘648 Application] and ask[ed] the Examiner to review whether there is any double patenting issue with regard to [the ‘648 Application or the ’573 Patent]” during prosecution,²⁸ Applicant never cited the related applications in an Information Disclosure Statement in compliance with 37 C.F.R. §§ 1.97 and 1.98, and Examiner never made any finding as to ODP and never mentioned the issue in the record. *See generally* Ex. 1202.

Examiner’s §§ 102 and 103 rejections centered on three prior art patents—Lightner, Ogaki, and Freeny.²⁹ As in the prosecution of the ’573 Patent, Applicant described the distinctions between the prior art of record and the pending claims as

²⁸ *Id.* (7/03/96 Amend. at 56).

²⁹ *See* Ex. 1202 (1/04/96 OA at 2-4; 10/09/96 OA at 2-3; 7/10/97 OA at 2-3).

relating to who has control of hardware and where that hardware is located.³⁰ For instance, Applicant argued that the receiver and second memory disclosed in Lightner is not in possession of control of a second party. *Id.* (7/03/96 Amend. at 41-60). Applicant conceded that electronically paying for video and audio was known, and the fact that such payment would begin the transfer of those signals was also known. *Id.* at 43. Applicant argued, however, that:

the limitation of Claim 1 of the step of ‘transferring the desired digital video or audio signals from the first memory of the first party to the second memory of the second party through telecommunications lines while the second memory is in possession and control of the second party’ (emphasis added) is not taught or suggested by Lightner. The blank tape cassettes taught by Lightner do not come into the ‘possession and control of the second party’ until after the transfer of the desired video or audio signal from the first memory of the first party to the second memory has been completed whereupon it is ejected from the vending machine.

Id. at 41-42.³¹ Applicant further argued that Lightner and Ogaki do not disclose: (1) transferring a desired digital video or audio signal from the first memory to the second memory while the second memory or receiver “is in possession and control of

³⁰ *Id.* (7/03/96 Amend. at 41-60).

³¹ Applicant similarly argued that, “from the teachings that the transfer of the desired audio or video signal from the first memory to the second memory occurs only after the insertion of currency or a valid credit card into the vending machine occurs, the second memory is not in possession or control of the second party but is in possession and control of the first party.” *Id.* at 43.

the second party”; (2) a second party control unit “in possession and control of the second party”; or (3) that the second party control unit or receiver is placed “by the second party at a desired location determined by the second party.” *Id.* at 46, 53. Applicant also asserted that that the software programs disclosed as digital products sold in the Ogaki patent were not equivalent to the claimed digital video or audio signals, arguing (inexplicably) that Ogaki “does not teach or suggest the transmission of any type of signals in ‘digital’ form.” *Id.* at 50.

Applicant distinguished Freeny by asserting, *e.g.*, that in the claimed invention “the purchaser plays the information in the same machine which receives the information. That key distinction and limitation of applicant’s claimed invention distinguishes over Freeny, Jr.” *Id.* at 58.³² Applicant further argued that:

[t]his material distinction also manifests applicant’s claimed invention as a totally different approach to obtaining digital audio or digital video signals because as the prior art clearly represents, the prior art only taught to provide the information up to a point, that is, sale of the information, which the purchaser had to come and get, and then the purchaser would go off to another location to listen or play the digital video or digital audio information. Applicant’s claimed invention combines the transfer function with the playing function so a user does

³² In a later office action, Examiner rejected all pending claims over Freeny based on the fact that it would have been obvious to modify Freeny to play the received information. Examiner stated “one of ordinary skill in the art would obviously be able to recognize that a system [that] can record information such as that of Freeny et al can also play said information.” Ex. 1202 (7/10/97 OA at 3).

not have to go off somewhere else and play the information.”
Id. at 58-59.³³ In attempting to overcome Examiner’s § 103 rejection, Applicant also filed an inventor’s declaration arguing secondary indicia of non-obviousness.³⁴ Among other arguments, applicant asserted that N2K copied the claimed invention when it enabled an ordinary “computer,” which applicant equated to the second control unit, to access a website and purchase desired digital audio signals. *Id.* (1/08/98 Decl. at 2). Freeny was also the subject of Examiner’s final rejection and Applicant’s appeal to the Board.³⁵ Applicant’s appeal largely emphasized the non-technical distinctions between Freeny and the pending claims.³⁶

After Applicant appealed, Examiner—*sua sponte*, and without explanation—issued a Notice of Allowance,³⁷ and the ’440 Patent issued on October 12, 1999.

B. Reexamination History of the ’440 Patent and Related Patents

1. Reexamination of the Parent ’573 Patent

Petitioner Napster, Inc. requested *ex parte* reexamination of the ’573 Patent on January 31, 2005. Ex. 1206 (1/31/05 Request at 1). The PTO granted the request, finding it raised substantial new questions of patentability as to whether issued claims

³³ However, references cited but not discussed during reexamination of the ’573, ’734, and ’440 Patents, such as Walter and Elkins, actually confirm that downloading and playing digital audio/video using a single device was known. Exs. 1212 & 1213.

³⁴ Ex. 1202 (1/09/98 Amend. at 2-5).

³⁵ *Id.* (7/10/97 OA at 2-3; 6/09/98 Brief at 36-62).

³⁶ *E.g., id.* (6/09/98 Brief at 62) (“Freeny does not teach or suggest for the second party to place the second party control unit at a second party location determined by the second party”).

³⁷ *Id.* (9/15/98 Notice at 1).

1-6 of the '573 Patent were obvious under 35 U.S.C. § 103.³⁸ The history of the reexamination of the '573 Patent further underscores that the asserted distinctions between the prior art then of record and the '573 Patent claims are non-technical.

During the first several years of reexamination, the '573 claims were amended in response to repeated rejections under §§ 102 and 103, and various new claims were added.³⁹ Examiner also determined that the issued claims were not entitled to the priority date of the parent application under § 120 and rejected various newly-added claims under § 112 ¶1 as lacking written description and enablement.⁴⁰ In attempting to overcome the § 103 rejections, Patentee argued secondary indicia of non-obviousness rather than technical distinctions,⁴¹ implicitly revealing Patentee's recognition that the '573 Patent claims do not provide any technological solution for a technological problem, and that the ordinary hardware components in the claims are in no way novel. Patentee argued, for example, that "Napster is commercially successful and has copied the claimed invention" simply by enabling an ordinary computer through which music could be received. *Id.* at 24.

On September 4, 2009, the Board reversed Examiner's § 112 ¶1 and § 120 rejections on procedural rather than substantive grounds. Ex. 1206 (9/4/09 Board

³⁸ *Id.* (3/18/05 Order at 2; 6/21/05 OA at 2).

³⁹ *Id.* (11/29/06 Resp. at 2-5; 12/27/05 Resp. at 4-14).

⁴⁰ *Id.* (9/29/06 OA at 2).

⁴¹ *Id.* (8/18/05 Resp. at 7-10; 12/27/05 Resp. at 22-25).

Dec. at 20, 24-25).⁴² The Board also reversed certain of the §§ 102 and 103 rejections on the basis that the art relied upon was not prior art, or that the Board did not find a motivation to combine the § 103 references. *Id.* at 25-27. The remaining rejections were reversed on the basis that the art considered by Examiner “does not teach or suggest storing the digital signal in a non-volatile portion of the second memory that is not a tape or CD, where the second memory is controlled by and in the possession of the second party.” *Id.* at 25-28 (emphasis added).⁴³

Shortly after the Board issued its decision, the '573 Patent expired. As a result, Patentee's new claims and proposed amendments could not be maintained in reexamination. Ex. 1206 (3/25/10 OA at 2). Examiner issued a new Office Action on March 25, 2010, reopening prosecution and rejecting all claims under 35 U.S.C. §§ 102 and 103 and on the basis of ODP. *Id.* at 4-22.

In response to Examiner's rejections, Patentee argued that, since the '573 Patent expired and the broadest reasonable construction standard no longer applied, “second memory” had to be construed as excluding removable media such as CDs or cassette tapes. *Id.* (5/25/10 Resp. at 2-3). Patentee argued that the prior art that did not teach storing the digital signal in the second memory because “cassette tapes and

⁴² The Board further noted that the “claims do not specify quality, size, or bandwidth required for the video signals, and assuming the same to show inadequacy of disclosure is improper.” *Id.* at 22.

⁴³ The patent concedes, however, that hard drives were “commercially available.” Ex. 1201 at 4:33-37.

CDs are not ‘second memories’ according to the specification.” *Id.* at 3. Patentee similarly argued that the references used for the § 103 rejections do not teach “storing the digital signal in the second memory” because the storage media disclosed in that art are a different type than required by “second memory” in the claims. *Id.* at 4-5.

With respect to the ODP rejection of the ’573 Patent’s claims, Patentee argued that, because “the later issued patent expired before the patent undergoing re-examination,” there was no improper timewise extension. *Id.* at 5. Examiner accepted Patentee’s arguments and issued a Notice of Intent to Issue *Ex Parte* Reexamination Certificate on August 16, 2010. *Id.* (8/16/10 Notice at 1). The notice stated, *inter alia*, that—once Patentee’s construction of the term “second memory” is accepted—“the original claims have essentially the same scope as the amended, original claims did when they were reviewed by the Board of Patent Appeals and Interferences.” *Id.* at 4. Examiner also withdrew his ODP rejection “due to a transition of patent terms from 17 years from issue to 20 years from the earliest filing date.” *Id.* at 2. On this basis, an *Ex Parte* Reexamination Certificate for the ’573 Patent, confirming the original claims, issued on November 30, 2010.

2. Reexamination of the ’440 Patent

Petitioner Napster, Inc. also filed a request for *ex parte* reexamination of the ’440 Patent on January 31, 2005. Ex. 1203 (1/31/05 Request at 1). Examiner found that Napster’s request raised the substantial new questions of patentability as to

whether issued claims 1-63 were anticipated or obvious, *id.* at 7, and based on ODP in light the '573 and/or '734 Patents. *Id.* at 79-125.

During reexamination, Examiner repeatedly rejected the claims under §§ 102, 103, and 112 ¶ 1 (written description and enablement), as well as ODP.⁴⁴ Examiner also repeatedly raised the issue of the patent's priority date under § 120.⁴⁵ In addition, Examiner made a single § 112 ¶2 indefiniteness rejection. *Id.* (3/17/07 OA at 24).The history of the reexamination of the '440 Patent confirms, *inter alia* that these ongoing concerns regarding ODP remained, but (as detailed below) were in the end never substantively determined because of a procedural issue.

Examiner made multiple ODP rejections of the '440 Patent claims over the claims of the '734 and '573 Patents.⁴⁶ For instance, Examiner rejected the claims under ODP as being unpatentable over the claims of the '734 Patent since both “essentially claim the same invention” and over the claims of the '573 Patent since “[t]he only difference between the claims is the recitation of a ‘second party control unit,’” which Examiner found would have been obvious in light of the specification of the '573 Patent.⁴⁷ In his final rejection, Examiner stated “the conflicting claims are not . . . patentably distinct from each other because the current claims and claims 1-34

⁴⁴ *Id.* (6/21/05 OA at 2-21; 10/26/05 OA at 7-40; 3/27/06 OA at 16-53; 9/29/06 OA at 13-42; 3/17/07 OA at 15-42).

⁴⁵ *Id.* (9/29/06 OA at 2-12; 3/17/07 OA at 2-15).

⁴⁶ *Id.* (10/26/05 OA at 4-7; 3/27/06 OA at 13-16; 9/29/06 OA at 42-44; 3/17/07 OA at 42-44).

⁴⁷ *Id.* (10/26/2005 OA at 4-6).

of the '734 Patent essentially claim the same invention of a method/system for distributing digital audio or digital video signals to a second party.” *Id.* (3/17/07 OA at 43) (emphasis added). Examiner similarly stated with respect to the '573 Patent that, “[a]lthough the conflicting claims are not identical, they are not patentably distinct from each other because claim 1 of the '573 Patent recites a method for transmitting a digital audio signals stored on a first memory of a first party to a second memory of a second party.” *Id.* at 44 (emphasis added).

