

During an original examination, if disclosure has been added to a specification and an examiner believes claims in an application are unsupported by the specification as originally filed, the proper procedure is to object under 35 U.S.C. § 132 to any alleged new matter appearing in the specification, and reject the claims as unsupported under Section 112. *See* MPEP § 706.03(o). Thereafter, if the applicant does not overcome the objection and rejection, the applicant has the option of refiling the application as a CIP including a new oath or declaration in support of the new matter, with the rejected claims being relegated to the actual filing date of the CIP for prior art purposes. However, in the absence of a CIP, an original examiner cannot simply elect to assign a later effective priority date to claims the examiner believes are unsupported by an original specification, and then proceed to cite intervening art based upon the newly determined date. Such a procedure would amount to creation of a “*de facto* CIP” by the original examiner, an undertaking plainly unsupported by statute, regulation, case law, or MPEP provision, or any other authority or precedent.

During reexamination, it is well established that the scope of the proceeding is limited, and is considerably narrower than the scope of the original examination. *See* 37 C.F.R. 1.552. Accordingly, it is undisputed that a reexamination examiner can have no greater authority than an original examiner. As a result, because an original examiner cannot create a “*de facto* CIP,” reassign priority dates, and reject claims over intervening prior art, it is clear that a reexamination examiner cannot do that either.

In the present case, no CIP was ever required by the original examiner or filed by the Applicant, and the original examiner therefore could not -- and did not -- reassign priority dates to the original claims. The Patentee therefore respectfully submits that the present Examiner

likewise lacks authority -- and therefore jurisdiction -- to reassign priority dates to the pending unamended claims in reexamination that originally issued in the '734 Patent.

**B. The Issue of Compliance with 35 U.S.C. § 112 was Considered and Passed on During the Original Examination Resulting in the '734 Patent and the Office Therefore Lacks Jurisdiction to Revisit the Same Issue in this Proceeding**

The Patentee respectfully submits that the Office further lacks jurisdiction under the facts in this proceeding to challenge the priority date of the unamended originally issued claims in reexamination, because the issue of those claims' entitlement to the filing date of the original application previously was considered and decided during the original examination of the '734 Patent.

**1. The Issue of Compliance With 35 U.S.C. § 112 Was Considered and Passed On By the Original Examiner**

The Office has asserted in the present Office Action that additional unsupported disclosure was added to the specification of the '734 Patent during the original prosecution of the application that issued as the '734 Patent, as well as in its predecessor applications. The Office has asserted further that the original examiner, Examiner Nguyen, did not consider or have reason to consider the issue of whether the additions to the specification constituted new matter. In support of these assertions, Examiner Foster has provided a helpful chart in the Office Action in the related copending reexamination of the '573 Patent, showing when and under what circumstances additions to the specification and resulting claim amendments were made in the '573 Patent and its predecessor application. No corresponding chart was provided in the instant Office Action for the '734 Patent. Examiner Foster has, however, pointed to specific elements added to the claims in the prosecution of the '734 Patent.

In order to demonstrate that Examiner Nguyen did in fact consider the various additions to the specification and concluded those additions did not constitute new matter and the subject claims therefore were supported under Section 112, Patentee has reproduced Examiner Foster's chart in amended form.<sup>1</sup> It is appropriate to also consider the prosecution of the '573 Patent in the present reexamination because the '734 Patent eventually issued from a continuation of the '573 Patent.<sup>2</sup> As a result, any Section 112 issues dealt with and resolved in the prosecution of the '573 Patent necessarily were resolved as well for the benefit of the prosecution of the '734 Patent. Accordingly, the chart also has been amended by adding three columns, subtitled respectively "Consideration by Examiner Nguyen," "Response by Applicant," and "Subsequent Action by Examiner Nguyen." That chart is set forth immediately below:

	Grandparent Application 07/206,497 filed June 13, 1988		Grandchild Application 08/023,098 filed February 26, 1993		Office Action in Application 08/023,098 and response		Issuance of '734 Patent
Feature	Date First Appearing in Claims of Grandparent Application	Date First Appearing in Specification of Grandparent Application	Date First Appearing in Claims of Grandchild Application	Date First Appearing in Specification of Grandchild Application	Consideration by Examiner Nguyen	Response by Applicant	Subsequent Action by Examiner Nguyen
Transferring Money from Second Party to a First Party (Charging a Fee)	December 22, 1988 February 28, 1990		February 26, 1993	February 26, 1993	Considered in Office Action February 24, 1992 in Parent Application of '734 Patent	Objection/rejection specifically responded to in June 25, 1992 response in Parent Application	Claims allowed in February 5, 1997 Office Action

<sup>1</sup> The chart was initially amended to add rows showing additional alleged new matter pointed out by Examiner Foster in the instant Office Action.

<sup>2</sup> Application serial number 08/023,098 (the "'098 Application") was filed as a continuation of application serial number 07/586,391 (the "'391 Application"), which eventually issued as the '573 Patent. The '391 application was in turn a continuation of application serial number 07/206,497 (the "'497 Application"), originally filed on June 13, 1988. The '098 Application is therefore the grandchild of the '497 Application. A further file wrapper continuation, serial number 08/607,648 (the "'648 Application") was filed from the '098 Application, and eventually issued as the '734 Patent.

Providing a Credit Card Number	December 22, 1988		January 3, 1994	January 3, 1994	Considered in Office Action February 24, 1992 in Parent Application of '734 Patent	Objection/rejection specifically responded to in June 25, 1992 response in Parent Application	Claims allowed in February 5, 1997 Office Action
Controlling Use of First/Second Memory	December 22, 1988		February 26, 1993	February 26, 1993	Considered in Office Action February 24, 1992 in Parent Application of '734 Patent	Objection/rejection responded to in June 25, 1992 response in Parent Application	Claims allowed in February 5, 1997 Office Action
Transmitting to a Location Determined by Second Party	February 28, 1990		February 26, 1993	February 26, 1993	Considered in Office Action February 24, 1992 in Parent Application of '734 Patent	Objection/rejection responded to in June 25, 1992 in Parent Application	Claims allowed in February 5, 1997 Office Action
Specific Video Download Procedures	February 28, 1990		February 26, 1993	February 26, 1993	No new matter issues were ever raised	No response was ever necessary since no issue was ever raised	Claims allowed in February 5, 1997 Office Action
First Party in Possession of Transmitter	August 24, 1990 (not entered)		February 26, 1993	February 26, 1993	Considered in Office Action February 24, 1992 in Parent Application of '734 Patent	Objection/rejection responded to in June 25, 1992 response in Parent Application	Claims allowed in February 5, 1997 Office Action
Second Party in Possession of Receiver and Second Memory	August 24, 1990 (not entered)		February 26, 1993	February 26, 1993	Considered in Office Action February 24, 1992 in Parent Application of '734 Patent	Objection/rejection specifically responded to in June 25, 1992 response in Parent Application	Claims allowed in February 5, 1997 Office Action
Account			January 3, 1994	January 3, 1994	No formal objection or rejections made	Declaration filed with amendment introducing text to claims and specification	Claims allowed in February 5, 1997 Office Action

The foregoing chart shows that substantially all of the alleged new matter issues were dealt with in the direct parent application, serial number 07/586,391 (the "'391 Application"), which eventually issued as the '573 Patent. Thus, Examiner Nguyen already had considered those additions and amendments in the Office Action of February 24, 1992, prior to the filing of



the grandchild application. That consideration included an objection to the specification as containing new matter under Section 132, and corresponding rejections of the relevant claims under Section 112. The Applicant responded to, and overcame, that objection and those rejections in the Response of June 25, 1992. In that Response, the Applicant included arguments and a Declaration under 37 CFR 1.132 establishing that the additions to the specification had ample antecedent support in the originally filed specification because the subject matter of the additions was implicitly disclosed and understood by those skilled in the art. After considering this Response by the Applicant, Examiner Nguyen withdrew the objection to the specification and the Section 112 rejections of the claims, and thereby determined the claims were allowable.

During prosecution of the grandchild application, the only element incorporated that can be alleged to be “new” is the recitation of an “account.” However, when this element was introduced to the claims and specification by amendment, it was accompanied by a Declaration under 37 CFR 1.132 establishing that the addition to the specification had ample antecedent support in the originally filed specification because the subject matter of the addition implicitly was disclosed and understood by those skilled in the art. This Declaration was accepted by Examiner Nguyen without comment.

Coincidentally, the prosecution history of the ‘734 Patent shows that, in the first Office Action after the filing of the grandchild application, Examiner Nguyen did issue an objection to the specification and rejection of the claims under 35 U.S.C. § 112, first paragraph, as failing to provide an adequate written description. Examiner Nguyen stated that the specification as filed “fails to make clear what problems in the prior art the present invention intends to overcome.” Office Action issued July 1, 1993, page 2. Although the objection and rejection were not “new matter” based, this nonetheless shows that Examiner Nguyen in fact did review the disclosure

and claims for compliance with 35 U.S.C. § 112, first paragraph. The Applicant overcame this rejection by providing an additional summary of the problems associated with the prior art and pointing out that the description provided in the originally filed specification made it clear what these problems were. Examiner Nguyen thereafter withdrew the Section 112, first paragraph rejection.

In view of all of the foregoing, Patentee respectfully submits that the amended chart set forth above demonstrate indisputably that Examiner Nguyen did consider, or at least had every reason and opportunity to consider, the very same new matter and Section 112 rejections the Office has made in the present Office Action. Further, the fact that Examiner Nguyen did make an objection to the specification and rejection of the claims based on Section 112, first paragraph, demonstrates she in fact carefully reviewed the specification and claims for compliance with the requirements of that section. Moreover, even though no objection or rejections were made by Examiner Nguyen concerning the additional “video feature” disclosure and claim elements, it is clear from Examiner Nguyen’s overall thorough analysis of the other Section 132 and Section 112 issues that she also had every reason and opportunity to consider and object to the “video feature” disclosure and reject those claims as well. She did not, however, do that. As a result, it is clear Examiner Nguyen at least implicitly considered and passed on the “video feature” specification additions and claims as well, thereby allowing all of the pending claims to issue in the February 5, 1997 Office Action.

**2. The Office Lacks Jurisdiction to Review Again the Same Section 112 Issues Determined by the Original Examiner**

As established above, the question of Section 112 support, and hence the appropriate priority date for the claims in the issued ‘734 Patent, were considered and passed on by Examiner Nguyen in the original examination. The Patentee therefore respectfully submits that,

as a matter of established law, the Office lacks jurisdiction under the facts in this proceeding to challenge again the Section 112 support and the 1988 priority date of the same claims in reexamination.

In *Patlex v. Quiqq*, 680 F.Supp. 33, (D.D.C. 1988), the United States District Court for the District of Columbia addressed a situation substantially identical to the circumstances of the present reexamination. In that case, the District Court reversed, on summary judgment, a decision by the Board of Patent Appeals and Interferences (“BPAI”) upholding the final rejection of three claims in a reexamination proceeding. The claims in question had issued in a patent that resulted from a string of continuation and divisional applications relating back to an original priority application. The reexamination examiner took the position that the three claims were not entitled to the original priority date, and instead reassigned a later effective priority date, based on the reexamination examiner’s determination that the specification had not enabled the three claims under Section 112 as of the original filing date.

The District Court determined, however, that the issue of whether the three claims were enabled under Section 112 previously had been considered and decided by the original examiner, and the Court therefore explicitly held that the reexamination examiner lacked jurisdiction to consider that issue again:

Entitlement to the ... [original priority] filing date was decided in the ... [original] examination. Plaintiffs contended then they were entitled to the [original priority] filing date, and the first Examiner considered then whether the [original] disclosure was enabling. Consequently, in order to reexamine ... [the patent] on the basis of whether the claims were anticipated by ... [later prior art], the reexamination examiner had to “reexamine” the question of whether the specification of the ... [original application] contained an enabling disclosure of the subject matter claimed in the ... [patent]. As noted above, however, the reexamination statute does not contemplate a “reexamination” of the sufficiency of a disclosure. Rather it is limited to reexamination of patentability based on prior art patents and publications. Hence, the Court concludes that the Examiner and the Board lack jurisdiction in this case to “reexamine” the sufficiency of the specification of the ... [original application].” Id. at 36. (Emphasis added)

The holding of the *Patlex* case, therefore, is clear. Where, as in the present case, an original examiner already has considered and determined the sufficiency of a specification's disclosure under Section 112 and the resulting entitlement of claims to an original priority date, there is no "substantial new" question of patentability for reexamination, as required by 35 U.S.C. §§ 301, *et seq.* As a result, the Office lacks jurisdiction to "reexamine" that same issue for those same claims in a subsequent reexamination proceeding.

Patentee therefore respectfully requests that, for this reason as well, the Office withdraw the current Section 112 rejections and reassignment of later priority dates for the originally issued unamended claims.

**C. In Any Event, the Claims as Issued in the '734 Patent Plainly Were Supported by the Originally Filed Specification**

As previously described, the Office has asserted in the present Office Action, *inter-alia*, that the claims as originally issued in the '734 Patent rely for written description support on certain alleged new matter added to the specification during the original prosecution of the '734 Patent. The Office also has asserted that the claims directed to the video embodiment of the invention are not supported by disclosure that was enabling as of the original June 13, 1988 filing date claimed by Patentee. As set forth above in Sections III(A) and (B) above, Patentee's position is that the Office lacks jurisdiction to review issues of adequate written description and enablement, especially where the particular issue was dealt with explicitly in the original prosecution of the patent in reexamination. Nonetheless, Patentee further respectfully traverses these rejections because, in any event, it is clear the originally filed specification in fact does provide both adequate written description for all of the issued claims and an enabling disclosure for those claims directed to the "video feature" of the invention.

**1. The Claims as Issued in the '734 Patent are Supported by Adequate Written Description in the Originally Filed Specification**

In the Office Action in the related copending reexamination of the '573 Patent, Examiner Foster provided a helpful chart showing alleged new matter added to the specification of the '573 Patent during prosecution. Patentee reproduced an amended version of that chart above in Section III(B)(1), thereby demonstrating the alleged new matter was considered by Examiner Nguyen and was determined, in fact, not to be new matter. However, for the sake of thoroughness and to reinforce that Examiner Nguyen correctly determined the issues, Patentee provides below an analysis demonstrating that each element in Claims 1 through 34 as originally issued in the '734 Patent in fact was supported, either explicitly or implicitly, by the original specification filed on June 13, 1988.

**i) The Proper Standard for Determining if Claims are Adequately Supported by a Specification as Filed**

As a preliminary matter, Patentee wishes to point out that the standard for written support in the absence of *ipsis verbis* recitation of a claim limitation is not strictly the inherency or required interpretation standard urged by the Office. Rather, the proper standard generally is whether the written description reasonably conveys to the skilled artisan that the inventor was in possession of the claimed subject matter.

The issue of whether the written description requirement has been met is a question of fact, to be determined on a case-by-case basis. *Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1562 (Fed. Cir. 1991). The legal standard for determining whether the facts of a particular case meet the written description requirement is not in dispute, however. In *Vas-Cath*, the CAFC held that “[t]he test for sufficiency of support in a patent application is whether the disclosure of the application relied on *‘reasonably conveys* to the skilled artisan that the inventor had possession

at that time of the later claimed subject matter.” *Vas-Cath* 935 F.2d at 1563 (emphasis added). As further held by the CAFC in *Union Oil Co. of Cal. v. Atlantic Richfield Co.*, 208 F.3d 989 (Fed. Cir. 2000), “[t]he written description does not require the applicant ‘to describe exactly the subject matter claimed, [instead] the description must clearly allow persons of ordinary skill in the art to recognize that [the inventor] invented what is claimed.” *Union Oil*, 208 F.3d at 997.

Because the written description requirement is fact-based, various decision makers have at times appeared to drift from the “reasonably conveys” standard mandated by the CAFC. The CAFC, however, has never wavered from this standard. For example, in *Hyatt v. Boone*, 146 F.3d 1348 (Fed. Cir. 1998) the court reviewed a BPAI decision holding that one party to an interference (Hyatt) lacked the necessary written description in his originally filed application to support a later claim drawn to a count of the interference. The phraseology used by the BPAI in setting forth the standard for compliance with the written description requirement was that “the written description must be sufficient, when the entire specification is read, that the ‘necessary and only reasonable construction’ that would be given it by a person of ordinary skill in the art is one that clearly supports each positive limitation in the count.” *Hyatt*, 146 F.3d at 1353. The appellant argued that the “necessary and only reasonable construction” standard applied by the BPAI was different from and more rigorous than the “reasonably conveys standard” set forth in *Vas-Cath*.

The CAFC determined, however, that the different phraseology used by the BPAI in fact did not a set different standard for meeting the written description requirement. Rather, the standard remains that “the written description must include all of the limitations...or the applicant must show that any absent text is *necessarily comprehended* in the description provided and would have been so understood at the time the patent application was filed.” *Hyatt*,

at 1354-55 (emphasis added). Moreover, the CAFC has on subsequent occasions repeatedly reinforced that the standard of *Vas-Cath* remains in effect. See, e.g. *Pandrol USA, LP v. Airboss Ry. Products, Inc.*, 424 F.3d 1161 (Fed. Cir. 2005) (“[t]he applicant must...convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention.”). In contrast, the general standard does not require that the “only reasonable interpretation” of the general features in the specification be the more specific features in the claims. *Vas-Cath* at 1566 (“[t]he [district] court further erred in applying a legal standard that essentially required the drawings of the ‘081 design application to *necessarily exclude* all diameters other than those within the claimed range.”)(emphasis in original).

In addition to *Hyatt*, the Office has cited *In re Robertson*, 169 F.3d 743 (Fed. Cir. 1999) and *Lockwood v. American Airlines, Inc.*, 107 F.3d 1565 (Fed. Cir. 1997) as establishing a strict inherency standard for finding written support for a claim element not having *ipsis verbis* support in the specification. In the first instance, Patentee respectfully submits that the citation of *In Re Robertson* is inapposite. In *Robertson*, the CAFC reiterated the well known standard for determining anticipation or obviousness of a claim by prior art where the prior art does not include literal disclosure of one or more elements of the claim. As such, *Robertson* was a case directed solely to Section 102/103 issues, and does not even mention Section 112. Moreover, nowhere in *Hyatt* or *Lockwood* does either court even allude to an inherency standard for showing support for claim limitations not described *ipsis verbis* in the specification. Rather, the CAFC simply held in *Lockwood* that “exact terms need not be used *in haec verba*..., the specification must contain an equivalent description of the claimed subject matter.” *Lockwood*, 107 F.3d at 1572 (citations omitted).

Patentee therefore respectfully submits that the requirement of an inherency standard under Section 112 is unsupported by *Hyatt, Robertson, or Lockwood*. Rather the proper standard to be applied by the Office in determining compliance with the written description requirement remains “whether the disclosure of the application as originally filed reasonably conveys to the artisan that the inventor had possession at that time of the later claimed subject matter, rather than the presence or absence of literal support in the specification for the claim language.” *In re Kaslow*, 707 F.2d 1366 (Fed. Cir. 1983).

**ii) All Features of Claims 1 Through 34 in the ‘734 Patent Find Written Support in the Originally filed Specification**

Applying the proper standard for compliance with the written description requirement under Section 112, Patentee respectfully submits that all of the limitations in Claims 1 through 34 in the ‘734 Patent were supported by the originally filed specification. To illustrate this point, Patentee has prepared a detailed chart showing each feature of the invention, the claims in which those features are recited, and where support in the originally filed specification is found for each feature. That chart is set forth immediately below:

Feature	Claims Reciting Feature	Written Description of Feature in Original Specification	Comments
A method/system for transferring desired digital video or digital audio signals	1-34	p. 1, lns. 7-9 p. 2, lns. 8-10, 20-26  (video) p. 5, lns. 36-43	<i>ipsis verbis</i>
forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party	1	p. 3, lns. 35-40	<i>ipsis verbis</i>
first party location and second party location remote from the first party location, the second party location determined by the second party	1, 4, 11, 16, 19, 26	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled



			artisan would readily understand this to comprehend transfers between two remote locations. Since the digital audio or digital video signals are transferred to the user's (second party's) control unit, a skilled artisan would readily understand that the second party can determine the second location.
the first party memory having a first party hard disk having a plurality of digital video or digital audio signals, including coded digital video or digital audio signals	1, 4, 16	p. 3, lns. 35-37	<i>ipsis verbis</i>
the first memory having a sales random access memory chip	1	p. 3, lns. 19-24 Fig. 1	<i>ipsis verbis</i>
telephoning the first party controlling the first memory by the second party	1	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily recognize this as comprehending the telephoning of the first party by the second party to initiate a transaction. This was addressed previously in the declaration of Arthur Hair submitted May 5, 1992.
providing a credit card number of the second party to the first party so that the second party is charged money	1	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 38-52 p. 3, lns. 12-15, 35-37	The original as filed specification states throughout that the invention provides for electronic sales of digital audio or digital video signals. A skilled artisan would readily recognize credit card sales as being comprehended within electronic sales. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.

electronically coding the digital video or digital audio signals to form coded digital audio signals into a configuration that would prevent unauthorized reproduction	1	p. 2, lns. 17-19 p. 4, lns. 15-20	<i>ipsis verbis</i>
storing a replica of the coded desired digital video or digital audio signals from the hard disk to the sales random access memory chip	1	p. 4, lns. 15-23	<i>ipsis verbis</i>
transferring the stored replica of the coded desired digital video or digital audio signal 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	1, 4	p. 4, lns. 15-23 p. 4, ln. 35 to p. 5, ln. 21	The original as filed specification includes <i>ipsis verbis</i> support for storing a replica of the coded desired digital audio or digital video signal to the first party sales random access memory, then transferring it to the memory of the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second memory. This was previously addressed in the declaration of Arthur Hair filed May 5, 1992.
storing the transferred digital video or digital audio signals in the second memory	1	p. 2, lns. 23-27	<i>ipsis verbis</i>
a second party integrated circuit which controls and executes commands of the second party connected to a second party control panel	2	p. 3, lns. 26-28 p. 4, lns. 15-20 Fig. 1	<i>ipsis verbis</i>

commanding the second party integrated circuit with the second party control panel to initiate the purchase of the desired digital video or digital audio signals from the first party hard disk	2	p. 4, lns. 12-20	The original as filed specification includes <i>ipsis verbis</i> support for using the second party control panel to command the second party integrated circuit to execute commands of the second party. A skilled artisan would readily recognize that a user would command the second party integrated circuit to initiate a purchase of digital video or digital audio signals, since that is the purpose of the system.
the second memory includes a second party hard disk and an incoming random access memory chip	3, 5, 8, 13, 16, 21, 30	p. 3, lns. 26-31 Fig. 1	<i>ipsis verbis</i>
the second memory includes a playback random access memory chip	3, 5, 16, 21, 30	p. 3, lns. 26-30 p. 4, lns. 39-50 Fig. 1	<i>ipsis verbis</i>
playing the desired digital video or digital audio signal from the second party hard disk	3	p. 2, lns. 26-32	<i>ipsis verbis</i>
a first party control unit (in possession and control of the first party)	4, 11, 16, 19, 26, 28	p. 2, lns. 38-43 p. 3, lns. 35-49	The as filed original specification includes <i>ipsis verbis</i> support for a first party control unit, where the authorized agent is the first party. A skilled artisan would readily recognize that the first party control unit is in possession and control of the first party because as an "agent authorized to electronically sell and distribute" digital audio or digital video, the first party would necessarily have to possess and control the source of the digital audio and digital video.
a second party control unit (in possession and control of the second party)	4, 11, 16, 19, 26, 28	p. 2, lns. 38-43 p. 3, lns. 35-49	The as filed original specification includes <i>ipsis verbis</i> support for a second party control unit, where the user is the second party. A skilled artisan would

			readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously addressed in the declaration of Arthur Hair filed May 5, 1992.
the first party control unit has a first party hard disk, a sales random access memory chip, and means or mechanism for electronically selling desired digital video or digital audio signals	4, 11, 19, 26, 28	p. 2, lns. 8-10 p. 3, lns. 20-40 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a first party control unit with a hard disk, and sales random access memory chip. A skilled artisan would readily recognize that the first party control unit would include a means or mechanism for executing an electronic sale because the electronic sale is described in the original specification as separate from electronic transfer and electronic distribution.
the second party control unit has a second memory connected to the second party control panel	4, 19, 21, 26, 28	p. 3, lns. 26-31 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a control panel connected to the second party control unit. A skilled artisan would readily understand that the second party hard disk corresponds to a second memory.
the second party control unit has means for playing desired digital video or digital audio signals connected to and controlled by the second party control panel	4, 28	p. 3, lns. 26-33 Fig. 1	<i>ipsis verbis</i>

selling digital video or digital audio signals through telecommunications lines	4	p. 2, lns. 8-10, lns. 47-50	<i>ipsis verbis</i>
the first party control unit includes a first party control integrated circuit connected to the first party hard disk, the sales random access memory and the second party control panel through telecommunications lines	4, 6, 11, 16, 19, 22, 26, 28, 31,	p. 3, lns. 20-33 Fig. 1	<i>ipsis verbis</i>
the first party control unit includes a first party control panel connected to and through which the first party control integrated circuit is programmed	6, 11, 16, 22, 31	p. 3, lns. 20-24 p. 4, lns. 12-14 Fig. 1	<i>ipsis verbis</i>
the second party control unit includes a second party control integrated circuit connected to the second party hard disk, the playback random access memory and the first party control integrated circuit	7, 11, 16, 23, 32	p. 3, lns. 20-33 p. 4, lns 15-20 Fig. 1	<i>ipsis verbis</i>
the second party control integrated circuit and the first party control integrated circuit regulate the transfer of desired digital video or digital audio signals	7, 22, 23, 31, 32	p. 4, lns. 15-20	<i>ipsis verbis</i>
the second party control unit includes a second party control panel connected to and through which the second party control integrated circuit is programmed	7, 16, 19, 23, 26, 28, 32	p. 3, lns. 26-28 p. 4, lns. 12-14 Fig. 1	<i>ipsis verbis</i>
the playing means of the second party control unit includes a video display	9, 14, 18, 19, 25, 34	p. 3, lns. 26-33 p. 5, lns. 9-21 Fig. 1	<i>ipsis verbis</i>
the telecommunications lines include telephone lines	10, 11, 12, 15, 17, 20, 27, 29	p. 3, ln. 25 Fig. 1	<i>ipsis verbis</i>

means or mechanism for transferring money electronically via telecommunications lines from the second party to the first party	11, 16, 19	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic sales via telecommunications lines. A skilled artisan would readily recognize that electronic sales via telecommunications lines would include the transfer of money via telecommunications lines. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
means or mechanism for the first party to charge a fee to the second party and granting access to desired digital video or digital audio signals	16, 19, 26	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 47-50 p. 3, lns. 20-33 Fig. 1	The specification discloses electronic sales via telephone lines. Because the agent is authorized to sell and to transfer via telephone lines, there is implicitly support for selling and thereby charging a fee. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
means or mechanism for connecting electronically via telecommunications lines the first memory with the second memory	11, 16,	p. 4, lns. 15-20 Fig. 1	A skilled artisan would readily recognize from the specification that the first memory would include a means for connecting to the second memory via the disclosed telephone lines.
the second party control unit includes an incoming random access memory	11, 16, 24, 33	p. 3, lns. 26-29 Fig. 1	<i>ipsis verbis</i>
means or mechanism for transmitting desired digital video or digital audio signals	11, 16, 26, 28	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of those signals, where the telecommunications lines act as the transmitter. A skilled artisan would also readily recognize in order to receive digital audio or digital video signals over

			telecommunications lines, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
a transmitter connected to the first memory and the telecommunications lines, the first party in possession and control of the transmitter	11, 16	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of those signals, where the telecommunications lines act as the transmitter.
a receiver connected to the second memory and the telecommunications lines, the second party in possession and control of the receiver	11, 16, 19, 26	p. 2, lns. 47-49 p. 3, lns. 35-38 p. 4, lns. 24-26	A skilled artisan would readily recognize in order to receive digital audio or digital video signals over telecommunications lines as disclosed throughout the specification, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992. A skilled artisan would readily recognize that the receiver is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
the transmitter remote from the receiver, the receiver at a location determined by the	11	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1	The original as filed specification states throughout that digital audio

second party in electrical communication with the connecting means or mechanism		p. 4, lns. 21-23	or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. A skilled artisan would further recognize that in order for transmission of the digital audio or video signals to occur the transmitter and receiver have to be in electrical communication with the connecting means.
means or mechanism for storing desired digital video or digital audio signals with the receiver	11, 16	p. 3, lns. 26-31 p. 4, lns. 15-20 Fig. 1	The second party control unit includes a second party control integrated circuit which regulates the transfer of the digital audio and digital video signals. A skilled artisan would readily recognize that the second party integrated circuit regulates storage of the digital audio or digital video signals.
speakers in possession and control of the second party	14, 18, 26	p. 3, ln. 33, 47-49	The as filed original specification has <i>ipsis verbis</i> support for speakers. A skilled artisan would readily recognize that the speakers would be in possession and control of the second party since the specification throughout states that the second party may repeatedly listen to stored songs through the speakers.
the second party choosing desired digital audio signals from the first party's hard disk	26	p. 2, lns. 8-16, 20-27, 38-52 p. 35-49	Throughout the specification discloses electronic sales of digital video or digital audio signals. A skilled artisan would readily recognize that this includes the selection of individual desired signals by the purchaser.



For all the reasons set forth in the chart immediately above, Patentee respectfully submits that the written description standard was satisfied for originally issued Claims 1 through 34 of the '734 Patent.

**2. The "Video Feature" of the Invention in the Claims of the '734 Patent was Enabled by the Originally Filed Specification**

The Office asserts the "video feature" of the invention claimed in the '734 Patent was not enabled by the disclosure in the originally filed specification. Patentee respectfully traverses this for the reasons set forth below.

The Office acknowledges the "original specification does contain a general statement at the end of the specification stating '[f]urther, it is intended that this invention not be limited to Digital Audio Music and can include Digital Video....'" The Office, however, generally asserts "this broad, generic statement fails to enable specifically claimed video download and processing procedures." Office Action, page 7. Since the Office has not specifically identified which portions of the claims allegedly are not enabled, Patentee will discuss below the issue of enablement with respect to particular comments made in the Office Action.

Initially, Patentee respectfully submits that it appears the Office is attempting to apply a "mass production" standard to the claims when, in actuality, the enablement standard of Section 112 has no such requirement. As the CAFC held in *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544 (Fed. Cir. 1987) "the law has never required that a patentee ... must disclose in its patent the dimensions, tolerances, drawings, and other parameters of mass production not necessary to enable one skilled in the art to practice (as distinguished from mass-produce) the invention." Nonetheless, it appears this kind of "mass production" information is exactly the kind of information the Office now seeks. For example, the Office Action states "[p]ersonal user devices with the processing power capable of playing back much larger and more complicated

digital video files, such as DVD players, were not routinely available until the late 1990(s).” Office Action, page 17. (emphasis added.) Whether such devices “routinely” were available is not part of the test for enablement, nor is it one of the eight factors for reasonable experimentation that were laid out by the CAFC in *In re Wands*, 858 F.2d 731 (Fed. Cir. 1988). Rather, the only relevant test is whether, without undue experimentation, one of ordinary skill in the art could have made and used the claimed invention.

As further evidence that the Office seeks to apply a “mass production” standard, it is noted that the Office Action states “the digital bandwidth required to transmit a video signal at even VHS quality was around 1.5 megabits per second (approximately 30 megabytes in 3 minutes).” Office Action, page 10. (emphasis added.) However, while VHS quality may be appropriate for “mass production,” a limitation requiring VHS quality video is not included in any of the claims, and thus it is impermissible for the Office to use that level of quality as a benchmark for enablement. In fact, the recent success of very small screen video players shows that “mass production” can be achieved with even less than VHS quality.

Moreover, even if VHS quality were a requirement for enablement of the claims, there is no articulated basis to believe the original specification would not have enabled one of ordinary skill in the art to meet that quality for a short period of time. This fact is accentuated by the statement in the Office Action that “it is not clear ... how downloaded files of any appreciable or viable size would have been downloaded and stored on originally disclosed hard disk 60 of the user in the original specification.” Office Action, page 18. (emphasis added.) The use of “appreciable” and “viable” makes it clear that short videos are enabled, and nothing more is required. Moreover, the Office appears to acknowledge that even a 30 megabyte hard drive

could store a three-minute movie if encoded at 1.5 megabits/second. *Id.* That alone is sufficient to meet the enablement requirement.

Moreover, Patentee respectfully submits that the Office impermissibly limits the scope of what it referenced when the Office Action cites the size of available hard drives. While a 30 megabyte hard drive would have been available in a 3.5 inch form factor, the same chart relied on by the Office illustrates that hard drives larger than 1.89 gigabytes were available at the same time. See Exhibit "A" to this Response, which is a copy of the chart cited in footnote 14 of the Office Action.

The Office has applied the same "mass production" requirement to the library server. The Office initially seems to acknowledge that mainframes did exist which could have operated as repositories for copyrighted materials using hard disk drives. However, the Office then seems to discount the relevance of the existing mainframes by stating "it is not clear how even a small-sized video library ... would have been stored in the hard disk of the copyright holder ... without requiring details directed to a complex mainframe operating environment." Office Action page 18. Patentee respectfully submits this unsupported statement on "complexity" is insufficient to prove that mainframe operating environments capable of storing digital video files were not already known at the time the original specification was filed, or that undue experimentation would have been required to store digital video files in such an environment. The statement also leaves unanswered how the Office is defining "small" -- according to the enablement standard under Section 112 or the improper "mass production" standard?

The Office Action further states "[r]egarding the transfer of these large video files over a network, the proliferation of broadband communication network[s] capable of delivering these large files to consumers, such as the Internet, simply did not exist or were not well known in

1988.” Office Action, page 10. (emphasis added.) Such a statement raises at least two issues. First, “not well known” to whom? Those of ordinary skill in the art of computer systems knew of telephony-based wide area networks at the time the original specification was filed. See <http://www.rfc-editor.org/rfc-index.html> for a list of computer communications standards including those available at the time of filing. Second, utilization of a “broadband” network is not required. In fact, the originally filed specification discloses that the audio and video files can be transferred over telephone lines. While this may not be an extremely fast method of transfer, it nonetheless clearly is enabling under Section 112.

The Office further questions “how the digital video would have been coded and decoded during transmission, as digital video coding standards for purposes of transmission and file download were not settled in 1988. [T]he MPEG-1 standard which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established in 1992.” Office Action, page 18. (emphasis added.) Again, Patentee respectfully notes that standardization of video coding and the use of “NTSC quality” relate to “mass production”, not enablement under Section 112. Thus, the Office has not alleged -- and cannot allege -- that one of ordinary skill in the art could not have coded video at some other resolution or using some other encoding technique at the time the original specification was filed.

Accordingly, Patentee respectfully submits that Claims 1 through 34 directed to the “video feature” embodiment of the invention were enabled by the originally filed specification under the proper standard for Section 112 enablement.

**D. Because the Originally Issued Claims of the ‘734 Patent are Entitled to the June 13, 1988 Priority Date Awarded During the Original Examination, the References *Yurt* and *Goldwasser* are not Appropriate Prior Art**

Based on the foregoing, Patentee respectfully submits that originally issued Claims 1 through 34 of the '734 Patent are entitled to the June 13, 1988 priority date. In the first instance, it is improper for the Office to reconsider the issue of priority in the present reexamination for the reasons set forth in Sections III(A) and (B) above. Further, even if it were proper to reconsider the issue of priority, Patentee respectfully submits the facts of record clearly show the claims were described adequately and enabled by the originally filed specification for the reasons set forth in Section III(C) above. Patentee therefore respectfully submits that the references *Yurt* and *Goldwasser* are not appropriate prior art because both of these references post-date the applicable June 13, 1988 priority date of the claims. Patentee therefore respectfully requests that all rejections based on these references be withdrawn.

**IV. THE AMENDED AND NEW CLAIMS ARE NEITHER ANTICIPATED BY, NOR OBVIOUS OVER, THE APPROPRIATE PRIOR ART OF RECORD**

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 have been rejected as either anticipated by or obvious over one reference that antedates the proper June 13, 1988 priority date of the claims, and two references that post-date the proper June 13, 1988 priority date. Specifically:

Claims 4, 6 through 19, 22 through 25, 28 and 31 through 34 are rejected under 35 U.S.C. § 103(a) as obvious over U.S. Patent No. 5,132,992 to Yurt (*Yurt*) in view of U.S. Patent No. 5,241,428 to Goldwasser (*Goldwasser*);

Claims 1 and 2 are rejected under 35 U.S.C. § 103(a) as obvious over *Yurt* in view of U.S. Patent No. 4,789,863 to Bush (*Bush*);

Claim 3 is rejected under 35 U.S.C. § 103(a) as obvious over *Yurt* in view of *Bush*, further in view of *Goldwasser*.

Patentee has amended independent Claims 1 and 11 to specify that the digital audio or digital video signals are stored to a second party hard disk. Moreover, all of independent Claims 4, 16, 19 and 28 recite that the digital audio or digital video signals are stored to a second party hard disk. Patentee has also added independent Claims 35, 37, 43, 48, 51, and 56 which recite that the digital audio or digital video signals are stored to a non-volatile storage portion of the second memory. As a result, Patentee respectfully submits that no appropriate prior art of record shows, suggests or teaches each and every limitation of independent Claims 1, 4, 11, 16, 19 and 28 or independent Claims 35, 37, 43, 48, 51, and 56. By extension, no appropriate prior art shows, suggests or teaches each and every limitation of dependent Claims 2, 3, 6 through 10, 12 through 15, 17, 18, 22 through 25 and 31 through 34 or dependent Claims 36, 38 through 42, 44 through 47, 49, 50, 52 through 55 and 57 through 60.

**A. The Rejections Based on *Yurt* and *Goldwasser* are Improper and Should be Withdrawn**

As demonstrated above in Section III, Claims 1 through 34 of the '734 Patent as issued were entitled to the June 13, 1988 priority filing date of the original application. Further, as shown above in Section II, the added recitation of "wherein the second memory includes a non-volatile storage portion that is not a tape or CD" is supported in the original specification filed June 13, 1988. As a result, in addition to the other originally issued claims, amended Claims 1 and 11 and their respective dependent claims and newly added Claims 35 through 60 are entitled to the June 13, 1988 priority date. *Yurt* and *Goldwasser* therefore are not appropriate prior art against any of these claims for the purposes of 35 U.S.C. §§ 102 and 103. Patentee therefore respectfully submits that the rejections based on the combination of *Yurt* and *Goldwasser*, and their combination with *Bush*, cannot be sustained and should be withdrawn.

**B. *Bush* Does Not Show, Suggest or Teach Each and Every Limitation of Claims 1 Through 34**

As described above, amended Claims 1 and 11 recite the limitation that the digital audio or digital video signals are stored in a second party hard disk. Further, existing Claims 4, 11, 16, 19 and 28 all state that the digital audio or digital video signals are stored in a second party hard disk. Patentee respectfully submits that *Bush*, either alone or in combination any other applicable reference, does not show, suggest or teach this feature.<sup>3</sup> In fact, it is apparent that *Bush* teaches away from this feature. Further newly added independent Claims 35, 37, 43, 48, 51, and 56 all recite that the digital audio or digital video signals are stored to a non-volatile storage portion of a second party memory, wherein the non-volatile storage portion is not a tape or CD. It similarly is clear that *Bush*, either alone or in combination with any other applicable reference, does not show, suggest or teach this feature, and that *Bush* in fact teaches away from it.

In particular, *Bush* discloses a system whereby a user can receive selected pre-recorded entertainment over cable lines. *Bush*, col. 1, lns. 46-48. The pre-recorded entertainment includes audio and video selections that are stored at a control source in CD format. *Bush*, col. 2, lns. 30-34. According to the disclosure of *Bush*, the audio or video selection received by the user must be recorded on a cassette tape. *Bush*, col. 4, lns. 7-58. *Bush* also discloses that a CD may be used to record the audio or video entertainment. *Bush*, col. 5, lns. 24-29.

It therefore is clear that *Bush* expressly requires audio or video signals be transferred from a first memory to a CD or tape in the second memory. Thus, the reference recognized the known problems in the prior art -- the inherent disadvantages in centrally producing CD's, tapes,

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<sup>3</sup> Patentee is aware that several other references that antedate the June 13, 1988 priority date also are of record, but have not been cited against pending claims in the present reexamination. Patentee wishes to point out that, for the

and other fixed media at a remote manufacturing location and then distributing those objects for sale to ultimate consumers via traditional “brick and mortar” wholesale and retail distribution channels. However, *Bush* failed to recognize, and therefore stopped short of, the ultimate and superior solution to the prior art problems provided by the invention of the ‘734 Patent -- the elimination of the need to produce CD’s, tapes, or other fixed media objects at the second party’s location. Thus, where *Bush* still required the production of CD’s and tapes at the second party’s location, with all of the attendant localized problems of production, physical storage, and risk of damage, the invention of the ‘734 Patent solved these problems by providing storage in a non-volatile storage permitting repetitive playback of audio and video without requiring the second party to make, handle, physically store, or otherwise deal with CD’s, tapes, or other fixed media forms.

As a result, Patentee respectfully submits that the only reference properly cited does not show, suggest, or teach transferring audio or video signals from a first memory to a non-volatile storage portion of a second memory, which non-volatile storage portion is not a tape or CD and/or which is a hard disk. To the contrary, *Bush* expressly teaches away from this invention by requiring that the digital audio or digital video signals be transferred to a CD or tape, while failing to recognize or deal with the problems and disadvantages associated with CD’s and tapes. It therefore follows that *Bush* does not teach storing digital audio or digital video signals in a portion of a second memory that is a non-volatile storage and is not a tape or CD. Patentee therefore respectfully submits that *Bush* does not show, suggest or teach each and every limitation of independent Claims 1, 4, 11, 16, 19, 28, 35, 37, 43, 48, 51, and 56. As a result, none of independent Claims 1, 4, 11, 16, 19, 28, 35, 37, 43, 48, 51, and 56, or their respective

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reasons set forth in Patentee’s coordinate Response to the Office Action in ‘573 Patent reexamination, the teaching of these references is similar to that of *Bush*, since they all teach copying audio or video signals to a tape or CD.



dependent claims, can be anticipated by or obvious over *Bush*, alone or in combination with any other applicable references.

## V. DOUBLE PATENTING

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 also have been rejected under the judicially created doctrine of obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent, which is copending in reexamination, in combination with *Yurt*.

Patentee submits that this double-patenting rejection is improper as applied to the instant claims for the reasons set forth below. Patentee therefore respectfully requests that the rejection be withdrawn.

### A. **Obviousness-Type Double-Patenting Is Not A New Issue Related To Patentability And Is Therefore Inappropriate In The Instant Reexamination**

Patentee respectfully submits that it is not appropriate to consider and assert obviousness-type double-patenting in the present reexamination because it does not present a “substantial new question of patentability.”

During the prosecution of the applications that eventually resulted in the '734 Patent and the related U.S. Patent No. 5,966,440 (the “'440 Patent”), both applications were co-pending before Examiner Nguyen. Indeed, it was Examiner Nguyen who issued the '573 Patent, the subject '734 Patent, and the '440 Patent. Examiner Nguyen in each case therefore was well aware of the scope of the claims in each application and in the patents that issued from those applications. This by itself indicates the issue of double-patenting was before Examiner Nguyen in the original examination of the subject '734 Patent, and therefore does not present a “substantial new question of patentability” now.

35 U.S.C. § 303 permits the Director to “determine whether a substantial new question of patentability is raised.” While the fact that a patent or printed publication previously was cited

or considered may not preclude the existence of a substantial new question of patentability in some circumstances, the plain language of the statute nonetheless requires that the *question of patentability* raised must be new. Patentee therefore believes it is improper in reexamination to re-raise a ground for rejection that was before the examiner in the original examination of the patent (and any related patents) at issue. Moreover, Patentee believes the case law squarely support's Patentee's position on this point. See *In re Recreative Technologies Corp.*, 83 F.3d 1394, 1398 (Fed. Cir. 1996) ("Reexamination is barred for questions of patentability that were decided in the original examination.")

In the present case, the prosecution history of the '734 Patent shows unequivocally that the Applicant's attorney *specifically requested* Examiner Nguyen consider any issues of double-patenting that might have resulted from the issuance of the '734 Patent. Thus, the Applicant's attorney expressly stated to Examiner Nguyen:

***"Applicant requests the Examiner to review any double patenting possibility of the above-identified patent application in regard to U.S. Patent 5,191,573. If the Examiner determines there is no need for any double patenting concern, the applicant requests that the Examiner deem this request to consider double patenting as moot."***  
(Response to Office Action filed by Applicant's Counsel, Ansel Schwartz, July 13, 1994).

Further, in the related copending application that resulted in the '440 Patent, Applicant again brought the issue of double-patenting to the Examiner Nguyen's attention. Specifically, Applicant's attorney stated to Examiner Nguyen:

***"Applicant reminds the Examiner of related continuation application 08/607,648 and asks the Examiner to review whether there is any double patenting issue with regard to this application 08/607,648 or parent patent, U.S. Patent No. 5,191,573."***  
(Response to Office Action filed by Applicant's Counsel, Ansel Schwartz, July 3, 1996)

Notwithstanding this express raising of the issue twice by the Applicant, Examiner Nguyen in subsequent Office Actions declined to issue a rejection based on double-patenting in the two co-pending applications that resulted in issuance of the '734 and the '440 Patents, with respect to each other or the '573 Patent. Thus, Examiner Nguyen plainly had the impetus and the opportunity to make a double patenting rejection had she felt it warranted. She did not do that however. It therefore follows, *a fortiori*, that the question of double-patenting cannot, as a matter of law and fact, present a "substantial new question of patentability" in the present proceedings.

Moreover, Patentee respectfully submits that Applicant was -- and Patentee now is -- entitled to rely on Examiner Nguyen's declining to make a rejection for double-patenting in response to the Applicant's previous specific requests to consider the issue. Patentee should not now be forced to face that same issue in the instant reexamination. That is exactly what 35 U.S.C. § 303 is intended to avoid. Indeed, as recognized by the CAFC in *Recreative Technologies*, the "substantial new question requirement would protect patentees from having to respond to, or participate in unjustified reexaminations. Further, it would act to bar reconsideration of any argument already decided by the Office" and, as a result, "the statute [35 U.S.C. § 303] guarded against simply repeating the prior examination on the same issues and arguments." *Id.* at 1397.

Patentee therefore respectfully submits that the issue of double-patenting over the '573 Patent was properly before Examiner Nguyen and passed on during the original prosecution of the '734 Patent. As a result, under the plain meaning of 35 U.S.C. § 303 and the CAFC's holding in *Recreative Technologies*, double-patenting, under the present circumstances, is not a "substantial new question of patentability" and therefore is not a proper issue to be considered in

this reexamination. Patentee therefore respectfully requests that the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 for obviousness-type double-patenting be withdrawn.

**B. *Yurt* is not Available as Prior Art for the Purpose of Obviousness-Type Double-Patenting**

As set forth above, the claims currently in reexamination are entitled to the June 13, 1988 priority date awarded in the initial examination of the '734 Patent. As a result, *Yurt*, which does not antedate the June 13, 1988 priority date, is not available as prior art. Patentee therefore respectfully submits that the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 for obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent in combination with *Yurt* is improper and should be withdrawn for this reason as well.

**C. The Rejection Of Claims 1 through 4, 6 through 19, 22 through 25, 28 And 31 through 34 Over Claims 1 through 6 Of The '573 Patent Alone Is Improper In An Obviousness-Type Double-Patenting Rejection**

As established above, *Yurt* is not available as prior art under the circumstances of the present reexamination. Patentee further respectfully submits that, because the rejection for obviousness-type double-patenting therefore is unsupported by some suggestion in the prior art, or the knowledge of one having ordinary skill in the art, it is improper and should be withdrawn for this reason as well.

The BPAI dealt with this very same issue in *Ex parte Schmit*, 64 USPQ.2d, 1723. In *Schmit*, the BPAI reversed a rejection under the doctrine of obviousness-type double-patenting, where the examiner had relied on a combination of "references" both of which were parents of the application at issue. In its opinion, the BPAI interpreted its own precedent in *Ex parte Oetiker*, 23 USPQ2d 1651 (Bd. App. 1990), and the precedent of the CAFC in *In re Longi*, 774 F.2d 1100, 225 USPQ 645 (Fed. Cir. 1985). The BPAI recognized this precedent to "stand for

the proposition *that prior art must be cited* to support an obviousness-type double-patenting rejection.” *Schmit*, at 1725. (emphasis added) The BPAI therefore properly held that, “[a]bsent citation of prior art in addition to the base patent, there is no factual basis for the [obviousness-type double-patenting] rejection.” *Id.* As a result, in the present reexamination, although the claims of the ‘573 Patent can be asserted by the Examiner as a partial basis for an obviousness-type double patenting rejection, the ‘573 Patent cannot *by itself* support such a rejection. See *Ex parte Schmit*, 64 USPQ.2d, 1723; *In re White and Langer*, 405 F.2d 904, 160 USPQ 417 (CCPA 1969) (“Having been copending with the application at bar, appellants’ own patent is not prior art although it is the basis of the double patenting rejection.”); *Research Corporation Technologies, Inc. v. Gensia Laboratories, Inc.*, 10 Fed.Appx. 856, 2001 WL 287093 (Fed. Cir. 2001) (“In considering the question [double-patenting], the patent disclosure may not be used as prior art.”)

The instant obviousness-type double-patenting rejection implicitly acknowledges that Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 are not co-extensive with the Claims 1 through 6 of the ‘573 Patent. Therefore, Patentee respectfully submits that, under *Oetiker* and *Longi*, as adopted by the BPAI in *Schmit*, it is necessary to show some rationale, either in the prior art, or the knowledge of one having ordinary skill in the art, as to why Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 are obvious over Claims 1 through 6 of the ‘573 Patent. Since *Yurt* is not available as prior art for this purpose, and because the appropriate rationale does not otherwise appear of record elsewhere, Patentee respectfully submits that the instant double-patenting rejection over Claims 1 through 6 of the ‘573 Patent should be withdrawn for this further reason as well.<sup>4</sup>

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<sup>4</sup> Parenthetically, Patentee notes that *Schmit* was not published as binding precedent of the BPAI. Nonetheless, for the reasons set forth above, Patentee believes it is abundantly clear that *Schmit* was correctly decided and is

Respectfully submitted,

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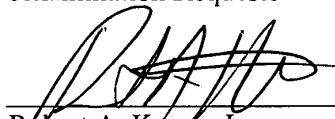
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supported by the precedent of the CCPA and CAFC. Patentee therefore respectfully suggests that the Examiner should follow the Board's holding in the present reexamination.

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Response in Reexamination No. 90/007,403 was served via First Class United States Mail, postage prepaid, this 29<sup>th</sup> day of November, 2006, on the following:

Mr. Albert S. Penilla  
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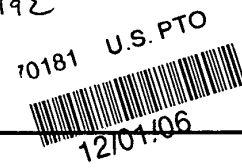
By:   
Robert A. Koors, Jr.  
Attorney for Patentee

<b>CERTIFICATE OF MAILING BY "EXPRESS MAIL" (37 CFR 1.10)</b>		Docket No.	
Applicant(s): <b>Arthur R. Hair</b>		<b>219099 (NAPS002)</b>	

Application No. <b>90/007,403</b>	Filing Date <b>01/31/2005</b>	Examiner <b>Roland G. Foster</b>	Customer No. <b>23973</b>	Group Art Unit
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Invention: **System for Transmitting Desired Digital Video or Digital Audio Signals**

8192



I hereby certify that the following correspondence:

**Statement Under 37 C.F.R. 1.560(b) w/chart attachments, Post Card.**

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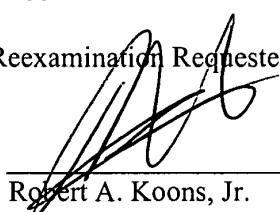


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The undersigned hereby certifies that a true and correct copy of the foregoing Statement Under 37 C.F.R. §1.560(b) in Reexamination No. 90/007,403 was served via First Class United States Mail, postage prepaid, this 1<sup>ST</sup> day of December, 2006, on the following:

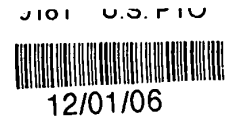
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Attorney for Patentee

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: )  
ARTHUR R. HAIR )  
Reexamination Control No. 90/007,403 )  
Reexamination Filed: January 31, 2005 ) SYSTEM FOR TRANSMITTING  
Patent Number: 5,675,734 ) DESIRED DIGITAL VIDEO OR  
Examiner: Roland G. Foster ) AUDIO SIGNAL



Mail Stop *Ex Parte* Reexamination  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

**STATEMENT UNDER 37 C.F.R. §1.560(b)**

At the Interview with Examiners Foster, Weaver, Laballe, and Supervisory Examiner Kashnikow on November 16, 2006 in Reexamination Control Nos. 90/007,402; 90/007,403; and 90/007,407, Patentee's counsel presented the following reasons as warranting favorable action in the pending Reexamination applications:

1. The rejections of the pending claims in all three Reexaminations under Section 112 are improper and should be withdrawn because, as a matter of law, the Office is without jurisdiction to consider whether originally issued claims meet the requirements of Section 112, first paragraph.

2. The rejections of the pending claims in all three Reexaminations under Section 112 also should be withdrawn because where, as here, the original examiner considered whether the originally issued claims in the patents in Reexamination met the requirements of Section 112, first paragraph, the Office is without jurisdiction in these three Reexaminations to consider again those same issues for those same claims under Section 112, first paragraph. Patentee's counsel presented a chart showing the manner in which the original examiner considered and passed on the issue of the originally issued claims meeting the requirements of Section 112, first paragraph. That chart is attached hereto.
3. Although the Office is without jurisdiction to consider the issue of whether the originally issued claims in all three Reexaminations meet the requirements of Section 112, first paragraph, it is clear that, in fact, those claims do meet the requirements of Section 112, first paragraph, because they find written support and are enabled by the original specification as it was filed on June 13, 1988. Patentee's counsel presented charts for all three patents in Reexamination, showing where support for all of the limitations in the originally issued claims find support in the original specification as filed on June 13, 1988. Those charts also are attached hereto.
4. Since all of the claims in the three Reexaminations properly are supported under Section 112 by the original specification as filed on June 13, 1988, those claims are entitled to June 13, 1988 as their priority date.
5. Since all of the claims in the three Reexaminations are entitled to a June 13, 1988 priority date, certain of the references cited by the Office in the pending Office Actions, i.e., United States Patent No. 5,241,421 to *Goldwasser*; United States Patent No. 5,132,992 to

*Yurt*, and United States Patent No. 4,999,187 to *Cohen*, are inapplicable and not available as prior art to the pending claims, because all three references postdate the June 13, 1988 priority date of those claims.

6. All of the other references cited by the Office in the pending Office Actions which antedate the June 13, 1988 priority date of the claims require that audio or digital signals be downloaded from a first memory to a second memory that requires a CD or tape. Patentees have amended the pending claims to make it clear those claims do not require the second memory be a CD or a tape and, as a result, those claims are not obvious over any of the pre-June 13, 1988 references, either alone or in combination.

Respectfully submitted,

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	Parent Application 07/206,497 filed June 13, 1988		Child Application 07/586,391 filed September 18, 1990		Office Action in Application 07/586,391 and response		Issuance of '573 Patent
Feature	Date First Appearing in Claims of Parent Application	Date First Appearing in Specification of Parent Application	Date First Appearing in Claims of Child Application	Date First Appearing in Specification of Child Application	Consideration by Examiner Nguyen	Response by Applicant	Subsequent Action by Examiner Nguyen
Transferring Money from Second Party to a First Party (Charging a Fee)	December 22, 1988 February 28, 1990			September 18, 1990	Considered in Office Action February 24, 1992	Objection specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Providing a Credit Card Number	December 22, 1988			September 18, 1990	Considered in Office Action February 24, 1992	Objection specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Controlling Use of First/Second Memory	December 22, 1988			September 18, 1990	Considered in Office Action February 24, 1992	Objections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Transmitting to a Location Determined by Second Party	February 28, 1990			September 18, 1990	Considered in Office Action February 24, 1992	Objection responded to June 25, 1992	Claims allowed in September 21, 1992 Office Action
Specific Video Download Procedures	February 28, 1990			September 18, 1990	No new matter issues were ever raised	No response was ever necessary since no issue was ever raised	Claims allowed in September 21, 1992 Office Action
First Party in Possession of Transmitter	August 24, 1990 (not entered)			September 18, 1990	Considered in Office Action February 24, 1992	Objections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action

Second Party in Possession of Receiver and Second Memory	August 24, 1990 (not entered)			September 18, 1990	Considered in Office Action February 24, 1992	Objection specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
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**Claim Features of '573 Patent**

<b>Feature</b>	<b>Claims Reciting Feature</b>	<b>Written Description of Feature in Original Specification</b>	<b>Comments</b>
A method for transmitting a desired digital audio signal	1	p. 1, Ins. 7-9 p. 2, Ins. 8-10, 20-26	<i>ipsis verbis</i>
stored on a first memory of a first party to a second memory of a second party	1, 4	p. 3, Ins. 35-40 p. 4, Ins. 12-26	The specification states <i>ipsis verbis</i> that the hard disk in the control unit of the authorized agent is the source of the digital signal. Further, the specification states that the digital signal is transferred to the hard disk in the control unit of the user. A skilled artisan would understand this as transferring signals stored on a first memory to a second memory.
transferring money via a telecommunications line to a first party location remote from the second memory	1, 4	p. 1, Ins. 13-15 p. 2, Ins. 8-10, 20-23, 47-50 p. 3, Ins. 20-33 Fig. 1	The specification discloses electronic sales via telephone lines. Because the agent is authorized to sell and to transfer via telephone lines, there is implicitly support for selling and thereby transferring money. This was previously pointed out in the declaration of Arthur Hair submitted May 5, 1992. A skilled artisan would readily understand this to comprehend transfers between two remote locations.

second party financially distinct from the first party	1, 4	p. 1, Ins. 13-15 p. 2, Ins. 8-10, 20-23, 47-50 p. 3, Ins. 20-33	A skilled artisan would readily recognize that a sale requires the parties to be financially distinct. This was previously pointed out in the declaration of Arthur Hair submitted May 5, 1992.
second party controlling use and in possession of the second memory	1, 3	p. 3, Ins. 26-33, 40-43	The as filed original specification includes <i>ipsis verbis</i> support for a second party control unit, where the user is the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously pointed out in the declaration of Arthur Hair submitted May 5, 1992.
connecting electronically via a telecommunications line the first memory with the second memory	1, 4	p. 3, Ins. 35-40	<i>ipsis verbis</i>



<p>transmitting the desired digital audio signal from the first memory with a transmitter in control and possession of the first party</p>	<p>1</p>	<p>p. 2, ln. 47-52 p. 3, lns. 35-40 Fig. 1</p>	<p>The as filed original specification has <i>ipsis verbis</i> support transmitting a desired digital audio signal and that the hard disk in the control unit of the authorized agent is the source. A skilled artisan would recognize that in order to regulate distribution of the signals the authorized agent would have to possess and control the transmitter. This was previously pointed out in the declaration of Arthur Hair submitted May 5, 1992.</p>
<p>to 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>1, 4</p>	<p>p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23</p>	<p>A skilled artisan would readily recognize in order to receive digital signals over telecommunications lines as disclosed throughout the specification, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992. A skilled artisan would also readily understand this to comprehend transfers between two remote locations. Since the second party possesses the second memory the second party can determine its location. This was addressed previously in the declaration of Arthur Hair submitted May 5, 1992.</p>

storing the digital audio signal in the second memory	1	p. 2, Ins. 23-27	<i>ipsis verbis</i>
searching the first memory for the desired digital audio signal	2	p. 3, Ins. 35-40 p. 4, Ins. 12-28	The as filed original specification has <i>ipsis verbis</i> support for electronic sales and electronic transfer of digital signals from a control unit of an authorized agent to a control unit of a user. A skilled artisan would readily recognize that this would include searching the hard disk of the first party to locate desired digital signals for purchase.
selecting the desired digital audio signal from the first memory	2	p. 3, Ins. 35-40 p. 4, Ins. 12-28	The as filed original specification has <i>ipsis verbis</i> support for electronic sales and electronic transfer of digital signals from a control unit of an authorized agent to a control unit of a user. A skilled artisan would readily recognize that this would include selecting desired digital signals from the hard disk of the first party for purchase.

<p>telephoning the first party controlling use of the first memory by the second party</p>	<p>3, 6</p>	<p>p. 2, Ins. 47-50  p. 3, Ins. 20-40  Fig. 1  p. 4, Ins. 21-23</p>	<p>The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily recognize this as comprehending the telephoning of the first party by the second party to initiate a transaction. This was addressed previously in the declaration of Arthur Hair submitted May 5, 1992.</p>
<p>providing a credit card number of the second party to the first party so that the second party is charged money</p>	<p>3, 6</p>	<p>p. 1, Ins. 13-15  p. 2, Ins. 8-10, 20-23, 38-52  p. 3, Ins. 12-15, 35-37</p>	<p>The original as filed specification states throughout that the invention provides for electronic sales of digital audio or digital video signals. A skilled artisan would readily recognize credit card sales as being comprehended within electronic sales. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.</p>

first party controlling the first memory	3, 6	p. 2, Ins. 38-43 p. 3, Ins. 35-49	The as filed original specification includes <i>ipsis verbis</i> support for a first party control unit, where the authorized agent is the first party. A skilled artisan would readily recognize that the first party control unit is in possession and control of the first party because as an "agent authorized to electronically sell and distribute" digital audio or digital video, the first party would necessarily have to possess and control the source of the digital audio and digital video. This was previously pointed out in the declaration of Arthur Hair submitted May 5, 1992.
A method for transmitting a desired digital video signal	4	p. 5, Ins. 36-43	<i>ipsis verbis</i>

<p>transmitting the desired digital video signal from the first memory with a transmitter in control and possession of the first party</p>	<p>4</p>	<p>p. 5, Ins. 36-43 p. 2, In. 47-52 p. 3, Ins. 35-40 Fig. 1</p>	<p>The as filed original specification has <i>ipsis verbis</i> support transmitting a desired digital audio signal and that the hard disk in the control unit of the authorized agent is the source. A skilled artisan would recognize that in order to regulate distribution of the signals the authorized agent would have to possess and control the transmitter. This was previously pointed out in the declaration of Arthur Hair submitted May 5, 1992. A skilled artisan would recognize based on the disclosure at the end of the specification that this procedure could also be used for digital video.</p>
<p>storing the digital video signal in the second memory</p>	<p>4</p>	<p>p. 5, Ins. 36-43 p. 2, Ins. 23-27</p>	<p>The as filed original specification has <i>ipsis verbis</i> support for storing digital signals on the hard disk of the user control unit. A skilled artisan would recognize based on the disclosure at the end of the specification that this procedure could also be used for digital video.</p>

<p>searching the first memory for the desired digital video signal</p>	<p>5</p>	<p>p. 3, Ins. 35-40 p. 4, Ins. 12-28 p. 5, Ins. 36-43</p>	<p>The as filed original specification has <i>ipsis verbis</i> support for electronic sales and electronic transfer of digital signals from a control unit of an authorized agent to a control unit of a user. A skilled artisan would readily recognize that this would include searching the hard disk of the first party to locate desired digital signals for purchase. A skilled artisan would recognize based on the disclosure at the end of the specification that this procedure could also be used for digital video.</p>
<p>selecting the desired digital video signal from the first memory</p>	<p>5</p>	<p>p. 3, Ins. 35-40 p. 4, Ins. 12-28 p. 5, Ins. 36-43</p>	<p>The as filed original specification has <i>ipsis verbis</i> support for electronic sales and electronic transfer of digital signals from a control unit of an authorized agent to a control unit of a user. A skilled artisan would readily recognize that this would include selecting desired digital signals from the hard disk of the first party for purchase. A skilled artisan would recognize based on the disclosure at the end of the specification that this procedure could also be used for digital video.</p>

**Claim Features of '734 Patent**

<b>Feature</b>	<b>Claims Reciting Feature</b>	<b>Written Description of Feature in Original Specification</b>	<b>Comments</b>
A method/system for transferring desired digital video or digital audio signals	1-34	p. 1, Ins. 7-9 p. 2, Ins. 8-10, 20-26  (video) p. 5, Ins. 36-43	<i>ipsis verbis</i>
forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party	1	p. 3, Ins. 35-40	<i>ipsis verbis</i>
first party location and second party location remote from the first party location, the second party location determined by the second party	1, 4, 11, 16, 19, 26	p. 2, Ins. 47-50 p. 3, Ins. 20-40 Fig. 1 p. 4, Ins. 21-23	The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. Since the digital audio or digital video signals are transferred to the user's (second party's) control unit, a skilled artisan would readily understand that the second party can determine the second location.
the first party memory having a first party hard disk having a plurality of digital video or digital audio signals, including coded digital video or digital audio signals	1, 4, 16	p. 3, Ins. 35-37	<i>ipsis verbis</i>

the first memory having a sales random access memory chip	1	p. 3, lns. 19-24 Fig. 1	<i>ipsis verbis</i>
telephoning the first party controlling the first memory by the second party <b>Possibly Amend to: "establishing telephone communications between the first memory and the second memory"</b>	1	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily recognize this as comprehending the telephoning of the first party by the second party to initiate a transaction. This was addressed previously in the declaration of Arthur Hair submitted May 5, 1992.
providing a credit card number of the second party to the first party so that the second party is charged money	1	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 38-52 p. 3, lns. 12-15, 35-37	The original as filed specification states throughout that the invention provides for electronic sales of digital audio or digital video signals. A skilled artisan would readily recognize credit card sales as being comprehended within electronic sales. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
electronically coding the digital video or digital audio signals to form coded digital audio signals into a configuration that would prevent unauthorized reproduction	1	p. 2, lns. 17-19 p. 4, lns. 15-20	<i>ipsis verbis</i>



storing a replica of the coded desired digital video or digital audio signals from the hard disk to the sales random access memory chip	1	p. 4, Ins. 15-23	<i>ipsis verbis</i>
transferring the stored replica of the coded desired digital video or digital audio signal 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	1, 4	p. 4, Ins. 15-23 p. 4, ln. 35 to p. 5, ln. 21	The original as filed specification includes <i>ipsis verbis</i> support for storing a replica of the coded desired digital audio or digital video signal to the first party sales random access memory, then transferring it to the memory of the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second memory. This was previously addressed in the declaration of Arthur Hair filed May 5, 1992.
storing the transferred digital video or digital audio signals in the second memory	1	p. 2, Ins. 23-27	<i>ipsis verbis</i>

a second party integrated circuit which controls and executes commands of the second party connected to a second party control panel	2	p. 3, lns. 26-28 p. 4, lns. 15-20 Fig. 1	<i>ipsis verbis</i>
commanding the second party integrated circuit with the second party control panel to initiate the purchase of the desired digital video or digital audio signals from the first party hard disk	2	p. 4, lns. 12-20	<b>(CANCEL)</b>
the second memory includes a second party hard disk and an incoming random access memory chip	3, 5, 8, 13, 16, 21, 30	p. 3, lns. 26-31 Fig. 1	<i>ipsis verbis</i>
the second memory includes a playback random access memory chip	3, 5, 16, 21, 30	p. 3, lns. 26-30 p. 4, lns. 39-50 Fig. 1	<i>ipsis verbis</i>
playing the desired digital video or digital audio signal from the second party hard disk	3	p. 2, lns. 26-32	<i>ipsis verbis</i>

<p>a first party control unit (in possession and control of the first party)</p>	<p>4, 11, 16, 19, 26, 28</p>	<p>p. 2, Ins. 38-43 p. 3, Ins. 35-49</p>	<p>The as filed original specification includes <i>ipsis verbis</i> support for a first party control unit, where the authorized agent is the first party. A skilled artisan would readily recognize that the first party control unit is in possession and control of the first party because as an "agent authorized to electronically sell and distribute" digital audio or digital video, the first party would necessarily have to possess and control the source of the digital audio and digital video.</p>
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<p>a second party control unit (in possession and control of the second party)</p>	<p>4, 11, 16, 19, 26, 28</p>	<p>p. 2, lns. 38-43 p. 3, lns. 35-49</p>	<p>The as filed original specification includes <i>ipsis verbis</i> support for a second party control unit, where the user is the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously addressed in the declaration of Arthur Hair filed May 5, 1992.</p>
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the first party control unit has a first party hard disk, a sales random access memory chip, and means or mechanism for electronically selling desired digital video or digital audio signals	4, 11, 19, 26, 28	p. 2, lns. 8-10 p. 3, lns. 20-40 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a first party control unit with a hard disk, and sales random access memory chip. A skilled artisan would readily recognize that the first party control unit would include a means or mechanism for executing an electronic sale because the electronic sale is described in the original specification as separate from electronic transfer and electronic distribution.
the second party control unit has a second memory connected to the second party control panel	4, 19, 21, 26, 28	p. 3, lns. 26-31 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a control panel connected to the second party control unit. A skilled artisan would readily understand that the second party hard disk corresponds to a second memory.
the second party control unit has means for playing desired digital video or digital audio signals connected to and controlled by the second party control panel	4, 28	p. 3, lns. 26-33 Fig. 1	<i>ipsis verbis</i>
selling digital video or digital audio signals through telecommunications lines	4	p. 2, lns. 8-10, lns. 47-50	<i>ipsis verbis</i>

the first party control unit includes a first party control integrated circuit connected to the first party hard disk, the sales random access memory and the second party control panel through telecommunications lines	4, 6, 11, 16, 19, 22, 26, 28, 31,	p. 3, Ins. 20-33 Fig. 1	<i>ipsis verbis</i>
the first party control unit includes a first party control panel connected to and through which the first party control integrated circuit is programmed	6, 11, 16, 22, 31	p. 3, Ins. 20-24 p. 4, Ins. 12-14 Fig. 1	<i>ipsis verbis</i>
the second party control unit includes a second party control integrated circuit connected to the second party hard disk, the playback random access memory and the first party control integrated circuit	7, 11, 16, 23, 32	p. 3, Ins. 20-33 p. 4, Ins 15-20 Fig. 1	<i>ipsis verbis</i>
the second party control integrated circuit and the first party control integrated circuit regulate the transfer of desired digital video or digital audio signals	7, 22, 23, 31, 32	p. 4, Ins. 15-20	<i>ipsis verbis</i>
the second party control unit includes a second party control panel connected to and through which the second party control integrated circuit is programmed	7, 16, 19, 23, 26, 28, 32	p. 3, Ins. 26-28 p. 4, Ins. 12-14 Fig. 1	<i>ipsis verbis</i>

the playing means of the second party control unit includes a video display	9, 14, 18, 19, 25, 34	p. 3, lns. 26-33 p. 5, lns. 9-21 Fig. 1	<i>ipsis verbis</i>
the telecommunications lines include telephone lines	10, 11, 12, 15, 17, 20, 27, 29	p. 3, ln. 25 Fig. 1	<i>ipsis verbis</i>
means or mechanism for transferring money electronically via telecommunications lines from the second party to the first party	11, 16, 19	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic sales via telecommunications lines. A skilled artisan would readily recognize that electronic sales via telecommunications lines would include the transfer of money via telecommunications lines. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
means or mechanism for the first party to charge a fee to the second party and granting access to desired digital video or digital audio signals	16, 19, 26	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 47-50 p. 3, lns. 20-33 Fig. 1	The specification discloses electronic sales via telephone lines. Because the agent is authorized to sell and to transfer via telephone lines, there is implicitly support for selling and thereby charging a fee. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.

means or mechanism for connecting electronically via telecommunications lines the first memory with the second memory	11, 16,	p. 4, lns. 15-20 Fig. 1	A skilled artisan would readily recognize from the specification that the first memory would include a means for connecting to the second memory via the disclosed telephone lines.
the second party control unit includes an incoming random access memory	11, 16, 24, 33	p. 3, lns. 26-29 Fig. 1	<i>ipsis verbis</i>
means or mechanism for transmitting desired digital video or digital audio signals	11, 16, 26, 28	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of those signals, where the telecommunications lines act as the transmitter. A skilled artisan would also readily recognize in order to receive digital audio or digital video signals over telecommunications lines, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.



<p>a transmitter connected to the first memory and the telecommunications lines, the first party in possession and control of the transmitter</p>	<p>11, 16</p>	<p>p. 1, Ins. 10-12  p. 2, Ins. 8-10, 20-26, 47-52  p. 3, Ins. 20-25  p. 4, Ins. 21-23</p>	<p>The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of those signals, where the telecommunications lines act as the transmitter.</p>
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<p>a receiver connected to the second memory and the telecommunications lines, the second party in possession and control of the receiver</p>	<p>11, 16, 19, 26</p>	<p>p. 2, Ins. 47-49 p. 3, Ins. 35-38 p. 4, Ins. 24-26</p>	<p>A skilled artisan would readily recognize in order to receive digital audio or digital video signals over telecommunications lines as disclosed throughout the specification, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.</p> <p>A skilled artisan would readily recognize that the receiver is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.</p>
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<p>the transmitter remote from the receiver, the receiver at a location determined by the second party in electrical communication with the connecting means or mechanism</p>	<p>11</p>	<p>p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23</p>	<p>The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. A skilled artisan would further recognize that in order for transmission of the digital audio or video signals to occur the transmitter and receiver have to be in electrical communication with the connecting means.</p>
<p>means or mechanism for storing desired digital video or digital audio signals with the receiver</p>	<p>11, 16</p>	<p>p. 3, lns. 26-31 p. 4, lns. 15-20 Fig. 1</p>	<p>The second party control unit includes a second party control integrated circuit which regulates the transfer of the digital audio and digital video signals. A skilled artisan would readily recognize that the second party integrated circuit regulates storage of the digital audio or digital video signals.</p>

speakers in possession and control of the second party	14, 18, 26	p. 3, ln. 33, 47-49	The as filed original specification has <i>ipsis verbis</i> support for speakers. A skilled artisan would readily recognize that the speakers would be in possession and control of the second party since the specification throughout states that the second party may repeatedly listen to stored songs through the speakers.
the second party choosing desired digital audio signals from the first party's hard disk	26	p. 2, lns. 8-16, 20-27, 38-52 p. 35-49	Throughout the specification discloses electronic sales of digital video or digital audio signals. A skilled artisan would readily recognize that this includes the selection of individual desired signals by the purchaser.

**Claim Features of '440 Patent**

<b>Feature</b>	<b>Claims Reciting Feature</b>	<b>Written Description of Feature in Original Specification</b>	<b>Comments</b>
A method/system for transferring desired digital video or digital audio signals	1-63	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-26  (video) p. 5, lns. 36-43	<i>ipsis verbis</i>
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	1-22, 25-28, 36-46, 58-63	p. 3, lns. 35-40	<i>ipsis verbis</i>
first memory having desired digital video or digital audio signals	1-21, 25-28, 42-57, 62, 63	p. 3, lns. 35-37	<i>ipsis verbis</i>
selling electronically by the first party to the second party through telecommunications lines	1-22, 25-28, 40, 42-45	p. 2, lns. 47-52 p. 3, lns. 35-40	<i>ipsis verbis</i>
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	1-21, 25-28, 36-40, 42-46, 62-63	p. 2, ln. 47-52 p. 3, lns. 35-40 Fig. 1	<i>ipsis verbis</i>

<p>the second party control unit with the second memory is in possession and control of the second party</p>	<p>1-41, 46-52, 62</p>	<p>p. 3, Ins. 26-33, 40-43</p>	<p>The as filed original specification includes <i>ipsis verbis</i> support for a second party control unit, where the user is the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously pointed out in the declaration of Arthur Hair submitted May 5, 1992.</p>
<p>playing through speakers of the second party control unit the digital video or digital audio signals in the second memory</p>	<p>1-10, 11, 22, 36-46, 63</p>	<p>p. 2, Ins. 26-32</p>	<p><i>ipsis verbis</i></p>
<p>speakers of the second party control unit connected with the second memory of the second party control unit</p>	<p>1-10, 28, 35, 62</p>	<p>p. 3, Ins. 25-32 p. 4, Ins. 47-50 Fig. 1</p>	<p><i>ipsis verbis</i></p>

<p>first control unit in possession and control of first party</p>	<p>24, 31-35</p>	<p>p. 2, Ins. 38-43 p. 3, Ins. 35-49</p>	<p>The as filed original specification includes <i>ipsis verbis</i> support for a first party control unit, where the authorized agent is the first party. A skilled artisan would readily recognize that the first party control unit is in possession and control of the first party because as an "agent authorized to electronically sell and distribute" digital audio or digital video, the first party would necessarily have to possess and control the source of the digital audio and digital video. This was previously pointed out in the declaration of Arthur Hair submitted May 5, 1992.</p>
<p>second party location remote from the first party location, determined by the second party</p>	<p>2-63</p>	<p>p. 2, Ins. 47-50 p. 3, Ins. 20-40 Fig. 1 p. 4, Ins. 21-23</p>	<p>The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. Since the second party possesses the second memory the second party can determine its location. This was previously pointed out in the declaration of Arthur Hair submitted May 5, 1992.</p>

charging a fee via telecommunications lines by the first party to the second party	2-10, 19-21, 36-40, 43-45, 47-63	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 47-50 p. 3, lns. 20-33 Fig. 1	The specification discloses electronic sales via telephone lines. Because the agent is authorized to sell and to transfer via telephone lines, there is implicitly support for selling and thereby charging a fee. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
second party has an account, charging the account of the second party  <b>Possibly Amend to: "Charging the second party"</b>	3-10, 20-21, 38-40, 44-45, 56-57, 60-61	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 47-50 p. 3, lns. 20-33 Fig. 1	The specification discloses electronic sales via telephone lines. A skilled artisan would readily recognize that charging a fee via telecommunications lines would include the second party having an account that can be charged. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
telephoning the first party controlling use of the first memory by the second party <b>Possibly Amend to: "establishing telephone communications between the first memory and the second memory"</b>	4-10, 39-40, 45, 57, 61	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily recognize this as comprehending the telephoning of the first party by the second party to initiate a transaction. This was addressed previously in the declaration of Arthur Hair submitted May 5, 1992.



