

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*.

DECISION
Institution of Covered Business Method Review
37 C.F.R. § 42.208

Petitioner Apple Inc. filed a Corrected Petition (Paper 6) (“Pet.”) to institute a covered business method review of claims 1, 2, 4, and 5 of Patent 5,191,573 (the “’573 patent”) pursuant to 35 U.S.C. § 321 *et seq.* Patent Owner SightSound Technologies, LLC filed a preliminary response (“Prelim. Resp.”). We have jurisdiction under 35 U.S.C. § 324. For the reasons that follow, the Board has determined to institute a covered business method review.

I. BACKGROUND

The standard for instituting a covered business method review is set forth in 35 U.S.C. § 324(a):

THRESHOLD—The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

Petitioner challenges claims 1, 2, 4, and 5 as anticipated under 35 U.S.C. § 102 and as unpatentable under 35 U.S.C. § 103. Pet. 33-73. We grant the Petition as to claims 1, 2, 4, and 5 on certain grounds as discussed below.

A. The ’573 Patent (Ex. 1101)

The ’573 patent, entitled “Method for Transmitting a Desired Digital Video or Audio Signal,” issued on March 2, 1993 based on Application 07/586,391, filed September 18, 1990, which is a file wrapper continuation of Application 07/206,497, filed June 13, 1988. The ’573 patent has expired.

The '573 patent was previously the subject of an *ex parte* reexamination (Control No. 90/007,402) requested by Napster, Inc. on January 31, 2005. Following reexamination, claims 1-6 of the '573 patent were confirmed. Ex. 1101 at 10-25 (reexamination certificate issued November 30, 2010). Claims 1, 2, 4, and 5 of the '573 patent also are the subject of Case CBM2013-00019 (grounds based on 35 U.S.C. §§ 101 and 112).

The '573 patent relates to a “method for the electronic sales and distribution of digital audio or video signals.” Ex. 1101, col. 1, ll. 9-14. The patent describes how three types of media used for storing music at the time of the invention—records, tapes, and compact discs—did not allow for music to be transferred easily and had various problems, such as low capacity and susceptibility to damage during handling. *Id.*, col. 1, l. 17-col. 2, l. 9. The 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.*, col. 1, ll. 53-56; col. 2, ll. 10-35.

Figure 1 of the '573 patent is reproduced below:

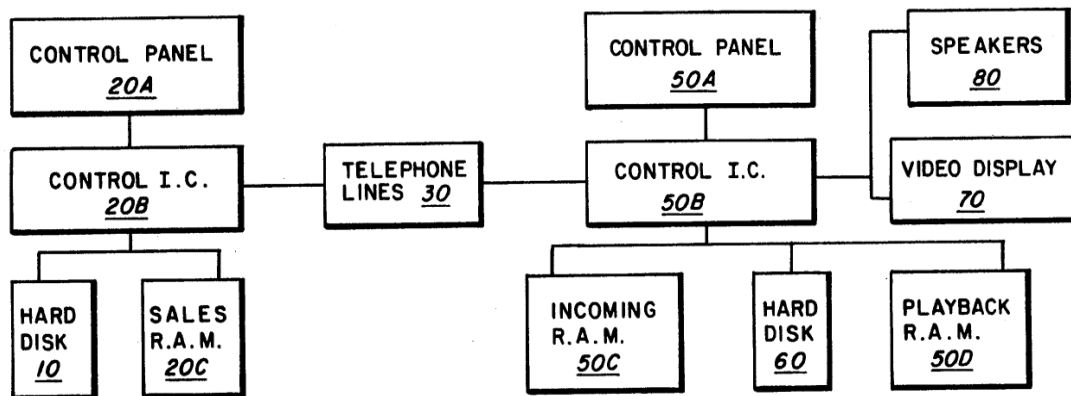


FIG. 1

As shown in Figure 1 above, an agent authorized to sell and distribute “Digital Audio Music” has a 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.*, col. 3, ll. 44-67. On the other side of the figure, a user has a 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.*, col. 3, l. 67-col. 4, l. 10. The agent and user are connected via telephone lines 30. *Id.*, 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.*, col. 4, ll. 16-23.

The 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.*, col. 5, ll. 29-45. Control integrated circuits 20b and 50b regulate the electronic transfer. *Id.*, 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.* Once a song is stored in the user’s hard disk 60, the user can select it among others in a visual display using control panel 50a and play it on speakers 80. *Id.*, col. 4, ll. 52-63. In addition to “Digital Audio Music,” the patent contemplates “Digital Video” being sold and

distributed electronically via the disclosed methods. *Id.*, col. 5, l. 67-col. 6, l. 2.

B. Related Matters

The '573 patent was asserted previously in two district court litigations: *SightSound.com Inc. v. N2K, Inc. et al.*, W.D. Pa. Case No. 2:98-cv-00118-DWA (filed January 16, 1998) (the "N2K litigation"), and *SightSound Techs., LLC et al. v. Roxio, Inc. et al.*, W.D. Pa. No. 2:04-cv-01549-DWA (filed October 8, 2004). Pet. 16. Both cases settled prior to trial. *See* Ex. 2101. The '573 patent is being asserted currently against Petitioner in *SightSound Techs. LLC v. Apple Inc.*, W.D. Pa. Case No. 2:11-cv-01292-DWA (filed October 10, 2011) (the "Apple litigation"). Pet. 16. The Apple litigation has been stayed. Prelim. Resp. 9.

C. Exemplary Claim

Claim 1 of the '573 patent is exemplary of the claims at issue:

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;

connecting electronically via a telecommunications line the first memory with the second memory such that the desired digital audio signal can pass therebetween;

transmitting the desired digital audio signal from the first memory with a transmitter in control and possession of the first

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