Patentee repeatedly argued that consideration of ODP was inappropriate in reexamination. Patentee argued, for instance, that ODP was not a new issue related to patentability because of a note Patentee had included in reply to an Office Action, which purported to draw Examiner’s attention to the '573 Patent and the application that issued as the '734 Patent. *Id.* (12/27/05 Resp. at 27-30). Although Examiner did not acknowledge this note in any way, and Patentee failed to include the '573 and '734 Patents in a proper Information Disclosure Statement, Patentee argued that the note somehow showed that “the Examiner plainly had the impetus and opportunity to make a double-patenting rejection had the Examiner felt it was warranted.” *Id.* at 29.

Patentee ultimately appealed Examiner’s final rejections involving ODP, as well as §§ 103, 112 ¶1, and 120, to the Board. *Id.* (7/30/07 Request at 23-25). Among other arguments, Patentee argued (A) that the ODP rejection was inappropriate in reexamination because it was not a new issue related to patentability, (B) that an ODP

rejection in view of the claims of an earlier patent alone is improper, and (C) that, in view of the ongoing reexamination and amending of the '573 and '734 Patents, the ODP rejection based on the claims of the '573 and '734 Patents as they existed prior to reexamination was improper. Ex. 1203 (1/30/08 Amended Brief at 75-80). More specifically, with respect to the third argument, Patentee asserted that the '573 and '734 Patents were currently the subject of copending reexaminations and that “[s]ince the final form in which claims may emerge from the . . . reexaminations is not known, Examiner cannot properly base a double-patenting rejection on the claims of the '573 Patent or '734 Patent as they existed prior to the reexamination proceedings.” *Id.* at 80 (emphasis added). The Board considered only this third argument and agreed with Patentee that Examiner had made an inadvertent mistake in issuing an ODP rejection instead of a *provisional* ODP rejection. *Id.* (8/14/09 BPAI Decision at 18-19). The Board therefore reversed the ODP rejection on this procedural basis.⁴⁸ Ultimately, of course, the text of the '573 and '734 Patent claims was not explicitly amended because both the '573 and '734 Patents expired during the reexamination. And, the argument made to overcome the '573 and '734 prior art in the reexamination proceedings—*i.e.*, that “second memory” had to be construed as excluding removable media such as CDs or cassette tapes—was the same as the explicit amendments to

⁴⁸ *Id.* (8/14/09 Decision at 18-19).

the '440 claims.⁴⁹ Thus, far from negating Examiner's analysis of ODP during the reexamination proceedings, this amendment of the '440 Patent claims reinforced that analysis.

Examiner issued a Notice of Intent to Issue *Ex Parte* Reexamination Certificate on March 2, 2010, which stated, *inter alia*, that the ODP rejection was "improper 'over claims of those patents as they existed prior to the reexamination proceeding' of those patents and because the 'actual rejection was not made provisional" Ex. 1203 (3/02/10 Notice at 1, 3).

VI. DETAILED EXPLANATION OF REASONS FOR RELIEF REQUESTED, SHOWING IT IS MORE LIKELY THAN NOT THAT AT LEAST ONE OF THE CHALLENGED CLAIMS IS UNPATENTABLE

Pursuant to §§ 42.22 and 42.304(b), a full statement of the reasons for the relief requested, including a detailed explanation of the evidence, including material facts, and the governing law, rules and precedent is provided below. Section VI.A lists and explains the bases for Petitioner's relevant claim constructions for the challenged claims. Section VI.B provides a detailed explanation for each ground for which it is more likely than not that each challenged claim is invalid under § 101. Section VI.C provides a detailed explanation for each ground for which it is more likely than not that each challenged claim is invalid for ODP.

⁴⁹ Ex. 1206 (8/16/10 Notice at 3-4); Ex. 1208 (8/16/10 Notice at 3-4); Ex. 1203 (11/29/06 Resp. at 2-30).

A. Claim Construction

Pursuant to § 42.300(b), and solely for purposes of this review, Petitioner construes the claim language such that claim terms are given their broadest reasonable interpretation. In concurrent proceedings in the United States District Court for the Western District of Pennsylvania, *SightSound Technologies v. Apple Inc.*, No. 11-cv-1292 (W.D. Pa.), a claim construction order has been entered (Ex. 1214), adopting in its entirety the report and recommendations of the Special Master appointed for claim construction in those proceedings (Ex. 1215). For purposes of this review, Petitioner proposes that the Court's claim constructions be adopted, except as noted below.⁵⁰ For terms not specifically listed and construed below, and in the absence, to date, of detailed arguments from SightSound indicating a need for construction or a disagreement regarding the meaning of those claim terms, Petitioner interprets them for purposes of this review in accordance with their plain and ordinary meaning under the required broadest reasonable interpretation consistent with the specification of the '440 Patent. Because the standard for claim construction at the PTO is different than that used in U.S. District Court litigation, *see In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364, 1369 (Fed. Cir. 2004); MPEP § 2111, Petitioner expressly reserves

⁵⁰ In the concurrent proceedings, for several claim terms Petitioner advanced different constructions than those adopted by the Court. Although Petitioner expressly reserves the right to appeal the Court's claim constructions, Petitioner suggests that the differences between the constructions adopted by the Court and those advanced by Petitioner do not materially impact the arguments presented herein.

the right to argue in litigation a different claim construction for any term in the '440 Patent, as appropriate to that proceeding.

“first party”—Claims 1, 64, 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, a first entity, whether a corporation or a real person. *See* Ex. 1215 at 19. *See also* Ex. 1201 at Abstract, 3:14-33, 5:43-62, 6:20-48, 7:57-8:18; Ex. 1205 (8/21/90 Amend. at 4-5 (describing “Applicant’s invention”)).

“second party”—Claims 1, 64, 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, a second entity, whether a corporation or a real person. *See* Ex. 1215 at 19. *See also* Ex. 1204 at Abstract, 3:3-19, 5:29-45; Ex. 1201 at Abstract, 3:14-33, 5:43-62, 6:20-48, 7:57-8:18; Ex. 1205 (8/21/90 Amend. at 4-5 (describing “Applicant’s invention”)).

“second party control unit”—Claims 1, 64, 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, a control unit of the second party. *See* Ex. 1215 at 19-20; Ex. 1201 at 4:3 (“**50** Control Unit of the user”), 4:16-17 (“user’s or second party’s Control Unit **50**”), 4:17 (“[t]he user’s Control Unit”); Ex. 1207 (12/30/93 Amend. at 39 (arguing that the second memory disclosed by Lightner is not a second party memory—*i.e.*, a memory of the second party)). Further, for review purposes a

“control unit” is construed to include a general purpose computer. Ex. 1202 (1/08/98 Decl. at 2-3).

“second party hard disk”—Claims 64, 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, a hard disk of the second party. *See* Ex. 1215 at 19-20 & 19 n.15. *See also* Ex. 1201 at 4:8 (“**60** Hard Disk of the user”), 4:36-37 (“the user’s hard disk **60**”), 5:2 (“the user’s hard disk **60**”); Ex. 1207 (12/30/93 Amend. at 39 (arguing that the second memory disclosed by Lightner is not a second party memory—*i.e.*, a memory of the second party)).

“telecommunication[s] lines”—Claims 1, 64, 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, an electronic medium for communicating between computers. *See* Ex. 1215 at 20-23.

“electronically”—Claims 1, 64, 95. For review purposes this term is construed to mean, consistent with its plain meaning to those of skill in the art, through the flow of electrons.⁵¹ *See* Ex. 1226 at 3 (“Pertaining to devices or systems which depend on the flow of electrons”); Ex. 1227 at 6 (“Of or relating to electrons”); Ex. 1223 ¶¶ 29-33.

⁵¹ In concurrent proceedings, the U.S. District Court for the Western District of Pennsylvania has construed the related term “electronic” to mean pertaining to devices or systems which depend on the flow of electrons. Ex. 1215 at 27.

“connecting electronically”—Claim 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, connecting through devices or systems which depend on the flow of electrons. *See* Ex. 1215 at 27.

“transferring electronically”—Claim 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, transferring through devices or systems which depend on the flow of electrons. *See* Ex. 1215 at 28.

“charging a fee”—Claims 1, 64, 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, requesting payment electronically. *See* Ex. 1215 at 29; Ex. 1201 at 8:31-35 (“Preferably, the means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically via telecommunications lines to the first party at a location remote from the second memory at the second location.”); Ex. 1206 (5/17/07 Tygar Decl. ¶ 9) (“where a fee is charged . . . money is transferred”).⁵²

“selling electronically”—Claims 1, 64. For review purposes this term is

⁵² *See also* Ex. 1207 (12/30/93 Hair Decl. at 2-3) (“The use of transferring money across telecommunication connections, such as by telephoning over the phone lines the agent who has a first party’s hard disk, or charging a fee to a purchaser or ‘second party’ preferably at a location remote from a purchaser or ‘second party’, for obtaining data on the first party’s hard disk through telecommunications lines is well known to one skilled in the art to be part of electronic sales.”).

construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, providing a product or service electronically in exchange for providing payment electronically. *See* Ex. 1215 at 29; Ex. 1205 (5/5/92 Decl. at 2) (“One skilled in the art would know that an electronic sale inherently assumes a transferring of money [...] coupled with a transferring of a service or product.”); *Id.* (6/23/92 Amend. at 11-13) (“The term ‘electronically transferring of money’ though not literally cited, is nonetheless equivalent in scope and function to the description of the invention as originally filed with respect to electronic sales. . . . Electronic sales via telephone lines inherently assumes a transferring of money. Any ‘sale’ by definition assumes a transference of money for a desired commodity, in this instance, digital audio or video signals. In a similar argument, ‘electronic sales’ over ‘telephone lines 30’ are terms which encompass the well known process of ‘providing a credit card number’ over a telephone line and ‘telephoning’ to make the connection.”).

“digital audio signal[s]”—Claims 1, 64, 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of Pennsylvania, digital representations of sound waves. *See* Ex. 1215 at 30.

“hard disk”—Claims 64, 95. For review purposes this term is construed to mean, consistent with the claim construction order entered by the Western District of

Pennsylvania, a permanent, rigid, magnetic storage device. *See* Ex. 1215 at 31; Ex. 1201 at 2:44-48 (“The high speed transfer of Digital Audio Music as prescribed by this invention is stored onto one piece of hardware, a hard disk, thus eliminating the need to unnecessarily handle records, tapes, or compact discs on a regular basis.”); Ex. 1203 (11/29/06 Resp. at 33-34 (“A hard disk is a form of non-volatile storage Examples of non-volatile storage include computer hard disks.”)).

B. The Challenged Claims Are Invalid Under § 101

1. The Challenged Claims Are Directed To An Abstract Idea With No Inventive Concept

All of SightSound’s challenged claims are invalid as unpatentable under 35 U.S.C. § 101, because they are directed to an abstract idea. *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972). *See also* Ex. 1244 ¶¶ 78-82. In particular, the challenged claims of the ’440 Patent represent nothing more than an attempt to patent an unpatentable abstract idea: selling digital music electronically in a series of rudimentary steps between a buyer and seller. The steps in the patent’s independent Claim 1, for example, require (A) forming a connection between the buyer’s device and seller’s device; (B) selling and charging electronically for the desired digital video or audio signal; (C, D, F) transferring the desired signal from the seller’s device to the buyer’s device (not a tape or CD); and (E) playing the signal through speakers:

1. A method for transferring desired digital video or digital audio signals comprising the steps of:

[A] forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party control unit of a second party, said first memory having said desired digital video or digital audio signals;

[B] selling electronically by the first party to the second party through telecommunications lines, the desired digital video or digital audio signals in the first memory, the second party is at a second party location and the step of selling electronically includes the step of charging a fee via telecommunications lines by the first party to the second party at a first party location remote from the second party location, the second party has an account and the step of charging a fee includes the step of charging the account of the second party; and

[C] transferring the desired digital video or digital audio signals from the first memory of the first party to the second memory of the second party control unit of the second party through telecommunications lines while the second party control unit with the second memory is in possession and control of the second party;

[D] storing the desired digital video or digital audio signals in a non-volatile storage portion the second memory;

[E] and playing through speakers of the second party control unit the digital video or digital audio signals stored in the second memory, said speakers of the second party control unit connected with the second memory of the second party control unit;

[F] wherein the non-volatile storage portion is not a tape or CD.