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	4-10, 21, 39-40, 45, 61	p. 1, Ins. 13-15 p. 2, Ins. 8-10, 20-23, 38-52 p. 3, Ins. 12-15, 35-37	The original as filed specification states throughout that the invention provides for electronic sales of digital audio or digital video signals. A skilled artisan would readily recognize credit card sales as being comprehended within electronic sales. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
storing the desired digital video or digital audio signals in the second memory	5-10, 22, 36-41	p. 2, Ins. 23-27	<i>ipsis verbis</i>
electronically coding the desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital audio signals	6-8	p. 2, Ins. 17-19 p. 4, Ins. 15-20	<i>ipsis verbis</i>
first memory includes first party hard disk	7-8, 13, 14, 27-28, 34-35, 49-54	p. 4, Ins. 5-6 p. 3, ln. 19 Fig. 1	<i>ipsis verbis</i>
second party can view desired digital video signals	58-61	p. 5, Ins. 36-43 p. 3, Ins. 26-33	The as filed original specification has <i>ipsis verbis</i> support for a video display. Since the specification explicitly says that the invention is applicable to video, a skilled artisan would recognize that a user could view the desired video signals on the video display.

second party can listen to the desired digital audio signals	63	p. 4, lns. 27-28, 36-50	<i>ipsis verbis</i>
first memory includes a sales random access memory chip	7-8, 13-18, 25-28, 49-54	p. 3, lns. 19-24 Fig. 1	<i>ipsis verbis</i>
second party control unit includes second memory	48-54	p. 3, lns. 26-30 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a second party control unit. A skilled artisan would readily understand that the second party hard disk corresponds to a second memory.
second party control unit has a second party control panel	8, 12-21, 25-28, 32-35, 47-57	p. 3, lns. 26-27 Fig. 1	<i>ipsis verbis</i>
second party control panel connected to the second party integrated circuit	8, 16-18, 25-28, 32-35, 52-54	p. 3, lns. 26-28 Fig. 1	<i>ipsis verbis</i>
second memory of the second party control unit includes an incoming random access memory chip	9-10, 17-18, 25-28, 32-35, 53-54	p. 3, ln. 26-29 Fig. 1	<i>ipsis verbis</i>
second memory of the second party control unit includes a second party hard disk for storing the desired digital video or digital audio signals	9-10, 12-21, 25-28, 34-35, 50-54	p. 3, lns. 26-31 Fig. 1	<i>ipsis verbis</i>

second memory of the second party control unit includes a playback random access memory chip for temporarily storing the desired digital video or digital audio signals for sequential playback	9-10, 25-28, 32-35, 50-54	p. 3, lns. 26-30 p. 4; lns. 39-50 Fig. 1	<i>ipsis verbis</i>
a first party control unit having a first memory	12-21, 25-28	p. 3, lns. 20-24 Fig. 1	<i>ipsis verbis</i>
second party control unit having means or a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel	12-35	p. 3, lns. 26-33 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for speakers and video display which are means for playing.
first party control integrated circuit connected to the first party hard disk, the first party sales random access memory, and the second party control integrated circuit through the telecommunications lines	15-18, 25-28, 32-35, 51-54	p. 3, lns. 20-33 Fig. 1	<i>ipsis verbis</i>

second party control integrated circuit connected to the second party hard disk, the playback random access memory, and the first party control integrated circuit through the telecommunications lines	16-18, 25-28, 52-54	p. 3, lns. 20-33 Fig. 1	<i>ipsis verbis</i>
first party control integrated circuit and second party control integrated circuit regulate the transfer of the desired digital video or digital audio signals	13-18, 25-28	p. 4, lns. 15-20	<i>ipsis verbis</i>
first party control panel connected to the first party control integrated circuit	15-18, 25-28, 51-54	p. 3, lns. 20-24 Fig. 1	<i>ipsis verbis</i>
incoming random access memory chip connected to the second party hard drive and the second party control integrated circuit, and the first party control unit through the telecommunications lines	17-18, 25-28, 53-54	p. 3, lns. 20-33 Fig. 1	<i>ipsis verbis</i>
second party control unit includes a video display unit and/or speakers	18, 25-28, 35, 47-61	p. 3, lns. 26-33 Fig. 1	<i>ipsis verbis</i>

second party control unit having a receiver, second memory connected to the receiver	22, 41, 47-56, 58-60	p. 2, Ins. 47-49 p. 3, Ins. 35-38 p. 4, Ins. 24-26	A skilled artisan would readily recognize in order to receive digital audio or digital video signals over telecommunications lines as disclosed throughout the specification, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
second party financially distinct from the first party	22, 41	p. 2, Ins. 8-16, 20-27, 38-52 p. 35-49	Throughout the specification discloses electronic sales of digital video or digital audio signals. A skilled artisan would readily recognize that the first and second parties would be financially distinct since this is required in order to have a sale. This issue was previously addressed in the affidavit of Arthur Hair filed on May 5, 1992.
first memory with a transmitter in control and possession of the first party	22-24, 29-35, 41, 58-61, 63	p. 1, Ins. 10-12 p. 2, Ins. 8-10, 20-26, 47-52 p. 3, Ins. 20-25 p. 4, Ins. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of those signals, where the telecommunications lines act as the transmitter.

<p>receiver is in possession and control of the second party</p>	<p>22-24, 29-35, 41, 58-61, 63</p>	<p>p. 2, Ins. 47-49 p. 3, Ins. 35-38 p. 4, Ins. 24-26</p>	<p>A skilled artisan would readily recognize in order to receive digital audio or digital video signals over telecommunications lines as disclosed throughout the specification, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992. A skilled artisan would readily recognize that the receiver is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.</p>
<p>means or mechanism for transferring money electronically via telecommunications lines from the second party to the first party controlling use of the first memory</p>	<p>23-24, 30-35</p>	<p>p. 1, Ins. 10-12 p. 2, Ins. 8-10, 20-26, 47-52 p. 3, Ins. 20-25 p. 4, Ins. 21-23</p>	<p>The as filed original specification has <i>ipsis verbis</i> support for electronic sales via telecommunications lines. A skilled artisan would readily recognize that electronic sales via telecommunications lines would include the transfer of money via telecommunications lines. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.</p>

second party choosing desired digital video or digital audio from first memory with second party control panel	47-63	p. 2, lns. 8-16, 20-27, 38-52 p. 35-49	Throughout the specification discloses electronic sales of digital video or digital audio signals. A skilled artisan would readily recognize that this includes the selection of individual desired signals by the purchaser.
means or mechanism for connecting electronically via telecommunications lines the first memory with the second memory	23-24, 29-35	p. 4, lns. 15-20 Fig. 1	A skilled artisan would readily recognize from the specification that the first memory would include a means for connecting to the second memory via the disclosed telephone lines.
means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to a receiver having the second memory	23-24, 29-35	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of those signals, where the telecommunications lines act as the transmitter. A skilled artisan would also readily recognize in order to receive digital audio or digital video signals over telecommunications lines, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.

means or a mechanism for storing the digital video or digital audio signals in the second memory	23-24, 29-35	p. 3, lns. 26-31 p. 4, lns. 15-20 Fig. 1	The second party control unit includes a second party control integrated circuit which regulates the transfer of the digital audio and digital video signals. A skilled artisan would readily recognize that the second party integrated circuit regulates storage of the digital audio or digital video signals.
playing means or mechanism connected to the second memory	23-24, 29-35	p. 3, lns. 26-33 p. 4, lns. 39-50 Fig. 1	<i>ipsis verbis</i>
second memory connected to receiver and video display	48-54, 58-61	p. 3, lns. 26-33 p. 4, lns. 39-50 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a video display connected to the second memory. A skilled artisan would also readily recognize in order to receive digital audio or digital video signals over telecommunications lines, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
telecommunications lines include telephone lines	26-28, 33-35	p. 3, ln. 25 Fig. 1	<i>ipsis verbis</i>
incurring a fee by second party to first party for use of telecommunication lines, the desired digital video or audio signal in first memory	46		<b>(CANCEL)</b>





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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/007,403	01/31/2005	5675734	NAPSP002	3002

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EXAMINER

ART UNIT                      PAPER NUMBER

DATE MAILED: 03/17/2007

Please find below and/or attached an Office communication concerning this application or proceeding.



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**EX PARTE REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. 90/007,403.

PATENT NO. 5675734.

ART UNIT 3992.

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).

<b>Office Action in Ex Parte Reexamination</b>	Control No. 90/007,403	Patent Under Reexamination 5675734	
	Examiner Roland G. Foster	Art Unit 3992	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

- a  Responsive to the communication(s) filed on 29 November 2006.      b  This action is made FINAL.  
c  A statement under 37 CFR 1.530 has not been received from the patent owner.

A shortened statutory period for response to this action is set to expire 2 month(s) from the mailing date of this letter. Failure to respond within the period for response will result in termination of the proceeding and issuance of an *ex parte* reexamination certificate in accordance with this action. 37 CFR 1.550(d). **EXTENSIONS OF TIME ARE GOVERNED BY 37 CFR 1.550(c)**. If the period for response specified above is less than thirty (30) days, a response within the statutory minimum of thirty (30) days will be considered timely.

Part I THE FOLLOWING ATTACHMENT(S) ARE PART OF THIS ACTION:

- |  |   |
|--|---|
| 1. <input type="checkbox"/> Notice of References Cited by Examiner, PTO-892. | 3. <input type="checkbox"/> Interview Summary, PTO-474.                       |
| 2. <input type="checkbox"/> Information Disclosure Statement, PTO/SB/08.     | 4. <input checked="" type="checkbox"/> <u>07/206,497 as originally filed.</u> |

Part II SUMMARY OF ACTION

- 1a.  Claims 1-4, 6-19, 22-25, 28 and 31-60 are subject to reexamination.  
1b.  Claims \_\_\_\_\_ are not subject to reexamination.  
2.  Claims 5, 20, 21, 26, 27, 29 and 30 have been canceled in the present reexamination proceeding.  
3.  Claims \_\_\_\_\_ are patentable and/or confirmed.  
4.  Claims 1-4, 6-19, 22-25, 28, and 31-60 are rejected.  
5.  Claims \_\_\_\_\_ are objected to.  
6.  The drawings, filed on \_\_\_\_\_ are acceptable.  
7.  The proposed drawing correction, filed on \_\_\_\_\_ has been (7a)  approved (7b)  disapproved.  
8.  Acknowledgment is made of the priority claim under 35 U.S.C. § 119(a)-(d) or (f).  
a)  All b)  Some\* c)  None of the certified copies have  
1  been received.  
2  not been received.  
3  been filed in Application No. \_\_\_\_\_.  
4  been filed in reexamination Control No. \_\_\_\_\_.  
5  been received by the International Bureau in PCT application No. \_\_\_\_\_.  
\* See the attached detailed Office action for a list of the certified copies not received.  
9.  Since the proceeding appears to be in condition for issuance of an *ex parte* reexamination certificate except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte* Quayle, 1935 C.D. 11, 453 O.G. 213.  
10.  Other: \_\_\_\_\_

cc: Requester (if third party requester)

## DETAILED ACTION

### Summary

U.S. Patent No. 5,674,734 (the "'734" patent) is presently under reexamination in this proceeding. The '734 patent is generally directed to downloading audio and video content via a telecommunications line (e.g., see claim 1), where a district court has held that the term "telecommunications line" includes the Internet.<sup>1</sup> The amendment, filed on November 29, 2006, (the "Amendment"), has been duly considered but is not deemed persuasive to overcome the prior rejections of all claims in the '734 patent under reexamination. In addition, the Patent Owner has not shown that the effective filing date of the instant '734 patent under reexamination is earlier than February 27, 1996. Therefore, the prior rejections are repeated below, except for any new grounds of rejections necessitated by the amendment to the claims. Accordingly, this Office action is made final. See MPEP § 706.07(a) and § 2271.III.

### *Benefit of Earlier Filing Date Regarding Original Claims*

#### Definitions

As an initial matter, the instant '734 patent and the earlier filed applications are related as follows. The '734 patent under reexamination issued from U.S. Application No. 08/607,648 (hereinafter the "Child" application), which was filed on February 27, 1996. The parent application to the Child application is U.S. Application No. 08/023,398, filed on February 26, 1993 (hereinafter the "Parent" application). The grandparent application to the Child application

<sup>1</sup> Sightsound.com Inc. v. NSK, Inc. Cdnw, Inc., and Cdnw Online, Inc., Civil Action No. 98-118, pp. 50 and 57 (District Court for the Western District of Pennsylvania, Feb. 2002).

is U.S. Application No. 07/586,391 (hereinafter the "Grandparent" application), filed on September 18, 1990. Finally, the great-grandparent application to the Child application is U.S. Application No. 07/206,497, filed June 13, 1988 (hereinafter the "Great Grandparent" application). The Parent, Grandparent, and Great-Grandparent applications are collectively referred to as the parent applications.

Basic Statement of the Issues Regarding Priority

The Grandparent, Parent, and Child applications are alleged to be related to their respective parent applications as "continuation" applications (i.e., each child application did not, on filing, contain disclosure of any subject matter not present in its respective, parent application, and the claims of each child application, on filing, were fully supported by the disclosure of the child application, see MPEP § 201.06(c).III).<sup>2</sup> However, the specifications of these applications differ considerably, as discussed below, raising issues of priority under 35 U.S.C. 120.

Furthermore, the prosecution history of the Child application (issuing as the '734 patent under reexamination) does not show that the examiner had any reason to consider the propriety of the benefit (continuation) claim set forth in the Child application to any of the originally filed, parent applications, as, for example a reference dated later than the filing date of any of the parent applications that would antedate the actual filing date of the Child application. In addition, the prosecution history of the Child patent does not contain any substantive, written

Art Unit: 3992

discussion between the Patent Owner and the examiner regarding such claims to the benefit of filing date in any of the parent applications, as originally filed.

For the reasons to be discussed below, the effective filing date of the '734 patent under reexamination, which issued from the Child application, is February 27, 1996 (at the earliest), which is the actual filing date of the Child application.

Intervening Patents and Printed Publications Are Available as Prior Art In a Reexamination Proceeding According to 35 U.S.C. 120

A rejection may be made in an *ex-parte* reexamination proceeding based on an intervening patent when the patent claims under reexamination, under 35 U.S.C. 120, are entitled only to the filing date of the patent under reexamination. Specifically:

Rejections may be made in reexamination proceedings based on intervening patents or printed publications where the patent claims under reexamination are entitled only to the filing date of the patent and are not supported by an earlier foreign or United States patent application whose filing date is claimed. For example, under 35 U.S.C. 120, the effective date of these claims would be the filing date of the application which resulted in the patent. Intervening patents or printed publications are available as prior art under *In re Ruscetta*, 255 F.2d 687, 118 USPQ 101 (CCPA 1958), and *In re van Langenhoven*, 458 F.2d 132, 173 USPQ 426 (CCPA 1972). See also MPEP § 201.11

MPEP § 2258.I.C, Scope of Reexamination (emphasis added).

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<sup>2</sup> Note that all the applications above were filed under the old "file wrapper continuation" procedures under 37 CFR 1.62, see MPEP § 201.06(a).

As discussed above, 35 U.S.C. 120 applies to *ex-parte* reexamination procedure. To be entitled to benefit of an earlier filing date under 35 U.S.C. 120, the originally filed specification must support the invention claimed in the later application. See 35 U.S.C. 120.

The Original Claims of the Child Patent Under Reexamination Are Not Entitled to Benefit of Filing Date of the Parent Applications, as Originally Filed, Under 35 U.S.C. 120 Because the Written Description of the Parent, Grandparent, and Great Grandparent Applications, as Originally Filed, Fail to Support Several Features Claimed in the Child Patent Under Reexamination

A review of the prosecution history reveals that a significant amount of new text (directed to various features) added by a series of amendments is not found in the Great-Grandparent application, as originally filed (see attachment "A"), nor for that matter, the Grandparent or Parent applications as originally filed.

When an explicit limitation in a claim "is not present in the written description whose benefit is sought it must be shown that a person of ordinary skill would have understood, at the time the patent application was filed, that the description requires that limitation." Hyatt v. Boone, 146 F.3d 1348, 1353, 47 USPQ2d 1128, 1131 (Fed. Cir. 1998) (emphasis added). "To establish inherency, the extrinsic evidence must make clear that the missing descriptive matter is necessarily present in the thing described in the reference.... Inherency, however, may not be established by probabilities or possibilities." In re Robertson, 169 F.3d 743, 745, 49 USPQ2d 1949, 1950-51 (Fed. Cir. 1999) (citations omitted, emphasis added). As for speculation about undisclosed uses of the originally disclosed elements, it is not sufficient that the written description, when "combined with the knowledge in the art, would lead one to speculate as to

modifications that the inventor might have envisioned, but failed to disclose." Lockwood v. American Airlines, Inc., 107 F.3d 1565, 1571, 41 USPQ2d 1961, 1965-66 (Fed. Cir. 1997). See also MPEP § 2163.II.A.2(b) and § 2163.05.II.

#### Great-Grandparent Application

For example, a significant amount of unsupported, new text was added by amendment to the Grandparent application, where this new text was neither required nor necessarily present in the specification of the Great-grandparent as originally filed. The reasons for the above conclusion were extensively discussed in the "Benefit of Earlier Filing Date" section in the Final Office action for related reexamination 90/007,402 (regarding the parent U.S. patent 5,191,573, which issued from the Grandparent application) (see especially Tables I and II), where this section is hereby incorporated into this Office action in its entirety. Thus, this new text was new matter. Thus, the Grandparent Application, at the earliest, only has an effective filing date of September 18, 1990, which is the actual filing date of the Grandparent application.

Thus, the Child application (later issuing as the '734 patent under reexamination), which is alleged to be related via continuation applications to the Great-Grandparent application and which claims subject matter that was found to be new matter to the Great-Grandparent application (e.g., compare claim 1 in the instant proceeding to Table I that was incorporated by reference above), would also only have an effective filing date of the intervening Grandparent application, which is September 18, 1990, at the earliest.



The prosecution history of the Parent application also provides additional reasons why the Great-Grandparent application, as originally filed, fails to provide written description support for the invention claimed in the Child application. Specifically, a significant amount of new text was also added by amendment to the specification and claims of the Parent application that is also new matter to the Great-grandparent application and that cuts off priority from the Child application to the Great-grandparent application.

Consider for example the amendment of January 3, 1994 in the Parent application, where a very large amount of the new text was introduced into the specification and claims directed to specific video download, processing, and display procedures. This new text is directed to subject matter claimed in the Child application (e.g., see claim 1 in the instant proceeding). This new text however is not found in original specification of the Great-Grandparent application.

Although the Great-Grandparent specification, as originally filed, contains a general statement at the end of the specification stating "[f]urther, it is intended that this invention is not to be limited to Digital Audio Music and can include Digital Video....", this is a broad, one-sentence, generic statement.<sup>3</sup> Thus, much of the new text added by the amendment of January 3, 1994 is in the nature of additional, narrowing video limitations and elements undisclosed by a generic video statement in the Great-Grandparent application, as originally filed, and thus these additional specific video limitations must be shown to be required or necessarily present in the original disclosure, as required by case law and as discussed above.

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<sup>3</sup> The original specification also describes using a "convenient visual display of the user's library of songs" (page 5), however this section appears to relate to displaying category/lyrical information to the user regarding downloaded audio content, and not directed to the actual download, processing, and display of video content.

In the instant case, it is clear that the many explicit and specific video limitations added by the amendment of January 3, 1994 are not required by nor necessarily present the generic video disclosure at end of the written description of the Great-Grandparent application, as originally filed. Undisclosed digital video features (assuming enablement) could be implemented into the broadly termed "invention" in an almost unlimited number of specific, possible (but not required) ways, such as at various levels of integration with the originally disclosed audio system and at various levels of detail. By introducing new text directed to specific video download features in the subsequent amendments, the Patent Owner simply chose one possible (but not required) way to integrate video features into the originally disclosed audio system.<sup>4</sup> Indeed, the Patent Owner added specific, video download and transmission procedures not found in the original specification during the prosecution of Grandparent application see the 90/007,402 reexamination.<sup>5</sup> Thus, the original, one sentence generic statement does not require all the many instances of undisclosed, specific details later added by the Patent Owner.

Furthermore, transmission and storage of digital video content significantly differs in technology from the transmission and storage of digital audio content, thus the originally disclosed audio transmission features fail to imply or require any video transmission features. For example, the decoding of digital video data is much more processor intensive than the

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<sup>4</sup> See, for example, the amendment January 3, 1994.

<sup>5</sup> Although adding text that replaces all appearances of "audio" with "video" would be one possible (but not required) way to integrate undisclosed video features into the originally disclosed audio system, this is not what the Patent Owner has done here, probably because such a rote replacement would create a dysfunctional system. For example, those originally disclosed audio features directed to listening to the audio during cannot be simply replaced

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decoding of digital audio data due to the increased information content and bandwidth of a typical video signal. In the mid 1980(s), at the time of the original Great-Grandparent application, only compact audio disks players were routinely available.<sup>6</sup> Personal user devices with the processing power capable of playing back much larger and more complex digital video files, such as DVD players, were not routinely available until the late 1990(s), and even these devices initially only read video data from read-only DVD disks capable of storing large digital video files, not from video data downloaded (recorded) from a remote server via a communications network.<sup>7</sup> Thus, undisclosed devices capable of decoding and playing back digital video files would not have been required nor necessarily present based on the original disclosure of an integrated circuit 50 of the user, which was also originally disclosed to process and store audio information. For the same reasons, it is also not clear how the originally disclosed, incoming RAM 50c and playback RAM 50d could have supported storage of downloaded video and playback.

Further regarding the original equipment of the user (consumer), in 1988 a large capacity drive for a user (e.g., 3.5 inch form factor) was around 30 megabytes<sup>8</sup>, yet the digital bandwidth required to transmit a video signal at even VHS quality was 1.5 megabits per second

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with the word video. For example, Patent Owner waited until the Parent Application to add new text directed toward displaying downloaded video, see page 10 of the amendment, filed January 3, 1994.

<sup>6</sup> See "The History of Recordings", Recording Industry of Association, retrieved from <http://www.riaa.com/issues/audio/hisotry.asp> on September 19, 2006. See also the "History of CD Technology", citing as a source "The compact Disc Handbook, 2<sup>nd</sup> Edition," by Ken C. Pohlmann, retrieved from <http://www.oneoffcd.com/info/hisotrycd.cfm> on September 19, 2006.

<sup>7</sup> See the "History of MPEG", University of California, Berkeley, School of Information Management and Systems, retrieved from <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> on September 19, 2006. See also the "History of CD Technology", citing as a source "The compact Disc Handbook, 2<sup>nd</sup> Edition," by Ken C. Pohlmann, retrieved from <http://www.oneoffcd.com/info/hisotrycd.cfm> on September 19, 2006.

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(approximately 30 megabytes in 3 minutes) and this even using a Moving Picture Coding Experts Group Standard "1" ("MPEG-1") video compression technology not even available in 1988.<sup>9</sup> Thus, undisclosed devices capable of downloading and storing digital video files would not have been required or necessarily present based on the original disclosure of hard disk 60, which was also originally disclosed to process and store audio information.

Regarding video equipment used at the library (server) end, even large mainframe computers (e.g., IBM mainframe computers) typically only provided hard drives with capacity well below 10 gigabytes.<sup>10</sup> Thus, undisclosed devices capable of supporting even a small-sized video library, with its steep storage requirements as discussed above, would not have been required or necessarily present based on the original disclosure of the library (server) hard disk 10 of the copyright holder, which was originally disclosed as storing audio information.

Regarding the transfer of these large video files over a network, the proliferation of broadband communication network capable of delivering these large files to consumers, such as the Internet, simply did not exist or were not well known in 1988. Furthermore, it is not clear how the digital video would have been coded and decoded during transmission, as digital video coding standards for purposes of transmission and file downloading were not settled in 1988. As an example of the above points, the MPEG-1 standard, which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network

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<sup>8</sup> See "IBM HDD Evolution" chart, by Ed Grochowski at Almaden, retrieved from [http://www.soragereview.com/guideImages/z\\_ibm\\_sorageevolution.gif](http://www.soragereview.com/guideImages/z_ibm_sorageevolution.gif) on September 19, 2006.

<sup>9</sup> See the "History of MPEG", University of California, Berkeley, School of Information Management and Systems, retrieved from <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> on September 19, 2006.

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in NTSC (broadcast) quality for archiving, was only established in 1992.<sup>11</sup> Thus, undisclosed devices capable of coding, transmitting, and decoding video digital data would not have been required or necessarily present based on the original disclosure of telephone line 30 (transmission line) and control IC(s) 20b and 50b (coding/decoding devices), which were originally disclosed as processing audio information.

The Patent Owner also failed to provide support in the Great-grandparent application, as originally filed, for the new text in the amendment of January 3, 1994. Patent Owner should specifically point out the support for any amendments made to the original disclosure. MPEP § 714.02, 2163.II.A.2(b), and 2163.06.

For the reasons discussed above, the Great-Grandparent application, as originally filed, fails to provide written description support for the features claimed in all subsequent applications, including the Child application. Thus, the Great-Grandparent application, as originally filed, cannot provide the benefit of its filing date to these applications. Thus, the effective filing date (priority) of the instant '734 patent under reexamination, which issued from the Child application, is September 18, 1990 (at the earliest), which is the filing date of the Grandparent application.

For the reasons below however, the priority chain for the Child application is also broken at a later date.

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<sup>10</sup> IBM HDD Evolution chart, *supra*.

Grandparent Application

As for disclosure of video downloading features regarding the Grandparent specification, as originally filed, it contains the same general statement at the end of the specification (as discussed above), plus an independent claim that recites "transmitting a desired digital, a video or audio music signal," an abstract briefly mentioning that video signals are stored on a hard disk, and a title stating a "Method for Transmitting a Desired Video or Audio Signal." See Tables I and II in the "Benefit of Earlier Filing Date" section in the Final Office action for related reexamination 90/007,402 (regarding the parent U.S. patent 5,191,573, which issued from the Grandparent application), where this section is hereby incorporated into this Office action in its entirety. Thus, the Grandparent application, as originally filed, contains the same type of broad, generic video statements as contained in the Great-grandparent application, as originally filed. Thus for the same reasons as discussed extensively above, the many explicit and specific video limitations added by the amendment of January 3, 1994 in the Parent application and claimed in the Child application are not required by nor necessarily present the generic video disclosure at end of the written description of the Grandparent application, as originally filed.

It should be noted that the Patent Owner also failed to provide support in the Grandparent applications, as originally filed, for all of the new text in the amendment of January 3, 1994 in the Parent application. Patent Owner should specifically point out the support for any amendments made to the original disclosure. MPEP § 714.02, 2163.II.A.2(b), and 2163.06.

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<sup>11</sup> History of MPEG, *supra*.

Thus, the Grandparent application, as originally filed, fails to provide written description support for the features claimed in all subsequent applications, including the Child application. Thus, the Grandparent application, as originally filed, cannot provide the benefit of its filing date to these applications. Thus, the effective filing date (priority) of the instant '734 patent under reexamination, which issued from the Child application, is February 26, 1993 (at the earliest), which is the filing date of the Parent application.

For the reasons below however, the priority chain for the Child application is also broken at a later date.

#### Parent Application

The pattern of gradually adding new text not found in the originally disclosed Great-Grandparent specification did not end however with the amendment of January 3, 1994 in the Parent application. For example, see the amendment of December 9, 1996 in the Child application, which introduces a significant amount of new text in the nature of narrowing limitations to the claims without providing support for where this new text was found. As discussed extensively above, the Patent Owner should specifically point out the support for any amendments made to the original disclosure. Also as discussed extensively above, the new text in the nature of narrowing limitation and narrowing limitations undisclosed in the original specification must be required or necessarily present in the original disclosure of the previously filed applications, otherwise the new text is new matter. Here, the extensive new text in the

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Child application is new matter because the new text was unsupported by the Patent Owner and because the new text, using the same type of reasoning discussed extensively above, is clearly not required by the written description in the Parent application, as originally filed, nor for that matter the written descriptions in the Grand-parent and Great-Grandparent applications, as originally filed.

Thus, the Parent application, as originally filed, fails to provide written description support for the features claimed in the Child application. Thus, the Parent application, as originally filed, cannot provide the benefit of its filing date to the Child application. Thus, the effective filing date (priority) of the instant '734 patent under reexamination, which issued from the Child application, is February 27, 1996 (at the earliest), which is the filing date of the Child application.

***Claim Rejections - 35 USC § 112***

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

**Claims 4, 6-10, 19, 22-25; 28, and 31-60** are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description requirement.



New Claims Contain Extensive New Text that is Not Found in the Written Description of the Parent Application As Originally Filed

35 U.S.C. 112 issues can be addressed in a reexamination proceeding with respect to new claims or amendatory subject matter. MPEP § 2258.

"Most typically, the [112] issue will arise in the context of determining whether new or amended claims are supported by the description of the invention in the application as filed... whether a claimed invention is entitled to the benefit of an earlier priority date or effective filing date under 35 U.S.C. 119, 120, or 365(c)." MPEP § 2163.I. Here, the '734 patent under reexamination claims benefit under 35 U.S.C. 120 to the earlier filing dates of the Parent, Grandparent, and Great-Grandparent applications.

The new and amended claim(s) contain subject matter, which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the original parent applications were filed, had possession of the claimed invention.

To comply with the written description requirement of 35 U.S.C. 112, para. 1, or to be entitled to an earlier priority date or filing date under 35 U.S.C. 119, 120, or 365(c), each claim limitation must be expressly, implicitly, or inherently supported in the originally filed disclosure. When an explicit limitation in a claim "is not present in the written description whose benefit is sought it must be shown that a person of ordinary skill would have understood, at the time the patent application was filed, that the description requires that limitation." Hyatt v. Boone, 146 F.3d 1348, 1353, 47 USPQ2d 1128, 1131 (Fed. Cir. 1998). See also In re Wright, 866 F.2d 422, 425, 9 USPQ2d 1649, 1651 (Fed. Cir. 1989).

MPEP § 2163.II.A.2.(b), emphasis added.

Here, the Patent Owner, on pages 21 and 22 of the Amendment, states that the new claims mirror the original claims in the '734 patent, where alleged support for the original claims in the '734 patent are provided on pages 36-44 of the Amendment. Certain of the claim limitations addressed in this chart, however, are not necessarily disclosed (required by) the written description of the originally filed, Great-Grandparent application (nor the other Parent applications), and thus are not present in the said written description. Thus these limitations are considered new matter, as extensively discussed by the examiner in the "Benefit of Earlier Filing Date Regarding the Original Claims" section above.

New and Amended Claims Contain a Negative Limitation that is Not Found in the Written Description of the Original Parent Application

The Amendment also introduced a negative limitation into independent claims 35, 37, 43, 48, 51, and 56. For example, claim 35 now recites "a non-volatile storage portion of the second memory; wherein the non-volatile storage portion is not a tape or a CD" (emphasis added).

Any negative limitation must have basis in the original disclosure. If alternative elements are positively recited in the specification, they may be explicitly excluded in the claims, however the mere absence of a positive recitation is not a basis for exclusion. Any claim containing a negative limitation, which does not have a basis in the original disclosure should be rejected under 35 U.S.C. 112. See MPEP § 2173.05(i).

Although the Great-Grandparent application, as originally filed (attachment "A"), discloses a specific hard disk embodiment, which is therefore not in the form of a tape or a CD, the originally filed disclosure does not provide written description support for the recited, negative limitation. On page 21 of the Amendment, the Patent Owner points to page 4, lines 35 to 49 of the originally filed, Great-Grandparent specification (attachment "A") has teaching a "hard disk for storing digital audio or digital video signals." The originally filed specification in the Great-Grandparent application, including the section cited to by the Patent Owner above, only discloses one embodiment, where a hard disk 60 stores electronic audio music.<sup>12</sup> Thus, the originally filed, Great-Grandparent specification discloses only a specific hard disk embodiment, which is not in the form of a tape or a CD. It should also be noted that "[c]laims are not necessarily limited to preferred embodiments, but if there are no other embodiments, and no other disclosure, then they may be so limited." Lizardtech, Inc. v. Earth Resource Mapping, Inc., 433 F.3d 1373, 1375 (Fed. Cir. 2006) (rehearing denied, *en banc*).

The negative limitation introduces new concepts beyond this specific embodiment. The new concepts include non-volatile storage devices that are not tapes or CDs, but that are also not hard disks. See page 3 of Ex Parte Wong, 2004 WL 4981845 (Bd.Pat.App. & Interf. 2004). The "express exclusion of certain elements implies the permissible inclusion of all other elements not so expressly excluded. This clearly illustrates that such negative limitations do, in fact, introduce new concepts. Ex parte Grasselli, 231 USPQ 393, 394 (Bd. App. 1983), *aff'd* mem., 738 F.2d 453 (Fed. Cir. 1984). "The artificial subgenus thus created in the claims is not

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<sup>12</sup> The originally filed specification in the Great-Grandparent application, including the section cited to by the Patent

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described in the parent case and would be new matter if introduced into the parent case. It is thus equally 'new mater'...." Ex Parte Johnson, 558 F.2d 1008, 1014 (CCPA 1977). Here, the originally filed, Great-Grandparent disclosure does not necessarily disclose (require) or even suggest an undisclosed, artificial subgenus of non-volatile storage devices that are not tapes or CDs. Thus, such a claimed subgenus represents new matter.

**Claims 4, 6-10, 19, 22-25, 28, and 31-60** are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contains subject matter, which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention.

35 U.S.C. 112 issues can be addressed in a reexamination proceeding with respect to new claims or amendatory subject matter. MPEP § 2258.

The new claim(s) contain subject matter, which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the original Great-Grandparent application was filed, that the specification would have taught one skilled in the art how to make and/or use the full scope of the claimed invention without undue experimentation. In re Wright, 999 F.2d 1557, 1562, 27 USPQ2d 1510, 1513 (Fed. Cir. 1993). See also MPEP § 2164.01 and 2164.05(a).

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Owner above, also fails to teach that the hard disk stored video data despite assertions by the Patent Owner.

Undue Experimentation Factors

There are many factors to be considered when determining whether there is sufficient evidence to support a determination that a disclosure does not satisfy the enablement requirement and whether any necessary experimentation is "undue." These factors include, but are not limited to whether the scope and breadth of the claims are reasonably related to the scope of enablement within the original specification, the level of ordinary skill in the art, and the quantity of undue experimentation. See MPEP 2164.01(a).

Here, the subject claims recite extensive new text directed to specific and detailed video download and processing procedures that is not found in original specification of the Great-Grandparent application. The original specification does contain a general statement at the end of the specification stating "[f]urther, it is intended that this invention is not to be limited to Digital Audio Music and can include Digital Video...." (attachment "A"), however this broad, generic statement fails to enable specifically claimed video download and processing procedures.<sup>13</sup>

The detailed and extensive claim limitations directed to video download and processing stand in contrast to the brief, generic one sentence disclosure in the original specification, as discussed above. Thus, the scope and breadth of the claims are not reasonably correlated to the

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<sup>13</sup> The original specification also describes using a "convenient visual display of the user's library of songs" (page 5), however this section appears to relate to displaying category information to the user regarding downloaded audio content, and not directed to the actual download of video content.

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scope of enablement in the original specification. The scope of enablement must at least bear a "reasonable correlation" to the scope of the claims. See, e.g., In re Fisher, 427 F.2d 833, 839, 166 USPQ 18, 24 (CCPA 1970). See also MPEP § 2164.08.

The original specification would not have been enabling to one of ordinary skill in the art and furthermore an undue quantity of experimentation would have been required to make or use the scope of the claimed invention (video download and processing features) based on the original specification. The specification must be enabling as of the filing date of the specification. MPEP § 2164.05(a). Here, the filing date of the Great-Grandparent application was June 13, 1988. In the mid 1980(s) however, only compact audio disks players were just becoming popular.<sup>14</sup> Personal user devices with the processing power capable of playing back much larger and more complex digital video files, such as DVD players, were not routinely available until the late 1990(s), and even these devices initially only read video data from read-only DVD disks capable of storing large digital video files, not from video data downloaded (recorded) from a remote server via a communications network.<sup>15</sup> Thus, it is not clear how the originally disclosed, integrated circuit 50 of the user would have had the processing power to decode and playback downloaded, digital video signals. For the same reasons, it is also not clear

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<sup>14</sup> See "The History of Recordings", Recording Industry of Association, retrieved from <http://www.riaa.com/issues/audio/hisotry.asp> on September 19, 2006. See also the "History of CD Technology", citing as a source "The compact Disc Handbook, 2<sup>nd</sup> Edition," by Ken C. Pohlmann, retrieved from <http://www.oneoffcd.com/info/hisotrycd.cfm> on September 19, 2006.

<sup>15</sup> See the "History of MPEG", University of California, Berkeley, School of Information Management and Systems, retrieved from <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> on September 19, 2006. See also the "History of CD Technology", citing as a source "The compact Disc Handbook, 2<sup>nd</sup> Edition," by Ken C. Pohlmann, retrieved from <http://www.oneoffcd.com/info/hisotrycd.cfm> on September 19, 2006.

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how the originally disclosed, incoming RAM 50c and playback RAM 50d could have supported storage of downloaded video and playback.

Further regarding the equipment of the user (consumer), in 1988 a large capacity drive for a user (e.g., 3.5 inch form factor) was around 30 megabytes<sup>16</sup>, yet the digital bandwidth required to transmit a video signal at even VHS quality was 1.5 megabits per second (approximately 30 megabytes in 3 minutes) and this even using a Moving Picture Coding Experts Group Standard "1" ("MPEG-1") video compression technology not even available in 1988.<sup>17</sup> Thus, it is not clear how a how downloaded video files of any appreciable or viable size would have been downloaded and stored on originally disclosed hard disk 60 of the user in the original specification.

Regarding the equipment used at the library (server), even large mainframe computers (e.g., IBM mainframe computers) typically only provided hard drives with capacity well below 10 gigabytes.<sup>18</sup> Thus, it is not clear how even a small-sized video library, with its steep bandwidth (storage) requirements (as discussed above), would have been stored in the hard disk 10 of the copyright holder in the original specification, without requiring details directed toward a complex mainframe operating environment.

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<sup>16</sup> See "IBM HDD Evolution" chart, by Ed Grochowski at Almaden, retrieved from [http://www.soragereview.com/guideImages/z\\_ibm\\_sorageevolution.gif](http://www.soragereview.com/guideImages/z_ibm_sorageevolution.gif) on September 19, 2006.

<sup>17</sup> See the "History of MPEG", University of California, Berkeley, School of Information Management and Systems, retrieved from <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> on September 19, 2006.

<sup>18</sup> IBM HDD Evolution chart, *supra*.

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Regarding the transfer of these large video files over a network, the proliferation of broadband communication network capable of delivering these large files to consumers, such as the Internet, simply did not exist or were not well known in 1988. Furthermore, it is not clear how the digital video would have been coded and decoded during transmission, as digital video coding standards for purposes of transmission and file downloading were not settled in 1988. As an example of the above points, the MPEG-1 standard, which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established in 1992.<sup>19</sup>

Thus, based on the evidence regarding each of the above factors, the specification, at the time the Great-Grandparent application was filed, would not have taught one skilled in the art how to make and/or use the full scope of the claimed invention without undue experimentation.

### **Claim Rejections Based on Yurt**

#### ***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

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<sup>19</sup> History of MPEG, *supra*.



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**Claims 4, 6-19, 22-25, 28, 31-34, and 37-60** are rejected under 35 U.S.C. 103(a) as being unpatentable over U.S. Patent No. 5,132,992 ("Yurt") in view of U.S. Patent No. 5,241,428 ("Goldwasser"), newly cited.

The publication date of the Yurt patent is July 21, 1992. The earliest priority date of the '734 patent under reexamination however is February 27, 1996, as discussed extensively above in the "Benefit of Earlier Filing Date" section. Thus, Yurt is available as 102(b) and 102(e) type prior art. The publication date of the Goldwasser patent is August 31, 1993. Thus, Goldwasser is also available as 102(b) and 102(e) type prior art.

Regarding **claim 4**:

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

Yurt teaches transmitting a desired audio or video, digital signal (title, abstract, col. 6, ll. 8-15).

**a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit, and means for electronically selling the desired digital video or digital audio signals;**

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Yurt teaches of a library system control computer 1123 (first party control unit) comprising a hard disk (compressed data library 118) storing a plurality of digital video or audio signals (Fig. 2b and col. 6, ll. 19-22 and col. 12, ll. 42-47).

Yurt teaches that the library system control computer 1123 (control unit) executes a "queue manager program" (col. 15, ll. 33-37). The "queue manager program" temporarily stores a replica of the digital video or audio signals for subsequent transfer via the telecommunications line (Fig. 2b, col. 15, ll. 33-54 and col. 16, ll. 29-52). Thus, the computer is a digital computer. A digital computer inherently includes a random access memory associated with readable/writable register content, system cache, etc. The digital computer also includes a "chip", whether the random access memory in the computer is entirely implemented on a single processing unit (e.g., CPU) or whether implemented in a discrete component. Thus, the queue manager program requires a "random access memory chip."

The library system control computer 1123, comprising a random access memory chip, that executes the queue manager (as discussed above), also supports a sale, such as controlling the transfer of user (customer) requested audio and video content from the compressed data library 118 to the transmission format conversion CPU(s) (Fig. 2b, 5, and 7, col. 11, ll. 54-65, and col. 12, ll. 21-27). For example, when the download successfully completes, a "billing program...updates the account of the user" (Fig. 5, step 5090 and col. 17, ll. 9-11). Thus, money is transferred from the second party (user) to the first party (library provider) and a "sale" occurs.

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Thus, the random access memory chip associated with the library control computer 1123 is a "sales" chip and furthermore supports a "means for electronically selling."

**a second party control unit having a second party control panel, a second memory connected to the second party control panel, and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said means for playing operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party; and**

Yurt teaches that a reception system 200 associated with the user or customer supports a terminal interface based on a personal computer (Fig. 6 and col. 14, l. 64 – col. 15, l. 21), where a personal computer includes a control unit (e.g., CPU) and control panel (e.g., keyboard). Yurt also teaches of control unit and control panel in the form of a telephonic interface (e.g., telephone and keypad) (co. 13, ll. 61 – 68). A second memory (Fig. 6, reception system 200 storage 203) is connected to the control panel via the user interface 207. A means for playing the desired digital video or audio signal (Fig. 6, output format conversion 211-214 and TV or audio amplifiers as discussed in col. 18, ll. 27-45) is coupled to the second memory and control pane (Fig. 6). The means for playing (personal computer interface or telephone keypad) are clearly controlled by the second party (user or customer). The first control unit (library computer controller) is associated with transmission system 100 and the second control unit is associated with reception system 200, where the second control unit is remote to the first control unit via a communication link (e.g., IDSN) (Fig. 1a). The second party (user) determines the location of the control unit as broadly recited by the claims, such as when the user (consumer) operates the

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reception system at a location of his choosing (e.g., consumer's home). The user also determines the location to which the audio/video data is transmitted and thus the location of the reception system 200 and the second party control unit (personal computer) associated with the reception system 200, such as the user calling from work and having the "movie sent to their house to be played back after dinner or at any later time of their choosing" (col. 5, ll. 18-21).

**the second memory includes a second party hard disk which stores the desired digital video or digital audio signals transferred from the sales random access memory chip**

Although Yurt teaches that the second memory (storage 203) stores the desired digital video or audio signals transferred from the library control computer 1123 (comprising a sales random access memory chip, as discussed above) via a telecommunications link (Fig. 1a, col. 17, ll. 35-53, col. 18, ll. 19-21, and col. 19, ll. 30-36). Yurt however fails to teach that the storage 203 (second memory) includes a "hard disk."

Yurt however teaches that another video and audio storage device, specifically the library system control computer 1123, comprising the compressed data library 118 (Fig. 2b), uses a hard disk (col. 6, ll. 19-22 and col. 12, ll. 42-47).

Yurt also teaches that adding a hard disk to a video and audio storage device would have increased the speed and reliability of video and audio access (col. 12, ll. 42-47).

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Thus to one of ordinary skill in the art at the time the invention was made, it would have been obvious to add a hard disk as taught by the audio/video storage device of Yurt to the storage 203 (second memory) in Yurt, which is also a video and audio storage device.

**and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback**

As discussed above, Yurt teaches that a personal computer (control interface) controls the playback of video and audio data stored on the second party hard disk.

Although Yurt as modified above teaches of a second party hard disk, Yurt fails to specifically teach of a "playback random access memory chip electronically connected to the second hard disk for storing a replica of the desired digital video or digital audio signals....as a temporary staging area for playback." Yurt however teaches that second party, when entering playback commands, has "random access" to video and audio signals stored in the reception system 200 (second party control unit), such as by entering forward and rewinding commands (col. 17, ll. 35-43).

Similarly to Yurt as discussed above, Goldwasser teaches of a device for recording video and audio signals onto a hard disk and playing back those signals (abstract and col. 3, ll. 6-13), where the user, when entering playback commands, has random access to the video and audio signals stored in the device, such as by entering play, forward, and rewind commands (col. 1, ll. 62-68). Furthermore, the Goldwasser device implements said random access, playback feature

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by using a record and playback buffer random access memory ("RAM") electronically connected to the hard disk for storing replicas of the desired digital video or audio signals from the hard disk as a temporary staging area for playback (Fig. 3, RAM 53, col. 3, ll. 14-20, and col. 7, ll. 59-68) in order to support a simultaneous record and playback feature (abstract). Goldwasser also teaches that the playback buffer RAM is in the form of discrete electronic components interconnected by control and data buses, thus the playback RAM can properly be interpreted as part of a "chip" (i.e., a playback RAM chip). Thus, Goldwasser teaches of a playback RAM chip electrically connected to a hard disk for buffering, i.e., storing a replica of the desired video or audio signal from the hard disk as a temporary staging area for playback.

The suggestion/motivation for adding the playback RAM chip as taught by Goldwasser would have been to increase the convenience, flexibility, and efficiency of the video and audio recording/playback device (with rewind capability) of Yurt. Specifically, the addition of Goldwasser would have allowed "one to view material as it is being recorded," which avoids "many inconveniences" (Goldwasser, col. 1, ll. 30-33). For example, consider the following specific advantages:

For example, often one will anticipate arriving home at a particular hour, sometime after the commencement of a particular broadcast program one desires to watch. One must therefore set one's VCR to commence recording at the beginning of the program. If one then arrives a few minutes after the beginning of the program, one can watch the end of the program in real time, but cannot see its beginning [i.e., rewind and playback] until after the entire program has been recorded.

Similarly, often one will be watching a particular program when one must temporarily cease watching it, for example, to take a telephone call or the like. It would obviously be convenient to be able to record the program from

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that point forward, complete the telephone call, and simply watch [i.e., playback] the remainder delayed by the length of time of the interruption. However, no devices are now available which permit this facility. It also is not possible to employ two separate videocassette recorders to overcome these inconveniences.

Goldwasser, col. 1, ll. 34-52.

Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to add the playback RAM chip electrically connected to a hard disk for buffering (and thus storing a replica of the desired video or audio signal from the hard disk as a temporary staging area for playback) as taught by Goldwasser (directed to a device for recording and playing back audio and video stored on a hard disk, where the user enters random access commands during playback, such as rewind and play) to Yurt (also directed to a device for recording and playing back audio and video stored on a hard disk, where the user enters random access commands during playback, such as rewind and play).

**telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party.**

The digital signal is sold and transferred via an ISDN (or the like) telecommunications line connection (Fig. 1a, col. 16, ll. 4-15 and ll. 53-68). Regarding "second memory is in possession and control of the second party", the second party (user) also controls the use and also

possesses the second memory (storage 203), such as by the ability to determine what contents are stored in the second memory and what audio/video is played back from the second memory (col. 5, ll. 10-33 and col. 17, ll. 35-53). The remaining limitations recited functions that have been clearly addressed above regarding the teachings of Yurt in view of Goldwasser.

**Claim 11** differs substantively from claim 4 in that claim 11 recites limitations directed to a "first control panel", a "transmitter" in control and possession of the first party, a "receiver" in control and possession of the second party, and a first and second control "integrated circuit." The claimed "first control panel" reads on library access interface 121, which includes operator computer terminals (Fig. 2b and col. 14, ll. 52-63). A "transmitter" reads on Fig. 2b, transmitter/transceiver(s) 122, which are in control and possession of the first party, such as when the first party (library provider) determines what contents are stored in the first memory (col. 6, ll. 8-54) and thus the type of content that will be transmitted by the transmitters. A "receiver" reads on the reception system 200 (Fig. 6) (receiver) that includes receiver circuitry (e.g., the transceiver 201). The receiver is in control and possession of the second party. For example, the second party (user) can control what type of content is downloaded to the receiver (as discussed above) and at what time the content is downloaded (col. 5, ll. 18-21). See the claim 4 rejection for additional details. As discussed in the claim 11 rejection above, Yurt teaches a first control circuit (control computer 1123), where the control computer 1123 is a digital computer. A digital computer inherently includes a random access memory associated with readable/writable register content, system cache, etc., which in turn requires integrated circuits.



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Also as discussed above, Yurt teaches of a second control circuit (user's personal computer), where a personal computer includes integrated circuits.

**Claim 16** does not substantively differ from claims 4 and 11. Therefore, see the claims 4 and 11 rejections above for additional details.

**Claim 19** differs substantively from claims 4 and 11 in that claim 19 recites the limitation "video display for playing the desired digital video signals." This limitation reads on Yurt, col. 18, ll. 36-37. Claim 19 also recites that the "telecommunications lines include telephone lines", which clearly reads on Yurt, for example, ISDN lines are voice grade telephone lines.

**Claim 28** does not substantively differ from claims 4 and 11. Therefore, see the claims 4 and 11 rejections above for additional details.

**Claim 37** differs substantively from claim 1 in that claim 35 recites that the second memory is a "non-volatile storage portion...wherein the non-volatile storage portion of the second memory, which is not a tape or CD." This limitation was addressed in the claim 4 rejection above regarding the obvious addition of a second party hard disk, which is a non-volatile storage that is not a tape or CD.

**Claim 43** does not differ substantively from claims 11 and 37 above. Therefore, see the claims 11 and 37 rejections above for additional details.

**Claim 48** does not differ substantively from claims 16 and 37 above. Therefore, see the claims 16 and 37 rejections above for additional details.

**Claim 51** does not differ substantively from claims 19 and 37 above. Therefore, see the claims 19 and 37 rejections above for additional details.

**Claim 56** does not differ substantively from claims 28 and 37 above. Therefore, see the claims 19 and 37 rejections above for additional details.

Regarding **claims 6, 7, 22, 23, 31, 32, 38, 39, 52, 53, 57, and 58**, see the claim 11 rejection above for additional details.

Regarding **claims 8, 24, 33, 40, 54, and 59**, see the claim 4 rejection for additional details.

Regarding **claims 9, 10, 12, 15, 17, 41, 42, 44, 47, and 49**, see the claim 19 rejection for additional details.

Regarding **claim 13 and 45**, see the claim 1 rejection for additional details.

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Regarding **claims 14, 18, 25, 34, 46, 50, 55, and 60**, see the claim 19 rejection for additional details. A "television" also inherently includes speakers.

**Claims 1, 2, 35, 36** are rejected under 35 U.S.C. 103(a) as being unpatentable over Yurt in view of U.S. Patent No. 4,789,863 ("Bush"), of record.

Regarding **claim 1**,

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

Yurt teaches transmitting a desired audio or video, digital signal (title, abstract, col. 6, ll. 8-15).

**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,**

The digital signal is transferred via an ISDN (or the like) telecommunications line connection (Fig. 1a, col. 16, ll. 4-15 and ll. 53-68), which also separates the second party (user) from the remote first party (library provider). The signals are stored on a first memory of a first party (library provider) (Fig. 2a, source material library, pre-compression data processing storages 130 and 131, compressed data formatting storage, and compressed data libraries) and transmitted to a remote, second memory (Fig. 6, reception system 200 storage 203). The

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reception system is associated with a second party, namely the customer or "user" (Figs. 1d, 1e, 1f, 1g, and col. 5, ll. 10-33).

**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,**

The first memory includes a hard disk (compressed data library 118) storing a plurality of digital video or audio signals (col. 6, ll. 19-22 and col. 12, ll. 42-47) including in coded format (e.g., digital encoding, compression, col. 6, ll. 35-68 and copy protection, col. 5, ll. 34-57).

**and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party;**

Yurt teaches of a "queue manager program" that temporarily stores a replica of the coded (as discussed above) digital video or audio signals for subsequent transfer via the telecommunications line for storage in the second memory (reception system 200 storage) (Fig. 2b, col. 15, ll. 33-54 and col. 16, ll. 29-52). The queue manager program is executed by the library system control computer 1123 (col. 15, ll. 33-37). Thus, the computer is a digital computer. A digital computer inherently includes a random access memory associated with readable/writable register content, system cache, etc. The digital computer also includes a "chip", whether the computer is entirely implemented on a single processing unit (e.g., CPU) or

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whether the computer is comprised of discrete components (chips). Thus, the queue manager program requires a "random access memory chip."

The library system control computer 1123, comprising a random access memory chip, that executes the queue manager (as discussed above) also implement functions supporting a sale, such as controlling the transfer of user (customer) requested audio and video content from the compressed data library 118 to the transmission format conversion CPU(s) (Fig. 2b, 5, and 7, col. 11, ll. 54-65, and col. 12, ll. 21-27). For example, when the download successfully completes, a "billing program...updates the account of the user" (Fig. 5, step 5090 and col. 17, ll. 9-11). Thus, money is transferred form the second party (user) to the first party (library provider) and a "sale" occurs. Thus, the random access memory chip associated with the library control computer 1123 also supports a "sales" function.

**the second memory having a second party hard disk**

See the claim 4 rejection above for additional details regarding the obvious addition of a second party hard disk.

**telephoning the first party controlling use of the first memory by the second part;**

Yurt teaches telephoning the library provider (first party) controlling use of the first memory, including the compressed data library (col. 13, ll. 48 col. 14, 13).

**electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals;**

As discussed above, Yurt teaches electronically coding the digital or audio signals (e.g., digital encoding, compression, col. 6, ll. 35-68 and copy protection, col. 5, ll. 34-57). Copy protection, as taught by Yurt, prevents unauthorized reproduction of the desired video or audio signals.

**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; and**

**storing the transferred replica of the coded desired digital video or digital audio signals in the second memory.**

As discussed above, Yurt teaches storing a replica of the coded, digital video or audio signal from the hard disk (compressed data library 118) into a library system control computer 1123, which executes the queue manager and includes a sales random access memory chip.

Also as repeatedly discussed above, the signal is transferred from the chip to the second memory (reception system 200 memory) of the second party through a telecommunications line (ISDN line, or the like). The second party (user) also controls the use and also possesses the second memory, such as by the ability to determine what contents are stored in the second

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memory and what audio/video is played back from the second memory (col. 5, ll. 10-33 and col. 17, ll. 35-53)

The received audio/video digital signal is stored in the second memory (storage 203) associated with the second party (user) (col. 17, ll. 35-53, col. 18, ll. 19-21, and col. 19, ll. 30-36).

**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;**

Yurt teaches of telephoning the first party controlling use of the first memory (library provider) (Fig. 3 and col. 13, l. 61 – col. 14, l. 13) and transferring money (as discussed above in the claim 1 rejection). Yurt however fails to teach providing a credit card number of the second party.

Bush teaches (similarly to Yurt) of a system for downloading audio and video files from a central library to a user, where the user pays for the audio files and stores the audio files (abstract and Figs. 1 and 6). Bush also teaches that the user provides a credit card number to the second party (library) (col. 4, ll. 44-47, col. 5, ll. 1-3, col. 6, ll. 25-28, and ll. 45-48).

The suggestion/motivation for providing a credit card number to the second party would be to reduce the expenses involved in operating a download service, because financial service

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organizations, such as credit card organizations, "enable the source 10 to [be] paid be a service fee for the subscriber's use of the system." Bush, col. 2, ll. 58-63. Obviously, providing a credit card number would have been required to use the services of a credit card organization.

Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to add the step of the user providing a credit number to the second party as taught by the music download system of Bush to the music download of Yurt, which teaches that the user pays for the download.

Regarding **claim 2**, see Yurt, col. 5, ll. 36-40 and col. 6, ll. 43-47. See the claim 4 rejection regarding how Yurt teaches a "second party control unit."

**Claim 35** differs substantively from claim 1 in that claim 35 recites that the second memory is a "non-volatile storage portion...wherein the non-volatile storage portion of the second memory is not a tape or CD." This limitation was addressed in the claim 1 rejection above regarding the obvious addition of a second party hard disk, which is a non-volatile storage that is not a tape or CD.

Regarding **claim 36**, see the claim 2 rejection above for additional details.



**Claim 3** is rejected under 35 U.S.C. 103(a) as being unpatentable over Yurt in view of Bush as applied to claim 2 above, and further in view of Goldwasser. See the claims 4 and 11 rejections above for further details.

### ***Double Patenting***

The nonstatutory double patenting rejection is based on a judicially created doctrine grounded in public policy (a policy reflected in the statute) so as to prevent the unjustified or improper timewise extension of the "right to exclude" granted by a patent and to prevent possible harassment by multiple assignees. See *In re Goodman*, 11 F.3d 1046, 29 USPQ2d 2010 (Fed. Cir. 1993); *In re Longi*, 759 F.2d 887, 225 USPQ 645 (Fed. Cir. 1985); *In re Van Ornum*, 686 F.2d 937, 214 USPQ 761 (CCPA 1982); *In re Vogel*, 422 F.2d 438, 164 USPQ 619 (CCPA 1970); and *In re Thorington*, 418 F.2d 528, 163 USPQ 644 (CCPA 1969).

A timely filed terminal disclaimer in compliance with 37 CFR 1.321(c) may be used to overcome an actual or provisional rejection based on a nonstatutory double patenting ground provided the conflicting application or patent is shown to be commonly owned with this application. See 37 CFR 1.130(b).

Effective January 1, 1994, a registered attorney or agent of record may sign a terminal disclaimer. A terminal disclaimer signed by the assignee must fully comply with 37 CFR 3.73(b).

**Claims 1-4, 6-19, 22-25, 28, and 31-60** are rejected under the judicially created doctrine of obviousness-type double patenting as being unpatentable over claims 1-6 of U.S. Patent No. 5,191,573 in view of Yurt. For example, current claim 1 is invalid for double patenting in view of claims 1 and 3 of the '573 patent. The only differences between current claim 1 and claims 1 and 3 of the '573 patent are hard drives at the first and second parties and electronically coding the digital data to prevent unauthorized reproduction. These features do not render the claims patentably distinct because it would have been obvious to one of ordinary skill in the art at the time the invention was made to add hard drives as taught by Yurt. See the claim 4 rejection

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based on Yurt above for additional details. Furthermore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to encode or encrypt the recorded music data as taught by Yurt. See the claim 1 rejection based on Yurt for additional details. The suggestion/motivation would have been to increase the control and security over one's intellectual property, as would have been notoriously well known in the art.

### Response to Arguments

#### The Office has Jurisdiction to Apply Intervening Patents and Printed Publications in an Reexamination Proceeding To a Patent that Seeks the Section 120 Benefit to the Filing Date of an Earlier Filed Application

On page 23 of the Amendment, the Patent Owner argues that the Office lacks jurisdiction in reexaminations to reassign priority dates for originally issued claims in the absence of a previous continuation-in-part application. Specifically, the Patent Owner argues that it is "impermissible, in the context of a reexamination, to apply 35 U.S.C. § 120 to reassign priority dates for originally issued claims."

Although the Patent Owner's arguments have been carefully considered, they are not deemed persuasive. A rejection may be made in an *ex-parte* reexamination proceeding based on an intervening patent when the patent claims under reexamination, under 35 U.S.C. 120, are entitled only to the filing date of the patent under reexamination. Specifically:

Rejections may be made in reexamination proceedings based on intervening patents or printed publications where the patent claims under reexamination are entitled only to the filing date of the patent and are not supported by an earlier foreign or United States patent application whose filing date is claimed. For example, under 35 U.S.C. 120, the effective date of these claims would be the filing date of the application which resulted in the patent. Intervening patents or printed

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publications are available as prior art under *In re Ruschetta*, 255 F.2d 687, 118 USPQ 101 (CCPA 1958), and *In re van Langenhoven*, 458 F.2d 132, 173 USPQ 426 (CCPA 1972). See also MPEP § 201.11

MPEP § 2258.I.C, Scope of Reexamination (emphasis added). See also MPEP § 2217.

Furthermore, no priority dates have been "reassigned" by the examiner, rather the examiner simply applied an intervening reference. When an application claims section 120 benefit to an earlier filed application (e.g. continuations, continuations-in-part), the examiner may use an intervening reference (e.g., a printed publication or patent pre-dating the actual filing date of the application, but post-dating the filing date of the different, parent application to which benefit is sought) in a rejection based on the actual filing date of an application claiming section 120 benefit. The Patent Owner may then correct the benefit claim or show that the conditions for claiming benefit to the priority date have been met. MPEP 201.11.

The Patent Owner next argues on pages 23 and 24:

It is well established that the primary determination under Section 120 is whether priority is claimed to an earlier application that "fulfills the requirements of Section 112, first paragraph." *Callicrate v. Wadsworth Mfg.*, 427 F.3d 1361, 1373 (Fed. Cir. 2005) (citation omitted). It equally is well established, however, that the scope of a reexamination proceeding is limited to whether claims are patentable under 35 U.S.C. §§ 102 and 103 "on the basis of patents and printed publications." 37 C.F.R. § 1.552. The reexamination rules explicitly preclude consideration of issues arising under 35 U.S.C. § 112, except "with respect to subject matter added or deleted in the reexamination proceeding." *Id.*; see also *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985) (en banc) ("only new or amended claims are also examined under 35 U.S.C. §§ 112 and 132").

Although the Patent Owner's arguments have been carefully considered, they are not deemed persuasive. Applying 35 U.S.C. § 120 neither requires nor implies that the specification of the '734 patent under reexamination is itself being subjected to a 35 U.S.C. § 112 analysis.

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Indeed, none of the original 34 claims of the '734 patent have been rejected pursuant to section 112. Rather it is the specification(s) of various parent applications that are being analyzed on that basis. For example, the examiner has taken the position that the parent applications, as originally filed, do not describe certain features recited in the claims of the instant '734 patent under reexamination. The examiner does not argue that the specification, including the claims, of '734 patent under reexamination fails to establish possession of the claimed invention, but rather whether possession of the claimed invention was established before the filing date of the '734 patent in different U.S. applications.

The 35 U.S.C. 102 and 103 rejections based on the intervening patents and publications are also, clearly, an inquiry into patentability "on the basis of patents and printed publications."

An Inquiry Under Section 120 Does Not Revisit Any Substantial Question of Patentability Necessarily Raised and Previously Decided by the Examiner During Prosecution of the Application Corresponding to the '734 Patent

On page 24 of the Amendment, the Patent Owner argue that an:

[I]nquiry under Section 120 as to whether the language of a particular claim, as filed or amended during an original prosecution, was supported or unsupported by sufficient disclosure is, by definition, not a *new* question.

Although the Patent Owner's arguments have been carefully considered, they are not deemed persuasive. A substantial new question of patentability was raised in this proceeding based on prior patents or printed publications identified in the Request for Reexamination, filed on January 31, 2005 (and as detailed in the Order Granting the Request for *Ex Parte*

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Reexamination, mailed June 19, 2006). Therefore, the issue of whether a 35 U.S.C. 120 inquiry raises a substantial new question of patentability is irrelevant.

Nonetheless, an inquiry under section 120 does not revisit any substantial question of patentability previously decided by the examiner during prosecution of the application corresponding to the '734 patent. Substantial questions of patentability are "old" only in respect to previously considered patents or printed publications, i.e., those questions based on "old art." See MPEP 2242.II. The intervening patents applied in this reexamination proceeding were not previously considered during prosecution of application leading to the '734 patent under reexamination, and thus do not raise questions of patentability previously considered by the original examiner.

The Patent Owner next argues on page 24:

Rather, it is an issue that necessarily arises at the time of original filing or amendment, and one that necessarily is before the original examiner. It cannot, therefore, raise a "substantial new question of patentability in reexamination," 35 U.S.C. § 303, because it is never a "new question" at all.

Although the Patent Owner's arguments have been carefully considered, they are not deemed persuasive. A section 120 issue does not "necessarily" arise, as argued by the Patent Owner above, during prosecution of the application leading to patent, thereby precluding all further consideration of priority issues by the Office after the patent issues. For example, in addition to the MPEP § 2258.I.C. as discussed above, the Patent Owner himself may request a reexamination proceeding to correct a failure to adequately claim benefit under 35 U.S.C. 120,

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see MPEP § 2258.IV.E. Priority issues can also be considered in reissue proceedings, see MPEP § 1402. The inclusion of prior application information in the patent does not necessarily indicate that the claims are entitled to the benefit of the earlier filing date, and furthermore notations in the file history regarding prior application information are only evaluated to ensure that the data itself is accurate, not necessarily that the Patent Owner is entitled to the benefit of the earlier filing date. MPEP § 202.02.

The examiner had no reason to consider the propriety of a benefit claim under section 120 during prosecution of the application leading to the '734 patent under reexamination. The examiner would not have determined the sufficiency of the Parent specification, as originally filed, which is at issue here, unless provoked by a need to use an intervening reference. For example, the prosecution history of the '734 patent reveals that it would have been unnecessary for the examiner to have reviewed the particular issue of whether a different, earlier filed application established possession of the claims recited in the '734 patent, since no intervening references (e.g., documents pre-dating the actual filing date of the '734 patent, but post-dating the filing date of the Parent application) were cited of record by the Patent Owner.

Ruscetta and Langenhoven Nowhere Hold That Priority Determinations Under 35 U.S.C. 120 Are Limited To Continuation-in-Part Applications, Nonetheless, the Application Corresponding to the '734 Patent Shares the Characteristics of a Continuation-in-Part in its Relationship to the Originally Filed, Parent Applications

On page 24 of the Amendment, the Patent Owner argues that MPEP §§ 2258.I.C. and 2217 should be limited to situations where there was a continuation-in-part ("CIP") application

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because both of the cases cited for support are cases involving CIP(s), namely *In re Ruscetta*, 255 F.2d 687 (CCPA 1958) and *In re van Langenhoven*, 458 F.2d 132 (CCPA 1972).

Although the Patent Owner's arguments have been carefully considered, they are not deemed persuasive. As extensively discussed in the "Benefit of Earlier Filing Date" section above, a review of the prosecution history provides clear and objective evidence that a significant amount of new text (directed to various features) was added in a series of amendments to the application corresponding to the '734 patent that was not present in the originally filed, parent applications. See the "Benefit of Earlier Filing Date" section above for additional details. Thus, the '734 patent being reexamined and the specification of the original, Parent application are not congruent, that is, they do not contain the same disclosure with respect to claim support issues. Thus, the application corresponding to the '734 patent shares the characteristics of a continuation-in-part in its relationship to the originally filed, Parent application. See 37 CFR 1.53.b.2 and MPEP § 201.08.

Nonetheless, *Ruscetta* and *Langenhoven* nowhere hold that priority determinations under 35 U.S.C. 120 should be limited to continuation-in-part applications. Instead, both cases are directed to the use of intervening references against the claims of an application that seek the benefit of priority to an earlier filed application under 35 U.S.C. 120. The ability to use an intervening reference is not limited to continuation-in-part applications, but applies to any later filed application claiming benefit of a prior application under 35 U.S.C. 120, such as continuation applications. See MPEP § 201.11, "Claiming the Benefit of an Earlier Filing Date

Under 35 U.S.C. 120 and 119(e)"....(B)... [t]he examiner may use an intervening reference in a rejection until applicant corrects the benefit claim or shows that the conditions for claiming the benefit of the prior application have been met." Both continuation and continuations-in-part applications are also related in that they both rely on priority under 35 U.S.C. 120 to obtain the benefit of an earlier filing date. MPEP § 201.11 Furthermore, continuation-in-part applications are related to continuation applications as a "continuing applications" under 37 CFR 1.53(b). Indeed, the application corresponding to the '734 patent under reexamination was filed under the old "file wrapper continuation" procedure, under which both continuation and continuation-in-part applications were filed under the same rule, 37 CFR 1.62. MPEP § 201.06(b), referring to MPEP, 8<sup>th</sup> Ed., 1<sup>st</sup> Revision, February 2003. [http://www.uspto.gov/web/offices/pac/mpep/mpep\\_e8r1\\_0200.pdf](http://www.uspto.gov/web/offices/pac/mpep/mpep_e8r1_0200.pdf)). Here, the present reexamination proceeding uses intervening references against the claims of an alleged continuing application (the '734 patent) that seeks the benefit of priority to earlier filed applications under 35 U.S.C. 120, which is similar to the issues discussed in the Ruscetta and Langenhoven cases.

The Use of Intervening Reference Is Not Limited to Continuation-in-Part Applications, but Applies To Any Later Filed Application Claiming Priority Benefit To a Prior Application under 35 U.S.C. 120, such as Continuation Applications.

On pages 25 and 26 of the Amendment, the Patent Owner argues that examiner lacks the authority to reassign priority dates in the present reexamination proceeding because the original examiner lacked the authority to do so. Specifically, the Patent Owner argues that the original examiner "could not – and did not – reassign priority dates to the original claims" because "if the applicant does not overcome the objection and rejection the applicant has the option of refileing



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the application as a CIP...." that "in the absence of a CIP an original examiner cannot simply elect to assign a later effective priority date." "Such a procedure would amount to creation of a *de facto* CIP' by the original examiner, and undertaking plainly unsupported by statute, regulation, case law, or MPEP provision, or any other authority or precedent."

Although the Patent Owner's arguments have been carefully considered, they are not deemed persuasive.

First it is noted that the Patent Owner admits that the original examiner did not address the issue of whether to apply intervening references against the original claims. Thus, the use of intervening references is an open question that will be addressed in this reexamination proceeding.

Second, the ability to use an intervening reference is not limited to continuation-in-part applications, but applies to any later filed application claiming benefit of a prior application under 35 U.S.C. 120, such as continuation applications, as discussed extensively above. See again MPEP § 201.11. If the claims in the later-filed application are not entitled to the benefit of an earlier filing date under section 120, then the examiner should:

conduct a prior art search based on the actual filing date of the application instead of the earlier filing date. The examiner may use an intervening reference in a rejection until applicant corrects the benefit claim or shows that the conditions for claiming the benefit of the prior application have been met. The effective filing date of the later-filed application is the actual filing date of the later-filed application, not the filing date of the prior-filed application.

MPEP § 201.11 (emphasis added).

Thus, the present (and original) examiner has (had) the authority to apply an intervening reference by relying upon the actual filing date of the application corresponding to the '734 patent until the Patent Owner corrects the section 120 benefit claim or shows that the conditions for claiming benefit of the prior application have been met, even though the original examiner did not exercise such authority, as admitted to by the Patent Owner above and based on the prosecution history as discussed extensively above.

The Original Examiner Did Not Address the Specification as Originally Filed in the '734 Specification, Much Less the Specification as Originally Filed in the Parent Applications

On pages 26-30 of the Amendment, the Patent Owner argues that the original examiner did "consider the various additions to the specification and concluded those additions did not constitute new matter and the subject claims therefore were supported under Section 112...." The Patent Owner also refers to a Declaration filed under 37 CFR 1.132 and to a chart on pages 27 and 28 of the Amendment.

Although the Patent Owner's arguments have been carefully considered, they are not deemed persuasive. Although the examiner addressed new matter issues in a non-final rejection in the Grandparent application, mailed on February 24, 1992 (as the Patent Owner provided chart demonstrates), these new matter issues were in response to one amendment filed on December 11, 1991. However, a series of amendments to the specification and claims were filed previously

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to this amendment in the Great-Grandparent (and even in the Grandparent) applications and subsequently in the Child and Parent (and even the Grandparent) applications, where each new amendment gradually added new matter. See the "Benefit of Earlier Filing Date" section above for additional details. Therefore, it is not clear whether the examiner addressed this issue in regard to the specification as originally filed in the Child application from which the '734 patent issued, much less the specifications as originally filed in the Parent, Grandparent, and Great-Grandparent applications, which are at issue here. That is, the consideration of any new matter in the December 11, 1991 amendment does not relate back to the specification as originally in the Great-Grandparent application, nor account for all the new text added to the other parent applications subsequent to the December 11, 1991 amendment. For the same reasons, the consideration of any issues in the Declaration, filed on June 25, 1992, would also fail to relate back to the specification as originally filed in the Great-Grandparent application, nor account for all the new text added subsequently to the December 11, 1991 amendment (even if the Declaration were considered persuasive, which it is not, as discussed in the "Benefit of Earlier Filing Date" section in the Final Office action for related reexamination 90/007,402). Thus, the prosecution history provides further evidence that the examiner did not consider support in the specification as originally filed in any of the parent applications.

Patlex Makes Clear that It Does Not Apply to Situations Where the Sufficiency of the Parent Application Has Not Been Decided, Furthermore the Facts in the Patlex Case Differ Considerably from the Facts in the Instant Reexamination Proceeding

On pages 30-32 of the Amendment, the Patent Owner argues that in Patlex v. Quiqq, 680 F.Supp. 33, 6 USPQ2d 1296 (D.D.C. 1988), the United States District Court for the district of

Columbia "addressed a situation substantially identical to the circumstances of the present reexamination" and held that where "an original examiner already has considered and determined the sufficiency of the specification's disclosure under Section 112 and the resulting entitlement of claims to an original priority date, there is no 'substantial new' question of patentability for reexamination..." and thus the "Office lacks jurisdiction to 'reexamine' that same issue for those same claims in a subsequent reexamination proceeding."

Although the Patent Owner's arguments have been carefully considered, they are not deemed persuasive. The holding relied on by the Patent Owner reads, in full, "hence, the Court concludes that the examiner and the Board lacked jurisdiction in this case to 'reexamine' the sufficiency of the specification of the 'great-grandparent' application." (Emphasis added). *Id.*, at 37, at 1299. Obviously, this is not a broad holding that a 35 U.S.C. § 120 benefit claim can never be "reexamined" in a reexamination proceeding. Indeed, the *Patlex* court specifically, and rather clearly, went on to state that the "Court wishes to make clear that it is not deciding whether the Commissioner has jurisdiction in a reexamination to inquire into the sufficiency of the specification of a "parent" application where the sufficiency of the "parent" application vis-a-vis the claims of the patent being reexamined was not previously determined by the PTO or a court."<sup>20</sup> As discussed extensively above, the original examiner did not consider and determine

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<sup>20</sup> In another example, the Federal Circuit recently upheld a priority determination based upon a written description analysis raised by the Office during a reexamination proceeding initiated based on prior art raising a new question of patentability. *In re Curtis*, 354 F.3d 1347 (Fed. Cir. 2004). See also *In re Modine and Guntly*, 2001 WL 898541 (Fed. Cir. 2001) (unpublished) (finding lack of priority to an ancestor application during a reexamination of a patent where the reexam was initiated based on prior art raising a new question of patentability).

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the sufficiency of the specification in the parent applications, as originally filed, for the purposes of priority under 35 U.S.C. 120.

Indeed, the facts in the instant reexamination proceeding differ considerably from the facts in Patlex. In Patlex, the Court found that the issues were based upon the fact that the specification of the patent being reexamined was "essentially identical" to the specification of the great-grandparent application for which section 120 benefit was claimed (Id., at 34, at 1297) and that the claims of the great-grandparent were "directed essentially to the invention for [the patent being reexamined]." (Id. at 36, at 1299). As discussed extensively above in the "Benefit of Earlier Filing Date" section above, the specification and the claims of the patent being reexamined are substantially different from the specification and claims of the parent applications, as originally filed, for which section 120 benefit was claimed. A series of amendments subsequent the filing of the original, Great-Grandparent application has added a substantial amount of new text to the specification and claims of both the Grandparent, Parent, and Child application, which issued as the '734 patent.

If a Claim Limitation Is Not Necessarily Disclosed in (Required by) the Written Description of the Originally Filed, Parent Application, It Is Not Present in the Written Description

On pages 33-36 of the Amendment, the Patent Owner argues that the "requirement of an inherency standard under Section 112 is unsupported by *Hyatt, Robertson, or Lockwood*."

Although the Patent Owner's arguments have been carefully considered, they are not deemed persuasive. The case of Hyatt v. Boone, 146 F.3d 1348, 47 USPQ2d 1128 (Fed. Cir. 1998) (emphasis added) (Certiorari Denied), to which the Patent Owner refers to approvingly, is clear in this matter. When an explicit limitation in a claim "is not present in the written description whose benefit is sought it must be shown that a person of ordinary skill would have understood, at the time the patent application was filed, that the description requires that limitation." Id. at 1353 (emphasis added). "It is 'not a question of whether one skilled in the art might be able to construct the patentee's device from the teachings of the disclosure...Rather, it is a question whether the application necessarily discloses that particular device." Id. at 1353-4 (quoting from Jepson v. Coleman, 50 C.C.P.A. 1051, 314 F.2d 533, 536, 136 USPQ 647, 649-50 (CCPA 1963)) (emphasis added). The "written description must include all of the limitations...or the applicant must show that any absent text is necessarily comprehended in the description provided and would have been so understood at the time the patent application was filed." Id. at 1354-55 (emphasis added).

The case of In re Roberston, 169, F.3d 743, 49 USPQ2d 1949 (Fed. Cir. 1999) was cited for its holding that "missing descriptive matter" that is "necessarily present" also goes to inherency. Id. at 745 (emphasis added).

The case of Lockwood v. American Airlines, Inc., 107 F.3d 1565, 41 USPQ2d 1961 (Fed. Cir. 1997) was cited to emphasize that, although the written description requirement requires that the application necessarily discloses a particular device to one of ordinary skill in

the art at the time the application was filed, such a test should not devolve into an inquiry that "combined with the knowledge in the art, would lead one to speculate as to modifications that the inventor might have envisioned, but failed to disclosed. Id. at 1571.

Thus, when an explicit limitation in a claim is not present in the written description whose benefit is sought, such a limitation must be required (necessarily disclosed) by the written description. Thus, if the said limitation is not necessarily disclosed in (required by) the written description, it is not present in the written description.

