

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SIGHTSOUND TECHNOLOGIES, LLC,
Patent Owner.

Case CBM2013-00020
Patent 5,191,573

Before MICHAEL P. TIERNEY, JUSTIN T. ARBES, and
GEORGIANNA W. BRADEN, *Administrative Patent Judges*.

ARBES, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

I. BACKGROUND

Petitioner Apple Inc. (“Apple”) filed a Corrected Petition (Paper 6, “Pet.”) seeking covered business method patent review of claims 1, 2, 4, and 5 of U.S. Patent No. 5,191,573 (“the ’573 patent”) pursuant to 35 U.S.C. §§ 321–29. On October 8, 2013, we instituted a covered business method patent review of claims 1, 2, 4, and 5 on two grounds of unpatentability (Paper 14, “Dec. on Inst.”). Patent Owner SightSound Technologies, LLC (“SightSound”) filed a Patent Owner Response (Paper 41, “PO Resp.”), Apple filed a Reply (Paper 52, “Reply”), and SightSound filed a Sur-Reply (Paper 104, “Sur-Reply”). *See* Paper 100 (authorizing a sur-reply).

Apple filed a Motion to Exclude (Paper 71, “Pet. Mot. to Exclude”) certain testimony from one of SightSound’s declarants, John Snell. SightSound filed an Opposition (Paper 79, “PO Exclude Opp.”), and Apple filed a Reply (Paper 88, “Pet. Exclude Reply”). SightSound filed a Motion to Exclude (Paper 68, “PO Mot. to Exclude”) certain testimony and evidence submitted by Apple. Apple filed an Opposition (Paper 80, “Pet. Exclude Opp.”), and SightSound filed a Reply (Paper 86, “PO Exclude Reply”). SightSound also filed a Motion for Observation (Paper 76, “Obs.”) on certain cross-examination testimony of Apple’s declarants, and Apple filed a Response (Paper 81, “Obs. Resp.”).

The parties moved to seal certain materials in this proceeding, and we conditionally granted the motions and entered the parties’ proposed protective order, which was a copy of the Board’s default protective order. Paper 92. The materials later were unsealed upon agreement of the parties. Paper 100 at 3–4. Apple subsequently filed an additional Motion to Seal (Paper 102, “Mot. to Seal”), which is addressed herein.

A combined oral hearing in this proceeding and related Case CBM2013-00023 was held on May 6, 2014, and a transcript of the hearing is included in the record (Paper 101, “Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This final written decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Apple has shown by a preponderance of the evidence that claims 1, 2, 4, and 5 of the ’573 patent are unpatentable.

A. The ’573 Patent

The ’573 patent¹ relates to a “method for the electronic sales and distribution of digital audio or video signals.” Ex. 4101, col. 1, ll. 9–14.² The ’573 patent describes how three types of media used for storing music at

¹ The ’573 patent issued on March 2, 1993, from U.S. Patent Application No. 07/586,391 (“the ’391 application”), filed September 18, 1990, which is a file wrapper continuation of U.S. Patent Application No. 07/206,497, filed June 13, 1988. The ’573 patent has expired. U.S. Patent No. 5,966,440 (“the ’440 patent”) is a continuation-in-part of the ’573 patent, and is the subject of related Case CBM2013-00023.

² Apple’s original Exhibits 1101–1146 were not labeled properly. Paper 5 at 2. Apple filed corrected exhibits, but used the same numbers as the originally filed exhibits. Paper 7. To avoid confusion, we renumbered the originally filed copies as Exhibits 4101–4146. Rather than referring to the replacement copies numbered Exhibits 1101–1146, however, the parties in their subsequent papers continued to refer to the originally filed copies numbered Exhibits 4101–4146. Apple also filed additional exhibits in the 4000 series. To ensure that the record is clear, we exercise our discretion and waive the labelling requirements of 37 C.F.R. § 42.63(d), and refer to Apple’s original exhibits filed as Exhibits 4101–4274. *See* 37 C.F.R. § 42.5(b). Accordingly, Exhibits 1101–1146 should no longer be cited in this proceeding.