Claim 1, like the remaining challenged claims of the '440 Patent,⁵³ claims only an abstract idea with nothing more than “well-understood, routine, conventional activity” added. *See Mayo*, 132 S. Ct. at 1294.⁵⁴ Indeed, during prosecution, Applicant conceded that “[t]he problem appellant’s claimed invention solves is eliminating the need for the sale of material objects, and the second party having to go to locations for the purchase of material objects.” Ex. 1202 (6/09/98 Brief at 56). A claim involving an abstract idea must contain “other elements or a combination of elements, sometimes referred to as the ‘inventive concept,’” that is “sufficient to ensure that the

⁵³ Claims 64 and 95 are similar. Ex. 1201. Like claim 1, both claim the idea of selling digital music and video electronically. Claim 64 similarly recites a “first memory” and “a second memory,” as well as “telecommunications lines,” and “speakers.” Like claim 1, in claim 64 the control unit is mentioned only in the context of a “second memory of a second party control unit” and “speakers of the second party control unit . . .” Claim 95 requires “telecommunications lines,” a “first memory,” a “second memory,” a “second party hard disk” (*i.e.*, part of the second memory). “Control unit” is mentioned only in the context of playing the unit “at a desired second party location” and in the context of a “second party hard disk with the second party control unit.”

⁵⁴ *See also Bilski*, 130 S. Ct. at 3231 (“*Flook* established that limiting an abstract idea to one field of use or adding token postsolution components did not make the concept patentable.”); *Gottschalk*, 409 U.S. 63 (method claim involving “storing [in a] shift register” is an unpatentable abstract claim); *Parker v. Flook*, 437 U.S. 584, 590, 595 (1978); *In re Schrader*, 22 F.3d 290, 294 (Fed. Cir. 1994) (holding a simple recordation step in the middle of the claimed process incapable of imparting patent-eligibility under § 101); *In re Grams*, 888 F.2d 835, 839-40 (Fed. Cir. 1989) (holding a pre-solution step of gathering data incapable of imparting patent-eligibility under § 101); *Bancorp Servs., L.L.C. v. Sun Life Assur. Co. of Canada*, 771 F. Supp. 2d 1054, 1065 (E.D. Mo. 2011) (“[s]toring, retrieving, and providing data . . . are inconsequential data gathering and insignificant post solution activity.”), *aff’d*, 687 F.3d 1266 (Fed. Cir. 2012).

patent in practice amounts to significantly more than a patent on the [abstract idea] itself.” *See Mayo*, 132 S. Ct. at 1294.

As discussed above in Sections II, III.A and V, however, the tangible aspects mentioned in the challenged claims of the '440 Patent add nothing to lend patentability to this abstract idea, because they were well understood and conventional as of the claimed priority date in 1988. *See generally* Ex. 1244 ¶¶ 63-82. The “first memory” and “second memory of a second party control unit,” “telephone lines,” and “speakers” were all “already commercially available.” Ex. 1201 at 4:33-38. *See also* Ex. 1244 ¶¶ 75, 76, 79. Further, the specification actively avoids providing any limits on the recited “control unit,” Ex. 1201 at 4:64-68, which can be a general purpose computer. Ex. 1202 (1/08/98 Decl. at 2-3) (emphasis added); *supra* at III.A & VI.A. *See also* Ex. 1244 ¶ 80.

Because the claims at issue are all method claims that add nothing beyond routine, conventional activities to the unpatentable abstract ideas they recite, they are invalid under § 101. *See Mayo*, 132 S. Ct. at 1294. *See also* Ex. 1244 ¶¶ 78, 82.

2. The Challenged Claims Are Directed to An Abstract Idea that Preempts the Field of Electronic Sale of Digital Music

In addition, the claims at issue are “preemptive of a fundamental concept or idea that would foreclose innovation in [an] area.” *DealerTrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012). *See also* Ex. 1244 ¶¶ 83-84. Each claimed step is inherent

in the sale of digital goods over telecommunications lines (here, digital music and audio). *See also, e.g.*, Ex. 1244 ¶ 72. For instance, claim 1's steps here—(A) forming a connection between the buyer's device and seller's device, (B) selling electronically the desired digital video or audio signal, (C) transferring the desired signal from the seller's device to the buyer's device, and (D) playing the signal through speakers—are all necessarily performed to implement the claimed abstract idea.⁵⁵ *See Gottschalk*, 409 U.S. at 64, 71-72. Thus, claim 1, and the remaining claims at issue, preempt the concept of selling downloadable digital music. *See Ex. 1244 Ex. 1244 ¶ 84.* This further confirms that the challenged claims are impermissibly abstract and unpatentable. *See Bilski*, 130 S. Ct. at 3255 (“[T]oo much patent protection can impede rather than ‘promote the Progress of . . . useful Arts.’”) (internal citation omitted); *Mayo*, 132 S. Ct. at 1294 (“[*Benson*] warn[s] us against upholding patents that claim processes that too broadly preempt the use of a natural law” (citing *Gottschalk*, 409 U.S. at 71-72)); *Diamond v. Diehr*, 450 U.S. 175, 187 (1981); *Gottschalk*, 409 U.S. at 64, 71-72; *In re Bilski*, 545 F.3d. 943, 952-54 (Fed. Cir. 2008).

The scope of the preemption attempted in the '440 Patent's claims is evident from the admissions of both the inventor and another executive of Patentee SightSound. The inventor, for example, has described the '440, '573, and '734 Patents

⁵⁵ The fact that the digital video or audio must be stored on memory that is not a tape or CD does not impact this analysis. Storing data to non-volatile memory, such as hard disks, was well known at the time of the claimed priority of the '440 patent. *See, e.g.*, Ex. 1221 at 14:31-35.

as covering “the electronic sale” of “digital video and digital audio download recordings via telecommunications.” Ex. 1219 at 33:1-11. And another SightSound executive described the invention simply “as a method for selling a desired digital audio or digital video signal over networks.” Ex. 1220 at 36:23-37:5 (contrasting “the old way of distributing hard media on trucks or through stores”). Indeed, even in litigation Patentee’s hired experts have continued to make clear that Patentee views the ’440 Patent as preempting any use of the idea of “the ability to sell this [digital audio and video] content digitally.” Ex. 1222 ¶ 26. That same expert stated that “I understand from Mr. Snell [one of SightSound’s technical experts] that [as of 2003] there was no way to purchase digital music for download over telecommunications lines, including the Internet that would not infringe the Patents-in-Suit.” *Id.* ¶ 193.⁵⁶ Further, “SightSound expected that anyone who wanted to purchase digital audio or video signals would need to purchase it from SightSound or from an entity that licensed SightSound’s patents.” *Id.* ¶ 72.

⁵⁶ See Ex. 1222 ¶ 32 (“Based on my discussions with Mr. Snell, one of SightSound’s technical experts, I understand that the claims of the Patents-in-Suit cover the sale of digital audio and video signals via communications lines, including the Internet.”); see also *id.* ¶ 30 (“I understand from counsel that fundamental aspects of the sale of digital audio and video signals over telecommunications lines, including the Internet, is covered by the Patents-In-Suit.”); *id.* ¶¶ 126, 128 (Although SightSound states that an alternative could be “digital streaming,” SightSound argues that the streaming model would not have been “an effective alternative to obtaining a license for the Family of Patents.” In addition, SightSound argues that because the consumer never owns the content in a streaming model, there is no “electronic sale” of digital audio or video signals. Thus, SightSound itself claims that its patents preempt the field of electronic sale of music and videos over telecommunications lines.).

As these repeated admissions underscore, the '440 Patent claims seek to cover an unpatentable abstract idea, just like the abstract ideas at issue in *Benson* and *Flook*.

In *Benson*, the claims at issue covered a method for converting binary-coded decimal numerals into pure binary numerals and were invalid because they covered “any use of the claimed method in a general-purpose digital computer of any type.” *Benson*, 409 U.S. at 64. And the claims in *Benson* were invalid for claiming abstract ideas despite their recitation of multiple specific steps (indeed, far more detailed steps than the rudimentary “forming a connection,” “selling electronically,” “transferring” and “playing” steps of the '440 Patent), involving, in claim 8, a “reentrant shift register.” As the Supreme Court noted in its Appendix (409 U.S. at 73-74), claim 8 from the patent at issue in *Benson* reads:

“The method of converting signals from binary coded decimal form into binary which comprises the steps of

- ‘(1) storing the binary coded decimal signals in a reentrant shift register,
- ‘(2) shifting the signals to the right by at least three places, until there is a binary '1' in the second position of said register,
- ‘(3) masking out said binary '1' in said second position of said register,
- ‘(4) adding a binary '1' to the first position of said register,
- ‘(5) shifting the signals to the left by two positions,
- ‘(6) adding a '1' to said first position, and

‘(7) shifting the signals to the right by at least three positions in preparation for a succeeding binary '1' in the second position of said register.’”

Similarly, *Flook*, 437 U.S. 584, held claims directed to a method of updating alarm limits, an otherwise abstract formula, unpatentable even though the claimed methods were limited to use in the petrochemical and oil-refining industries. These holdings comport with the well-established principle that claims directed towards abstract ideas are not patent eligible even if they “limit an abstract idea to one field of use” *DealerTrack*, 674 F.3d at 1333; *see also Diamond*, 450 U.S. at 191-192. Likewise, the '440 Patent claims, also directed to an abstract concept, are still invalid under § 101 even though the claimed methods are limited to use for the sale of digital music or video.

Also instructive is *Bancorp Servs.*, 687 F.3d 1266. In *Bancorp*, the asserted system claims were construed to require one or more computers. The dependent method claims were also construed to require a computer. *Id.* at 1274. The computer-readable medium claims required “high density removable storage means” such as “a compact disc.” *Id.* The court analyzed the claims by setting aside “insignificant computer-based limitations” and looking at what additional features remained in the claims. *Id.* at 1279. The remaining abstract idea in the claims—the “abstract idea of managing a stable value protected life insurance policy by performing calculations and manipulating the results”—was found to “impermissibly ‘preempt[]’ the mathematical

concept of managing a stable value life insurance policy.” *Id.* at 1280.

In determining patentability under § 101, the “claims must be considered as a whole.” *Diamond*, 450 U.S. at 188. Here, each of the challenged claims is invalid because, once the “insignificant computer-based limitations” are set aside, each claim—taken as a whole—is directed only to the unpatentable abstract idea of selling digital music or video electronically, with nothing more that could render this unpatentable idea patent-eligible.

3. The Internet and General Purpose Computer Features in the Challenged Claims Do Not Render Them Patentable

The few references in the challenged claims to features that can be implemented with the Internet and a general purpose computer do not lend patent-eligibility to the claimed abstract idea. *See* Ex. 1244 ¶ 97.

For example, like the claims rejected as unpatentable by the Federal Circuit in *CyberSource*, the presence of telecommunications lines over which financial transactions take place (like the credit card transactions over the Internet in *CyberSource*) or features of a general purpose computer (such as *Cybersource’s* “computer readable medium containing program instructions for detecting fraud in a credit card transaction between a consumer and a merchant over the Internet, wherein execution of the program instructions by one or more processors of a computer system causes the one or more processors to carry out” various claimed steps) cannot lend patentability to the abstract idea of the challenged ’440 claims. *See, e.g., CyberSource*

Corp. v. Retail Decisions, Inc., 654 F.3d 1366, 1367-68, 1373-77 (Fed. Cir. 2011) (reasoning that “[t]he Internet is merely described as the source of the data,” and noting that in various decisions rejecting claims as unpatentable it was not the case that “claims could have avoided invalidity under § 101 by merely requiring a computer to perform the method, or by reciting a computer readable medium containing program instructions for performing the method”).