Certain Claim Limitations Addressed in the Patent Owner's Claim Support Chart Are Not Necessarily Disclosed (Required by) the Written Description of the Originally Filed, Parent Application, and Thus Are Not Present in the Original, Written Description

On pages 36-44 of the Amendment, the Patent Owner provides a chart to show that all of the limitations in claims 1-34 of the '734 patent were supported by the originally filed, Great-Grandparent application.

Although the Patent Owner's arguments have been duly considered, they are not deemed persuasive. While the chart is certainly appreciated, certain of the claim limitations addressed in the chart are not necessarily disclosed (required by) the written description of the originally filed, Great-Grandparent application, and thus are not present in the said written description, as extensively discussed by the examiner in the "Benefit of Earlier Filing Date" section *supra*. Thus, the effective filing date (priority) of the instant '734 patent under reexamination remains

the latest date at which time the priority chain was broken, namely February 27, 1996 (at the earliest), which is also the actual filing date of the '734 patent.

The Enablement Rejection of Newly Added, Video Download Feature Is Based on Factors, such as Undue Experimentation, and Not upon a "Mass Production" Standard as Argued by the Patent Owner

On pages 45-48 of the Amendment, the Patent Owner argues that, regarding the enablement of various video features recited in claims 4, 6-10, 19, 22-25, 28, and 31-60 by the Great-Grandparent application, as originally filed, the Office is attempting to apply a "mass production" standard when, "in actuality, the enablement standard of Section 112 has no such requirement."

Although the Patent Owner's arguments have been duly considered, they are not deemed persuasive. The examiner of rejection under the enablement requirement of those newly introduced claims reciting a video download feature was explicitly based upon an undue experimentation factor. Nothing was stated about a "mass production" requirement. For example, the originally filed, Great-Grandparent application teaches that data (not specifically video data) is transmitted via a telephone line. Yet the MPEG-1 standard, which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established in 1992. See the 35 U.S.C. 112, 1<sup>st</sup> paragraph rejection *supra* for additional details. Thus, digital video coding standards for purposes of transmission and file downloading over a telephone line were not settled in 1988. Thus, it would not have been clear to one of ordinary skill how the



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digital video would have been coded and decoded during transmission over a telephone line. Such a question does not relate to mass production, but whether a single video downloading system as claimed could be made or used without undue experimentation by one of ordinary skill in the art in 1988 facing a lack of industry standards for transmitting digital, video data via a telephone line and also facing a limited disclosure of any video features whatsoever (except for the general statements at the end of the specification regarding video applicability) in the originally filed, Great-Grandparent application.

Yurt and Goldwasser Are Available of Prior Art Patents

On pages 50-53 of the Amendment, the Patent Owner argues that Yurt and Goldwasser are not available as prior art patents. The publication date of the Yurt patent however is July 21, 1992. The earliest priority date of the '734 Patent under reexamination however is February 27, 1996, as discussed extensively above in the "Benefit of Earlier Filing Date" section. Thus, Yurt is available as both 102(b) and 102(e) type prior art. For similar reasons, Goldwasser is also available as prior art.

Patent Owner arguments regarding Bush are not directed to rejections as presently formulated in this Office action, and are thus unpersuasive. For example, Bush was not relied upon as a base reference, where its lack of teachings regarding a hard disk (non-volatile storage not a tape or CD) would have to be addressed by a secondary reference. Instead, Bush was only relied upon as a secondary reference, for its narrow teaching regarding the user providing a credit card number.

The Examiner Should Consider Double Patenting Issues During the Examination Stage of a Reexamination Proceeding

On pages 53-57 of the Amendment, the Patent Owner argues that the double-patenting rejections are improper because they are not based on a substantial new question of patentability. This argument is unpersuasive. As discussed extensively above, the present reexamination proceeding was ordered based on a substantial new question(s) of patentability independent of any priority issue, and for that matter, independent of any double-patenting issues. However, the issue of double patenting should be considered during the examination stage of reexamination proceeding and a rejection set forth if appropriate, as authorized in MPEP § 2258.D.

*Response to Declarations*

Several Declarations were filed by the Patent Owner on December 27, 2005. These Declarations were considered, but are not deemed persuasive. The Declarations by Justin Douglas Tygar, Ph.D. and Arthur R. Hair appear to argue support features generally, but do not specifically relate to the new matter issues caused by the gradual and repeated introduction of new text after the Great-grandparent application was originally filed, which is the issue here and as extensively discussed above. The Declarations by Kenneth C. Pohlmann and regarding the prior litigation are not directed to the rejections as presently formulated in this Office action.

**Conclusion**

The Amendment (filed on November 11, 2006) necessitated the new grounds of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL**. See MPEP § 706.07(a) and § 2271.III.

A shortened statutory period for response to this action is set to expire 2 months from the mailing date of this action.

Any amendment after a final action must include "a showing of good and sufficient reasons why the amendment is necessary and was not earlier presented" in order to be considered. See MPEP § 2260.

The filing of a timely first response to this final rejection will be construed as including a request to extend the shortened statutory period for an additional month, which will be granted even if previous extensions have been granted. In no event, however, will the statutory period for response expire later than SIX MONTHS from the mailing date of the final action. See MPEP § 2265.

**Extensions of time under 37 CFR 1.136(a) will not be permitted in these proceedings** because the provisions of 37 CFR 1.136 apply only to "an applicant" and not to parties in a reexamination proceeding. Further, in 35 U.S.C. 305 and in 37 CFR 1.550(a), it is required that reexamination proceedings "will be conducted with special dispatch within the Office" (37 CFR

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1.550(a)). Extension of time in *ex parte* reexamination proceedings are provided for in 37 CFR

1.550(c).

**Extensions of time in reexamination proceedings are provided for in 37 CFR**

**1.550(c).** A request for extension of time must be filed on or before the day on which a response to this action is due, and it must be accompanied by the petition fee set forth in 37 CFR 1.17(g). The mere filing of a request will not effect any extension of time. An extension of time will be granted only for sufficient cause, and for a reasonable time specified.

The patent owner is reminded of the continuing responsibility under 37 CFR 1.565(a) to apprise the Office of any litigation activity, or other prior or concurrent proceeding, involving U.S. Patent No. 5,675,734 (the "734" patent under reexamination) throughout the course of this reexamination proceeding. The third party requester is also reminded of the ability to similarly apprise the Office of any such activity or proceeding throughout the course of this reexamination proceeding. See MPEP §§ 2207, 2282 and 2286.

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All correspondence relating to this ex parte reexamination proceeding should be directed as follows:

**By U.S. Postal Service Mail to:**

Mail Stop "Ex Parte Reexam"  
ATTN: Central Reexamination Unit  
Commissioner for Patents  
P. O. Box 1450  
Alexandria VA 22313-1450

**By FAX to:**

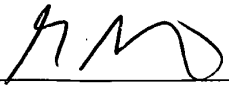
(571) 273-9900  
Central Reexamination Unit

**By hand to:**

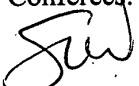
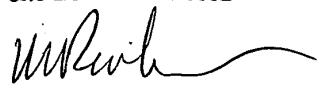
Customer Service Window  
Central Reexamination Unit  
Randolph Building, Lobby Level  
401 Dulany Street  
Alexandria, VA 22314

Any inquiry concerning this communication or earlier communications from the Reexamination Legal Advisor or Examiner, or as to the status of this proceeding, should be directed to the Central Reexamination Unit at telephone number (571) 272-7705.

Signed:

  
\_\_\_\_\_  
Roland G. Foster  
Central Reexamination Unit, Primary Examiner  
Electrical Art Unit 3992  
(571) 272-7538

Conferees:

  
\_\_\_\_\_  
SCOTT L. WEAVER  
CRU EXAMINER-AU 3992  
  
\_\_\_\_\_  
MARK J. REINHART  
SPRE-AU 3992  
CENTRAL REEXAMINATION UNIT

**Application Number**



**Application/Control No.**

90/007,403

**Applicant(s)/Patent under Reexamination**

5675734

**Examiner**

Roland G. Foster

**Art Unit**

3992

**Index of Claims**



Application/Control No.

90/007,403

Examiner

Roland G. Foster

Applicant(s)/Patent under Re xamination

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Art Unit

3992

√	Rejected
=	Allowed

-	(Through numeral) Cancelled
+	Restricted

N	Non-Elected
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**Search Notes**



Application/Control No.

90/007,403

Examiner

Roland G. Foster

Applicant(s)/Patent under R examination

5675734

Art Unit

3992

**SEARCHED**

Class	Subclass	Date	Examiner

**INTERFERENCE SEARCHED**

Class	Subclass	Date	Examiner

**SEARCH NOTES (INCLUDING SEARCH STRATEGY)**

	DATE	EXMR
Not Updated	rgf	



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

56548 U.S. PTO

In re Application of: )  
ARTHUR R. HAIR )  
Reexamination Control No. 90/007,403 )  
Reexamination Filed: January 31, 2005 )  
Patent Number: 5,675,734 )



) SYSTEM FOR TRANSMITTING  
) DESIRED DIGITAL VIDEO OR  
) AUDIO SIGNALS  
)

Examiner: Roland Foster

MAIL STOP *Ex Parte* Reexamination  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

A.NE

**TRANSMITTAL**

In response to the Office Action mailed on March 17, 2007 in the above-captioned reexamination, to which a response is due May 17, 2007, enclosed herewith are the following:

- Response;
- Copy of cited publication;
- Declaration Under 37 CFR § 1.132; and
- Certificate of Service.

No fee is believed due to support this submission. However, should any fee be due, authorization is hereby given to charge **Deposit Account No. 50-0573**.

Respectfully submitted,  
DRINKER BIDDLE & REATH LLP

\_\_\_\_\_  
Robert A. Koons, Jr.  
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56548 U.S. PTO



05/17/07

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: )  
 )  
 ARTHUR R. HAIR )  
 )  
 Reexamination Control No. 90/007,403 )  
 )  
 Reexamination Filed: January 31, 2005 ) SYSTEM FOR TRANSMITTING  
 ) DESIRED DIGITAL VIDEO OR  
 Patent Number: 5,675,734 ) AUDIO SIGNALS  
 )  
 Examiner: Roland Foster

Mail Stop *Ex Parte* Reexamination  
 Commissioner for Patents  
 P.O. Box 1450  
 Alexandria, VA 22313-1450

Sir:

RESPONSE

In response to the Office Action for the above-identified reexamination dated  
 March 17, 2007, please enter the following remarks.  
 Remarks begin on page 2 of this paper.

## REMARKS

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34, which originally issued in the patent under reexamination, and new Claims 35 through 60, are currently pending in the reexamination.

### **I. SUMMARY**

The Office essentially has reiterated its previous position regarding the entitlement of the claims as issued in U.S. Patent No. 5,675,734 (the “734 Patent”) to the proper priority date of June 13, 1988. Patentee again wishes to point out that the Office has exceeded its jurisdiction in extending the instant reexamination to consider issues of written support and enablement, which clearly are outside the mandate given to the Office in the reexamination statutes. The Office repeatedly cites the Manual of Patent Examination Proceed (“MPEP”) as granting authority to consider in reexamination issues related to priority. In fact, a number of the sections of the MPEP cited by the Office as granting authority to address intervening references in reexamination are not themselves concerned with reexamination, but rather initial examination. Further, Patentee respectfully points out that, even with respect to MPEP sections that are relevant to reexamination, these sections merely set forth PTO procedures. The MPEP is not a rule or statement of law, and thus the MPEP cannot by itself grant any authority not previously granted by statute.

Nonetheless, even if it were within Office’s mandate to consider issues of priority, the Office clearly is not empowered to address any issues where they do not themselves present new issues related to patentability. As pointed out in detail by Patentee in the Response to the Office Action of September 29, 2006, all of the issues of alleged new

matter now specifically raised in the instant reexamination were addressed previously by the original examiner, Examiner Nguyen, during the initial examination of the '734 Patent and its parent, U.S. Patent No. 5,191,573. Patentee herein incorporates all arguments made in the Response to the previous Office Action concerning this issue as if repeated in their entirety.

Additionally, Patentee in the Response to the previous Office Action pointed out where each element in the claims currently in reexamination is supported in the specification as originally filed. Further, Patentee specifically pointed out in detail that the invention was in fact enabled as of June 13, 1988. As specifically addressed in Patentee's Response to the previous Office Action, the Office is applying an improper standard for 35 U.S.C. § 112, first paragraph, written support and enablement. Patentee also incorporates herein all arguments made in the Response to the previous Office Action concerning this issue as if repeated in their entirety.

Many of the new rejections of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 under Section 112, first paragraph, regarding written support and enablement similarly are improper because they address issues already decided during the initial examination of the '734 Patent. With respect to any issues under Section 112, first paragraph, now raised by the Office that may not have been decided previously, Patentee demonstrates herein that Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are fully supported and enabled by the specification originally filed on June 13, 1988.

As a result, Patentee reiterates its position that U.S. Patent No. 5,132,992 to Yurt (*Yurt*) and U.S. Patent No. 5,241,428 to Goldwasser (*Goldwasser*) cited by the Office do

not qualify as prior art and are not available for the purposes of rejections under 35 U.S.C. § 103(a) or for the purposes of obviousness-type double-patenting. Patentee similarly incorporates herein all arguments made in the Response to the previous Office Action concerning this issue as if repeated in their entirety.

## **II. THE OFFICE IS NOT EMPOWERED TO REASSIGN PRIORITY DATES DURING REEXAMINATION**

The '734 Patent issued from U.S. Patent Application Serial No. 08/607,648 (the "'648 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 08/023,398 (the "'398 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 07/586,391 (the "'391 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 07/206,497 (the "'497 Application'"), which was the originally filed application. The Office admits the '734 Patent is not a continuation-in-part, but then asserts that the '734 Patent "shares the characteristics of a continuation-in-part." Based on this novel characterization of the '734 Patent, the Office proceeds to revisit the entitlement of the claims in the '734 Patent to the June 13, 1988 priority date previously awarded by Examiner Nguyen.

### **A. THE OFFICE IS ATTEMPTING TO REASSIGN THE PRIORITY DATE OF THE '734 PATENT**

The Office asserts that "no priority dates have been 'reassigned' by the examiner." However, this is exactly what the Office has done.

#### **1. Examiner Nguyen Assigned A Priority Date Of June 13, 1988 To The Claims In The '734 Patent**

MPEP § 602.05(a) states unequivocally that, "[i]f the examiner determines that the continuation or divisional application contains new matter relative to the prior application, the examiner should so notify the applicant in the next Office action. The

examiner should also (A) require a new oath or declaration along with the surcharge set forth in 37 CFR 1.16 (f); and (B) indicate that the application should be redesignated as a continuation-in-part.”

During initial examination of the ‘734 Patent, the ‘648 Application and ‘398 Application were filed as “continuations” claiming priority back to the ‘497 Application, through the ‘391 Application. Thus, as a preliminary matter, the ‘648 Application and ‘398 Application were entitled to the filing date of the original application, June 13, 1988. Examiner Nguyen reviewed all amendments made to the specification and claims of the ‘648 Application and ‘398 Application, and did not require a new oath or declaration or that either application be refiled as a continuation-in-part.<sup>1</sup> Based on the MPEP sections cited by the Office and the Patentee, implicit in this is the fact that Examiner Nguyen thereby assigned the priority date of June 13, 1988 to the ‘648 Application and ‘398 Application.

During prosecution of the ‘648 Application and ‘398 Application, amendments were made to the specification and claims. The Office specifically refers to amendments filed on January 3, 1994 and December 9, 1996 as adding alleged new matter.<sup>2</sup> As noted by the Office, the January 3, 1994 amendment clarified the original disclosure in the ‘497 Application, which explicitly disclosed that the invention was applicable to digital video as well as digital audio. The Office admits the originally filed specification explicitly

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<sup>1</sup> Patentee notes that a declaration and power of attorney dated February 22, 1993 was filed with the ‘398 Application. A review of the specification filed with the ‘398 Application reveals that it included only two paragraphs not expressly found in the originally filed ‘497 Application. However these two paragraphs incorporated matter considered and passed on by Examiner Nguyen as part of the December 9, 1991 amendment in the ‘391 Application and thus did not add new matter. See MPEP § 602.05.

<sup>2</sup> Patentee notes that there is no amendment in the file history of the ‘734 Patent bearing a date of January 3, 1994 or December 9, 1996. The closest dates corresponding to the amendments referenced by the Office are dated December 30, 1993 and December 6, 1996. For the purpose of responding to the current rejection, Patentee assumes these are the amendments to which the Office refers.

discloses that an embodiment of the invention can be applied to video as well as audio, but then objects to the fact that a description drawn to the video embodiment was included in the January 3, 1994 amendment.

A review of the text added to the specification and claims via the January 3, 1994 amendment shows that the text substantially repeats much of the previous description of the invention, merely replacing the term “audio” with “video.” Since the original specification stated explicitly that the described invention was applicable to video, as well as audio, it cannot be said this further video description was not supported by the original specification. Further, to the extent the January 3, 1994 amendment contained terms not explicitly found in the original specification filed on June 13, 1988, a review of the amendment shows it does not contain any matter that was not previously reviewed by Examiner Nguyen and found to be supported.

Specifically, during prosecution of the ‘391 Application, Examiner Nguyen made certain specific new matter rejections based on amendments to the specification and claims. Those rejections were traversed and responded to by the applicant, including the submission of a Declaration under 37 CFR § 1.132, which was determined to be persuasive by Examiner Nguyen.<sup>3</sup> The new matter rejections subsequently were withdrawn and the application proceeded to issue as the ‘573 Patent. Therefore, Examiner Nguyen expressly concluded that the alleged new matter was in fact supported by the originally filed specification; i.e. was disclosed in the manner provided by the first paragraph of Section 112. The January 3, 1994 amendment included identical

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<sup>3</sup> As an ancillary matter, the Office now seems to question the persuasiveness of the Section 1.132 Declaration submitted by applicant during examination of the ‘391 Application. Patentee respectfully points out this is not an issue that can be addressed on reexamination. The original Examiner must be assumed to have done his job properly in the initial examination.

terminology; e.g. “charge a fee”, “second party location”, “credit card number”, etc., which previously had been reviewed and found to be supported by Examiner Nguyen, the only difference being the recitation of digital video. Because the original specification explicitly states that the disclosed invention is applicable to video, Examiner Nguyen did not object -- and in fact had no reason to object -- to matter she had already reviewed.

With respect to the December 9, 1996 amendment, a review of the filing does not reveal any additions to the specification, only amendments to the claims. Further, all of the text added to the claims via this amendment was either explicitly supported in the originally filed specification, or included terms that were reviewed previously and found to be supported by Examiner Nguyen.

Therefore, because the text added by the January 3, 1994 and December 9, 1996 amendments consisted of matter either explicitly found in the original specification or previously considered and passed on by Examiner Nguyen, there is no doubt that Examiner Nguyen determined the claims in the ‘734 Patent were entitled to claim priority to the original June 13, 1988 filing date.

**2. The Office Is Attempting To Reassign A Priority Date Of February 27, 1996 To The Claims Of The ‘734 Patent**

The Office now asserts, contrary to Examiner Nguyen, that the ‘734 Patent was only entitled to a priority date of February 27, 1996. Essentially, the Office has made an *ex post* determination that Examiner Nguyen *should have* either required that the amendatory text be deleted, or *should have* required that the application be refiled as a continuation-in-part with a new oath or declaration. In short, it is the Office’s position that Examiner Nguyen *should have*, at some point, assigned a priority date of February 27, 1996 to the ‘398 Application during prosecution. After extensively reviewing the



amendments to the specification and claims during prosecution of the '398 Application, Examiner Nguyen assigned the priority date of June 13, 1988. Dissatisfied with Examiner Nguyen's conclusion, the Office now has taken it upon itself to revisit the issue and reassign the priority date of February 27, 1996 for the '734 Patent.

**3. The Office is Attempting To Create A New Designation Of “De Facto CIP”**

The Office admits the '734 Patent is not a continuation-in-part application, but then asserts the '734 Patent “shares the characteristics of a continuation-in-part,” and cites this as a basis for assigning a later priority date to the claims of the '734 Patent. The Office points to text added to the specification of the '734 Patent that was not found in the originally filed specification as grounds for this new designation. The Office further cites MPEP § 201.11 to support its conclusion. However, the presence of additional or different text in the specification of a continuation application does not by itself render the continuation application a continuation-in-part. The prohibition of MPEP § 201.11 concerns addition of text that would constitute new matter. Indeed, MPEP § 602.05 explicitly contemplates that changes and additions to the text of specifications in continuation and divisional applications can occur and are acceptable so long as no new matter is introduced:

“A copy of the oath or declaration from a prior non-provisional application may be filed in a continuation or divisional application *even if the specification for the continuation or divisional application is different from that of the prior application*, in that revisions have been made to clarify the text to incorporate amendments made in the prior application, or to make other changes provided the changes do not constitute new matter relative to the prior application. See 37 CFR 1.52(c)(3).” MPEP § 602.05 (emphasis added).

Further, the Office has cited no authority that empowers it, in the context of reexamination, to treat a continuation application as a continuation-in-part because the

examiner in reexamination believes the continuation “shares characteristics of a continuation-in-part.” Patentee submits that an application or patent is either a continuation-in-part, or it is not. There simply is no designation in the statutes or regulations for patents that are continuations, but “share the characteristics of continuations-in-part”, as asserted by the Office. Patentee therefore respectfully submits that the Office has manufactured the designation of “*de facto* CIP” to allow the Office to cite references that otherwise would be unavailable as prior art.

The Office’s reliance on *In re Ruscetta*, 255 F.2d 687 (CCPA 1958) and *In re van Langenhoven*, 458 F.2d 132 (CCPA 1972) as authority for creating a *de facto* CIP is misplaced. Both *Ruscetta* and *van Langenhoven* deal explicitly with patents that issued from continuation-in-part applications. Further, both cases pre-date the reexamination statute, and thus say nothing about the proper conduct of reexamination proceedings. The Office has cited no further authority to support its interpretation of *Ruscetta* or *van Langenhoven*. Moreover, the Office cannot expand the holdings of these cases simply by inserting references to them in MPEP sections dealing with the scope of reexamination. “The MPEP sets forth PTO procedures; it is not a statement of law.” *Regents of the University of New Mexico v. Knight*, 321 F.3d 1111, 1121 (Fed. Cir. 2003).

**B. THE PRIORITY DATE OF THE CLAIMS OF THE ‘734 PATENT IS NOT A NEW ISSUE RELATED TO PATENTABILITY AND CANNOT BE REVISITED BY THE OFFICE IN REEXAMINATION**

The Office asserts the determination of the priority date of the claims in the ‘734 Patent is a new issue related to patentability. The Office then back tracks on this statement by saying that even if were not a new issue, nothing bars the Office from revisiting the issue in reexamination.

**1. The Entitlement Of The Claims In The '734 Patent To The Priority Date Of June 13, 1988 Was Addressed By Examiner Nguyen During The Original Prosecution Of The '734 Patent**

The Office admits that Examiner Nguyen did in fact address the issue of the alleged new matter shown in Table I of the most recent Office Action in related reexamination 90/007,402. The Office further admits that Patentee has effectively demonstrated as much through the table submitted with Patentee's Response to the Office Action of September 29, 2006. However, the Office then asserts that Examiner Nguyen did not have an opportunity to compare all of the amendments to the claims and specification made during prosecution to the originally filed specification. The Office refers to Table II in the most recent Office Action in related reexamination 90/007,402 for examples of "gradually added new matter" which the Office asserts was not addressed by Examiner Nguyen. However, on reviewing Table II, it is apparent it contains the same alleged new matter as Table I, which the Office already has admitted was reviewed and passed on by Examiner Nguyen. In fact, the text referred to by the Office in the instant Office Action appears to be the same text presented in the previous Office Action with the exception that it has now been relabeled Table II.

The Office also refers to the amendments of January 3, 1994 and December 9, 1996 as allegedly adding new matter. However, beyond making vague assertions that disclosure and claims drawn to video constitute new matter, the Office has failed to specify exactly what the Office considers new matter added by these amendments. A review of the text of these amendments shows their content corresponds to the same alleged new matter found in Tables I and II discussed above. As a result, it is not

apparent the amendments of January 3, 1994 and December 9, 1996 included any disclosure that was not previously considered and passed on by Examiner Nguyen.

**2. The Absence Of Rejections Based On Intervening References During The Initial Examination Of The '734 Patent Does Not Demonstrate Examiner Nguyen Failed To Address The Issue Of Priority**

The Office asserts that Examiner Nguyen never had reason to consider the propriety of the claim of priority made in the '648 or '398 Applications, because no intervening references were ever cited by the Examiner. This line of argument by the Office effectively puts the rabbit in the hat, by concluding that the absence of any intervening references in the record is conclusive evidence the issue of priority was never addressed by Examiner Nguyen. Patentee respectfully submits it is more plausible to conclude that no intervening references were cited because Examiner Nguyen properly concluded the '648 and '398 Applications were entitled to the priority date of June 13, 1988. Not only is Patentee's position more plausible on its face, it is fully supported by the written record as detailed in Section II(A)(1) above.

**3. MPEP § 2258.IV.E Does Not Empower The Office To Revisit The Issue Of The Entitlement Of Claims In An Issued Patent To A Priority Date**

The Office cites MPEP § 2258.IV.E as an example of revisiting priority issues in reexamination. However, most of this section addresses only the procedural issues in reexamination for perfecting a claim for priority made previously during initial examination.

The cited section also deals with claiming priority under 35 U.S.C. § 120 to an earlier filed copending application during reexamination, where there was an earlier *failure* to make such a claim. Where a patentee seeks to correct an earlier *failure* to claim

priority, that would be a new issue, since the priority claim was never before the Office in the first place. However, in the instant case, a claim of priority was made by the applicant and Examiner Nguyen determined the '734 Patent in fact was entitled to the priority date of June 13, 1988. Since a claim of priority is, by definition, before the Examiner when it is made, it can never be a new issue in reexamination; i.e. one that the original Examiner had no reason to consider. Indeed, MPEP § 201.11, cited favorably by the Office, *requires* an Examiner to address the issue during initial examination.

Further, MPEP § 2258.IV.E does not address revisiting and removing an earlier claim of priority made in an application, and does not address the entitlement of an issued patent to an earlier claimed right of priority.

Finally, MPEP § 2258.IV.E addresses reexaminations initiated by the Patentee, and does not empower the Office to address the issue of entitlement to a claimed priority date where the issue is not first raised by the Patentee.

The Office also cites MPEP § 1402, which concerns reissue proceedings, as an example of addressing priority issues. However, again, the cited section deals with adding or changing claims of priority, where an earlier claim contained an error or was not made at all. Patentee further respectfully points out that, while MPEP § 1405 does address deletion of a priority claim in reissue, that section does not empower the Office on its own to determine the propriety of the priority claim. Finally, 37 CFR § 1.552(c) is explicit about the scope of reexamination:

*“Issues other than those indicated in paragraphs (a) and (b) of this section will not be resolved in a reexamination proceeding. If such issues are raised by the patent owner or third party requester during a reexamination proceeding, the existence of such issues will be noted by the examiner in the next Office action, in which case the patent owner may consider the advisability of filing a reissue application to have such issues considered and resolved.”* 37 CFR 1.552(c) (emphasis added).

Therefore, notwithstanding MPEP § 1405, the propriety of a previously made priority claim cannot be revisited by the Office during reexamination.

**C. SINCE THE ISSUE OF ENTITLEMENT OF THE CLAIMS OF THE '734 PATENT TO THE JUNE 13, 1988 FILING DATE OF THE PARENT APPLICATION IS NOT A NEW ISSUE, PATLEX BARS RECONSIDERATION OF THE ISSUE DURING REEXAMINATION**

The Office agrees that the holding of *Patlex v. Quigg*, 680 F.Supp 33 (D.D.C. 1988) bars reconsideration of the entitlement to a claim for priority where the issue of the sufficiency of the disclosure of the application to which the claim is made has already been determined by the PTO or a court. As demonstrated by Patentee and admitted by the Office, Examiner Nguyen decided the issue of the sufficiency of the disclosure of the '497 Application during the initial examination of the '734 Patent. In short, Examiner Nguyen decided the claims in the '734 Patent are entitled to the filing date accorded the '497 Application, June 13, 1988. Recasting as arising under 35 U.S.C. § 120, as opposed to 35 U.S.C. § 132, the same Section 112, first paragraph, issues previously dealt with by Examiner Nguyen does not make them new. Therefore, by the Office's own admission, it is barred from revisiting the issue of priority in reexamination.

**III. THE INSTANT REJECTIONS OF THE CLAIMS CURRENTLY IN REEXAMINATION ARE IMPROPER**

The Office has rejected Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under Section 112, first paragraph, based on lack of adequate written description and lack of enablement. A number of these Section 112, first paragraph, rejections improperly address issues that previously were determined during the initial examination of the '734 Patent. The Office has also rejected Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 103(a) over various

references. At least two of these references, *Yurt* and *Goldwasser*, are not available as prior art since they post date the proper June 13, 1988 priority date for the '734 Patent.

**A. REJECTION OF CLAIMS 4, 6 THROUGH 10, 19, 22 THROUGH 25, 28 AND 31 THROUGH 60 UNDER 35 U.S.C. § 112, FIRST PARAGRAPH**

Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 have been rejected under Section 112, first paragraph, as either introducing matter not described in the original specification or not being enabled by the original specification. Patentee traverses this rejection.

As a preliminary matter, 37 CFR § 1.552(a) states that an analysis under Section 112 will be performed with respect to *matter* added or deleted, not *claims* added or deleted. The restatement of matter already presented in Claims 1 through 34 in the form of Claims 35 through 60 does not add *matter* to the claims. MPEP § 2163.I states that issues under Section 112 “*most typically*... arise in the context of...new or amended claims.” (emphasis added). This statement does not empower the Office to assert Section 112, first paragraph, rejections every time previously claimed matter is presented in the form of a different claim.

In particular, Patentee notes that Claims 1 through 34 were only amended to add limitations from existing dependent claims into existing independent claims. Therefore, the rationale cited by the Office for subjecting Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 34 to analysis under Section 112, first paragraph is wholly faulty. The only element present in Claims 35 through 60 that was not previously present in Claims 1 through 34 is the recitation of a non-volatile storage portion of the second memory that is not a tape or CD. Therefore, the Office may only examine the recitation of “a non-

volatile storage portion of the second memory that is not a tape or CD” for compliance with Section 112, first paragraph.

Nonetheless, even if it were proper for the Office to examine Claims 35 through 60 in their entirety for compliance with Section 112, first paragraph, under 37 CFR § 1.552(a), those issues already were addressed by Examiner Nguyen during the initial examination of Claims 1 through 34, as recognized by the Office in the instant Office Action.

**1. Rejection Of Claims 35 Through 60 Under 35 U.S.C. § 112, First Paragraph As Introducing Matter Not Found In The Original Specification**

With respect to the recitation of “a non-volatile storage portion of the second memory, wherein the non-volatile storage is not a tape or a CD”, the Office asserts that the negative limitation in Claims 35, 37, 43, 48, 51 and 56 introduces a new concept to the claims that does not have a basis in the originally filed specification. The Office cites two cases from the Board of Patent Appeals and Interferences (BPAI), one case from the Court of Customs and Patent Appeals (CCPA), and one case from the Court of Appeals for the Federal Circuit (CAFC) to support this rejection.

As a preliminary matter, Patentee notes that the CAFC case cited by the Office, *Lizardtech v. Earth Resources Mapping*, 433 F.3d 1373 (Fed. Cir. 2006), is merely an opinion denying a petition for rehearing *en banc*, which does not address anything related to the current rejection, and therefore contains no holding that supports the Office’s position.

The two cases from the BPAI, *Ex Parte Wong*, 2004 WL 4981845 (Bd. Pat. App. & Interf.) and *Ex Parte Grasselli*, 231 USPQ 393 (Bd. Pat. App. & Interf. 1983), address



situations where a negative limitation added to a claim was not described in the specification of the application.

The case from the CCPA, *Application of Johnson*, 558 F.2d 1008 (CCPA 1977), concerns a situation where the applicant sought to claim priority to an originally filed application for claims in a subsequent continuation-in-part application. The disclosure and claims in the CIP application recited a negative limitation excluding certain species from a polymer composition, where the negative limitation was not disclosed in the original parent application. According to the court, this new negative limitation created a new sub-genus not disclosed in the original parent application. As a result, the claims in the CIP application were not entitled to claim priority to the original parent application.

The holdings of *Wong* and *Grasselli* do not support the rejection of Claims 35 through 60 under Section 112, first paragraph, in the instant case. In both *Wong* and *Grasselli*, the issue and ultimate ground for rejection was that a negative limitation added to the claims introduced a new concept not disclosed in the respective specifications in those cases. That simply is not the situation here. All of Claims 35, 37, 43, 48, 51 and 56 recite a non-volatile storage portion of a memory that is not a tape or CD. The originally filed specification of the '497 Application explicitly states that the disclosed invention eliminates the need to handle tapes and CDs. See p. 2, lns. 23 to 26. Thus, the concept of storing digital audio or digital video signals on a memory that is not a tape or CD is explicitly disclosed by the original specification.

The holding of *Johnson* similarly is not helpful to the Office here. In *Johnson*, an original parent application disclosed and claimed a genus of polymer compositions comprising various monomer units. In a later filed continuation-in-part application, the

broad genus claims in the parent application were narrowed by expressly excluding certain species from the polymer compositions. The parent application only contained a description of the broader genus. The court found that claims to the narrower sub-genus created by the express exclusion of certain species in the continuation-in-part were not supported by the description of the broader genus in the parent specification. Again, the situation with the present reexamination differs significantly from the cited case law. Claims 35, 37, 43, 48, 51 and 56 recite a non-volatile storage portion of a memory that is not a tape or CD. This is exactly what is described at page 2, lines 23 to 26 of the originally filed specification. In short, the negative limitation recited in Claims 35, 37, 43, 48, 51 and 56 is expressly disclosed in the specification of the parent application. Thus, in the instant case, the scope of the disclosure in the specification was never narrowed with respect to this element, contrary to the situation in *Johnson*. Patentee therefore respectfully submits that the recitation of a non-volatile storage portion of a memory that is not a tape or CD is fully supported by the originally filed specification, as well as the specification of the '734 Patent as issued.

With respect to the other elements recited in Claims 35 through 60, the issue of written support for the claimed matter was previously addressed by Examiner Nguyen during the initial examination of Claims 1 through 34, as recognized by the Office in the instant Office Action. Moreover, Patentee thoroughly demonstrated in the Response to the Office Action of September 29, 2006 that each element in Claims 35 through 60 is fully supported and enabled by the original specification as filed, as well as the specification for '734 Patent as issued. Reconsideration is respectfully requested.

**2. Rejection Of Claims 4, 6 Through 10, 19, 22 Through 25, 28 and 31 Through 60 Under 35 U.S.C. § 112, First Paragraph As Not Being Enabled By The Original Specification**

Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 have been rejected under Section 112, first paragraph, as not being enabled by the original specification. Patentee traverses this rejection.

As set forth in Section III(A) above, all of the limitations recited in the claims have written support in the original specification filed on June 13, 1988. As further set forth above, 37 CFR § 1.552(a) states that an analysis under Section 112 will be performed with respect to *matter* added or deleted, not *claims* added or deleted. Therefore, the Office may only examine the claims with respect to the recitation of “a non-volatile storage portion of the second memory that is not a tape or CD” for compliance with the enablement requirement. In particular, Patentee notes that Claims 1 through 34 were only amended to add limitations from existing dependent claims into existing independent claims. Therefore, the rationale cited by the Office for subjecting Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 34 to analysis under Section 112, first paragraph is wholly faulty. Nonetheless, Patentee thoroughly demonstrated in the Response to the Office Action of September 29, 2006 that each element in Claims 1 through 34 is fully supported and enabled by the original specification as filed, as well as the specification for ‘734 Patent as issued.

With respect to new Claims 35 through 60, the only difference between the new claims and original Claims 1 through 34 is the recitation of “a non-volatile storage portion of the second memory that is not a tape or CD.” Patentee respectfully submits that, for the same reason Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31

through 34 are enabled, Claims 35 through 60 are also enabled. Reconsideration is respectfully requested.

**3. All Features Of Claims 1 Through 4, 6 Through 19, 22 Through 25, 28 And 31 Through 60 In The '734 Patent Find Written Support In The Originally Filed Specification Of The '497 Application**

In the Response to the previous Office Action, Patentee specifically pointed out in table format where each feature of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 is supported by the originally filed specification of the '497 Application. Patentee incorporates those arguments here as if repeated in their entirety. Patentee further submits for the same reason Claims 35 through 60 are also supported by the originally filed specification of the '497 Application.

To further support Patentee's position with respect to particular claim elements, Patent hereby submits a Declaration under 37 CFR § 1.132 of Dr. J. Douglas Tygar. As set forth in the Declaration of Dr. Tygar, the claim language; "transferring money electronically via a telecommunication line to a first party at a location remote from the second memory," "charging a fee," "providing a credit card number," and "charging an account," all would have been interpreted by one of ordinary skill in the art in the context of the described electronic sales and distribution of digital audio signals or digital video signals. In this context, one of ordinary skill in the art would have recognized that electronic sales encompassed transactions where a fee is charged, and thus money is transferred from one party to another electronically via a telecommunication line. It further would have been understood by one of ordinary skill in the art that electronic sales could be accomplished by providing a credit card number. As a result, one of ordinary skill in the art in 1988 would have recognized

that the description of electronic sales in the specification of the '479 Application necessarily comprehends "transferring money to a first party from a second party electronically via telecommunication lines," "charging a fee," "charging an account," and "providing a credit card number."

As further set forth in the Declaration of Dr. Tygar, one of ordinary skill in the art in 1988 would have been aware of the available means for connecting computer systems to telecommunication lines for the purpose of transferring electronic signals; for example modems. Such means could be used at the originating (transmitting) computer and at the destination (receiving) computer. The control unit or control integrated circuit of the copyright holder and user would have been recognized by one of ordinary skill in the art as being some type of computer system or part of a computer system. Therefore, the terms in the claims, "transmitter" and "receiver", describe what would have been understood by one of ordinary skill in the art as being necessarily comprehended by the description provided in the specification and figures filed with the '497 Application.

Finally, as also set forth in the Declaration of Dr. Tygar, it easily would have been recognized by one of ordinary skill in the art in 1988 that the specification's teaching requires establishing some type of connectivity as a pre-requisite to making a purchase/sale of digital signals, as well as for transferring the digital signals. Since the specification of the '497 Application explicitly discloses selling and transferring digital audio signals (or digital video signals) over telephone lines, it is clear that the step of requesting and establishing connectivity (telephoning) is necessarily comprehended in

the description provided in the '497 Application, since the step would have been recognized as a prerequisite for performing the function of the disclosed system.

**4. All Features Of Claims 1 Through 4, 6 Through 19, 22 Through 25, 28 And 31 Through 60 In The '734 Patent Are Enabled By The Originally Filed Specification Of The '497 Application**

In the Response to the previous Office Action, Patentee specifically explained how claims drawn to the video feature are enabled by the originally filed specification of the '497 Application. Patentee incorporates those arguments here as if repeated in their entirety. In response to those arguments, the Office states:

Thus, it would not have been clear to one of ordinary skill how the digital video would have been coded and decoded during transmission over a telephone line. Such a question does not relate to mass production, but where a single video downloading system as claimed could be made or used without undue experimentation by one of ordinary skill in the art in 1988 facing a lack of industry standards for transmitting digital video data via a telephone line and also facing a limited disclosure of any video features whatsoever.

It is respectfully submitted that those of ordinary skill in the art would have been able to code and decode video data transmitted over a telephone line without undue experimentation. This is because there were existing video teleconferencing systems known and available to them prior to applicant's earliest priority date. Patentee hereby submits the reference "The Design of Picturephone® Meeting Service (PMS) Conference Centers For Video Teleconferencing", Bernard A. Wright, *IEEE Communications*

*Magazine*, © 1983 (hereinafter *Wright*). In the paragraph crossing the left and right columns of page 30 of *Wright*, the article describes that five years before applicant's earliest priority date a digital video signal could have been (and was) sent via a telephone network and decoded with a picture processor in real-time. In fact, on page 36, *Wright* states:

The Bell System has developed a complete capability for full motion video teleconferencing, and as of July 2, 1982 is providing such a service. This high quality PMS service provides the user with an excellent full-motion, two-way fully interactive conferencing capability.

Similarly, in the section of page 35 entitled "Picture Processor," *Wright* discloses that not only was a TV processor for video processing available from Nippon Electric Corporation for use in the described video processing system, but a network interface specification was available for making systems that were compatible with the Bell System. (See reference [3].) It further states that "In the receive direction, a decoder accepts the two DS-1 signals as inputs, corrects errors, and recovers audio, video, and control information by performing the inverse of the encoding operations." (Emphasis added.) As such, contrary to the position of the Office Action, it is clear that at the time of filing the earliest priority application, one of ordinary skill in the art would have been able to transmit, download and decode video signals as claimed by using, for example, the digital video format of the PicturePhone system described in *Wright*, without undue experimentation. Applicant therefore respectfully requests that the Patent Office withdraw this ground for rejection.

**B. REJECTION OF CLAIMS 4, 6 THROUGH 19, 22 THROUGH 25, 28, 31 THROUGH 34 AND 37 THROUGH 60 UNDER 35 U.S.C. § 103(a) OVER YURT IN VIEW OF GOLDWASSER**

Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 have been rejected under 35 U.S.C. § 103(a) as obvious over the combination of U.S. Patent 5,132,992 to Yurt (*Yurt*) in view of U.S. Patent No. 5,241,428 to Goldwasser (*Goldwasser*). Patentee respectfully traverses this rejection.

As previously pointed out by Patentee, neither of *Yurt* or *Goldwasser* qualifies as prior art based on the proper June 13, 1988 priority date of the '734 Patent. Therefore, a *prima facie* case of obviousness of Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 has not been established by the foregoing combination of references.

**C. REJECTION OF CLAIMS 1, 2, 35 AND 36 UNDER 35 U.S.C. § 103(a) OVER YURT IN VIEW OF BUSH**

Claims 1, 2, 35 and 36 have been rejected under 35 U.S.C. § 103(a) as obvious over the combination of *Yurt* in view of U.S. Patent No. 4,789,863 to Bush (*Bush*). Patentee respectfully traverses this rejection.

As set forth in Section III(E) above *Yurt* does not qualify as prior art based on the proper June 13, 1988 priority date of the '734 Patent. Therefore, a *prima facie* case of obviousness of Claims 1, 2, 35 and 36 has not been established by the foregoing combination of references.

**D. REJECTION OF CLAIM 3 UNDER 35 U.S.C. § 103(A) OVER YURT IN VIEW OF BUSH IN VIEW OF GOLDWASSER**

Claim 3 has been rejected under 35 U.S.C. § 103(a) over *Yurt* in view of *Bush* further in view of *Goldwasser*. Patentee respectfully traverses this rejection.



As set forth above *Yurt* and *Goldwasser* are not available as prior art based on the appropriate priority date of June 13, 1988 for the '734 Patent. Therefore a *prima facie* case of obviousness has not been established by this combination of references.

**E. REJECTION OF CLAIMS 1 THROUGH 4, 6 THROUGH 19, 22 THROUGH 25, 28 AND 31 THROUGH 60 UNDER THE DOCTRINE OF OBVIOUSNESS TYPE DOUBLE-PATENTING**

Claims 1 through 4, 6 through 19, 22 through 25, 28, and 31 through 60 have been rejected under the doctrine of obviousness-type double-patenting over Claims 1 through 6 of U.S. Patent No. 5,191,573 in view of *Yurt*. Patentee respectfully traverses this rejection.

As set forth above, *Yurt* is not available as prior art based on the appropriate priority date of June 13, 1988 for the '734 Patent. As previously set forth in Patentee's Response to the September 29, 2006 Office Action, a rejection for obviousness-type double-patenting that is unsupported by some suggestion in the prior art, or the knowledge of one having ordinary skill in the art, is improper. Since *Yurt* is not available as prior art, the instant rejection is improper and should be withdrawn.

Further, it is improper for the Office even to consider the issue of double-patenting now, because that issue was before the examiner in the original examination of the '734 Patent. Patentee incorporates herein all arguments made in Patentee's Response to the September 29, 2006 Office Action concerning the inappropriateness of the current rejections for obviousness-type double-patenting as if repeated in their entirety.

\* \* \* \* \*

For all of the reasons set forth above, Patentee respectfully requests that all rejections of Claims 1 through 4, 6 through 19, 22 through 25, 28, and 31 through 60 be

withdrawn, and those claims be allowed to issue out of the pending reexamination proceeding.

Respectfully submitted,  
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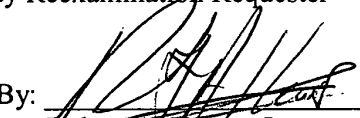
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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Statement Under 37 C.F.R. §1.560(b) in Reexamination No. 90/007,403 was served via First Class United States Mail, postage prepaid, this 17th day of May 2007, on the following:

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Attorney Docket No. 219099/734

In re Application of: ARTHUR R. HAIR  
Reexamination Control No. 90/007,403  
Reexamination Filed: January 31, 2005  
Patent Number: 5,675,734  
Title: SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO  
OR AUDIO SIGNALS

CERTIFICATE UNDER 37 C.F.R. 1.10

**EXPRESS MAIL Label No.: EV 390816040 US**

Date of Deposit: May 17, 2007

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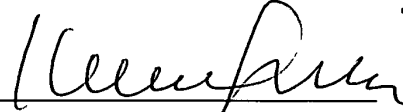
Response; Copy of cited publication; Declaration Under 37 CFR § 1.132; and

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along with any paper referred to as being attached or enclosed, and/or fee, is being deposited with the United States Postal Service, "EXPRESS MAIL-POST OFFICE TO ADDRESSEE" service under 37 C.F.R. 1.10, on the date indicated above, and addressed to: MAIL STOP *Ex Parte* Reexamination, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

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Customer No. 23973



**CERTIFICATE OF MAILING BY "EXPRESS MAIL" (37 CFR 1.10)**

Applicant(s): **Arthur R. Hair**

Docket No.

**NAPSP002**

Application No.

**90/007,403**

Filing Date

**January 31, 2005**

Examiner

**Roland G. Foster**

Customer No.

**023973**

Group Art Unit

**3992**

Invention: **SYSTEM FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL**

70181 U.S. PTO.



05/31/07

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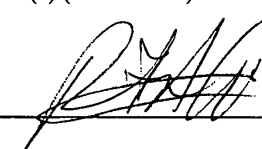
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I hereby certify that this correspondence is being deposited with the United States Postal Service with sufficient postages as first class mail in an envelope addressed to "Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450" [37 CFR 1.8(a)] on _____	In re Application of: Arthur R. Hair	
Signature _____ Typed or printed name: _____	Control Number: 90/007,403	
	Filed: January 31, 2005	
	For: SYSTEM FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL	
	Art Unit: 3992	Examiner: Roland G. Foster
Patentee(s) hereby <b>appeal(s)</b> to the Board of Patent Appeals and Interferences from the last decision of the examiner rejecting claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in reexamination.		
The fee for this Notice of Appeal is (37 CFR 41.20(b)(1))	\$ <u>500.00</u>	
<input type="checkbox"/> Patentee claims small entity status. See 37 CFR 1.27. Therefore, the fee shown above is reduced by half, and the resulting fee is:	\$ _____	
<input checked="" type="checkbox"/> A check in the amount of the fee is enclosed.		
<input type="checkbox"/> Payment by credit card. Form PTO-2038 is attached.		
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<input type="checkbox"/> applicant/inventor	Typed or printed name: Robert A. Koons, Jr., Esq.	
<input type="checkbox"/> assignee of record of the entire interest. See 37 CFR 3.71. Statement under 37 CFR 3.73(b) is Enclosed. (Form PTO/SB/96)		
<input checked="" type="checkbox"/> attorney or agent of record. Registration Number: 32,474	Telephone Number: <u>215-988-3392</u>	
<input type="checkbox"/> attorney or agent acting under 37 CFR 1.34. Registration number if acting under 37 CFR 1.34:	Date: <u>31 May 2007</u>	
NOTE: Signatures of all the inventors or assignees of record of the entire interest or their representative(s) are required. Submit multiple forms if more than one signature is required, see below.*		
<input checked="" type="checkbox"/> Total of <u>1</u> forms are submitted.		

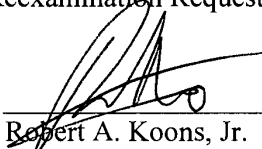
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Signature _____ Typed or printed name: _____	Control Number: 90/007,403 Filed: January 31, 2005
Patentee(s) hereby <b>appeal(s)</b> to the Board of Patent Appeals and Interferences from the last decision of the examiner rejecting claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in reexamination.	For: SYSTEM FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL
The fee for this Notice of Appeal is (37 CFR 41.20(b)(1))	\$500.00
<input type="checkbox"/> Patentee claims small entity status. See 37 CFR 1.27. Therefore, the fee shown above is reduced by half, and the resulting fee is:	\$ _____
<input checked="" type="checkbox"/> A check in the amount of the fee is enclosed.	
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<input checked="" type="checkbox"/> attorney or agent of record. Registration Number: 32,474	Telephone Number: <u>215-988-3392</u>
<input type="checkbox"/> attorney or agent acting under 37 CFR 1.34. Registration number if acting under 37 CFR 1.34:	Date: <u>31 May 2007</u>
NOTE: Signatures of all the inventors or assignees of record of the entire interest or their representative(s) are required. Submit multiple forms if more than one signature is required, see below.*	
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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Notice of Appeal from Final Rejection in Reexamination No. 90/007,403 was served via First Class United States Mail, postage prepaid, this 31st day of May 2007, on the following:

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By: \_\_\_\_\_

  
Robert A. Koons, Jr.  
Attorney for Patentee



# Litigation Search Report CRU 3999

Reexam Control No. 90/007,403

**TO: Roland Foster**

**Location: CRU**

**Art Unit: 3992**

**Date: 07/17/07**

**Case Serial Number: 90/007,403**

**From: Patricia Volpe**

**Location: CRU 3999**

**MDW 7C69**

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## Search Notes

**Litigation was found involving U.S. Patent Number 5,675,734**

Status- CLOSED 2:04cv1549 Sightsound Tech v. Roxio, Inc, et al

### **Sources:**

- 1) I performed a KeyCite Search in Westlaw, which retrieves all history on the patent including any litigation.
- 2) I performed a search on the patent in Lexis CourtLink for any open dockets or closed cases.
- 3) I performed a search in Lexis in the Federal Courts and Administrative Materials databases for any cases found.
- 4) I performed a search in Lexis in the IP Journal and Periodicals database for any articles on the patent.
- 5) I performed a search in Lexis in the news databases for any articles about the patent or any articles about litigation on this patent.



Date of Printing: JUL 17,2007

## KEYCITE

**HUS PAT 5675734 SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS**  
 , Assignee: Parsec Sight/Sound, Inc. (Oct 07, 1997)

**History**  
**Direct History**

- H** 1 METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL, US PAT 5191573, 1993 WL 1138260 (U.S. PTO Utility Mar 02, 1993) (NO. 586391)  
*Construed by*
- H** 2 SightSound.Com Inc. v. N2K, Inc., 185 F.Supp.2d 445 (W.D.Pa. Feb 08, 2002) (NO. CIV.A.98-CV-118)
- H** 3 METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL, US PAT 5191573, 1993 WL 1138260 (U.S. PTO Utility Mar 02, 1993) (NO. 586391)  
*Ruled Valid by*
- H** 4 Sightsound.com Inc. v. N2K, Inc., 391 F.Supp.2d 321 (W.D.Pa. Oct 24, 2003) (NO. CIV.A. 98-CV-118)
- => 5 **SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS, US PAT 5675734, 1997 WL 1488819 (U.S. PTO Utility Oct 07, 1997) (NO. 607648)**  
*Construed by*
- H** 6 SightSound.Com Inc. v. N2K, Inc., 185 F.Supp.2d 445 (W.D.Pa. Feb 08, 2002) (NO. CIV.A.98-CV-118)
- => 7 **SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS, US PAT 5675734, 1997 WL 1488819 (U.S. PTO Utility Oct 07, 1997) (NO. 607648)**  
*Ruled Valid by*
- H** 8 Sightsound.com Inc. v. N2K, Inc., 391 F.Supp.2d 321 (W.D.Pa. Oct 24, 2003) (NO. CIV.A. 98-CV-118)
- H** 9 SYSTEM AND METHOD FOR TRANSMITTING DESIRED DIGITAL VIDEO OR DIGITAL AUDIO SIGNALS, US PAT 5966440, 1999 WL 1731614 (U.S. PTO Utility Oct 12, 1999) (NO. 471964)  
*Construed by*
- H** 10 SightSound.Com Inc. v. N2K, Inc., 185 F.Supp.2d 445 (W.D.Pa. Feb 08, 2002) (NO. CIV.A.98-CV-118)
- H** 11 SYSTEM AND METHOD FOR TRANSMITTING DESIRED DIGITAL VIDEO OR DIGITAL AUDIO SIGNALS, US PAT 5966440, 1999 WL 1731614 (U.S. PTO Utility Oct 12, 1999) (NO. 471964)

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*Ruled Valid by*

- H** 12 Sightsound.com Inc. v. N2K, Inc., 391 F.Supp.2d 321 (W.D.Pa. Oct 24, 2003) (NO. CIV.A. 98-CV-118)

**Court Documents  
Trial Court Documents (U.S.A.)**

**W.D.Pa. Expert Testimony**

- 13 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 1998 WL 34373758 (Expert Report and Affidavit) (W.D.Pa. 1998) **Opening Expert Report of James A. Moorer** (NO. 98-0118)
- 14 SIGHTSOUND.COM INCORPORATED, A Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation CDNOW, Inc., A Pennsylvania corporation, and CDNOW Online, Inc., a Pennsylvania corporation, Defendants., 2001 WL 34891529 (Expert Deposition) (W.D.Pa. Apr. 19, 2001) **Proceedings** (NO. 98-118)
- 15 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware Corporation, CDNOW, INC., a CDNOW Online, Inc., a Pennsylvania corporation, Defendants., 2002 WL 32994569 (Expert Report and Affidavit) (W.D.Pa. Dec. 24, 2002) **Expert Report of Michael Ian Shamos, Ph.D., J.D.** (NO. 98-118)
- 16 SIGHTSOUND.COM INCORPORATED, Plaintiff, v. N2K, INC., CDNow, Inc., and CDNow Online, Inc., Defendants., 2003 WL 24288805 (Expert Report and Affidavit) (W.D.Pa. Jan. 21, 2003) **Expert Report of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 17 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288806 (Expert Report and Affidavit) (W.D.Pa. Feb. 19, 2003) **Rebuttal Expert Report of James A. Moorer to Opening Report of Professor Tygar** (NO. 98-0118)
- 18 SIGHTSOUND.COM INCORPORATED a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware Corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288804 (Expert Report and Affidavit) (W.D.Pa. Feb. 20, 2003) **Rebuttal Report of Michael Ian Shamos, PH.D., J.D.** (NO. 98-118)
- 19 SIGHTSOUND.COM INCORPORATED, Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2003 WL 24289706 (Expert Report and Affidavit) (W.D.Pa. Feb. 20, 2003) **Rebuttal Expert Report of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 20 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309949 (Partial Expert Testimony) (W.D.Pa. Mar. 3, 2003) **(Partial Testimony)** (NO. 98-0118)
- 21 SIGHTSOUND.COM, INCORPORATED, Plaintiff, v. N2K, INC., Cdnw, Inc., and Cdnw Online, Inc., Defendants., 2003 WL 24309947 (Partial Expert Testimony) (W.D.Pa. Mar. 9, 2003) **Deposition of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 22 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309950 (Expert Deposition) (W.D.Pa. Mar. 11, 2003) **(Deposition)** (NO. 98-0118)
- 23 In the Matter of: SIGHTSOUBD.COM INC., v. N2K, INC. et al., 2003 WL 24309948 (Partial Expert Testimony) (W.D.Pa. Mar. 12, 2003) **(Partial Testimony)** (NO. 98-0118)
- 24 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288807 (Expert Report and Affidavit) (W.D.Pa. Apr. 23, 2003) **Declaration by James A. Moorer in Support of Defendants' Motion for Summary Judgment** (NO. 98-0118)

- 25 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff and, Counterdefendants, v. N2K, INC., a Delaware corporation, CDNOW, Inc., a Pennsylvania corporation, and Cdnw Online, INC., a Pennsylvania corporation, Defendants and Counterclaimants., 2004 WL 3735168 (Expert Report and Affidavit) (W.D.Pa. Jan. 27, 2004) **Declaration of Michael Ian Shamos in Support of Defendants' Motion for Summary Judgment (NO. 98-0118)**

**W.D.Pa. Trial Motions, Memoranda and Affidavits**

- 26 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742179 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of James A. Moorer, Ph. D. (NO. 98-0118)**
- 27 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742180 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of Michael Ian Shamos, Ph.D., J.D. (NO. 98-0118)**
- 28 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742181 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of James A. Moo (NO. 98-0118)**
- 29 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742182 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of Michael Sham (NO. 98-0118)**

**Dockets (U.S.A.)**

**W.D.Pa.**

- 30 SIGHTSOUND.COM INC. v. N2K, INC., ET AL, NO. 2:98CV00118 (Docket) (W.D.Pa. Jan. 16, 1998)

**Patent Family**

- 31 DIGITAL VIDEO OR AUDIO SIGNALS TRANSFER METHOD - FORMING CONNECTION THROUGH TELECOMMUNICATIONS LINES BETWEEN TWO PARTY LOCATIONS AND STORING TRANSFERRED REPLICAS OF CODED SIGNAL, DWPL 1997-502649

**Assignments**

- 32 ACTION: ASSIGNMENT OF ASSIGNORS INTEREST (SEE DOCUMENT FOR DETAILS). NUMBER OF PAGES: 006, DATE RECORDED: Dec 27, 2005
- 33 ACTION: NOTICE OF GRANT OF SECURITY INTEREST NUMBER OF PAGES: 006, DATE RECORDED: Oct 24, 2001
- 34 ACTION: CHANGE OF NAME (SEE DOCUMENT FOR DETAILS). NUMBER OF PAGES: 016, DATE RECORDED: May 03, 2000

**Patent Status Files**

- .. Request for Re-Examination, (OG date: Mar 29, 2005)

**Docket Summaries**

- 36 "SIGHTSOUND TECH v. ROXIO, INC., ET AL", 2:04CV01549, (W.D.PA. Oct 08, 2004), 35 USC 271 PATENT INFRINGEMENT

**Litigation Alert**

- 37 LitAlert P1998-06-59, (1999) Action Taken: A complaint was filed.

**Prior Art (Coverage Begins 1976)**

- P** 38 US PAT 4567359 AUTOMATIC INFORMATION, GOODS AND SERVICES DISPENSING SYSTEM, (U.S. PTO Utility 1986)
- C** 39 US PAT 4538176 BUFFER MEMORY DISPERSION TYPE VIDEO/AUDIO TRANSMISSION SYSTEM, Assignee: Hitachi, Ltd., (U.S. PTO Utility 1985)
- C** 40 US PAT 3990710 COIN-OPERATED RECORDING MACHINE, (U.S. PTO Utility 1976)
- H** 41 US PAT 5191573 METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL, (U.S. PTO Utility 1993)
- C** 42 US PAT 4789863 PAY PER VIEW ENTERTAINMENT SYSTEM, (U.S. PTO Utility 1988)
- C** 43 US PAT 4521806 RECORDED PROGRAM COMMUNICATION SYSTEM, Assignee: World Video Library, Inc., (U.S. PTO Utility 1985)
- C** 44 US PAT 4654799 SOFTWARE VENDING SYSTEM, Assignee: Brother Kogyo Kabushiki Kaisha, (U.S. PTO Utility 1987)
- H** 45 US PAT 4528643 SYSTEM FOR REPRODUCING INFORMATION IN MATERIAL OBJECTS AT A POINT OF SALE LOCATION, Assignee: FPDC, Inc., (U.S. PTO Utility 1985)
- C** 46 US PAT 3718906 VENDING SYSTEM FOR REMOTELY ACCESSIBLE STORED INFORMATION, Assignee: Lightner R, (U.S. PTO Utility 1973)
- C** 47 US PAT 4647989 VIDEO CASSETTE SELECTION MACHINE, (U.S. PTO Utility 1987)

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**US District Court Civil Docket**

**U.S. District - Pennsylvania Western  
(Pittsburgh)**

**2:04cv1549**

**Sightsound Tech v. Roxio, Inc, et al**

This case was retrieved from the court on Tuesday, July 03, 2007

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<b>Date Filed: 10/08/2004</b>	<b>Class Code: CLOSED</b>
<b>Assigned To: Chief Judge Donetta W Ambrose</b>	<b>Closed: yes</b>
<b>Referred To:</b>	<b>Statute: 35:271</b>
<b>Nature of suit: Patent (830)</b>	<b>Jury Demand: Both</b>
<b>Cause: Patent Infringement</b>	<b>Demand Amount: \$0</b>
<b>Lead Docket: None</b>	<b>NOS Description: Patent</b>
<b>Other Docket: Dkt in other court: 05-01277</b>	
<b>Dkt in other court: Related, 2:98-cv-118</b>	
<b>Jurisdiction: Federal Question</b>	

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Date	#	Proceeding Text
10/08/2004	1	COMPLAINT with summons issued; jury demand Filing Fee \$ 150.00 Receipt # 05000126 (tt) (Entered: 10/08/2004)
10/08/2004	2	DISCLOSURE statement by SIGHTSOUND TECH (tt) (Entered: 10/08/2004)
10/08/2004	--	COPY of Complaint and Docket Entries mailed to the Commissioner of Patents and Trademarks. (tt) (Entered: 10/08/2004)
11/08/2004	3	RETURN OF SERVICE executed as to ROXIO, INC. 11/5/04 Answer due on 11/26/04 for ROXIO, INC. (tt) (Entered: 11/09/2004)
11/08/2004	4	RETURN OF SERVICE executed as to NAPSTER, L.L.C. 11/5/04 Answer due on 11/26/04 for NAPSTER, L.L.C. (tt) (Entered: 11/09/2004)
11/24/2004	5	ANSWER to Complaint; jury demand and COUNTERCLAIM by ROXIO, INC., NAPSTER, L.L.C. (Attorney William M. Wycoff, Kevin P. Allen, Charles K. Verhoeven, Michael E. Williams) against SIGHTSOUND TECH (tt) Modified on 03/11/2005 (Entered: 11/24/2004)
11/24/2004	6	DISCLOSURE statement by ROXIO, INC., NAPSTER, L.L.C. (tt) (Entered: 11/24/2004)
11/24/2004	7	NOTICE Opting Out of Arbitration by ROXIO, INC., NAPSTER, L.L.C. (tt) (Entered: 11/24/2004)
12/15/2004	8	ANSWER by SIGHTSOUND TECH to [5-2] counterclaims by NAPSTER, L.L.C., ROXIO, INC. (tt) (Entered: 12/16/2004)
12/17/2004	9	Case Management Conference set for 9:15 1/11/05 (tt) (Entered: 12/17/2004)
01/10/2005	10	INITIAL Case Scheduling Conference Statement by ROXIO, INC., NAPSTER, L.L.C. (tt) (Entered: 01/10/2005)
01/10/2005	11	MOTION by SIGHTSOUND TECH for Preliminary Injunction , with Proposed Order. (tt) (Entered: 01/11/2005)
01/10/2005	12	EXHIBITS by SIGHTSOUND TECH to [11-1] motion for Preliminary Injunction (tt) (Entered: 01/11/2005)
01/10/2005	13	BRIEF by SIGHTSOUND TECH in support of [11-1] motion for Preliminary Injunction by SIGHTSOUND TECH (tt) (Entered: 01/11/2005)
01/10/2005	14	DECLARATION of Justin Douglas Tygar, Ph.D. concerning the Operation of Roxio/Napster Re: [11-1] motion for Preliminary Injunction by SIGHTSOUND TECH (tt) (Entered: 01/11/2005)
01/11/2005	15	MOTION by ROXIO, INC., NAPSTER, L.L.C. to Substitute Attorney , with Proposed Order. (tt) (Entered: 01/11/2005)
01/11/2005	16	MOTION by ROXIO, INC., NAPSTER, L.L.C. for Charles K. Verhoeven to Appear Pro Hac Vice ; Filing Fee \$ 40.00 Receipt # 05001581 , with Proposed Order. (tt) (Entered: 01/11/2005)
01/11/2005	17	MOTION by ROXIO, INC., NAPSTER, L.L.C. for Tigran Guledjian to Appear Pro Hac Vice ; Filing Fee \$ 40.00 Receipt # 05001581 , with Proposed Order. (tt) (Entered: 01/11/2005)
01/11/2005	18	MOTION by ROXIO, INC., NAPSTER, L.L.C. for Michael E. Williams to Appear Pro Hac Vice ; Filing Fee \$ 40.00 Receipt # 05001581 , with Proposed Order. (tt) (Entered: 01/11/2005)
01/11/2005	19	Status Conference held 1/11/05 before Chief Judge Donetta W. Ambrose [ Reporter: none ] (tt) (Entered: 01/11/2005)
01/11/2005	--	Deadline updated; Response to Motion set to 2/11/05 for [11-1] motion for Preliminary Injunction ; Reply to Response to Motion set to 2/21/05 for [11-1] motion for Preliminary Injunction ; Motion Hearing set for 1:30 3/3/05 for [11-1] motion for Preliminary Injunction (tt) (Entered: 01/11/2005)
01/11/2005	20	RESPONSE by SIGHTSOUND TECH to defts' [10-1] Initial Case Scheduling Conference Statement. (tt) (Entered: 01/11/2005)
01/11/2005	--	ORDER upon motion granting [15-1] motion to Substitute Attorney ; terminated attorney William M. Wycoff for ROXIO, INC., attorney Kevin P. Allen for ROXIO, INC., attorney William M. Wycoff for NAPSTER, L.L.C., attorney Kevin P. Allen for NAPSTER, L.L.C. and added Laurence Z. Shiekman, Kathryn M. Kenyon for defts. ( signed by Chief Judge Donetta W. Ambrose on 1/11/05 ) CM all parties of record. (tt) (Entered: 01/12/2005)
01/11/2005	--	ORDER upon motion granting [16-1] motion for Charles K. Verhoeven to Appear Pro Hac Vice on behalf of defts. ( signed by Chief Judge Donetta W. Ambrose on 1/11/05 ) CM all parties of record. (tt) (Entered: 01/12/2005)

- 01/11/2005 -- ORDER upon motion granting [17-1] motion for Tigran Guledjian to Appear Pro Hac Vice on behalf of defts. ( signed by Chief Judge Donetta W. Ambrose on 1/11/05 ) CM all parties of record. (tt) (Entered: 01/12/2005)
- 01/11/2005 -- ORDER upon motion granting [18-1] motion for Michael E. Williams to Appear Pro Hac Vice on behalf of defts. ( signed by Chief Judge Donetta W. Ambrose on 1/11/05 ) CM all parties of record. (tt) (Entered: 01/12/2005)
- 01/18/2005 21 Status Conference via phone held 1/18/05 before Chief Judge Donetta W. Ambrose [ Reporter: none ] ; Deft wants leave to amend counterclaims related to press release. Pltf doesn't object to motion for leave to amend. Leave granted orally by the Court; Amended counterclaim due 1/25/05. Deft to file a Motion to Stay Case pending outcome of application to Patent & Trademark Office, response due w/in 10 days. (tt) (Entered: 01/19/2005)
- 01/21/2005 22 MOTION by ROXIO, INC., NAPSTER, L.L.C. to Stay Pending Reexamination of Patents in Suit with Proposed Order. (jsp) (Entered: 01/24/2005)
- 01/21/2005 23 BRIEF by ROXIO, INC., NAPSTER, L.L.C. in support of [22-1] motion to Stay Pending Reexamination of Patents in Suit by NAPSTER, L.L.C., ROXIO, INC. (jsp) (Entered: 01/24/2005)
- 01/25/2005 24 FIRST AMENDED ANSWER to Complaint by ROXIO, INC., NAPSTER, L.L.C. amends: [5-1] answer by NAPSTER, L.L.C., ROXIO, INC. and COUNTERCLAIMS against SIGHTSOUND TECH (tt) (Entered: 01/26/2005)
- 01/27/2005 25 MOTION by SIGHTSOUND TECH to Extend Time w/in which to respond to defts' motion to stay pending receipt of defts' request for re-examination of patents and prior art which defts intend to submit to the Patent and Trademark Office , with Proposed Order. (tt) (Entered: 01/28/2005)
- 01/28/2005 26 RESPONSE by ROXIO, INC., NAPSTER, L.L.C. to pltf's [25-1] motion to Extend Time w/in which to respond to defts' motion to stay (tt) (Entered: 01/28/2005)
- 01/28/2005 27 ACCEPTANCE OF SERVICE of First Amended Answer and Counterclaim as to Scott Sander executed 1/26/05 (tt) (Entered: 01/28/2005)
- 01/28/2005 28 BRIEF by SIGHTSOUND TECH in support of [25-1] motion to Extend Time w/in which to respond to defts' motion to stay (tt) (Entered: 01/31/2005)
- 02/02/2005 29 Status Conference via phone held 1/31/05 before Chief Judge Donetta W. Ambrose [ Reporter: none ] ; Pltf's response to motion to stay due 2/11/05 ; Defts' reply due 2/16/05 ; Preliminary injunction date will be scheduled via order on motion to stay ; Defts do not have to file answer to preliminary injunction by March. (tt) (Entered: 02/02/2005)
- 02/02/2005 -- ORDER upon motion granting [25-1] motion to Extend Time w/in which to respond to defts' motion to stay pending receipt of defts' request for re-examination of patents and prior art which defts intend to submit to the Patent and Trademark Office. Defts shall serve on counsel for pltf by overnight delivery sent no later than 2/1/05 any request for re-examination of the patents in suit which defts intend to file with the PTO, including all prior art on which defts plan to rely in such request for re-examination ; Pltf's Response to Motion set to 2/11/05 for defts' [22-1] motion to Stay Pending Reexamination of Patents in Suit ; Defts' Reply Brief due 2/16/05 ; Defts are not required to file an answer to pltf's motion for preliminary injunction until further order of court. ( signed by Chief Judge Donetta W. Ambrose on 1/31/05 ) CM all parties of record. (tt) (Entered: 02/02/2005)
- 02/03/2005 30 MOTION by SIGHTSOUND TECH for Brian S. Mudge to Appear Pro Hac Vice ; Filing Fee \$ 40.00 Receipt # 05001943 , with Proposed Order. (tt) (Entered: 02/04/2005)
- 02/03/2005 31 MOTION by SIGHTSOUND TECH for William K. Wells to Appear Pro Hac Vice ; Filing Fee \$ 40.00 Receipt # 05001943 , with Proposed Order. (tt) (Entered: 02/04/2005)
- 02/03/2005 32 MOTION by SIGHTSOUND TECH for Duncan L. Williams to Appear Pro Hac Vice ; Filing Fee \$ 40.00 Receipt # 05001943 , with Proposed Order. (tt) (Entered: 02/04/2005)
- 02/03/2005 33 MOTION by SIGHTSOUND TECH for Clyde E. Findley to Appear Pro Hac Vice ; Filing Fee \$40.00 05001943 Receipt # 05001943 , with Proposed Order. (tt) (Entered: 02/04/2005)
- 02/04/2005 34 NOTICE of Lodging of Pending Requests for Reexamination by ROXIO, INC., NAPSTER, L.L.C. (tt) (Entered: 02/04/2005)
- 02/04/2005 35 EXHIBITS (VOLUME I) by ROXIO, INC., NAPSTER, L.L.C. to [34-1] notice of lodging of pending requests for reexamination. (tt) (Entered: 02/04/2005)
- 02/04/2005 36 EXHIBITS (VOLUME II) by ROXIO, INC., NAPSTER, L.L.C. to [34-1] notice of lodging of pending requests for reexamination. (tt) (Entered: 02/04/2005)
- 02/04/2005 37 EXHIBITS (VOLUME III) by ROXIO, INC., NAPSTER, L.L.C. to [34-1] notice of lodging of pending requests for reexamination. (tt) (Entered: 02/04/2005)

- 02/07/2005 -- ORDER upon motion granting [30-1] motion for Brian S. Mudge to Appear Pro Hac Vice on behalf of pltf. ( signed by Chief Judge Donetta W. Ambrose on 2/4/05 ) CM all parties of record. (tt) (Entered: 02/07/2005)
- 02/07/2005 -- ORDER upon motion granting [31-1] motion for William K. Wells to Appear Pro Hac Vice on behalf of pltf. ( signed by Chief Judge Donetta W. Ambrose on 2/4/05 ) CM all parties of record. (tt) (Entered: 02/07/2005)
- 02/07/2005 -- ORDER upon motion granting [32-1] motion for Duncan L. Williams to Appear Pro Hac Vice on behalf of pltf. ( signed by Chief Judge Donetta W. Ambrose on 2/4/05 ) CM all parties of record. (tt) (Entered: 02/07/2005)
- 02/07/2005 -- ORDER upon motion granting [33-1] motion for Clyde E. Findley to Appear Pro Hac Vice on behalf of pltf. ( signed by Chief Judge Donetta W. Ambrose on 2/4/05 ) CM all parties of record. (tt) (Entered: 02/07/2005)
- 02/11/2005 38 REPLY by SIGHTSOUND TECH to [24-2] First Amended Counterclaims by NAPSTER, L.L.C., ROXIO, INC. (tt) (Entered: 02/14/2005)
- 02/11/2005 39 BRIEF by SIGHTSOUND TECH in opposition to Napster's [22-1] motion to Stay Pending Reexamination of Patents in Suit (tt) (Entered: 02/14/2005)
- 02/11/2005 40 MOTION by SIGHTSOUND TECH, SCOTT SANDER to Dismiss defts' Amended Counterclaims 4-9 . (tt) (Entered: 02/14/2005)
- 02/11/2005 41 BRIEF by SIGHTSOUND TECH, SCOTT SANDER in support of their [40-1] motion to Dismiss defts' Amended Counterclaims 4-9 (tt) (Entered: 02/14/2005)
- 02/16/2005 42 REPLY by ROXIO, INC., NAPSTER, L.L.C. in support of their Motion to Stay pending Reexamination of the Patents-In-Suit (tt) (Entered: 02/17/2005)
- 02/16/2005 43 DECLARATION of William E. Growney (tt) Modified on 02/18/2005 (Entered: 02/17/2005)
- 02/16/2005 44 MOTION by ROXIO, INC., NAPSTER, L.L.C. to Seal [43-1] Declaration , with Proposed Order. (tt) (Entered: 02/17/2005)
- 02/17/2005 45 OPPOSITION by SIGHTSOUND TECH to defts' [44-1] motion to Seal [43-1] Declaration (tt) (Entered: 02/18/2005)
- 02/17/2005 46 NOTICE OF FILING: Supplemental Declaration of Christopher Reese by SIGHTSOUND TECH (FILED UNDER SEAL) (tt) Modified on 02/28/2005 (Entered: 02/18/2005)
- 02/17/2005 47 REQUEST by SIGHTSOUND TECH for Oral Argument on Motion to Stay . (tt) (Entered: 02/18/2005)
- 02/18/2005 -- ORDER upon motion denying [44-1] motion to Seal [43-1] Declaration. The declaration speaks only of vague, unsuccessful attempts & no dollar values are set forth. I see no risk of confidential information being disclosed. ( signed by Chief Judge Donetta W. Ambrose on 2/18/05 ) CM all parties of record. (tt) (Entered: 02/18/2005)
- 02/18/2005 -- ORDER upon motion denying [47-1] motion for Oral Argument on Motion to Stay. The parties have clearly represented their respective positions in the briefs and declarations filed. ( signed by Chief Judge Donetta W. Ambrose on 2/18/05 ) CM all parties of record. (tt) (Entered: 02/18/2005)
- 02/23/2005 48 MOTION by ROXIO, INC., NAPSTER, L.L.C. to Seal Supplemental Declaration of Christopher Reese , with Proposed Order. (tt) (Entered: 02/23/2005)
- 02/23/2005 49 OPPOSITION by SIGHTSOUND TECH to defts' [48-1] motion to Seal Supplemental Declaration of Christopher Reese (tt) (Entered: 02/24/2005)
- 02/28/2005 -- ORDER upon motion granting [48-1] motion to Seal Supplemental Declaration of Christopher Reese. The Supplemental Declaration of Christopher Reese filed 2/17/05 shall be placed under seal. ( signed by Chief Judge Donetta W. Ambrose on 2/28/05 ) CM all parties of record. (tt) (Entered: 02/28/2005)
- 02/28/2005 50 MEMORANDUM OPINION & ORDER granting defts' [22-1] motion to Stay. The defts are to contact this Court immediately upon receiving any notification from the PTO regarding the outcome of the Request for Reexamination. The preliminary injunction hearing scheduled for 3/3/05 is cancelled . The [11-1] motion for Preliminary Injunction is denied without prejudice to reassert once the stay is lifted. ( signed by Chief Judge Donetta W. Ambrose on 2/28/05 ) CM all parties of record. (tt) (Entered: 02/28/2005)
- 03/03/2005 51 NOTICE OF APPEAL by SIGHTSOUND TECH from [50-1] memorandum opinion dated 2/28/05 FILING FEE \$ 255 RECEIPT # 2394 TPO issued. (lck) (Entered: 03/07/2005)
- 03/03/2005 -- Certified copy of Notice of Appeal [51-1] appeal by SIGHTSOUND TECH , certified copy of

docket, certified copy of order dated 2/28/05 mailed to USCA; copy of Notice of Appeal and information sheet to ROXIO, INC., NAPSTER, L.L.C. and judge. Copy of information sheet to appellant. (lck) (Entered: 03/07/2005)

03/11/2005 52 Transcript Purchase order re: [51-1] appeal by SIGHTSOUND TECH indicating that no transcript is being ordered. (tt) (Entered: 03/11/2005)

03/21/2005 -- Text not available. (Entered: 03/21/2005)

04/04/2005 53 NOTICE of PTO's Order granting ex parte Reexamination by ROXIO, INC., NAPSTER, L.L.C. (tt) (Entered: 04/04/2005)

07/21/2005 54 MOTION for Relief from Stay with Respect to Defamation Counterclaims by SIGHTSOUND TECHNOLOGIES, INC., SCOTT SANDER. (Attachments: # 1 Proposed Order)(jsp) (Entered: 07/21/2005)

07/21/2005 55 BRIEF in Support re 54 MOTION for Relief from Stay with Respect to Defamation Counterclaims filed by SIGHTSOUND TECHNOLOGIES, INC., SCOTT SANDER. (Attachments: # 1 Part 2 of Brief)(jsp) (Entered: 07/21/2005)

07/22/2005 56 NOTICE: re 54 MOTION for Relief from Stay with Respect to Defamation Counterclaims:Response due on or before 8/4/05. (jlh) (Entered: 07/22/2005)

08/04/2005 57 NOTICE by ROXIO, INC., NAPSTER, L.L.C. of PTO's Issuance of Office Actions in Ex Parte Reexamination (Attachments: # 1 # 2 # 3)(Helmsen, Joseph) (Entered: 08/04/2005)

08/04/2005 58 MOTION for attorney Michael T. Zeller to Appear Pro Hac Vice by ROXIO, INC., NAPSTER, L.L.C.. (Attachments: # 1 Proposed Order)(Kenyon, Kathryn) (Entered: 08/04/2005)

08/04/2005 59 NOTICE by ROXIO, INC., NAPSTER, L.L.C. re 57 Notice (Other) Letter Notice of Prior Filing (Kenyon, Kathryn) (Entered: 08/04/2005)

08/04/2005 60 BRIEF in Opposition re 54 MOTION for Relief from Stay with Respect to Defamation Counterclaims filed by ROXIO, INC., NAPSTER, L.L.C.. (Attachments: # 1 Exhibit A# 2 Exhibit B# 3 Exhibit C# 4 Exhibit D# 5 Exhibit E# 6 Exhibit F# 7 Exhibit G# 8 Exhibit H)(Kenyon, Kathryn) (Entered: 08/04/2005)

08/04/2005 -- Pro Hac Vice Fees received in the amount of \$ 40 receipt # 4877 re 58 Motion to Appear Pro Hac Vice (ept) (Entered: 08/05/2005)

08/08/2005 61 ORDER granting 58 Motion to Appear Pro Hac Vice . Signed by Judge Donetta W. Ambrose on 8/8/05. (jlh ) (Entered: 08/08/2005)

09/01/2005 62 ORDER denying 54 Motion for Relief from Stay . Signed by Judge Donetta W. Ambrose on 8/31/05. (jlh ) (Entered: 09/01/2005)

09/06/2005 63 NOTICE by SIGHTSOUND TECHNOLOGIES, INC., SCOTT SANDER NOTICE OF FILING TO SUPPLEMENT RECORD (Kerr, Benjamin) (Entered: 09/06/2005)

09/07/2005 64 Minute Entry for proceedings held before Judge Donetta W. Ambrose : Status Conference held on 9/7/2005. Parties to keep Court informed of PTO Action. (jlh ) (Entered: 09/07/2005)

11/02/2005 65 NOTICE by ROXIO, INC., NAPSTER, L.L.C. of PTO's Issuance of Second Office Actions in Ex Parte Reexamination (Attachments: # 1 Exhibit A# 2 Exhibit B# 3 Exhibit C)(Kenyon, Kathryn) (Entered: 11/02/2005)

11/14/2005 66 MANDATE of USCA for the Federal Circuit as to [51] Notice of Appeal filed by SIGHTSOUND TECHNOLOGIES, INC., that the appeal is dismissed, with each party to bear its own costs. (jsp) (Entered: 11/15/2005)

03/02/2006 67 MOTION by Clyde E. Findley to Withdraw as Attorney by SIGHTSOUND TECHNOLOGIES, INC. (jsp) (Entered: 03/02/2006)

05/10/2006 68 NOTICE by ROXIO, INC., NAPSTER, L.L.C. Defendants' Notice of PTO's Issuance of Final Office Actions in Ex Parte Reexamination and Request for Status Conference (Attachments: # 1 Exhibit A)(Kenyon, Kathryn) (Entered: 05/10/2006)

05/10/2006 69 EXHIBITS in Support of 68 Notice (Other) by ROXIO, INC., NAPSTER, L.L.C.. (Kenyon, Kathryn) (Entered: 05/10/2006)

05/10/2006 70 EXHIBITS in Support of 68 Notice (Other) by ROXIO, INC., NAPSTER, L.L.C.. (Kenyon, Kathryn) (Entered: 05/10/2006)

05/10/2006 -- MOTION (Request) for Status Conference by ROXIO, INC., NAPSTER, L.L.C..(with Document 68) (jsp) (Entered: 05/11/2006)

05/11/2006 -- CLERK'S OFFICE QUALITY CONTROL MESSAGE. re 68 Notice (Other) ERROR: Document should have been filed as two separate documents. CORRECTION: Attorney advised in future that

documents of that nature are to be filed as separate documents. Clerk of Court docketed Request for Status Conference. This message is for informational purposes only. (jsp) (Entered: 05/11/2006)

05/31/2006 71 Minute Entry for proceedings held before Judge Donetta W. Ambrose : Telephone Conference held on 5/31/2006. (Court Reporter none) (jlh ) (Entered: 05/31/2006)

05/31/2006 72 ORDER FOR ADMINISTRATIVE CLOSING.Signed by Judge Donetta W. Ambrose on 5/31/06. (jlh) (Entered: 05/31/2006)

06/02/2006 73 NOTICE by SIGHTSOUND TECHNOLOGIES, INC. Notice of Filing by Sightsound Technologies, Inc. of Sua Sponte Decisions of United States Patent and Trademark Office Vacating Previous Final Office Actions (Rinaldo, Richard) (Entered: 06/02/2006)

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607648 (08) 5675734 October 7, 1997

UNITED STATES PATENT AND TRADEMARK OFFICE GRANTED PATENT

5675734

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October 7, 1997

System for transmitting desired digital video or audio signals

**REEXAM-LITIGATE:** January 31, 2005 - Reexamination requested January 31, 2005 by Napster, Inc., Los Angeles, CA; c/o Albert S. Penilla, Martine, Penilla & Gencarella, LLP, Sunnyvale, CA, Reexamination No. 90/007,403 (O.G. March 29, 2005) Ex. Gp.: 3625

NOTICE OF LITIGATION

Sightsound Tech v. Roxio, Inc, et al, Filed October 8, 2004, D.C. W.D. Pennsylvania, Doc. No. 2:04cv1549

**APPL-NO:** 607648 (08)

**FILED-DATE:** February 27, 1996

**GRANTED-DATE:** October 7, 1997

**ASSIGNEE-AT-ISSUE:** Parsec Sight/Sound, Inc., Upper St. Clair, Pennsylvania, United States (US), United States company or corporation (02)

**ASSIGNEE-AFTER-ISSUE:** May 3, 2000 - CHANGE OF NAME (SEE DOCUMENT FOR DETAILS)., SIGHTSOUND.COM INCORPORATED 733 WASHINGTON ROAD, SUITE 400MT. LEBANON, PENNSYLVANIA, 15228, Reel and Frame Number: 010776/0703  
October 24, 2001 - NOTICE OF GRANT OF SECURITY INTEREST, KENYON & KENYON ONE BROADWAYNEW YORK, NEW YORK, 10004, SCHWARTZ, ANSEL M. ONE STERLING PLAZA 201 N. CRAIG STREET, SUITE 304PITTSBURGH, PENNSYLVANIA, 15213, WATERVIEW PARTNERS, LLP ONE STERLING PLAZA 152 WEST 57TH STREET, 46TH FLOORNEW YORK, NEW YORK, 10019, D&DF WATERVIEW PARTNERS, L.P. ONE STERLING PLAZA 152 WEST 57TH STREET, 46TH FLOORNEW YORK, NEW YORK, 10019, Reel and Frame Number: 012506/0415  
December 27, 2005 - ASSIGNMENT OF ASSIGNORS INTEREST (SEE DOCUMENT FOR DETAILS)., DMT LICENSING, LLC ONE INDEPENDENCE WAY PRINCETON NEW JERSEY 08540, Reel and Frame Number: 017555/0149

**CORE TERMS:** digital, video, user, memory, electronically, song, receiver, music, hard disk, telecommunications ...

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Terms: **patno=5675734** ([Edit Search](#) | [Suggest Terms for My Search](#))

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Segments: Assign-type, Assignee, Cert-correction, Filed, Reexam-cert, Reexam-litigate, Reissue, Reissue-comment  
Date/Time: Tuesday, July 17, 2007 - 1:34 PM EDT



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Terms: **5675734** or **5,675,734** ([Edit Search](#) | [Suggest Terms for My Search](#))

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- ⓘ 1. [Sightsound.com, Inc. v. N2K, Inc.](#), Civil Action No. 98-0118 , UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA, 391 F. Supp. 2d 321; 2003 U.S. Dist. LEXIS 25503, October 23, 2003, Decided

**OVERVIEW:** Defendant was denied summary judgment on claims of patent invalidity; earlier patent described only "possibility" of use of unit in way that anticipated use of patent-in-suit, not the required "necessity," and fact question existed as to obviousness.