the time of the patent—records, tapes, and compact discs (“CDs”)—did not allow for music to be transferred easily and had various problems, such as low capacity and susceptibility to damage during handling. *Id.* at col. 1, l. 17–col. 2, l. 9. The ’573 patent discloses storing “Digital Audio Music” (i.e., music encoded into binary code) on a computer hard disk and selling and distributing such music electronically. *Id.* at col. 1, ll. 53–56; col. 2, ll. 10–35.

Figure 1 of the ’573 patent is reproduced below.

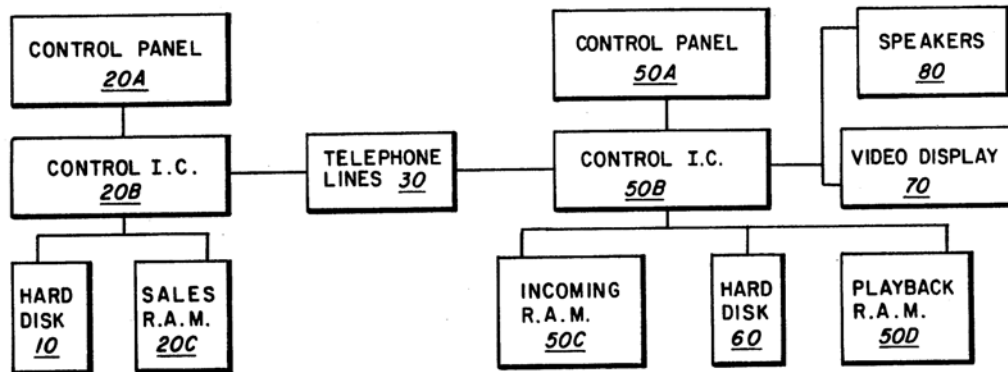


FIG. 1

As shown in Figure 1 above, an agent authorized to sell and distribute “Digital Audio Music” has control unit 20 (control panel 20a, control integrated circuit 20b, and sales random access memory chip 20c) and hard disk 10, which stores the music to be distributed. *Id.* at col. 3, ll. 44–67. On the other side of the Figure, a user has control unit 50 (control panel 50a, control integrated circuit 50b, incoming random access memory chip 50c, and playback random access memory chip 50d), hard disk 60, video display unit 70, and speakers 80. *Id.* at col. 3, l. 67–col. 4, l. 10. The agent and user are connected via telephone lines 30. *Id.* at col. 3, ll. 63–67. According to the ’573 patent, control units 20 and 50 are “designed specifically to meet

the teachings of this invention,” but all other components shown in Figure 1 were “already commercially available.” *Id.* at col. 4, ll. 16–23.

The ’573 patent describes a process by which a user transfers money “via a telecommunications line” to purchase music from the agent and the music is transferred electronically “via a telecommunications line” to the user and stored on the user’s hard disk. *Id.* at col. 5, ll. 29–45. Control integrated circuits 20b and 50b regulate the electronic transfer. *Id.* at col. 4, ll. 29–47. The agent’s sales random access memory chip 20c stores music temporarily so that it can be transferred to the user. *Id.* The user’s incoming random access memory chip 50c stores music temporarily before storage in hard disk 60, and playback random access memory chip 50d stores music temporarily so that it can be played. *Id.* In addition to “Digital Audio Music,” the ’573 patent contemplates “Digital Video” being sold and distributed electronically via the disclosed methods. *Id.* at col. 5, l. 67–col. 6, l. 2.

B. Exemplary Claim

Claim 1 of the ’573 patent recites:

1. 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:

transferring money electronically via a telecommunication line to the first party, at a location remote from the second memory and controlling use of the first memory, from the second party financially distinct from the first party, said second party controlling use and in possession of the second memory;

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