In addition, while the ’440 Patent claims refer to components that can be found in a general purpose computer, the claims do not require any specific computer or any specific manner in which the computer performs the method. For example, a general purpose computer could be used for the required “memories” and “control unit.” This is confirmed by the fact that the specification discloses no specific algorithm for how digital signals are transmitted or how electronic sale is performed:

A reading of the specification and claims of the [’440 Patent] reveals a dearth of information as to *how* the claimed functions [*e.g.*, means for transferring money electronically and means for connecting electronically] are performed. Instead, merely the claimed functions themselves and the results of practicing those functions are disclosed. No algorithms describing how the claimed functions would be performed by special purpose computers programmed to perform those algorithms are disclosed.

Ex. 1215 at 39. *See also* Ex. 1244 ¶¶ 80, 87, 90-92.

Performance of the steps of the ’440 Patent claims by a general purpose

computer cannot render the abstract idea patentable. The claims recite no specific programmed operation for such a computer. Ex. 1244 ¶¶ 87, 90. A computer, absent any recited programming to perform a claimed function, is only a non-patentable “general purpose computer.” *In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994) (*en banc*). See also *Ex Parte Hunleth*, No. 2009-5621, 2010 WL 460143, at *4 (B.P.A.I. Nov. 20, 2010) (“[L]imiting the claim to computer-readable media does not add any practical limitation to the scope of the claim” thus “the claim is directed to performing the steps in the abstract.”)

Similarly, the Federal Circuit has rejected a claimed method essentially covering an algorithm even though one of the steps required that the method be performed with a “programmed computer.” *Grams*, 888 F.2d at 841. See also *DealerTrack*, 674 F.3d at 1333 (computer did not “play a significant part in permitting the claimed method to be performed” because it could “be programmed to perform very different tasks in very different ways.”); *Fort Props., Inc. v. Am. Master Lease LLC*, 671 F.3d 1317, 1323 (Fed. Cir. 2012) (“the basic character of a process claim drawn to an abstract idea is not changed by claiming only its performance by computers.... [T]he computer limitation is simply insignificant post-solution activity”).

The claims here are similar to those held unpatentable in *DealerTrack*, which were “directed to a computer-aided method and system, respectively, for processing credit applications over electronic networks.” *DealerTrack*, 674 F.3d at 1317. The

Federal Circuit described the prior art and the invention as follows:

Prior to DealerTrack's invention, car dealers, in seeking car loans on behalf of their customers, would apply to funding sources (i.e. banks) by: filling out application forms particular to each bank; faxing or transmitting the application to the respective banks; waiting for bank personnel to enter the application information into their internal computer systems; and eventually receiving responses from each bank. DealerTrack proposed to automate the process through the use of a 'central processor,' which receives credit application data from dealers, processes the data to conform to the individual application forms of different banks, forwards the completed applications to banks selected by the dealer, receives answers from the banks, and forwards those answers back to the dealer.

Id. The claims were construed by the district court as requiring a central processor that performed every step of the method. *DealerTrack, Inc. v. Huber and RouteOne LLC*, No. 2:06-cv-02335-AG-FMO, slip. op. at 16-31 (C.D. Cal. Sept. 27, 2008). And, despite having claims reciting numerous steps involving hardware⁵⁷—again, steps far

⁵⁷ *DealerTrack's* Claim 1, for example, recites (674 F.3d at 1331 (alterations original)):

- “1. A computer aided method of managing a credit application, the method comprising the steps of:
- [A] receiving credit application data from a remote application entry and display device;
 - [B] selectively forwarding the credit application data to remote funding source terminal devices;
 - [C] forwarding funding decision data from at least one of the remote funding source terminal devices to the remote application entry and display device;

more numerous and detailed than the challenged claims of the '440 Patent—the claims in *DealerTrack* were found to claim patent-ineligible abstract ideas. Similarly, here the claimed invention purports to allow consumers to buy and transmit digital music and video over telecommunications lines, rather than by receiving the music or video in the mail or going to a store to buy it. Like the claims in *DealerTrack*, here the steps can be performed using a general purpose computer. The purported invention merely seeks to send data electronically rather than by mail or foot. However, the concept of reducing time to do something, like the claims in *Dealertrack*, is not patentable. As one of SightSound's experts admits, “[i]n short the claimed invention provides a new method of selling and distributing music over telecommunications lines, that reduces the time between music creation, music marketing and music sale.”

[D] wherein the selectively forwarding the credit application data step further comprises:

[D1] sending at least a portion of a credit application to more than one of said remote funding sources substantially at the same time;

[D2] sending at least a portion of a credit application to more than one of said remote funding sources sequentially until a finding [sic, funding] source returns a positive funding decision;

[D3] sending at least a portion of a credit application to a first one of said remote funding sources, and then, after a predetermined time, sending to at least one other remote funding source, until one of the finding [sic, funding] sources returns a positive funding decision or until all funding sources have been exhausted; or,

[D4] sending the credit application from a first remote funding source to a second remote finding [sic, funding] source if the first funding source declines to approve the credit application.”

Ex. 1238 ¶ 32. The claims here thus claim unpatentable subject matter for the same reasons held in *DealerTrack*.

Moreover, as noted above, such extra-solution activity does not render an otherwise unpatentable claim patentable. *See, e.g., Bilski*, 130 S. Ct. at 3231 (“*Flook* established that limiting an abstract idea to one field of use or adding token postsolution components did not make the concept patentable.”)⁵⁸

For these reasons, the few references in the challenged claims to telecommunications lines and features that can be implemented with a general purpose computer do not lend patent-eligibility to the claimed abstract idea.

4. The Challenged Claims Do Not Satisfy the Machine or Transformation Test

Finally, the unpatentability of the challenged claims is further underscored by the “machine or transformation” test, which can provide “an important and useful clue” about the patentability of a claim under § 101. *Bilski*, 130 S. Ct. at 3226. The

⁵⁸ *See also Flook*, 437 U.S. 584, 590 & 595; *In re Schrader*, 22 F.3d 290, 294 (Fed. Cir. 1994) (“entering said bids in said record” is a simple recordation step in the middle of the claimed process incapable of imparting patent-eligibility under § 101); *Grams*, 888 F.2d at 839-40 (holding that a pre-solution step of gathering data-measuring the values of certain parameters was incapable of imparting patent-eligibility under § 101); *Bancorp*, 771 F. Supp. 2d at 1065 (stating that “[s]toring, retrieving, and providing data . . . are inconsequential data gathering and insignificant post solution activity” and holding claim requiring “storing the policy unit value” to be unpatentable), *aff’d*, 687 F.3d 1266 (Fed. Cir. 2012); *Ex Parte Cherkas*, No. 2009-011287, 2010 WL 4219765, *3 (B.P.A.I. Oct. 25, 2010) (steps of “storing for the user . . . accessing the tax profile . . . and providing the user . . .” “are inconsequential data gathering and insignificant post solution activity.”).

challenged claims fail this test because they are not “tied to a particular machine or apparatus” and do not “transform[] a particular article into a different state or thing.” *Id.* at 3224 (emphasis added).⁵⁹

As discussed above in Section III.A, the hardware mentioned in Claims 1, 64, and 95 was “already commercially available,” just like the “control unit” in the claim, which may be a general purpose computer and is not limited to any particular design or implementation. No specific machine is required.⁶⁰ Indeed, the patent does not

⁵⁹ The Board, since *Bilski*, has repeatedly applied the “machine or transformation” test in considering whether claims are directed towards unpatentable abstract ideas. The Board has stated, in making § 101 determinations, that it will “first apply the machine-or-transformation test, which the [Supreme] Court has stated is a useful clue in determining whether a claim is a process under § 101.” *Ex parte Hunleth*, 2010 WL 4601413 at *3-4 (rejecting claims including those reciting “computer readable medium,” under § 101 because “the claim is directed to performing the steps in the abstract”); *see also Ex Parte Banatwala*, No. 2009-6785, 2010 WL 4250877, at *3 (B.P.A.I. Oct. 18, 2010) (rejecting claims reciting a “computing platform” or “computer platform” under § 101 because they suggest “at best a nominal use of a general purpose computer” and there “is not an expressed recitation to a particular machine.”); *Ex Parte Moore*, No. 2009-5163, 2010 WL 3903327, at *8-9 (B.P.A.I. Sept. 28, 2010) (rejecting claims reciting a “network” under section 1-1 because a “nominal recitation of a general purpose computer is not an express recitation to a particular machine.”).

⁶⁰ The challenged claims are also easily distinguished from those in *SiRF Technology, Inc. v. Int’l Trade Comm’n*, 601 F.3d 1319 (Fed. Cir. 2010). That case involved a GPS receiver, a special purpose device containing a specific chip that, when incorporated into the GPS receiver, allows the GPS receiver to detect signals from satellites and to compute precise positions on Earth. *Id.* at 1322. In holding that the patented claims were tied to a particular machine, the Federal Circuit relied on the fact that “the methods at issue could not be performed without the use of a GPS receiver” and that the GPS receiver played “a significant part in permitting the claimed method to be performed.” *Id.* at 1331-32. If anything, *SiRF* underscores that, in the computer

disclose any specific algorithms and expressly states that there are no particular requirements for the hardware implementing the claimed control unit—the general embodiment described is merely an example and “is not restrictive with respect to the exact number of components and/or its actual design.” Ex. 1201 at 4:65-67; Ex. 1215 at 39 (“No algorithms describing how the claimed functions would be performed by special purpose computers programmed to perform those algorithms are disclosed.”). A computer programmed in some unspecified manner is a non-patentable general purpose computer. *See DealerTrack*, 674 F.3d at 1332. Thus, the general purpose computer mentioned in the claims of the ’440 Patent does not render an otherwise unpatentable claim patentable. *See* Ex. 1244 ¶¶ 85-92.

Further, the ’440 Patent does not transform an article into a different state or thing. *See* Ex. 1244 ¶¶ 93-96. Neither the money nor the digital video or audio signals transmitted in the claimed method are “transformed” in the process. *Id.* ¶¶ 93-95. The asserted claims simply describe a buyer sending purchase information to the seller, and the seller moving digital video or audio signals data from its memory to the memory of the buyer’s device. *Id.* The claims are unlike those in *Diehr*, for example, which were directed to “a method of operating a rubber-molding press for precision molded compounds with the aid of a digital computer.” In *Diehr*, the claims were patentable because they transformed something into a different state or thing. 450

context, only special purpose devices can satisfy the “particular machine” prong of the “machine or transformation” test.

U.S. at 181 n.5, 184. Here, in contrast, the claims at issue involve no transformation—digital audio or video is merely transmitted from one memory to another and stored, and electronic payment is made by one entity to another. Ex. 1244 ¶¶ 94-95. For these reasons, the claims at issue do not satisfy either prong of the “machine or transformation” test, providing further confirmation that the abstract idea claimed by the ’440 Patent is unpatentable. *Id.* ¶ 96.

C. Obviousness-Type Double Patenting

1. Obviousness-Type Double Patenting May Be Raised Here

Obviousness-type double patenting (“ODP”) may properly be raised in a CBM petition under AIA § 18 as a condition for patentability drawn by the courts from 35 U.S.C. § 101, which is within 35 U.S.C. part II.⁶¹ *See, e.g., Boehringer Ingelheim Int’l GmbH v. Barr Labs., Inc.*, 592 F.3d 1340, 1346 (Fed. Cir. 2010) (ODP “cements [the] legislative limitation [of § 101] by prohibiting a party from obtaining an extension of the right to exclude through claims in a later patent that are not patentably distinct” (alterations in original, quoting *Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 967 (Fed. Cir. 2001)); *id.*, 592 F.3d at 1355 (Dyk, J., dissenting-in-part) (“The prohibition

⁶¹ *See, e.g.,* AIA § 18(a)(1) (“The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under Chapter 32 of title 35, United States Code, subject to the following”); 35 U.S.C. § 321(b) (2011) (“A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of § 282 (b) (relating to invalidity of the patent or any claim)”; 35 U.S.C. § 282(b)(2) (1999) (“Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.”)).

against obviousness type double patenting is based on an interpretation of the statute.”); *Eli Lilly & Co. v. Teva Pharms. USA, Inc.*, 619 F.3d 1329, 1341 (Fed. Cir. 2010) (ODP “was borne out of 35 U.S.C. § 101”). In particular, courts have interpreted § 101’s express prohibition against an inventor obtaining multiple patents on the same invention as also precluding issuance of multiple patents that are obvious variants of one another. *See, e.g., Boehringer*, 592 F.3d at 1346; *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 940 (Fed. Cir. 1992). Because § 101 is available for invalidating a patent in a CBM review, *e.g., SAP America, Inc. v. Versata Development Group, Inc.*, No. CBM2012-00001, *32 & *33 (P.T.A.B. Jan. 9, 2013),⁶² so too is ODP, which is predicated on § 101.