**CORE TERMS:** patent, digital, sightsound, invention, music, summary judgment, signal, prior art, license, consumer ...

... other patents, No. **5,675,734**, issued on October ...

- ⓘ 2. [Sightsound.com Inc. v. N2k, Inc.](#), Civil Action No. 98-118 , UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA, 185 F. Supp. 2d 445; 2002 U.S. Dist. LEXIS 6828, February 8, 2002, Decided

**OVERVIEW:** In an action involving patents which were directed to commercially-acceptable systems and methods for selling music and video in digital form over telecommunications lines, the judge made several recommendations regarding claim construction.

**CORE TERMS:** digital, memory, telecommunication, electronically, patent, audio signals, signal, specification, desired, transferring ...

... Patent Nos. 5,191,573 ("the '573 Patent"), **5,675,734** ("the '734 Patent"), ...

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- 1. [Intellectual Property Today](#), April, 2004, INTERNETINFO.COLUMN; Pg. 49, 718 words, Will the Price of Music Downloads Include Patent License Fees?, BY W. SCOTT PETTY; Scott Petty, a Patent Attorney with King & Spalding, focuses on intellectual property issues for computer software, telecommunications and e-commerce companies. Scott can be contacted by telephone at 404.572.2888 or via e-mail at [spetty@kslaw.com](mailto:spetty@kslaw.com).  
... Patent Nos. 5,191,573 and **5,675,734**, which date back to a ...
- 2. [Mondaq Business Briefing - Hale and Dorr LLP, US](#), November 3, 1999, 02275027, 2096 words, US: Business Methods Patents - The Effects Of State Street On Electronic Commerce And The Internet, Alter, Scott M  
... 7. Patent number 5,191,573 and **5,675,734** ...
- 3. [The Computer Lawyer](#), October, 1999, PATENT; Vol. 16, No. 10; Pg. 3, 11742 words, What the General Intellectual Property Practitioner Should Know about Patenting Business Methods, by David L. Hayes; David L. Hayes is a partner and is Chairman of the Intellectual Property Practice Group at Fenwick & West in Palo Alto. CA. Copyright © 1999 Fenwick & West LLP.  
... Sightsound.com asserted this and the **5,675,734** patent below against ...  
... c-music patent."**5,675,734** Title: "Method for ...
- 4. [Salon.com](#), March 9, 1999 Tuesday, Feature, 2469 words, How can they patent that?, By Peter Wayner  
... consider patents 5191573 and **5675734**, created by Arthur ...  
... For instance, patent **5675734** -- one of Hair's patents ...  
... doesn't apply to you. Patent **5675734**'s claims also specify that ...  
... evaluating what patents 5191573 and **5675734** mean to his company's plans ...
- 5. [Business Wire](#), May 19, 1998, Tuesday, 867 words, Digital Sight/Sound Rolls Out First Patented Method for Sale of Digital Audio/Video Over the Internet, LOS ANGELES  
... States Patents 5,191,573 and **5,675,734**. "A2B is a superb ...
- 6. [Business Wire](#), May 18, 1998, Monday, 867 words, Digital Sight/Sound Rolls Out First Patented Method for Sale of Digital Audio/Video Over the Internet, LOS ANGELES  
... States Patents 5,191,573 and **5,675,734**. "A2B is a superb ...
- 7. [Intellectual Property Today](#), March, 1998, RFC EXPRESS TM; Recently Filed Patent Cases; Pg. 23, 1248 words  
... N2K INC. 5,191,573; **5,675,734** 97-2387 -- Filed: ...

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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/007,403	01/31/2005	5675734	NAPSP002	3002

23973                      7590                      07/30/2007

DRINKER BIDDLE & REATH  
ATTN: INTELLECTUAL PROPERTY GROUP  
ONE LOGAN SQUARE  
18TH AND CHERRY STREETS  
PHILADELPHIA, PA 19103-6996

EXAMINER

ART UNIT                      PAPER NUMBER

DATE MAILED: 07/30/2007

Please find below and/or attached an Office communication concerning this application or proceeding.



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(THIRD PARTY REQUESTER'S CORRESPONDENCE ADDRESS)

Albert S. Penilla  
Martine Penilla & Gencarella, LLP  
710 Lakeway Drive, Suite 200  
Sunnyvale, CA 94085

**EX PARTE REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. 90/007,403.

PATENT NO. 5675734.

ART UNIT 3992.

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).



**Ex Parte Reexamination  
Advisory Action  
Before the Filing of an Appeal Brief**

Control No. 90/007,403	Patent Under Reexamination 5675734	
Examiner Roland G. Foster	Art Unit 3992	

*--The MAILING DATE of this communication appears on the cover sheet with the correspondence address--*

THE PROPOSED RESPONSE FILED 17 May 2007 FAILS TO OVERCOME ALL OF THE REJECTIONS IN THE FINAL REJECTION MAILED 17 March 2007.

1.  Unless a timely appeal is filed, or other appropriate action by the patent owner is taken to overcome all of the outstanding rejection(s), this prosecution of the present *ex parte* reexamination proceeding WILL BE TERMINATED and a Notice of Intent to Issue *Ex Parte* Reexamination Certificate will be mailed in due course. Any finally rejected claims, or claims objected to, will be CANCELLED.
- THE PERIOD FOR RESPONSE IS EXTENDED TO RUN 2 MONTHS FROM THE MAILING DATE OF THE FINAL REJECTION. Extensions of time are governed by 37 CFR 1.550(c).

**NOTICE OF APPEAL**

2.  An Appeal Brief is due two months from the date of the Notice of Appeal filed on 31 May 2007 to avoid dismissal of the appeal. See 37 CFR 41.37(a). Extensions of time are governed by 37 CFR 1.550(c). See 37 CFR 41.37(e).

**AMENDMENTS**

3.  The proposed amendment(s) filed after a final action, but prior to the date of filing a brief, will not be entered because:
- (a)  They raise new issues that would require further consideration and/or search (see NOTE below);
- (b)  They raise the issue of new matter (see NOTE below);
- (c)  They are not deemed to place the proceeding in better form for appeal by materially reducing or simplifying the issues for appeal; and/or
- (d)  They present additional claims without canceling a corresponding number of finally rejected claims.
- NOTE: \_\_\_\_\_ (See 37 CFR 1.116 and 41.33(a)).

4.  Patent owner's proposed response filed \_\_\_\_\_ has overcome the following rejection(s): \_\_\_\_\_
5.  The proposed new or amended claim(s) \_\_\_\_\_ would be allowable if submitted in a separate, timely filed amendment canceling the non-allowable claim(s).
6.  For purposes of appeal, the proposed amendment(s) a)  will not be entered, or b)  will be entered and an explanation of how the new or amended claim(s) would be rejected is provided below or appended.
- The status of the claim(s) is (or will be) as follows:
- Claim(s) patentable and/or confirmed: \_\_\_\_\_
- Claim(s) objected to: \_\_\_\_\_
- Claim(s) rejected: \_\_\_\_\_
- Claim(s) not subject to reexamination: \_\_\_\_\_

**AFFIDAVIT OR OTHER EVIDENCE**

7.  The affidavit or other evidence filed after a final action, but before or on the date of filing a Notice of Appeal will not be entered because patent owner failed to provide a showing of good and sufficient reasons why the affidavit or other evidence is necessary and was not earlier presented. See 37 CFR 1.116(e).
8.  The affidavit or other evidence filed after the date of filing a Notice of Appeal, but prior to the date of filing a brief, will not be entered because the affidavit or other evidence fails to overcome all rejections under appeal and/or appellant failed to provide a showing of good and sufficient reasons why the affidavit or other evidence is necessary and was not earlier presented. See 37 CFR 41.33(d)(1).
9.  The affidavit or other evidence is entered. An explanation of the status of the claims after entry is below or attached.

**REQUEST FOR RECONSIDERATION/OTHER**

10.  The request for reconsideration has been considered but does NOT place the application in condition for allowance because: See the Continuation Sheet.
11.  Note the attached Information Disclosure Statement(s), PTO/SB/08, Paper No(s) \_\_\_\_\_.
12.  Other: \_\_\_\_\_

Conferees:  
*SLW*  
Scott L. Weaver  
CDU Unit 3992

*MJR*

MARK J. REINHART  
SPRE-AU 3992  
CENTRAL REEXAMINATION UNIT

*RGF*  
Roland G. Foster  
Primary Examiner  
Art Unit: 3992

cc: Requester (if third party requester)

## REQUEST FOR RECONSIDERATION/OTHER (Continued)

The Request for Reconsideration, filed on May 17, 2007 (the "Request"), has been considered but is not deemed persuasive.

The Request includes a new Declaration of Dr. Tygar and other new evidence in the form of non-patent literature describing a videoconferencing system that relies upon the use of a specialized High Speed Switched Digital Service (HDDS) rather than a telephone network. Both the declaration and the other evidence were submitted on May 17, 2007 after the final rejection, mailed March 17, 2007 (the "Final Rejection"). Indeed, this new evidence was submitted after the Final Rejection in response to issues (lack of entitlement to the benefit of an earlier filing date, written description, and enablement) first raised in an earlier Non-final rejection, mailed September 29, 2006 (the "Non-final Rejection"), thereby raising questions as to why this new evidence was not earlier presented. Despite this, the Request fails to provide ANY showing of good and sufficient reasons why this new evidence is necessary and was not earlier presented, contrary to 37 CFR 1.116(e) and contrary to the notice provided on page 36 of the Non-final Rejection. See also MPEP § 2260 and 2272, especially regarding policy reasons. Thus, the said new evidence has not been entered nor considered by the examiner.

On pages 4-13 of the Request, the Patent Owner reiterates many of the arguments made in response to the Non-final Rejection and previously deemed unpersuasive. Thus, Patent Owner's present arguments are deemed unpersuasive for similar reasons.

In addition, the Patent Owner repeatedly asserts that the "office admits the '734 patent is not a continuation-in-part, but then asserts that the '734 Patent 'shares the characteristics of a continuation-in-part." For example, see pages 4 and 8 of the Request. The Patent Owner however has not cited to a section in the Final Rejection where this admission was allegedly made, and the examiner has not determined where he made this admission. Thus, Patent Owner's arguments that such an admission was made are unpersuasive.

On page 10 of the Request, the Patent Owner asserts that the "office admits that Examiner Nguyen did in fact address the issue of alleged new matter shown in Table I of the most recent Office action in related reexamination 90/007,402...[t]he Office further admits that Patentee has effectively demonstrated as much through the table submitted with Patentee's Response to the Office Action of September 29, 2006." The Patent Owner however has not cited to a section in the Final Rejection where these admissions were allegedly made, and the examiner has not determined where he made these admissions. Thus, Patent Owner's argument that such admissions were made is unpersuasive.

On pages 14 and 15 of the Request, the Patent Owner argues that the "Office may only examine the recitation of 'a non-volatile storage portion of the second memory that is not a tape or CD' for compliance with Section 112, first paragraph." This argument is unpersuasive however because, besides being presented in conclusory language, the claims recite a new limitation directed to a "the second memory having a second party hard disk," which is quite distinct from the argued feature that a memory that is not a tape or CD. Accordingly, the Final Rejection included 112, 1st paragraph rejections regarding the download of video to a second memory and playback therefrom. Furthermore, "the question of new matter should be considered in a reexamination proceeding." MPEP 2258.II.B.

On page 17 of the Request, the Patent Owner argues that the originally filed specification explicitly states that the disclosed invention eliminates the need to handle tapes and CDs. This argument however is not persuasive because the cited portion of the specification instead states that a hard disk "thus eliminat[es]...the need to unnecessarily handl[e]...tapes, or compact discs on a regular basis." Thus, the specification as originally filed does not preclude the possibility that tapes and CDs are used to store the downloaded music, albeit not on a regular basis. This embodiment thus directly contradicts the newly introduced, negative limitations directed to a "non-volatile storage portion of the second memory, wherein the non-volatile storage portion is not a tape or a CD." Indeed by pointing to that part of the specification that teaches storing the data on a hard disk, the Patent Owner's arguments support the position that the specification as originally filed teaches of a second memory in the form of hard disk, but fails to necessarily disclose (require) the broader, artificially created sub-genus corresponding to the negative limitation, namely a second memory that is not necessarily a hard disk, and that is also not a tape or CD either.

Pages 19-23 of the Request, the Patent Owner refers to newly submitted evidence that has not been entered or considered by the examiner as discussed above.

**Index of Claims**



Application/Control No.

90/007,403

Examiner

Roland G. Foster

Applicant(s)/Patent under Reexamination

5675734

Art Unit

3992

✓	Rejected
=	Allowed

-	(Through numeral) Cancelled
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N	Non-Elected
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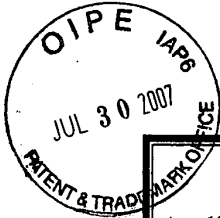
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<b>Reexamination</b> 	<b>Application/Control No.</b> 90/007,403	<b>Applicant(s)/Patent Under Reexamination</b> 5675734
	<b>Certificate Date</b>	<b>Certificate Number</b>

<b>Requester</b> <b>Correspondence Address:</b> <input checked="" type="checkbox"/> <b>Patent Owner</b> <input type="checkbox"/> <b>Third Party</b>
Albert S. Penilla Martine Penilla & Gencarella, LLP 710 Lakeway Drive, Suite 200 Sunnyvale, CA 94085

<b>LITIGATION REVIEW</b> <input checked="" type="checkbox"/>	(examiner initials) <b>rgf</b>	7/17/07 <small>(date)</small>
<b>Case Name</b>		<b>Director Initials</b>
Sightsound Tech. v. Roxio, Inc., 2:04cv1549, U.S. District, Pennsylvania Western (stay pending reexamination)		<i>Mubar for Lissi Mojica Murguís</i>
Sightsound v. N2K, Inc., U.S. District, Pennsylvania		↓

COPENDING OFFICE PROCEEDINGS	
TYPE OF PROCEEDING	NUMBER
1. Ex Parte reexam for related patent	90007402
2. Ex Parte reexam for related patent	90007407
3.	
4.	



07-31-07

Reexam 18

<b>CERTIFICATE OF MAILING BY FIRST CLASS MAIL</b>	
Applicant(s)	: <b>Arthur R. Hair</b>
Docket No.	: <b>NAPS002</b>
Serial No.	: <b>90/007,403</b>
Filing Date	: <b>January 31, 2005</b>
Examiner	: <b>Roland G. Foster</b>
Group Art Unit	: <b>3992</b>
Confirmation No..	: <b>3002</b>
Invention	: <b>System for Transmitting Desired Digital Video or Audio Signals</b>

I hereby certify that the following correspondence:

<b>Brief on Appeal Under 37 C.F.R. § 41.37, check for \$500.00 and return postcard receipt</b>
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is being deposited with the United States Postal Service addressed to MS Assignment Recordation Services, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450 on **July 30, 2007**

**Katrina D'Oliveira**

08/06/2007 JBR00N3 00000005 90007403

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Express Mail No.: EV 299882848 US

Control No.: 90/007,403

Attorney's Docket No. NAPSP002

*Patent*

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In re Application of: Arthur R. Hair	:	Group No.: 3992
	:	
Serial No.: 90/007,403	:	Examiner: Roland G. Foster
	:	
Filed: January 31, 2005	:	Confirmation No. 3002
	:	

For: SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS

**BRIEF ON APPEAL UNDER 37 C.F.R. § 41.37**

Mail Stop Appeal Brief - Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

**Real Party in Interest**

Appellant's real party in interest is:

DMT Licensing, LLC (a wholly-owned subsidiary of GE Intellectual Property  
Licensing, Inc., which is a wholly-owned subsidiary of General  
Electric Co.)  
105 Carnegie Center  
Princeton, New Jersey 08540

**Related Appeals and Interferences**

The Appeals in copending reexaminations 90/007,402 and 90/007,407 are related to the instant Appeal. The outcomes in these copending Appeals may affect, be affected by, or have some bearing on the Board's decision in the instant Appeal.

**Status of the Claims**

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are currently pending. Claims numbered 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34

were originally issued in U.S. Patent Number 5,675,734 (the “734 Patent”). Claims 35 through 60 were added during reexamination.

Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 are rejected under 35 U.S.C. § 112, first paragraph. Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are rejected under 35 U.S.C. § 103(a). Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are rejected under the doctrine of obviousness-type double-patenting over Claims 1 through 6 of U.S. Patent 5,191,573 (the “573 Patent”). Appellant appeals the rejection of all claims.

#### **Status of Amendments**

All amendments have been entered.

#### **Summary of the Claimed Subject Matter**

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are the independent claims. Below, Appellant summarizes the claimed subject matter in the independent claims per 37 C.F.R. § 41.37(c)(1)(v) using references to the Figures and column and line numbers in the issued patent.

Independent Claim 1 recites a method for transferring desired digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The method comprises the steps of 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 [Fig. 1 (20B, 30, 50B); col. 3, lns. 5 to 8; col. 4, lns. 8 to 15; col. 5, lns. 47 to 51], said first memory having a first party hard disk [Fig. 1 (10); col. 3, ln. 63] having a plurality of digital video or digital audio signals including coded desired digital video or digital audio signals [col. 4, lns. 8 to 11 and lns. 43 to 50; col. 6, lns. 13 to 16], and a sales random

access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party [Fig. 1 (20C); col. 3, lns. 65 to 66], the second memory having a second party hard disk [Fig. 1 (60); col. 4, ln. 5]. The method further comprises telephoning the first party controlling use of the first memory by the second party [col. 3, lns. 5 to 8; col. 7, ln. 67 to col. 8, ln. 3], 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 [col. 2, lns. 39 to 43 and lns. 64 to 66; col. 7, lns. 31 to 40]. The method further comprises electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals [col. 2, ln. 64 to col. 3, ln. 1; col. 4, lns. 43 to 50; col. 6, lns. 13 to 16]. The method further comprises storing a replica of the coded desired digital video or digital audio signals from the first party hard disk into the sales random access memory chip [col. 4, lns. 51 to 54], 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 [col. 4, lns. 51 to 54], and storing the transferred replica of the coded desired digital video or digital audio signals in the second party hard disk [col. 4, lns. 55 to 58].

Independent Claim 4 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, ln. 61 to col. 4, ln. 16], a sales



random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 65 to 66; col. 4, lns. 51 to 54], and means for electronically selling the desired digital video or digital audio signals [col. 4, lns. 9 to 15]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel [Fig. 1 (50A, 50B); col. 4, lns. 1 to 18], and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel [Fig. 1 (70, 80); col. 4, lns. 1 to 8 and 24 to 26; col. 6, ln. 56 to col. 7, ln. 11], said means for playing operatively controlled by the second party control panel [col. 4, lns. 37 to 61; col. 6, lns. 30 to 31], said second party control unit remote from the first party control unit [Fig. 1 (20B, 30, 50B); col. 3, lns. 5 to 8; col. 6, lns. 31 to 32], said second party control unit placed by the second party at a location determined by the second party [col. 5, lns. 17 to 34; col. 6, lns. 33 to 35], the second party memory includes a second party hard disk which stores the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback [Fig. 1 (50D, 60); col. 4, lns. 1 to 7 and lns. 55 to 61; col. 6, lns. 13 to 16 and lns. 50 to 56]. The system further comprises telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of

the second party and after the desired digital video or digital audio signals are sold to the second party by the first party [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 8 to 16; col. 6, lns. 38 to 45].

Independent Claim 11 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory in possession and control of the first party [Fig. 1 (10, 20C); col. 3, lns. 61 to 66; col. 6, lns. 19 to 21], a second memory in possession and control of the second party [Fig. 1 (50C, 50D, 60); col. 4, lns. 1 to 5; col. 6, lns. 46 to 48], said second memory at a location remote from said first memory [col. 6, lns. 31 to 32]. The second memory includes a second party hard disk [Fig. 1 (60); col. 4, lns. 1 to 5]. The system further comprises telecommunications lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for transferring money electronically via telecommunications lines from the second party controlling use and in possession of the second memory to the first party controlling use and in possession of the first memory [col. 2, lns. 21 to 24 and 39 to 43; col. 4, lns. 8 to 25; col. 8, lns. 27 to 31], means or a mechanism for connecting electronically via the telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party [Fig. 1 (20B, 50B); col. 3, ln. 63 to col. 4, ln. 7; col. 6, lns. 17 to 45], said first control unit comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (20A); col. 3, lns. 64 to 66; col. 4, lns. 19 to 23 and lns. 40 to

50], said second control unit comprising a second control panel, a second control integrated circuit, an incoming random access memory and a playback random access memory, said second control panel, said incoming random access memory and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50A, 50B, 50C, 50D); col. 4, lns. 1 to 4, 15 to 18 and 40 to 50]. The system further comprises a means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to the second memory, said means or mechanism for transmitting comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second memory, the transmitter and the telecommunications lines [Fig. 1 (20B, 30, 50B); col. 3, ln. 67; col. 4, lns. 11 to 15; col. 6, lns. 24 to 28; col. 3, lns. 24 to 29], said first party in control and possession of the transmitter [col. 3, lns 24 to 29], said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party [col. 6, lns. 33 to 45], said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the first memory into the second party hard disk of the second memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said second memory [Fig. 1 (50B, 50C, 60); col. 4, lns. 39 to 61; col. 7, ln. 67 to col. 8, ln. 11].

Independent Claim 16 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory at a first party location [Fig. 1 (10, 20C); col. 3, lns. 61 to 66;

col. 6, lns. 17 to 21], said first memory in possession and control of the first party [col. 4, lns. 8 to 15; col. 8, lns. 24 to 27], said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored [Fig. 1 (20C); col. 3, ln. 63; col. 4, lns. 8 to 11; col. 6, lns. 13 to 16]. The system further comprises a second memory in possession and control of the second party [Fig. 1 (50C, 50D, 60); col. 4, lns. 1 to 5 and lns. 15 to 18; col. 6, lns. 38 to 48], wherein said second memory is at a second party location remote from said first memory [col. 6, lns. 31 to 35], said second memory comprising a second party hard disk in which the desired digital video or digital audio signals are stored that are received from the first memory and a playback random access memory connected to the second party hard disk [Fig. 1 (50D, 60); col. 4, lns. 1 to 5]. The system further comprises telecommunications lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location [col. 2, lns. 21 to 24 and 39 to 43; col. 6, lns. 22 to 24], said first party controlling use of the first memory [col. 4, lns. 8 to 15; col. 8, lns. 21 to 23], said second party controlling use and in possession of the second memory [col. 2, lns. 43 to 48; col. 3, lns. 24 to 29; col. 5, lns. 51 to 55], said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location [col. 8, lns. 26 to 31]. The system further comprises means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or

mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit [col. 3, lns. 16 to 23; col. 3, ln. 64 to col. 4, ln. 4; col. 6, lns. 31 to 35], said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (10, 20A, 20B, 20C); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16], said second control unit comprising a second control panel, a second control integrated circuit, and an incoming random access memory which temporarily stores the desired digital video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said second party hard disk, said second control panel, said incoming random access memory, said second party hard disk and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50A, 50B, 50C, 50D, 60); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16]. The system further comprises means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines [col. 3, lns. 24 to 29; col. 4, lns. 11 to 18 and 37 to 61], said first party in control and possession of the

transmitter, said second party in control and possession of the receiver [col. 4, lns. 11 to 18; col. 5, lns 51 to 56], said receiver remote from said transmitter [col. 3, lns. 5 to 8; col. 6, lns. 28 to 32], and said receiver at the second party location determined by the second party [col. 5, lns. 55 to 56], said transmitting means or mechanism in electrical communication with said connecting means or mechanism [col. 4, lns. 51 to 58; col. 7, lns. 17 to 23], and means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory [col. 4, lns. 1 to 5 and 59 to 61; col. 6, ln. 46 to col. 7, ln. 7].

Independent Claim 19 recites a system for transferring digital video signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit in possession and control of a first party [col. 3, lns. 64 to 66; col. 4, lns. 11 to 15; col. 5, lns. 51 to 55; col. 8, lns. 7 to 11], a second party control unit in possession and control of the second party [col. 4, lns. 1 to 4; col. 5, lns. 26 to 31; col. 6, lns. 38 to 45], wherein said second party control unit is at a location remote from said first party control unit [col. 6, lns. 33 to 35]. The first party control unit has a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes a first party hard disk having the plurality of digital video signals which include desired digital video signals [Fig. 1 (10); col. 4, lns. 8 to 11], and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 4, lns. 51 to 54], and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location

[col. 2, ln. 64 to col. 3, ln. 8; col. 6, lns. 22 to 24; col. 7, lns. 31 to 40]. The system further comprises a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel [Fig. 1 (70); col. 4, lns. 1 to 6, 15 to 18 and 39 to 49], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit [col. 6, lns. 33 to 35], said second party choosing the desired digital video signals from the first party's hard disk with said second party control panel [col. 4, lns. 39 to 49; col. 8, lns. 3 to 6], said second party control unit includes a second memory which is connected to the receiver and the video display [col. 5, lns. 26 to 32], said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip [col. 4, lns. 15 to 19 and 55 to 58], the second party control unit includes a second party hard disk which stores a plurality of digital video signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video signals as a temporary staging area for playback [Fig. 1 (50D, 60); col. 4, lns. 1 to 5 and 55 to 61], and telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, said

telecommunications lines include telephone lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 11 to 18].

Independent Claim 28 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, lns. 63 to 66; col. 4, lns. 8 to 15], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 63 to 66; col. 4, lns. 51 to 54], and a mechanism for electronically selling the desired digital video or digital audio signals of the first party's hard disk [col. 2, lns. 39 to 43; col. 4, lns. 11 to 15; col. 6, lns. 22 to 24]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel [Fig. 1 (50A, 70, 80); col. 4, lns. 1 to 7], said playing mechanism operatively controlled by the second party control panel [col. 4, lns. 39 to 61; col. 5, lns. 17 to 40; col. 6, lns. 13 to 16], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party [col. 6, lns. 31 to 35], the second party control unit includes a second party hard disk which stores a plurality of digital video or audio signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or audio signals as a temporary staging area for playback [Fig. 1 (50D, 60); col. 4, lns. 1 to 5 and 59 to 61; col. 6, lns. 13 to 16] and telecommunications lines connected to the first



party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, said telecommunications lines include telephone lines [Fig. 1 (30); col. 3, lns. 5 to 12 and 67].

Independent Claim 35 recites a method for transferring desired digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The method comprises the steps of 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 [col. 3, lns. 5 to 8; col. 4, lns. 8 to 15; col. 5, lns. 47 to 51], said first memory having a first party hard disk [Fig. 1 (10); col. 3, ln. 63] having a plurality of digital video or digital audio signals including coded desired digital video or digital audio signals [col. 4, lns. 8 to 11 and 43 to 50; col. 6, lns. 13 to 16], and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party [Fig. 1 (20C, 30); col. 3, lns. 65 to 66]. The method further comprises telephoning the first party controlling use of the first memory by the second party [col. 3, lns. 5 to 8; col. 7, ln. 67 to col. 8, ln. 3], 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 [col. 2, lns. 39 to 43 and 64 to 66; col. 7, lns. 31 to 40]. The method further comprises electronically coding the desired digital video or digital audio signals to form

said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals [col. 2, ln. 64 to col. 3, ln. 1; col. 4, lns. 43 to 50; col. 6, lns. 13 to 16]. The method further comprises storing a replica of the coded desired digital video or digital audio signals from the hard disk into the sales random access memory chip [col. 4, lns. 51 to 54], 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 [col. 4, lns. 51 to 54], and storing the transferred replica of the coded desired digital video or digital audio signals in a non-volatile storage portion of the second memory [col. 4, lns. 55 to 58], wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47].

Independent Claim 37 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, ln. 61 to col. 4, ln. 16], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 65 to 66; col. 4, lns. 51 to 54], and means for electronically selling the desired digital video or digital audio signals [col. 4, lns. 9 to 15]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel [Fig. 1 (50A); col. 4, lns. 1 to 8 and 24 to 26; col. 6, ln. 56 to col. 7, ln. 11], and means for playing the desired digital video or digital audio signals connected to the second memory and the second party

control panel, said means for playing operatively controlled by the second party control panel [Fig. 1 (70, 80); col. 4, lns. 37 to 61; col. 6, lns. 30 to 31], said second party control unit remote from the first party control unit [col. 3, lns. 5 to 8; col. 6, lns. 31 to 32], said second party control unit placed by the second party at a location determined by the second party [col. 5, lns. 17 to 34; col. 6, lns. 33 to 35], the second memory includes a non-volatile storage portion which is not a tape or CD [col. 2, lns. 43 to 47], the second memory storing the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or digital audio signals from the non-volatile storage as a temporary staging area for playback [Fig. 1 (50D); col. 4, lns. 1 to 7 and 55 to 61; col. 6, lns. 13 to 16 and 50 to 56]. The system further comprises telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 8 to 16; col. 6, lns. 38 to 45].

Independent Claim 43 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory in possession and control of the first party [col. 3, lns. 61 to 66; col. 6, lns. 19 to 21], a second memory in possession and control of the second party [col. 4, lns. 1 to 5; col. 6, lns. 46 to 48], said second memory is at a location remote from said first memory [col. 6, lns. 31 to 32], telecommunications lines [Fig. 1

(30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for transferring money electronically via telecommunications lines from the second party controlling use and in possession of the second memory to the first party controlling use and in possession of the first memory [col. 2, lns. 21 to 24 and 39 to 43; col. 4, lns. 8 to 25; col. 8, lns. 27 to 31], and includes a non-volatile storage portion that is not a tape or CD [col. 2, lns. 43 to 47]. The system further comprises means or a mechanism for connecting electronically via the telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party [col. 3, ln. 63 to col. 4, ln. 7; col. 6, lns. 17 to 45]. Said first control unit comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (20A, 20B, 20C); col. 3, lns. 64 to 66; col. 4, lns. 19 to 23 and 40 to 50], said second control unit comprising a second control panel, a second control integrated circuit, an incoming random access memory and a playback random access memory, said second control panel, said incoming random access memory and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50A, 50B, 50C, 50D); col. 4, lns. 1 to 4 and 15 to 18 and 40 to 50]. The system further comprises means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to the second memory, said means or mechanism for transmitting comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second

memory, the transmitter and the telecommunications lines [col. 3, lns. 24 to 29 and 67; col. 4, lns. 11 to 15, col. 6, lns. 24 to 28], said first party in control and possession of the transmitter [col. 3, lns 24 to 29], said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party [col. 6, lns. 33 to 45], said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the first memory into the non-volatile storage portion of the second memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said second memory [col. 4, lns. 39 to 61; col. 7, ln. 67 to col. 8, ln. 11].

Independent Claim 48 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory at a first party location [col. 3, lns. 61 to 66; col. 6, lns. 17 to 21], said first memory in possession and control of the first party [col. 4, lns. 8 to 15; col. 8, lns. 24 to 27], said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored [Fig. 1 (10); col. 3, ln. 63; co. 4, lns. 8 to 11; col. 6, lns. 13 to 16]. The system further comprises a second memory in possession and control of the second party [col. 4, lns. 1 to 5 and lns. 15 to 18; col. 6, lns. 38 to 48], wherein said second memory is at a second party location remote from said first memory [col. 6, lns. 31 to 35], said second memory including a non-volatile storage portion in which the desired digital video or digital audio signals are stored that are received from the first memory and a playback random access memory, wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47].

The system further comprises telecommunications lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location [col. 2, lns. 21 to 24 and 39 to 43; col. 6, lns. 22 to 24], said first party controlling use of the first memory [col. 4, lns. 8 to 15; col. 8, lns. 21 to 23], said second party controlling use and in possession of the second memory [col. 2, lns. 43 to 48; col. 3, lns. 24 to 29; col. 5, lns. 51 to 55], said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location [col. 8, lns. 26 to 31]. The system further comprises means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit [col. 3, lns. 16 to 23; col. 3, ln. 64 to col. 4, ln. 4; col. 6, lns. 31 to 35], said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (10, 20B); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16], said second control unit comprising a second control panel, a second control integrated circuit, and

an incoming random access memory which temporarily stores the desired digital video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said non-volatile storage, said second control panel, said incoming random access memory, said non-volatile storage and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50C, 50D, 60); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16]. The system further comprises means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines [col. 3, lns. 24 to 29; col. 4, lns. 11 to 18 and 37 to 61], said first party in control and possession of the transmitter, said second party in control and possession of the receiver [col. 4, lns. 11 to 18; col. 5, lns 51 to 56], said receiver remote from said transmitter [col. 3, lns. 5 to 8; col. 6, lns. 28 to 32], and said receiver at the second party location determined by the second party [col. 5, lns. 55 to 56], said transmitting means or mechanism in electrical communication with said connecting means or mechanism [col. 4, lns. 51 to 58; col. 7, lns. 17 to 23], and means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory [col. 4, lns. 1 to 5 and 59 to 61; col. 6, ln. 46 to col. 7, ln. 7].

Independent Claim 51 recites a system for transferring digital video signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit in possession and control of a first party [col. 3, lns. 64 to 66; col. 4, lns. 11 to 15; col. 5, lns. 51 to 55; col. 8, lns. 7 to 11], a second party control unit in possession and control of the second party [Fig. 1; col. 4, lns. 1 to 4; col. 5, lns. 26 to 31; col. 6, lns. 38 to 45], wherein said second party control unit is at a location remote from said first party control unit [col. 6, lns. 33 to 35]. The first party control unit having a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes a first party hard disk having the plurality of digital video signals which include desired digital video signals [Fig. 1 (10); col. 4, lns. 8 to 11], and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 4, lns. 51 to 54], and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location [col. 2, ln. 64 to col. 3, ln. 8; col. 6, lns. 22 to 24; col. 7, lns. 31 to 40]. The system further comprises a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel [Fig. 1 (50A, 70); col. 4, lns. 1 to 6, 15 to 18 and 39 to 49], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit [col. 6, lns. 33 to 35], said second party choosing the desired digital video signals from the first



party's hard disk with said second party control panel [col. 4, lns. 39 to 49; col. 8, lns. 3 to 6], said second party control unit includes a second memory which is connected to the receiver and the video display [col. 5, lns. 26 to 32], said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip [col. 4, lns. 15 to 19 and 55 to 58], the second party control unit includes a non-volatile storage portion which stores a plurality of digital video signals, wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47], and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video signals as a temporary staging area for playback [Fig. 1 (50D); col. 4, lns. 1 to 5 and 55 to 61], and telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, the telecommunications lines include telephone lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 11 to 18].

Independent Claim 56 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, lns. 63 to 66; col. 4, lns. 8 to 15], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 63 to 66; col. 4, lns. 51 to

54], and a mechanism for electronically selling the desired digital video or digital audio signals of the first party's hard disk [col. 2, lns. 39 to 43; col. 4, lns. 11 to 15; col. 6, lns. 22 to 24]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel [Fig. 1 (50A, 70, 80); col. 4, lns. 1 to 7], said playing mechanism operatively controlled by the second party control panel [col. 4, lns. 39 to 61; col. 5, lns. 17 to 40; col. 6, lns. 13 to 16], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party [col. 6, lns. 31 to 35], the second memory includes a non-volatile storage portion which stores a plurality of digital video or audio signals, wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47], and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or audio signals as a temporary staging area for playback [Fig. 1 (50D); col. 4, lns. 1 to 5 and 59 to 61; col. 6, lns. 13 to 16] and telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the non-volatile storage portion of the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, said telecommunications lines include telephone lines [Fig. 1 (30); col. 3, lns. 5 to 12 and 67].

**Grounds for Rejection to be Reviewed on Appeal**

1. Examiner's rejection of Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 under 35 U.S.C. § 103(a) over U.S. Patent 5,132,992 to Yurt (*Yurt*) in view of U.S. Patent 5,241,428 to Goldwasser (*Goldwasser*). In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before either *Yurt* or *Goldwasser* could properly be cited as prior art references.

2. Examiner's rejection of Claims 1, 2, 35 and 36 under 35 U.S.C. § 103(a) over *Yurt* in view of U.S. Patent 4,789,863 to Bush (*Bush*). In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before *Yurt* could properly be cited as a prior art reference.

3. Examiner's rejection of Claim 3 under 35 U.S.C. § 103(a) over *Yurt* in view of *Bush*, further in view of *Goldwasser*. In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before either *Yurt* or *Goldwasser* could properly be cited as prior art references.

4. Examiner's rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 for obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent in view of *Yurt*.

5. Examiner's rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph as not being supported by the written description in the specification.

6. Examiner's rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph as not being enabled by the specification.

Argument

**I. Summary**

The instant reexamination was originally filed on January 31, 2005, and was initially assigned to Examiner Benjamin Lanier ("Examiner Lanier"). The reexamination and two related copending reexaminations subsequently were transferred to the Central Reexamination Unit ("CRU") where they were assigned to Examiner Roland Foster ("Examiner Foster").

During the course of the proceedings in the instant reexamination, five Office Actions were issued. The first three Office Actions were issued by Examiner Lanier, who consistently rejected all claims presented by Appellant as obvious. In each case, Examiner Lanier relied on combinations of up to nine references in his obviousness analyses, offering only conclusory statements regarding the motivation or teaching to combine the multiple references. In each case, the Appellant pointed out the impropriety of the combinations. Examiner Lanier never rebutted the Appellant's arguments. Instead, Examiner Lanier simply asserted that the rejections were proper.

Following the issuance of the third Office Action by Examiner Lanier, the instant reexamination was transferred to the CRU, specifically to Examiner Foster, where the Office reviewed and vacated Examiner Lanier's Final Rejection of the claims. The Office appeared to concur with the Appellant's view that the rejections offered by Examiner Lanier were untenable, but the Office did not allow the claims. Instead, the Office issued two subsequent Office Actions.

The two subsequent Office Actions take an alternate approach which, since also improper, has led to this appeal. Instead of relying on up to nine references, these subsequent Office Actions relied primarily on references that post-dated the June 13, 1988 priority date for the '734 Patent. In other words, the Office Actions relied on non-*prior* art. To justify this, the Office first had to conduct a *de novo* review of the '734 Patent's prosecution and then, based on that review, reassign the '734 Patent's June 13, 1988 priority date; a priority date that was rightfully granted by the original Examiner during the initial examination of the '734 Patent. In taking those steps, the Office reassigned the priority date to February 27, 1996. Then, using this new priority date, the Office cited new art post-dating the June 13, 1988 priority date, which the Office asserts anticipates or makes obvious all of the claims in reexamination.

As detailed below, this *de novo* review and resulting reassignment of the priority date by the Office is clearly outside the scope of authority granted by the Reexamination Statute. 35 U.S.C. §301 *et seq.* Further, the attempted reassignment of a new priority date to the '734 Patent does not comport with the Office's procedures.

Further, as a predicate for reassigning the priority date of the claims in the '734 Patent, the Office asserts that the claims as issued are either not supported by a adequate written description or are not enabled by the specification as filed on June 13, 1988. In making these findings, the Office has applied improper and overly strict standards for both written description and enablement under 35 U.S.C. § 112, first paragraph. Using the appropriate standards, Appellant has demonstrated that the claims in reexamination are fully supported and enabled by the originally filed specification, and are thus entitled to the priority date of June 13, 1988.

The Office has also made separate rejections of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 in reexamination under 35 U.S.C. § 112, first paragraph, as not being

supported by an adequate written description and as not being enabled by the specification as issued. Here again, Appellant maintains that the Office has acted outside the mandated scope of reexamination by examining Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 in their entirety for compliance with section 112, first paragraph, rather than limiting the analysis to newly claimed subject matter. Further, the Office has again applied improper standards for both written description support and enablement. Using the appropriate standards, Appellant has demonstrated that the claims in reexamination do comply with the requirements section 112, first paragraph.

Finally, the Office has rejected Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 for obviousness-type double-patenting over Claims 1 to 6 of the '573 Patent, which is the subject of copending reexamination 90/007,402 (the "'402 Reexamination"). In support of this rejection, the Office cites *Yurt*. In the first instance, Appellant asserts that the reliance on *Yurt* is improper, since it is not available as prior art. Further, the issue of double-patenting was previously addressed by the original examiner during the initial examination of the '734 Patent. Finally, Appellant questions the propriety of double-patenting rejections based on claims in a related patent that is itself subject to a copending reexamination.

Since many of the positions taken by the Office in finally rejecting Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 rely on a revisiting of issues dealt with during the original examination of the '734 Patent, it is appropriate here to summarize the prosecution history of the '734 Patent. Appellant's arguments herein will refer to the summary provided in Section II below.

## II. Prosecution History of the '734 Patent

The '734 Patent issued from U.S. Patent Application Serial No. 08/607,648 (the "'648 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 08/023,398 (the "'398 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 07/586,391 (the "'391 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 07/206,497 (the "'497 Application'"), which was the originally filed application. The '391 Application was issued as the '573 Patent, which is the subject of copending reexamination 90/007,402, currently on Appeal.

The '497 Application was originally filed on June 13, 1988 by Arthur Hair as a *pro se* applicant.<sup>1</sup> In the period after the initial filing of the '497 Application Mr. Hair retained Ansel M. Schwartz as patent counsel. The Application was assigned to Examiner Hoa T. Nguyen ("Examiner Nguyen").

On December 19, 1988, Mr. Schwartz filed a preliminary amendment canceling original Claims 1 through 10 in the '497 Application and replacing them with new Claims 11 through 13, which read as follows:

11. A method for transmitting a desired digital audio music signal stored on a first memory to a second memory comprising the steps of: transferring money to a party controlling use of the first memory from a party controlling use of the second memory; connecting electronically the first memory with the second memory such that the desired digital signal can pass therebetween; transmitting the digital signal from the first memory to the second memory; and storing the digital signal in the second memory. (emphasis added).

12. A method as described in Claim 11, including after the transferring step, the steps of searching the first memory for the desired

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<sup>1</sup> The application which became the '497 Application was actually mailed on June 9, 1988. However, since Mr. Hair was unaware of the use of Express Mail, the application was accorded the date that it actually was received at the Office.

digital audio signal; and selecting the desired digital audio signal from the first memory. (emphasis added).

13. A method as described in Claim 12 wherein the transferring step includes the steps of telephoning the party controlling use of the first memory by the party controlling the second memory; providing a credit card number of the party controlling the second memory to the party controlling the first memory so that the party controlling the second memory is charged money. (emphasis added).

The first Office Action in the '497 Application was issued on November 15, 1988 on the basis of Claims 11 to 13 added by the preliminary amendment. All of the claims were rejected as anticipated by U.S. Patent 3,718,906. Mr. Schwartz responded to the Office Action on February 26, 1990. In this response, Claims 15 through 20 were added. Exemplary Claims 14 and 15 read as follows:

14. A method as described in Claim 11 wherein the transmitting step includes the step of transmitting the digital signal from the first memory to the second memory at a location determined by the second party controlling use of the second memory. (emphasis added)

15. A method for transmitting a desired a digital video or audio music signal stored on a first memory to a second memory comprising the steps of:

charging a fee to a first party controlling use of the second memory;  
connecting the first memory with the second memory such that the digital signal can pass therebetween;  
transmitting the digital signal from the first memory to the second memory; and  
storing the digital signal in the second memory. (emphasis added)

The second Office Action in the '497 Application was issued on May 10, 1990 on the basis of Claims 11 to 20. All of the claims were rejected as anticipated by either of U.S. Patent 3,718,906 or 3,990,710. Mr. Schwartz responded to this Office Action on August 21, 1990. In this response, Claims 11, 12 and 15 were amended and Claim 21 was added. Claims 14 and 16 to 20 were canceled. Claims 11 and 15 were amended by including the recitation of a



“transmitter” and a “receiver.” New Claim 21 read identically to Claim 12, except that it depended from independent Claim 15. On September 9, 1990, Examiner Nguyen issued an Advisory Action indicating that the amendments would not be entered.

The amendment was resubmitted with a File Wrapper Continuation and subsequently entered. The File Wrapper Continuation was assigned application serial number 07/586,391 (the “‘391 Application”). The ‘391 Application was filed as a **continuation** of the parent ‘497 Application and claimed priority to the June 13, 1988 filing date. In fact, due to a clerical error, Mr. Schwartz was required to revive the ‘497 Application as unintentionally abandoned for the express purpose of establishing copendency with the ‘391 Application so that a proper claim for priority could be made. No new oath was required by the Office when the ‘391 Application was filed.

The first Office Action in the ‘391 Application was issued on September 9, 1991 on the basis of Claims 11 to 13, 15 and 21. All of the claims were rejected as obvious over U.S. Patent 3,990,710. Mr. Schwartz responded to this Office Action on December 9, 1991. In this response, Claims 11 and 15 were amended to recite that the first party location was remote from the second party location. Claim 15 was further amended to delete the reference to digital audio signals. Claim 22, which was essentially identical to Claim 13, but depended from Claim 21 was added. In addition to the claim amendments, text was added to pages 3 and 5 of the specification.

The next Office Action in the ‘391 Application was issued on February 24, 1992 on the basis of Claims 11 to 13, 15, 21 and 22. In the Office Action, Examiner Nguyen explicitly objected to the amendments to the specification and rejected all of the claims as being unsupported by the originally filed specification. See pages 5 to 6 of the February 24, 1992

Office Action. Examiner Nguyen specifically pointed out the following as not having a basis in the original specification:

- (1) "transferring money"
- (2) "second party financially distinct from the first party"
- (3) "in the controlling step 'receiver in possession...of the second party'"
- (4) "telephoning"
- (5) "providing a credit card"

The specification was objected to "as originally filed, failing to provide clear support for the amendments to pages 3 and 5." The amendments to pages 3 and 5 encompassed the entirety of the amendments to the specification. Claims 11 to 13, 15, 21 and 22 were also rejected as obvious over U.S. Patent 3,990,710.

Mr. Schwartz responded to this Office Action on June 23, 1992. In this response, the amendments to the specification adding text at pages 3 and 5 was withdrawn. A substitute specification was submitted to address formal issues. Further, a new amendment to the specification was presented adding a new Abstract and adding text at page 6 and page 12 of the substitute specification. Claims 11 and 15 were amended to recite "transferring money electronically via a telecommunications line" and "connecting electronically via a telecommunications line." Claim 15 was again amended to delete "audio." Claim 23 was added.

In addition to the amendments and arguments filed with the Office Action response on June 23, 1992, Mr. Schwartz also filed a Declaration by Arthur Hair under 37 C.F.R. § 1.132 indicating that one of ordinary skill in the art would recognize that all of the terminology presented in the claims and specification by amendment was supported by the originally filed specification.

The next Office Action in the '391 Application was issued on September 21, 1992 on the basis of Claims 11 to 13, 15 and 21 to 23. The Office Action indicated that Claims 11 to 13, 15, 21 and 22 were allowable based on the response filed on June 23, 1992. Claim 23 was rejected. Mr. Schwartz responded to this Office Action on September 30, 1992 by canceling rejected Claim 23. The Examiner proceeded to issue a Notice of Allowance and Issue Fee Due on October 19, 1992.

The '398 Application was filed on February 26, 1993 as a **continuation** of the '391 Application, which was to issue as the '573 Patent on March 2, 1993. Thus, the determinations made by Examiner Nguyen in the '391 Application with respect to alleged new matter were of record in the prosecution history of the '398 Application.

The '398 Application was filed with a new declaration dated February 2, 1993. The "New Application Transmittal" papers included a claim for priority to the '391 Application, which in turn claimed priority to the '497 Application. The specification filed with the '398 Application was substantially the same as the specification originally filed on June 13, 1988, but did contain some differences. The substantive differences were as follows:

- (1) The specification included a "Field of the Invention" section not present in the originally filed application.
- (2) The specification of the '398 Application included an additional paragraph spanning lines 4 to 19 of page 5.
- (3) The specification of the '398 Application included an additional paragraph spanning lines 5 to 20 of page 10.
- (4) The specification included an Abstract.

Although the specification filed with the '398 Application was not identical to that originally filed with the '497 Application, a review of the history of the parent ('391) application shows that the majority of the "new" text was substantially identical to text added by the June 23, 1992 amendment in the '391 Application. In particular, the "Field of the Invention" section was substantially identical with the exception that it recited a "system" in addition to a method. Further the paragraphs at pages 5 and 10 were substantially identical to the paragraphs added by the June 23, 1992 amendment in the '391 Application with the exception that the text added to page 5 recited a "system" instead of a method. It is notable that Examiner Nguyen found this "new" text to be supported by the originally filed specification in the grandparent '497 Application.

The Abstract filed with the '398 Application was less similar to the Abstract added by the June 23, 1992 amendment in the '391 Application. Nonetheless, the terminology presented in the Abstracts was similar.

The first Office Action in the '398 Application was issued by Examiner Nguyen on July 1, 1993 on the basis of originally filed Claims 1 through 31. The specification was objected to and all of Claims 1 through 31 were rejected under 35 U.S.C. § 112, first paragraph, for lack of adequate written description. In particular, Examiner Nguyen stated that the specification failed to set forth the problems in the prior art that the invention intended to overcome. The claims were also rejected as anticipated by U.S. Patent 3,718,906 or obvious over U.S. Patent 3,718,906 in view of U.S. Patent 4,654,799. Mr. Schwartz responded to this Office Action on December 30, 1993 by filing an amendment adding text to the specification, amending Claims 1 through 31 and adding additional Claims 32 through 63.

The amendment to the specification included the addition of individual terms at various points in the existing text; e.g. the addition of “or digital video” following “music” or the addition of “or mechanism” following “means.”

A large section of text, approximately four and two-thirds pages, was also added. Of this added text, about two and two-thirds pages comprised a written description of original Figure 1, using the lead numbers for the elements shown therein. Approximately one-half page of the added text comprised means-plus-function language. The balance of the added text comprised a description of a method using the system as set forth in the description of Figure 1.

The response filed by Mr. Schwartz also included a second declaration by Arthur Hair under 37 C.F.R. § 1.132, explaining how the terminology presented in the specification as filed and amended would have been understood by one having ordinary skill in the art.

The second Office Action in the ‘398 Application was issued by Examiner Nguyen on May 4, 1994. In this Office Action, Claims 1 through 3, 8, 9, 16 through 18, 23, 24, 29 through 44 and 51 through 63 were rejected as anticipated by U.S. Patent 4,528,643. Claims 4 through 7, 10 through 15, 19 through 22, 25 through 28 and 45 through 50 were objected to as depending from rejected claims, but were considered allowable if rewritten in independent form. Mr. Schwartz responded to the Office Action on July 13, 1994 by making amendments to the claims in an attempt to put the allowable claims into form for issue. The amendment to the claims included the addition of new Claims 64 through 75. In addition, the Abstract was amended by adding the term “digital” at various places.

Also in the July 13, 1994 response, Mr. Schwartz explicitly asked Examiner Nguyen to consider any possible issues of double-patenting. Thus, Mr. Schwartz expressly stated to Examiner Nguyen:

*“Applicant requests the Examiner to review any double patenting possibility of the above-identified patent application in regard to U.S. Patent 5,191,573. If the Examiner determines there is no need for any double patenting concern, the applicant requests that the Examiner deem this request to consider double patenting as moot.”* (Response to Office Action filed by Applicant’s Counsel, Ansel Schwartz, July 13, 1994).

A third Office Action in the ‘398 Application was issued by Examiner Nguyen on October 28, 1994, on the basis of remaining Claims 1, 5 through 7, 9, 11 through 15, 17, 20 through 23, 26 through 28, 43, 46 through 50 and 64 through 75. All of the claims were rejected under 35 U.S.C. § 112, second and fourth paragraphs. Mr. Schwartz responded to the third Office Action on February 24, 1995 by amending the claims. Several minor amendments to the specification were also made. A supplemental amendment was filed by Mr. Schwartz on March 7, 1995 to change the dependency of Claim 46 from canceled Claim 66 to Claim 67.

A fourth Office Action in the ‘398 Application was issued by Examiner Nguyen on June 28, 1995, on the basis of remaining Claims 1, 5 through 7, 11 through 15, 20 through 23, 26 through 28, 43, 46 through 50, 62, 64, 65 and 67 through 75. All of the claims were rejected under 35 U.S.C. § 112, second paragraph. In response to the fourth Office Action, Mr. Schwartz filed the ‘648 Application as File Wrapper Continuation application on February 27, 1996. The ‘648 Application was designated a **continuation** of the ‘398 Application. No new oath or declaration was filed.

Based on an interview with Examiner Nguyen, Mr. Schwartz filed a preliminary amendment, including amendments to the existing claims and the addition of new Claims 76 through 89.

A first Office Action in the '648 Application was issued by Examiner Nguyen on June 10, 1996 on the basis of the claims following the preliminary amendment. Claims 1, 5, 6, 11, 23, 26 through 28, 43, 48, 67, 76 through 83 were rejected. Claims 9, 17, 20 through 22, 62, 64, 65, 68, 69 and 84 through 89 were allowed. Mr. Schwartz responded to the first Office Action on December 6, 1996 by filing amendments to the claims.

Following the December 6, 1996 amendment, Examiner Nguyen issued a Notice of Allowance and Issue Fee Due on February 5, 1997. On May 2, 1997, Mr. Schwartz filed additional amendments to the specification under 37 C.F.R. § 1.312. Examiner Nguyen refused to enter the amendments. The Issue Fee was subsequently paid and the '648 Application duly issued as the '734 Patent on October 7, 1997.

**III. THE APPROPRIATE PRIORITY DATE FOR THE CLAIMS OF THE '734 PATENT IN REEXAMINATION IS JUNE 13, 1988**

As set forth in Section II above, the '734 Patent issued from U.S. Patent Application Serial No. 08/607,648 (the "'684 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 08/023,398 (the "'398 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 07/586,391 (the "'391 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 07/206,497 (the "'497 Application'"). The Office admits the '734 Patent is not a continuation-in-part, but asserts that the '734 Patent "shares the characteristics of a continuation-in-part." The Office now attempts to use this novel characterization of the '734 Patent as a pretext to re-examine the priority date of the claims in the '734 Patent, which Examiner Nguyen had properly awarded as June 13, 1988. In particular, the Office is attempting to improperly reassign a priority date of February 27, 1996 to the claims in reexamination.

The Office's actions in reassigning a priority date are improper procedurally, and incorrect based on the prosecution history of the '734 Patent. In the first instance, the reexamination statutes do not empower the Office to examine claims for issues of effective priority date in the absence of a continuation-in-part in the original examination history. On this basis alone, the Board should vacate the Examiner's findings with respect to the proper priority date of the claims in the '734 Patent. Even if the Board does not vacate the Examiner's findings on this basis, the Board should vacate the Examiner's findings because the issue was thoroughly dealt with by Examiner Nguyen during the initial examination of the '734 Patent, and thus does not present a new issue related to patentability. Even putting those arguments aside, the Board should vacate the Examiner's findings with respect to priority because the claims as issued in the '734 Patent and as currently constituted in reexamination are clearly supported by the original specification filed on June 13, 1988.

**A. The Office Exceeded Its Statutory Authority In Considering Issues Of Priority In The Instant Reexamination**

The Office exceeded its statutory authority by considering issues of priority in the instant reexamination. It is well established that the scope of a reexamination proceeding is limited to whether claims are patentable under 35 U.S.C. §§ 102 and 103 "on the basis of patents and printed publications." 37 C.F.R. § 1.552. The reexamination rules explicitly preclude consideration of issues arising under 35 U.S.C. § 112, except "with respect to subject matter added or deleted in the reexamination proceeding." *Id.*; *see also In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985) (*en banc*) ("only new or amended claims are also examined under 35 U.S.C. §§ 112 and 132"); *Patent Reexamination: Hearing Before the Committee on the Judiciary*, 96th Cong., 499 (1979) ("Questions affecting patentability or validity which may arise quite apart from the cited patent or publication, in view of which reexamination is



requested, are left to be resolved in the forum really equipped to do the job -- the court.”)  
(statement of Paul L. Gomery, Director, Washington Office, Patent Division of Phillips  
Petroleum Co.).

Moreover, the inquiry under Section 120 as to whether the language of a particular claim, as filed or amended during an original prosecution, was supported or unsupported by sufficient disclosure is, by definition, not a *new* question. Rather, it is an issue that necessarily arises at the time of original filing or amendment, and one that necessarily is before the original examiner. Where a continuation-in-part (“CIP”) appears in the prosecution history of a patent in reexamination it may be necessary to make an inquiry into whether claims in the CIP, as issued or amended in reexamination, find support in the originally filed parent application or rely on new matter added when the CIP was filed during the original prosecution of the patent. However, where no CIP appears in the record this issue cannot arise since by definition no new matter was found to be added during the original prosecution of the patent in question.

As a result, it is beyond the scope of reexamination for an examiner to make a threshold determination that new matter was added during the original examination of a patent in reexamination in the absence of a recognition of such new matter in the record of the original examination of the patent in question.

**1. There Is No CIP In The Prosecution History Of The ‘734 Patent**

The Office admits the ‘734 Patent is not a continuation-in-part, but then asserts the ‘734 Patent “shares the characteristics of a continuation-in-part,” and cites this as a basis for assigning a later priority date to the claims of the ‘734 Patent. In support of its position the Office points to text added to the specification of the ‘391, ‘398 and ‘648 Applications that was not found in the originally filed specification in the ‘497 Application as grounds for this new

designation. The Office further cites MPEP § 201.11 to support its conclusion. However, the presence of additional or different text in the specification of a continuation application does not by itself render the continuation application a CIP. The prohibition of MPEP § 201.11 concerns addition of text that would constitute *new matter*.

As set forth in Section II above, the '391 Application was filed under the old File Wrapper Continuation procedure. According to MPEP § 201.06(b), in effect at the time, if the '391 Application had been filed as a CIP a new oath or declaration would have been required; none was required.

The '398 Application was filed as a **continuation** of the '391 Application, but did include a different specification and a new oath. However, as detailed above, the changes to specification as filed in the '398 Application were nearly identical to text introduced by amendment to the specification of the parent '391 Application. As set forth above, after extensive examination of the amendments to the specification and claims in the '391 Application, Examiner Nguyen determined that the added text did not constitute new matter. As a result, this added text cannot be considered new matter in the context of the **continuation** of the '398 Application.

Finally, the '648 Application was also filed under the old File Wrapper Continuation procedure. Again, according to MPEP § 201.06(b), in effect at the time, if the '684 Application had been filed as a CIP, a new oath or declaration would have been required; none was required.

Based on the above, it is apparent that no CIP appears in the history of the original prosecution of the '734 Patent.

Further, the Office has cited no authority that empowers it, in the context of reexamination, to treat a continuation application as a CIP because the examiner in reexamination believes the continuation “shares characteristics of a continuation-in-part.” An application or patent is either a CIP, or it is not. There simply is no designation in the statutes or regulations for patents that are continuations, but “share the characteristics of continuations-in-part”, as asserted by the Office. Therefore, the Office has no statutory basis for reassigning the priority date for the ‘734 Patent.

**2. The Reexamination Statute Does Not Empower The Office To Address Issues Of Priority Under 35 U.S.C. § 120 In The Absence Of A CIP Application In The Prosecution History Of A Patent In Reexamination**

The Office relies on MPEP §§ 2258(I)(C) and 2217 for an implicit grant of authority to cite intervening art based upon a newly determined effective filing date for claims. The Office refers to two cases:

*In re Ruscetta*, 255 F.2d 687 (C.C.P.A. 1958) and *In re Van Langenhoven*, 458 F.2d 132 (C.C.P.A. 1972), cited in MPEP § 2258(I)(C) as granting the underlying authority to address issues under 35 U.S.C. § 120 in reexamination. The Office’s reliance on *Ruscetta* and *van Langenhoven* is misplaced. Both *Ruscetta* and *van Langenhoven* deal explicitly with patents issued from CIP applications, which, as discussed *supra*, is simply not the case in the present reexamination. Further, both cases pre-date the reexamination statute, and thus say nothing about the proper conduct of reexamination proceedings. The Office has cited no further authority to support its interpretation of *Ruscetta* or *van Langenhoven*. Moreover, the Office cannot expand the holdings of these cases simply by inserting references to them in MPEP sections dealing with the scope of reexamination. “The MPEP sets forth PTO procedures; it is

not a statement of law.” *Regents of the Univ. of New Mexico v. Knight*, 321 F.3d 1111, 1121 (Fed. Cir. 2003).

In contrast to the present case, where a CIP application appears in the prosecution history of a patent in reexamination, it is appropriate to consider the issue of the effective priority date of a claim in reexamination, since it is recognized that a CIP application may introduce new matter not disclosed in its parent application. However, where no CIP appears in the original prosecution record, the examiner in reexamination has no basis for determining that new matter was added during the original prosecution. Further, the limited scope of reexamination prohibits the examiner from undertaking this analysis on his own initiative.

**3. MPEP § 2258.IV.E Does Not Empower The Office To Revisit The Issue Of The Entitlement To A Priority Date Of Claims In An Issued Patent**

The Office cites the Manual of Patent Examining Procedure (“MPEP”) § 2258.IV.E as an example of revisiting priority issues in reexamination. However, most of this section addresses only the procedural issues in reexamination for perfecting a claim for priority made previously during initial examination and does not address the merits of a claim for priority.

The cited section also deals with claiming priority under 35 U.S.C. § 120 to an earlier filed copending application during reexamination where there was an earlier *failure* to make such a claim. In the instant case, a claim of priority of June 13, 1988 was made by the applicant in each subsequent continuation application. Examiner Nguyen determined the ‘734 Patent was in fact entitled to that priority date. Since a claim of priority is, by definition, before the Examiner when it is made, it can never be a new issue in reexamination; *i.e.*, an issue that the original Examiner had no reason to consider. Indeed, MPEP § 201.11, cited favorably by the Office, *requires* an Examiner to address the issue during initial examination.

Further, MPEP § 2258.IV.E does not address revisiting and removing an earlier claim of priority made in an application, and does not address the entitlement of an issued patent to an earlier claimed right of priority.

Finally, MPEP § 2258.IV.E addresses reexaminations initiated by a patent owner (in this case, the Appellant). The section does not empower the Office to address the issue of entitlement to a claimed priority date where the issue is not first raised by the patent owner (Appellant).

The Office also cites MPEP § 1402, which concerns reissue proceedings, as an example of addressing priority issues. However, again, the cited section deals with adding or changing claims of priority, where an earlier claim contained an error or was not made at all. While MPEP § 1405 does address deletion of a priority claim in reissue, that section does not empower the Office on its own to determine the propriety of the priority claim.

Finally, 37 C.F.R. § 1.552(c) is explicit about the scope of reexamination:

Issues other than those indicated in paragraphs (a) and (b) of this section *will not be resolved in a reexamination proceeding*. If such issues are raised by the patent owner or third party requester during a reexamination proceeding, the existence of such issues will be noted by the examiner in the next Office action, in which case *the patent owner may consider the advisability of filing a reissue application to have such issues considered and resolved*.

37 C.F.R. § 1.552(c) (emphasis added). Therefore, notwithstanding MPEP § 1405, the propriety of a previously made priority claim cannot be revisited by the Office during reexamination.

**B. The Priority Date For The Claims In The '734 Patent Is Not A New Issue Related To Patentability**

Even if the reexamination statute did provide authority to address the issue of priority in reexamination, which it does not, the Office is still barred from considering the issue with respect to the '734 Patent because it does not present a new issue related to patentability.

**1. Examiner Nguyen Assigned A Priority Date Of June 13, 1988 To The Claims In The '734 Patent**

During initial examination of the '734 Patent, the '391 Application was filed as a **continuation** of the '497 Application and thus, as a preliminary matter, was entitled to the filing date of the original application, June 13, 1988. The Office makes much of the fact that the '391 Application was filed pursuant to the old File Wrapper Continuation procedure, which permitted the filing of CIPs. However, as set forth above, MPEP § 201.06(b), in effect at the time the '391 Application was filed, required that a CIP application filed pursuant to the File Wrapper Continuation procedure include a new oath or declaration. Since Examiner Nguyen did not require a new oath or declaration, as a threshold matter, she assigned the priority date of June 13, 1988 to the '391 Application when it was filed.

Also as set forth above, the '398 Application was filed as a continuation of the '391 Application. Even though the specification filed with the '398 Application was not identical to the originally filed specification, the additional text it included was nearly identical to text introduced by the amendments to the specification of the parent '391 Application. Having determined that the amendments to the specification and claims in the '391 Application did not constitute new matter, Examiner Nguyen could not plausibly have determined that the same text was new matter in the context of the '398 Application. As a result, Examiner Nguyen also assigned a priority date of June 13, 1988 to the '398 Application when it was filed.

Finally, the '648 Application was also filed under the old File Wrapper Continuation procedure. Again, according to MPEP § 201.06(b), in effect at the time, if the '648 Application had been filed as a CIP a new oath or declaration would have been required. Since Examiner Nguyen did not require a new oath or declaration, as a threshold matter, she assigned the priority date of June 13, 1988 to the '648 Application when it was filed. Notwithstanding this, the Office has asserted that Examiner Nguyen did not consider or have reason to consider the issue of whether the additions to the specification constituted new matter. In support of these assertions, Examiner Foster provided a chart in the Office Action issued on September 29, 2006 in the copending '402 Reexamination, showing when and under what circumstances additions to the specification and resulting claim amendments were made in the '497 and '391 Applications. References to this chart in the September 29, 2006 Office Action in the instant reexamination were accompanied by generalized allegations that other new matter was added to the specification and claims.

Appellant responded to this assertion by reproducing the Examiner's chart in amended form to demonstrate that Examiner Nguyen did in fact consider the various additions to the specification and concluded those additions did not constitute new matter and the subject claims therefore were supported under Section 112. The chart has been amended by adding three columns, subtitled respectively:

“Consideration by Examiner Nguyen,” “Response by Applicant,” and “Subsequent Action by Examiner Nguyen.” That chart is set forth below:

	Parent Application 07/206,497 filed June 13, 1988		Child Application 07/586,391 filed September 18, 1990		Office Action in Application 07/586,391 and response		Issuance of '573 Patent
Feature	Date First Appearing in Claims of Parent Application	Date First Appearing in Specification of Parent Application	Date First Appearing in Claims of Child Application	Date First Appearing in Specification of Child Application	Consideration by Examiner Nguyen	Response by Applicant	Subsequent Action by Examiner Nguyen
Transferring Money from Second Party to a First Party (Charging a Fee)	December 22, 1988 February 28, 1990			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Providing a Credit Card Number	December 22, 1988			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Controlling Use of First/Second Memory	December 22, 1988			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Transmitting to a Location Determined by Second Party	February 28, 1990			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Specific Video Download Procedures	February 28, 1990			September 18, 1990	No new matter issues were ever raised	No response was ever necessary since no issue was ever raised	Claims allowed in September 21, 1992 Office Action



First Party in Possession of Transmitter	August 24, 1990 (not entered)			September 18, 1990	Considered in Office Action February 24, 1992	Objection/rejections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Second Party in Possession of Receiver and Second Memory	August 24, 1990 (not entered)			September 18, 1990	Considered in Office Action February 24, 1992	Objection/rejections specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action

The foregoing chart shows that substantially all of the alleged new matter issues were dealt with in the '391 Application, which eventually was issued as the '573 Patent. Thus, Examiner Nguyen already had considered those additions and amendments in the Office Action of February 24, 1992, prior to the filing of the '398 Application. That consideration included an objection to the specification as containing new matter under Section 132, and corresponding rejections of the relevant claims under Section 112. Mr. Schwartz responded to, and overcame, that objection and those rejections in the Response of June 23, 1992. In that Response, Mr. Schwartz included arguments and a Declaration by Arthur Hair under 37 C.F.R. § 1.132 establishing that the additions to the specification had ample antecedent support in the originally filed specification because the subject matter of the additions was implicitly disclosed and understood by those skilled in the art. After considering this Response by the Applicant, Examiner Nguyen withdrew the objection to the specification and the Section 112 rejections of the claims, and thereby determined the claims were allowable.

During prosecution of the '398 Application, the only element incorporated that can be alleged to be "new" is the recitation of an "account." However, when this element was introduced to the claims and specification by amendment, it was accompanied by a Declaration under 37 C.F.R. § 1.132 establishing that the addition to the specification had ample antecedent

support in the originally filed specification because the subject matter of the addition implicitly was disclosed and understood by those skilled in the art. This Declaration was accepted by Examiner Nguyen without comment.

Coincidentally, the prosecution history of the '734 Patent shows that, in the first Office Action after the filing of the '398 Application, Examiner Nguyen did issue an objection to the specification and rejection of the claims under 35 U.S.C. § 112, first paragraph, as failing to provide an adequate written description. Examiner Nguyen stated that the specification as filed "fails to make clear what problems in the prior art the present invention intends to overcome." Office Action issued July 1, 1993, page 2. Although the objection and rejection were not "new matter" based, this nonetheless shows that Examiner Nguyen did in fact review the disclosure and claims for compliance with 35 U.S.C. § 112, first paragraph. This rejection was overcome by providing an additional summary of the problems associated with the prior art and pointing out that the description provided in the originally filed specification made it clear what these problems were. Examiner Nguyen thereafter withdrew the Section 112, first paragraph rejection.