The AIA’s legislative history further confirms that Congress intended ODP to be available in CBM review. As explained by Senator Leahy, the AIA’s lead sponsor, CBM review allows “the PTO [to] consider any challenge that could be heard in court.” 157 Cong. Rec. S1,363 (daily ed. Mar. 8, 2011) (emphasis added). Consistent with this Congressional intent, and because ODP is predicated on § 101 (specified in 35 U.S.C. part II as a condition for patentability, *see* § 282(b)(2); § 351(b); AIA § 18(a)(1)), ODP is available as a ground for challenging a patent in this CBM Petition.

2. ODP Applies to the Challenged Claims

By claiming at most an exceedingly obvious variation of purported

⁶² *See also*, n. 61, *supra*. .

“inventions” already claimed in Patent Owner’s earlier related patents, the ’440 Patent improperly allows Patentee to prevent others from practicing the claimed inventions for an extra three and five years, respectively, after the expiration of the ’573 and ’734 Patents. The ’440 Patent thus represents an improper timewise extension of the patent grant and must be invalidated.

ODP prohibits a Patentee from obtaining a second patent on an invention that would have been obvious from the subject matter of the claims in a first patent. *See, e.g., In re Basell Poliolefine Italia S.P.A.*, 547 F.3d 1371, 1375 (Fed. Cir. 2008); MPEP § 804. An ODP violation can be found when two or more patents or applications share at least one common inventor or are commonly assigned. *In re Longi*, 759 F.2d 887, 893 (Fed. Cir. 1985); MPEP § 804. ODP prevents the unjustified timewise extension of the “right to exclude” granted by a patent and harassment of a party by multiple assignees. *In re Fallaux*, 564 F.3d 1318-19 (Fed. Cir. 2009). Where the claims of the later patent are not patentably distinct from (and thus either anticipated or rendered obvious by) the claims of the earlier patent, they should be rejected. *Sun Pharm. Indus., Ltd. v. Eli Lilly & Co.*, 611 F.3d 1381, 1385 (Fed. Cir. 2010).

Generally, courts apply a “one way” test of obviousness, examining whether the claims of the later patent are obvious variations of the claims of the earlier. *In re*

Berg, 140 F.3d 1428, 1431 (Fed. Cir. 1998).⁶³ The analysis employed in an ODP determination parallels the guidelines for a 35 U.S.C. § 103(a) rejection. *Id.*

The named inventor of the '440 Patent—Arthur R. Hair—is also the named inventor of the related '573 and '734 Patents, and each alleges priority to the same ('497) Application. Exs. 1201, 1204, 1207. The '440 Patent issued after the '573 and '734 Patents and is thus, with respect to each of them, the later patent for the purpose of an ODP analysis. *See, e.g., Pfizer, Inc. v. Teva Pharms. USA, Inc.*, 518 F.3d 1353 (Fed. Cir. 2008) (holding claims of patent filed earlier but issued later invalid due to ODP in view of claims of patent filed later but issued earlier). The '440 Patent on its face expires on Oct. 12, 2016, while both the '573 and '734 Patents have already expired (on March 2, 2010 and June 13, 2008, respectively). *See* MPEP § 2701. Because, as discussed below, the claims of the '440 Patent are not patentably distinct either from the claims of the '573 Patent or from the claims of the '734 Patent,⁶⁴ they should be rejected as violating the prohibition on ODP.

Importantly, Patentee never filed a terminal disclaimer during either original prosecution or reexamination of the '440 Patent, Ex. 1202 & 1203, electing instead to

⁶³ A “two-way” is appropriate only if the claims of both patents could not have been filed in a single application, and the later- filed application issued after the earlier-filed application due to an administrative delay. *Berg*, 140 F.3d at 1431.

⁶⁴ The standard one-way ODP test is proper here at least because identical specifications were filed for the applications leading to both the '734 and '440 Patents, and the claims of the '440 and '734 Patents could thus have been filed in a single application. *See Berg*, 140 F.3d at 1431; Ex. 1208 (2/26/93 Spec. at 1-23); Ex. 1202 (6/06/95 Spec. at 1-23).

enjoy improper extension of its patent monopoly. Because both the '573 and '734 Patents have expired, Patentee has already benefited from that decision and enjoyed an improper timewise extension of its rights. Having enjoyed that improper advantage, it is now too late: Patentee cannot overcome ODP by filing a retrospective terminal disclaimer. *See Boehringer*, 592 F.3d at 1347-48 (“[A] terminal disclaimer filed after the expiration of the earlier patent ... cannot cure obviousness-type double patenting.”). ODP may thus be applied to invalidate each of the challenged claims.

3. The Challenged Claims Are At Most Obvious Variants of Claim 3 of the '573 Patent and of Claim 3 of the '734 Patent

As demonstrated in greater detail in the claim charts below, the challenged claims of the '440 Patent are at most obvious variants of each of (1) claim 3 of the '573 Patent (Ex. 1204), and (2) claim 3 of the '734 Patent (Ex. 1209). *See also* Ex. 1244 ¶¶ 97 & Appx C-D. Indeed, as detailed in Section V.B.2., above, during reexamination of the '440 Patent, Examiner entered multiple ODP rejections against the challenged claims in view of the claims of the '734 and '573 Patents.⁶⁵ For example, Examiner correctly determined that “the conflicting claims are not . . . patentably distinct from each other because the current claims and claims 1-34 of the '734 Patent essentially claim the same invention of a method/system for

⁶⁵ Ex. 1203 (10/26/05 OA at 4-7; 3/27/06 OA at 13-16; 9/29/06 OA at 42-44; 3/17/07 OA at 42-44).

distributing digital audio or digital video signals to a second party.”⁶⁶ And with respect to the ’573 Patent, Examiner similarly determined that “[a]lthough the conflicting claims are not identical, they are not patentably distinct from each other because claim 1 of the ’573 Patent recites a method for transmitting a digital audio signals stored on a first memory of a first party to a second memory of a second party.” *Id.* at 44 (emphasis added). While the Board ultimately reversed Examiner’s ODP rejections on procedural grounds,⁶⁷ the ODP rejection was never substantively overcome—and as shown below it could not have been.⁶⁸

⁶⁶ *Id.* (3/17/07 OA at 43) (emphasis added).

⁶⁷ *Id.* (8/14/09 Decision on Appeal at 18-19).

⁶⁸ None of the Patentee’s three arguments traversing Examiner’s ODP rejections during reexamination is availing here: (A) that the ODP rejection was inappropriate in reexamination because it was not a new issue related to patentability, (B) that an ODP rejection in view of the claims of an earlier patent alone is improper, and (C) that, in view of the ongoing reexamination and amending of the ’573 and ’734 Patents, the ODP rejection based on the claims of the ’573 and ’734 Patents as they existed prior to reexamination was improper. *Id.* (1/30/08 Brief at 75-80). Unlike reexamination, CBM review is not limited to “substantial new questions of patentability,” and the Patentee’s first argument is moot. *See* 35 U.S.C. § 324(a). *Ex Parte Schmit*, on which the Patentee’s second argument relied, does not indicate that prior art must be cited in an ODP rejection. Instead, that decision dealt only with a very specific scenario: “an [ODP] rejection wherein two claims from separate patents, neither of which are prior art to the patentee, are combined together.” *Ex parte Schmit*, Appeal No. 1998-0425, 64 U.S.P.Q. 1723, 1728 (B.P.A.I. May 15, 2000). Courts have routinely invalidated later claims under ODP based on earlier claims alone. *See, e.g., In re Lonardo*, 119 F.3d 960, 968 (Fed. Cir. 1997) (affirming an ODP rejection based on the claims of an earlier patent alone); MPEP § 804(II)(B)(1) (ODP is proper if the earlier claims anticipate the later claims). *Ex Parte Schmit* thus has no bearing on the present case. Finally, because both the ’573 and ’734 Patents have expired and thus cannot be amended, the third procedural argument, which persuaded the Board during

Claim 3 of '573 Patent generally describes a method for transmitting, via telecommunication lines, digital audio signals stored on a first memory of a first party to a second memory of a second party. Ex. 1204. By referring to tasks that were well-known to be functions that can be performed by a computer—such as storing digital data to memory and transmitting digital data over a telecommunication line—claim 3 of the '573 Patent at minimum renders obvious implementing such tasks using networked computers. Indeed, courts have recognized that “adapting existing electronic processes to incorporate modern internet and web browser technology” is “obvious as a matter of law.” *Soverain Software LLC v. Newegg Inc.*, 705 F.3d 1333, 1340 (Fed. Cir. 2013) (“Precedent agrees with Newegg that a person of ordinary skill could have adapted the CompuServe order command to known browser capabilities when these capabilities became commonplace, and that it was obvious to do so.”); *Muniacution, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1326-27 (Fed. Cir. 2008) (emphasis added).⁶⁹ Accordingly, it would at minimum have been obvious to implement claim 3 of the '573 Patent using networked computers, and any difference between the challenged claims of the '440 Patent and claim 3 of the '573 Patent is at most a routine

reexamination, is now moot, and an ODP rejection of the claims of the '440 Patent in view of the claims of the '573 or '734 Patent is not only appropriate, but required.

⁶⁹ See also *Western Union Co. v. Moneygram Payment Sys., Inc.*, 626 F.3d 1361, 1370 (Fed. Cir. 2010) (“[A]pplying computer and internet technology to replace older electronics has been commonplace in recent years [W]e find the use of an electronic transaction device where the prior art employed a fax machine to be an unpatentable improvement at a time when such a transition was commonplace in the art.”).

implementation choice. So, too, is “a second party control unit of a second party,” “a non-volatile storage portion [of] the second memory,” “playing through speakers of the second party control unit the digital video or digital audio signals,” that “the non-volatile storage portion is not a tape or CD,” “a second party hard disk,” and “playing the digital video or digital audio signals stored in the second party hard disk with the second party control unit.”⁷⁰ Thus, the challenged claims of the ’440 Patent are obvious from claim 3 of the ’573 Patent. *See also* Ex. 1244 ¶ 97 & Appx. C.

Similarly, as demonstrated in greater detail in the claim charts below, the ’440 Patent’s challenged claims are also at most obvious variants of claim 3 of the ’734 Patent. Exs. 1201, 1209. *See also* Ex. 1244 ¶ 97 & Appx. D. In particular, every single limitation recited by the challenged claims of the ’440 Patent is either expressly or necessarily (and thus inherently) disclosed by claim 3 of the ’734 Patent. *See also* Ex. 1244 ¶ 97 & Appx. C. To the extent there is any argued difference between the challenged claims of the ’440 Patent and claim 3 of the ’734 Patent, it is at most a routine implementation choice. So, too, is “a second party control unit of a second party,” “playing through speakers of the second party control unit the digital video or digital audio signals,” “placing a second party control unit having the second memory by the second party at a desired second party location determined by the second

⁷⁰ Examiner pointed out during the prosecution of the ’440 Patent that “one of ordinary skill in the art would obviously be able to recognize that a system [that] can record information such as that of Freeny et al can also play said information.” Ex. 1202 (7/10/97 OA at 3).

party,” and “playing the digital video or digital audio signals stored in the second party hard disk with the second party control unit.” Thus, the challenged ’440 Patent claims are at least obvious from claim 3 of the ’734 Patent.