The amended chart set forth above demonstrates indisputably that Examiner Nguyen *did consider* the very same new matter and Section 112 rejections that the Office now asserts. As a result, by definition, Examiner Nguyen determined that the claims in the '734 Patent were entitled to claim priority to the original June 13, 1988 filing date.

In the Office Action in the instant reexamination dated March 17, 2007, the Office admitted that Examiner Nguyen did in fact address the issue of the alleged new matter shown in the table above. The Office further admitted that Appellant has effectively demonstrated as much through the table submitted with Appellant's Response to the Office Action of September

29, 2006. However, the Office now asserts that Examiner Nguyen did not have an opportunity to compare all of the amendments to the claims and specification made during prosecution to the originally filed specification. The Office refers to “gradually added new matter,” which the Office asserts was not addressed by Examiner Nguyen. However, the Office fails to explicitly identify what it considered the “gradually added new matter.” At best, the Office merely refers generally to Table II in the Office Action dated March 17, 2007. Upon reviewing Table II in its entirety, it is apparent that, with the exception of the 1996 amendments, the table merely contains the same alleged new matter as the table presented above. That is, Table II does not include anything that could be identified as “gradually added new matter,” nor does it include anything that the Office has not already admitted was reviewed and passed on by Examiner Nguyen. As a result, the Office’s rejection amounts to a bogus rejection that fails to define what is meant by “gradually added new matter.” *See, e.g.,* § MPEP 706.03(o) (noting that, in making a new matter rejection, an examiner is required to “identify the new matter by page and the line numbers and/or drawing figures and provide an appropriate explanation of [his/her] position”).

With respect to the amendments to the specification filed on December 30, 1993 in the ‘398 Application, those amendments by and large comprise a written description of Figure 1, which was originally filed in the ‘497 Application. As such, this text did not constitute new matter. The remainder of the added text comprised means plus function language, which was supported by the text of the specification originally filed with the ‘398 Application.

With respect to the December 6, 1996 amendment, a review of the filing does not reveal any additions to the specification, only amendments to the claims. Further, all of the text added to the claims via this amendment was either explicitly supported in the originally filed

specification, or included terms that were reviewed previously and found to be supported by Examiner Nguyen.

Therefore, because the text added by the December 30, 1993 and December 6, 1996 amendments consisted of matter either explicitly found in the original specification or previously considered and passed on by Examiner Nguyen, there is no doubt that Examiner Nguyen determined the claims in the '734 Patent were entitled to claim priority to the original June 13, 1988 filing date.

**2. The Absence Of Rejections Based On Intervening References During The Initial Examination Of The '734 Patent Does Not Demonstrate Examiner Nguyen Failed To Address The Issue Of Priority**

Notwithstanding the above, the Office also asserts that Examiner Nguyen never had reason to consider the propriety of the claim of priority made in the '648 or '398 Applications, because no intervening references were ever cited by the Examiner. This line of argument by the Office effectively puts the rabbit in the hat, by concluding that the absence of any intervening references in the record is conclusive evidence the issue of priority was never addressed by Examiner Nguyen. It is more plausible to conclude that no intervening references were cited because Examiner Nguyen properly concluded the '391, '398 and '648 Applications were entitled to the priority date of June 13, 1988. This conclusion is fully supported by the written record as detailed in Section II and Section III(B)(1) above.

**3. The Office Lacks Jurisdiction To Review Again The Same Section 112 Issues Determined By Examiner Nguyen**

As established above, the question of Section 112 support, and hence the appropriate priority date for the claims in the issued '734 Patent, were considered and passed on by Examiner Nguyen in the original examination. Therefore, as a matter of established law, the

Office lacks jurisdiction under the facts in this proceeding to challenge again the Section 112 support and the June 13, 1988 priority date of the claims in reexamination.

In *Patlex Corp. v. Quigg*, 680 F. Supp. 33 (D.C. Cir. 1988), the United States District Court for the District of Columbia addressed a situation substantially identical to the circumstances of the present reexamination. In that case, the District Court reversed, on summary judgment, a decision by the BPAI upholding the final rejection of three claims in a reexamination proceeding. The claims in question had issued in a patent that resulted from a string of continuation and divisional applications relating back to an original priority application. The reexamination examiner took the position that the three claims were not entitled to the original priority date. Consequently, the reexamination examiner reassigned a later effective priority date, based on the reexamination examiner's determination that the specification had not enabled the three claims under Section 112 as of the original filing date.

The District Court determined, however, that the issue of whether the three claims were enabled under Section 112 previously had been considered and decided by the original examiner, and the Court therefore explicitly held that the reexamination examiner lacked jurisdiction to consider that issue again:

Entitlement to the ... [original priority] filing date was decided in the ... [original] examination. Plaintiffs contended then they were entitled to the [original priority] filing date, and the first Examiner considered then whether the [original] disclosure was enabling. Consequently, in order to reexamine ... [the patent] on the basis of whether the claims were anticipated by ... [later prior art], the reexamination examiner had to "reexamine" the question of whether the specification of the ... [original application] contained an enabling disclosure of the subject matter claimed in the ... [patent]. As noted above, however, the reexamination statute does not contemplate a "reexamination" of the sufficiency of a disclosure. Rather it is limited to reexamination of patentability based on prior art patents and publications. Hence, the Court concludes that the Examiner and the Board lack

jurisdiction in this case to “reexamine” the sufficiency of the specification of the ... [original application].

*Id.* at 36-37 (emphasis added.) The holding of the *Patlex* case, therefore, is clear. Where, as in the present case, an original examiner already has considered and determined the sufficiency of a specification’s disclosure under Section 112 and the resulting entitlement of claims to an original priority date, there is no “substantial new” question of patentability for reexamination, as required by 35 U.S.C. § 301, *et seq.* As a result, the Office lacks jurisdiction to “reexamine” that same issue for those same claims in a subsequent reexamination proceeding.

For this reason as well, the Board should vacate the Examiner’s determinations regarding the proper priority date for the ‘734 Patent.

**C. The Claims In The ‘734 Patent Plainly Are Supported By The Originally Filed Specification**

The Office asserts that, for written description support, the claims in the ‘734 Patent rely on certain alleged new matter added to the specification during the original prosecution of the ‘734 Patent. The Office also asserts that the claims directed to the video embodiment of the invention are not supported by disclosure that was enabling as of the original June 13, 1988 filing date. As set forth above, Appellant’s position is that the Office lacks jurisdiction to review issues of adequate written description and enablement, especially where the particular issue was dealt with explicitly in the original prosecution of the patent in reexamination. Those arguments aside, it is clear the originally filed specification does in fact provide both adequate written description for all of the claims and an enabling disclosure for those claims directed to the “video feature” of the invention.

**1. The Claims As Issued In The '734 Patent Are Supported By Adequate Written Description In The Originally Filed Specification**

Appellant provides below an analysis demonstrating that each element in Claims 1 through 34 as issued in the '734 Patent is supported, either explicitly or implicitly, by the original specification filed on June 13, 1988.

**i) The Proper Standard For Determining If The Claims Are Adequately Supported By The Specification As Filed**

As a preliminary matter, the standard for written support in the absence of *ipsis verbis* recitation of a claim limitation is not strictly the inherency or required interpretation standard urged by the Office. Rather, the proper standard generally is whether the written description reasonably conveys to the skilled artisan that the inventor was in possession of the claimed subject matter.

The issue of whether the written description requirement has been met is a question of fact, to be determined on a case-by-case basis. *Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1562 (Fed. Cir. 1991). The legal standard for determining whether the facts of a particular case meet the written description requirement is well established, however. In *Vas-Cath*, the Court of Appeals for the Federal Circuit ("CAFC") held that "[t]he test for sufficiency of support in a patent application is whether the disclosure of the application relied upon '*reasonably conveys* to the skilled artisan that the inventor had possession at that time of the later claimed subject matter.'" *Vas-Cath*, 935 F.2d at 1563 (emphasis added). As further held by the CAFC in *Union Oil Co. of Cal. v. Atlantic Richfield Co.*, 208 F.3d 989 (Fed. Cir. 2000), "[t]he written description does not require the applicant 'to describe exactly the subject matter claimed, [instead] the description must clearly allow persons of ordinary skill in the art to recognize that [the inventor] invented what is claimed.'" *Id.* at 997. In other words, contrary to the Office's

assertions, the general standard does not require that the “only reasonable interpretation” of the general features in the specification be the more specific features in the claims. *Vas-Cath*, 935 F.2d at 1566 (“[t]he [district] court further erred in applying a legal standard that essentially required the drawings of the ‘081 design application to *necessarily exclude* all diameters other than those within the claimed range.”)(emphasis in original).

Because the written description requirement is fact-based, various decision makers have at times appeared to drift from the “reasonably conveys” standard mandated by the CAFC. The CAFC, however, has never wavered from this standard. For example, in *Hyatt v. Boone*, 146 F.3d 1348 (Fed. Cir. 1998), the court reviewed a Board of Patent Appeals and Interferences (“BPAI”) decision holding that one party to an interference (Hyatt) lacked the necessary written description in his originally filed application to support a later claim drawn to a count of the interference. The phraseology used by the BPAI in setting forth the standard for compliance with the written description requirement was that “the written description must be sufficient, when the entire specification is read that the ‘necessary and only reasonable construction’ that would be given it by a person of ordinary skill in the art is one that clearly supports each positive limitation in the count.” *Hyatt*, 146 F.3d at 1353. The appellant argued that the “necessary and only reasonable construction” standard applied by the BPAI was different from and more rigorous than the “reasonably conveys standard” set forth in *Vas-Cath*.

The CAFC determined that despite the arguably more rigorous phraseology used by the BPAI, the standard for meeting the written description requirement did not become more rigorous. Rather, the standard remains that “the written description must include all of the limitations...or the applicant must show that any absent text is *necessarily comprehended* in the description provided and would have been so understood at the time the patent application



was filed.” *Hyatt*, at 1354-55 (emphasis added). Moreover, the CAFC has on subsequent occasions repeatedly reinforced that the standard of *Vas-Cath* remains in effect. See, e.g., *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 424 F.3d 1161, 1165 (Fed. Cir. 2005)(“[t]he applicant must...convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention.”).

In addition to *Hyatt*, the Office has cited *In re Robertson*, 169 F.3d 743 (Fed. Cir. 1999), and *Lockwood v. American Airlines, Inc.*, 107 F.3d 1565 (Fed. Cir. 1997), as establishing a strict inherency standard for finding written support for a claim element not having *ipsis verbis* support in the specification. In the first instance, the citation of *In Re Robertson* is inapposite. In *Robertson*, the CAFC reiterated the well-known standard for determining anticipation or obviousness of a claim by prior art where the prior art does not include literal disclosure of one or more elements of the claim. As such, *Robertson* was a case directed solely to Section 102/103 issues, and does not even mention Section 112. Moreover, nowhere in *Hyatt* or *Lockwood* does either court even allude to an inherency standard for showing support for claim limitations not described *ipsis verbis* in the specification. Rather, the CAFC simply held in *Lockwood* that “exact terms need not be used *in haec verba*..., the specification must contain an equivalent description of the claimed subject matter.” *Lockwood*, 107 F.3d at 1572 (citations omitted).

Therefore, the requirement of an inherency standard under Section 112 is unsupported by *Hyatt*, *Robertson*, or *Lockwood*. Rather, the proper standard to be applied by the Examiner in determining compliance with the written description requirement remains “whether the disclosure of the application as originally filed reasonably conveys to the artisan that the inventor had possession at that time of the later claimed subject matter, rather than the presence

or absence of literal support in the specification for the claim language.” *In re Kaslow*, 707 F.2d 1366, 1375 (Fed. Cir. 1983).

ii) **All Features Of Claims 1 Through 34 In The ‘734 Patent Find Written Support In The Originally Filed Specification**

Applying the proper standard for compliance with the written description requirement under Section 112, all of the limitations in Claims 1 through 34 of the ‘734 Patent are supported by the originally filed specification. To illustrate this point, Appellant has prepared a detailed chart showing each feature of the invention, the claims in which those features are recited, and where support in the originally filed specification is found for each feature. That chart is set forth immediately below:

Feature	Claims Reciting Feature	Written Description of Feature in Original Specification	Comments
A method/system for transferring desired digital video or digital audio signals	1-34	p. 1, lns. 7-9 p. 2, lns. 8-10, 20-26  (video) p. 5, lns. 36-43	<i>ipsis verbis</i>
forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party	1	p. 3, lns. 35-40	<i>ipsis verbis</i>
first party location and second party location remote from the first party location, the second party location determined by the second party	1, 4, 11, 16, 19, 26	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The as filed original specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. Since the digital audio or digital video signals are transferred to the user’s (second party’s) control unit, a skilled artisan would readily understand that the second party can determine

			the second location.
the first party memory having a first party hard disk having a plurality of digital video or digital audio signals, including coded digital video or digital audio signals	1, 4, 16	p. 3, lns. 35-37	<i>ipsis verbis</i>
the first memory having a sales random access memory chip	1	p. 3, lns. 19-24 Fig. 1	<i>ipsis verbis</i>
telephoning the first party controlling the first memory by the second party	1	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The as filed original specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily recognize this as comprehending the telephoning of the first party by the second party to initiate a transaction. This was addressed previously in the declaration of Arthur Hair submitted May 5, 1992.
providing a credit card number of the second party to the first party so that the second party is charged money	1	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 38-52 p. 3, lns. 12-15, 35-37	The as filed original specification states throughout that the invention provides for electronic sales of digital audio or digital video signals. A skilled artisan would readily recognize credit card sales as being comprehended within electronic sales. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
electronically coding the digital video or digital audio signals to form coded digital audio signals into a configuration that would prevent unauthorized reproduction	1	p. 2, lns. 17-19 p. 4, lns. 15-20	<i>ipsis verbis</i>
storing a replica of the coded desired digital video or digital audio signals from	1	p. 4, lns. 15-23	<i>ipsis verbis</i>

the hard disk to the sales random access memory chip			
transferring the stored replica of the coded desired digital video or digital audio signal 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	1, 4	p. 4, lns. 15-23 p. 4, ln. 35 to p. 5, ln. 21	The as filed original specification includes <i>ipsis verbis</i> support for storing a replica of the coded desired digital audio or digital video signal to the first party sales random access memory, then transferring it to the memory of the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second memory. This was previously addressed in the declaration of Arthur Hair filed May 5, 1992.
storing the transferred digital video or digital audio signals in the second memory	1	p. 2, lns. 23-27	<i>ipsis verbis</i>
a second party integrated circuit which controls and executes commands of the second party connected to a second party control panel	2	p. 3, lns. 26-28 p. 4, lns. 15-20 Fig. 1	<i>ipsis verbis</i>
commanding the second party integrated circuit with the second party control panel to initiate the purchase of the desired digital video or digital audio signals from the first party hard disk	2	p. 4, lns. 12-20	The as filed original specification includes <i>ipsis verbis</i> support for using the second party control panel to command the second party integrated circuit to execute commands of the second party. A skilled artisan would readily recognize that a user would command the second party integrated circuit to initiate a purchase of digital video or digital audio signals, since that is the purpose of the system.

the second memory includes a second party hard disk and an incoming random access memory chip	3, 5, 8, 13, 16, 21, 30	p. 3, lns. 26-31 Fig. 1	<i>ipsis verbis</i>
the second memory includes a playback random access memory chip	3, 5, 16, 21, 30	p. 3, lns. 26-30 p. 4, lns. 39-50 Fig. 1	<i>ipsis verbis</i>
playing the desired digital video or digital audio signal from the second party hard disk	3	p. 2, lns. 26-32	<i>ipsis verbis</i>
a first party control unit (in possession and control of the first party)	4, 11, 16, 19, 26, 28	p. 2, lns. 38-43 p. 3, lns. 35-49	The as filed original specification includes <i>ipsis verbis</i> support for a first party control unit, where the authorized agent is the first party. A skilled artisan would readily recognize that the first party control unit is in possession and control of the first party because as an "agent authorized to electronically sell and distribute" digital audio or digital video, the first party would necessarily have to possess and control the source of the digital audio and digital video.
a second party control unit (in possession and control of the second party)	4, 11, 16, 19, 26, 28	p. 2, lns. 38-43 p. 3, lns. 35-49	The as filed original specification includes <i>ipsis verbis</i> support for a second party control unit, where the user is the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously

			addressed in the declaration of Arthur Hair filed May 5, 1992.
the first party control unit has a first party hard disk, a sales random access memory chip, and means or mechanism for electronically selling desired digital video or digital audio signals	4, 11, 19, 26, 28	p. 2, lns. 8-10 p. 3, lns. 20-40 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a first party control unit with a hard disk, and sales random access memory chip. A skilled artisan would readily recognize that the first party control unit would include a means or mechanism for executing an electronic sale because the electronic sale is described in the original specification as separate from electronic transfer and electronic distribution.
the second party control unit has a second memory connected to the second party control panel	4, 19, 21, 26, 28	p. 3, lns. 26-31 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a control panel connected to the second party control unit. A skilled artisan would readily understand that the second party hard disk corresponds to a second memory.
the second party control unit has means for playing desired digital video or digital audio signals connected to and controlled by the second party control panel	4, 28	p. 3, lns. 26-33 Fig. 1	<i>ipsis verbis</i>
selling digital video or digital audio signals through telecommunications lines	4	p. 2, lns. 8-10, lns. 47-50	<i>ipsis verbis</i>
the first party control unit includes a first party control integrated circuit connected to the first party hard disk, the sales random access memory and the second party control panel through telecommunications lines	4, 6, 11, 16, 19, 22, 26, 28, 31,	p. 3, lns. 20-33 Fig. 1	<i>ipsis verbis</i>
the first party control unit includes a first party control	6, 11, 16, 22, 31	p. 3, lns. 20-24 p. 4, lns. 12-14	<i>ipsis verbis</i>

panel connected to and through which the first party control integrated circuit is programmed		Fig. 1	
the second party control unit includes a second party control integrated circuit connected to the second party hard disk, the playback random access memory and the first party control integrated circuit	7, 11, 16, 23, 32	p. 3, lns. 20-33 p. 4, lns 15-20 Fig. 1	<i>ipsis verbis</i>
the second party control integrated circuit and the first party control integrated circuit regulate the transfer of desired digital video or digital audio signals	7, 22, 23, 31, 32	p. 4, lns. 15-20	<i>ipsis verbis</i>
the second party control unit includes a second party control panel connected to and through which the second party control integrated circuit is programmed	7, 16, 19, 23, 26, 28, 32	p. 3, lns. 26-28 p. 4, lns. 12-14 Fig. 1	<i>ipsis verbis</i>
the playing means of the second party control unit includes a video display	9, 14, 18, 19, 25, 34	p. 3, lns. 26-33 p. 5, lns. 9-21 Fig. 1	<i>ipsis verbis</i>
the telecommunications lines include telephone lines	10, 11, 12, 15, 17, 20, 27, 29	p. 3, ln. 25 Fig. 1	<i>ipsis verbis</i>
means or mechanism for transferring money electronically via telecommunications lines from the second party to the first party	11, 16, 19	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic sales via telecommunications lines. A skilled artisan would readily recognize that electronic sales via telecommunications lines would include the transfer of money via telecommunications lines. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.

means or mechanism for the first party to charge a fee to the second party and granting access to desired digital video or digital audio signals	16, 19, 26	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 47-50 p. 3, lns. 20-33 Fig. 1	The specification discloses electronic sales via telephone lines. Because the agent is authorized to sell and to transfer via telephone lines, there is implicitly support for selling and thereby charging a fee. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
means or mechanism for connecting electronically via telecommunications lines the first memory with the second memory	11, 16,	p. 4, lns. 15-20 Fig. 1	A skilled artisan would readily recognize from the specification that the first memory would include a means for connecting to the second memory via the disclosed telephone lines.
the second party control unit includes an incoming random access memory	11, 16, 24, 33	p. 3, lns. 26-29 Fig. 1	<i>ipsis verbis</i>
means or mechanism for transmitting desired digital video or digital audio signals	11, 16, 26, 28	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of those signals, where the telecommunications lines act as the transmitter. A skilled artisan would also readily recognize in order to receive digital audio or digital video signals over telecommunications lines, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
a transmitter connected to the first memory and the telecommunications lines, the first party in possession and control of the transmitter	11, 16	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of



			those signals, where the telecommunications lines act as the transmitter.
a receiver connected to the second memory and the telecommunications lines, the second party in possession and control of the receiver	11, 16, 19, 26	p. 2, lns. 47-49 p. 3, lns. 35-38 p. 4, lns. 24-26	A skilled artisan would readily recognize in order to receive digital audio or digital video signals over telecommunications lines as disclosed throughout the specification, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992. A skilled artisan would readily recognize that the receiver is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
the transmitter remote from the receiver, the receiver at a location determined by the second party in electrical communication with the connecting means or mechanism	11	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. A skilled artisan would further recognize that in order for transmission of the digital audio or video signals to occur the transmitter and receiver have to be in electrical communication with the connecting means.

means or mechanism for storing desired digital video or digital audio signals with the receiver	11, 16	p. 3, lns. 26-31 p. 4, lns. 15-20 Fig. 1	The second party control unit includes a second party control integrated circuit which regulates the transfer of the digital audio and digital video signals. A skilled artisan would readily recognize that the second party integrated circuit regulates storage of the digital audio or digital video signals.
speakers in possession and control of the second party	14, 18, 26	p. 3, ln. 33, 47-49	The as filed original specification has <i>ipsis verbis</i> support for speakers. A skilled artisan would readily recognize that the speakers would be in possession and control of the second party since the specification throughout states that the second party may repeatedly listen to stored songs through the speakers.
the second party choosing desired digital audio signals from the first party's hard disk	26	p. 2, lns. 8-16, 20-27, 38-52 p. 35-49	Throughout the specification discloses electronic sales of digital video or digital audio signals. A skilled artisan would readily recognize that this includes the selection of individual desired signals by the purchaser.

For all the reasons set forth in the chart immediately above, the written description standard was satisfied for Claims 1 through 34 of the '734 Patent. For the same reason, and as set forth in more detail below, Claims 35 through 60 are also supported by the originally filed specification of the '497 Application.

To further support Appellant's position with respect to particular claim elements, Appellant submitted a Declaration under 37 C.F.R. § 1.132 of Dr. J. Douglas Tygar with the response to the March 17, 2007 Office Action ("Tygar Dec. 2007"). As set forth in the

Declaration of Dr. Tygar, the claim language “transferring money electronically via a telecommunication line to a first party at a location remote from the second memory,” “charging a fee,” “providing a credit card number,” and “charging an account,” all would have been understood by one of ordinary skill in the art in the context of the described electronic sales and distribution of digital audio signals or digital video signals. *See* Tygar Dec. 2007, para. 6-9. In this context, one of ordinary skill in the art would have recognized that electronic sales encompassed transactions where a fee is charged, and thus money is transferred from one party to another electronically via a telecommunication line. *See* Tygar Dec. 2007, para. 8-9. It further would have been understood by one of ordinary skill in the art that electronic sales could be accomplished by providing a credit card number. *Id.* As a result, one of ordinary skill in the art in 1988 would have recognized that the description of electronic sales in the specification of the ‘497 Application necessarily comprehends “transferring money to a first party from a second party electronically via telecommunication lines,” “charging a fee,” “charging an account,” and “providing a credit card number.”

As further set forth in the Declaration of Dr. Tygar, one of ordinary skill in the art in 1988 would have been aware of the available means for connecting computer systems to telecommunication lines for the purpose of transferring electronic signals; for example modems. *See* Tygar Dec. 2007, para. 11. Such means could be used at the originating (transmitting) computer and at the destination (receiving) computer. *Id.* The control unit or control integrated circuit of the copyright holder and user would have been recognized by one of ordinary skill in the art as being some type of computer system or part of a computer system. *Id.* Therefore, the terms in the claims “transmitter” and “receiver” describe what would have been understood by one of ordinary skill in the art as being necessarily

comprehended by the description provided in the specification and figures filed with the '497 Application.

Finally, as also set forth in the Declaration of Dr. Tygar, it easily would have been recognized by one of ordinary skill in the art in 1988 that the specification's teaching requires establishing some type of connectivity as a pre-requisite to making a purchase/sale of digital signals, as well as for transferring the digital signals. *See* Tygar Dec. 2007, para. 13-14. Since the specification of the '497 Application explicitly discloses selling and transferring digital audio signals (or digital video signals) over telephone lines, it is clear that the step of requesting and establishing connectivity (telephoning) is necessarily comprehended in the description provided in the '497 Application, since the step would have been recognized as a prerequisite for performing the function of the disclosed system. *Id.*

For all of the above reasons, Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 find adequate written support in the specification of the '497 Application as filed and are therefore entitled to the June 13, 1988 priority date. For this reason as well, the Board should vacate the Examiner's findings with respect to the priority date of the '734 Patent.

**2. The "Video Feature" Of The Invention In Claims 4, 6 Through 10, 19, 22 Through 25, 28 And 31 Through 60 Of The '734 Patent Was Enabled By The Originally Filed Specification**

The Office asserts the "video feature" of the invention in Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 was not enabled by the disclosure in the originally filed specification.

The Office acknowledges the "original specification does contain a general statement at the end of the specification stating '[f]urther, it is intended that this invention not be limited to

Digital Audio Music and can include Digital Video....” The Office, however, generally asserts “this broad, generic statement fails to enable specifically claimed video download and processing procedures.” September 29, 2006 Office Action, page 12. Since the Office has not specifically identified which portions of the claims allegedly are not enabled, Appellant will discuss below the issue of enablement with respect to particular comments made in the September 29, 2006 Office Action.

**i) The Office Is Attempting To Apply An Improper Standard For Enablement**

The Office is attempting to apply a “mass production” standard to the claims when, in actuality, the enablement standard of Section 112 has no such requirement. As the CAFC held in *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544, 1562 (Fed. Cir. 1987), “the law has never required that [an Appellant]... must disclose in its patent the dimensions, tolerances, drawings, and other parameters of mass production not necessary to enable one skilled in the art to practice (as distinguished from mass-produce) the invention.” Nonetheless, it appears this kind of “mass production” information is exactly the kind of information the Office now seeks. For example, the Office Action states “[p]ersonal user devices with the processing power capable of playing back much larger and more complicated digital video files, such as DVD players, were not routinely available until the late 1990(s).” September 29, 2006 Office Action, pages 19-20. (emphasis added.) Whether such devices “routinely” were available is not part of the test for enablement, nor is it one of the eight factors for reasonable experimentation that were laid out by the CAFC in *In re Wands*, 858 F.2d 731 (Fed. Cir. 1988). Rather, the only relevant test is whether, without undue experimentation, one of ordinary skill in the art could have made and used the claimed invention.

As further evidence that the Office seeks to apply a “mass production” standard, it is noted that the Office Action states “the digital bandwidth required to transmit a video signal at even VHS quality was around 1.5 megabits per second (approximately 30-megabytes in 3 minutes).” Office Action, page 14. (emphasis added.) However, while VHS quality may be appropriate for “mass production,” a limitation requiring VHS quality video is not included in any of the claims, and thus it is impermissible for the Office to use that level of quality as a benchmark for enablement. In fact, the recent success of very small screen video players shows that “mass production” can be achieved with even less than VHS quality.

Moreover, even if VHS quality were a requirement for enablement of the claims, there is no articulated basis to believe the original specification would not have enabled one of ordinary skill in the art to meet that quality for a short period of time. This fact is accentuated by the statement in the Office Action that “it is not clear ... how downloaded files of any appreciable or viable size would have been downloaded and stored on originally disclosed hard disk 60 of the user in the original specification.” September 29, 2006 Office Action, page 20. (emphasis added.) The use of “appreciable” and “viable” makes it clear that short videos are enabled, and nothing more is required. Further, the Office appears to acknowledge that even a 30-megabyte hard drive could store a three-minute movie if encoded at 1.5 megabits/second. *Id.* That alone is sufficient to meet the enablement requirement.

Moreover, the Office impermissibly limits the scope of what it referenced when the Office Action cites the size of available hard drives. While a 30-megabyte hard drive would have been available in a 3.5-inch form factor, the same chart relied on by the Office illustrates that hard drives larger than 1.89 gigabytes were available at the same time. *See* September 29, 2006 Office Action, footnote 14.

Furthermore, the Office has applied the same “mass production” requirement to the library server. The Office initially seems to acknowledge that mainframes did exist which could have operated as repositories for copyrighted materials using hard disk drives. However, the Office then seems to discount the relevance of the existing mainframes by stating “it is not clear how even a small-sized video library ... would have been stored in the hard disk of the copyright holder ... without requiring details directed to a complex mainframe operating environment.” This unsupported statement on “complexity” is insufficient to prove that mainframe operating environments capable of storing digital video files were not already known at the time the original specification was filed, or that undue experimentation would have been required to store digital video files in such an environment. The statement also leaves unanswered how the Office is defining “small” -- according to the enablement standard under Section 112 or the improper “mass production” standard?

The Office Action further states “[r]egarding the transfer of these large video files over a network, the proliferation of broadband communication network[s] capable of delivering these large files to consumers, such as the Internet, simply did not exist or were not well known in 1988.” September 29, 2006 Office Action, pages 14-15. (emphasis added.) Such a statement raises at least two issues. First, “not well known” to whom? Those of ordinary skill in the art of computer systems knew of telephony-based wide area networks at the time the original specification was filed. See <http://www.rfc-editor.org/rfc-index.html> for a list of computer communications standards including those available at the time of filing. Second, utilization of a “broadband” network is not required. In fact, the originally filed specification discloses that the audio and video files can be transferred over telephone lines. While this may not be an extremely fast method of transfer, it nonetheless clearly is enabling under Section 112.

The Office further questions “how the digital video would have been coded and decoded during transmission, as digital video coding standards for purposes of transmission and file download were not settled in 1988. [T]he MPEG-1 standard which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established in 1992.” September 29, 2006 Office Action, page 21. (emphasis added.) Again, standardization of video coding and the use of “NTSC quality” relate to “mass production” rather than enablement under Section 112. Thus, the Office has not alleged -- and cannot allege -- that one of ordinary skill in the art could not have coded video at some other resolution or using some other encoding technique at the time the original specification was filed.

In contrast, those of ordinary skill in the art would have been able to code and decode video data transmitted over a telephone line without undue experimentation. This is because there were existing video teleconferencing systems known and available to them prior to applicant’s earliest priority date. In response to the March 17, 2007 Office Action, the Appellant submitted the reference “The Design of Picturephone® Meeting Service (PMS) Conference Centers For Video Teleconferencing”, Bernard A. Wright, *IEEE Communications Magazine*, © 1983 (hereinafter *Wright*). In the paragraph crossing the left and right columns of page 30 of *Wright*, the article describes that five years before applicant’s earliest priority date a digital video signal could have been (and was) sent via a telephone network and decoded with a picture processor in real-time. In fact, on page 36, *Wright* states:

The Bell System has developed a complete capability for full motion video teleconferencing, and as of July 2, 1982 is providing such a service. This high quality PMS service provides the user with an excellent full-motion, two-way fully interactive conferencing capability.



Similarly, in the section of page 35 entitled "Picture Processor," *Wright* discloses that not only was a TV processor for video processing available from Nippon Electric Corporation for use in the described video processing system, but a network interface specification was available for making systems that were compatible with the Bell System. (*See* reference [3].) It further states that "In the receive direction, a decoder accepts the two DS-1 signals as inputs, corrects errors, and recovers audio, video, and control information by performing the inverse of the encoding operations." (emphasis added.) As such, contrary to the position of the Office Action, it is clear that at the time of filing of the earliest priority application, one of ordinary skill in the art would have been able to transmit, download and decode video signals as claimed by using, for example, the digital video format of the PicturePhone system described in *Wright*, without undue experimentation.

Accordingly, Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 directed to the "video feature" embodiment of the invention are enabled by the originally filed specification under the proper standard for Section 112 enablement.

**D. Because Claims 1 Through 4, 6 Through 19, 22 Through 25, 28 And 31 Through 60 Are Entitled To The June 13, 1988 Priority Date Awarded During The Original Examination, *Yurt* And *Goldwasser* Are Not Appropriate Prior Art**

Based on the foregoing, Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in reexamination are entitled to the June 13, 1988 priority date. In the first instance, it is improper for the Office to reconsider the issue of priority in the present reexamination for the reasons set forth in Sections III(A) and (B) above. Further, even if it were proper to reconsider the issue of priority, the facts of record clearly show the claims were described adequately and enabled by the originally filed specification for the reasons set forth in Section III(C) above. Therefore, U.S. Patent 5,132,992 to *Yurt* (*Yurt*) and U.S. Patent 5,241,428 to

Goldwasser (*Goldwasser*) cannot be proper bases for a rejection because the references post-date the applicable June 13, 1988 priority date for the claims. The Board should, therefore, reverse all rejections based on *Yurt* and *Goldwasser*.

**IV. THE CLAIMS AS AMENDED ARE SUPPORTED AND ENABLED BY THE WRITTEN DESCRIPTION**

In addition to questioning the written support and enablement of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in the originally filed specification, the Office has also asserted separate rejections of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph. In making these rejections, the Office has improperly applied Section 112 analysis to claim elements that existed in the claims as issued, rather than limiting the analysis to “matter added or deleted” as required by 37 C.F.R. § 1.552.

In particular, Appellant notes that Claims 1 through 34 were only amended to add limitations from existing dependent claims into existing independent claims. Therefore, the rationale cited by the Office for subjecting Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 34 to analysis under Section 112, first paragraph is unfounded. The only element present in Claims 35 through 60 that was not previously present in Claims 1 through 34 is the recitation of a non-volatile storage portion of the second memory that is not a tape or CD. Therefore, the Office may only examine the recitation of “a non-volatile storage portion of the second memory that is not a tape or CD” for compliance with Section 112, first paragraph.

Nonetheless, even if it were proper for the Office to examine Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 in their entirety for compliance with Section 112, first paragraph, under 37 C.F.R. § 1.552(a), those issues already were addressed by Examiner Nguyen during the initial examination of Claims 1 through 34, as recognized by the Office.

**A. Rejection Of Claims 4, 6 Through 10, 19, 22 Through 25, 28 and 31 Through 60 Under 35 U.S.C. § 112, First Paragraph As Introducing Matter Not Found In The Original Specification**

With respect to the recitation of “a non-volatile storage portion of the second memory, wherein the non-volatile storage is not a tape or a CD”, the Office asserts that the negative limitation in Claims 35, 37, 43, 48, 51 and 56 introduces a new concept to the claims that does not have a basis in the originally filed specification. The Office cites two cases from the BPAI, one case from the CAFC, and one case from the Court of Customs and Patent Appeals (“C.C.P.A.”) to support this rejection. None of the cases support the rejection.

The CAFC case cited by the Office, *LizardTech, Inc. v. Earth Res. Mapping Inc.*, 433 F.3d 1373 (Fed. Cir. 2006), is merely an opinion denying a petition for rehearing *en banc*. The case does not address anything related to the current rejection. Therefore, the case simply does not support the Office’s position.

The two cases from the BPAI, *Ex Parte Wong*, No. 2004-1144, 2004 WL 4981845 (Bd. Pat. App. & Interf. June 10, 2004) and *Ex Parte Grasselli*, 231 U.S.P.Q. 393 (Bd. Pat. App. & Interf. 1983), address situations where a negative limitation added to a claim was not described in the specification of the application. However, neither *Wong* nor *Grasselli* support the rejection of Claims 35 through 60 under Section 112, first paragraph, in the instant case. In both *Wong* and *Grasselli*, the issue and ultimate ground for rejection was that a negative limitation added to the claims introduced a new concept not disclosed in the respective specifications in those cases. That simply is not the situation here. All of Claims 35, 37, 43, 48, 51 and 56 recite a non-volatile storage portion of a memory that is not a tape or CD. The originally filed specification of the ‘497 Application explicitly states that the disclosed invention eliminates the need to handle tapes and CDs. *See* p. 2, lns. 23 to 26. Thus, the

concept of storing digital audio or digital video signals on a memory that is not a tape or CD is explicitly disclosed by the original specification. Therefore, *Wong* and *Grasselli* are inapposite to the present case.

The case from the C.C.P.A., *Application of Johnson*, 558 F.2d 1008 (C.C.P.A. 1977), concerns a situation where the applicant sought to claim priority to an originally filed application for claims in a subsequent CIP application. The holding of *Johnson* also fails to support the Office's position. In *Johnson*, an original parent application disclosed and claimed a genus of polymer compositions comprising various monomer units. In a later filed CIP application, the broad genus claims in the parent application were narrowed by expressly excluding certain species from the polymer compositions. The parent application only contained a description of the broader genus. The court found that claims to the narrower sub-genus created by the express exclusion of certain species in the CIP were not supported by the description of the broader genus in the parent specification. Again, the situation with the present reexamination differs significantly from the cited case law. Claims 35, 37, 43, 48, 51 and 56 recite a non-volatile storage portion of a memory that is not a tape or CD. This is exactly what is described at page 2, lines 23 to 26 of the originally filed specification. In short, the negative limitation recited in Claims 35, 37, 43, 48, 51 and 56 is expressly disclosed in the specification of the parent application. Thus, in the instant case, the scope of the disclosure in the specification was never narrowed with respect to this element, contrary to the situation in *Johnson*. Therefore, the recitation of a non-volatile storage portion of a memory that is not a tape or CD is fully supported by the originally filed specification, as well as the specification of the '734 Patent as issued.

With respect to the other elements recited in Claims 35 through 60, the issue of written support for the claimed matter was previously addressed by Examiner Nguyen during the initial examination of Claims 1 through 34, as recognized by the Office in the Office Action dated March 17, 2007. Moreover, Appellant thoroughly demonstrated in the Response to the Office Action of September 29, 2006 that each element in Claims 35 through 60 is fully supported and enabled by the original specification as filed, as well as the specification for '734 Patent as issued. Therefore, the Board should reverse the Examiner's rejection.

**B. Rejection Of Claims 4, 6 Through 10, 19, 22 Through 25, 28 and 31 Through 60 Under 35 U.S.C. § 112, First Paragraph As Not Being Enabled By The Original Specification**

Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 have been rejected under Section 112, first paragraph, as not being enabled by the original specification.

As set forth in Section III(A) above, all of the limitations recited in the claims have written support in the original specification filed on June 13, 1988. In particular, Claims 1 through 34 were only amended to add limitations from existing dependent claims into existing independent claims. Therefore, the rationale cited by the Office for subjecting Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 34 to analysis under Section 112, first paragraph is unfounded. Nonetheless, Appellant thoroughly demonstrated in Section III(C)(2) above that each element in Claims 1 through 34 is fully supported and enabled by the original specification as filed, as well as the specification for '734 Patent as issued.

With respect to new Claims 35 through 60, the only difference between the new claims and original Claims 1 through 34 is the recitation of "a non-volatile storage portion of the second memory that is not a tape or CD." As further set forth above, 37 C.F.R. § 1.552(a) states that an analysis under Section 112 will be performed with respect to *matter* added or

deleted, not *claims* added or deleted. Therefore, the Office may only examine the claims with respect to the recitation of “a non-volatile storage portion of the second memory that is not a tape or CD” for compliance with the enablement requirement. This limitation is fully supported by the originally filed specification, as demonstrated above. For the same reason Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 are enabled, Claims 35 through 60 are also enabled. Therefore, the Board should reverse the Examiner’s rejection.

**V. BASED ON THE PROPER PRIORITY DATE FOR THE CLAIMS IN REEXAMINATION THE REJECTIONS OF CLAIMS 1 THROUGH 4, 6 THROUGH 19, 22 THROUGH 25, 28 AND 31 THROUGH 60 BASED ON *YURT* AND/OR *GOLDWASSER* ARE IMPROPER**

As set forth above, the proper priority for Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in reexamination is June 13, 1988. Therefore, any rejections under Sections 102 or 103 which rely on references that are not prior art based on the June 13, 1988 priority date are improper and should be reversed. U.S. Patent No. 5,132,992 to Yurt (*Yurt*) issued on July 21, 1992 from an application filed on January 7, 1991. U.S. Patent 5,241,428 to Goldwasser (*Goldwasser*) issued on August 31, 1993 from an application filed on March 12, 1991. Therefore, *Yurt* and *Goldwasser* do not qualify as prior art for the purposed of Sections 102 and 103.

**A. Rejection Of Claims 4, 6 Through 19, 22 Through 25, 28, 31 Through 34 and 37 Through 60 Under 35 U.S.C. § 103(a) Over *Yurt* In View Of *Goldwasser***

Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 have been rejected under 35 U.S.C. § 103(a) as obvious over the combination of U.S. Patent 5,132,992 to Yurt (*Yurt*) in view of U.S. Patent No. 5,241,428 to Goldwasser (*Goldwasser*).

Neither of *Yurt* or *Goldwasser* qualifies as prior art based on the proper June 13, 1988 priority date of the ‘734 Patent. Therefore, a *prima facie* case of obviousness of Claims 4, 6

through 19, 22 through 25, 28, 31 through 34 and 37 through 60 has not been established by the combination of *Yurt* and *Goldwasser*. Therefore, the Board should reverse this rejection.

**B. Rejection Of Claims 1, 2, 35 and 36 Under 35 U.S.C. § 103(a) Over *Yurt* In View Of *Bush***

Claims 1, 2, 35 and 36 have been rejected under 35 U.S.C. § 103(a) as obvious over the combination of *Yurt* in view of U.S. Patent 4,789,863 to Bush (*Bush*).

As set forth above *Yurt* does not qualify as prior art based on the proper June 13, 1988 priority date of the '734 Patent. Consequently, a combination of *Yurt* and another reference cannot provide a proper basis for an obviousness rejection, which means the rejection of Claims 1, 2, 35 and 36 based on a combination of *Yurt* and *Bush* is improper. Therefore, the Board should reverse this rejection.

**C. Rejection Of Claim 3 Under 35 U.S.C. § 103(a) Over *Yurt* In View Of *Bush* In View Of *Goldwasser***

Claim 3 has been rejected under 35 U.S.C. § 103(a) over *Yurt* in view of *Bush* further in view of *Goldwasser*.

As set forth above *Yurt* and *Goldwasser* are not available as prior art based on the appropriate priority date of June 13, 1988 for the '734 Patent. Consequently, a combination of *Yurt* and/or *Goldwasser* and another reference cannot provide a proper basis for an obviousness rejection, which means the rejection of Claim 3 based on a combination of *Yurt*, *Bush* and *Goldwasser* is improper. Therefore, the Board should reverse this rejection.

**VI. DOUBLE PATENTING**

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 also have been rejected under the judicially created doctrine of obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent, which is copending in reexamination, in combination with *Yurt*.

This double-patenting rejection is improper as applied to the instant claims for the reasons set forth below.

**A. Obviousness-Type Double-Patenting Is Not A New Issue Related To Patentability And Is Therefore Inappropriate In The Instant Reexamination**

It is not appropriate to consider and assert obviousness-type double-patenting in the present reexamination because it does not present a “substantial new question of patentability.”

*See* 35 U.S.C. § 303.

During the prosecution of the applications that eventually resulted in the ‘734 Patent and the related ‘573 Patent, both applications were co-pending before Examiner Nguyen. Indeed, it was Examiner Nguyen who issued the ‘573 Patent, the subject ‘734 Patent, and the related U.S. Patent 5,966,440 (the “‘440 Patent”). Examiner Nguyen in each case therefore was well aware of the scope of the claims in each application and in the patents that issued from those applications. This by itself indicates the issue of double-patenting was before Examiner Nguyen in the original examination of the subject ‘734 Patent, and therefore does not present a “substantial new question of patentability” now.

35 U.S.C. § 303 permits the Director to “determine whether a substantial new question of patentability is raised.” While the fact that a patent or printed publication previously was cited or considered may not preclude the existence of a substantial new question of patentability in some circumstances, the plain language of the statute nonetheless requires that the *question of patentability* raised must be new. Therefore, it is improper in reexamination to re-raise a ground for rejection that was before the examiner in the original examination of the patent (and any related patents) at issue. The case law squarely supports this position. *See In re Recreative Techs Corp.*, 83 F.3d 1394, 1398 (Fed. Cir. 1996) (“Reexamination is barred for questions of patentability that were decided in the original examination.”)



In the present case, the prosecution history of the '734 Patent shows unequivocally that Mr. Schwartz *specifically requested* Examiner Nguyen to consider any issues of double-patenting that might have resulted from the issuance of the '734 Patent. Thus, Mr. Schwartz expressly stated to Examiner Nguyen:

*Applicant requests the Examiner to review any double patenting possibility of the above-identified patent application in regard to U.S. Patent 5,191,573. If the Examiner determines there is no need for any double patenting concern, the applicant requests that the Examiner deem this request to consider double patenting as moot.*

(Response to Office Action filed by Applicant's Counsel, Ansel Schwartz, July 13, 1994).

Further, in the related copending application that resulted in the '440 Patent, Mr. Schwartz again brought the issue of double-patenting to the Examiner Nguyen's attention. Specifically, Mr. Schwartz stated to Examiner Nguyen:

*Applicant reminds the Examiner of related continuation application 08/607,648 and asks the Examiner to review whether there is any double patenting issue with regard to this application 08/607,648 or parent patent, U.S. Patent No. 5,191,573.*

(Response to Office Action filed by Applicant's Counsel, Ansel Schwartz, July 3, 1996).

Notwithstanding this express raising of the issue *twice* by Mr. Schwartz, Examiner Nguyen in subsequent Office Actions declined to issue a rejection based on double-patenting in the two copending applications that resulted in issuance of the '734 and the '440 Patents, with respect to each other or the '573 Patent. Thus, Examiner Nguyen plainly had the impetus and the opportunity to make a double patenting rejection had she felt it warranted. She did not do that, however. It therefore follows, *a fortiori*, that the question of double-patenting cannot, as a matter of law and fact, present a "substantial new question of patentability" in the present proceedings.

Moreover, Applicant was -- and Appellant now is -- entitled to rely on Examiner Nguyen's declining to make a rejection for double-patenting in response to the Applicant's previous specific requests to consider the issue. Appellant should not now be forced to face that same issue in the instant reexamination. That is exactly what 35 U.S.C. § 303 is intended to avoid. Indeed, as recognized by the CAFC in *Recreative Technologies*, the "substantial new question requirement would protect Appellants from having to respond to, or participate in unjustified reexaminations. Further, it would act to bar reconsideration of any argument already decided by the Office" and, as a result, "the statute [35 U.S.C. § 303] guarded against simply repeating the prior examination on the same issues and arguments."

*Id.* at 1397.

Therefore, the issue of double-patenting over the '573 Patent was properly before Examiner Nguyen and passed on during the original prosecution of the '734 Patent. As a result, under the plain meaning of 35 U.S.C. § 303 and the CAFC's holding in *Recreative Technologies*, double-patenting, under the present circumstances, is not a "substantial new question of patentability" and therefore is not a proper issue to be considered in this reexamination. Therefore, the Board should reverse the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 for obviousness-type double-patenting.

**B. *Yurt* Is Not Available As Prior Art For The Purpose Of Obviousness-Type Double-Patenting**

As set forth above, the claims currently in reexamination are entitled to the June 13, 1988 priority date awarded in the initial examination of the '734 Patent. As a result, *Yurt*, which does not antedate the June 13, 1988 priority date, is not available as prior art. Therefore, the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 for

obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent in combination with *Yurt* is improper and should be withdrawn for this reason as well.

**C. The Rejection Of Claims 1 Through 4, 6 through 19, 22 Through 25, 28 And 31 Through 60 Over Claims 1 Through 6 Of The '573 Patent Alone Is Improper In An Obviousness-Type Double-Patenting Rejection**

As established above, *Yurt* is not available as prior art under the circumstances of the present reexamination. Because the rejection for obviousness-type double-patenting therefore is unsupported by some suggestion in the prior art, or the knowledge of one having ordinary skill in the art, it is improper and should be withdrawn for this reason as well.

The BPAI dealt with this very same issue in *Ex parte Schmit*, 64 U.S.P.Q.2d 1723 (Bd. Pat. App. & Interferences 2000). In *Schmit*, the BPAI reversed a rejection under the doctrine of obviousness-type double-patenting where the examiner had relied on a combination of "references" both of which were parents of the application at issue. In its opinion, the BPAI interpreted its own precedent in *Ex parte Oetiker*, 23 U.S.P.Q.2d 1651 (Bd. Pat. App. & Interferences 1990), and the precedent of the CAFC in *In re Longi*, 759 F.2d 887 (Fed. Cir. 1985). The BPAI recognized this precedent to "stand for the proposition *that prior art must be cited to support an obviousness-type double-patenting rejection.*" *Schmit*, 64 U.S.P.Q.2d at 1725. (emphasis added) The BPAI therefore properly held that, "[a]bsent citation of prior art in addition to the base patent, there is no factual basis for the [obviousness-type double-patenting] rejection." *Id.* As a result, in the present reexamination, although the claims of the '573 Patent can be asserted by the Examiner as a partial basis for an obviousness-type double patenting rejection, the '573 Patent cannot *by itself* support such a rejection. See *Ex parte Schmit*, 64 U.S.P.Q.2d at 1723; *In re White*, 405 F.2d 904, 906 (C.C.P.A. 1969) ("Having been copending with the application at bar, appellants' own patent is not prior art although it is the basis of the

double patenting rejection.”); *Research Corp. Techs., Inc. v. Gensia Labs., Inc.*, 10 Fed. Appx. 856, 860 (Fed. Cir. 2001) (“In considering the question [double-patenting], the patent disclosure may not be used as prior art.”)

The instant obviousness-type double-patenting rejection implicitly acknowledges that Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are not co-extensive with the Claims 1 through 6 of the ‘573 Patent. Therefore, under *Oetiker* and *Longi*, as adopted by the BPAI in *Schmit*, it is necessary to show some rationale, either in the prior art, or the knowledge of one having ordinary skill in the art, as to why Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are obvious over Claims 1 through 6 of the ‘573 Patent. Since *Yurt* is not available as prior art for this purpose, and because the appropriate rationale does not otherwise appear on the record elsewhere, the Board should reverse the instant double-patenting rejection over Claims 1 through 6 of the ‘573 Patent for this further reason as well.<sup>2</sup>

**D. An Obviousness-Type Double-Patenting Rejection Cannot Properly Be Based On Claims 1 Through 6 Of The ‘573 Patent**

Claims 1 through 6 of the ‘573 Patent are currently the subject of the related copending ‘402 Reexamination. As such, any double-patenting rejection in the instant reexamination will necessarily be affected by the outcome in the related ‘402 Reexamination. Since the final form in which claims may emerge from the ‘402 Reexamination is not known, the Examiner cannot properly base a double-patenting rejection on the claims of the ‘573 Patent as they existed prior to the reexamination proceeding.


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<sup>2</sup> Parenthetically, Appellant notes that *Schmit* was not published as binding precedent of the BPAI. Nonetheless, for the reasons set forth above, it is abundantly clear that *Schmit* was correctly decided and is supported by the precedent of the C.C.P.A. and CAFC. Therefore, the Board should follow the holding of *Schmit* in the present reexamination.

Conclusion

The Board should reverse the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 103(a). The Board should also reverse the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 under the doctrine of obviousness-type double-patenting. Finally, the Board should reverse the rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph.

Respectfully submitted,



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CLAIMS APPENDIX

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

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, 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, and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party;

the second memory having a second party hard disk;

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 controlling the first memory so the second party is charged money;

electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals;

storing a replica of the coded desired digital video or digital audio signals from the first party 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; and  
storing the transferred replica of the coded desired digital video or digital audio signals in the second [memory] party hard disk.

2.(Original) A method as described in claim 1 wherein there is 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, and before the forming step, there is the step of commanding the second party integrated circuit with the second party control panel to initiate the purchase of the desired digital video or digital audio signals from the first party hard disk.

3.(Amended) A method as described in claim 2 wherein the second memory includes an incoming random access memory chip which temporarily stores the coded desired digital video or digital audio signals from the sales random access memory chip[, a second party hard disk for storing the coded desired digital video or digital audio signals from the incoming random access memory chip,] and a playback random access memory chip for temporarily storing the coded desired digital video or digital audio signals from the [first] second party hard disk for sequential playback; and the storing the transferred replica step induces the steps of storing the coded desired digital video or digital audio signals from the sales random access memory chip in the incoming random access memory chip, transferring the desired digital video or digital audio signals from the incoming random access memory chip to the second party hard disk, storing the desired digital video or

digital audio signals in the second party hard disk, 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, transferring a replica of the desired digital video or digital audio signals from the second party hard disk to the playback random access memory chip for playback and, playing the desired digital video or digital audio signals from the second party hard disk.

4.(Amended) A system for transferring digital video or digital audio signals comprising: a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit, and means for electronically selling the desired digital video or digital audio signals;

a second party control unit having a second party control panel, a second memory connected to the second party control panel, and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said means for playing operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party, the second party memory includes a second party hard disk which stores the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the second party hard



disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback; and  
telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party.

5. (Canceled)

6.(Amended) A system as described in claim [5] 4 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control panel through the telecommunications lines; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

7.(Original) A system as described in claim 6 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the second party hard disk, the playback random

access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

8.(Original) A system as described in claim 7 wherein the second memory includes an incoming random access memory chip connected to the second party hard disk and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video or audio signals received from the first party's control unit for subsequent storage to the second party hard disk.

9.(Original) A system as described in claim 8 wherein the playing means includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video or audio signals.

10.(Original) A system as described in claim 4 wherein the telecommunications lines include telephone lines.

11.(Amended) A system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party comprising:

a first memory in possession and control of the first party;

a second memory in possession and control of the second party, said second memory is at a location remote from said first memory;

the second memory including a second party hard disk;

telecommunications lines;

means or a mechanism for transferring money electronically via telecommunications lines from the second party controlling use and in possession of the second memory to the first party controlling use and in possession of the first memory;

means or a mechanism for connecting electronically via the telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party, said first control unit comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical communication with said first control integrated circuit, said second control unit comprising a second control panel, a second control integrated circuit, an incoming random access memory and a playback random access memory, said second control panel, said incoming random access memory and said playback random access memory in electrical communication with said second control integrated circuit;

means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to the second memory, said means or mechanism for transmitting

comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second memory, the transmitter and the telecommunications lines, said first party in control and possession of the transmitter, said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party, said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the first memory [in] into the second party hard disk of the second memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said second memory.

12.(Original) A system as described in claim 11 wherein the telecommunications lines include telephone lines.

13.(Amended) A system as described in claim 12 wherein the first memory comprises a first hard disk [and the second memory comprises a second hard disk].

14.(Original) A system as described in claim 13 including a video display and speakers in possession and control of the second party, said video display and speakers in electrical communication with said second control integrated circuit.

15.(Original) A system as described in claim 11 wherein the telecommunications lines include telephone lines.

16.(Original) A system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location comprising:

a first memory at a first party location, said first memory in possession and control of the first party, said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored;

a second memory in possession and control of the second party, wherein said second memory is at a second party location remote from said first memory, said second memory comprising a second party hard disk in which the desired digital video or digital audio signals are stored that are received from the first memory and a playback random access memory connected to the second party hard disk;

telecommunications lines;

means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location, said first party controlling use of the first memory, said second party controlling use and in possession of the second memory, said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location;

means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit, said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit, said second control unit comprising a second control panel, a second control integrated circuit, and an incoming random access memory which temporarily stores the desired digital video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said second party hard disk, said second control panel, said incoming random access memory, said second party hard disk and said playback random access memory in electrical communication with said second control integrated circuit;

means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random

access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines, said first party in control and possession of the transmitter, said second party in control and possession of the receiver, said receiver remote from said transmitter, and said receiver at the second party location determined by the second party, said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory.

17.(Original) A system as described in claim 16 wherein the telecommunications lines include telephone lines.

18.(Original) A system as described in claim 17 including a video display and speakers in electrical communication with said second control integrated circuit.

19.(Amended) A system for transferring digital video signals comprising:  
a first party control unit in possession and control of a first party;  
a second party control unit in possession and control of the second party, wherein said second party control unit is at a location remote from said first party control unit;  
said first party control unit having a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes

a first party hard disk having the plurality of digital video signals which include desired digital video signals, and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit, and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location;

a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit, said second party choosing the desired digital video signals from the first party's hard disk with said second party control panel, said second party control unit includes a second memory which is connected to the receiver and the video display, said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip, the second party control unit includes a second party hard disk which stores a plurality of digital video signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video signals as a temporary staging area for playback; and



telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, the telecommunications lines include telephone lines.

20 - 21.(Canceled)

22. (Amended) A system as described in claim [21] 19 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control integrated circuit through the telecommunications lines, said first party control integrated circuit and said second party control integrated circuit regulate the transfer of the desired digital video signals; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

23.(Original) A system as described in claim 22 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the second party hard disk, the playback random access memory, and the first party control integrated circuit through the

telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

24.(Original) A system as described in claim 23 wherein the second party control unit includes an incoming random access memory chip connected to the second party hard drive and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video signals received from the first party's control unit for subsequent storage to the second party hard disk.

25.(Original) A system as described in claim 24 wherein the second party control unit includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video signals.

26 - 27.(Canceled)

28.(Amended) A system for transferring digital video or digital audio signals comprising: a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a sales random access memory chip electronically connected to the first party hard disk for storing

a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit, and a mechanism for electronically selling the desired digital video or digital audio signals of the first party's hard disk;

a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said playing mechanism operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party, the second party control unit includes a second party hard disk which stores a plurality of digital video or audio signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or audio signals as a temporary staging area for playback; and

telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, the telecommunications lines include telephone lines.

29 - 30.(Canceled)

31.(Amended) A system as described in claim [30] 28 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control integrated circuit through the telecommunications lines, said first party control integrated circuit and said second party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

32.(Original) A system as described in claim 31 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the second party hard disk, the playback random access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

33.(Original) A system as described in claim 32 wherein the second party control unit includes an incoming random access memory chip connected to the second party hard

drive and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video or audio signals received from the first party's control unit for subsequent storage to the second party hard disk.

34.(Original) A system as described in claim 33 wherein the second party control unit includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video or audio signals.

35.(New) A method for transferring desired digital video or digital audio signals comprising the steps of:

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, 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, and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party;

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 controlling the first memory so the second party is charged money;

electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals;

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; and

storing the transferred replica of the coded desired digital video or digital audio signals in a non-volatile storage portion of the second memory;  
wherein the non-volatile storage portion is not a tape or CD.

36.(New) A method as described in Claim 35 wherein there is 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, and before the forming step, there is the step of commanding the second party integrated circuit with the second party control panel to initiate the purchase of the desired digital video or digital audio signals from the first party hard disk.

37.(New) A system for transferring digital video or digital audio signals comprising:  
a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a

sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit, and means for electronically selling the desired digital video or digital audio signals;

a second party control unit having a second party control panel, a second memory connected to the second party control panel, and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said means for playing operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party, the second memory includes a non-volatile storage portion which is not a tape or CD, the second memory storing the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or digital audio signals from the non-volatile storage as a temporary staging area for playback; and

telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party.

38.(New) A system as described in Claim 37 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control panel through the telecommunications lines; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

39.(New) A system as described in Claim 38 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the non-volatile storage, the playback random access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

40.(New) A system as described in Claim 39 wherein the second memory includes an incoming random access memory chip connected to the non-volatile memory and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video or audio signals



received from the first party's control unit for subsequent storage to the non-volatile memory.

41.(New) A system as described in Claim 40 wherein the playing means includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video or audio signals.

42.(New) A system as described in Claim 37 wherein the telecommunications lines include telephone lines.

43.(New) A system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party comprising:

a first memory in possession and control of the first party;

a second memory in possession and control of the second party, said second memory is at a location remote from said first memory;

telecommunications lines;

means or a mechanism for transferring money electronically via telecommunications lines from the second party controlling use and in possession of the second memory to the first party controlling use and in possession of the first memory and includes a non-volatile storage portion that is not a tape or CD;

means or a mechanism for connecting electronically via the telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in

electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party, said first control unit comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical communication with said first control integrated circuit, said second control unit comprising a second control panel, a second control integrated circuit, an incoming random access memory and a playback random access memory, said second control panel, said incoming random access memory and said playback random access memory in electrical communication with said second control integrated circuit;

means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to the second memory, said means or mechanism for transmitting comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second memory, the transmitter and the telecommunications lines, said first party in control and possession of the transmitter, said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party, said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and

means or a mechanism for storing the desired digital video or digital audio signals from the first memory into the non-volatile storage portion of the second memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said second memory.

44.(New) A system as described in Claim 43 wherein the telecommunications lines include telephone lines.

45.(New) A system as described in Claim 44 wherein the first memory comprises a hard disk.

46.(New) A system as described in Claim 45 including a video display and speakers in possession and control of the second party, said video display and speakers in electrical communication with said second control integrated circuit.

47.(New) A system as described in Claim 43 wherein the telecommunications lines include telephone lines.

48.(New) A system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location comprising:

a first memory at a first party location, said first memory in possession and control of the first party, said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored;

a second memory in possession and control of the second party, wherein said second memory is at a second party location remote from said first memory, said second memory including a non-volatile storage portion in which the desired digital video or

digital audio signals are stored that are received from the first memory and a playback random access memory, wherein the non-volatile storage portion is not a tape or CD;

telecommunications lines;

means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location, said first party controlling use of the first memory, said second party controlling use and in possession of the second memory, said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location;

means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit, said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit, said second control unit comprising a second control panel, a second control integrated circuit, and an incoming

random access memory which temporarily stores the desired digital video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said non-volatile storage, said second control panel, said incoming random access memory, said non-volatile storage and said playback random access memory in electrical communication with said second control integrated circuit;

means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines, said first party in control and possession of the transmitter, said second party in control and possession of the receiver, said receiver remote from said transmitter, and said receiver at the second party location determined by the second party, said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and

means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory.

49.(New) A system as described in Claim 48 wherein the telecommunications lines include telephone lines.

50.(New) A system as described in Claim 49 including a video display and speakers in electrical communication with said second control integrated circuit.

51.(New) A system for transferring digital video signals comprising:

a first party control unit in possession and control of a first party;

a second party control unit in possession and control of the second party, wherein said second party control unit is at a location remote from said first party control unit;

said first party control unit having a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes a first party hard disk having the plurality of digital video signals which include desired digital video signals, and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit, and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location;

a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel, said second

party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit, said second party choosing the desired digital video signals from the first party's hard disk with said second party control panel, said second party control unit includes a second memory which is connected to the receiver and the video display, said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip, the second party control unit includes a non-volatile storage portion which stores a plurality of digital video signals, wherein the non-volatile storage portion is not a tape or CD, and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video signals as a temporary staging area for playback; and telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, the telecommunications lines include telephone lines.

52.(New) A system as described in Claim 51 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control integrated circuit through the telecommunications

lines, said first party control integrated circuit and said second party control integrated circuit regulate the transfer of the desired digital video signals; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

53.(New) A system as described in Claim 52 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the non-volatile storage, the playback random access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

54.(New) A system as described in Claim 53 wherein the second party control unit includes an incoming random access memory chip connected to the non-volatile storage and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video signals received from the first party's control unit for subsequent storage to the non-volatile storage.



55.(New) A system as described in Claim 54 wherein the second party control unit includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video signals.

56.(New) A system for transferring digital video or digital audio signals comprising:

    a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's disk to be transferred from the first party control unit, and a mechanism for electronically selling the desired digital video or digital audio signals of the first party's hard disk;

    a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said playing mechanism operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party, the second memory includes a non-volatile storage portion which stores a plurality of digital video or audio signals, wherein the non-volatile storage portion is not a tape or CD, and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or audio signals as a temporary staging area for playback; and

telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the non-volatile storage portion of the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, the telecommunications lines include telephone lines.

57.(New) A system as described in Claim 56 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control integrated circuit through the telecommunications lines, said first party control integrated circuit and said second party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

58.(New) A system as described in Claim 57 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the non-volatile storage, the playback random access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party

control integrated circuit regulate the transfer of the desired digital video or audio signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.


59.(New) A system as described in Claim 58 wherein the second party control unit includes an incoming random access memory chip connected to the non-volatile storage and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video or audio signals received from the first party's control unit for subsequent storage to the non-volatile storage.

60.(New) A system as described in Claim 59 wherein the second party control unit includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video or audio signals.

**EVIDENCE APPENDIX**

- 1) Declaration under 37 C.F.R. § 1.132 of Dr. J. Douglas Tygar submitted with the Appellant's response of May 17, 2007 to the final rejection of Claims 1 through 6 and 44 through 49.
  
- 2) "The Design of Picturephone® Meeting Service (PMS) Conference Centers For Video Teleconferencing", Bernard A. Wright, *IEEE Communications Magazine*, © 1983 (hereinafter *Wright*), submitted with the Appellant's response of May 17, 2007 to the final rejection of Claims 1 through 6 and 44 through 49.
  
- 3) Website: <http://www.rfc-editor.org/rfc-index.html>, referenced in Appellant's response of November 29, 2006.
  
- 4) Website: [http://en.wikipedia.org/wiki/Non-volatile\\_storage](http://en.wikipedia.org/wiki/Non-volatile_storage), referenced in Appellant's response of November 29, 2006.

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: 56548 U.S. PTO )  
ARTHUR R. HAIR  )  
05/17/07 )  
Reexamination Control No. 90/007,402 )  
Reexamination Filed: January 31, 2005 ) A SYSTEM FOR TRANSMITTING  
Patent Number: 5,191,573 ) DESIRED DIGITAL VIDEO OR  
Examiner: Roland G. Foster ) AUDIO SIGNALS )

May, 2007

Mail Stop *Ex Parte* Reexamination  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

DECLARATION UNDER 37 C.F.R. §1.132

I, Justin Douglas Tygar, hereby declare that:

1. I am a tenured, full Professor at the University of California, Berkeley, with a joint appointment in the Department of Electrical Engineering and Computer Science (Computer Science Division) and the School of Information. Before joining the faculty at Berkeley, I was faculty member at Carnegie Mellon University. I have continuously been Professor of electrical engineering and computer science since 1986.

2. I serve, and have served, in a number of capacities on government, academic, and industrial committees that give advice or set standards in security and electronic commerce. I have attached a copy of a recent curriculum vita to this declaration as Exhibit A.

3. I have reviewed the specification and claims of United States Patent No. 5,191,573 ("573 Patent"), United States Patent No. 5,675,734 ("734 Patent"), United States Patent No. 5,966,440 ("440 Patent") and the specification and claims of United States patent application Serial Number 07/206,497, as originally filed on June 13, 1988 ("497 Application").

4. I have been asked by counsel for the patent owner to analyze the claims in the '573 Patent, '734 Patent and '440 Patent, which currently are being reexamined, to determine if the language in the claims and the accompanying specifications have written support in the specification of the '497 Application, as originally filed on June 13, 1988. I understand that, for a claim to be supported by the specification of a patent, the specification must make clear to one of ordinary skill in the art that the inventor had possession of the invention recited in the claims at the time the application for the patent was filed. I also understand that the claims of a patent need not describe the invention using exactly the same terminology found in the specification of the patent, so long as one of skill in the art would recognize that what is recited in the claims is "necessarily comprehended" by what is described in the specification.

5. My understanding of the meaning of "necessarily comprehend" is that, although the specification of a patent may not exactly describe, in so many words, a limitation found in a claim, one skilled in the art on reading the specification and the claim would recognize that what is described in the specification necessarily encompasses what is recited in the claim.

6. In performing my analysis, I have reviewed the claims and specifications of the '573 Patent, '734 Patent and '440 Patent, and the specification and drawings of the '497 Application as originally filed on June 13, 1988, from the perspective of one having ordinary skill in the art of computers at that time. For the purposes of my analysis, a person having ordinary skill in the art in 1988 would have had a bachelor's degree in computer science or electrical engineering with a background in computers, or an equivalent level of knowledge and ability from working in industry for an appropriate number of years. I am well familiar with what the level of ordinary skill was in 1988 because at that time I was a Professor of computer science and each semester taught courses to students in both computer science and electrical engineering. One of ordinary skill in the art would have been familiar with then existing means for storage of digital information and transmission of digital information across telecommunications lines.

7. Based on the foregoing information and understanding, I have concluded that one of ordinary skill in the art in 1988 would have recognized the inventions claimed in the '573 Patent, '734 Patent and '440 Patent were necessarily comprehended by the description in the specification and drawings of the '497 Application. I make the following specific observations with respect to particular claim elements at issue:

A. "Transferring Money from a Second Party to a First Party," "Charging a Fee," "Providing a Credit Card Number," and "Charging an Account"

8. First, I note that, throughout the specification, the '497 Application discusses electronic sales and distribution of digital audio signals (or digital video signals), e.g.

selling and distributing music over telephone lines, which are telecommunication lines. The claim language at issue; "transferring money electronically via a telecommunication line to a first party at a location remote from the second memory," "charging a fee," "providing a credit card number," and "charging an account," all would have been interpreted by one of ordinary skill in the art in the context of the described electronic sales and distribution. Thus, one of ordinary skill in the art in 1988 would have been familiar with various electronic means of making purchases over telecommunication lines. Indeed, by 1988 the definition of "money" had expanded well beyond traditional coin and paper currency to include stores of value in purely electronic form. At that time, "money" could be transferred from one account to another, or simply credited to an account purely electronically. Further, in 1988, it also was known to authorize payment, such as by credit card, electronically over telecommunications lines. This authorization would have involved providing an identification of credit card account information in the form of a credit card number. Further, since this ultimately would have resulted in a credit being made to an electronic account of a seller, it would have been understood to be an electronic transfer of money.

9. One of ordinary skill in the art in 1988 would have been aware of all of the above and would have considered them forms of electronic sales. The term "sale" involves a payment from one party to another party, which necessarily encompasses "charging a fee" to the purchasing party. Therefore, one of ordinary skill in the art would have recognized that, in the context of the electronic sale and distribution of digital audio signals (or digital video signals) over telephone lines, an electronic sale encompassed transactions where a fee is charged and thus money is transferred from one party to another electronically via a telecommunication line. It



further would have been understood by one of ordinary skill in the art that electronic sales could be accomplished by providing a credit card number. As a result, one of ordinary skill in the art in 1988 would have recognized that the description of electronic sales in the specification of the '479 Application necessarily comprehends "transferring money to a first party from a second party electronically via telecommunication lines," "charging a fee," "charging an account," and "providing a credit card number."

B. Transmitter/Receiver

10. I note that, throughout the specification, the '497 Application discusses electronic sales and distribution of digital audio signals (or digital video signals), e.g. electronically selling and distributing music over telephone lines, which are telecommunication lines. The specification of the '497 Application also explicitly discloses the electronic transfer of digital audio signals over telephone lines (telecommunication lines). Finally, the specification of the '497 Application further explicitly discloses control integrated circuits associated with the control units of both the copyright holder and user (purchaser).

11. One of ordinary skill in the art in 1988 would have been aware of the available means for connecting computer systems to telecommunication lines for the purpose of transferring electronic signals; for example modems. Such means could be used at the originating (transmitting) computer and at the destination (receiving) computer. The control unit or control integrated circuit of the copyright holder and user would have been recognized by one of ordinary skill in the art as being some type of computer system or part of a computer system.

12. Since the specification and figures as originally filed with the '497 Application explicitly show the control units being connected to telephone lines (telecommunications lines), one of ordinary skill in the art would have recognized this involved means, such as a modem, for connecting the two systems to the telephone lines. Although the specification of the '497 Application does not include an explicit description of a transmitter or receiver, one of ordinary skill in the art would have had no difficulty determining the nature of the transmitter or receiver necessary to perform the required function. Therefore, the terms in the claims, "transmitter" and "receiver", describe in so many words what would have been understood by one of ordinary skill in the art as being necessarily comprehended by the description provided in the specification and figures filed with the '497 Application.

C. Telephoning

13. As set forth above, the specification of the '497 Application explicitly teaches the sale and transfer of digital audio signals (or digital video signals) over telephone lines. Although not explicitly set forth in the specification of the '497 Application, it nonetheless would have been easily recognized by one of ordinary skill in the art in 1988 that the specification's teaching requires establishing some type of connectivity over telephone lines as a pre-requisite to making an electronic purchase/sale of digital signals over telephone lines, as well as for transferring the digital signals over telephone lines.

14. A successful telephone call, whether a human or machine originated function, always encompasses a step of initiating some type of connectivity. For example, the connectivity could be person to person, as over a voice line. As an alternative example, the

connectivity could be machine to machine, using either traditional telephone lines, optical fibers or cable. Other alternatives include person to machine connectivity and machine to person connectivity.

15. Since the specification of the '497 Application explicitly discloses electronically selling and distributing digital audio signals (or digital video signals) over telephone lines, it is clear that the step of requesting and establishing connectivity (telephoning) is necessarily comprehended in the description provided in the '497 Application, since the step would have been recognized as a prerequisite for performing the function of the disclosed system.

I further declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further, that these statements are made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.

11 May 2007



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Date

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Justin Douglas Tygar, Ph.D.

## DOUG TYGAR

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### **Personal Information:**

Full name: Justin Douglas Tygar  
US Citizen  
Married to Xiaoniu Suchu Hsu

### **Education:**

A.B., 1982     **University of California, Berkeley, *Math/Computer Science***  
Bell Labs University Relations Student (1981)

Ph.D., 1986     **Harvard University, *Computer Science***  
Thesis: *An Integrated Toolkit for Operating System Security*  
Advisor: Michael Rabin  
NSF Graduate Fellow (1982 – 1985), IBM Graduate Fellow (1985 – 1986)

### **Academic Appointments:**

**University of California, Berkeley**  
**Department of Electrical Engineering and Computer Science**  
**& School of Information Management and Systems**  
1998 – Present     *Professor (tenured, joint appointment)*

**Carnegie Mellon University**  
**Computer Science Department**  
2000 – Present     *Adjunct Professor*  
1992 – 2000     *Associate Professor (tenured 1995, on leave 1998 – 2000)*  
1986 – 1992     *Assistant Professor*

### **Major Awards:**

NSF Presidential Young Investigator, 1988  
Outstanding Professor Award, *Carnegie Magazine*, 1989  
Chair, Defense Information Science and Technology Study Group on Security with Privacy  
Member, National Research Council Committee on Information Trustworthiness  
Member, INFOSEC Science and Technology Study Group  
Okawa Foundation Fellow, 2003-4  
Wide consulting for both industry and government

***Major speeches:***

*Keynote addresses:*

PODC (1995), ASIAN-96 (1996), NGITS (1997), VLDB (1998), CRYPTEC (1999),  
CAV (2000), Human Authentication (2001), PDSN (2002), ISM (2005), ISC (2005), ASIACCS (2006),  
Croucher ASI (2004, 2006)

*Invited addresses:*

Harvard Graduate School of Arts and Science 100th Anniversary,  
CMU Computer Science Department 25th Anniversary  
More than 240 talks & 20 professional seminars since 1985

***External review activities:***

Electronic Commerce Program, City University of Hong Kong  
Information Systems Management Program, Singapore Management University  
Information Technology Program, United Arab Emirates University  
Computer Science Program, University of California, Davis

## Publications

(Note: copies of most of these publications are available at [www.tygar.net/publications.htm](http://www.tygar.net/publications.htm).)

### Books

1. **Computer Security in the 21st Century.** Eds. D. Lee, S. Shieh, and J. D. Tygar. Springer, 2005. (This book includes item 7 below as well as a technical introduction by me and the other editors.)
2. **Secure Broadcast Communication in Wired and Wireless Networks.** A. Perrig and J. D. Tygar. Springer (Kluwer), 2003. Also, a Japanese translation with additional material appeared as **Waiyādo/Waiyaresu Nettowōku ni Okeru Burōdokyasuto Tsūshin no Sekyuriti** (ワイヤード/ワイヤレスネットワークにおけるブロードキャスト通信のセキュリティ). Translated by Fumio Mizoguchi and the Science University of Tokyo Information Media Science Research Group. Kyoritsu Shuppan, 2004.
3. **Trust in Cyberspace.** National Research Council Committee on Information Systems Trustworthiness (S. Bellovin, W. E. Boebert, M. Branstad, J. R. Catoe, S. Crocker, C. Kaufman, S. Kent, J. Knight, S. McGeady, R. Nelson, A. Schiffman, F. Schneider [ed.], G. Spix, and J. D. Tygar). National Academy Press, 1999.

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4. "Case Study: Acoustic Keyboard Emanations." L. Zhuang, F. Zhou, and J. D. Tygar. In **Phishing and Countermeasures: Understanding the Increasing Problem of Electronic Identity Theft**, eds. M. Jakobsson and S. Myers. Wiley-Interscience, 2007, pp. 221-240. (This is a popularized version of item 41.)
5. "Dynamic Security Skins." R. Dhamija and J. D. Tygar.. In **Phishing and Countermeasures: Understanding the Increasing Problem of Electronic Identity Theft**, eds. M. Jakobsson and S. Myers. Wiley-Interscience, 2007, pp. 339-351. (This is a popularized version of item 42.)
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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Brief on Appeal Under 37 C.F.R. § 41.37 from Final Rejection in Reexamination No. 90/007,403 was served via First Class United States Mail, postage prepaid, this 30th day of July 2007, on the following:

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90/007,403	01/31/2005	5675734	NAPSP002	3002

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PATENT NO. 5675734.

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Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).

<b>Notification of Non-Compliant Appeal Brief (37 CFR 41.37)</b>	<b>Application No.</b> 90/007,403	<b>Applicant(s)</b> 5675734	
	<b>Examiner</b> Roland G. Foster	<b>Art Unit</b> 3992	

**--The MAILING DATE of this communication appears on the cover sheet with the correspondence address--**


The Appeal Brief filed on 30 July 2007 is defective for failure to comply with one or more provisions of 37 CFR 41.37.