’440 Patent Claim 1	’573 Patent Claim 3⁷¹	’734 Patent Claim 3⁷²
(1a) A method for transferring desired digital video or digital audio signals comprising the steps of:	To the extent this preamble is considered a limitation, claim 3 of the ’573 Patent recites a method for transferring desired digital audio signals. <i>See, e.g.</i> , Ex. 1204 claim 1 ⁷³ (“A method for transmitting a desired digital audio signal stored on a first memory of a first party to a second memory of a second party comprising the steps of:”).	To the extent this preamble is considered a limitation, claim 3 of the ’734 Patent recites a method for transferring desired digital video or digital audio signals. <i>See, e.g.</i> , Ex. 1209 claim 1 ⁷⁴ (“A method for transferring desired digital video or digital audio signals comprising the steps of:”).
(1b) forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party control unit of	Claim 3 of the ’573 Patent recites forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party, said first memory having said desired digital audio signals. <i>See, e.g.</i> , Ex. 1204 claim 1 (“connecting electronically via a telecommunication line the first memory with the second memory such that the desired digital audio	Claim 3 of the ’734 Patent recites forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party, said first memory having said desired digital video or digital audio signals. <i>See, e.g.</i> , claim 1 (“forming a connection through telecommunications lines between a first memory

⁷¹ *See also* Ex. 1244 at Appx. C at 1-9.

⁷² *See also* Ex. 1244 at Appx. D at 1-7.

⁷³ Because claim 3 of the ’573 Patent depends from independent claim 1, and claim 3 of the ’734 Patent similarly depends from its respective independent claim 1, for ease of reference to both patents, limitations contributed by the base claim are cited as “claim 1” (although these are, in fact, also limitations of claim 3). All emphasis in the following charts is added unless otherwise noted.

⁷⁴ *See* n.76, *supra*.

'440 Patent Claim 1	'573 Patent Claim 3⁷¹	'734 Patent Claim 3⁷²
<p>a second party, said first memory having said desired digital video or digital audio signals;</p>	<p>signal can pass therebetween”); claim 1 (“A method for transmitting <u>a desired digital audio signal stored on a first memory</u> of a first party to a second memory of a second party”) (emphasis added).</p> <p>Claim 3 of the '573 Patent additionally recites a receiver having a second party memory (<u>second party control unit</u>) that is in the possession and control of the second party (<u>of the second party</u>). To the extent it could be argued that the recited receiver is not necessarily “a second party control unit,” it would have been obvious, as discussed above, to implement the receiver of claim 3 of the '573 Patent using, for example, a general purpose computer (<i>i.e.</i>, <u>a second party control unit</u>). <i>See, e.g.</i>, Ex. 1204 claim 1 (“a receiver having the second memory at a location determined by the second party, said receiver in possession and control of the second party”).</p>	<p>of a first party at a first party location and a second memory of a second party at a second party location remote from the first party location, said first memory having a first party hard disk having a plurality of digital video or digital audio signals including coded desired digital video or digital audio signals”).</p> <p>The second memory recited in claim 3 of the '734 Patent must necessarily (and thus inherently) be part of a second party device. According to claim 3 of the '734 Patent, this device includes “a second party integrated circuit,” “a second party control panel,” “an incoming random access memory chip” and “a playback random access memory chip.” Since the specification of the '440 Patent describes embodiments of a <u>second party control unit</u> as including such features, claim 3 of the '734 Patent discloses a <u>second party control unit</u>. <i>See, e.g.</i>, Ex. 1201 at 4:18-21 (“The user’s Control Unit is comprised of a Control Panel 50a, a Control Integrated Circuit 50b, an Incoming Random Access Memory Chip 50c, and a Play</p>

'440 Patent Claim 1	'573 Patent Claim 3⁷¹	'734 Patent Claim 3⁷²
		<p>Back Random Access Memory Chip 50d.”); claim 2 (“a second party integrated circuit which controls and executes commands of the second party, and a second party control panel connected to the second party integrated circuit”); claim 3 (“the second memory includes an incoming random access memory chip . . . and a playback random access memory chip”).</p>
<p>(1c) selling electronically by the first party to the second party through telecommunication lines, the desired digital video or digital audio signals in the first memory,</p>	<p>Claim 3 of the '573 Patent recites transferring money from a second party to a first party through telecommunication lines – which Applicant identified, during prosecution of the '573 patent, as equivalent in scope to an “electronic sale” – coupled with a transfer of the desired digital audio signals from the first memory of the first party to the second memory of the second party. Claim 3 of the '573 Patent thus discloses selling electronically by the first party to the second party, through telecommunication lines, the desired digital audio signals in the first memory. <i>See, e.g.</i>, Ex. 1204 claim 1 (“transferring money electronically via telecommunication line to the first party”); claim 1 (“transmitting the desired digital audio signal from the first memory with a transmitter in</p>	<p>Claim 3 of the '734 Patent recites transferring money by providing a credit card number – which Applicant identified, during prosecution of the '573 patent, as equivalent in scope to an “electronic sale” – coupled with a transferring of desired digital video signals. Claim 3 of the '734 Patent thus discloses selling electronically by the first party to the second party through telecommunication lines the desired digital video or digital audio signals in the first memory. <i>See, e.g.</i>, Ex. 1209 claim 1 (“telephoning the first party controlling use of the first memory by the second party; providing a credit card number of the second party controlling the second memory to the first party</p>

'440 Patent Claim 1	'573 Patent Claim 3 ⁷¹	'734 Patent Claim 3 ⁷²
	<p>control and possession of the first party to a receiver having the second memory”). <i>See also</i> Ex. 1205 (5/5/92 Hair Decl. at 2) (“One skilled in the art would know that an electronic sale inherently assumes a transferring of money [...] coupled with a transferring of a service or product.”), 6/23/92 Amend. at 11 (“The term ‘electronically transferring of money’ though not literally cited, is nonetheless <u>equivalent in scope and function</u> to the description of the invention as originally filed with respect to electronic sales.”).</p>	<p>controlling the first memory so the second party is charged money;”); claim 1 (“transferring the stored replica of the coded desired digital video or digital audio signals from the sales random access memory chip of the first party to the second memory of the second party through telecommunications lines while the second memory is in possession and control of the second party”). <i>See also</i>, Ex. 1205 Hair Decl. at 2 (“One skilled in the art would know that an electronic sale inherently assumes a transferring of money by providing a credit or debit card number (since that is the only way for electronic sales to occur) coupled with a transferring of a service or product.”), 6/23/92 Amend. at 11 (“The term ‘electronically transferring of money’ though not literally cited, is nonetheless equivalent in scope and function to the description of the invention as originally filed with respect to electronic sales.”).</p>
(1d) the second party is at a second party location	<p>Claim 3 of the '573 Patent recites a second memory at a location determined by, and thus associated with, the second party (<u>a second</u></p>	<p>Claim 3 of the '734 Patent recites that the second party is at a second party location. <i>See, e.g.</i>, Ex. 1209 claim 1 (“a</p>

'440 Patent Claim 1	'573 Patent Claim 3⁷¹	'734 Patent Claim 3⁷²
and	party location). <i>See, e.g.</i> , Ex. 1204 claim 1 (“a receiver having the second memory at a location determined by the second party”).	second party at a second party location”).
(1e) the step of selling electronically includes the step of charging a fee via telecommunications lines by the first party to the second party at a first party location remote from the second party location, the second party has an account and the step of charging a fee includes the step of charging the account of the second party; and	Claim 3 of the '573 Patent recites telephoning the first party by the second party at a location remote from the second party (<u>via telecommunications lines</u>) and providing a credit card number of the second party to the first party so the second party is charged money (<u>charging a fee</u>). A person of ordinary skill in the art would further understand that, since the second party provided a credit card number to the first party, the first party will charge the fee to the credit card account (<u>account of the second party</u>). <i>See, e.g.</i> , Ex. 1204 claim 3 (“telephoning the first party controlling use of the first memory by the second party controlling the second memory; providing a credit card number of the second party controlling the second memory to the first party controlling the first memory so the second party controlling the second memory is charged money.”).	Claim 3 of the '734 Patent recites telephoning the first party by the second party at a location remote from the second party (<u>via telecommunications lines</u>) and providing a credit card number of the second party to the first party so the second party is charged money (<u>charging a fee</u>). A person of ordinary skill in the art would further understand that, since the second party provided a credit card number to the first party, the first party will charge the fee to the credit card account (<u>account of the second party</u>). <i>See, e.g.</i> , Ex. 1209 claim 1 (“telephoning the first party controlling use of the first memory by the second part; providing a credit card number of the second party controlling the second memory to the first party controlling the first memory so the second party is charged money;” wherein the second party memory is “at a second party location remote from the first party location”).
(1f) transferring	Claim 3 of the '573 Patent recites transmitting a desired digital audio	Claim 3 of the '734 Patent recites transferring the desired

'440 Patent Claim 1	'573 Patent Claim 3 ⁷¹	'734 Patent Claim 3 ⁷²
<p>the desired digital video or digital audio signals from the first memory of the first party to the second memory of the second party control unit of the second party through telecommunication lines while the second party control unit with the second memory is in possession and control of the second party;</p>	<p>signal from a first memory using the first party's transmitter to a receiver having a second memory for storage through telecommunication lines (<u>transferring the desired digital audio signals from the first memory to the second memory through telecommunication lines</u>) <i>See, e.g.,</i> Ex. 1204 claim 1 ("connecting electronically via a telecommunication line the first memory with the second memory such that the desired digital audio signal can pass therebetween"); and claim 1 ("transmitting the desired digital audio signal from the first memory with a transmitter in control and possession of the first party to a receiver having the second memory").</p> <p>Claim 3 of the '573 Patent further recites that the receiver with a second party memory (<i>second party control unit</i>) is in the possession and control of the second party. <i>See, e.g.,</i> Ex. 1204 claim 1 ("a receiver having the second memory at a location determined by the second party, said receiver in possession and control of the second party").</p>	<p>digital video or digital audio signals from the first memory of the first party, via the sales random access memory chip, to the second memory of the second party control unit of the second party through telecommunications lines while the second party control unit with the second memory is in possession and control of the second party. <i>See, e.g.,</i> Ex. 1209 claim 1 ("storing a replica of the coded desired digital video or digital audio signals from the hard disk into the sales random access memory chip; transferring the stored replica of the coded desired digital video or digital audio signals from the sales random access memory chip of the first party to the second memory of the second party through telecommunications lines while the second memory is in possession and control of the second party").</p>
<p>(1g) storing the desired digital video or digital audio signals</p>	<p>Claim 3 of the '573 Patent recites storing the desired digital audio signal in a second memory. <i>See, e.g.,</i> Ex. 1204 claim 1 ("storing the digital signal in the second</p>	<p>Claim 3 of the '734 Patent recites storing the desired digital video in non-volatile storage – <i>i.e.</i>, in a second party hard disk (<u>non-volatile storage</u></p>

'440 Patent Claim 1	'573 Patent Claim 3⁷¹	'734 Patent Claim 3⁷²
<p>in a non-volatile storage portion the second memory;</p>	<p>memory”). Employing a non-volatile storage portion of the second memory to store the desired digital audio signal would be, at most, an obvious implementation choice to a person of ordinary skill in the art when storing the desired digital signal in a second memory, as recited in claim 3 of the '573 Patent. A person of ordinary skill in the art would certainly be aware of non-volatile, non-removable memory, such as a hard disk, and would be motivated to use such memory for storing the desired digital audio signal. For example, this would advantageously prevent the desired audio signal (for which money has been paid) from being erased in its entirety due to a power outage. Additionally, since it would be obvious to implement claim 3 of the '573 Patent using a computer, a person of ordinary skill in the art would have found it obvious to use such commonly available non-volatile memory as a hard disk.</p>	<p>portion). <i>See, e.g.,</i> Ex. 1209 claim 1 (“storing the transferred replica of the coded desired digital video or digital audio signals in the second memory”); and claim 3 (“a second party hard disk for storing the coded desired digital video or audio digital signals”).</p>
<p>(1h) and playing through speakers of the second party control unit the digital video or</p>	<p>As discussed above, it would have been obvious to a person of ordinary skill in the art to implement claim 3 of the '573 Patent using networked computers. Moreover, a person of ordinary skill in the art would have found it obvious to implement such a</p>	<p>Claim 3 of the '734 Patent recites playing the desired digital video signal from the second party hard disk. Since the second party hard disk (<u>second memory</u>) is non-removable, any device used to play the digital audio signals</p>