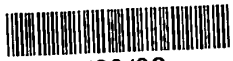
To avoid dismissal of the appeal, applicant must file an amended brief or other appropriate correction (see MPEP 1205.03) within **ONE MONTH or THIRTY DAYS** from the mailing date of this Notification, whichever is longer. **EXTENSIONS OF THIS TIME PERIOD MAY BE GRANTED UNDER 37 CFR 1.136.**

1.  The brief does not contain the items required under 37 CFR 41.37(c), or the items are not under the proper heading or in the proper order.
2.  The brief does not contain a statement of the status of all claims, (e.g., rejected, allowed, withdrawn, objected to, canceled), or does not identify the appealed claims (37 CFR 41.37(c)(1)(iii)).
3.  At least one amendment has been filed subsequent to the final rejection, and the brief does not contain a statement of the status of each such amendment (37 CFR 41.37(c)(1)(iv)).
4.  (a) The brief does not contain a concise explanation of the subject matter defined in each of the independent claims involved in the appeal, referring to the specification by page and line number and to the drawings, if any, by reference characters; and/or (b) the brief fails to: (1) identify, for each independent claim involved in the appeal and for each dependent claim argued separately, every means plus function and step plus function under 35 U.S.C. 112, sixth paragraph, and/or (2) set forth the structure, material, or acts described in the specification as corresponding to each claimed function with reference to the specification by page and line number, and to the drawings, if any, by reference characters (37 CFR 41.37(c)(1)(v)).
5.  The brief does not contain a concise statement of each ground of rejection presented for review (37 CFR 41.37(c)(1)(vi)).
6.  The brief does not present an argument under a separate heading for each ground of rejection on appeal (37 CFR 41.37(c)(1)(vii)).
7.  The brief does not contain a correct copy of the appealed claims as an appendix thereto (37 CFR 41.37(c)(1)(viii)).
8.  The brief does not contain copies of the evidence submitted under 37 CFR 1.130, 1.131, or 1.132 or of any other evidence entered by the examiner **and relied upon by appellant in the appeal**, along with a statement setting forth where in the record that evidence was entered by the examiner, as an appendix thereto (37 CFR 41.37(c)(1)(ix)).
9.  The brief does not contain copies of the decisions rendered by a court or the Board in the proceeding identified in the Related Appeals and Interferences section of the brief as an appendix thereto (37 CFR 41.37(c)(1)(x)).
10.  Other (including any explanation in support of the above items):

Reference to unentered information is not permitted in the Appeal Brief. See 37 CFR § 41.37(c)(1)(ix). See also MPEP § 1205.02.(ix). The instant Appeal Brief refers to unentered evidence, such as a March 17, 2007 (in actuality the May 17, 2007) Declaration of Dr. J. Douglas Tygar, which is cited and discussed, for example, on pages 61-63 of the Brief. Furthermore, the "Evidence Appendix" to the Brief cites to the 2007 Tygar Declaration and to an IEEE article submitted May 17, 2007. For reasons why the above identified evidence was not entered, see the Advisory Action, mailed July 30, 2007.

Confere:  
EW  
ESK

  
Roland G. Foster  
Primary Examiner  
Art Unit: 3992



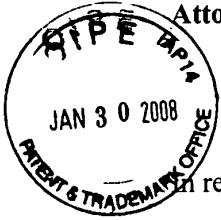
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Express Mail Label No.: EV 299882940 US  
Attorney's Docket No. NAPSP002

Patent



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: Arthur R. Hair

Group No.: 3992

Serial No.: 90/007,403

Examiner: Roland G. Foster

Filed: January 31, 2005

Confirmation No. 3002

For: SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS

RESPONSE TO NOTIFICATION OF NON-COMPLIANT APPEAL BRIEF

Mail Stop Appeal Brief - Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

In response to the Notification of Non-Compliant Appeal Brief dated January 17, 2008 ("the Notification"), Appellant respectfully encloses herewith an AMENDED BRIEF ON APPEAL UNDER 37 C.F.R. § 41.37, which removes reference to information that the examiner failed to enter (*i.e.*, the May 17, 2007 Declaration of Dr. J. Douglas Tygar and the IEEE article by Wright submitted on May 17, 2007). This response is being timely filed within the one month period set forth in the Notification. No fee is believed to be due for the filing of this response. Please charge any fee that is due, and credit any overpayment, to deposit account no. 50-0573.

CERTIFICATE OF MAILING  
UNDER 37 C.F.R. 1.8(a)

I hereby certify that this paper, along with any paper referred to as being attached or enclosed, is being deposited with the United States Postal Service on the date indicated below, with sufficient postage, as first class mail, in an envelope addressed to: Mail Stop Appeal Brief - Patents, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

BY

*Daniel P. Kelly*

DATE:

JANUARY 30, 2008

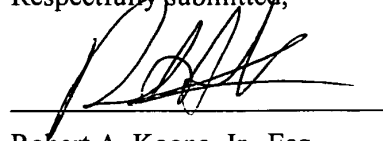


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Control No.: 90/007,403

Appellant respectfully submits that removing reference to the unentered information overcomes the objections in the Notification and places the brief in compliance with 37 C.F.R. § 41.37. If, in the opinion of the examiner, a telephone conference would aid in processing the subject brief, the examiner is invited to call the undersigned attorney.

Respectfully submitted,



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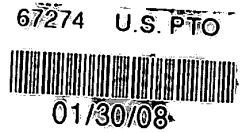
Express Mail No.: EV 299882940 US

Control No.: 90/007,403



Attorney's Docket No. NAPSP002

Patent



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: Arthur R. Hair : Group No.: 3992
Serial No.: 90/007,403 : Examiner: Roland G. Foster
Filed: January 31, 2005 : Confirmation No. 3002

For: SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS

AMENDED BRIEF ON APPEAL UNDER 37 C.F.R. § 41.37

Mail Stop Appeal Brief - Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Real Party in Interest

Appellant's real party in interest is:

DMT Licensing, LLC (a wholly-owned subsidiary of GE Intellectual Property
Licensing, Inc., which is a wholly-owned subsidiary of General
Electric Co.)
105 Carnegie Center
Princeton, New Jersey 08540

Related Appeals and Interferences

The Appeals in copending reexaminations 90/007,402 and 90/007,407 are related to the
instant Appeal. The outcomes in these copending Appeals may affect, be affected by, or have
some bearing on the Board's decision in the instant Appeal.

Status of the Claims

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are currently
pending. Claims numbered 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34

were originally issued in U.S. Patent Number 5,675,734 (the “734 Patent”). Claims 35 through 60 were added during reexamination.

Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 are rejected under 35 U.S.C. § 112, first paragraph. Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are rejected under 35 U.S.C. § 103(a). Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are rejected under the doctrine of obviousness-type double-patenting over Claims 1 through 6 of U.S. Patent 5,191,573 (the “573 Patent”). Appellant appeals the rejection of all claims.

**Status of Amendments**

All amendments have been entered.

**Summary of the Claimed Subject Matter**

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are the independent claims. Below, Appellant summarizes the claimed subject matter in the independent claims per 37 C.F.R. § 41.37(c)(1)(v) using references to the Figures and column and line numbers in the issued patent.

Independent Claim 1 recites a method for transferring desired digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The method comprises the steps of 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 [Fig. 1 (20B, 30, 50B); col. 3, lns. 5 to 8; col. 4, lns. 8 to 15; col. 5, lns. 47 to 51], said first memory having a first party hard disk [Fig. 1 (10); col. 3, ln. 63] having a plurality of digital video or digital audio signals including coded desired digital video or digital audio signals [col. 4, lns. 8 to 11 and lns. 43 to 50; col. 6, lns. 13 to 16], and a sales random

access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party [Fig. 1 (20C); col. 3, lns. 65 to 66], the second memory having a second party hard disk [Fig. 1 (60); col. 4, ln. 5]. The method further comprises telephoning the first party controlling use of the first memory by the second party [col. 3, lns. 5 to 8; col. 7, ln. 67 to col. 8, ln. 3], 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 [col. 2, lns. 39 to 43 and lns. 64 to 66; col. 7, lns. 31 to 40]. The method further comprises electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals [col. 2, ln. 64 to col. 3, ln. 1; col. 4, lns. 43 to 50; col. 6, lns. 13 to 16]. The method further comprises storing a replica of the coded desired digital video or digital audio signals from the first party hard disk into the sales random access memory chip [col. 4, lns. 51 to 54], 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 [col. 4, lns. 51 to 54], and storing the transferred replica of the coded desired digital video or digital audio signals in the second party hard disk [col. 4, lns. 55 to 58].

Independent Claim 4 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, ln. 61 to col. 4, ln. 16], a sales

random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 65 to 66; col. 4, lns. 51 to 54], and means for electronically selling the desired digital video or digital audio signals [col. 4, lns. 9 to 15]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel [Fig. 1 (50A, 50B); col. 4, lns. 1 to 18], and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel [Fig. 1 (70, 80); col. 4, lns. 1 to 8 and 24 to 26; col. 6, ln. 56 to col. 7, ln. 11], said means for playing operatively controlled by the second party control panel [col. 4, lns. 37 to 61; col. 6, lns. 30 to 31], said second party control unit remote from the first party control unit [Fig. 1 (20B, 30, 50B); col. 3, lns. 5 to 8; col. 6, lns. 31 to 32], said second party control unit placed by the second party at a location determined by the second party [col. 5, lns. 17 to 34; col. 6, lns. 33 to 35], the second party memory includes a second party hard disk which stores the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback [Fig. 1 (50D, 60); col. 4, lns. 1 to 7 and lns. 55 to 61; col. 6, lns. 13 to 16 and lns. 50 to 56]. The system further comprises telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of



the second party and after the desired digital video or digital audio signals are sold to the second party by the first party [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 8 to 16; col. 6, lns. 38 to 45].

Independent Claim 11 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory in possession and control of the first party [Fig. 1 (10, 20C); col. 3, lns. 61 to 66; col. 6, lns. 19 to 21], a second memory in possession and control of the second party [Fig. 1 (50C, 50D, 60); col. 4, lns. 1 to 5; col. 6, lns. 46 to 48], said second memory at a location remote from said first memory [col. 6, lns. 31 to 32]. The second memory includes a second party hard disk [Fig. 1 (60); col. 4, lns. 1 to 5]. The system further comprises telecommunications lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for transferring money electronically via telecommunications lines from the second party controlling use and in possession of the second memory to the first party controlling use and in possession of the first memory [col. 2, lns. 21 to 24 and 39 to 43; col. 4, lns. 8 to 25; col. 8, lns. 27 to 31], means or a mechanism for connecting electronically via the telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party [Fig. 1 (20B, 50B); col. 3, ln. 63 to col. 4, ln. 7; col. 6, lns. 17 to 45], said first control unit comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (20A); col. 3, lns. 64 to 66; col. 4, lns. 19 to 23 and lns. 40 to

50], said second control unit comprising a second control panel, a second control integrated circuit, an incoming random access memory and a playback random access memory, said second control panel, said incoming random access memory and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50A, 50B, 50C, 50D); col. 4, lns. 1 to 4, 15 to 18 and 40 to 50]. The system further comprises a means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to the second memory, said means or mechanism for transmitting comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second memory, the transmitter and the telecommunications lines [Fig. 1 (20B, 30, 50B); col. 3, ln. 67; col. 4, lns. 11 to 15; col. 6, lns. 24 to 28; col. 3, lns. 24 to 29], said first party in control and possession of the transmitter [col. 3, lns 24 to 29], said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party [col. 6, lns. 33 to 45], said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the first memory into the second party hard disk of the second memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said second memory [Fig. 1 (50B, 50C, 60); col. 4, lns. 39 to 61; col. 7, ln. 67 to col. 8, ln. 11].

Independent Claim 16 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory at a first party location [Fig. 1 (10, 20C); col. 3, lns. 61 to 66;

col. 6, lns. 17 to 21], said first memory in possession and control of the first party [col. 4, lns. 8 to 15; col. 8, lns. 24 to 27], said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored [Fig. 1 (20C); col. 3, ln. 63; col. 4, lns. 8 to 11; col. 6, lns. 13 to 16]. The system further comprises a second memory in possession and control of the second party [Fig. 1 (50C, 50D, 60); col. 4, lns. 1 to 5 and lns. 15 to 18; col. 6, lns. 38 to 48], wherein said second memory is at a second party location remote from said first memory [col. 6, lns. 31 to 35], said second memory comprising a second party hard disk in which the desired digital video or digital audio signals are stored that are received from the first memory and a playback random access memory connected to the second party hard disk [Fig. 1 (50D, 60); col. 4, lns. 1 to 5]. The system further comprises telecommunications lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location [col. 2, lns. 21 to 24 and 39 to 43; col. 6, lns. 22 to 24], said first party controlling use of the first memory [col. 4, lns. 8 to 15; col. 8, lns. 21 to 23], said second party controlling use and in possession of the second memory [col. 2, lns. 43 to 48; col. 3, lns. 24 to 29; col. 5, lns. 51 to 55], said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location [col. 8, lns. 26 to 31]. The system further comprises means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or

mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit [col. 3, lns. 16 to 23; col. 3, ln. 64 to col. 4, ln. 4; col. 6, lns. 31 to 35], said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (10, 20A, 20B, 20C); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16], said second control unit comprising a second control panel, a second control integrated circuit, and an incoming random access memory which temporarily stores the desired digital video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said second party hard disk, said second control panel, said incoming random access memory, said second party hard disk and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50A, 50B, 50C, 50D, 60); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16]. The system further comprises means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines [col. 3, lns. 24 to 29; col. 4, lns. 11 to 18 and 37 to 61], said first party in control and possession of the

transmitter, said second party in control and possession of the receiver [col. 4, lns. 11 to 18; col. 5, lns 51 to 56], said receiver remote from said transmitter [col. 3, lns. 5 to 8; col. 6, lns. 28 to 32], and said receiver at the second party location determined by the second party [col. 5, lns. 55 to 56], said transmitting means or mechanism in electrical communication with said connecting means or mechanism [col. 4, lns. 51 to 58; col. 7, lns. 17 to 23], and means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory [col. 4, lns. 1 to 5 and 59 to 61; col. 6, ln. 46 to col. 7, ln. 7].

Independent Claim 19 recites a system for transferring digital video signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit in possession and control of a first party [col. 3, lns. 64 to 66; col. 4, lns. 11 to 15; col. 5, lns. 51 to 55; col. 8, lns. 7 to 11], a second party control unit in possession and control of the second party [col. 4, lns. 1 to 4; col. 5, lns. 26 to 31; col. 6, lns. 38 to 45], wherein said second party control unit is at a location remote from said first party control unit [col. 6, lns. 33 to 35]. The first party control unit has a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes a first party hard disk having the plurality of digital video signals which include desired digital video signals [Fig. 1 (10); col. 4, lns. 8 to 11], and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 4, lns. 51 to 54], and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location

[col. 2, ln. 64 to col. 3, ln. 8; col. 6, lns. 22 to 24; col. 7, lns. 31 to 40]. The system further comprises a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel [Fig. 1 (70); col. 4, lns. 1 to 6, 15 to 18 and 39 to 49], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit [col. 6, lns. 33 to 35], said second party choosing the desired digital video signals from the first party's hard disk with said second party control panel [col. 4, lns. 39 to 49; col. 8, lns. 3 to 6], said second party control unit includes a second memory which is connected to the receiver and the video display [col. 5, lns. 26 to 32], said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip [col. 4, lns. 15 to 19 and 55 to 58], the second party control unit includes a second party hard disk which stores a plurality of digital video signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video signals as a temporary staging area for playback [Fig. 1 (50D, 60); col. 4, lns. 1 to 5 and 55 to 61], and telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, said

telecommunications lines include telephone lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 11 to 18].

Independent Claim 28 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, lns. 63 to 66; col. 4, lns. 8 to 15], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 63 to 66; col. 4, lns. 51 to 54], and a mechanism for electronically selling the desired digital video or digital audio signals of the first party's hard disk [col. 2, lns. 39 to 43; col. 4, lns. 11 to 15; col. 6, lns. 22 to 24]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel [Fig. 1 (50A, 70, 80); col. 4, lns. 1 to 7], said playing mechanism operatively controlled by the second party control panel [col. 4, lns. 39 to 61; col. 5, lns. 17 to 40; col. 6, lns. 13 to 16], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party [col. 6, lns. 31 to 35], the second party control unit includes a second party hard disk which stores a plurality of digital video or audio signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or audio signals as a temporary staging area for playback [Fig. 1 (50D, 60); col. 4, lns. 1 to 5 and 59 to 61; col. 6, lns. 13 to 16] and telecommunications lines connected to the first

party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, said telecommunications lines include telephone lines [Fig. 1 (30); col. 3, lns. 5 to 12 and 67].

Independent Claim 35 recites a method for transferring desired digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The method comprises the steps of 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 [col. 3, lns. 5 to 8; col. 4, lns. 8 to 15; col. 5, lns. 47 to 51], said first memory having a first party hard disk [Fig. 1 (10); col. 3, ln. 63] having a plurality of digital video or digital audio signals including coded desired digital video or digital audio signals [col. 4, lns. 8 to 11 and 43 to 50; col. 6, lns. 13 to 16], and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party [Fig. 1 (20C, 30); col. 3, lns. 65 to 66]. The method further comprises telephoning the first party controlling use of the first memory by the second party [col. 3, lns. 5 to 8; col. 7, ln. 67 to col. 8, ln. 3], 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 [col. 2, lns. 39 to 43 and 64 to 66; col. 7, lns. 31 to 40]. The method further comprises electronically coding the desired digital video or digital audio signals to form



said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals [col. 2, ln. 64 to col. 3, ln. 1; col. 4, lns. 43 to 50; col. 6, lns. 13 to 16]. The method further comprises storing a replica of the coded desired digital video or digital audio signals from the hard disk into the sales random access memory chip [col. 4, lns. 51 to 54], 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 [col. 4, lns. 51 to 54], and storing the transferred replica of the coded desired digital video or digital audio signals in a non-volatile storage portion of the second memory [col. 4, lns. 55 to 58], wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47].

Independent Claim 37 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, ln. 61 to col. 4, ln. 16], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 65 to 66; col. 4, lns. 51 to 54], and means for electronically selling the desired digital video or digital audio signals [col. 4, lns. 9 to 15]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel [Fig. 1 (50A); col. 4, lns. 1 to 8 and 24 to 26; col. 6, ln. 56 to col. 7, ln. 11], and means for playing the desired digital video or digital audio signals connected to the second memory and the second party

control panel, said means for playing operatively controlled by the second party control panel [Fig. 1 (70, 80); col. 4, lns. 37 to 61; col. 6, lns. 30 to 31], said second party control unit remote from the first party control unit [col. 3, lns. 5 to 8; col. 6, lns. 31 to 32], said second party control unit placed by the second party at a location determined by the second party [col. 5, lns. 17 to 34; col. 6, lns. 33 to 35], the second memory includes a non-volatile storage portion which is not a tape or CD [col. 2, lns. 43 to 47], the second memory storing the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or digital audio signals from the non-volatile storage as a temporary staging area for playback [Fig. 1 (50D); col. 4, lns. 1 to 7 and 55 to 61; col. 6, lns. 13 to 16 and 50 to 56]. The system further comprises telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 8 to 16; col. 6, lns. 38 to 45].

Independent Claim 43 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory in possession and control of the first party [col. 3, lns. 61 to 66; col. 6, lns. 19 to 21], a second memory in possession and control of the second party [col. 4, lns. 1 to 5; col. 6, lns. 46 to 48], said second memory is at a location remote from said first memory [col. 6, lns. 31 to 32], telecommunications lines [Fig. 1

(30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for transferring money electronically via telecommunications lines from the second party controlling use and in possession of the second memory to the first party controlling use and in possession of the first memory [col. 2, lns. 21 to 24 and 39 to 43; col. 4, lns. 8 to 25; col. 8, lns. 27 to 31], and includes a non-volatile storage portion that is not a tape or CD [col. 2, lns. 43 to 47]. The system further comprises means or a mechanism for connecting electronically via the telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party [col. 3, ln. 63 to col. 4, ln. 7; col. 6, lns. 17 to 45]. Said first control unit comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (20A, 20B, 20C); col. 3, lns. 64 to 66; col. 4, lns. 19 to 23 and 40 to 50], said second control unit comprising a second control panel, a second control integrated circuit, an incoming random access memory and a playback random access memory, said second control panel, said incoming random access memory and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50A, 50B, 50C, 50D); col. 4, lns. 1 to 4 and 15 to 18 and 40 to 50]. The system further comprises means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to the second memory, said means or mechanism for transmitting comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second

memory, the transmitter and the telecommunications lines [col. 3, lns. 24 to 29 and 67; col. 4, lns. 11 to 15, col. 6, lns. 24 to 28], said first party in control and possession of the transmitter [col. 3, lns 24 to 29], said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party [col. 6, lns. 33 to 45], said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the first memory into the non-volatile storage portion of the second memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said second memory [col. 4, lns. 39 to 61; col. 7, ln. 67 to col. 8, ln. 11].

Independent Claim 48 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory at a first party location [col. 3, lns. 61 to 66; col. 6, lns. 17 to 21], said first memory in possession and control of the first party [col. 4, lns. 8 to 15; col. 8, lns. 24 to 27], said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored [Fig. 1 (10); col. 3, ln. 63; co. 4, lns. 8 to 11; col. 6, lns. 13 to 16]. The system further comprises a second memory in possession and control of the second party [col. 4, lns. 1 to 5 and lns. 15 to 18; col. 6, lns. 38 to 48], wherein said second memory is at a second party location remote from said first memory [col. 6, lns. 31 to 35], said second memory including a non-volatile storage portion in which the desired digital video or digital audio signals are stored that are received from the first memory and a playback random access memory, wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47].

The system further comprises telecommunications lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location [col. 2, lns. 21 to 24 and 39 to 43; col. 6, lns. 22 to 24], said first party controlling use of the first memory [col. 4, lns. 8 to 15; col. 8, lns. 21 to 23], said second party controlling use and in possession of the second memory [col. 2, lns. 43 to 48; col. 3, lns. 24 to 29; col. 5, lns. 51 to 55], said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location [col. 8, lns. 26 to 31]. The system further comprises means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit [col. 3, lns. 16 to 23; col. 3, ln. 64 to col. 4, ln. 4; col. 6, lns. 31 to 35], said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (10, 20B); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16], said second control unit comprising a second control panel, a second control integrated circuit, and

an incoming random access memory which temporarily stores the desired digital video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said non-volatile storage, said second control panel, said incoming random access memory, said non-volatile storage and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50C, 50D, 60); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16]. The system further comprises means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines [col. 3, lns. 24 to 29; col. 4, lns. 11 to 18 and 37 to 61], said first party in control and possession of the transmitter, said second party in control and possession of the receiver [col. 4, lns. 11 to 18; col. 5, lns 51 to 56], said receiver remote from said transmitter [col. 3, lns. 5 to 8; col. 6, lns. 28 to 32], and said receiver at the second party location determined by the second party [col. 5, lns. 55 to 56], said transmitting means or mechanism in electrical communication with said connecting means or mechanism [col. 4, lns. 51 to 58; col. 7, lns. 17 to 23], and means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory [col. 4, lns. 1 to 5 and 59 to 61; col. 6, ln. 46 to col. 7, ln. 7].

Independent Claim 51 recites a system for transferring digital video signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit in possession and control of a first party [col. 3, lns. 64 to 66; col. 4, lns. 11 to 15; col. 5, lns. 51 to 55; col. 8, lns. 7 to 11], a second party control unit in possession and control of the second party [Fig. 1; col. 4, lns. 1 to 4; col. 5, lns. 26 to 31; col. 6, lns. 38 to 45], wherein said second party control unit is at a location remote from said first party control unit [col. 6, lns. 33 to 35]. The first party control unit having a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes a first party hard disk having the plurality of digital video signals which include desired digital video signals [Fig. 1 (10); col. 4, lns. 8 to 11], and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 4, lns. 51 to 54], and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location [col. 2, ln. 64 to col. 3, ln. 8; col. 6, lns. 22 to 24; col. 7, lns. 31 to 40]. The system further comprises a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel [Fig. 1 (50A, 70); col. 4, lns. 1 to 6, 15 to 18 and 39 to 49], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit [col. 6, lns. 33 to 35], said second party choosing the desired digital video signals from the first

party's hard disk with said second party control panel [col. 4, lns. 39 to 49; col. 8, lns. 3 to 6], said second party control unit includes a second memory which is connected to the receiver and the video display [col. 5, lns. 26 to 32], said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip [col. 4, lns. 15 to 19 and 55 to 58], the second party control unit includes a non-volatile storage portion which stores a plurality of digital video signals, wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47], and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video signals as a temporary staging area for playback [Fig. 1 (50D); col. 4, lns. 1 to 5 and 55 to 61], and telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, the telecommunications lines include telephone lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 11 to 18].

Independent Claim 56 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, lns. 63 to 66; col. 4, lns. 8 to 15], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 63 to 66; col. 4, lns. 51 to



54], and a mechanism for electronically selling the desired digital video or digital audio signals of the first party's hard disk [col. 2, lns. 39 to 43; col. 4, lns. 11 to 15; col. 6, lns. 22 to 24]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel [Fig. 1 (50A, 70, 80); col. 4, lns. 1 to 7], said playing mechanism operatively controlled by the second party control panel [col. 4, lns. 39 to 61; col. 5, lns. 17 to 40; col. 6, lns. 13 to 16], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party [col. 6, lns. 31 to 35], the second memory includes a non-volatile storage portion which stores a plurality of digital video or audio signals, wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47], and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or audio signals as a temporary staging area for playback [Fig. 1 (50D); col. 4, lns. 1 to 5 and 59 to 61; col. 6, lns. 13 to 16] and telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the non-volatile storage portion of the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, said telecommunications lines include telephone lines [Fig. 1 (30); col. 3, lns. 5 to 12 and 67].

**Grounds for Rejection to be Reviewed on Appeal**

1. Examiner's rejection of Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 under 35 U.S.C. § 103(a) over U.S. Patent 5,132,992 to Yurt (*Yurt*) in view of U.S. Patent 5,241,428 to Goldwasser (*Goldwasser*). In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before either *Yurt* or *Goldwasser* could properly be cited as prior art references.
2. Examiner's rejection of Claims 1, 2, 35 and 36 under 35 U.S.C. § 103(a) over *Yurt* in view of U.S. Patent 4,789,863 to Bush (*Bush*). In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before *Yurt* could properly be cited as a prior art reference.
3. Examiner's rejection of Claim 3 under 35 U.S.C. § 103(a) over *Yurt* in view of *Bush*, further in view of *Goldwasser*. In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before either *Yurt* or *Goldwasser* could properly be cited as prior art references.
4. Examiner's rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 for obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent in view of *Yurt*.
5. Examiner's rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph as not being supported by the written description in the specification.

6. Examiner's rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph as not being enabled by the specification.

**Argument**

**I. Summary**

The instant reexamination was originally filed on January 31, 2005, and was initially assigned to Examiner Benjamin Lanier ("Examiner Lanier"). The reexamination and two related copending reexaminations subsequently were transferred to the Central Reexamination Unit ("CRU") where they were assigned to Examiner Roland Foster ("Examiner Foster").

During the course of the proceedings in the instant reexamination, five Office Actions were issued. The first three Office Actions were issued by Examiner Lanier, who consistently rejected all claims presented by Appellant as obvious. In each case, Examiner Lanier relied on combinations of up to nine references in his obviousness analyses, offering only conclusory statements regarding the motivation or teaching to combine the multiple references. In each case, the Appellant pointed out the impropriety of the combinations. Examiner Lanier never rebutted the Appellant's arguments. Instead, Examiner Lanier simply asserted that the rejections were proper.

Following the issuance of the third Office Action by Examiner Lanier, the instant reexamination was transferred to the CRU, specifically to Examiner Foster, where the Office reviewed and vacated Examiner Lanier's Final Rejection of the claims. The Office appeared to concur with the Appellant's view that the rejections offered by Examiner Lanier were untenable, but the Office did not allow the claims. Instead, the Office issued two subsequent Office Actions.

The two subsequent Office Actions take an alternate approach which, since also improper, has led to this appeal. Instead of relying on up to nine references, these subsequent Office Actions relied primarily on references that post-dated the June 13, 1988 priority date for the '734 Patent. In other words, the Office Actions relied on non-*prior* art. To justify this, the Office first had to conduct a *de novo* review of the '734 Patent's prosecution and then, based on that review, reassign the '734 Patent's June 13, 1988 priority date; a priority date that was rightfully granted by the original Examiner during the initial examination of the '734 Patent. In taking those steps, the Office reassigned the priority date to February 27, 1996. Then, using this new priority date, the Office cited new art post-dating the June 13, 1988 priority date, which the Office asserts anticipates or makes obvious all of the claims in reexamination.

As detailed below, this *de novo* review and resulting reassignment of the priority date by the Office is clearly outside the scope of authority granted by the Reexamination Statute. 35 U.S.C. §301 *et seq.* Further, the attempted reassignment of a new priority date to the '734 Patent does not comport with the Office's procedures.

Further, as a predicate for reassigning the priority date of the claims in the '734 Patent, the Office asserts that the claims as issued are either not supported by a adequate written description or are not enabled by the specification as filed on June 13, 1988. In making these findings, the Office has applied improper and overly strict standards for both written description and enablement under 35 U.S.C. § 112, first paragraph. Using the appropriate standards, Appellant has demonstrated that the claims in reexamination are fully supported and enabled by the originally filed specification, and are thus entitled to the priority date of June 13, 1988.

The Office has also made separate rejections of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 in reexamination under 35 U.S.C. § 112, first paragraph, as not being

supported by an adequate written description and as not being enabled by the specification as issued. Here again, Appellant maintains that the Office has acted outside the mandated scope of reexamination by examining Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 in their entirety for compliance with section 112, first paragraph, rather than limiting the analysis to newly claimed subject matter. Further, the Office has again applied improper standards for both written description support and enablement. Using the appropriate standards, Appellant has demonstrated that the claims in reexamination do comply with the requirements section 112, first paragraph.

Finally, the Office has rejected Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 for obviousness-type double-patenting over Claims 1 to 6 of the '573 Patent, which is the subject of copending reexamination 90/007,402 (the "402 Reexamination"). In support of this rejection, the Office cites *Yurt*. In the first instance, Appellant asserts that the reliance on *Yurt* is improper, since it is not available as prior art. Further, the issue of double-patenting was previously addressed by the original examiner during the initial examination of the '734 Patent. Finally, Appellant questions the propriety of double-patenting rejections based on claims in a related patent that is itself subject to a copending reexamination.

Since many of the positions taken by the Office in finally rejecting Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 rely on a revisiting of issues dealt with during the original examination of the '734 Patent, it is appropriate here to summarize the prosecution history of the '734 Patent. Appellant's arguments herein will refer to the summary provided in Section II below.

## II. Prosecution History of the '734 Patent

The '734 Patent issued from U.S. Patent Application Serial No. 08/607,648 (the "'648 Application"), which was filed as a continuation of U.S. Patent Application Serial No. 08/023,398 (the "'398 Application"), which was filed as a continuation of U.S. Patent Application Serial No. 07/586,391 (the "'391 Application"), which was filed as a continuation of U.S. Patent Application Serial No. 07/206,497 (the "'497 Application"), which was the originally filed application. The '391 Application was issued as the '573 Patent, which is the subject of copending reexamination 90/007,402, currently on Appeal.

The '497 Application was originally filed on June 13, 1988 by Arthur Hair as a *pro se* applicant.<sup>1</sup> In the period after the initial filing of the '497 Application Mr. Hair retained Ansel M. Schwartz as patent counsel. The Application was assigned to Examiner Hoa T. Nguyen ("Examiner Nguyen").

On December 19, 1988, Mr. Schwartz filed a preliminary amendment canceling original Claims 1 through 10 in the '497 Application and replacing them with new Claims 11 through 13, which read as follows:

11. A method for transmitting a desired digital audio music signal stored on a first memory to a second memory comprising the steps of: transferring money to a party controlling use of the first memory from a party controlling use of the second memory; connecting electronically the first memory with the second memory such that the desired digital signal can pass therebetween; transmitting the digital signal from the first memory to the second memory; and storing the digital signal in the second memory. (emphasis added).

12. A method as described in Claim 11, including after the transferring step, the steps of searching the first memory for the desired

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<sup>1</sup> The application which became the '497 Application was actually mailed on June 9, 1988. However, since Mr. Hair was unaware of the use of Express Mail, the application was accorded the date that it actually was received at the Office.

digital audio signal; and selecting the desired digital audio signal from the first memory. (emphasis added).

13. A method as described in Claim 12 wherein the transferring step includes the steps of telephoning the party controlling use of the first memory by the party controlling the second memory; providing a credit card number of the party controlling the second memory to the party controlling the first memory so that the party controlling the second memory is charged money. (emphasis added).

The first Office Action in the '497 Application was issued on November 15, 1988 on the basis of Claims 11 to 13 added by the preliminary amendment. All of the claims were rejected as anticipated by U.S. Patent 3,718,906. Mr. Schwartz responded to the Office Action on February 26, 1990. In this response, Claims 15 through 20 were added. Exemplary Claims 14 and 15 read as follows:

14. A method as described in Claim 11 wherein the transmitting step includes the step of transmitting the digital signal from the first memory to the second memory at a location determined by the second party controlling use of the second memory. (emphasis added)

15. A method for transmitting a desired a digital video or audio music signal stored on a first memory to a second memory comprising the steps of:  
charging a fee to a first party controlling use of the second memory;  
connecting the first memory with the second memory such that the digital signal can pass therebetween;  
transmitting the digital signal from the first memory to the second memory; and  
storing the digital signal in the second memory. (emphasis added)

The second Office Action in the '497 Application was issued on May 10, 1990 on the basis of Claims 11 to 20. All of the claims were rejected as anticipated by either of U.S. Patent 3,718,906 or 3,990,710. Mr. Schwartz responded to this Office Action on August 21, 1990. In this response, Claims 11, 12 and 15 were amended and Claim 21 was added. Claims 14 and 16 to 20 were canceled. Claims 11 and 15 were amended by including the recitation of a

“transmitter” and a “receiver.” New Claim 21 read identically to Claim 12, except that it depended from independent Claim 15. On September 9, 1990, Examiner Nguyen issued an Advisory Action indicating that the amendments would not be entered.

The amendment was resubmitted with a File Wrapper Continuation and subsequently entered. The File Wrapper Continuation was assigned application serial number 07/586,391 (the “‘391 Application”). The ‘391 Application was filed as a **continuation** of the parent ‘497 Application and claimed priority to the June 13, 1988 filing date. In fact, due to a clerical error, Mr. Schwartz was required to revive the ‘497 Application as unintentionally abandoned for the express purpose of establishing copendency with the ‘391 Application so that a proper claim for priority could be made. No new oath was required by the Office when the ‘391 Application was filed.

The first Office Action in the ‘391 Application was issued on September 9, 1991 on the basis of Claims 11 to 13, 15 and 21. All of the claims were rejected as obvious over U.S. Patent 3,990,710. Mr. Schwartz responded to this Office Action on December 9, 1991. In this response, Claims 11 and 15 were amended to recite that the first party location was remote from the second party location. Claim 15 was further amended to delete the reference to digital audio signals. Claim 22, which was essentially identical to Claim 13, but depended from Claim 21 was added. In addition to the claim amendments, text was added to pages 3 and 5 of the specification.

The next Office Action in the ‘391 Application was issued on February 24, 1992 on the basis of Claims 11 to 13, 15, 21 and 22. In the Office Action, Examiner Nguyen explicitly objected to the amendments to the specification and rejected all of the claims as being unsupported by the originally filed specification. *See* pages 5 to 6 of the February 24, 1992



Office Action. Examiner Nguyen specifically pointed out the following as not having a basis in the original specification:

- (1) “transferring money”
- (2) “second party financially distinct from the first party”
- (3) “in the controlling step ‘receiver in possession...of the second party’”
- (4) “telephoning”
- (5) “providing a credit card”

The specification was objected to “as originally filed, failing to provide clear support for the amendments to pages 3 and 5.” The amendments to pages 3 and 5 encompassed the entirety of the amendments to the specification. Claims 11 to 13, 15, 21 and 22 were also rejected as obvious over U.S. Patent 3,990,710.

Mr. Schwartz responded to this Office Action on June 23, 1992. In this response, the amendments to the specification adding text at pages 3 and 5 was withdrawn. A substitute specification was submitted to address formal issues. Further, a new amendment to the specification was presented adding a new Abstract and adding text at page 6 and page 12 of the substitute specification. Claims 11 and 15 were amended to recite “transferring money electronically via a telecommunications line” and “connecting electronically via a telecommunications line.” Claim 15 was again amended to delete “audio.” Claim 23 was added.

In addition to the amendments and arguments filed with the Office Action response on June 23, 1992, Mr. Schwartz also filed a Declaration by Arthur Hair under 37 C.F.R. § 1.132 indicating that one of ordinary skill in the art would recognize that all of the terminology presented in the claims and specification by amendment was supported by the originally filed specification.

The next Office Action in the '391 Application was issued on September 21, 1992 on the basis of Claims 11 to 13, 15 and 21 to 23. The Office Action indicated that Claims 11 to 13, 15, 21 and 22 were allowable based on the response filed on June 23, 1992. Claim 23 was rejected. Mr. Schwartz responded to this Office Action on September 30, 1992 by canceling rejected Claim 23. The Examiner proceeded to issue a Notice of Allowance and Issue Fee Due on October 19, 1992.

The '398 Application was filed on February 26, 1993 as a **continuation** of the '391 Application, which was to issue as the '573 Patent on March 2, 1993. Thus, the determinations made by Examiner Nguyen in the '391 Application with respect to alleged new matter were of record in the prosecution history of the '398 Application.

The '398 Application was filed with a new declaration dated February 2, 1993. The "New Application Transmittal" papers included a claim for priority to the '391 Application, which in turn claimed priority to the '497 Application. The specification filed with the '398 Application was substantially the same as the specification originally filed on June 13, 1988, but did contain some differences. The substantive differences were as follows:

- (1) The specification included a "Field of the Invention" section not present in the originally filed application.
- (2) The specification of the '398 Application included an additional paragraph spanning lines 4 to 19 of page 5.
- (3) The specification of the '398 Application included an additional paragraph spanning lines 5 to 20 of page 10.
- (4) The specification included an Abstract.

Although the specification filed with the '398 Application was not identical to that originally filed with the '497 Application, a review of the history of the parent ('391) application shows that the majority of the "new" text was substantially identical to text added by the June 23, 1992 amendment in the '391 Application. In particular, the "Field of the Invention" section was substantially identical with the exception that it recited a "system" in addition to a method. Further the paragraphs at pages 5 and 10 were substantially identical to the paragraphs added by the June 23, 1992 amendment in the '391 Application with the exception that the text added to page 5 recited a "system" instead of a method. It is notable that Examiner Nguyen found this "new" text to be supported by the originally filed specification in the grandparent '497 Application.

The Abstract filed with the '398 Application was less similar to the Abstract added by the June 23, 1992 amendment in the '391 Application. Nonetheless, the terminology presented in the Abstracts was similar.

The first Office Action in the '398 Application was issued by Examiner Nguyen on July 1, 1993 on the basis of originally filed Claims 1 through 31. The specification was objected to and all of Claims 1 through 31 were rejected under 35 U.S.C. § 112, first paragraph, for lack of adequate written description. In particular, Examiner Nguyen stated that the specification failed to set forth the problems in the prior art that the invention intended to overcome. The claims were also rejected as anticipated by U.S. Patent 3,718,906 or obvious over U.S. Patent 3,718,906 in view of U.S. Patent 4,654,799. Mr. Schwartz responded to this Office Action on December 30, 1993 by filing an amendment adding text to the specification, amending Claims 1 through 31 and adding additional Claims 32 through 63.

The amendment to the specification included the addition of individual terms at various points in the existing text; *e.g.* the addition of “or digital video” following “music” or the addition of “or mechanism” following “means.”

A large section of text, approximately four and two-thirds pages, was also added. Of this added text, about two and two-thirds pages comprised a written description of original Figure 1, using the lead numbers for the elements shown therein. Approximately one-half page of the added text comprised means-plus-function language. The balance of the added text comprised a description of a method using the system as set forth in the description of Figure 1.

The response filed by Mr. Schwartz also included a second declaration by Arthur Hair under 37 C.F.R. § 1.132, explaining how the terminology presented in the specification as filed and amended would have been understood by one having ordinary skill in the art.

The second Office Action in the ‘398 Application was issued by Examiner Nguyen on May 4, 1994. In this Office Action, Claims 1 through 3, 8, 9, 16 through 18, 23, 24, 29 through 44 and 51 through 63 were rejected as anticipated by U.S. Patent 4,528,643. Claims 4 through 7, 10 through 15, 19 through 22, 25 through 28 and 45 through 50 were objected to as depending from rejected claims, but were considered allowable if rewritten in independent form. Mr. Schwartz responded to the Office Action on July 13, 1994 by making amendments to the claims in an attempt to put the allowable claims into form for issue. The amendment to the claims included the addition of new Claims 64 through 75. In addition, the Abstract was amended by adding the term “digital” at various places.

Also in the July 13, 1994 response, Mr. Schwartz explicitly asked Examiner Nguyen to consider any possible issues of double-patenting. Thus, Mr. Schwartz expressly stated to Examiner Nguyen:

*“Applicant requests the Examiner to review any double patenting possibility of the above-identified patent application in regard to U.S. Patent 5,191,573. If the Examiner determines there is no need for any double patenting concern, the applicant requests that the Examiner deem this request to consider double patenting as moot.”* (Response to Office Action filed by Applicant’s Counsel, Ansel Schwartz, July 13, 1994).

A third Office Action in the ‘398 Application was issued by Examiner Nguyen on October 28, 1994, on the basis of remaining Claims 1, 5 through 7, 9, 11 through 15, 17, 20 through 23, 26 through 28, 43, 46 through 50 and 64 through 75. All of the claims were rejected under 35 U.S.C. § 112, second and fourth paragraphs. Mr. Schwartz responded to the third Office Action on February 24, 1995 by amending the claims. Several minor amendments to the specification were also made. A supplemental amendment was filed by Mr. Schwartz on March 7, 1995 to change the dependency of Claim 46 from canceled Claim 66 to Claim 67.

A fourth Office Action in the ‘398 Application was issued by Examiner Nguyen on June 28, 1995, on the basis of remaining Claims 1, 5 through 7, 11 through 15, 20 through 23, 26 through 28, 43, 46 through 50, 62, 64, 65 and 67 through 75. All of the claims were rejected under 35 U.S.C. § 112, second paragraph. In response to the fourth Office Action, Mr. Schwartz filed the ‘648 Application as File Wrapper Continuation application on February 27, 1996. The ‘648 Application was designated a **continuation** of the ‘398 Application. No new oath or declaration was filed.

Based on an interview with Examiner Nguyen, Mr. Schwartz filed a preliminary amendment, including amendments to the existing claims and the addition of new Claims 76 through 89.

A first Office Action in the '648 Application was issued by Examiner Nguyen on June 10, 1996 on the basis of the claims following the preliminary amendment. Claims 1, 5, 6, 11, 23, 26 through 28, 43, 48, 67, 76 through 83 were rejected. Claims 9, 17, 20 through 22, 62, 64, 65, 68, 69 and 84 through 89 were allowed. Mr. Schwartz responded to the first Office Action on December 6, 1996 by filing amendments to the claims.

Following the December 6, 1996 amendment, Examiner Nguyen issued a Notice of Allowance and Issue Fee Due on February 5, 1997. On May 2, 1997, Mr. Schwartz filed additional amendments to the specification under 37 C.F.R. § 1.312. Examiner Nguyen refused to enter the amendments. The Issue Fee was subsequently paid and the '648 Application duly issued as the '734 Patent on October 7, 1997.

**III. THE APPROPRIATE PRIORITY DATE FOR THE CLAIMS OF THE '734 PATENT IN REEXAMINATION IS JUNE 13, 1988**

As set forth in Section II above, the '734 Patent issued from U.S. Patent Application Serial No. 08/607,648 (the "'684 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 08/023,398 (the "'398 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 07/586,391 (the "'391 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 07/206,497 (the "'497 Application'"). The Office admits the '734 Patent is not a continuation-in-part, but asserts that the '734 Patent "shares the characteristics of a continuation-in-part." The Office now attempts to use this novel characterization of the '734 Patent as a pretext to re-examine the priority date of the claims in the '734 Patent, which Examiner Nguyen had properly awarded as June 13, 1988. In particular, the Office is attempting to improperly reassign a priority date of February 27, 1996 to the claims in reexamination.

The Office's actions in reassigning a priority date are improper procedurally, and incorrect based on the prosecution history of the '734 Patent. In the first instance, the reexamination statutes do not empower the Office to examine claims for issues of effective priority date in the absence of a continuation-in-part in the original examination history. On this basis alone, the Board should vacate the Examiner's findings with respect to the proper priority date of the claims in the '734 Patent. Even if the Board does not vacate the Examiner's findings on this basis, the Board should vacate the Examiner's findings because the issue was thoroughly dealt with by Examiner Nguyen during the initial examination of the '734 Patent, and thus does not present a new issue related to patentability. Even putting those arguments aside, the Board should vacate the Examiner's findings with respect to priority because the claims as issued in the '734 Patent and as currently constituted in reexamination are clearly supported by the original specification filed on June 13, 1988.

**A. The Office Exceeded Its Statutory Authority In Considering Issues Of Priority In The Instant Reexamination**

The Office exceeded its statutory authority by considering issues of priority in the instant reexamination. It is well established that the scope of a reexamination proceeding is limited to whether claims are patentable under 35 U.S.C. §§ 102 and 103 "on the basis of patents and printed publications." 37 C.F.R. § 1.552. The reexamination rules explicitly preclude consideration of issues arising under 35 U.S.C. § 112, except "with respect to subject matter added or deleted in the reexamination proceeding." *Id.*; see also *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985) (*en banc*) ("only new or amended claims are also examined under 35 U.S.C. §§ 112 and 132"); *Patent Reexamination: Hearing Before the Committee on the Judiciary*, 96th Cong., 499 (1979) ("Questions affecting patentability or validity which may arise quite apart from the cited patent or publication, in view of which reexamination is

requested, are left to be resolved in the forum really equipped to do the job -- the court.”)  
(statement of Paul L. Gomery, Director, Washington Office, Patent Division of Phillips  
Petroleum Co.).

Moreover, the inquiry under Section 120 as to whether the language of a particular claim, as filed or amended during an original prosecution, was supported or unsupported by sufficient disclosure is, by definition, not a *new* question. Rather, it is an issue that necessarily arises at the time of original filing or amendment, and one that necessarily is before the original examiner. Where a continuation-in-part (“CIP”) appears in the prosecution history of a patent in reexamination it may be necessary to make an inquiry into whether claims in the CIP, as issued or amended in reexamination, find support in the originally filed parent application or rely on new matter added when the CIP was filed during the original prosecution of the patent. However, where no CIP appears in the record this issue cannot arise since by definition no new matter was found to be added during the original prosecution of the patent in question.

As a result, it is beyond the scope of reexamination for an examiner to make a threshold determination that new matter was added during the original examination of a patent in reexamination in the absence of a recognition of such new matter in the record of the original examination of the patent in question.

**1. There Is No CIP In The Prosecution History Of The ‘734 Patent**

The Office admits the ‘734 Patent is not a continuation-in-part, but then asserts the ‘734 Patent “shares the characteristics of a continuation-in-part,” and cites this as a basis for assigning a later priority date to the claims of the ‘734 Patent. In support of its position the Office points to text added to the specification of the ‘391, ‘398 and ‘648 Applications that was not found in the originally filed specification in the ‘497 Application as grounds for this new



designation. The Office further cites MPEP § 201.11 to support its conclusion. However, the presence of additional or different text in the specification of a continuation application does not by itself render the continuation application a CIP. The prohibition of MPEP § 201.11 concerns addition of text that would constitute *new matter*.

As set forth in Section II above, the '391 Application was filed under the old File Wrapper Continuation procedure. According to MPEP § 201.06(b), in effect at the time, if the '391 Application had been filed as a CIP a new oath or declaration would have been required; none was required.

The '398 Application was filed as a **continuation** of the '391 Application, but did include a different specification and a new oath. However, as detailed above, the changes to specification as filed in the '398 Application were nearly identical to text introduced by amendment to the specification of the parent '391 Application. As set forth above, after extensive examination of the amendments to the specification and claims in the '391 Application, Examiner Nguyen determined that the added text did not constitute new matter. As a result, this added text cannot be considered new matter in the context of the **continuation** of the '398 Application.

Finally, the '648 Application was also filed under the old File Wrapper Continuation procedure. Again, according to MPEP § 201.06(b), in effect at the time, if the '684 Application had been filed as a CIP, a new oath or declaration would have been required; none was required.

Based on the above, it is apparent that no CIP appears in the history of the original prosecution of the '734 Patent.

Further, the Office has cited no authority that empowers it, in the context of reexamination, to treat a continuation application as a CIP because the examiner in reexamination believes the continuation “shares characteristics of a continuation-in-part.” An application or patent is either a CIP, or it is not. There simply is no designation in the statutes or regulations for patents that are continuations, but “share the characteristics of continuations-in-part”, as asserted by the Office. Therefore, the Office has no statutory basis for reassigning the priority date for the ‘734 Patent.

**2. The Reexamination Statute Does Not Empower The Office To Address Issues Of Priority Under 35 U.S.C. § 120 In The Absence Of A CIP Application In The Prosecution History Of A Patent In Reexamination**

The Office relies on MPEP §§ 2258(I)(C) and 2217 for an implicit grant of authority to cite intervening art based upon a newly determined effective filing date for claims. The Office refers to two cases:

*In re Ruscetta*, 255 F.2d 687 (C.C.P.A. 1958) and *In re Van Langenhoven*, 458 F.2d 132 (C.C.P.A. 1972), cited in MPEP § 2258(I)(C) as granting the underlying authority to address issues under 35 U.S.C. § 120 in reexamination. The Office’s reliance on *Ruscetta* and *van Langenhoven* is misplaced. Both *Ruscetta* and *van Langenhoven* deal explicitly with patents issued from CIP applications, which, as discussed *supra*, is simply not the case in the present reexamination. Further, both cases pre-date the reexamination statute, and thus say nothing about the proper conduct of reexamination proceedings. The Office has cited no further authority to support its interpretation of *Ruscetta* or *van Langenhoven*. Moreover, the Office cannot expand the holdings of these cases simply by inserting references to them in MPEP sections dealing with the scope of reexamination. “The MPEP sets forth PTO procedures; it is

not a statement of law.” *Regents of the Univ. of New Mexico v. Knight*, 321 F.3d 1111, 1121 (Fed. Cir. 2003).

In contrast to the present case, where a CIP application appears in the prosecution history of a patent in reexamination, it is appropriate to consider the issue of the effective priority date of a claim in reexamination, since it is recognized that a CIP application may introduce new matter not disclosed in its parent application. However, where no CIP appears in the original prosecution record, the examiner in reexamination has no basis for determining that new matter was added during the original prosecution. Further, the limited scope of reexamination prohibits the examiner from undertaking this analysis on his own initiative.

**3. MPEP § 2258.IV.E Does Not Empower The Office To Revisit The Issue Of The Entitlement To A Priority Date Of Claims In An Issued Patent**

The Office cites the Manual of Patent Examining Procedure (“MPEP”) § 2258.IV.E as an example of revisiting priority issues in reexamination. However, most of this section addresses only the procedural issues in reexamination for perfecting a claim for priority made previously during initial examination and does not address the merits of a claim for priority.

The cited section also deals with claiming priority under 35 U.S.C. § 120 to an earlier filed copending application during reexamination where there was an earlier *failure* to make such a claim. In the instant case, a claim of priority of June 13, 1988 was made by the applicant in each subsequent continuation application. Examiner Nguyen determined the ‘734 Patent was in fact entitled to that priority date. Since a claim of priority is, by definition, before the Examiner when it is made, it can never be a new issue in reexamination; *i.e.*, an issue that the original Examiner had no reason to consider. Indeed, MPEP § 201.11, cited favorably by the Office, *requires* an Examiner to address the issue during initial examination.

Further, MPEP § 2258.IV.E does not address revisiting and removing an earlier claim of priority made in an application, and does not address the entitlement of an issued patent to an earlier claimed right of priority.

Finally, MPEP § 2258.IV.E addresses reexaminations initiated by a patent owner (in this case, the Appellant). The section does not empower the Office to address the issue of entitlement to a claimed priority date where the issue is not first raised by the patent owner (Appellant).

The Office also cites MPEP § 1402, which concerns reissue proceedings, as an example of addressing priority issues. However, again, the cited section deals with adding or changing claims of priority, where an earlier claim contained an error or was not made at all. While MPEP § 1405 does address deletion of a priority claim in reissue, that section does not empower the Office on its own to determine the propriety of the priority claim.

Finally, 37 C.F.R. § 1.552(c) is explicit about the scope of reexamination:

Issues other than those indicated in paragraphs (a) and (b) of this section *will not be resolved in a reexamination proceeding*. If such issues are raised by the patent owner or third party requester during a reexamination proceeding, the existence of such issues will be noted by the examiner in the next Office action, in which case *the patent owner may consider the advisability of filing a reissue application to have such issues considered and resolved*.

37 C.F.R. § 1.552(c) (emphasis added). Therefore, notwithstanding MPEP § 1405, the propriety of a previously made priority claim cannot be revisited by the Office during reexamination.

**B. The Priority Date For The Claims In The '734 Patent Is Not A New Issue Related To Patentability**

Even if the reexamination statute did provide authority to address the issue of priority in reexamination, which it does not, the Office is still barred from considering the issue with respect to the '734 Patent because it does not present a new issue related to patentability.

**1. Examiner Nguyen Assigned A Priority Date Of June 13, 1988 To The Claims In The '734 Patent**

During initial examination of the '734 Patent, the '391 Application was filed as a **continuation** of the '497 Application and thus, as a preliminary matter, was entitled to the filing date of the original application, June 13, 1988. The Office makes much of the fact that the '391 Application was filed pursuant to the old File Wrapper Continuation procedure, which permitted the filing of CIPs. However, as set forth above, MPEP § 201.06(b), in effect at the time the '391 Application was filed, required that a CIP application filed pursuant to the File Wrapper Continuation procedure include a new oath or declaration. Since Examiner Nguyen did not require a new oath or declaration, as a threshold matter, she assigned the priority date of June 13, 1988 to the '391 Application when it was filed.

Also as set forth above, the '398 Application was filed as a continuation of the '391 Application. Even though the specification filed with the '398 Application was not identical to the originally filed specification, the additional text it included was nearly identical to text introduced by the amendments to the specification of the parent '391 Application. Having determined that the amendments to the specification and claims in the '391 Application did not constitute new matter, Examiner Nguyen could not plausibly have determined that the same text was new matter in the context of the '398 Application. As a result, Examiner Nguyen also assigned a priority date of June 13, 1988 to the '398 Application when it was filed.

Finally, the '648 Application was also filed under the old File Wrapper Continuation procedure. Again, according to MPEP § 201.06(b), in effect at the time, if the '648 Application had been filed as a CIP a new oath or declaration would have been required. Since Examiner Nguyen did not require a new oath or declaration, as a threshold matter, she assigned the priority date of June 13, 1988 to the '648 Application when it was filed. Notwithstanding this, the Office has asserted that Examiner Nguyen did not consider or have reason to consider the issue of whether the additions to the specification constituted new matter. In support of these assertions, Examiner Foster provided a chart in the Office Action issued on September 29, 2006 in the copending '402 Reexamination, showing when and under what circumstances additions to the specification and resulting claim amendments were made in the '497 and '391 Applications. References to this chart in the September 29, 2006 Office Action in the instant reexamination were accompanied by generalized allegations that other new matter was added to the specification and claims.

Appellant responded to this assertion by reproducing the Examiner's chart in amended form to demonstrate that Examiner Nguyen did in fact consider the various additions to the specification and concluded those additions did not constitute new matter and the subject claims therefore were supported under Section 112. The chart has been amended by adding three columns, subtitled respectively:

“Consideration by Examiner Nguyen,” “Response by Applicant,” and “Subsequent Action by Examiner Nguyen.” That chart is set forth below:

	Parent Application 07/206,497 filed June 13, 1988		Child Application 07/586,391 filed September 18, 1990		Office Action in Application 07/586,391 and response		Issuance of '573 Patent
Feature	Date First Appearing in Claims of Parent Application	Date First Appearing in Specification of Parent Application	Date First Appearing in Claims of Child Application	Date First Appearing in Specification of Child Application	Consideration by Examiner Nguyen	Response by Applicant	Subsequent Action by Examiner Nguyen
Transferring Money from Second Party to a First Party (Charging a Fee)	December 22, 1988 February 28, 1990			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Providing a Credit Card Number	December 22, 1988			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Controlling Use of First/Second Memory	December 22, 1988			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Transmitting to a Location Determined by Second Party	February 28, 1990			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Specific Video Download Procedures	February 28, 1990			September 18, 1990	No new matter issues were ever raised	No response was ever necessary since no issue was ever raised	Claims allowed in September 21, 1992 Office Action

First Party in Possession of Transmitter	August 24, 1990 (not entered)			September 18, 1990	Considered in Office Action February 24, 1992	Objection/rejections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Second Party in Possession of Receiver and Second Memory	August 24, 1990 (not entered)			September 18, 1990	Considered in Office Action February 24, 1992	Objection/rejections specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action

The foregoing chart shows that substantially all of the alleged new matter issues were dealt with in the '391 Application, which eventually was issued as the '573 Patent. Thus, Examiner Nguyen already had considered those additions and amendments in the Office Action of February 24, 1992, prior to the filing of the '398 Application. That consideration included an objection to the specification as containing new matter under Section 132, and corresponding rejections of the relevant claims under Section 112. Mr. Schwartz responded to, and overcame, that objection and those rejections in the Response of June 23, 1992. In that Response, Mr. Schwartz included arguments and a Declaration by Arthur Hair under 37 C.F.R. § 1.132 establishing that the additions to the specification had ample antecedent support in the originally filed specification because the subject matter of the additions was implicitly disclosed and understood by those skilled in the art. After considering this Response by the Applicant, Examiner Nguyen withdrew the objection to the specification and the Section 112 rejections of the claims, and thereby determined the claims were allowable.

During prosecution of the '398 Application, the only element incorporated that can be alleged to be "new" is the recitation of an "account." However, when this element was introduced to the claims and specification by amendment, it was accompanied by a Declaration under 37 C.F.R. § 1.132 establishing that the addition to the specification had ample antecedent



support in the originally filed specification because the subject matter of the addition implicitly was disclosed and understood by those skilled in the art. This Declaration was accepted by Examiner Nguyen without comment.

Coincidentally, the prosecution history of the '734 Patent shows that, in the first Office Action after the filing of the '398 Application, Examiner Nguyen did issue an objection to the specification and rejection of the claims under 35 U.S.C. § 112, first paragraph, as failing to provide an adequate written description. Examiner Nguyen stated that the specification as filed "fails to make clear what problems in the prior art the present invention intends to overcome." Office Action issued July 1, 1993, page 2. Although the objection and rejection were not "new matter" based, this nonetheless shows that Examiner Nguyen did in fact review the disclosure and claims for compliance with 35 U.S.C. § 112, first paragraph. This rejection was overcome by providing an additional summary of the problems associated with the prior art and pointing out that the description provided in the originally filed specification made it clear what these problems were. Examiner Nguyen thereafter withdrew the Section 112, first paragraph rejection.

The amended chart set forth above demonstrates indisputably that Examiner Nguyen *did consider* the very same new matter and Section 112 rejections that the Office now asserts. As a result, by definition, Examiner Nguyen determined that the claims in the '734 Patent were entitled to claim priority to the original June 13, 1988 filing date.

In the Office Action in the instant reexamination dated March 17, 2007, the Office admitted that Examiner Nguyen did in fact address the issue of the alleged new matter shown in the table above. The Office further admitted that Appellant has effectively demonstrated as much through the table submitted with Appellant's Response to the Office Action of September

29, 2006. However, the Office now asserts that Examiner Nguyen did not have an opportunity to compare all of the amendments to the claims and specification made during prosecution to the originally filed specification. The Office refers to “gradually added new matter,” which the Office asserts was not addressed by Examiner Nguyen. However, the Office fails to explicitly identify what it considered the “gradually added new matter.” At best, the Office merely refers generally to Table II in the Office Action dated March 17, 2007. Upon reviewing Table II in its entirety, it is apparent that, with the exception of the 1996 amendments, the table merely contains the same alleged new matter as the table presented above. That is, Table II does not include anything that could be identified as “gradually added new matter,” nor does it include anything that the Office has not already admitted was reviewed and passed on by Examiner Nguyen. As a result, the Office’s rejection amounts to a bogus rejection that fails to define what is meant by “gradually added new matter.” *See, e.g.*, § MPEP 706.03(o) (noting that, in making a new matter rejection, an examiner is required to “identify the new matter by page and the line numbers and/or drawing figures and provide an appropriate explanation of [his/her] position”).

With respect to the amendments to the specification filed on December 30, 1993 in the ‘398 Application, those amendments by and large comprise a written description of Figure 1, which was originally filed in the ‘497 Application. As such, this text did not constitute new matter. The remainder of the added text comprised means plus function language, which was supported by the text of the specification originally filed with the ‘398 Application.

With respect to the December 6, 1996 amendment, a review of the filing does not reveal any additions to the specification, only amendments to the claims. Further, all of the text added to the claims via this amendment was either explicitly supported in the originally filed

specification, or included terms that were reviewed previously and found to be supported by Examiner Nguyen.

Therefore, because the text added by the December 30, 1993 and December 6, 1996 amendments consisted of matter either explicitly found in the original specification or previously considered and passed on by Examiner Nguyen, there is no doubt that Examiner Nguyen determined the claims in the '734 Patent were entitled to claim priority to the original June 13, 1988 filing date.

**2. The Absence Of Rejections Based On Intervening References During The Initial Examination Of The '734 Patent Does Not Demonstrate Examiner Nguyen Failed To Address The Issue Of Priority**

Notwithstanding the above, the Office also asserts that Examiner Nguyen never had reason to consider the propriety of the claim of priority made in the '648 or '398 Applications, because no intervening references were ever cited by the Examiner. This line of argument by the Office effectively puts the rabbit in the hat, by concluding that the absence of any intervening references in the record is conclusive evidence the issue of priority was never addressed by Examiner Nguyen. It is more plausible to conclude that no intervening references were cited because Examiner Nguyen properly concluded the '391, '398 and '648 Applications were entitled to the priority date of June 13, 1988. This conclusion is fully supported by the written record as detailed in Section II and Section III(B)(1) above.

**3. The Office Lacks Jurisdiction To Review Again The Same Section 112 Issues Determined By Examiner Nguyen**

As established above, the question of Section 112 support, and hence the appropriate priority date for the claims in the issued '734 Patent, were considered and passed on by Examiner Nguyen in the original examination. Therefore, as a matter of established law, the

Office lacks jurisdiction under the facts in this proceeding to challenge again the Section 112 support and the June 13, 1988 priority date of the claims in reexamination.

In *Patlex Corp. v. Quigg*, 680 F. Supp. 33 (D.C. Cir. 1988), the United States District Court for the District of Columbia addressed a situation substantially identical to the circumstances of the present reexamination. In that case, the District Court reversed, on summary judgment, a decision by the BPAI upholding the final rejection of three claims in a reexamination proceeding. The claims in question had issued in a patent that resulted from a string of continuation and divisional applications relating back to an original priority application. The reexamination examiner took the position that the three claims were not entitled to the original priority date. Consequently, the reexamination examiner reassigned a later effective priority date, based on the reexamination examiner's determination that the specification had not enabled the three claims under Section 112 as of the original filing date.

The District Court determined, however, that the issue of whether the three claims were enabled under Section 112 previously had been considered and decided by the original examiner, and the Court therefore explicitly held that the reexamination examiner lacked jurisdiction to consider that issue again:

Entitlement to the ... [original priority] filing date was decided in the ... [original] examination. Plaintiffs contended then they were entitled to the [original priority] filing date, and the first Examiner considered then whether the [original] disclosure was enabling. Consequently, in order to reexamine ... [the patent] on the basis of whether the claims were anticipated by ... [later prior art], the reexamination examiner had to "reexamine" the question of whether the specification of the ... [original application] contained an enabling disclosure of the subject matter claimed in the ... [patent]. As noted above, however, the reexamination statute does not contemplate a "reexamination" of the sufficiency of a disclosure. Rather it is limited to reexamination of patentability based on prior art patents and publications. Hence, the Court concludes that the Examiner and the Board lack

jurisdiction in this case to “reexamine” the sufficiency of the specification of the ... [original application].

*Id.* at 36-37 (emphasis added.) The holding of the *Patlex* case, therefore, is clear. Where, as in the present case, an original examiner already has considered and determined the sufficiency of a specification’s disclosure under Section 112 and the resulting entitlement of claims to an original priority date, there is no “substantial new” question of patentability for reexamination, as required by 35 U.S.C. § 301, *et seq.* As a result, the Office lacks jurisdiction to “reexamine” that same issue for those same claims in a subsequent reexamination proceeding.

For this reason as well, the Board should vacate the Examiner’s determinations regarding the proper priority date for the ‘734 Patent.

**C. The Claims In The ‘734 Patent Plainly Are Supported By The Originally Filed Specification**

The Office asserts that, for written description support, the claims in the ‘734 Patent rely on certain alleged new matter added to the specification during the original prosecution of the ‘734 Patent. The Office also asserts that the claims directed to the video embodiment of the invention are not supported by disclosure that was enabling as of the original June 13, 1988 filing date. As set forth above, Appellant’s position is that the Office lacks jurisdiction to review issues of adequate written description and enablement, especially where the particular issue was dealt with explicitly in the original prosecution of the patent in reexamination. Those arguments aside, it is clear the originally filed specification does in fact provide both adequate written description for all of the claims and an enabling disclosure for those claims directed to the “video feature” of the invention.

**1. The Claims As Issued In The '734 Patent Are Supported By Adequate Written Description In The Originally Filed Specification**

Appellant provides below an analysis demonstrating that each element in Claims 1 through 34 as issued in the '734 Patent is supported, either explicitly or implicitly, by the original specification filed on June 13, 1988.

**i) The Proper Standard For Determining If The Claims Are Adequately Supported By The Specification As Filed**

As a preliminary matter, the standard for written support in the absence of *ipsis verbis* recitation of a claim limitation is not strictly the inherency or required interpretation standard urged by the Office. Rather, the proper standard generally is whether the written description reasonably conveys to the skilled artisan that the inventor was in possession of the claimed subject matter.

The issue of whether the written description requirement has been met is a question of fact, to be determined on a case-by-case basis. *Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1562 (Fed. Cir. 1991). The legal standard for determining whether the facts of a particular case meet the written description requirement is well established, however. In *Vas-Cath*, the Court of Appeals for the Federal Circuit ("CAFC") held that "[t]he test for sufficiency of support in a patent application is whether the disclosure of the application relied upon '*reasonably conveys* to the skilled artisan that the inventor had possession at that time of the later claimed subject matter.'" *Vas-Cath*, 935 F.2d at 1563 (emphasis added). As further held by the CAFC in *Union Oil Co. of Cal. v. Atlantic Richfield Co.*, 208 F.3d 989 (Fed. Cir. 2000), "[t]he written description does not require the applicant 'to describe exactly the subject matter claimed, [instead] the description must clearly allow persons of ordinary skill in the art to recognize that [the inventor] invented what is claimed.'" *Id.* at 997. In other words, contrary to the Office's

assertions, the general standard does not require that the “only reasonable interpretation” of the general features in the specification be the more specific features in the claims. *Vas-Cath*, 935 F.2d at 1566 (“[t]he [district] court further erred in applying a legal standard that essentially required the drawings of the ‘081 design application to *necessarily exclude* all diameters other than those within the claimed range.”)(emphasis in original).

Because the written description requirement is fact-based, various decision makers have at times appeared to drift from the “reasonably conveys” standard mandated by the CAFC. The CAFC, however, has never wavered from this standard. For example, in *Hyatt v. Boone*, 146 F.3d 1348 (Fed. Cir. 1998), the court reviewed a Board of Patent Appeals and Interferences (“BPAI”) decision holding that one party to an interference (Hyatt) lacked the necessary written description in his originally filed application to support a later claim drawn to a count of the interference. The phraseology used by the BPAI in setting forth the standard for compliance with the written description requirement was that “the written description must be sufficient, when the entire specification is read that the ‘necessary and only reasonable construction’ that would be given it by a person of ordinary skill in the art is one that clearly supports each positive limitation in the count.” *Hyatt*, 146 F.3d at 1353. The appellant argued that the “necessary and only reasonable construction” standard applied by the BPAI was different from and more rigorous than the “reasonably conveys standard” set forth in *Vas-Cath*.

The CAFC determined that despite the arguably more rigorous phraseology used by the BPAI, the standard for meeting the written description requirement did not become more rigorous. Rather, the standard remains that “the written description must include all of the limitations...or the applicant must show that any absent text is *necessarily comprehended* in the description provided and would have been so understood at the time the patent application

was filed.” *Hyatt*, at 1354-55 (emphasis added). Moreover, the CAFC has on subsequent occasions repeatedly reinforced that the standard of *Vas-Cath* remains in effect. *See, e.g., Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 424 F.3d 1161, 1165 (Fed. Cir. 2005)(“[t]he applicant must...convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention.”).

In addition to *Hyatt*, the Office has cited *In re Robertson*, 169 F.3d 743 (Fed. Cir. 1999), and *Lockwood v. American Airlines, Inc.*, 107 F.3d 1565 (Fed. Cir. 1997), as establishing a strict inherency standard for finding written support for a claim element not having *ipsis verbis* support in the specification. In the first instance, the citation of *In Re Robertson* is inapposite. In *Robertson*, the CAFC reiterated the well-known standard for determining anticipation or obviousness of a claim by prior art where the prior art does not include literal disclosure of one or more elements of the claim. As such, *Robertson* was a case directed solely to Section 102/103 issues, and does not even mention Section 112. Moreover, nowhere in *Hyatt* or *Lockwood* does either court even allude to an inherency standard for showing support for claim limitations not described *ipsis verbis* in the specification. Rather, the CAFC simply held in *Lockwood* that “exact terms need not be used *in haec verba*..., the specification must contain an equivalent description of the claimed subject matter.” *Lockwood*, 107 F.3d at 1572 (citations omitted).

Therefore, the requirement of an inherency standard under Section 112 is unsupported by *Hyatt*, *Robertson*, or *Lockwood*. Rather, the proper standard to be applied by the Examiner in determining compliance with the written description requirement remains “whether the disclosure of the application as originally filed reasonably conveys to the artisan that the inventor had possession at that time of the later claimed subject matter, rather than the presence



or absence of literal support in the specification for the claim language.” *In re Kaslow*, 707 F.2d 1366, 1375 (Fed. Cir. 1983).

**ii) All Features Of Claims 1 Through 34 In The ‘734 Patent Find Written Support In The Originally Filed Specification**

Applying the proper standard for compliance with the written description requirement under Section 112, all of the limitations in Claims 1 through 34 of the ‘734 Patent are supported by the originally filed specification. To illustrate this point, Appellant has prepared a detailed chart showing each feature of the invention, the claims in which those features are recited, and where support in the originally filed specification is found for each feature. That chart is set forth immediately below:

Feature	Claims Reciting Feature	Written Description of Feature in Original Specification	Comments
A method/system for transferring desired digital video or digital audio signals	1-34	p. 1, lns. 7-9 p. 2, lns. 8-10, 20-26  (video) p. 5, lns. 36-43	<i>ipsis verbis</i>
forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party	1	p. 3, lns. 35-40	<i>ipsis verbis</i>
first party location and second party location remote from the first party location, the second party location determined by the second party	1, 4, 11, 16, 19, 26	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The as filed original specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. Since the digital audio or digital video signals are transferred to the user’s (second party’s) control unit, a skilled artisan would readily understand that the second party can determine

			the second location.
the first party memory having a first party hard disk having a plurality of digital video or digital audio signals, including coded digital video or digital audio signals	1, 4, 16	p. 3, lns. 35-37	<i>ipsis verbis</i>
the first memory having a sales random access memory chip	1	p. 3, lns. 19-24 Fig. 1	<i>ipsis verbis</i>
telephoning the first party controlling the first memory by the second party	1	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The as filed original specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily recognize this as comprehending the telephoning of the first party by the second party to initiate a transaction. This was addressed previously in the declaration of Arthur Hair submitted May 5, 1992.
providing a credit card number of the second party to the first party so that the second party is charged money	1	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 38-52 p. 3, lns. 12-15, 35-37	The as filed original specification states throughout that the invention provides for electronic sales of digital audio or digital video signals. A skilled artisan would readily recognize credit card sales as being comprehended within electronic sales. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
electronically coding the digital video or digital audio signals to form coded digital audio signals into a configuration that would prevent unauthorized reproduction	1	p. 2, lns. 17-19 p. 4, lns. 15-20	<i>ipsis verbis</i>
storing a replica of the coded desired digital video or digital audio signals from	1	p. 4, lns. 15-23	<i>ipsis verbis</i>

the hard disk to the sales random access memory chip			
transferring the stored replica of the coded desired digital video or digital audio signal 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	1, 4	p. 4, lns. 15-23 p. 4, ln. 35 to p. 5, ln. 21	The as filed original specification includes <i>ipsis verbis</i> support for storing a replica of the coded desired digital audio or digital video signal to the first party sales random access memory, then transferring it to the memory of the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second memory. This was previously addressed in the declaration of Arthur Hair filed May 5, 1992.
storing the transferred digital video or digital audio signals in the second memory	1	p. 2, lns. 23-27	<i>ipsis verbis</i>
a second party integrated circuit which controls and executes commands of the second party connected to a second party control panel	2	p. 3, lns. 26-28 p. 4, lns. 15-20 Fig. 1	<i>ipsis verbis</i>
commanding the second party integrated circuit with the second party control panel to initiate the purchase of the desired digital video or digital audio signals from the first party hard disk	2	p. 4, lns. 12-20	The as filed original specification includes <i>ipsis verbis</i> support for using the second party control panel to command the second party integrated circuit to execute commands of the second party. A skilled artisan would readily recognize that a user would command the second party integrated circuit to initiate a purchase of digital video or digital audio signals, since that is the purpose of the system.

the second memory includes a second party hard disk and an incoming random access memory chip	3, 5, 8, 13, 16, 21, 30	p. 3, lns. 26-31 Fig. 1	<i>ipsis verbis</i>
the second memory includes a playback random access memory chip	3, 5, 16, 21, 30	p. 3, lns. 26-30 p. 4, lns. 39-50 Fig. 1	<i>ipsis verbis</i>
playing the desired digital video or digital audio signal from the second party hard disk	3	p. 2, lns. 26-32	<i>ipsis verbis</i>
a first party control unit (in possession and control of the first party)	4, 11, 16, 19, 26, 28	p. 2, lns. 38-43 p. 3, lns. 35-49	The as filed original specification includes <i>ipsis verbis</i> support for a first party control unit, where the authorized agent is the first party. A skilled artisan would readily recognize that the first party control unit is in possession and control of the first party because as an "agent authorized to electronically sell and distribute" digital audio or digital video, the first party would necessarily have to possess and control the source of the digital audio and digital video.
a second party control unit (in possession and control of the second party)	4, 11, 16, 19, 26, 28	p. 2, lns. 38-43 p. 3, lns. 35-49	The as filed original specification includes <i>ipsis verbis</i> support for a second party control unit, where the user is the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously

			addressed in the declaration of Arthur Hair filed May 5, 1992.
the first party control unit has a first party hard disk, a sales random access memory chip, and means or mechanism for electronically selling desired digital video or digital audio signals	4, 11, 19, 26, 28	p. 2, lns. 8-10 p. 3, lns. 20-40 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a first party control unit with a hard disk, and sales random access memory chip. A skilled artisan would readily recognize that the first party control unit would include a means or mechanism for executing an electronic sale because the electronic sale is described in the original specification as separate from electronic transfer and electronic distribution.
the second party control unit has a second memory connected to the second party control panel	4, 19, 21, 26, 28	p. 3, lns. 26-31 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a control panel connected to the second party control unit. A skilled artisan would readily understand that the second party hard disk corresponds to a second memory.
the second party control unit has means for playing desired digital video or digital audio signals connected to and controlled by the second party control panel	4, 28	p. 3, lns. 26-33 Fig. 1	<i>ipsis verbis</i>
selling digital video or digital audio signals through telecommunications lines	4	p. 2, lns. 8-10, lns. 47-50	<i>ipsis verbis</i>
the first party control unit includes a first party control integrated circuit connected to the first party hard disk, the sales random access memory and the second party control panel through telecommunications lines	4, 6, 11, 16, 19, 22, 26, 28, 31,	p. 3, lns. 20-33 Fig. 1	<i>ipsis verbis</i>
the first party control unit includes a first party control	6, 11, 16, 22, 31	p. 3, lns. 20-24 p. 4, lns. 12-14	<i>ipsis verbis</i>

panel connected to and through which the first party control integrated circuit is programmed		Fig. 1	
the second party control unit includes a second party control integrated circuit connected to the second party hard disk, the playback random access memory and the first party control integrated circuit	7, 11, 16, 23, 32	p. 3, lns. 20-33 p. 4, lns 15-20 Fig. 1	<i>ipsis verbis</i>
the second party control integrated circuit and the first party control integrated circuit regulate the transfer of desired digital video or digital audio signals	7, 22, 23, 31, 32	p. 4, lns. 15-20	<i>ipsis verbis</i>
the second party control unit includes a second party control panel connected to and through which the second party control integrated circuit is programmed	7, 16, 19, 23, 26, 28, 32	p. 3, lns. 26-28 p. 4, lns. 12-14 Fig. 1	<i>ipsis verbis</i>
the playing means of the second party control unit includes a video display	9, 14, 18, 19, 25, 34	p. 3, lns. 26-33 p. 5, lns. 9-21 Fig. 1	<i>ipsis verbis</i>
the telecommunications lines include telephone lines	10, 11, 12, 15, 17, 20, 27, 29	p. 3, ln. 25 Fig. 1	<i>ipsis verbis</i>
means or mechanism for transferring money electronically via telecommunications lines from the second party to the first party	11, 16, 19	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic sales via telecommunications lines. A skilled artisan would readily recognize that electronic sales via telecommunications lines would include the transfer of money via telecommunications lines. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.

means or mechanism for the first party to charge a fee to the second party and granting access to desired digital video or digital audio signals	16, 19, 26	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 47-50 p. 3, lns. 20-33 Fig. 1	The specification discloses electronic sales via telephone lines. Because the agent is authorized to sell and to transfer via telephone lines, there is implicitly support for selling and thereby charging a fee. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
means or mechanism for connecting electronically via telecommunications lines the first memory with the second memory	11, 16,	p. 4, lns. 15-20 Fig. 1	A skilled artisan would readily recognize from the specification that the first memory would include a means for connecting to the second memory via the disclosed telephone lines.
the second party control unit includes an incoming random access memory	11, 16, 24, 33	p. 3, lns. 26-29 Fig. 1	<i>ipsis verbis</i>
means or mechanism for transmitting desired digital video or digital audio signals	11, 16, 26, 28	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of those signals, where the telecommunications lines act as the transmitter. A skilled artisan would also readily recognize in order to receive digital audio or digital video signals over telecommunications lines, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
a transmitter connected to the first memory and the telecommunications lines, the first party in possession and control of the transmitter	11, 16	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of

			those signals, where the telecommunications lines act as the transmitter.
a receiver connected to the second memory and the telecommunications lines, the second party in possession and control of the receiver	11, 16, 19, 26	p. 2, lns. 47-49 p. 3, lns. 35-38 p. 4, lns. 24-26	A skilled artisan would readily recognize in order to receive digital audio or digital video signals over telecommunications lines as disclosed throughout the specification, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992. A skilled artisan would readily recognize that the receiver is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
the transmitter remote from the receiver, the receiver at a location determined by the second party in electrical communication with the connecting means or mechanism	11	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. A skilled artisan would further recognize that in order for transmission of the digital audio or video signals to occur the transmitter and receiver have to be in electrical communication with the connecting means.



means or mechanism for storing desired digital video or digital audio signals with the receiver	11, 16	p. 3, lns. 26-31 p. 4, lns. 15-20 Fig. 1	The second party control unit includes a second party control integrated circuit which regulates the transfer of the digital audio and digital video signals. A skilled artisan would readily recognize that the second party integrated circuit regulates storage of the digital audio or digital video signals.
speakers in possession and control of the second party	14, 18, 26	p. 3, ln. 33, 47-49	The as filed original specification has <i>ipsis verbis</i> support for speakers. A skilled artisan would readily recognize that the speakers would be in possession and control of the second party since the specification throughout states that the second party may repeatedly listen to stored songs through the speakers.
the second party choosing desired digital audio signals from the first party's hard disk	26	p. 2, lns. 8-16, 20-27, 38-52 p. 35-49	Throughout the specification discloses electronic sales of digital video or digital audio signals. A skilled artisan would readily recognize that this includes the selection of individual desired signals by the purchaser.