'440 Patent Claim 1	'573 Patent Claim 3⁷¹	'734 Patent Claim 3⁷²
<p>digital audio signals stored in the second memory, said speakers of the second party control unit connected with the second memory of the second party control unit;</p>	<p>networked computer on the second party's side of such a transmission of digital audio signals with speakers for playing files stored there. Such an implementation mirrors techniques known in the art for the electronic sale of digital products that also involve selecting and receiving a digital product and then later employing the same computer to use (run, play, view, etc.) the digital product.</p>	<p>stored thereon would need to be connected to the second party hard disk (<u>second memory</u>). Moreover, to a person of ordinary skill, the disclosure in claim 3 of an integrated circuit used to "play" digital audio signals would have been understood to be an explicit, or at minimum necessary and thus inherent, disclosure of speakers. In the alternative, a person of ordinary skill in the art would at minimum have considered playing the digital audio signals through speakers to be an at most obvious implementation of the "causing . . . to play the desired . . . digital audio signals" step of claim 3 of the '734 Patent. <i>See, e.g.,</i> Ex. 1209 claim 3 ("causing the second party integrated circuit with the second party control panel to play the desired digital video or digital audio signals from the second party hard disk"); Ex.1206 (5/25/10 Resp. at 2-3) ("However, cassette tapes and CDs are not 'second memories' according to the claims and specification. The specification utilizes a special phrase, 'hardware units,' when referring to such removable</p>

'440 Patent Claim 1	'573 Patent Claim 3⁷¹	'734 Patent Claim 3⁷²
(1i) wherein the non-volatile storage portion is not a tape or CD.	Claim 3 of the '573 Patent recites electronically purchasing and storing a desired digital audio signal in a second memory that is not a tape or CD. <i>See, e.g.</i> , Ex. 1204 claim 1 (“storing the digital signal in the second memory”); Ex.1206 (5/25/10 Resp. at 2-3) (“[C]assette tapes and CDs are not ‘second memories’ according to the claims and specification.”).	media.”). Claim 3 of the '734 Patent recites that the second memory is a second party hard disk (<u>non-volatile storage portion that is not a tape or CD</u>). <i>See, e.g.</i> , Ex. 1209 claim 3 (“a second party hard disk for storing the coded desired digital video or audio digital signals”).

'440 Patent Claim 64	'573 Patent Claim 3⁷⁵	'734 Patent Claim 3⁷⁶
(2a) A method for transferring desired digital video or digital audio signals comprising the steps of:	To the extent this preamble is considered a limitation, it is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the preamble of claim 1 of the '440 Patent.	To the extent this preamble is considered a limitation, it is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the preamble of claim 1 of the '440 Patent.
(2b) forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party control unit of a second party, the second memory including a second party hard disk, said first memory having said	This step, apart from the “second party hard disk” limitation, is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the “forming a connection” step of claim 1 of the '440 Patent.	This step, apart from the “second party hard disk” limitation, is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the “forming a connection” step of claim 1 of the '440

⁷⁵ *See also* Ex. 1244 at Appx. C at 10-12.

⁷⁶ *See also* Ex. 1244 at Appx. D at 8-10.

'440 Patent Claim 64	'573 Patent Claim 3 ⁷⁵	'734 Patent Claim 3 ⁷⁶
<p>desired digital video or digital audio signals;</p>	<p>Additionally, employing a hard disk to store the desired digital audio signal would be, at most, an obvious implementation choice to a person of ordinary skill in the art when storing the desired digital signal in a second memory, as recited in claim 3 of the '573 Patent. A person of ordinary skill in the art would certainly be aware of non-volatile, non-removable memory, such as a hard disk, and would be motivated to use such memory for storing the desired digital audio signal. For example, this would advantageously prevent the desired audio signal (for which money has been paid) from being erased in its entirety due to a power outage. Additionally, since it would be obvious to implement claim 3 of the '573 Patent using a computer, a person of ordinary skill in the art would have found it obvious to use such commonly available non-volatile memory as a hard disk.</p>	<p>Patent. Claim 3 of the '734 Patent further recites a second memory that includes a second party hard disk. <i>See, e.g.,</i> Ex. 1209 claim 3 (“the second memory includes [...] a second party hard disk for storing the coded desired digital video or audio digital signals from the incoming random access memory chip”).</p>

'440 Patent Claim 64	'573 Patent Claim 3⁷⁵	'734 Patent Claim 3⁷⁶
(2c) selling electronically by the first party to the second party through telecommunications lines, the desired digital video or digital audio signals in the first memory,	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the "selling electronically" step of claim 1 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the "selling electronically" step of claim 1 of the '440 Patent.
(2d) the second party is at a second party location and	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the "second party location" limitation of claim 1 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the "second party location" limitation of claim 1 of the '440 Patent.
(2e) the step of selling electronically includes the step of charging a fee via telecommunications lines by the first party to the second party at a first party location remote from the second party location, the second party has an account and the step of charging a fee includes the step of charging the account of the second party; and	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the "charging a fee" step of claim 1 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the "charging a fee" step of claim 1 of the '440 Patent.
(2f) transferring the desired digital video or digital audio signals from the first memory of the first party to the second memory of the second party control unit of the second party through telecommunications lines while the second party control	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the "transferring" step of claim 1 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the "transferring" step of claim 1 of the '440 Patent.

'440 Patent Claim 64	'573 Patent Claim 3⁷⁵	'734 Patent Claim 3⁷⁶
unit with the second memory is in possession and control of the second party;		
(2g) storing the desired digital video or digital audio signals in the second party hard disk;	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the "storing" step of claim 1 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the "storing" step of claim 1 of the '440 Patent.
(2h) and playing through speakers of the second party control unit the digital video or digital audio signals stored in the second party hard disk, said speakers of the second party control unit connected with the second memory of the second party control unit.	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the "playing" step of claim 1 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the "playing" step of claim 1 of the '440 Patent.

'440 Patent Claim 95	'573 Patent Claim 3⁷⁷	'734 Patent Claim 3⁷⁸
(3a) A method for transmitting desired digital video or digital audio signals stored in a first memory of a first party at a first party location to a second memory of a second party comprising the steps of:	To the extent this preamble is considered a limitation, it is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the preamble of claim 1 of the '440 Patent.	To the extent this preamble is considered a limitation, it is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the preamble of claim 1 of the '440 Patent.
(3b) placing a second party control unit having the	As discussed above in reference to (1b), claim	Claim 3 of the '734 Patent recites a second memory in

⁷⁷ See also Ex. 1244 at Appx. C at 13-17.

⁷⁸ See also Ex. 1244 at Appx. D at 12-17.

'440 Patent Claim 95	'573 Patent Claim 3⁷⁷	'734 Patent Claim 3⁷⁸
<p>second memory by the second party at a desired second party location determined by the second party,</p>	<p>3 of the '573 Patent at minimum renders obvious a <u>second party control unit</u>. Additionally, the second memory, and thus the <u>second party control unit</u> it is a part of, is controlled by the second party and located, and thus must necessarily (and inherently) be placed, at a location determined by a second party. <i>See, e.g.,</i> Ex. 1204 claim 1 (“a receiver having the second memory at a location determined by the second party”); and claim 1 (“said second party in control and possession of the second memory”).</p> <p>In the alternative, for the same reasons this disclosure in claim 3 of the '573 Patent at minimum renders obvious this limitation of claim 95.</p>	<p>the possession and control of the second party. As discussed above in reference to (1b), claim 3 of the '734 Patent at minimum renders obvious a <u>second party control unit</u>. Additionally, since the second memory, and thus the <u>second party control unit</u> it is a part of, is in the possession and control of the second party, the second party must necessarily (and thus inherently) be able to determine where it is to be placed (<u>placing the second party control unit by the second party at a location determined by the second party</u>). <i>See, e.g.,</i> Ex. 1209 claim 1 (“the second memory is in possession and control of the second party”).</p> <p>In the alternative, for the same reasons this disclosure in claim 3 of the '573 Patent at minimum renders obvious this limitation of claim 95.</p>
<p>(3c) said second party location remote from the first party location,</p>	<p>Claim 3 of the '573 Patent recites that the first party is at a location (<u>first party location</u>) remote from the second memory (<u>second party</u></p>	<p>Claim 3 of the '734 Patent recites a second party location remote from the first party location. <i>See, e.g.,</i> Ex. 1209 claim 1 (“a first party at a first party location and a second</p>

'440 Patent Claim 95	'573 Patent Claim 3 ⁷⁷	'734 Patent Claim 3 ⁷⁸
	location). <i>See, e.g.,</i> Ex. 1204 claim 1 (“the first party, at a location remote from the second memory and controlling use of the first memory”).	memory of a second party at a second party location remote from the first party location”).
(3d) the second memory including a second party hard disk;	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the “second party hard disk” limitation of claim 64 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the “second party hard disk” limitation of claim 64 of the '440 Patent.
(3e) charging a fee by the first party to the second party at a location remote from the second party location so the second party can obtain access to the digital video or digital audio signals possessed by the first party,	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the “charging a fee” step of claim 1 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the “charging a fee” step of claim 1 of the '440 Patent.
(3f) said first party and said second party in communication via said telecommunications lines,	Claim 3 of the '573 Patent recites telephoning the first party by the second party and providing a credit card number of the second party to the first party. Since this involves communicating information, the first and second parties are in communication via telephone lines	Claim 3 of the '734 Patent recites that the second party telephones the first party and provides a credit card number of the second party to the first party. Since this involves communicating information, the first and second parties are in communication via telephone lines (telecommunications lines). <i>See, e.g.,</i> Ex. 1209 claim 1 (“telephoning the first party

'440 Patent Claim 95	'573 Patent Claim 3 ⁷⁷	'734 Patent Claim 3 ⁷⁸
	<p>(<u>telecommunications lines</u>). <i>See, e.g.</i>, Ex. 1204 claim 1 (“telephoning the first party controlling use of the first memory by the second party controlling the second memory; providing a credit card number of the second party controlling the second memory to the first party controlling the first memory so the second party controlling the second memory is charged money.”).</p>	<p>controlling use of the first memory by the second party; providing a credit card number of the second party controlling the second memory to the first party controlling the first memory so the second party is charged money”).</p>
<p>(3g) the step of charging a fee includes the step of charging a fee via telecommunications lines by the first party to the second party at a location remote from the second party location, the second party has an account and the step of charging a fee includes the step of charging the account of the second party;</p>	<p>This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the “charging a fee” step of claim 1 of the '440 Patent.</p>	<p>This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the “charging a fee” step of claim 1 of the '440 Patent.</p>
<p>(3h) connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or</p>	<p>Claim 3 of the '573 Patent recites connecting electronically via telecommunications lines the first memory with the second memory</p>	<p>Claim 3 of the '734 Patent recites forming a connection through telecommunications lines (<u>connecting electronically via telecommunications lines</u>)</p>