For all the reasons set forth in the chart immediately above, the written description standard was satisfied for Claims 1 through 34 of the '734 Patent. For the same reason, and as set forth in more detail below, Claims 35 through 60 are also supported by the originally filed specification of the '497 Application.

Moreover, the claim language "transferring money electronically via a telecommunication line to a first party at a location remote from the second memory,"

“charging a fee,” “providing a credit card number,” and “charging an account,” all would have been understood by one of ordinary skill in the art in the context of the described electronic sales and distribution of digital audio signals or digital video signals. In this context, one of ordinary skill in the art would have recognized that electronic sales encompassed transactions where a fee is charged, and thus money is transferred from one party to another electronically via a telecommunication line. It further would have been understood by one of ordinary skill in the art that electronic sales could be accomplished by providing a credit card number. As a result, one of ordinary skill in the art in 1988 would have recognized that the description of electronic sales in the specification of the ‘497 Application necessarily comprehends “transferring money to a first party from a second party electronically via telecommunication lines,” “charging a fee,” “charging an account,” and “providing a credit card number.”

One of ordinary skill in the art in 1988 would have been aware of the available means for connecting computer systems to telecommunication lines for the purpose of transferring electronic signals; for example modems. Such means could be used at the originating (transmitting) computer and at the destination (receiving) computer. The control unit or control integrated circuit of the copyright holder and user would have been recognized by one of ordinary skill in the art as being some type of computer system or part of a computer system. Therefore, the terms in the claims “transmitter” and “receiver” describe what would have been understood by one of ordinary skill in the art as being necessarily comprehended by the description provided in the specification and figures filed with the ‘497 Application.

Finally, it easily would have been recognized by one of ordinary skill in the art in 1988 that the specification’s teaching requires establishing some type of connectivity as a pre-

requisite to making a purchase/sale of digital signals, as well as for transferring the digital signals. Since the specification of the '497 Application explicitly discloses selling and transferring digital audio signals (or digital video signals) over telephone lines, it is clear that the step of requesting and establishing connectivity (telephoning) is necessarily comprehended in the description provided in the '497 Application, since the step would have been recognized as a prerequisite for performing the function of the disclosed system.

For all of the above reasons, Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 find adequate written support in the specification of the '497 Application as filed and are therefore entitled to the June 13, 1988 priority date. For this reason as well, the Board should vacate the Examiner's findings with respect to the priority date of the '734 Patent.

**2. The "Video Feature" Of The Invention In Claims 4, 6 Through 10, 19, 22 Through 25, 28 And 31 Through 60 Of The '734 Patent Was Enabled By The Originally Filed Specification**

The Office asserts the "video feature" of the invention in Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 was not enabled by the disclosure in the originally filed specification.

The Office acknowledges the "original specification does contain a general statement at the end of the specification stating '[f]urther, it is intended that this invention not be limited to Digital Audio Music and can include Digital Video....'" The Office, however, generally asserts "this broad, generic statement fails to enable specifically claimed video download and processing procedures." September 29, 2006 Office Action, page 12. Since the Office has not specifically identified which portions of the claims allegedly are not enabled, Appellant will

discuss below the issue of enablement with respect to particular comments made in the September 29, 2006 Office Action.

**i) The Office Is Attempting To Apply An Improper Standard For Enablement**

The Office is attempting to apply a “mass production” standard to the claims when, in actuality, the enablement standard of Section 112 has no such requirement. As the CAFC held in *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544, 1562 (Fed. Cir. 1987), “the law has never required that [an Appellant]... must disclose in its patent the dimensions, tolerances, drawings, and other parameters of mass production not necessary to enable one skilled in the art to practice (as distinguished from mass-produce) the invention.” Nonetheless, it appears this kind of “mass production” information is exactly the kind of information the Office now seeks. For example, the Office Action states “[p]ersonal user devices with the processing power capable of playing back much larger and more complicated digital video files, such as DVD players, were not routinely available until the late 1990(s).” September 29, 2006 Office Action, pages 19-20. (emphasis added.) Whether such devices “routinely” were available is not part of the test for enablement, nor is it one of the eight factors for reasonable experimentation that were laid out by the CAFC in *In re Wands*, 858 F.2d 731 (Fed. Cir. 1988). Rather, the only relevant test is whether, without undue experimentation, one of ordinary skill in the art could have made and used the claimed invention.

As further evidence that the Office seeks to apply a “mass production” standard, it is noted that the Office Action states “the digital bandwidth required to transmit a video signal at even VHS quality was around 1.5 megabits per second (approximately 30-megabytes in 3 minutes).” Office Action, page 14. (emphasis added.) However, while VHS quality may be appropriate for “mass production,” a limitation requiring VHS quality video is not included in

any of the claims, and thus it is impermissible for the Office to use that level of quality as a benchmark for enablement. In fact, the recent success of very small screen video players shows that “mass production” can be achieved with even less than VHS quality.

Moreover, even if VHS quality were a requirement for enablement of the claims, there is no articulated basis to believe the original specification would not have enabled one of ordinary skill in the art to meet that quality for a short period of time. This fact is accentuated by the statement in the Office Action that “it is not clear ... how downloaded files of any appreciable or viable size would have been downloaded and stored on originally disclosed hard disk 60 of the user in the original specification.” September 29, 2006 Office Action, page 20. (emphasis added.) The use of “appreciable” and “viable” makes it clear that short videos are enabled, and nothing more is required. Further, the Office appears to acknowledge that even a 30-megabyte hard drive could store a three-minute movie if encoded at 1.5 megabits/second. *Id.* That alone is sufficient to meet the enablement requirement.

Moreover, the Office impermissibly limits the scope of what it referenced when the Office Action cites the size of available hard drives. While a 30-megabyte hard drive would have been available in a 3.5-inch form factor, the same chart relied on by the Office illustrates that hard drives larger than 1.89 gigabytes were available at the same time. *See* September 29, 2006 Office Action, footnote 14.

Furthermore, the Office has applied the same “mass production” requirement to the library server. The Office initially seems to acknowledge that mainframes did exist which could have operated as repositories for copyrighted materials using hard disk drives. However, the Office then seems to discount the relevance of the existing mainframes by stating “it is not clear how even a small-sized video library ... would have been stored in the hard disk of the

copyright holder ... without requiring details directed to a complex mainframe operating environment.” This unsupported statement on “complexity” is insufficient to prove that mainframe operating environments capable of storing digital video files were not already known at the time the original specification was filed, or that undue experimentation would have been required to store digital video files in such an environment. The statement also leaves unanswered how the Office is defining “small” -- according to the enablement standard under Section 112 or the improper “mass production” standard?

The Office Action further states “[r]egarding the transfer of these large video files over a network, the proliferation of broadband communication network[s] capable of delivering these large files to consumers, such as the Internet, simply did not exist or were not well known in 1988.” September 29, 2006 Office Action, pages 14-15. (emphasis added.) Such a statement raises at least two issues. First, “not well known” to whom? Those of ordinary skill in the art of computer systems knew of telephony-based wide area networks at the time the original specification was filed. See <http://www.rfc-editor.org/rfc-index.html> for a list of computer communications standards including those available at the time of filing. Second, utilization of a “broadband” network is not required. In fact, the originally filed specification discloses that the audio and video files can be transferred over telephone lines. While this may not be an extremely fast method of transfer, it nonetheless clearly is enabling under Section 112.

The Office further questions “how the digital video would have been coded and decoded during transmission, as digital video coding standards for purposes of transmission and file download were not settled in 1988. [T]he MPEG-1 standard which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established

in 1992.” September 29, 2006 Office Action, page 21. (emphasis added.) Again, standardization of video coding and the use of “NTSC quality” relate to “mass production” rather than enablement under Section 112. Thus, the Office has not alleged -- and cannot allege -- that one of ordinary skill in the art could not have coded video at some other resolution or using some other encoding technique at the time the original specification was filed.

In contrast, those of ordinary skill in the art would have been able to code and decode video data transmitted over a telephone line without undue experimentation. This is because there were existing video teleconferencing systems known and available to them prior to applicant’s earliest priority date. As earlier as five years before applicant’s earliest priority date digital video signals could have been and were sent via telephone networks and decoded with picture processors in real-time.

Similarly, not only were TV processors for video processing available for use in video processing systems, but network interface specifications were available for making systems that were compatible with signals sent via telephone networks. As such, contrary to the position of the Office Action, it is clear that at the time of filing of the earliest priority application, one of ordinary skill in the art would have been able to transmit, download and decode video signals as claimed without undue experimentation.

Accordingly, Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 directed to the “video feature” embodiment of the invention are enabled by the originally filed specification under the proper standard for Section 112 enablement.

**D. Because Claims 1 Through 4, 6 Through 19, 22 Through 25, 28 And 31 Through 60 Are Entitled To The June 13, 1988 Priority Date Awarded During The Original Examination, *Yurt* And *Goldwasser* Are Not Appropriate Prior Art**

Based on the foregoing, Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in reexamination are entitled to the June 13, 1988 priority date. In the first instance, it is improper for the Office to reconsider the issue of priority in the present reexamination for the reasons set forth in Sections III(A) and (B) above. Further, even if it were proper to reconsider the issue of priority, the facts of record clearly show the claims were described adequately and enabled by the originally filed specification for the reasons set forth in Section III(C) above. Therefore, U.S. Patent 5,132,992 to *Yurt* (*Yurt*) and U.S. Patent 5,241,428 to *Goldwasser* (*Goldwasser*) cannot be proper bases for a rejection because the references post-date the applicable June 13, 1988 priority date for the claims. The Board should, therefore, reverse all rejections based on *Yurt* and *Goldwasser*.

**IV. THE CLAIMS AS AMENDED ARE SUPPORTED AND ENABLED BY THE WRITTEN DESCRIPTION**

In addition to questioning the written support and enablement of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in the originally filed specification, the Office has also asserted separate rejections of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph. In making these rejections, the Office has improperly applied Section 112 analysis to claim elements that existed in the claims as issued, rather than limiting the analysis to “matter added or deleted” as required by 37 C.F.R. § 1.552.

In particular, Appellant notes that Claims 1 through 34 were only amended to add limitations from existing dependent claims into existing independent claims. Therefore, the rationale cited by the Office for subjecting Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 34 to analysis under Section 112, first paragraph is unfounded. The only element



present in Claims 35 through 60 that was not previously present in Claims 1 through 34 is the recitation of a non-volatile storage portion of the second memory that is not a tape or CD.

Therefore, the Office may only examine the recitation of “a non-volatile storage portion of the second memory that is not a tape or CD” for compliance with Section 112, first paragraph.

Nonetheless, even if it were proper for the Office to examine Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 in their entirety for compliance with Section 112, first paragraph, under 37 C.F.R. § 1.552(a), those issues already were addressed by Examiner Nguyen during the initial examination of Claims 1 through 34, as recognized by the Office.

**A. Rejection Of Claims 4, 6 Through 10, 19, 22 Through 25, 28 and 31 Through 60 Under 35 U.S.C. § 112, First Paragraph As Introducing Matter Not Found In The Original Specification**

With respect to the recitation of “a non-volatile storage portion of the second memory, wherein the non-volatile storage is not a tape or a CD”, the Office asserts that the negative limitation in Claims 35, 37, 43, 48, 51 and 56 introduces a new concept to the claims that does not have a basis in the originally filed specification. The Office cites two cases from the BPAI, one case from the CAFC, and one case from the Court of Customs and Patent Appeals (“C.C.P.A.”) to support this rejection. None of the cases support the rejection.

The CAFC case cited by the Office, *LizardTech, Inc. v. Earth Res. Mapping Inc.*, 433 F.3d 1373 (Fed. Cir. 2006), is merely an opinion denying a petition for rehearing *en banc*. The case does not address anything related to the current rejection. Therefore, the case simply does not support the Office’s position.

The two cases from the BPAI, *Ex Parte Wong*, No. 2004-1144, 2004 WL 4981845 (Bd. Pat. App. & Interf. June 10, 2004) and *Ex Parte Grasselli*, 231 U.S.P.Q. 393 (Bd. Pat. App. & Interf. 1983), address situations where a negative limitation added to a claim was not described

in the specification of the application. However, neither *Wong* nor *Grasselli* support the rejection of Claims 35 through 60 under Section 112, first paragraph, in the instant case. In both *Wong* and *Grasselli*, the issue and ultimate ground for rejection was that a negative limitation added to the claims introduced a new concept not disclosed in the respective specifications in those cases. That simply is not the situation here. All of Claims 35, 37, 43, 48, 51 and 56 recite a non-volatile storage portion of a memory that is not a tape or CD. The originally filed specification of the '497 Application explicitly states that the disclosed invention eliminates the need to handle tapes and CDs. *See* p. 2, lns. 23 to 26. Thus, the concept of storing digital audio or digital video signals on a memory that is not a tape or CD is explicitly disclosed by the original specification. Therefore, *Wong* and *Grasselli* are inapposite to the present case.

The case from the C.C.P.A., *Application of Johnson*, 558 F.2d 1008 (C.C.P.A. 1977), concerns a situation where the applicant sought to claim priority to an originally filed application for claims in a subsequent CIP application. The holding of *Johnson* also fails to support the Office's position. In *Johnson*, an original parent application disclosed and claimed a genus of polymer compositions comprising various monomer units. In a later filed CIP application, the broad genus claims in the parent application were narrowed by expressly excluding certain species from the polymer compositions. The parent application only contained a description of the broader genus. The court found that claims to the narrower sub-genus created by the express exclusion of certain species in the CIP were not supported by the description of the broader genus in the parent specification. Again, the situation with the present reexamination differs significantly from the cited case law. Claims 35, 37, 43, 48, 51 and 56 recite a non-volatile storage portion of a memory that is not a tape or CD. This is

exactly what is described at page 2, lines 23 to 26 of the originally filed specification. In short, the negative limitation recited in Claims 35, 37, 43, 48, 51 and 56 is expressly disclosed in the specification of the parent application. Thus, in the instant case, the scope of the disclosure in the specification was never narrowed with respect to this element, contrary to the situation in *Johnson*. Therefore, the recitation of a non-volatile storage portion of a memory that is not a tape or CD is fully supported by the originally filed specification, as well as the specification of the '734 Patent as issued.

With respect to the other elements recited in Claims 35 through 60, the issue of written support for the claimed matter was previously addressed by Examiner Nguyen during the initial examination of Claims 1 through 34, as recognized by the Office in the Office Action dated March 17, 2007. Moreover, Appellant thoroughly demonstrated in the Response to the Office Action of September 29, 2006 that each element in Claims 35 through 60 is fully supported and enabled by the original specification as filed, as well as the specification for '734 Patent as issued. Therefore, the Board should reverse the Examiner's rejection.

**B. Rejection Of Claims 4, 6 Through 10, 19, 22 Through 25, 28 and 31 Through 60 Under 35 U.S.C. § 112, First Paragraph As Not Being Enabled By The Original Specification**

Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 have been rejected under Section 112, first paragraph, as not being enabled by the original specification.

As set forth in Section III(A) above, all of the limitations recited in the claims have written support in the original specification filed on June 13, 1988. In particular, Claims 1 through 34 were only amended to add limitations from existing dependent claims into existing independent claims. Therefore, the rationale cited by the Office for subjecting Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 34 to analysis under Section 112, first

paragraph is unfounded. Nonetheless, Appellant thoroughly demonstrated in Section III(C)(2) above that each element in Claims 1 through 34 is fully supported and enabled by the original specification as filed, as well as the specification for '734 Patent as issued.

With respect to new Claims 35 through 60, the only difference between the new claims and original Claims 1 through 34 is the recitation of "a non-volatile storage portion of the second memory that is not a tape or CD." As further set forth above, 37 C.F.R. § 1.552(a) states that an analysis under Section 112 will be performed with respect to *matter* added or deleted, not *claims* added or deleted. Therefore, the Office may only examine the claims with respect to the recitation of "a non-volatile storage portion of the second memory that is not a tape or CD" for compliance with the enablement requirement. This limitation is fully supported by the originally filed specification, as demonstrated above. For the same reason Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 are enabled, Claims 35 through 60 are also enabled. Therefore, the Board should reverse the Examiner's rejection.

**V. BASED ON THE PROPER PRIORITY DATE FOR THE CLAIMS IN REEXAMINATION THE REJECTIONS OF CLAIMS 1 THROUGH 4, 6 THROUGH 19, 22 THROUGH 25, 28 AND 31 THROUGH 60 BASED ON *YURT* AND/OR *GOLDWASSER* ARE IMPROPER**

As set forth above, the proper priority for Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in reexamination is June 13, 1988. Therefore, any rejections under Sections 102 or 103 which rely on references that are not prior art based on the June 13, 1988 priority date are improper and should be reversed. U.S. Patent No. 5,132,992 to Yurt (*Yurt*) issued on July 21, 1992 from an application filed on January 7, 1991. U.S. Patent 5,241,428 to Goldwasser (*Goldwasser*) issued on August 31, 1993 from an application filed on March 12, 1991. Therefore, *Yurt* and *Goldwasser* do not qualify as prior art for the purposes of Sections 102 and 103.

**A. Rejection Of Claims 4, 6 Through 19, 22 Through 25, 28, 31 Through 34 and 37 Through 60 Under 35 U.S.C. § 103(a) Over *Yurt* In View Of *Goldwasser***

Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 have been rejected under 35 U.S.C. § 103(a) as obvious over the combination of U.S. Patent 5,132,992 to *Yurt* (*Yurt*) in view of U.S. Patent No. 5,241,428 to *Goldwasser* (*Goldwasser*).

Neither of *Yurt* or *Goldwasser* qualifies as prior art based on the proper June 13, 1988 priority date of the '734 Patent. Therefore, a *prima facie* case of obviousness of Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 has not been established by the combination of *Yurt* and *Goldwasser*. Therefore, the Board should reverse this rejection.

**B. Rejection Of Claims 1, 2, 35 and 36 Under 35 U.S.C. § 103(a) Over *Yurt* In View Of *Bush***

Claims 1, 2, 35 and 36 have been rejected under 35 U.S.C. § 103(a) as obvious over the combination of *Yurt* in view of U.S. Patent 4,789,863 to *Bush* (*Bush*).

As set forth above *Yurt* does not qualify as prior art based on the proper June 13, 1988 priority date of the '734 Patent. Consequently, a combination of *Yurt* and another reference cannot provide a proper basis for an obviousness rejection, which means the rejection of Claims 1, 2, 35 and 36 based on a combination of *Yurt* and *Bush* is improper. Therefore, the Board should reverse this rejection.

**C. Rejection Of Claim 3 Under 35 U.S.C. § 103(a) Over *Yurt* In View Of *Bush* In View Of *Goldwasser***

Claim 3 has been rejected under 35 U.S.C. § 103(a) over *Yurt* in view of *Bush* further in view of *Goldwasser*.

As set forth above *Yurt* and *Goldwasser* are not available as prior art based on the appropriate priority date of June 13, 1988 for the '734 Patent. Consequently, a combination of *Yurt* and/or *Goldwasser* and another reference cannot provide a proper basis for an obviousness

rejection, which means the rejection of Claim 3 based on a combination of *Yurt*, *Bush* and *Goldwasser* is improper. Therefore, the Board should reverse this rejection.

## VI. DOUBLE PATENTING

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 also have been rejected under the judicially created doctrine of obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent, which is copending in reexamination, in combination with *Yurt*. This double-patenting rejection is improper as applied to the instant claims for the reasons set forth below.

### A. Obviousness-Type Double-Patenting Is Not A New Issue Related To Patentability And Is Therefore Inappropriate In The Instant Reexamination

It is not appropriate to consider and assert obviousness-type double-patenting in the present reexamination because it does not present a “substantial new question of patentability.” *See* 35 U.S.C. § 303.

During the prosecution of the applications that eventually resulted in the '734 Patent and the related '573 Patent, both applications were co-pending before Examiner Nguyen. Indeed, it was Examiner Nguyen who issued the '573 Patent, the subject '734 Patent, and the related U.S. Patent 5,966,440 (the “440 Patent”). Examiner Nguyen in each case therefore was well aware of the scope of the claims in each application and in the patents that issued from those applications. This by itself indicates the issue of double-patenting was before Examiner Nguyen in the original examination of the subject '734 Patent, and therefore does not present a “substantial new question of patentability” now.

35 U.S.C. § 303 permits the Director to “determine whether a substantial new question of patentability is raised.” While the fact that a patent or printed publication previously was cited or considered may not preclude the existence of a substantial new question of patentability

in some circumstances, the plain language of the statute nonetheless requires that the *question of patentability* raised must be new. Therefore, it is improper in reexamination to re-raise a ground for rejection that was before the examiner in the original examination of the patent (and any related patents) at issue. The case law squarely supports this position. *See In re Recreative Techs Corp.*, 83 F.3d 1394, 1398 (Fed. Cir. 1996) (“Reexamination is barred for questions of patentability that were decided in the original examination.”)

In the present case, the prosecution history of the ‘734 Patent shows unequivocally that Mr. Schwartz *specifically requested* Examiner Nguyen to consider any issues of double-patenting that might have resulted from the issuance of the ‘734 Patent. Thus, Mr. Schwartz expressly stated to Examiner Nguyen:

*Applicant requests the Examiner to review any double patenting possibility of the above-identified patent application in regard to U.S. Patent 5,191,573. If the Examiner determines there is no need for any double patenting concern, the applicant requests that the Examiner deem this request to consider double patenting as moot.*

(Response to Office Action filed by Applicant’s Counsel, Ansel Schwartz, July 13, 1994).

Further, in the related copending application that resulted in the ‘440 Patent, Mr. Schwartz again brought the issue of double-patenting to the Examiner Nguyen’s attention. Specifically, Mr. Schwartz stated to Examiner Nguyen:

*Applicant reminds the Examiner of related continuation application 08/607,648 and asks the Examiner to review whether there is any double patenting issue with regard to this application 08/607,648 or parent patent, U.S. Patent No. 5,191,573.*

(Response to Office Action filed by Applicant’s Counsel, Ansel Schwartz, July 3, 1996).

Notwithstanding this express raising of the issue *twice* by Mr. Schwartz, Examiner Nguyen in subsequent Office Actions declined to issue a rejection based on double-patenting in the two co-

pending applications that resulted in issuance of the '734 and the '440 Patents, with respect to each other or the '573 Patent. Thus, Examiner Nguyen plainly had the impetus and the opportunity to make a double patenting rejection had she felt it warranted. She did not do that, however. It therefore follows, *a fortiori*, that the question of double-patenting cannot, as a matter of law and fact, present a "substantial new question of patentability" in the present proceedings.

Moreover, Applicant was -- and Appellant now is -- entitled to rely on Examiner Nguyen's declining to make a rejection for double-patenting in response to the Applicant's previous specific requests to consider the issue. Appellant should not now be forced to face that same issue in the instant reexamination. That is exactly what 35 U.S.C. § 303 is intended to avoid. Indeed, as recognized by the CAFC in *Recreative Technologies*, the "substantial new question requirement would protect Appellants from having to respond to, or participate in unjustified reexaminations. Further, it would act to bar reconsideration of any argument already decided by the Office" and, as a result, "the statute [35 U.S.C. § 303] guarded against simply repeating the prior examination on the same issues and arguments."

*Id.* at 1397.

Therefore, the issue of double-patenting over the '573 Patent was properly before Examiner Nguyen and passed on during the original prosecution of the '734 Patent. As a result, under the plain meaning of 35 U.S.C. § 303 and the CAFC's holding in *Recreative Technologies*, double-patenting, under the present circumstances, is not a "substantial new question of patentability" and therefore is not a proper issue to be considered in this reexamination. Therefore, the Board should reverse the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 for obviousness-type double-patenting.



**B. Yurt Is Not Available As Prior Art For The Purpose Of Obviousness-Type Double-Patenting**

As set forth above, the claims currently in reexamination are entitled to the June 13, 1988 priority date awarded in the initial examination of the '734 Patent. As a result, *Yurt*, which does not antedate the June 13, 1988 priority date, is not available as prior art. Therefore, the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 for obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent in combination with *Yurt* is improper and should be withdrawn for this reason as well.

**C. The Rejection Of Claims 1 Through 4, 6 through 19, 22 Through 25, 28 And 31 Through 60 Over Claims 1 Through 6 Of The '573 Patent Alone Is Improper In An Obviousness-Type Double-Patenting Rejection**

As established above, *Yurt* is not available as prior art under the circumstances of the present reexamination. Because the rejection for obviousness-type double-patenting therefore is unsupported by some suggestion in the prior art, or the knowledge of one having ordinary skill in the art, it is improper and should be withdrawn for this reason as well.

The BPAI dealt with this very same issue in *Ex parte Schmit*, 64 U.S.P.Q.2d 1723 (Bd. Pat. App. & Interferences 2000). In *Schmit*, the BPAI reversed a rejection under the doctrine of obviousness-type double-patenting where the examiner had relied on a combination of "references" both of which were parents of the application at issue. In its opinion, the BPAI interpreted its own precedent in *Ex parte Oetiker*, 23 U.S.P.Q.2d 1651 (Bd. Pat. App. & Interferences 1990), and the precedent of the CAFC in *In re Longi*, 759 F.2d 887 (Fed. Cir. 1985). The BPAI recognized this precedent to "stand for the proposition *that prior art must be cited* to support an obviousness-type double-patenting rejection." *Schmit*, 64 U.S.P.Q.2d at 1725. (emphasis added) The BPAI therefore properly held that, "[a]bsent citation of prior art in addition to the base patent, there is no factual basis for the [obviousness-type double-patenting]

rejection.” *Id.* As a result, in the present reexamination, although the claims of the ‘573 Patent can be asserted by the Examiner as a partial basis for an obviousness-type double patenting rejection, the ‘573 Patent cannot *by itself* support such a rejection. *See Ex parte Schmit*, 64 U.S.P.Q.2d at 1723; *In re White*, 405 F.2d 904, 906 (C.C.P.A. 1969) (“Having been copending with the application at bar, appellants’ own patent is not prior art although it is the basis of the double patenting rejection.”); *Research Corp. Techs., Inc. v. Gensia Labs., Inc.*, 10 Fed. Appx. 856, 860 (Fed. Cir. 2001) (“In considering the question [double-patenting], the patent disclosure may not be used as prior art.”)

The instant obviousness-type double-patenting rejection implicitly acknowledges that Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are not co-extensive with the Claims 1 through 6 of the ‘573 Patent. Therefore, under *Oetiker* and *Longi*, as adopted by the BPAI in *Schmit*, it is necessary to show some rationale, either in the prior art, or the knowledge of one having ordinary skill in the art, as to why Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are obvious over Claims 1 through 6 of the ‘573 Patent. Since *Yurt* is not available as prior art for this purpose, and because the appropriate rationale does not otherwise appear on the record elsewhere, the Board should reverse the instant double-patenting rejection over Claims 1 through 6 of the ‘573 Patent for this further reason as well.<sup>2</sup>

**D. An Obviousness-Type Double-Patenting Rejection Cannot Properly Be Based On Claims 1 Through 6 Of The ‘573 Patent**

Claims 1 through 6 of the ‘573 Patent are currently the subject of the related copending ‘402 Reexamination. As such, any double-patenting rejection in the instant reexamination will necessarily be affected by the outcome in the related ‘402 Reexamination. Since the final form

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<sup>2</sup> Parenthetically, Appellant notes that *Schmit* was not published as binding precedent of the BPAI. Nonetheless, for the reasons set forth above, it is abundantly clear that *Schmit* was correctly decided and is supported by the precedent of the C.C.P.A. and CAFC. Therefore, the Board should follow the holding of *Schmit* in the present reexamination.

in which claims may emerge from the '402 Reexamination is not known, the Examiner cannot properly base a double-patenting rejection on the claims of the '573 Patent as they existed prior to the reexamination proceeding.

**Conclusion**

The Board should reverse the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 103(a). The Board should also reverse the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 under the doctrine of obviousness-type double-patenting. Finally, the Board should reverse the rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph.

Respectfully submitted,



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**CLAIMS APPENDIX**

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

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, 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, and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party;

the second memory having a second party hard disk;

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 controlling the first memory so the second party is charged money;  
electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals;  
storing a replica of the coded desired digital video or digital audio signals from the first party 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; and storing the transferred replica of the coded desired digital video or digital audio signals in the second [memory] party hard disk.

2.(Original) A method as described in claim 1 wherein there is 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, and before the forming step, there is the step of commanding the second party integrated circuit with the second party control panel to initiate the purchase of the desired digital video or digital audio signals from the first party hard disk.

3.(Amended) A method as described in claim 2 wherein the second memory includes an incoming random access memory chip which temporarily stores the coded desired digital video or digital audio signals from the sales random access memory chip[, a second party hard disk for storing the coded desired digital video or digital audio signals from the incoming random access memory chip,] and a playback random access memory chip for temporarily storing the coded desired digital video or digital audio signals from the [first] second party hard disk for sequential playback; and the storing the transferred replica step induces the steps of storing the coded desired digital video or digital audio signals from the sales random access memory chip in the incoming random access memory chip, transferring the desired digital video or digital audio signals from the incoming random access memory chip to the second party hard disk, storing the desired digital video or

digital audio signals in the second party hard disk, 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, transferring a replica of the desired digital video or digital audio signals from the second party hard disk to the playback random access memory chip for playback and, playing the desired digital video or digital audio signals from the second party hard disk.

4.(Amended) A system for transferring digital video or digital audio signals comprising: a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit, and means for electronically selling the desired digital video or digital audio signals;

a second party control unit having a second party control panel, a second memory connected to the second party control panel, and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said means for playing operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party, the second party memory includes a second party hard disk which stores the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the second party hard

disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback; and telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party.

5. (Canceled)

6.(Amended) A system as described in claim [5] 4 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control panel through the telecommunications lines; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

7.(Original) A system as described in claim 6 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the second party hard disk, the playback random

access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

8.(Original) A system as described in claim 7 wherein the second memory includes an incoming random access memory chip connected to the second party hard disk and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video or audio signals received from the first party's control unit for subsequent storage to the second party hard disk.

9.(Original) A system as described in claim 8 wherein the playing means includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video or audio signals.

10.(Original) A system as described in claim 4 wherein the telecommunications lines include telephone lines.

11.(Amended) A system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party comprising:



a first memory in possession and control of the first party;

a second memory in possession and control of the second party, said second memory is at a location remote from said first memory;

the second memory including a second party hard disk;

telecommunications lines;

means or a mechanism for transferring money electronically via telecommunications lines from the second party controlling use and in possession of the second memory to the first party controlling use and in possession of the first memory;

means or a mechanism for connecting electronically via the telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical

communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party, said first control unit

comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical

communication with said first control integrated circuit, said second control unit

comprising a second control panel, a second control integrated circuit, an incoming

random access memory and a playback random access memory, said second control panel,

said incoming random access memory and said playback random access memory in

electrical communication with said second control integrated circuit;

means or a mechanism for transmitting the desired digital video or digital audio signals

from the first memory to the second memory, said means or mechanism for transmitting

comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second memory, the transmitter and the telecommunications lines, said first party in control and possession of the transmitter, said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party, said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the first memory [in] into the second party hard disk of the second memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said second memory.

12.(Original) A system as described in claim 11 wherein the telecommunications lines include telephone lines.

13.(Amended) A system as described in claim 12 wherein the first memory comprises a first hard disk [and the second memory comprises a second hard disk].

14.(Original) A system as described in claim 13 including a video display and speakers in possession and control of the second party, said video display and speakers in electrical communication with said second control integrated circuit.

15.(Original) A system as described in claim 11 wherein the telecommunications lines include telephone lines.

16.(Original) A system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location comprising:

a first memory at a first party location, said first memory in possession and control of the first party, said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored;

a second memory in possession and control of the second party, wherein said second memory is at a second party location remote from said first memory, said second memory comprising a second party hard disk in which the desired digital video or digital audio signals are stored that are received from the first memory and a playback random access memory connected to the second party hard disk;

telecommunications lines;

means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location, said first party controlling use of the first memory, said second party controlling use and in possession of the second memory, said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location;

means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit, said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit, said second control unit comprising a second control panel, a second control integrated circuit, and an incoming random access memory which temporarily stores the desired digital video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said second party hard disk, said second control panel, said incoming random access memory, said second party hard disk and said playback random access memory in electrical communication with said second control integrated circuit;

means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random

access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines, said first party in control and possession of the transmitter, said second party in control and possession of the receiver, said receiver remote from said transmitter, and said receiver at the second party location determined by the second party, said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory.

17.(Original) A system as described in claim 16 wherein the telecommunications lines include telephone lines.

18.(Original) A system as described in claim 17 including a video display and speakers in electrical communication with said second control integrated circuit.

19.(Amended) A system for transferring digital video signals comprising:  
a first party control unit in possession and control of a first party;  
a second party control unit in possession and control of the second party, wherein said second party control unit is at a location remote from said first party control unit;  
said first party control unit having a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes

a first party hard disk having the plurality of digital video signals which include desired digital video signals, and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit, and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location;

a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit, said second party choosing the desired digital video signals from the first party's hard disk with said second party control panel, said second party control unit includes a second memory which is connected to the receiver and the video display, said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip, the second party control unit includes a second party hard disk which stores a plurality of digital video signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video signals as a temporary staging area for playback; and

telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, the telecommunications lines include telephone lines.

20 - 21.(Canceled)

22. (Amended) A system as described in claim [21] 19 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control integrated circuit through the telecommunications lines, said first party control integrated circuit and said second party control integrated circuit regulate the transfer of the desired digital video signals; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

23.(Original) A system as described in claim 22 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the second party hard disk, the playback random access memory, and the first party control integrated circuit through the

telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

24.(Original) A system as described in claim 23 wherein the second party control unit includes an incoming random access memory chip connected to the second party hard drive and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video signals received from the first party's control unit for subsequent storage to the second party hard disk.

25.(Original) A system as described in claim 24 wherein the second party control unit includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video signals.

26 - 27.(Canceled)

28.(Amended) A system for transferring digital video or digital audio signals comprising: a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a sales random access memory chip electronically connected to the first party hard disk for storing



a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit, and a mechanism for electronically selling the desired digital video or digital audio signals of the first party's hard disk;

a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said playing mechanism operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party, the second party control unit includes a second party hard disk which stores a plurality of digital video or audio signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or audio signals as a temporary staging area for playback; and

telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, the telecommunications lines include telephone lines.

29 - 30.(Canceled)

31.(Amended) A system as described in claim [30] 28 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control integrated circuit through the telecommunications lines, said first party control integrated circuit and said second party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

32.(Original) A system as described in claim 31 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the second party hard disk, the playback random access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

33.(Original) A system as described in claim 32 wherein the second party control unit includes an incoming random access memory chip connected to the second party hard

drive and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video or audio signals received from the first party's control unit for subsequent storage to the second party hard disk.

34.(Original) A system as described in claim 33 wherein the second party control unit includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video or audio signals.

35.(New) A method for transferring desired digital video or digital audio signals comprising the steps of:

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, 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, and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party;

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 controlling the first memory so the second party is charged money;

electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals;

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; and

storing the transferred replica of the coded desired digital video or digital audio signals in a non-volatile storage portion of the second memory;  
wherein the non-volatile storage portion is not a tape or CD.

36.(New) A method as described in Claim 35 wherein there is 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, and before the forming step, there is the step of commanding the second party integrated circuit with the second party control panel to initiate the purchase of the desired digital video or digital audio signals from the first party hard disk.

37.(New) A system for transferring digital video or digital audio signals comprising:  
a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a

sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit, and means for electronically selling the desired digital video or digital audio signals;

a second party control unit having a second party control panel, a second memory connected to the second party control panel, and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said means for playing operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party, the second memory includes a non-volatile storage portion which is not a tape or CD, the second memory storing the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or digital audio signals from the non-volatile storage as a temporary staging area for playback; and

telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party.

38.(New) A system as described in Claim 37 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control panel through the telecommunications lines; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

39.(New) A system as described in Claim 38 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the non-volatile storage, the playback random access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

40.(New) A system as described in Claim 39 wherein the second memory includes an incoming random access memory chip connected to the non-volatile memory and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video or audio signals

received from the first party's control unit for subsequent storage to the non-volatile memory.

41.(New) A system as described in Claim 40 wherein the playing means includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video or audio signals.

42.(New) A system as described in Claim 37 wherein the telecommunications lines include telephone lines.

43.(New) A system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party comprising:

a first memory in possession and control of the first party;

a second memory in possession and control of the second party, said second

memory is at a location remote from said first memory;

telecommunications lines;

means or a mechanism for transferring money electronically via

telecommunications lines from the second party controlling use and in possession of the

second memory to the first party controlling use and in possession of the first memory and

includes a non-volatile storage portion that is not a tape or CD;

means or a mechanism for connecting electronically via the telecommunications

lines the first memory with the second memory such that the desired digital video or

digital audio signals can pass therebetween, said connecting means or mechanism in

electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party, said first control unit comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical communication with said first control integrated circuit, said second control unit comprising a second control panel, a second control integrated circuit, an incoming random access memory and a playback random access memory, said second control panel, said incoming random access memory and said playback random access memory in electrical communication with said second control integrated circuit;

means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to the second memory, said means or mechanism for transmitting comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second memory, the transmitter and the telecommunications lines, said first party in control and possession of the transmitter, said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party, said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and

means or a mechanism for storing the desired digital video or digital audio signals from the first memory into the non-volatile storage portion of the second memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said second memory.



44.(New) A system as described in Claim 43 wherein the telecommunications lines include telephone lines.

45.(New) A system as described in Claim 44 wherein the first memory comprises a hard disk.

46.(New) A system as described in Claim 45 including a video display and speakers in possession and control of the second party, said video display and speakers in electrical communication with said second control integrated circuit.

47.(New) A system as described in Claim 43 wherein the telecommunications lines include telephone lines.

48.(New) A system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location comprising:

    a first memory at a first party location, said first memory in possession and control of the first party, said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored;

    a second memory in possession and control of the second party, wherein said second memory is at a second party location remote from said first memory, said second memory including a non-volatile storage portion in which the desired digital video or

digital audio signals are stored that are received from the first memory and a playback random access memory, wherein the non-volatile storage portion is not a tape or CD;

telecommunications lines;

means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location, said first party controlling use of the first memory, said second party controlling use and in possession of the second memory, said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location;

means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit, said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit, said second control unit comprising a second control panel, a second control integrated circuit, and an incoming

random access memory which temporarily stores the desired digital video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said non-volatile storage, said second control panel, said incoming random access memory, said non-volatile storage and said playback random access memory in electrical communication with said second control integrated circuit;

means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines, said first party in control and possession of the transmitter, said second party in control and possession of the receiver, said receiver remote from said transmitter, and said receiver at the second party location determined by the second party, said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and

means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory.

49.(New) A system as described in Claim 48 wherein the telecommunications lines include telephone lines.

50.(New) A system as described in Claim 49 including a video display and speakers in electrical communication with said second control integrated circuit.

51.(New) A system for transferring digital video signals comprising:

a first party control unit in possession and control of a first party;

a second party control unit in possession and control of the second party, wherein said second party control unit is at a location remote from said first party control unit;

said first party control unit having a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes a first party hard disk having the plurality of digital video signals which include desired digital video signals, and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit, and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location;

a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel, said second

party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit, said second party choosing the desired digital video signals from the first party's hard disk with said second party control panel, said second party control unit includes a second memory which is connected to the receiver and the video display, said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip, the second party control unit includes a non-volatile storage portion which stores a plurality of digital video signals, wherein the non-volatile storage portion is not a tape or CD, and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video signals as a temporary staging area for playback; and telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, the telecommunications lines include telephone lines.

52.(New) A system as described in Claim 51 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control integrated circuit through the telecommunications

lines, said first party control integrated circuit and said second party control integrated circuit regulate the transfer of the desired digital video signals; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

53.(New) A system as described in Claim 52 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the non-volatile storage, the playback random access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party control integrated circuit regulate the transfer of the desired digital video signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

54.(New) A system as described in Claim 53 wherein the second party control unit includes an incoming random access memory chip connected to the non-volatile storage and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video signals received from the first party's control unit for subsequent storage to the non-volatile storage.

55.(New) A system as described in Claim 54 wherein the second party control unit includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video signals.

56.(New) A system for transferring digital video or digital audio signals comprising:

a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's disk to be transferred from the first party control unit, and a mechanism for electronically selling the desired digital video or digital audio signals of the first party's hard disk;

a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said playing mechanism operatively controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party, the second memory includes a non-volatile storage portion which stores a plurality of digital video or audio signals, wherein the non-volatile storage portion is not a tape or CD, and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or audio signals as a temporary staging area for playback; and

telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the non-volatile storage portion of the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, the telecommunications lines include telephone lines.

57.(New) A system as described in Claim 56 wherein the first party control unit includes a first party control integrated circuit which controls and executes commands of the first party and is connected to the first party hard disk, the first party sales random access memory, and the second party control integrated circuit through the telecommunications lines, said first party control integrated circuit and said second party control integrated circuit regulate the transfer of the desired digital video or audio signals; and a first party control panel through which the first party control integrated circuit is programmed and is sent commands and which is connected to the first party control integrated circuit.

58.(New) A system as described in Claim 57 wherein the second party control unit includes a second party control integrated circuit which controls and executes commands of the second party and is connected to the non-volatile storage, the playback random access memory, and the first party control integrated circuit through the telecommunications lines, said second party control integrated circuit and said first party



control integrated circuit regulate the transfer of the desired digital video or audio signals; and a second party control panel through which the second party control integrated circuit is programmed and is sent commands and which is connected to the second party integrated circuit.

59.(New) A system as described in Claim 58 wherein the second party control unit includes an incoming random access memory chip connected to the non-volatile storage and the second party control integrated circuit, and the first party control unit through the telecommunications lines for temporarily storing the desired digital video or audio signals received from the first party's control unit for subsequent storage to the non-volatile storage.

60.(New) A system as described in Claim 59 wherein the second party control unit includes a video display unit connected to the playback random access memory chip and to the second party integrated circuit for displaying the desired digital video or audio signals.



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GENERAL INFORMATION

FACSIMILE INFORMATION SHEET

TO:	<u>Manuel Saldana</u>	FROM:	<u>Daniel P. Reilly</u>	DIRECT DIAL:	<u>215-988-1992</u>
DATE:	<u>February 6, 2008</u>	DOCUMENT NAME:			<u>90/007,403</u>
	NUMBER OF PAGES: INCLUDING COVER				<u>2</u>
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Message:

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If you have any questions, please contact Robert Koons at (215) 988-3392 or Daniel Reilly at (215) 988-1992.

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CENTRAL REEXAMINATION UNIT


IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: Arthur R. Hair	:	Group No.: 3992
	:	
Serial No.: 90/007,403	:	Examiner: Roland G. Foster
	:	
Filed: January 31, 2005	:	Confirmation No. 3002
	:	
For: SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS		

CERTIFICATE OF SERVICE

The undersigned hereby certifies that true and correct copies of the AMENDED BRIEF ON APPEAL UNDER 37 C.F.R. § 41.37 and the RESPONSE TO NOTIFICATION OF NON-COMPLIANT APPEAL BRIEF, which were filed with the United States Patent & Trademark Office on January 30, 2008, in Reexamination No. 90/007,403, were served via First Class United States Mail, postage prepaid, this 6th day of February 2008, on the following:

Mr. Albert S. Penilla  
Martine, Penilla, & Gencarella, LLP  
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Attorney for Third Party Reexamination Requester

By:   
Robert A. Koons, Jr.  
Attorney for Appellant (Patentee)



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23973	7590	04/24/2008	EXAMINER	
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DATE MAILED: 04/24/2008

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CENTRAL REEXAMINATION UNIT

**EX PARTE REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. 90/007,403.

PATENT NO. 5675734.

ART UNIT 3992.

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).



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CENTRAL REEXAMINATION UNIT

**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Application Number: 90/007,403  
Filing Date: January 31, 2005  
Appellant(s): 5675734

Robert A. Koons, Jr.  
For Appellant

**EXAMINER'S ANSWER**

This is in response to the appeal brief filed January 30, 2008 appealing from the Office action mailed March 17, 2007.

**(1) Real Party in Interest**

A statement identifying by name the real party in interest is contained in the brief.

**(2) Related Appeals and Interferences**

Related appeals are pending from reexamination proceeding for the following U.S. Patents, which are all related to the subject '734 patent.

<u>U.S. Patent No.</u>	<u>Reexamination Proceeding</u>	<u>Relationship To Subject U.S. Patent</u>
5,191,573	90/007,402	Great Grand-Parent
5,966,440	90/007,407	Continuation of same Parent

**(3) Status of Claims**

The statement of the status of claims contained in the brief is correct.

**(4) Status of Amendments After Final**

The appellant's statement of the status of amendments after final rejection contained in the brief is correct.

**(5) Summary of Claimed Subject Matter**

The summary of claimed subject matter contained in the brief is correct to the extent it contains a concise explanation of the subject matter.

**(6) Grounds of Rejection to be Reviewed on Appeal**

The appellant's statement of the grounds of rejection to be reviewed on appeal is substantially correct.

**(7) Claims Appendix**

The copy of the appealed claims contained in the Appendix to the brief is correct.

**(8) Evidence Relied Upon**

4,789,863	Bush	12-1988
5,132,992	Yurt	7-1992
5,241,428	Goldwasser	8-1993



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"The History of Recordings", Recording Industry of Association, retrieved from <http://www.riaa.com/issues/audio/hisotry.asp> on September 19, 2006.

"History of CD Technology", citing as a source "The compact Disc Handbook, 2nd Edition," by Ken C. Pohlmann, retrieved from <http://www.oneoffcd.com/info/hisotrycd.cfm> on September 19, 2006.

"History of MPEG", University of California, Berkeley, School of Information Management and Systems, retrieved from <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> on September 19, 2006

"IBM HDD Evolution" chart, by Ed Grochowski at Almaden, retrieved from [http://www.soragereview.com/guideImages/z\\_ibm\\_sorageevolution.gif](http://www.soragereview.com/guideImages/z_ibm_sorageevolution.gif) on September 19, 2006.

### **(9) Grounds of Rejection**

#### **Summary**

U.S. Patent No. 5,675,734 is presently under reexamination in this proceeding. The claims of said patent are generally directed to downloading audio and video content via a "telecommunication line," where a district court, consistent with the appellant's arguments in that proceeding, held that the term "telecommunications line" may include the Internet.<sup>1</sup> The appellant has not characterized the claimed invention differently in this reexamination proceeding. See for example, the Declaration by Arthur R. Hair, filed on December 27, 2005, especially paragraphs 4-6.

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<sup>1</sup> Sightsound.com Inc. v. NSK, Inc. Cdnow, Inc., and Cdnow Online, Inc., Civil Action No. 98-118, pp. 50 and 57 (District Court for the Western District of Pennsylvania, Feb. 2002).

### **Intervening Printed Publications**

#### **Summary**

Claims in an *ex parte* reexamination proceeding will be examined on the basis of patents or printed publications. 37 CFR 1.552. The examiner may use an intervening printed publication when the claims under reexamination are entitled only to the actual filing date of the patent being reexamined, not to the filing date of a different, earlier filed patent. 35 U.S.C. 120. See also MPEP § 2258.I.C.

#### **Definitions**

As an initial matter, the instant '734 patent and the earlier filed applications are related as follows. The '734 patent under reexamination issued from U.S. Application No. 08/607,648 (hereinafter the "Child" application), which was filed on February 27, 1996. The parent application to the Child application is U.S. Application No. 08/023,398, filed on February 26, 1993 (hereinafter the "Parent" application). The grandparent application to the Child application is U.S. Application No. 07/586,391 (hereinafter the "Grandparent" application), filed on September 18, 1990. Finally, the Great-grandparent application to the Child application is U.S. Application No. 07/206,497, filed June 13, 1988 (hereinafter the "Great Grandparent" application). The Parent, Grandparent, and Great-grandparent applications are collectively referred to as the parent applications.

Basic Statement of the Issues Regarding Entitlement to the Benefit of a Filing Date of an Earlier Application

The Great-grandparent, Grandparent, Parent, and Child applications are alleged to be related to their respective parent applications as "continuation" applications (i.e., each child application did not, on filing, contain disclosure of any subject matter not present in its respective, parent application, and the claims of each child application, on filing, were fully supported by the disclosure of the child application, see MPEP § 201.06(c).III).<sup>2</sup> However, the specifications of these applications differ considerably, as discussed below, raising issues of priority under 35 U.S.C. 120.

Furthermore, the prosecution history of the Child application (issuing as the '734 patent under reexamination) does not show that the examiner had any reason to consider the propriety of the benefit (continuation) claim set forth in the Child application to any of the originally filed, parent applications, as for example a reference dated later than the filing date of any of the parent applications that would antedate the actual filing date of the Child application. In addition, the prosecution history of the Child patent does not contain any substantive, written discussion between the Patent Owner and the examiner regarding such claims to the benefit of filing date in any of the parent applications, as originally filed.

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<sup>2</sup> Note that all the applications above were filed under the old "file wrapper continuation" procedures under 37 CFR 1.62, see MPEP § 201.06(a).

For the reasons to be discussed below, the effective filing date of the '734 patent under reexamination, which issued from the Child application, is February 27, 1996 (at the earliest), which is the actual filing date of the Child application.

Intervening Patents and Printed Publications Are Available as Prior Art In a Reexamination Proceeding According to 35 U.S.C. 120

A rejection may be made in an *ex-parte* reexamination proceeding based on an intervening patent when the patent claims under reexamination, under 35 U.S.C. 120, are entitled only to the filing date of the patent under reexamination. Specifically:

Rejections may be made in reexamination proceedings based on intervening patents or printed publications where the patent claims under reexamination are entitled only to the filing date of the patent and are not supported by an earlier foreign or United States patent application whose filing date is claimed. For example, under 35 U.S.C. 120, the effective date of these claims would be the filing date of the application which resulted in the patent. Intervening patents or printed publications are available as prior art under *In re Ruscetta*, 255 F.2d 687, 118 USPQ 101 (CCPA 1958), and *In re van Langenhoven*, 458 F.2d 132, 173 USPQ 426 (CCPA 1972). See also MPEP § 201.11

MPEP § 2258.I.C, Scope of Reexamination (emphasis added).

As discussed above, 35 U.S.C. 120 applies to *ex-parte* reexamination procedure. To be entitled to benefit of an earlier filing date under 35 U.S.C. 120, the originally filed specification must support the invention claimed in the later application. See 35 U.S.C. 120.

The Original Claims of the Child Patent Under Reexamination Are Not Entitled to Benefit of Filing Date of the Parent Applications, as Originally Filed, Under 35 U.S.C. 120 Because the Written Description of the Parent, Grandparent, and Great Grandparent Applications, as Originally Filed, Fail to Support Several Features Claimed in the Child Patent Under Reexamination

A review of the prosecution history reveals that a significant amount of new text (directed to various features) added by a series of amendments is not found in the Great-grandparent application, as originally filed (see attachment "A"), nor for that matter the Grandparent and Parent applications as originally filed.

When an explicit limitation in a claim "is not present in the written description whose benefit is sought it must be shown that a person of ordinary skill would have understood, at the time the patent application was filed, that the description requires that limitation." Hyatt v. Boone, 146 F.3d 1348, 1353, 47 USPQ2d 1128, 1131 (Fed. Cir. 1998) (emphasis added) (Certiorari Denied). The written description must "actually or inherently disclose the claim element." Poweroasis, Inc. v. T-Mobile USA, Inc., 2008 WL 1012561, p. 6 (Fed. Cir. 2008). "To establish inherency, the extrinsic evidence must make clear that the missing descriptive matter is necessarily present in the thing described in the reference.... Inherency, however, may not be established by probabilities or possibilities." In re Robertson, 169 F.3d 743, 745, 49 USPQ2d 1949, 1950-51 (Fed. Cir. 1999) (citations omitted, emphasis added). As for speculation about undisclosed uses of the originally disclosed elements, it is not sufficient that the written description, when "combined with the knowledge in the art, would lead one to speculate as to modifications that the inventor might have envisioned, but failed to disclose."

Lockwood v. American Airlines, Inc., 107 F.3d 1565, 1571, 41 USPQ2d 1961, 1965-66 (Fed. Cir. 1997). See also MPEP § 2163.II.A.2(b) and § 2163.05.II.

**Step 1: Great-Grandparent Fails to Provide Benefit of Filing Date to Grandparent**

A review of the prosecution history reveals that a significant amount of new text (directed to various features) added in a series of amendments to both the Great-grandparent and Grandparent applications is not found in the Great-grandparent application as originally filed (attachment "A"). Consider the following Table I:

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Table I. New Matter Chart

	Great-grandparent Appln. 07/206,497, filed 6/13/88 (Abandoned)		Grandparent Appln. 07/586,391, filed 9/18/90 (5,191,573)	
Feature	Date First Appearing in Claims of Great- grandparent Appln.	Date First Appearing in Spec. of Great- grandparent Appln.	Date First Appearing in Claims of Grandparent Appln.	Date First Appearing in Spec. of Grandparent Appln.
Hard Disk/Control Unit of Seller/User	Filing Date of the <b>Original</b> Application – 6/13/88	Filing Date of the <b>Original</b> Application – 6/13/88		Filing Date of the Grandparent Application – 9/18/90
Electronic sales and distribution of the music				
Broad Statement at end of spec. regarding Video Applicability, Note *		Filing Date of the <b>Original</b> Application – 6/13/88		Filing Date of the Grandparent Application – 9/18/90
Transferring Money from Second Party to a First Party (Charging a Fee)	12/22/88 (2/28/90)		Filing Date of the Grandparent Application – 9/18/90	12/11/91
Providing a Credit Card Number	12/22/88		Filing Date of the Grandparent Application – 9/18/90	
Controlling Use of First/Second Memory	12/22/88		Filing Date of the Grandparent Application – 9/18/90	12/11/91
Transmitting to a Location Determined by Second Party	2/28/90		Filing Date of the Grandparent Application – 9/18/90	12/11/91
Specific Video Download Procedures	2/28/90		Filing Date of the Grandparent Application – 9/18/90	12/11/91 Note **
First Party in Possession of Transmitter	8/24/90, but not entered		Filing Date of the Grandparent Application – 9/18/90	12/11/91
Second Party in Possession of Receiver and Second Memory	8/24/90, but not entered		Filing Date of the Grandparent Application – 9/18/90	12/11/91

Key: Clear row means original matter present in the original Great-grandparent application. Shaded row means new matter introduced by amendment into both the Great-grandparent and Grandparent applications subsequent to the date of the original Great-grandparent application.

Note \* - The original specification also describes using a "convenient visual display of the user's library of songs" (page 5), however this section appears to relate to displaying category/lyrical information to the user regarding downloaded audio content, and not directed to the actual download, processing, and display of video content.

Note \*\* - Even more detailed video download procedures are added to the specification of subsequent Child applications, see the 90/007,403 and 90/007,407 reexaminations.

Appellant failed to provide adequate support for all the new text added by the series of amendments (as identified in Table I above) to the Great-grandparent and Grandparent applications. Appellant should specifically point out the support for any amendments made to the original disclosure. MPEP § 714.02, 2163.II.A.2(b), and 2163.06. Consider the following:

## Table II. Amendment History Chart

### I. Great-grandparent Application No. 07/206,497 (filed June 13, 1988)

#### a. *Amendment of Dec. 22, 1988*

##### New Matter in Claims

New Independent Claim 11 – "transferring money to a party controlling use of the first memory"

New Dependent Claim 13 - "providing a credit card number of the party controlling use of the first memory by the party controlling the second memory"

##### New Matter in Spec.

No new matter added to specification.

##### Support for New Matter

Applicant made a statement in the amendment that "support for these new claims is found in the figures." This statement however is very broad. Applicant does not specifically point out where in the figures the added features are found and the examiner cannot find support for such features.



***b. Amendment of Feb. 28, 1990***

New Matter in Claims

New Dependent Claim 14 - "transmitting the digital signal from the first memory to the second memory at a location determined by the second party..."

New Independent Claim 15 –

\* "transmitting a desired digital, a video or audio music signal...."

[detailed recitation of a method for transmitting follows]

\* "charging a fee to the first party controlling use of the second memory"

New Dependent Claim 18 – "charging a fee to a party controlling the use and the location of the second memory."

New Matter in Spec.

Abstract briefly mentions storing video signals onto a hard disk.

Support for New Matter

Applicant made a statement in the amendment that "antecedent support for these claims is found in Figure 1." This statement is very broad. Applicant does not specifically point out where in the figures the added features are found and the examiner cannot find support for such features.

***c. Proposed After-final Amendment of August 24, 1990 (Not Entered)***

New Matter in Claims

Independent Claim 11 –

\* "second party controlling use and in possession of the second memory"

\* "with a transmitter in control and possession of the first party to a receiver having a second memory at a location

determined by the second party, said receiver in possession and control of the second party"

Independent Claim 15 –

- \* "charging a fee by a first party controlling use of the first memory
- \* new limitations similar to claim 11 above

New Matter in Spec.

Title amended to state "Method for Transmitting a Desired Video or Audio Signal"

Support for New Matter

No support was provided.

**II. Grandparent Application No. 07/586,391 (filed September 18, 1990) (FWC) (Issued as 5,191,573)**

A substantial amount of new matter was added to the Grandparent application, with respect to the Parent application as originally filed. For example, see the preliminary amendment of September 18, 1990, the amendment of December 11, 1991, the amendment of June 25, 1992, and the amendment of October 5, 1992.

Thus, as discussed above, the appellant failed to point out support in the original Great-grandparent application, as originally filed (attachment "A"), for all of the new text added by the series of amendments. Appellant should specifically point out the support for any amendments made to the original disclosure. MPEP § 714.02, 2163.II.A.2(b), and 2163.06.

*Missing Descriptive Matter (Table I) Not Inherent  
To Great-Grandparent and Grandparent*

In the instant case, it is clear that the explicit limitations added by amendment but missing from the original written description are not required by or necessarily present in the original written description. The recited details as to how money is transferred from a second party to the first party, a fee is charged, or how a credit card number is provided are not disclosed or required by the original, generic statement "electronic sales and distribution of the music...." For example, during the originally disclosed electronic sale, money could instead be transferred from a third party buyer (e.g., advertiser, local network provider, local retail store, friend, etc.) and/or transferred to a third party seller (e.g., remote wholesale music provider, local network provider, local retail store, etc.). Furthermore, a money fee would not necessarily be charged upfront during a sale (e.g., a free preview or trial period, or a sale based on barter or credits). Thus, an electronic sale could be booked without the transfer of money. Finally, digital content would not necessarily be purchased using a credit card. For example, the person downloading the content could receive the bill in the mail.

Similarly, the ability to control and possess a transmitter, receiver, and memory and to determine the location to which data is transmitted is not disclosed or required by the original, generic statements such as "control unit of the user." For example, the originally disclosed control unit of the seller or user could instead mean that seller and/or buyer instead rent or lease the equipment as is commonplace in the computer network industry rather than possess the equipment. Neither is the seller or user required to exercise control over their equipment, for

example, the downloading services could be provided by a third party offering a turn-key solution.

The appellant submitted a Declaration on June 25, 1992 attempting to show many of the above features were nonetheless required. This Declaration however, and related attorney arguments, were in response to a new matter objection made to one in a series of amendments, specifically the amendment of December 11, 1991 (see the non-final rejection in the Grandparent application, mailed on February 24, 1992), where by the way, both the examiner and appellant only touched upon a subset of the new matter issues described in Table I above. A series of amendments to the specification and claims were filed previously and subsequently to this single amendment in the Great-grandparent and Grandparent applications, where each amendment gradually added new matter. See Table II, *supra*. Therefore, it is not clear whether the examiner addressed this issue in regard to the specification as originally filed in the Great-grandparent application from which the '734 patent issued, much less in regard to the specification as originally filed in the Grandparent application, which is at issue here.

Nonetheless, the Declaration is unpersuasive. Although factual evidence is preferable to opinion testimony in a 37 C.F.R. 1.132 Declaration, opinion testimony is entitled to consideration and some weight so long as the opinion is not on the ultimate legal conclusion at issue. While an opinion as to a legal conclusion is not entitled to any weight, the underlying basis for the opinion may be persuasive. MPEP § 71601(c).III. Here, the 1.132 Declaration relies upon the opinion of the inventor, often couched in conclusory language, to reach

conclusions about what would have been required by the specification, as it existed at the time of the December 11, 1991 amendment. That is, the Declaration goes to the ultimate legal conclusion at issue, whether the specification at the time of the December 11, 1991 amendment discloses those limitations newly introduced into the December 1991 amendment. Thus, the Declaration is not entitled to any weight, and furthermore the basis for the opinion is unpersuasive. For example, consider the following conclusory statement from page 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.

As discussed above, a money fee would not necessarily be charged upfront during a sale (e.g., a free preview or trial period, or a sale based on barter or credits). Thus, an electronic sale could be booked without the transfer of money. The purchaser instead could be easily identified by other types of information (e.g., account number, PIN, email address, mailing address, etc.). Furthermore, digital content would not necessarily be purchased using a credit card. The simplest example is that a person downloading the content could receive the bill in the mail.

*Missing Descriptive Matter (Describing Video Download Features) Not Inherent To Great-Grandparent and Grandparent*

The specific video download features added to the original specification and claims by the above amendments are not disclosed nor required by the one sentence, generic statement at the end of the original specification that "this invention is not to be limited to Digital Audio

Music and can include Digital Video...."<sup>3</sup> Undisclosed digital video features (assuming enablement) could be implemented into the broadly termed "invention" in an almost unlimited number of specific, possible (but not required) ways, such as at various levels of integration with the originally disclosed audio system and at various levels of detail. By introducing new text directed to specific video download features in the subsequent amendments, the appellant simply chose one possible (but not required) way to integrate video features into the originally disclosed audio system.<sup>4</sup> Indeed, the appellant continued to add specific, video download and transmission procedures not found in the original specification (i.e., chose other possible ways to integrate video features) during the prosecution of subsequent, allegedly "continuation" applications, see the 90/007,403 and 90/007,407 reexaminations.<sup>5</sup> Thus, the original, one sentence generic statement does not require all the many instances of undisclosed, specific details later added by the appellant.

Furthermore, transmission and storage of digital video content significantly differs in technology from the transmission and storage of digital audio content, thus the originally disclosed audio transmission features fail to imply or require any video transmission features. For example, the decoding of digital video data is much more processor intensive than the decoding of digital audio data due to the increased information content and bandwidth of a

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<sup>3</sup> The original specification also describes using a "convenient visual display of the user's library of songs" (page 5), however this section appears to relate to displaying category/lyrical information to the user regarding downloaded audio content, and not directed to the actual download, processing, and display of video content.

<sup>4</sup> See the amendments of February 28, 1990, December 11, 1991, and June 25, 1992.

<sup>5</sup> Although adding text that replaces all appearances of "audio" with "video" would be one possible (but not required) way to integrate undisclosed video features into the originally disclosed audio system, this is not what the applicant has done here, probably because such a rote replacement would create a dysfunctional system. For example, those originally disclosed audio features directed to listening to the audio cannot be simply replaced with the word video (e.g., listening to "video"). For example, applicant waited until the child application to add new text directed toward displaying downloaded video, see page 10 of the amendment, filed January 3, 1994, in child application 08/023,398.

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typical video signal. In the mid 1980(s), at the time of the filing date of the original Grandparent specification, only compact audio disk players were routinely available.<sup>6</sup> Personal user devices with the processing power capable of playing back much larger and more complex digital video files, such as DVD players, were not routinely available until the late 1990(s), and even these devices initially only read video data from read-only DVD disks capable of storing large digital video files, not from video data downloaded (recorded) from a remote server via a communications network.<sup>7</sup> Thus, undisclosed devices capable of decoding and playing back digital video files would not have been required nor necessarily present based on the original disclosure of an integrated circuit 50 of the user, which was also originally disclosed to process and store audio information. For the same reasons, it is also not clear how the originally disclosed, incoming RAM 50c and playback RAM 50d could have supported storage of downloaded video and playback.

Further regarding the original equipment of the user (consumer), in 1988 a large capacity drive for a user (e.g., 3.5 inch form factor) was around 30 megabytes<sup>8</sup>, yet the digital bandwidth required to transmit a video signal at even VHS quality was 1.5 megabits per second (approximately 30 megabytes in 3 minutes) and this even using a Moving Picture Coding Experts Group Standard "1" ("MPEG-1") video compression technology not even available in

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<sup>6</sup> See "The History of Recordings", Recording Industry of Association, retrieved from <http://www.riaa.com/issues/audio/history.asp> on September 19, 2006. See also the "History of CD Technology", citing as a source "The compact Disc Handbook, 2<sup>nd</sup> Edition," by Ken C. Pohlmann, retrieved from <http://www.oneoffcd.com/info/historycd.cfm> on September 19, 2006.

<sup>7</sup> See the "History of MPEG", University of California, Berkeley, School of Information Management and Systems, retrieved from <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> on September 19, 2006. See also the "History of CD Technology", citing as a source "The compact Disc Handbook, 2<sup>nd</sup> Edition," by Ken C. Pohlmann, retrieved from <http://www.oneoffcd.com/info/historycd.cfm> on September 19, 2006.

1988.<sup>9</sup> Thus, undisclosed devices capable of downloading and storing digital video files would not have been required or necessarily present based on the original disclosure of hard disk 60, which was also originally disclosed to process and store audio information.

Regarding video equipment used at the library (server) end, even large mainframe computers (e.g., IBM mainframe computers) typically only provided hard drives with capacity well below 10 gigabytes.<sup>10</sup> Thus, undisclosed devices capable of supporting even a small-sized video library, with its steep storage requirements as discussed above, would not have been required or necessarily present based on the original disclosure of the library (server) hard disk 10 of the copyright holder, which was originally disclosed as storing audio information.

Regarding the transfer of these large video files over a network, the proliferation of broadband communication network capable of delivering these large files to consumers simply did not exist or were not well known in 1988. Furthermore, it is not clear how the digital video would have been coded and decoded during transmission, as digital video coding standards for purposes of transmission and file downloading were not settled in 1988. As an example of the above points, the MPEG-1 standard, which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established in 1992.<sup>11</sup> Thus, undisclosed devices

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<sup>8</sup> See "IBM HDD Evolution" chart, by Ed Grochowski at Almaden, retrieved from [http://www.soragereview.com/guide/Images/z\\_ibm\\_sorageevolution.gif](http://www.soragereview.com/guide/Images/z_ibm_sorageevolution.gif) on September 19, 2006.

<sup>9</sup> See the "History of MPEG", University of California, Berkeley, School of Information Management and Systems, retrieved from <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> on September 19, 2006.

<sup>10</sup> IBM HDD Evolution chart, *supra*.

<sup>11</sup> History of MPEG, *supra*.



capable of coding, transmitting, and decoding video digital data would not have been required or necessarily present based on the original disclosure of telephone line 30 (transmission line) and control IC(s) 20b and 50b (coding/decoding devices), which were originally disclosed as processing audio information.

**Step 2: Great-Grandparent Fails to Provide Benefit of Filing Date to Parent and Child**

The prosecution history of the Parent application also provides additional reasons why the Great-grandparent application, as originally filed, fails to provide written description support for the invention claimed in the Child application. Specifically, a significant amount of new text was also added by amendment to the specification and claims of the Parent application that is also new matter to the Great-grandparent application and that cuts off priority from the Child application to the Great-grandparent application.

Consider for example the amendment of January 3, 1994 in the Parent application, where a very large amount of the new text was introduced into the specification and claims directed to specific video download, processing, and display procedures. This new text is directed to subject matter claimed in the Child application (e.g., see claim 1 in the instant proceeding). This new text however is not found in original specification of the Great-grandparent application.

Although the Great-grandparent specification, as originally filed, contains a general statement at the end of the specification stating "[f]urther, it is intended that this invention is not to be limited to Digital Audio Music and can include Digital Video....", this is a broad, one-sentence, generic

statement.<sup>12</sup> Thus, much of the new text added by the amendment of January 3, 1994 is in the nature of additional, narrowing video limitations and elements undisclosed by a generic video statement in the Great-grandparent application, as originally filed, and thus these additional specific video limitations must be shown to be required or necessarily present in the original disclosure, as required by case law and as discussed above.

In the instant case, it is clear that the many explicit and specific video limitations added by the amendment of January 3, 1994 are not required by nor necessarily present the generic video disclosure at end of the written description of the Great-grandparent application, as originally filed. For additional details, see the discussion above regarding similar explicit and specific video limitations added to the Grandparent application.

For the reasons discussed above, the Great-grandparent application, as originally filed, fails to provide written description support for the features claimed in all subsequent applications, including the Child application. Thus, the Great-grandparent application, as originally filed, cannot provide the benefit of its filing date to these applications. Thus, the effective filing date (priority) of the instant '734 patent under reexamination, which issued from the Child application, is September 18, 1990 (at the earliest), which is the filing date of the Grandparent application.

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<sup>12</sup> The original specification also describes using a "convenient visual display of the user's library of songs" (page 5), however this section appears to relate to displaying category/lyrical information to the user regarding downloaded audio content, and not directed to the actual download, processing, and display of video content.

For the reasons below however, the priority chain for the Child application is also broken at a later date.

**Step 3: Grandparent Fails to Provide Benefit of Filing Date to Parent and Child**

As for disclosure of video downloading features regarding the Grandparent specification, as originally filed, it contains the same general statement at the end of the specification (as discussed above), plus an independent claim that recites "transmitting a desired digital, a video or audio music signal," an abstract briefly mentioning that video signals are stored on a hard disk, and a title stating a "Method for Transmitting a Desired Video or Audio Signal." Thus, the Grandparent application, as originally filed, contains the same type of broad, generic video statements as contained in the Great-grandparent application, as originally filed. Thus for the same reasons as discussed extensively above, the many explicit and specific video limitations added by the amendment of January 3, 1994 in the Parent application and claimed in the Child application are not required by nor necessarily present the generic video disclosure at end of the written description of the Grandparent application, as originally filed.

It should be noted that the Patent Owner also failed to provide support in the Grandparent applications, as originally filed, for all of the new text in the amendment of January 3, 1994 in the Parent application. Patent Owner should specifically point out the support for any amendments made to the original disclosure. MPEP § 714.02, 2163.II.A.2(b), and 2163.06.

Thus, the Grandparent application, as originally filed, fails to provide written description support for the features claimed in all subsequent applications, including the Child application. Thus, the Grandparent application, as originally filed, cannot provide the benefit of its filing date to these applications. Thus, the effective filing date (priority) of the instant '734 patent under reexamination, which issued from the Child application, is February 26, 1993 (at the earliest), which is the filing date of the Parent application.

For the reasons below however, the priority chain for the Child application is also broken at a later date.

**Step 4: Parent Fails to Provide Benefit of Filing Date to Child**

The pattern of gradually adding new text not found in the originally disclosed Great-grandparent and Grandparent specifications did not end however with the amendment of January 3, 1994 in the Parent application. For example, see the amendment of December 9, 1996 in the Child application, which introduces a significant amount of new text in the nature of narrowing limitations to the claims without providing support for where this new text was found. As discussed extensively above, the Patent Owner should specifically point out the support for any amendments made to the original disclosure. Also as discussed extensively above, the new text in the nature of narrowing limitation and narrowing limitations undisclosed in the original specification must be required or necessarily present in the original disclosure of the previously filed applications, otherwise the new text is new matter. Here, the extensive new text in the Child application is new matter because the new text was unsupported by the Patent Owner and

because the new text, using the same type of reasoning discussed extensively above, is clearly not required by the written description in the Parent application, as originally filed, nor for that matter the written descriptions in the Grand-parent and Great-grandparent applications, as originally filed.

Thus, the Parent application, as originally filed, fails to provide written description support for the features claimed in the Child application. Thus, the Parent application, as originally filed, cannot provide the benefit of its filing date to the Child application. Thus, the effective filing date (priority) of the instant '734 patent under reexamination, which issued from the Child application, is February 27, 1996 (at the earliest), which is the filing date of the Child application.

***Claim Rejections - 35 USC § 112***

The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

**Claims 4, 6-10, 19, 22-25, 28, and 31-60** are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description requirement.

New Claims Contain Extensive New Text that is Not Found in the Written Description of the Parent Application As Originally Filed

35 U.S.C. 112 issues can be addressed in a reexamination proceeding with respect to new claims or amendatory subject matter. MPEP § 2258.

"Most typically, the [112] issue will arise in the context of determining whether new or amended claims are supported by the description of the invention in the application as filed... whether a claimed invention is entitled to the benefit of an earlier priority date or effective filing date under 35 U.S.C. 119, 120, or 365(c)." MPEP § 2163.I. Here, the '734 patent under reexamination claims benefit under 35 U.S.C. 120 to the earlier filing dates of the Parent, Grandparent, and Great-grandparent applications.

The new and amended claim(s) contain subject matter, which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the original parent applications were filed, had possession of the claimed invention.

To comply with the written description requirement of 35 U.S.C. 112, para. 1, or to be entitled to an earlier priority date or filing date under 35 U.S.C. 119, 120, or 365(c), each claim limitation must be expressly, implicitly, or inherently supported in the originally filed disclosure. When an explicit limitation in a claim "is not present in the written description whose benefit is sought it must be shown that a person of ordinary skill would have understood, at the time the patent application was filed, that the description requires that limitation." Hyatt v. Boone, 146 F.3d 1348, 1353, 47 USPQ2d 1128, 1131 (Fed. Cir. 1998). See also In re Wright, 866 F.2d 422, 425, 9 USPQ2d 1649, 1651 (Fed. Cir. 1989).

MPEP § 2163.II.A.2.(b), emphasis added.

Here, the Patent Owner, on pages 21 and 22 of the amendment filed November 29, 2006 (the "Amendment"), states that the new claims mirror the original claims in the '734 patent, where alleged support for the original claims in the '734 patent are provided on pages 36-44 of the Amendment. Certain of the claim limitations addressed in this chart, however, are not necessarily disclosed (required by) the written description of the originally filed, Great-grandparent application (nor the other Parent applications), and thus are not present in the said written description. Thus these limitations are considered new matter, as extensively discussed by the examiner in the "Benefit of Earlier Filing Date Regarding the Original Claims" section above.

New and Amended Claims Contain a Negative Limitation that is Not Found in the  
Written Description of the Original Parent Application

The Amendment also introduced a negative limitation into independent claims 35, 37, 43, 48, 51, and 56. For example, claim 35 now recites "a non-volatile storage portion of the second memory; wherein the non-volatile storage portion is not a tape or a CD" (emphasis added).

Any negative limitation must have basis in the original disclosure. If alternative elements are positively recited in the specification, they may be explicitly excluded in the claims, however the mere absence of a positive recitation is not a basis for exclusion. Any claim containing a negative limitation, which does not have a basis in the original disclosure should be rejected under 35 U.S.C. 112. See MPEP § 2173.05(i).

Although the Great-grandparent application, as originally filed (attachment "A"), discloses a specific hard disk embodiment, which is therefore not in the form of a tape or a CD, the originally filed disclosure does not provide written description support for the recited, negative limitation. On page 21 of the Amendment, the Patent Owner points to page 4, lines 35 to 49 of the originally filed, Great-grandparent specification (attachment "A") has teaching a "hard disk for storing digital audio or digital video signals." The originally filed specification in the Great-grandparent application, including the section cited to by the Patent Owner above, only discloses one embodiment, where a hard disk 60 stores electronic audio music.<sup>13</sup> Thus, the originally filed, Great-grandparent specification discloses only a specific hard disk embodiment, which is not in the form of a tape or a CD. It should also be noted that "[c]laims are not necessarily limited to preferred embodiments, but if there are no other embodiments, and no other disclosure, then they may be so limited." Lizardtech, Inc. v. Earth Resource Mapping, Inc., 433 F.3d 1373, 1375 (Fed. Cir. 2006) (rehearing denied, *en banc*).