'440 Patent Claim 95	'573 Patent Claim 3 ⁷⁷	'734 Patent Claim 3 ⁷⁸
<p>digital audio signals can pass therebetween;</p>	<p>such that the desired digital audio signals can pass therebetween. <i>See, e.g.,</i> Ex. 1204 claim 1 (“connecting electronically via a telecommunications line the first memory with the second memory such that the desired digital audio signals can pass therebetween”).</p>	<p>between the first memory and the second memory, and transmitting the desired digital video signals over the telecommunications lines (<u>such that the desired digital video signals can pass therebetween</u>). <i>See, e.g.,</i> Ex. 1209 claim 1 (“forming a connection through telecommunications lines between a first memory of a first party at a first party location and a second memory of a second party at a second party location remote from the first party location”); and claim 1 (“transferring the stored replica of the coded desired digital video or digital audio signals from the sales random access memory chip of the first party to the second memory of the second party through telecommunications lines”).</p>
<p>(3i) transferring electronically via telecommunications lines the digital video or digital audio signals from a first location with the first memory to the desired second party location with the second memory while the second memory is in possession and control of</p>	<p>This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the “transferring” step of claim 1 of the '440 Patent.</p>	<p>This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the “transferring” step of claim 1 of the '440 Patent.</p>

'440 Patent Claim 95	'573 Patent Claim 3 ⁷⁷	'734 Patent Claim 3 ⁷⁸
the second party,		
(3j) said second party location remote from said first location,	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the "remote" limitation of claim 95 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the "remote" limitation of claim 95 of the '440 Patent.
(3k) said first memory in communication with said second memory via the telecommunications lines;	Claim 3 of the '573 Patent recites connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital audio signals can pass therebetween. Since this involves communicating data, the first memory is in communication with the second memory via telecommunications lines. <i>See, e.g.</i> , Ex. 1204 claim 1 ("connecting electronically via a telecommunications line the first memory with the second memory such that the desired digital audio signals can pass therebetween").	Claim 3 of the '734 Patent recites forming a connection through telecommunications lines between the first memory and the second memory, and transmitting the desired digital video signals over the telecommunications lines. Since this involves communicating data, the first memory is in communication with the second memory via the telecommunications lines. <i>See, e.g.</i> , Ex. 1209 claim 1 ("forming a connection through telecommunications lines between a first memory of a first party at a first party location and a second memory of a second party at a second party location remote from the first party location"); and claim 1 ("transferring the stored replica of the coded desired digital video or digital audio signals from the sales random access memory chip of the first party to the second

'440 Patent Claim 95	'573 Patent Claim 3 ⁷⁷	'734 Patent Claim 3 ⁷⁸
		memory of the second party through telecommunications lines”).
(3l) storing the digital video or digital audio signals in the second party hard disk;	This step is rendered obvious by claim 3 of the '573 Patent for the same reasons discussed above regarding the “storing” step of claim 1 of the '440 Patent.	This step is rendered obvious by claim 3 of the '734 Patent for the same reasons discussed above regarding the “storing” step of claim 1 of the '440 Patent.
(3m) and playing the digital video or digital audio signals stored in the second party hard disk with the second party control unit.	As discussed above, it would have been obvious to implement claim 3 of the '573 Patent using networked computers. Moreover, a person of ordinary skill in the art would have found it obvious to implement such a networked computer on the second party’s side of such a transmission of digital audio signals with the ability to play files stored there. Such an implementation mirrors techniques known in the art for the electronic sale of digital products that also involve selecting and receiving a digital product and then later employing the same computer to use (run, play, view, etc.) the	Claim 3 of the '734 Patent recites playing the desired digital video or digital audio signals. Since the second party hard disk is non-removable storage media, the playing must necessarily (and thus inherently) be performed by the device the second memory is a part of (<u>second party control unit</u>). In the alternative, a person of ordinary skill in the art would at minimum have considered playing the digital audio signals with the <u>second party control unit</u> to be an at most obvious implementation of the “causing . . . to play the desired . . . digital audio signals” step of claim 3 of the '734 Patent. <i>See, e.g.,</i> Ex. 1209 claim 3 (“causing the second party integrated circuit with the second party control panel to play the desired digital video or digital audio signals

'440 Patent Claim 95	'573 Patent Claim 3 ⁷⁷	'734 Patent Claim 3 ⁷⁸
	digital product.	from the second party hard disk”).

The challenged claims of the '440 Patent are thus at most obvious variants of each of (1) claim 3 of the '573 Patent and (2) claim 3 of the '734 Patent. Accordingly, the '440 Patent is an improper timewise extension of the right to exclude granted by each of the '573 and '734 Patents, and claims 1, 64 and 95 of the '440 Patent should be invalidated for violation of the prohibition against ODP.

VII. CONCLUSION

For at least the reasons above, Petitioner requests institution of a CBM Patent review of the '440 Patent because this Petition would, if unrebutted, demonstrate that it is more likely than not that at least one of the claims challenged in this Petition is unpatentable. It is therefore respectfully requested that this Petition be granted and claims 1, 64, and 95 of the '440 Patent be judged invalid. If there are any questions, counsel for the Petitioner may be contacted at the telephone number below. Please direct all correspondence to the lead and back-up counsel for Petitioner designated below at the service address as specified below.

Pursuant to §§ 40.304 and 40.302(b), Petitioner, Petitioner's real party in interest, and Petitioner's privies are not estopped from challenging the claims on the grounds identified in this Petition. As identified in the attached Certificate of Service and in accordance §§ 1.33(c), 42.205, and 42.300, a copy of the present Request, in its

entirety, is being served on the patent owner at the correspondence address of record for the subject patent as reflected in the publicly-available records of the United States Patent and Trademark Office as designated in the Office's Patent Application Information Retrieval system. The Director is hereby authorized to charge any deficiency in the fees filed, asserted to be filed or which should have been filed herewith (or with any paper hereafter filed in this proceeding by this firm) to our Deposit Account No. 18-1945, under Order No. 104677-5005-803.

Respectfully submitted,

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May 6, 2013

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Inventor: Hair § Attorney Docket No.:
United States Patent No.: 5,966,440 § 104677-5005-803
Formerly Application No.: 08/471,964 § Customer No. 28120
Issue Date: October 12, 1999 §
Filing Date: June 6, 1995 § Petitioner: Apple Inc.
Former Group Art Unit: 2785 §
Former Examiner: Hoa T. Nguyen §

For: System and Method for Transmitting Desired Digital Video or Digital Audio Signals

MAIL STOP PATENT BOARD
Patent Trial and Appeal Board
United States Patent and Trademark Office
Post Office Box 1450
Alexandria, Virginia 22313-1450

CERTIFICATE OF SERVICE

It is certified that a copy of the following documents has been served in its entirety on the patent owner as provided in 37 CFR § 42.205:

1. Petition For Covered Business Method Patent Review of United States Patent No. 5,966,440 Pursuant to 35 U.S.C. § 321, 37 C.F.R. § 42.304 and accompanying exhibits:

EXHIBIT LIST	
Exhibit 1201	United States Patent No. 5,966,440
Exhibit 1202	United States Patent No. 5,966,440 File History
Exhibit 1203	Application No. 90/007,407 (440 Patent Reexamination)
Exhibit 1204	United States Patent No. 5,191,573

EXHIBIT LIST	
Exhibit 1205	United States Patent No. 5,191,573 File History
Exhibit 1206	Application No. 90/007,402 ('573 Patent Reexamination).
Exhibit 1207	United States Patent No. 5,675,734 File History
Exhibit 1208	Application No. 90/007,403 ('734 Patent Reexamination)
Exhibit 1209	United States Patent No. 5,675,734
Exhibit 1210	10/10/1985 CompuSonics Letter from David Schwartz to Shareholders
Exhibit 1211	International Patent Application WO85/02310, filed on Nov. 14, 1984, and published on May 23, 1985 ("Softnet")
Exhibit 1212	United States Patent No. 4,506,387, filed on May 25, 1983, issued on Mar. 19, 1985 ("Walter")
Exhibit 1213	United States Patent No. 4,124,773, filed on Nov. 26, 1976, issued on Nov. 7, 1978 ("Elkins")
Exhibit 1214	2/13/13 Order re Claim Construction (D.I. 175), <i>SightSound Techs., LLC v. Apple Inc.</i> , No. 11-1292 (W.D. Pa.)
Exhibit 1215	11/19/12 Special Master's Report and Recommendation on Claim Construction (D.I. 142), <i>SightSound Techs., LLC v. Apple Inc.</i> , No. 11-1292 (W.D. Pa.)
Exhibit 1216	Excerpt from Benjamin Krepack and Rod Firestone, Start Me Up! the music biz meets the personal computer, pages 126-127 (Mediac Press May 1986)
Exhibit 1217	David Needle, "From the News Desk: Audio/digital interface for the IBM PC?" InfoWorld, vol. 6, no. 23, p. 9, June 4, 1984
Exhibit 1218	Excerpt of Plaintiff SightSound Techs., LLC's Expert Report of Dr. J. Douglas Tygar Regarding Infringement, dated April 22, 2013
Exhibit 1219	Deposition Transcript of Arthur Hair, dated Dec. 11, 2012
Exhibit 1220	Deposition Transcript of Scott Sander, dated Dec. 18, 2012
Exhibit 1221	United States Patent No. 4,682,248, filed on Sept. 17, 1985, issued on July 21, 1987 ("Schwartz")

EXHIBIT LIST	
Exhibit 1222	Excerpt of Expert Report of Mark M. Gleason, CPA/ABV/CFF, CVA, CLP, dated April 22, 2013
Exhibit 1223	Declaration of Dr. John P.J. Kelly, dated Sept. 7, 2012
Exhibit 1224	7/16/84 CompuSonic Letter from David Schwartz to Shareholders
Exhibit 1225	Excerpt from, Larry Israelite, "Home Computing Scenarios for Success," Billboard Magazine Charts the Future (Dec. 1984)
Exhibit 1226	Excerpt from <i>Chambers Science and Technology Dictionary</i> (1988)
Exhibit 1227	Excerpt from <i>Webster's II New Riverside University Dictionary</i> (1988)
Exhibit 1228	Excerpt from, Steve Dupler, "Compusonics, AT&T Link," Billboard Newspaper, vol. 97 no. 40 (Oct. 5, 1985)
Exhibit 1229	United States Patent No. 4,528, 643, filed on Jan. 10, 1983, issued on July 9, 1985 ("Freeny")
Exhibit 1230	United States Patent No. 4,789,863, filed on Jan. 13, 1988, issued on Dec. 6, 1988 ("Bush")
Exhibit 1231	"Inside Macintosh," Volumes I, II, and III, Addison-Wesley Publishing Company, Inc. (1985)
Exhibit 1232	Craig Partridge, "The Technical Development of Internet Email," BBN Technologies
Exhibit 1233	United States Patent No. 4,667,088 filed on November 1, 1982, issued on May 19, 1987 ("Kramer et al.")
Exhibit 1234	Photo of CompuSonic Equipment
Exhibit 1235	Hyun Heinz Sohn, "A High Speed Telecommunications Interface for Digital Audio Transmission and Reception," presented at the 76th AES Convention, October 8-11, 1984
Exhibit 1236	Excerpts of Lecture at Stanford by D. Schwartz and J. Stautner, 1987 (video)
Exhibit 1237	Jennifer Sullivan, "The Battle Over Online Music," Wired.com (Jan. 29, 1999), available at http://www.wired.com/techbiz/media/news/1999/01/17609

EXHIBIT LIST	
Exhibit 1238	Excerpt of Plaintiff Sightsound Technologies, LLC's Expert Report of John Snell dated April 22, 2013
Exhibit 1239	Declaration of Flora D. Elias-Mique In Support of Petition for Covered Business Method Patent Review
Exhibit 1240	Declaration of David Schwartz In Support of Petition for Covered Business Method Patent Review
Exhibit 1241	Declaration of Roberto J. Gonzalez In Support of Petition for Covered Business Method Patent Review
Exhibit 1242	Declaration of Megan F. Raymond In Support of Petition for Covered Business Method Patent Review
Exhibit 1243	Declaration of Ching-Lee Fukuda In Support of Petition for Covered Business Method Patent Review
Exhibit 1244	Declaration of Dr. John P.J. Kelly In Support of Petition for Covered Business Method Patent Review

The copy has been served on May 6, 2013 by causing the aforementioned documents to be deposited in the United States Postal Service as Express Mail postage pre-paid in an envelope addressed to:

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