The negative limitation introduces new concepts beyond this specific embodiment. The new concepts include non-volatile storage devices that are not tapes or CDs, but that are also not hard disks. See page 3 of Ex Parte Wong, 2004 WL 4981845 (Bd.Pat.App. & Interf. 2004). The "express exclusion of certain elements implies the permissible inclusion of all other elements not so expressly excluded. This clearly illustrates that such negative limitations do, in fact, introduce new concepts. Ex parte Grasselli, 231 USPQ 393, 394 (Bd. App. 1983), *aff'd* mem., 738 F.2d 453 (Fed. Cir. 1984). "The artificial subgenus thus created in the claims is not

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<sup>13</sup> The originally filed specification in the Great-grandparent application, including the section cited to by the Patent



described in the parent case and would be new matter if introduced into the parent case. It is thus equally 'new matter'...." Ex Parte Johnson, 558 F.2d 1008, 1014 (CCPA 1977). Here, the originally filed, Great-grandparent disclosure does not necessarily disclose (require) or even suggest an undisclosed, artificial subgenus of non-volatile storage devices that are not tapes or CDs. Thus, such a claimed subgenus represents new matter.

**Claims 4, 6-10, 19, 22-25, 28, and 31-60** are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contains subject matter, which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention.

35 U.S.C. 112 issues can be addressed in a reexamination proceeding with respect to new claims or amendatory subject matter. MPEP § 2258.

The new claim(s) contain subject matter, which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the original Great-grandparent application was filed, that the specification would have taught one skilled in the art how to make and/or use the full scope of the claimed invention without undue experimentation. In re Wright, 999 F.2d 1557, 1562, 27 USPQ2d 1510, 1513 (Fed. Cir. 1993). See also MPEP § 2164.01 and 2164.05(a).

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Owner above, also fails to teach that the hard disk stored video data despite assertions by the Patent Owner

Undue Experimentation Factors

There are many factors to be considered when determining whether there is sufficient evidence to support a determination that a disclosure does not satisfy the enablement requirement and whether any necessary experimentation is "undue." These factors include, but are not limited to whether the scope and breadth of the claims are reasonably related to the scope of enablement within the original specification, the level of ordinary skill in the art, and the quantity of undue experimentation. See MPEP 2164.01(a).

Here, the subject claims recite extensive new text directed to specific and detailed video download and processing procedures that is not found in original specification of the Great-grandparent application. The original specification does contain a general statement at the end of the specification stating "[f]urther, it is intended that this invention is not to be limited to Digital Audio Music and can include Digital Video...." (attachment "A"), however this broad, generic statement fails to enable specifically claimed video download and processing procedures.<sup>14</sup>

The detailed and extensive claim limitations directed to video download and processing stand in contrast to the brief, generic one sentence disclosure in the original specification, as discussed above. Thus, the scope and breadth of the claims are not reasonably correlated to the scope of enablement in the original specification. The scope of enablement must at least bear a

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<sup>14</sup> The original specification also describes using a "convenient visual display of the user's library of songs" (page 5), however this section appears to relate to displaying category information to the user regarding downloaded audio content, and not directed to the actual download of video content.

“reasonable correlation” to the scope of the claims. See, e.g., In re Fisher, 427 F.2d 833, 839, 166 USPQ 18, 24 (CCPA 1970). See also MPEP § 2164.08.

The original specification would not have been enabling to one of ordinary skill in the art and furthermore an undue quantity of experimentation would have been required to make or use the scope of the claimed invention (video download and processing features) based on the original specification. The specification must be enabling as of the filing date of the specification. MPEP § 2164.05(a). Here, the filing date of the Great-grandparent application was June 13, 1988. In the mid 1980(s) however, compact audio disks players were just becoming popular.<sup>15</sup> Personal user devices with the processing power capable of playing back much larger and more complex digital video files, such as DVD players, were not routinely available until the late 1990(s), and even these devices initially only read video data from read-only DVD disks capable of storing large digital video files, not from video data downloaded (recorded) from a remote server via a communications network.<sup>16</sup> Thus, it is not clear how the originally disclosed, integrated circuit 50 of the user would have had the processing power to decode and playback downloaded, digital video signals. For the same reasons, it is also not clear how the originally disclosed, incoming RAM 50c and playback RAM 50d could have supported storage of downloaded video and playback.

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<sup>15</sup> See "The History of Recordings", Recording Industry of Association, retrieved from <http://www.riaa.com/issues/audio/hisotry.asp> on September 19, 2006. See also the "History of CD Technology", citing as a source "The compact Disc Handbook, 2<sup>nd</sup> Edition," by Ken C. Pohlmann, retrieved from <http://www.oneoffcd.com/info/hisotrycd.cfm> on September 19, 2006.

<sup>16</sup> See the "History of MPEG", University of California, Berkeley, School of Information Management and Systems, retrieved from <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> on September 19, 2006. See also the "History of CD Technology", citing as a source "The compact Disc Handbook, 2<sup>nd</sup> Edition," by Ken C. Pohlmann, retrieved from <http://www.oneoffcd.com/info/hisotrycd.cfm> on September 19, 2006.

Further regarding the equipment of the user (consumer), in 1988 a large capacity drive for a user (e.g., 3.5 inch form factor) was around 30 megabytes<sup>17</sup>, yet the digital bandwidth required to transmit a video signal at even VHS quality was 1.5 megabits per second (approximately 30 megabytes in 3 minutes) and this even using a Moving Picture Coding Experts Group Standard "1" ("MPEG-1") video compression technology not even available in 1988.<sup>18</sup> Thus, it is not clear how a downloaded video files of any appreciable or viable size would have been downloaded and stored on originally disclosed hard disk 60 of the user in the original specification.

Regarding the equipment used at the library (server), even large mainframe computers (e.g., IBM mainframe computers) typically only provided hard drives with capacity well below 10 gigabytes.<sup>19</sup> Thus, it is not clear how even a small-sized video library, with its steep bandwidth (storage) requirements (as discussed above), would have been stored in the hard disk 10 of the copyright holder in the original specification, without requiring details directed toward a complex mainframe operating environment.

Regarding the transfer of these large video files over a network, the proliferation of broadband communication network capable of delivering these large files to consumers simply

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<sup>17</sup> See "IBM HDD Evolution" chart, by Ed Grochowski at Almaden, retrieved from [http://www.soragereview.com/guideImages/z\\_ibm\\_sorageevolution.gif](http://www.soragereview.com/guideImages/z_ibm_sorageevolution.gif) on September 19, 2006.

<sup>18</sup> See the "History of MPEG", University of California, Berkeley, School of Information Management and Systems, retrieved from <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> on September 19, 2006.

<sup>19</sup> IBM HDD Evolution chart, *supra*.

did not exist or were not well known in 1988. Furthermore, it is not clear how the digital video would have been coded and decoded during transmission, as digital video coding standards for purposes of transmission and file downloading were not settled in 1988. As an example of the above points, the MPEG-1 standard, which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established in 1992.<sup>20</sup>

Thus, based on the evidence regarding each of the above factors, the specification, at the time the Great-grandparent application was filed, would not have taught one skilled in the art how to make and/or use the full scope of the claimed invention without undue experimentation.

### **Claim Rejections Based on Yurt**

#### ***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

**Claims 4, 6-19, 22-25, 28, 31-34, and 37-60** are rejected under 35 U.S.C. 103(a) as being unpatentable over U.S. Patent No. 5,132,992 ("Yurt") in view of U.S. Patent No. 5,241,428 ("Goldwasser"), newly cited.

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<sup>20</sup> History of MPEG, *supra*.

The publication date of the Yurt patent is July 21, 1992. The earliest priority date of the '734 patent under reexamination however is February 27, 1996, as discussed extensively above in the "Benefit of Earlier Filing Date" section. Thus, Yurt is available as 102(b) and 102(e) type prior art. The publication date of the Goldwasser patent is August 31, 1993. Thus, Goldwasser is also available as 102(b) and 102(e) type prior art.

Regarding claim 4:

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

Yurt teaches transmitting a desired audio or video, digital signal (title, abstract, col. 6, ll. 8-15).

**a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals, a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit, and means for electronically selling the desired digital video or digital audio signals;**

Yurt teaches of a library system control computer 1123 (first party control unit) comprising a hard disk (compressed data library 118) storing a plurality of digital video or audio signals (Fig. 2b and col. 6, ll. 19-22 and col. 12, ll. 42-47).

Yurt teaches that the library system control computer 1123 (control unit) executes a "queue manager program" (col. 15, ll. 33-37). The "queue manager program" temporarily stores a replica of the digital video or audio signals for subsequent transfer via the telecommunications line (Fig. 2b, col. 15, ll. 33-54 and col. 16, ll. 29-52). Thus, the computer is a digital computer. A digital computer inherently includes a random access memory associated with readable/writable register content, system cache, etc. The digital computer also includes a "chip", whether the random access memory in the computer is entirely implemented on a single processing unit (e.g., CPU) or whether implemented in a discrete component. Thus, the queue manager program requires a "random access memory chip."

The library system control computer 1123, comprising a random access memory chip, that executes the queue manager (as discussed above), also supports a sale, such as controlling the transfer of user (customer) requested audio and video content from the compressed data library 118 to the transmission format conversion CPU(s) (Fig. 2b, 5, and 7, col. 11, ll. 54-65, and col. 12, ll. 21-27). For example, when the download successfully completes, a "billing program...updates the account of the user" (Fig. 5, step 5090 and col. 17, ll. 9-11). Thus, money is transferred from the second party (user) to the first party (library provider) and a "sale" occurs. Thus, the random access memory chip associated with the library control computer 1123 is a "sales" chip and furthermore supports a "means for electronically selling."

**a second party control unit having a second party control panel, a second memory connected to the second party control panel, and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said means for playing operatively**

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**controlled by the second party control panel, said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party; and**

Yurt teaches that a reception system 200 associated with the user or customer supports a terminal interface based on a personal computer (Fig. 6 and col. 14, l. 64 – col. 15, l. 21), where a personal computer includes a control unit (e.g., CPU) and control panel (e.g., keyboard). Yurt also teaches of control unit and control panel in the form of a telephonic interface (e.g., telephone and keypad) (co. 13, ll. 61 – 68). A second memory (Fig. 6, reception system 200 storage 203) is connected to the control panel via the user interface 207. A means for playing the desired digital video or audio signal (Fig. 6, output format conversion 211-214 and TV or audio amplifiers as discussed in col. 18, ll. 27-45) is coupled to the second memory and control pane (Fig. 6). The means for playing (personal computer interface or telephone keypad) are clearly controlled by the second party (user or customer). The first control unit (library computer controller) is associated with transmission system 100 and the second control unit is associated with reception system 200, where the second control unit is remote to the first control unit via a communication link (e.g., IDSN) (Fig. 1a). The second party (user) determines the location of the control unit as broadly recited by the claims, such as when the user (consumer) operates the reception system at a location of his choosing (e.g., consumer's home). The user also determines the location to which the audio/video data is transmitted and thus the location of the reception system 200 and the second party control unit (personal computer) associated with the reception system 200, such as the user calling from work and having the "movie sent to their house to be played back after dinner or at any later time of their choosing" (col. 5, ll. 18-21).



**the second memory includes a second party hard disk which stores the desired digital video or digital audio signals transferred from the sales random access memory chip**

Although Yurt teaches that the second memory (storage 203) stores the desired digital video or audio signals transferred from the library control computer 1123 (comprising a sales random access memory chip, as discussed above) via a telecommunications link (Fig. 1a, col. 17, ll. 35-53, col. 18, ll. 19-21, and col. 19, ll. 30-36). Yurt however fails to teach that the storage 203 (second memory) includes a "hard disk."

Yurt however teaches that another video and audio storage device, specifically the library system control computer 1123, comprising the compressed data library 118 (Fig. 2b), uses a hard disk (col. 6, ll. 19-22 and col. 12, ll. 42-47).

Yurt also teaches that adding a hard disk to a video and audio storage device would have increased the speed and reliability of video and audio access (col. 12, ll. 42-47).

Thus to one of ordinary skill in the art at the time the invention was made, it would have been obvious to add a hard disk as taught by the audio/video storage device of Yurt to the storage 203 (second memory) in Yurt, which is also a video and audio storage device.

**and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback**

As discussed above, Yurt teaches that a personal computer (control interface) controls the playback of video and audio data stored on the second party hard disk.

Although Yurt as modified above teaches of a second party hard disk, Yurt fails to specifically teach of a "playback random access memory chip electronically connected to the second hard disk for storing a replica of the desired digital video or digital audio signals....as a temporary staging area for playback." Yurt however teaches that second party, when entering playback commands, has "random access" to video and audio signals stored in the reception system 200 (second party control unit), such as by entering forward and rewinding commands (col. 17, ll. 35-43).

Similarly to Yurt as discussed above, Goldwasser teaches of a device for recording video and audio signals onto a hard disk and playing back those signals (abstract and col. 3, ll. 6-13), where the user, when entering playback commands, has random access to the video and audio signals stored in the device, such as by entering play, forward, and rewind commands (col. 1, ll. 62-68). Furthermore, the Goldwasser device implements said random access, playback feature by using a record and playback buffer random access memory ("RAM") electronically connected to the hard disk for storing replicas of the desired digital video or audio signals from the hard disk as a temporary staging area for playback (Fig. 3, RAM 53, col. 3, ll. 14-20, and col. 7, ll. 59-68) in order to support a simultaneous record and playback feature (abstract). Goldwasser also teaches that the playback buffer RAM is in the form of discrete electronic components

interconnected by control and data buses, thus the playback RAM can properly be interpreted as part of a "chip" (i.e., a playback RAM chip). Thus, Goldwasser teaches of a playback RAM chip electrically connected to a hard disk for buffering, i.e., storing a replica of the desired video or audio signal from the hard disk as a temporary staging area for playback.

The suggestion/motivation for adding the playback RAM chip as taught by Goldwasser would have been to increase the convenience, flexibility, and efficiency of the video and audio recording/playback device (with rewind capability) of Yurt. Specifically, the addition of Goldwasser would have allowed "one to view material as it is being recorded," which avoids "many inconveniences" (Goldwasser, col. 1, ll. 30-33). For example, consider the following specific advantages:

For example, often one will anticipate arriving home at a particular hour, sometime after the commencement of a particular broadcast program one desires to watch. One must therefore set one's VCR to commence recording at the beginning of the program. If one then arrives a few minutes after the beginning of the program, one can watch the end of the program in real time, but cannot see its beginning [i.e., rewind and playback] until after the entire program has been recorded.

Similarly, often one will be watching a particular program when one must temporarily cease watching it, for example, to take a telephone call or the like. It would obviously be convenient to be able to record the program from that point forward, complete the telephone call, and simply watch [i.e., playback] the remainder delayed by the length of time of the interruption. However, no devices are now available which permit this facility. It also is not possible to employ two separate videocassette recorders to overcome these inconveniences.

Goldwasser, col. 1, ll. 34-52.

Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to add the playback RAM chip electrically connected to a hard disk for buffering (and thus storing a replica of the desired video or audio signal from the hard disk as a temporary staging area for playback) as taught by Goldwasser (directed to a device for recording and playing back audio and video stored on a hard disk, where the user enters random access commands during playback, such as rewind and play) to Yurt (also directed to a device for recording and playing back audio and video stored on a hard disk, where the user enters random access commands during playback, such as rewind and play).

**telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party.**

The digital signal is sold and transferred via an ISDN (or the like) telecommunications line connection (Fig. 1a, col. 16, ll. 4-15 and ll. 53-68). Regarding "second memory is in possession and control of the second party", the second party (user) also controls the use and also possesses the second memory (storage 203), such as by the ability to determine what contents are stored in the second memory and what audio/video is played back from the second memory (col. 5, ll. 10-33 and col. 17, ll. 35-53). The remaining limitations recited functions that have been clearly addressed above regarding the teachings of Yurt in view of Goldwasser.

**Claim 11** differs substantively from claim 4 in that claim 11 recites limitations directed to a "first control panel", a "transmitter" in control and possession of the first party, a "receiver" in control and possession of the second party, and a first and second control "integrated circuit." The claimed "first control panel" reads on library access interface 121, which includes operator computer terminals (Fig. 2b and col. 14, ll. 52-63). A "transmitter" reads on Fig. 2b, transmitter/transceiver(s) 122, which are in control and possession of the first party, such as when the first party (library provider) determines what contents are stored in the first memory (col. 6, ll. 8-54) and thus the type of content that will be transmitted by the transmitters. A "receiver" reads on the reception system 200 (Fig. 6) (receiver) that includes receiver circuitry (e.g., the transceiver 201). The receiver is in control and possession of the second party. For example, the second party (user) can control what type of content is downloaded to the receiver (as discussed above) and at what time the content is downloaded (col. 5, ll. 18-21). See the claim 4 rejection for additional details. As discussed in the claim 11 rejection above, Yurt teaches a first control circuit (control computer 1123), where the control computer 1123 is a digital computer. A digital computer inherently includes a random access memory associated with readable/writable register content, system cache, etc., which in turn requires integrated circuits. Also as discussed above, Yurt teaches of a second control circuit (user's personal computer), where a personal computer includes integrated circuits.

**Claim 16** does not substantively differ from claims 4 and 11. Therefore, see the claims 4 and 11 rejections above for additional details.

**Claim 19** differs substantively from claims 4 and 11 in that claim 19 recites the limitation "video display for playing the desired digital video signals." This limitation reads on Yurt, col. 18, ll. 36-37. Claim 19 also recites that the "telecommunications lines include telephone lines", which clearly reads on Yurt, for example, ISDN lines are voice grade telephone lines.

**Claim 28** does not substantively differ from claims 4 and 11. Therefore, see the claims 4 and 11 rejections above for additional details.

**Claim 37** differs substantively from claim 1 in that claim 35 recites that the second memory is a "non-volatile storage portion...wherein the non-volatile storage portion of the second memory, which is not a tape or CD." This limitation was addressed in the claim 4 rejection above regarding the obvious addition of a second party hard disk, which is a non-volatile storage that is not a tape or CD.

**Claim 43** does not differ substantively from claims 11 and 37 above. Therefore, see the claims 11 and 37 rejections above for additional details.

**Claim 48** does not differ substantively from claims 16 and 37 above. Therefore, see the claims 16 and 37 rejections above for additional details.

**Claim 51** does not differ substantively from claims 19 and 37 above. Therefore, see the claims 19 and 37 rejections above for additional details.

**Claim 56** does not differ substantively from claims 28 and 37 above. Therefore, see the claims 19 and 37 rejections above for additional details.

Regarding **claims 6, 7, 22, 23, 31, 32, 38, 39, 52, 53, 57, and 58**, see the claim 11 rejection above for additional details.

Regarding **claims 8, 24, 33, 40, 54, and 59**, see the claim 4 rejection for additional details.

Regarding **claims 9, 10, 12, 15, 17, 41, 42, 44, 47, and 49**, see the claim 19 rejection for additional details.

Regarding **claim 13 and 45**, see the claim 1 rejection for additional details.

Regarding **claims 14, 18, 25, 34, 46, 50, 55, and 60**, see the claim 19 rejection for additional details. A "television" also inherently includes speakers.

**Claims 1, 2, 35, 36** are rejected under 35 U.S.C. 103(a) as being unpatentable over Yurt in view of U.S. Patent No. 4,789,863 ("Bush"), of record.

Regarding claim 1,

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

Yurt teaches transmitting a desired audio or video, digital signal (title, abstract, col. 6, ll. 8-15).

**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,**

The digital signal is transferred via an ISDN (or the like) telecommunications line connection (Fig. 1a, col. 16, ll. 4-15 and ll. 53-68), which also separates the second party (user) from the remote first party (library provider). The signals are stored on a first memory of a first party (library provider) (Fig. 2a, source material library, pre-compression data processing storages 130 and 131, compressed data formatting storage, and compressed data libraries) and transmitted to a remote, second memory (Fig. 6, reception system 200 storage 203). The reception system is associated with a second party, namely the customer or "user" (Figs. 1d, 1e, 1f, 1g, and col. 5, ll. 10-33).

**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,**



The first memory includes a hard disk (compressed data library 118) storing a plurality of digital video or audio signals (col. 6, ll. 19-22 and col. 12, ll. 42-47) including in coded format (e.g., digital encoding, compression, col. 6, ll. 35-68 and copy protection, col. 5, ll. 34-57).

**and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party;**

Yurt teaches of a "queue manager program" that temporarily stores a replica of the coded (as discussed above) digital video or audio signals for subsequent transfer via the telecommunications line for storage in the second memory (reception system 200 storage) (Fig. 2b, col. 15, ll. 33-54 and col. 16, ll. 29-52). The queue manager program is executed by the library system control computer 1123 (col. 15, ll. 33-37). Thus, the computer is a digital computer. A digital computer inherently includes a random access memory associated with readable/writable register content, system cache, etc. The digital computer also includes a "chip", whether the computer is entirely implemented on a single processing unit (e.g., CPU) or whether the computer is comprised of discrete components (chips). Thus, the queue manager program requires a "random access memory chip."

The library system control computer 1123, comprising a random access memory chip, that executes the queue manager (as discussed above) also implement functions supporting a sale, such as controlling the transfer of user (customer) requested audio and video content from the compressed data library 118 to the transmission format conversion CPU(s) (Fig. 2b, 5, and 7,

col. 11, ll. 54-65, and col. 12, ll. 21-27). For example, when the download successfully completes, a "billing program...updates the account of the user" (Fig. 5, step 5090 and col. 17, ll. 9-11). Thus, money is transferred from the second party (user) to the first party (library provider) and a "sale" occurs. Thus, the random access memory chip associated with the library control computer 1123 also supports a "sales" function.

**the second memory having a second party hard disk**

See the claim 4 rejection above for additional details regarding the obvious addition of a second party hard disk.

**telephoning the first party controlling use of the first memory by the second part;**

Yurt teaches telephoning the library provider (first party) controlling use of the first memory, including the compressed data library (col. 13, ll. 48 col. 14, 13).

**electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals;**

As discussed above, Yurt teaches electronically coding the digital or audio signals (e.g., digital encoding, compression, col. 6, ll. 35-68 and copy protection, col. 5, ll. 34-57). Copy

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protection, as taught by Yurt, prevents unauthorized reproduction of the desired video or audio signals.

**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; and**

**storing the transferred replica of the coded desired digital video or digital audio signals in the second memory.**

As discussed above, Yurt teaches storing a replica of the coded, digital video or audio signal from the hard disk (compressed data library 118) into a library system control computer 1123, which executes the queue manager and includes a sales random access memory chip.

Also as repeatedly discussed above, the signal is transferred from the chip to the second memory (reception system 200 memory) of the second party through a telecommunications line (ISDN line, or the like). The second party (user) also controls the use and also possesses the second memory, such as by the ability to determine what contents are stored in the second memory and what audio/video is played back from the second memory (col. 5, ll. 10-33 and col. 17, ll. 35-53)

The received audio/video digital signal is stored in the second memory (storage 203) associated with the second party (user) (col. 17, ll. 35-53, col. 18, ll. 19-21, and col. 19, ll. 30-36).

**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;**

Yurt teaches of telephoning the first party controlling use of the first memory (library provider) (Fig. 3 and col. 13, l. 61 – col. 14, l. 13) and transferring money (as discussed above in the claim 1 rejection). Yurt however fails to teach providing a credit card number of the second party.

Bush teaches (similarly to Yurt) of a system for downloading audio and video files from a central library to a user, where the user pays for the audio files and stores the audio files (abstract and Figs. 1 and 6). Bush also teaches that the user provides a credit card number to the second party (library) (col. 4, ll. 44-47, col. 5, ll. 1-3, col. 6, ll. 25-28, and ll. 45-48).

The suggestion/motivation for providing a credit card number to the second party would be to reduce the expenses involved in operating a download service, because financial service organizations, such as credit card organizations, "enable the source 10 to [be] paid by a service fee for the subscriber's use of the system." Bush, col. 2, ll. 58-63. Obviously, providing a credit card number would have been required to use the services of a credit card organization.

Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to add the step of the user providing a credit number to the second party as

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taught by the music download system of Bush to the music download of Yurt, which teaches that the user pays for the download.

Regarding **claim 2**, see Yurt, col. 5, ll. 36-40 and col. 6, ll. 43-47. See the claim 4 rejection regarding how Yurt teaches a "second party control unit."

**Claim 35** differs substantively from claim 1 in that claim 35 recites that the second memory is a "non-volatile storage portion...wherein the non-volatile storage portion of the second memory is not a tape or CD." This limitation was addressed in the claim 1 rejection above regarding the obvious addition of a second party hard disk, which is a non-volatile storage that is not a tape or CD.

Regarding **claim 36**, see the claim 2 rejection above for additional details.

**Claim 3** is rejected under 35 U.S.C. 103(a) as being unpatentable over Yurt in view of Bush as applied to claim 2 above, and further in view of Goldwasser. See the claims 4 and 11 rejections above for further details.

### ***Double Patenting***

The nonstatutory double patenting rejection is based on a judicially created doctrine grounded in public policy (a policy reflected in the statute) so as to prevent the unjustified or improper timewise extension of the "right to exclude" granted by a patent and to prevent possible harassment by multiple assignees. See *In re Goodman*, 11 F.3d 1046, 29 USPQ2d 2010 (Fed. Cir. 1993); *In re Longi*, 759 F.2d 887, 225 USPQ 645 (Fed. Cir. 1985); *In re Van Ornum*, 686 F.2d 937, 214 USPQ 761 (CCPA 1982); *In re Vogel*, 422 F.2d 438, 164 USPQ 619 (CCPA 1970); and *In re Thorington*, 418 F.2d 528, 163 USPQ 644 (CCPA 1969).

A timely filed terminal disclaimer in compliance with 37 CFR 1.321(c) may be used to overcome an actual or provisional rejection based on a nonstatutory double patenting ground provided the conflicting application or patent is shown to be commonly owned with this application. See 37 CFR 1.130(b).

Effective January 1, 1994, a registered attorney or agent of record may sign a terminal disclaimer. A terminal disclaimer signed by the assignee must fully comply with 37 CFR 3.73(b).

**Claims 1-4, 6-19, 22-25, 28, and 31-60** are rejected under the judicially created doctrine of obviousness-type double patenting as being unpatentable over claims 1-6 of U.S. Patent No. 5,191,573 in view of Yurt. For example, current claim 1 is invalid for double patenting in view of claims 1 and 3 of the '734 patent. The only differences between current claim 1 and claims 1 and 3 of the '734 patent are hard drives at the first and second parties and electronically coding the digital data to prevent unauthorized reproduction. These features do not render the claims patentably distinct because it would have been obvious to one of ordinary skill in the art at the time the invention was made to add hard drives as taught by Yurt. See the claim 4 rejection based on Yurt above for additional details. Furthermore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to encode or encrypt the recorded music data as taught by Yurt. See the claim 1 rejection based on Yurt for additional details. The suggestion/motivation would have been to increase the control and security over one's intellectual property, as would have been notoriously well known in the art.

**(10) Response to Argument**

**I. Summary**

On pages 23-25 of the Brief, the appellant provides a summary. The examiner responds with the following summary.

The claims of the '734 patent are broadly directed to downloading audio and video content via the Internet. For example, claim 1 recites downloading audio and video content via a telecommunications line, where a district court, consistent with the appellant's arguments in that proceeding, held that the term "telecommunications line" can include the Internet.<sup>21</sup> The appellant has not characterized the claimed invention differently in this reexamination proceeding. See for example, the Declaration by Arthur R. Hair, filed on December 27, 2005, especially paragraphs 4-6.

In view of the important and broad nature of these claims, the examiner carefully reviewed the prior art of record. Claims in an *ex parte* reexamination proceeding will be examined on the basis of patents or printed publications. 37 CFR 1.552. Here, the examiner examined the claims of the '734 patent on the basis of printed publications, such as the intervening Yurt and Goldwasser patents, which were never applied during the original prosecution of the application that issued as the '734 patent. The examiner may use an

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<sup>21</sup> Sightsound.com Inc. v. NSK, Inc. Cdnow, Inc., and Cdnow Online, Inc., Civil Action No. 98-118, pp. 50 and 57 (District Court for the Western District of Pennsylvania, Feb. 2002).

intervening printed publication, such as the Yurt patent, where the patent claims under reexamination are entitled only to the actual filing date of said patent and are not supported by an earlier patent. 35 U.S.C. 120. See also MPEP § 2258.I.C. See also MPEP § 201.11(B), where the examiner may use an intervening printed publication and the applicant may respond by showing that conditions for claiming the benefit of the prior application have been met. In the instant reexamination proceeding, the appellant's response focused not upon a showing that conditions for claiming the benefit of an earlier filing date were met, but instead upon the argument that the examiner has no authority to apply an intervening printed publication. Such a response is unsurprising, since a substantial amount of new text was systematically added in a series of amendments to the Great-grandparent, Grandparent, Parent, and Child applications. That is, although all of these applications were alleged to be related as continuation applications, their specifications are objectively incongruent.

Indeed, the appellant failed to even dispute teachings of the newly applied Yurt and Goldwasser publications, which is also unsurprising, because these publications teach features regarding downloading and storing audio and video that are highly pertinent to the claims of the '734 patent.

Neither did a section 120 issue "necessarily arise." The prosecution history of the '734 patent fails to show that the examiner had reason to consider the propriety of a benefit claim set forth in the '734 patent, and the record does not contain any written discussion or consideration of such benefit claim. The original examiner did not make a determination regarding the priority



date for the asserted claims with respect to any reference, much less an intervening reference, such as Yurt. Although the examiner addressed some new matter issues in a single, non-final rejection in a different, earlier Grandparent application, the rejection there only facially raised the issue of new matter in the Grandparent application that was then being examined at the time, not the distinct issue of whether the actual filing date of the Child application is entitled to extend to the filing date to each of the various parent applications. Furthermore, the gradual addition of new matter to the specification and claims continued well after the Grandparent application up to and including the prosecution of the Child application. Thus, the single instance consideration of new matter in the Grandparent application does not relate back to the specification as originally in the Great-grandparent application, nor account for all the new text added to the other parent applications subsequently. See sections III.A. and III.B.1 below for additional details. Thus, any argument by the appellant that said new matter rejection was based on the specification of the various parent applications as originally filed is speculation.

Furthermore, said new matter rejection only touched upon a subset of the new matter issues described in the "Intervening Printed Publications" section (9) above, including those matters described in Table I above. See section III.B.1 below for additional details. Thus, any argument by the appellant that said new matter rejection addressed all the same new matter issues that were addressed in the instant reexamination proceeding contradicts the evidence.

Thus, the determination as to whether entitlement to the filing date of the earlier parent applications would allow the appellant to antedate the intervening Yurt and Goldwasser printed

publications, thereby removing them as references against the claims, is an open question that was properly addressed in this reexamination proceeding. For the reasons previously discussed, the examiner determined that the effective filing date of the claims in the '734 patent under reexamination, which issued from the Child application, is February 27, 1996 (at the earliest), which is the actual filing date of the Child application. Thus, the intervening Yurt and Goldwasser patents are available as prior art.

## II. Prosecution History of the '734 Patent

On pages 26-34 of the Brief, the appellant characterizes the prosecution history of the '734 patent. The examiner does not agree with this characterization, especially regarding the selective highlighting of amendments to both the specification and claims. The relatively brief and complete prosecution history of both the Great-grandparent and Grandparent speak for themselves and are available in the image file wrapper ("IFW") for U.S. Application No. 07/586,391 (Grandparent), which also contains the prosecution history of U.S. Application No. 07/296,497 (Great-grandparent). The prosecution history of the Child is available in IFW for U.S. Application No. 08/607,648, which also contains the prosecution history of U.S. Application No. 08/023,398 (Parent).

III. The Appropriate Date for the Claims of the '734 Patent Is February 27, 1996, At the Earliest

On pages 34 and 35 of the Brief, the appellant argues that the Office lacks the authority in reexaminations to "reassign" priority dates for originally issued claims in the absence of a previous continuation-in-part application. Specifically, the appellant argues that "reexamination statutes do not empower the Office to examine claims for issues of effective priority date in the absence of a continuation-in-part in the original examination history." The patent also argues that the "Board should vacate the Examiner's findings because the issue was thoroughly dealt with by Examiner Nguyen during the initial examination of the '734 patent...."

Appellant arguments are unpersuasive. As discussed in Section I above, an examiner may use an intervening printed publication, such as the Yurt patent, where the patent claims under reexamination are entitled only to the actual filing date of said patent. 37 CFR 1.552, 35 U.S.C. 120, MPEP § 2258.I.C, and MPEP § 201.11.(B). The appellant has failed to cite to any law or procedure that prohibits the Office from applying intervening printed publications during an *ex parte* reexamination proceeding in the absence of a continuation-in-part. In contrast, the examiner relies upon long-standing procedure specifically authorized by the Office. A rejection may be made in an *ex-parte* reexamination proceeding based on an intervening printed publication, in accordance with 37 CFR 1.552, whenever patent claims under reexamination, in accordance with 35 U.S.C. 120, are entitled only to the filing date of the patent under reexamination. Specifically:

Rejections may be made in reexamination proceedings based on intervening patents or printed publications where the patent claims under reexamination are entitled only to the filing date of the patent and are not supported by an earlier foreign or United States patent application whose filing date is claimed. For example, under 35 U.S.C. 120, the effective date of these claims would be the filing date of the application which resulted in the patent. Intervening patents or printed publications are available as prior art under *In re Ruscetta*, 255 F.2d 687, 118 USPQ 101 (CCPA 1958), and *In re van Langenhoven*, 458 F.2d 132, 173 USPQ 426 (CCPA 1972). See also MPEP § 201.11

MPEP § 2258.I.C, Scope of Reexamination (emphasis added). See also MPEP § 2217.

Furthermore, no priority dates have been "reassigned" by the examiner. Rather, the examiner simply applied an intervening reference, which is a printed publication (U.S. patent).

The appellant could have responded by amending the claims of the patent under reexamination, such that the subject matter of the claims is clearly possessed in the earlier patent, thus allowing entitlement to the benefit of the filing date of the earlier patent. The appellant declined to do so.

The appellant could have responded by simply correcting the benefit claim or showing that the conditions for claiming benefit to the priority date have been met. MPEP 201.11(B). The appellant declined to do so.

The appellant also had yet another option for responding. The appellant could have simply argued that the intervening printed publication does not read upon the claims, which the appellant has not done in this proceeding.

III.A. The Office Acts Within Its Authority In Considering Issues of Priority During a Reexamination

*The Office has Jurisdiction to Apply Intervening Patents and Printed Publications in a Reexamination Proceeding To a Patent that Seeks the Section 120 Benefit to the Filing Date of an Earlier Filed Application*

On page 35 of the Brief, the appellant argues:

It is well established that the scope of a reexamination proceeding is limited to whether claims are patentable under 35 U.S.C. §§ 102 and 103 "on the basis of patents and printed publications." 37 C.F.R. § 1.552. The reexamination rules explicitly preclude consideration of issues arising under 35 U.S.C. § 112, except "with respect to subject matter added or deleted in the reexamination proceeding." *Id.*; see also *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985) (en banc) ("only new or amended claims are also examined under 35 U.S.C. §§ 112 and 132").

Appellant arguments are unpersuasive. The claims of the '734 patent were examined on the basis of printed publications, such as the intervening Yurt patent, where the claims were entitled only to the actual filing date of '734 patent. 37 CFR 1.552, 35 U.S.C. 120, MPEP § 2258.I.C, and MPEP § 201.11.(B). Applying 35 U.S.C. § 120 neither requires nor implies that the specification of the '734 patent under reexamination is itself being subjected to a 35 U.S.C. § 112 analysis. Indeed, none of the original 34 patent claims of the '734 patent have been rejected pursuant to section 112. Rather it is the specification(s) of the earlier parent applications that are being analyzed on that basis. For example, the examiner has taken the position that the Great-grandparent, Grandparent, and Parent applications, as originally filed, do not describe certain features recited in the claims of the instant '734 patent under reexamination. The examiner does not argue that the specification, including the claims, of '734 patent under reexamination fail to establish possession of the claimed invention, but rather whether possession of the claimed invention was established before the filing date of the '734 patent in a different U.S. application.

*An Inquiry Under Section 120 Does Not Revisit Any Substantial Question of Patentability Necessarily Raised and Previously Decided by the Examiner During Prosecution of the Application Corresponding to the '734 Patent*

On page 36 of the Brief, the appellant argues that an:

[I]nquiry under Section 120 as to whether the language of a particular claim, as filed or amended during an original prosecution, was supported or unsupported by sufficient disclosure is, by definition, not a *new* question.

Appellant arguments are unpersuasive. A substantial new question of patentability was raised in this proceeding based on prior patents or printed publications identified in the Request for Reexamination, filed on January 31, 2005 (and as detailed in the Order Granting the Request for *Ex Parte* Reexamination, mailed March 18, 2005). Therefore, the issue of whether a 35 U.S.C. 120 inquiry raises a substantial new question of patentability is irrelevant.

Nonetheless, an inquiry under section 120 does not revisit any substantial question of patentability previously decided by the examiner during prosecution of the application corresponding to the '734 patent. Substantial questions of patentability are "old" only in respect to previously considered patents or printed publications, i.e., those questions based on "old art." See MPEP 2242.II. The new intervening patents applied in this reexamination proceeding, such as Yurt, were not previously considered during prosecution of application leading to the '734 patent under reexamination, and thus do not raise questions of patentability previously considered by the original examiner.

The appellant then argues on page 36 of the Brief that:

Rather, it is an issue that necessarily arises at the time of original filing or amendment, and one that necessarily is before the original examiner.

Appellant arguments are not persuasive. As discussed above, substantial questions of patentability are "old" only in respect to previously considered patents or printed publications.

Nonetheless, a section 120 issue does not "necessarily" arise, as argued by the appellant above, during prosecution of the continuing application leading to patent, thereby precluding all further consideration of priority issues by the Office after the patent issues. Regarding a continuing application, only if an examiner determines that the claims in the later-filed application are not entitled to the benefit of an earlier filing date should the examiner apply an intervening reference. MPEP 201.11 ("If the claims in the later-filed application are not entitled to the benefit of an earlier filing date, the examiner should:....(B)...use an intervening reference....") Thus, the lack of intervening rejection during the original examination may simply indicate that the examiner never determined whether the claims were entitled to the benefit of the earlier filing date, not necessarily the more sweeping conclusion that the examiner determined the claims were entitled to the benefit, as argued by the appellant. For example regarding continuing applications, the mere inclusion of prior application information in the patent does not necessarily indicate that the claims are entitled to the benefit of the earlier filing date. MPEP § 202.02. Furthermore, the examiner had no reason to consider the propriety of a benefit claim under section 120 during prosecution of the application leading to the '734 patent under reexamination. For example, the original examiner relied exclusively upon statutory bar

type (i.e., 102(b)) type prior art). Indeed, the '734 patent under reexamination lists no intervening prior art references at all.

There are other examples of why a section 120 issue is not "necessarily" addressed during the original examination. In addition to the MPEP § 2258.I.C. as discussed above, the appellant himself may request a reexamination proceeding to correct a failure to adequately claim benefit under 35 U.S.C. 120, see MPEP § 2258.IV.E. Priority issues can also be considered in reissue proceedings, see MPEP § 1402. If a section 120 issue "necessarily" arises and is always completely disposed of during the original examination of a continuing application as argued by the appellant, then the above corrective procedures have no purpose, which is an untenable argument.

Instead of addressing whether the claims in the Child application were entitled to the filing date benefit of the various parent applications, as originally filed, in view of an intervening printed publication, the examiner set forth a single instance of a new matter rejection of the claims in the different, earlier Grandparent application, in the absence of an intervening publication. The two lines of analysis are distinct, contrary to appellant attempts conflate them. See section III.B.1. for additional details. Furthermore and nonetheless, the new matter rejection incompletely addressed all new matter issues identified in the "Intervening Printed Publications" section (9) above and the rejection did not clearly address entitled to the filing date of all the various parent specifications, as originally filed. See section III.B.1. for additional details.



Finally, the appellant admitted earlier in the reexamination proceeding that the original examiner did not address the issue of whether to apply intervening references against the original claims. Specifically, on page 25 of the amendment filed on November 29, 2006, the appellant argued that the original examiner "could not – and did not – reassign priority dates to the original claims...." Thus, the use of intervening references is an open question that will be addressed in this reexamination proceeding.

Thus, there is insufficient evidence to conclude that a section 120 issue "necessarily" arose during the original prosecution. Indeed, there is evidence to the contrary. Thus, appellant's arguments amount to speculation that contradicts the evidence.

III.A.1. Whether There Is a CIP in the Prosecution History of the '734 Patent

On page 36 of the Brief, the appellant asserts that the "office admits the '734 patent in not a continuation-in-part, but then asserts that the '734 Patent 'shares the characteristics of a continuation-in-part."

The appellant however has not cited to a section in the final Office action where the examiner admitted that the '734 patent was not a continuation-in-part. The examiner has not determined where he made this admission. Thus, appellant's arguments that such an admission was made are unpersuasive.

III.A.2. The Reexamination Statute Empowers the Office To Apply Intervening Printed Publications During an Reexamination

*Ruscetta and Langenhoven Nowhere Hold That Priority Determinations Under 35 U.S.C. 120 Are Limited To Continuation-in-Part applications, Nonetheless, the Application Corresponding to the '734 Patent Shares the Characteristics of a Continuation-in-Part in its Relationship to the Various Parent Applications*

On page 38 of the Brief, the appellant argues that MPEP §§ 2258.I.C. and 2217 should be limited to situations where there was a continuation-in-part ("CIP") application because both of the cases cited for support are cases involving CIP(s), namely *In re Ruscetta*, 255 F.2d 687 (CCPA 1958) and *In re van Langenhoven*, 458 F.2d 132 (CCPA 1972).

Appellant arguments are not persuasive. *Ruscetta* and *Langenhoven* nowhere hold that rejections based on intervening printed publications during an *ex parte* reexamination procedure should be limited to continuation-in-part applications. Instead, both cases are directed to the use of intervening references against the claims of an application that seek the benefit of priority to an earlier filed application under 35 U.S.C. 120. The ability to use an intervening reference is not limited to continuation-in-part applications, but applies to any later filed application claiming benefit of a prior application under 35 U.S.C. 120, such as continuation applications. See MPEP § 201.11, "Claiming the Benefit of an Earlier Filing Date Under 35 U.S.C. 120 and 119(e)" ....(B)... [t]he examiner may use an intervening reference in a rejection until applicant corrects the benefit claim or shows that the conditions for claiming the benefit of the prior application have been met." Both continuation and continuations-in-part applications are also related in that they both rely on priority under 35 U.S.C. 120 to obtain the benefit of an earlier filing date. MPEP § 201.11

Furthermore, continuation-in-part applications are related to continuation applications as a "continuing applications" under 37 CFR 1.53(b). Indeed, the application corresponding to the '734 patent under reexamination was filed under the old "file wrapper continuation" procedure, under which both continuation and continuation-in-part applications were filed under the same rule, 37 CFR 1.62. MPEP § 201.06(b), referring to MPEP, 8<sup>th</sup> Ed., 1<sup>st</sup> Revision, February 2003. ([http://www.uspto.gov/web/offices/pac/mpep/mpep\\_e8r1\\_0200.pdf](http://www.uspto.gov/web/offices/pac/mpep/mpep_e8r1_0200.pdf)). Here, the present reexamination proceeding uses intervening references against the claims of an alleged continuing application (the '734 patent) that seeks the benefit of priority to an earlier filed applications under 35 U.S.C. 120, which is similar to the issues discussed in the Ruscetta and Langenhoven cases.

Nonetheless, as extensively discussed in the "Intervening Printed Publication" section (9) above, a review of the prosecution history provides clear and objective evidence that a significant amount of new text (directed to various features) was added in a series of amendments to the specification and claims in the various parent applications and then to the child application that issued as the '734 patent. Thus, the '734 patent being reexamined and the specification of the various parent applications, as originally filed, do not contain the same disclosure with respect to claim support issues. Thus, the application corresponding to the '734 patent shares the characteristics of a continuation-in-part in its relationship to the originally filed parent applications. See 37 CFR 1.53.b.2 and MPEP § 201.08. That is, the consideration of any new matter in the December 11, 1991 amendment in the Grandparent application does not relate back to the specification as originally filed in the Great-grandparent application, nor account for

all the new text added to the other parent applications subsequent to the December 11, 1991 amendment in the Grandparent application. For the same reasons, the consideration of any issues in the Declaration, filed on June 25, 1992 would also fail to relate back to the Grandparent application as originally filed, nor account for all the new text added subsequently in the other parent applications (even if the Declaration were considered persuasive, which it is not, as discussed in the "Intervening Printed Publication" section (9) above).

III.A.3. MPEP § 2258.IV.E. Empowers the Office to Address the Issue of Entitlement to a Priority Date of Claims in an Issued Patent

On page 39 and 40 of the Brief, the appellant argues that MPEP § 2258.IV.E. only applies where "there was an earlier failure to make...[a benefit] claim" whereas in the instant case, "Examiner Nguyen determined the '734 Patent was in fact entitled to that priority date." The appellant then admits that MPEP § 1402 "deals with adding or changing claims of priority, where an earlier claim contained an error or was not made at all" and that MPEP § 1405 "does address deletion of a priority claim in reissue." The appellant then repeats arguments that a rejection based upon an intervening printed publication is outside the scope of reexamination.

Appellant arguments regarding MPEP § 2258.IV.E are wholly unpersuasive. If 35 USC 120 issues must "necessarily" arise and be completely disposed of by examiner during the examination of a continuing application, as proposed by the appellant, then there would certainly be no failure to make a benefit claim in the first place, and MPEP § 2258.IV would be rendered useless, which is an untenable argument. Nonetheless, MPEP § 2258.IV.E also states that the

appellant may correct a "failure to **adequately** claim...benefit under 35 U.S.C. 120 of an earlier filed...application." Emphasis added. Such a statement does not equate to a simple failure to make a benefit claim contrary to appellant arguments. See section III.A for additional details.

Appellant's argument that the original examiner determined that the '734 patent was in entitled to the various priority dates are incorrect. Instead, the examiner set forth a new matter rejection in an earlier absence of any intervening reference, which is distinct from a priority determination for claims rejected by an intervening printed publication, contrary to appellant attempts to conflate these two issues. Furthermore and nonetheless, the new matter rejection incompletely addressed all new matter issues identified in the "Intervening Printed Publications" section (9) above and the rejection did not clearly address entitlement to the filing date of all the various parent applications, as originally filed. See section III.B.1 for additional details.

The correction procedures discussed in MPEP § 1402 and 1405 also show that priority issues are not "necessarily" addressed during the original examination of a continuing application.

Appellant's argument that that a rejection based upon an intervening printed publication is outside the scope of reexamination is unpersuasive. An examiner may reject the claims of a patent under reexamination on the basis of an intervening printed publication, such as the Yurt patent, where the patent claims under reexamination are entitled only to the actual filing date of said patent. 37 CFR 1.552, 35 U.S.C. 120, MPEP § 2258.I.C, and MPEP § 201.11.(B).

III.B. The Priority Date for the Claims in the '734 Patent Is a New Issue Related To Patentability

III.B.1. The Original Examiner Never Assigned a Priority Date of June 13, 1988 to the Claims in the '734 Patent

On page 41 of the Brief, the appellant argues:

The Office makes much of the fact that the '391 Application was filed pursuant to the old File Wrapper Continuation procedure, which permitted the filing of CIPs. However, as set forth above, MPEP § 201.06(b), in effect at the time the '391 Application was filed, required that a CIP application filed pursuant to the File Wrapper Continuation procedure include a new oath or declaration. Since Examiner Nguyen did not require a new oath or declaration, as a threshold matter she assigned the priority date of June 13, 1988 to the '391 Application when it was filed.

The examiner disagrees. The patent owner makes a sweeping conclusion based upon the lack of affirmative acts and furthermore regarding a separate issue. The more reasonable conclusion is this lack of evidence fails to support a showing that the distinct issue of priority was addressed. For example, the mere lack of a new oath or declaration in the Grandparent application coupled with the lack of any affirmative acts on the part of the examiner stating to the applicant that a declaration was not needed cannot be reasonably viewed as a sound basis for concluding the original examiner addressed the separate and distinct issue of whether the applicant was entitled to the benefit of filing date in the earlier, parent applications per 37 CFR 1.552, 35 U.S.C. 120, MPEP § 2258.I.C, and MPEP § 201.11.(B).

On pages 41-45 of the Brief, the appellant argues:

The foregoing chart shows that substantially all of the alleged new matter issues were dealt with in the '391 Application, which eventually issued as the '734 Patent. Thus, Examiner Nguyen already had considered

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those additions and amendments in the Office Action of February 24, 1992, prior to the filing of the '398 Application. That consideration included an objection to the specification as containing new matter under Section 132, and corresponding rejections of the relevant claims under Section 112. Mr. Schwartz responded to, and overcame, that objection and those rejections in the Response of June 23, 1992. In that Response, the Applicant included arguments and a Declaration under 37 C.F.R. § 1.132 establishing that the additions to the specification had ample support in the originally filed specification because the subject matter of the additions was implicitly disclosed and understood by those skilled in the art. After considering the Response by the Applicant, Examiner Nguyen withdrew the objection to the specification and Section 112 rejections of the claims, and thereby determined the claims were allowable.

During prosecution of the '387 Application, the only element incorporated that can be alleged to be "new" is the recitation of an "account."

Appellant arguments flatly contradict the evidence.

First, the prosecution history fails to show the examiner ever made a priority determination for claims rejected by an intervening printed publication. Consequently, the prosecution history fails to show whether the Child application was entitled to the filing date benefit of the various parent applications, as originally filed. Instead, the examiner set forth a single instance of a new matter rejection in absence of any intervening reference in the different, earlier Grandparent application, which is distinct, contrary to appellant attempts to conflate the issues.

Such a new matter rejection in the Grandparent application clearly fails to establish whether the Child application, which issued as the instant '734 patent under reexamination, is entitled to the filing of the earlier Great-grandparent, Grandparent, and Parent applications. As explained in the "Intervening Printed Publications" section (9) above, significant amounts of new text is present in the Child application that is not found in the earlier Great-grandparent, Grandparent, and Parent applications, as originally filed.

Furthermore, the new matter rejection in the earlier Grandparent only needed to establish whether the new matter at issue in the rejection was relative to the Grandparent application as originally filed. Thus, the new matter rejection did not need to establish, and indeed did not establish, whether the new matter at issue in the rejection was relative to the original Great-grandparent application as originally filed, as would have been required in a full priority analysis. Specifically, in the Grandparent application and subsequent to a series of amendments that added substantial new text to both the specification and claims in the Great-grandparent and Grandparent applications, the examiner objected to "original specification" for failing to establish a basis for certain features. See pages 5 and 6 of the non-final Office action, mailed February 24, 1992, in the IFW record for the Grandparent application. Thus, it is not clear whether the examiner referred to the Grandparent specification as originally filed or to the Great-grandparent specification as originally filed. Thus, any argument by the appellant that said new matter rejection was based on the specification of the Great-grandparent application, as originally filed, is speculation.

Also unclear is on what basis the new matter rejection was withdrawn, indeed no was given. See the final Office action, mailed September 21, 1992. Thus, for this reason alone it is unclear if the new matter rejection was withdrawn on the basis of the Great-grandparent specification, as originally filed.



Nonetheless, although the applicant responded with an amendment and declaration on June 25, 1992, the applicant based support arguments upon both the specification as originally filed in the Great-grandparent application and on subsequent amendments that added the new text (e.g., "applicant have utilized the now questioned language in the claims and the Examiner has never question it. Only now, after 4 years does the Examiner raise a rejection based upon the same"). Thus, it is not clear whether the decision to withdraw the rejection was based upon support from the subsequent amendments that added new text instead of upon the Great-grandparent specification as originally filed.

Furthermore, the applicant characterized the new text as being introduced by a "preliminary amendment filed on the parent application....," however said preliminary amendment was submitted on December 22, 1988 almost 6 months after the filing of the original Great-grandparent specification and thus was not part of the original Great-grandparent specification. Thus, even the applicant arguments regarding the "preliminary" amendment were not based upon the original Great-grandparent specification. Thus, it is not clear whether the decision to withdraw this rejection was based upon the Great-grandparent specification, as originally filed.

Thus, any argument by the appellant that said new matter rejection was withdrawn in response to applicant arguments about support in the Great-grandparent application, as originally filed, is also speculation.

Third, said new matter rejection only touched upon a subset of the new matter issues addressed in this reexamination proceeding, as described in the "Intervening Printed Publication" section (9) above. As a starting point, consider the appellant's list of the new matter issues allegedly addressed by the original examiner on page 29 of the Brief. See also page 5 and 6 of the non-final Office action, mailed February 24, 1992 in the Grandparent application. When these issues are compared to the issues in Table I, substantial differences are immediately noticed. A result of the comparison is provided in Table III below. **Bold face** means the new matter issue was not addressed by the original examiner in regard to the Great-grandparent application, as originally filed. *Italics* means that although the new matter issue was addressed in the Grandparent application, it is not clear whether the new matter issue was also addressed in the regard to the Great-grandparent application, as originally filed.

Table III: Comparison of New Matters Issues Originally Addressed in the Grandparent Application Versus New Matter Issues Addressed in the Instant Reexamination Proceeding

New Matters Issues Addressed in the Grandparent Application (Whether Addressed grandparent Application <u>As Originally Filed Is Unclear</u> )	New Matter Issues Addressed in the Reexamination In Regard to the Great- In Regard to the Great-grandparent, <u>Application As Originally Filed</u>
Transferring Money	<i>Transferring Money from Second Party to a First Party (Charging a Fee)</i>
Second Party Financially Distinct from the First Party	<b>Not Addressed</b>
Receiver in Possession of the Second Party	<i>Receiver and Second Memory in Possession of Second Party</i>
Telephoning	<b>Not Addressed</b>
Providing a Credit Card	<i>Providing a Credit Card Number</i>
Not Addressed	<b>Controlling Use of First/Second Memory</b>
Not Addressed	<b>Transmitting to a Location Determined by Second Party</b>
Not Addressed	<b>Specific Download Procedures</b>
Not Addressed	<b>First Party in Possession of Transmitter</b>

Furthermore, and as discussed in the "Intervening Printed Publication" section (9) above, a significant amount of new matter directed to specific video download, processing, and display procedures was also added by amendment to the specification and claims of the Parent and Child applications subsequent to the single instance of the examiner's new matter rejection in the Grandparent application.

Thus, appellant's argument that the "the amended chart set forth above demonstrates indisputably that Examiner Nguyen did consider the very same new matter and Section 112 rejections that the Office now asserts" is clearly contradicted by the evidence.

On page 45 of the Brief, the appellant argues:

In the Office Action in the instant reexamination dated March 17, 2007, the Office admitted that Examiner Nguyen did in fact address the issue of the alleged new matter shown in the table above. The Office further admitted that Appellant has effectively demonstrated as much through the table submitted with Appellant's Response to the Office Action of September 29, 2006.

The appellant has not cited to a section in the final Office action where these admissions were allegedly made, and the examiner has not determined where he made these admissions. Thus, appellant arguments that such admissions were made is unpersuasive. Indeed, appellant's argument that the original examiner addressed all the issues illustrated in Table I is contradicted by the evidence, as discussed above. Furthermore, appellant's arguments that the new matter addressed in the Grandparent application were in regard to the Great-grandparent application, as originally filed or in regard to the subsequent applications is also speculative, as discussed above.

On page 46 of the Brief, the appellant argues that the "office's rejection amounts to a bogus rejection that fails to define what is meant by 'gradually added new matter.'"

The final Office action, which is repeated here in the Examiner's Answer, clearly defines how new matter was gradually added after the Great-grandparent specification was originally

filed. Nonetheless, the prosecution history, available in IFW, even upon cursory inspection, speaks for itself.

III.B.2. The Absence of Rejections Based on Intervening References During the Initial Examination Demonstrates the Examiner Never Addressed the Issue of Priority

On page 47 of the Brief, that appellant argues that "[i]t is more plausible to conclude that no intervening references were cited because Examiner Nguyen properly concluded the '391, '398, and '648 Applications were entitled to the priority date of June 13, 1988."

Appellant arguments are unpersuasive and amount to speculation, which is also contradicted by evidence. First, the patent owner again makes a sweeping conclusion based upon the lack of affirmative acts (e.g., a lack of rejections based upon intervening references). The more logical conclusion is this lack of evidence fails to support a showing that the issue of intervening references was addressed. There is insufficient evidence to conclude that the original examiner considered the propriety of the benefit claims under section 120 to all parent applications as originally filed during prosecution of the Child application leading to the '734 patent under reexamination. Second, there is indeed evidence to the contrary. See section III.A above. Thus it would not be more plausible to conclude that no intervening references were cited for this reason. Rather, it would be speculation contradicting the evidence.

III.B.3. The Office Has Jurisdiction to Apply an Intervening Printed Publication in a Reexamination Proceeding

*Patlex Makes Clear that It Does Not Apply to Situations Where the Sufficiency of the Parent Application Has Not Been Decided, Furthermore the Facts in the Patlex Case Differ Considerably from the Facts in the Instant Reexamination Proceeding*

On pages 47-49 of the Brief, the appellant argues that in Patlex v. Quiqq, 680 F.Supp. 33, 6 USPQ2d 1296 (D.D.C. 1988), the United States District Court for the District of Columbia "addressed a situation substantially identical to the circumstances of the present reexamination" and held that where "an original examiner already has considered and determined the sufficiency of the specification's disclosure under Section 112 and the resulting entitlement of claims to an original priority date, there is no 'substantial new' question of patentability for reexamination..." and thus the "Office lacks jurisdiction to 'reexamine' that same issue for those same claims in a subsequent reexamination proceeding."

Appellant arguments are unpersuasive. The holding relied on by the appellant reads, in full, "hence, the Court concludes that the examiner and the Board lacked jurisdiction in this case to 'reexamine' the sufficiency of the specification of the 'Great-grandparent' application." (Emphasis added). Id., at 37, at 1299. Obviously, this is not a broad holding that a 35 U.S.C. § 120 benefit claim can never be "reexamined" in a reexamination proceeding. Indeed, the Patlex court specifically, and rather clearly, went on to state that the "Court wishes to make clear that it is not deciding whether the Commissioner has jurisdiction in a reexamination to inquire into the sufficiency of the specification of a "parent" application where the sufficiency of the "parent" application vis-a-vis the claims of the patent being reexamined was not previously determined by

the PTO or a court."<sup>22</sup> As discussed extensively above, the original examiner did not consider and determine the sufficiency of the specification in the various parent applications, as originally filed, for the purposes of priority under 35 U.S.C. 120.

Indeed, the facts in the instant reexamination proceeding differ considerably from the facts in Patlex. In Patlex, the Court found that the issues were based upon the fact that the specification of the patent being reexamined was "essentially identical" to the specification of the Great-grandparent application for which section 120 benefit was claimed (Id., at 34, at 1297) and that the claims of the Great-grandparent were "directed essentially to the invention for [the patent being reexamined]." (Id. at 36, at 1299). In other words, in Patlex not only were the specifications essentially identical, but so were the claims. In contrast, and as discussed extensively above in the "Intervening Printed Publication" section (9), the specification and the claims of the patent being reexamined are substantially different from the specification and claims of the previous parent applications, as originally filed, for which section 120 benefit was claimed. A series of amendments subsequent the filing of the original, Great-grandparent application has added a substantial amount of new text to the specification and claims of the Grandparent, Parent, and even the Child application, which issued as the '734 patent.

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<sup>22</sup> In another example, the Federal Circuit recently upheld a priority determination based upon a written description analysis raised by the Office during a reexamination proceeding initiated based on prior art raising a new question of patentability. In re Curtis, 354 F.3d 1347 (Fed. Cir. 2004). See also In re Modine and Guntly, 2001 WL 898541 (Fed. Cir. 2001) (unpublished) (finding lack of priority to an ancestor application during a reexamination of a patent where the reexam was initiated based on prior art raising a new question of patentability).

- III.C. The Claims of the '734 Patent Are Not Entitled to the Benefit of Filing Date of the Parent Applications, as Originally Filed
- III.C.1. The Written Description of the Parent Applications, as Originally Filed
- III.C.1.i) The Proper Standard Is that the Original Written Description Must Actually or *Inherently* Disclose the Claim Element

On pages 49-53 of the Brief, the appellant argues that the "requirement of an inherency standard under Section 112 is unsupported by *Hyatt, Robertson, or Lockwood*."

Appellant arguments are unpersuasive. The written description must "actually or inherently disclose the claim element." Poweroasis, Inc. v. T-Mobile USA, Inc., 2008 WL 1012561, p. 6 (Fed. Cir. 2008). In the case of Hyatt v. Boone, 146 F.3d 1348, 47 USPQ2d 1128 (Fed. Cir. 1998) (emphasis added) (Certiorari Denied), to which the appellant refers to approvingly, is clear in this matter. When an explicit limitation in a claim "is not present in the written description whose benefit is sought it must be shown that a person of ordinary skill would have understood, at the time the patent application was filed, that the description requires that limitation." Id. at 1353 (emphasis added). "It is 'not a question of whether one skilled in the art might be able to construct the patentee's device from the teachings of the disclosure...Rather, it is a question whether the application necessarily discloses that particular device." Id. at 1353-4 (quoting from Jepson v. Coleman, 50 C.C.P.A. 1051, 314 F.2d 533, 536, 136 USPQ 647, 649-50 (CCPA 1963)) (emphasis added). The "written description must include all of the limitations...or the applicant must show that any absent text is necessarily comprehended in the description



provided and would have been so understood at the time the patent application was filed." Id. at 1354-55 (emphasis added).

The case of In re Roberston, 169, F.3d 743, 49 USPQ2d 1949 (Fed. Cir. 1999) was cited for its holding that "missing descriptive matter" that is "necessarily present" also goes to inherency. Id. at 745 (emphasis added). See also Poweroasis cited above.

The case of Lockwood v. American Airlines, Inc., 107 F.3d 1565, 41 USPQ2d 1961 (Fed. Cir. 1997) was cited to emphasize that, although the written description requirement requires that the application necessarily discloses a particular device to one of ordinary skill in the art at the time the application was filed, such a test should not devolve into an inquiry that "combined with the knowledge in the art, would lead one to speculate as to modifications that the inventor might have envisioned, but failed to disclosed." Id. at 1571.

Thus, when an explicit limitation in a claim is not present in the written description whose benefit is sought, such a limitation must be required (necessarily disclosed) by the written description. Thus, if the said limitation is not necessarily disclosed in (required by) the written description, it is not present in the written description.

III.C.1.ii) Claim 1 Through 34 in the '734 Patent Lack Written Description Support in the Originally Filed Parent Specifications

On pages 53-63 of the Brief, the appellant provides a chart to show that all of the limitations in claims 1-34 of the '734 patent were supported by the various originally filed, parent applications.

Although the appellant's arguments have been duly considered, they are not deemed persuasive. While the chart is certainly appreciated, certain of the claim limitations addressed in the chart are not necessarily disclosed (required by) the written description of the various originally filed, parent application, and thus are not present in the said written description, as extensively discussed by the examiner in the "Intervening Printed Publications" section (9) *supra*. Thus, the effective filing date (priority) of the instant '734 patent under reexamination remains the latest date at which time the priority chain was broken, namely February 27, 1996 (at the earliest), which is also the actually filing date of the '734 patent.

III.C.2. The "Video Feature" of the Claims 4, 6-10, 19, 22-25, 28 and 31-60 of the '734 Patent Was Not Enabled by the Originally Filed Specification

*The Enablement Rejection of Newly Added, Video Download Feature Is Based on Factors, such as Undue Experimentation, and Not upon a "Mass Production" Standard as Argued by the Appellant*

On pages 63-67 of the Brief, the appellant argues that, regarding the enablement of various video features recited in claims 4, 6-10, 19, 22-25, 28 and 31-60 by the Great-

grandparent application, as originally filed, the Office is attempting to apply a "mass production" standard when, "in actuality, the enablement standard of Section 112 has no such requirement."

Appellant arguments are unpersuasive. The examiner's rejection under the enablement requirement of those newly introduced claims reciting a video download feature was explicitly based upon an undue experimentation factor. Nothing was stated about a "mass production" requirement. For example, the originally filed, Great-grandparent application teaches that data (not specifically video data) is transmitted via a telephone line. Yet the MPEG-1 standard, which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established in 1992. See the 35 U.S.C. 112, 1<sup>st</sup> paragraph rejection *supra* for additional details. Thus, digital video coding standards for purposes of transmission and file downloading over a telephone line were not settled in 1988. Thus, it would not have been clear to one of ordinary skill how the digital video would have been coded and decoded during transmission over a telephone line. Such a question does not relate to mass production, but whether a single video downloading system as claimed could be made or used without undue experimentation by one of ordinary skill in the art in 1988 facing a lack of industry standards for transmitting digital, video data via a telephone line and also facing a limited disclosure of any video features whatsoever (except for the general statements at the end of the specification regarding video applicability) in the originally filed, Great-grandparent application.

III.D. Yurt and Goldwasser Are Available of Prior Art Patents

On page 68 of the Brief, the appellant argues that Yurt and Goldwasser are not available as prior art. The publication date of the Yurt patent however is July 21, 1992. The earliest priority date of the '734 Patent under reexamination however is February 27, 1996, as discussed extensively above in the "Benefit of Earlier Filing Date" section. Thus, Yurt is available as both 102(b) and 102(e) type prior art. For similar reasons, Goldwasser is also available as prior art.

IV. The Claims As Amended Are Neither Supported Nor Enabled by the Written Description

On page 69 of the Brief, the appellant argues that the "Office may only examine the recitation of "a non-volatile storage portion of the second memory that is not a tape or CD"for compliance with Section 112, first paragraph." This argument is unpersuasive however because, besides being presented in conclusory language, the claims recite a new limitation directed to a "the second memory having a second party hard disk," which is quite distinct from the argued feature that a memory that is not a tape or CD. Accordingly, the Final Rejection included 112, 1st paragraph rejections regarding the download of video to a second memory and playback therefrom. Furthermore, "the question of new matter should be considered in a reexamination proceeding." MPEP 2258.II.B.

On pages 69-71 of the Brief, the appellant argues that the originally filed specification explicitly states that the disclosed invention eliminates the need to handle tapes and CDs. This argument however is not persuasive because the cited portion of the specification (p. 2, ll. 23-26)

instead states that a hard disk "thus eliminat[es]...the need to unnecessarily handl[e]...tapes, or compact discs on a regular basis." Thus, the specification as originally filed does not preclude the possibility that tapes and CDs are used to store the downloaded music, albeit not on a regular basis. This embodiment thus directly contradicts the newly introduced, negative limitations directed to a "non-volatile storage portion of the second memory, wherein the non-volatile storage portion is not a tape or a CD." Indeed by pointing to that part of the specification that teaches storing the data on a hard disk, the appellant's arguments support the position that the specification as originally filed teaches of a second memory in the form of hard disk, but fails to necessarily disclose (require) the broader, artificially created sub-genus corresponding to the negative limitation, namely a second memory that is not necessarily a hard disk, and that is also not a tape or CD either.

V. Based on the Proper Priority Date for the Claims in Reexamination, the Rejection of Claims 1-4, 6-19, 22-25, 28 and 31-60 Based on Yurt and Goldwasser are proper.

The earliest priority date of the '734 patent under reexamination is February 27, 1996, as discussed extensively above in the "Intervening Printed Publication" section (9) and also in the arguments above. Thus, Yurt and Goldwasser are available as prior art.

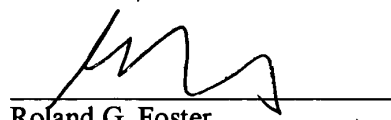
VI. The Double Patent Rejections Are Proper

Appellant's argument on pages 74-79 are unpersuasive. The original prosecution history fails to show that instant double patenting rejection was addressed, including the rejection of the claims as currently amended. Indeed, regarding the original claims, and as noted by the Appellant, the applicant repeatedly asked the original examiner to deem the double-patenting issue as moot, which the examiner declined to do. Furthermore, Yurt is available as prior art for the reasons discussed above, and thus may be used in a double-patenting rejection.

**Conclusion**

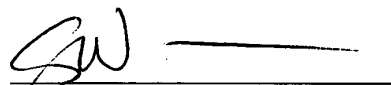
For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

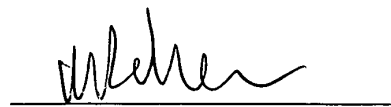


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**Attachment "A"**  
(9 pages, including this page)

TO 90/007,403  
EXAMINER'S ANSWER

07/206,497 Specification as Originally Filed on  
June 13, 1988

Note: handwritten notations on the enclosed specification  
represent subsequent markups by USTPO clerical staff  
(e.g., amendment processing).



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U.S. PATENT OFFICE

~~TRANSMISSIONAL SYSTEM~~  
of the invention.

~~A methodology/system for the electronic sales, distribution, storage, manipulation, retrieval, playback, and copyright protection of Digital Audio Music.~~

~~[B] Cross-References to related applications~~

~~None~~

~~[C] Brief summary of the invention~~

~~This invention relates in general to a new and improved methodology/system for the electronic sales, distribution, storage, manipulation, retrieval, playback, and copyright protection of Digital Audio Music.~~

The three basic mediums (hardware units) of music: records, tapes, and compact discs, greatly restricts the transferability of music and results in a variety of inefficiencies.

**CAPACITY:** The individual hardware units as cited above are limited as to the amount of music that can be stored on each.

**MATERIALS:** The materials used to manufacture the hardware units are subject to damage and deterioration during normal operations, handling, and exposure to the elements.

**SIZE:** The physical size of the hardware units imposes constraints on the quantity of hardware units which can be housed for playback in confined areas such as in automobiles, boats, planes, etc.

**RETRIEVAL:** Hardware units limit the ability to play, in a sequence selected by the user, songs from different albums. For example, if the user wants to play one song from ten different albums, the user would spend an inordinant amount of time handling, sorting, and cueing the ten different hardware units.

**SALES and DISTRIBUTION:** Prior to final purchase, hardware units need to be physically transferred from the manufacturing facility to the wholesale warehouse to the retail warehouse to the retail outlet, resulting in lengthy lag time between music creation and music marketing, as well as incurring unnecessary and inefficient transfer and handling costs. Additionally, tooling costs required for mass production of the hardware units and the material cost of the hardware units themselves, further drives up the cost of music to the end user.

**QUALITY:** Until the recent invention of Digital Audio Music, as used on Compact Discs, distortion free transfer from the hardware units to the stereo system was virtually impossible. 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. Use of laser retrieval of the binary commands results in distortion free transfer of the music from the compact disc to the stereo system. Quality Digital Audio Music is defined as the binary structure of the Digital Audio Music. Conventional analog tape recording of Digital Audio Music is not to be considered quality inasmuch as the binary structure itself is not recorded. While Digital Audio Music on compact discs is a technological breakthrough in audio quality, the method by which the music is sold, distributed, stored, manipulated, retrieved, played, and protected from copyright infringements remains as inefficient as with records and tapes.

*Sub. New Spec. #9*

**COPYRIGHT PROTECTION:** Since the invention of tape recording devices, strict control and enforcement of copyright laws have proved difficult and impossible with home recorders. Additionally, the recent invention of Digital Audio Tape Recorders now jeopardizes the electronic copyright protection of quality Digital Audio Music on Compact Discs or Digital Audio Tapes. If music exists on hardware units, it can be copied.

Accordingly, it is an objective of this invention is to provide a new and improved ~~methodology~~/system to electronically sell and distribute Digital Audio Music.

*B* ~~method~~ further objective of this invention to provide a new and improved ~~methodology~~/system to electronically store and retrieve Digital Audio Music.

*B* ~~method~~ Another objective of this invention is to provide a new and improved ~~methodology~~/system to electronically manipulate, i.e., sort, cue, and select, Digital Audio Music for playback.

*B* Still another objective of this invention is to offer a new and improved ~~methodology~~/system which can prevent unauthorized electronic copying of quality Digital Audio Music.

*B* *Ms G3* Briefly, this invention accomplishes the above cited objectives by providing a new and improved ~~methodology~~/system of electronic sales, distribution, storage, manipulation, retrieval, playback, and copyright protection of Digital Audio Music. 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. This invention recalls stored music for playback as selected/programmed by the user. This invention can easily and electronically sort stored music based on many different criteria such as, but not limited to, music category, artist, album, user's favorite songs, etc. An additional feature of this invention is the random playback of songs, also based on the user's selection. For example, the user could have this invention randomly play all jazz songs stored on the user's hard disk, or randomly play all songs by a certain artist, or randomly play all of the user's favorite songs which the user previously electronically "tagged" as favorites. Further, being more specific, the user can electronically select a series of individual songs from different albums for sequential playback.

*B* This invention can be configured to either accept direct input of Digital Audio Music from the digital output of a Compact Disc, such transfer would be performed by the private user, or this invention can be configured to accept Digital Audio Music from a source authorized by the copyright holder to sell and distribute the copyrighted materials, thus guaranteeing the protection of such copyrighted materials. Either method of electronically transferring Digital Audio Music by means of this invention is intended to comply with all copyright laws and restrictions and any such transfer is subject to the appropriate authorization by the copyright holder. Inasmuch as Digital Audio Music is software and this invention electronically transfers and stores such music, electronic sales and distribution of the music can take place via telephone lines onto a hard disk. This new ~~methodology~~/system of music sales and distribution will greatly reduce the cost of goods sold and will reduce the lag time between music creation and music marketing from weeks down to hours.

*Ms G4*

Further objectives and advantages of this invention will become apparent as the following description proceeds and the particular features of novelty which characterize this invention will be pointed out in the claims annexed to and forming a part of this declaration.

[B] Brief description of the several views of the drawings

For a better understanding of this invention, reference should be made to the following detailed description, taken in conjunction with the accompanying drawings, in which:

Fig. 1 is a pictorial flow chart which may be used in carrying out the teachings of this invention for the purposes of electronic sales, distribution, storage, manipulation, retrieval, playback, and copyright protection of Digital Audio Music; and

Fig. 2 is a pictorial flow chart which may be used in carrying out the teachings of this invention for the purposes of electronic storage, manipulation, retrieval, and playback of Digital Audio Music.

Referring now to Fig. 1, this invention is comprised of the following:

- 10 Hard Disk of the copyright holder
- 20 Control Unit of the copyright holder
  - 20a Control Panel
  - 20b Control Integrated Circuit
  - 20c Sales Random Access Memory Chip
- 30 Telephone Lines/Input Transfer
- 50 Control Unit of the user
  - 50a Control Panel
  - 50b Control Integrated Circuit
  - 50c Incoming Random Access Memory Chip
  - 50d Play Back Random Access Memory Chip
- 60 Hard Disk of the user
- 70 Video Display Unit
- 80 Stereo Speakers

The Hard Disk 10 of the agent authorized to electronically sell and distribute the copyrighted Digital Audio Music is the originating source of music in the configuration as outlined in Fig. 1. The Control Unit 20 of the authorized agent is the means by which the electronic transfer of the Digital Audio Music from the agent's Hard Disk 10 via the Telephone Lines 30 to the user's Control Unit 50 is possible. The user's Control Unit would be comprised of a Control Panel 50a, a Control Integrated Circuit 50b, an Incoming Random Access Memory Chip 50c, and a Play Back Random Access Memory Chip 50d. Similarly, the authorized agent's Control Unit 20 would have a control panel and control integrated circuit similar to that of the user's Control Unit 50. The authorized agent's Control Unit 20, however, would only require the Sales Random Access Memory Chip 20c. The other components in Fig. 1 include a Hard Disk 60, a Video Display Unit 70, and a set of Stereo Speakers 80.

Referring now to Fig. 2, with the exception of a substitution of a Compact Disc Player 40 (as the initial source of Digital Audio Music) for the agent's Hard Disk 10, the agent's Control Unit 20, and the Telephone Lines 30 in Fig. 1, Fig. 2 is the same as Fig. 1.

In Fig. 1 and Fig. 2 the following components are already commercially available: the agent's Hard Disk 10, the Telephone Lines 30, the Compact Disc Player 40, the user's Hard Disk 60, the Video Display Unit 70, and the Stereo Speakers 80. The Control Units 20 and 50, however, would be designed specifically to meet the teachings of this invention. The design of the control units would incorporate the following functional features:

1) the Control Panels 20a and 50a would be designed to permit the agent and user to program the respective Control Integrated Circuits 20b and 50b,

2) the Control Integrated Circuits 20b and 50b would be designed to control and execute the respective commands of the agent and user and regulate the electronic transfer of Digital Audio Music throughout the system, additionally, the sales Control Integrated Circuit 20b could electronically code the Digital Audio Music in a configuration which would prevent unauthorized reproductions of the copyrighted material,

3) the Sales Random Access Memory Chip 20c would be designed to temporarily store user purchased Digital Audio Music for subsequent electronic transfer via telephone lines to the user's Control Unit 50,

4) the Incoming Random Access Memory Chip 50c would be designed to temporarily store Digital Audio Music for subsequent electronic storage to the user's Hard Disk 60,

5) the Play Back Random Access Memory Chip 50d would be designed to temporarily store Digital Audio Music for sequential playback.

The foregoing description of the Control Units 20 and 50 is intended as an example only and thereby is not restrictive with respect to the exact number of components and/or its actual design.

~~[E] Detailed description~~

Once the Digital Audio Music has been electronically stored onto the user's Hard Disk 60, having the potential to store literally thousands of songs, the user is free to perform the many functions of this invention. To play a stored song, the user types in the appropriate commands on the Control Panel 50a, and those commands are relayed to the Control Integrated Circuit 50b which retrieves the selected song from the Hard Disk 60. When a song is retrieved from the Hard Disk 60 only a replica of the permanently stored song is retrieved. The permanently stored song remains intact on the Hard Disk 60, thus allowing repeated playback. The Control Integrated Circuit 50b stores the replica onto the Play Back Random Access Memory Chip 50d at a high transfer rate. The Control Integrated Circuit 50b then sends the electronic output to the Stereo Speakers 80 at a controlled rate using the Play Back Random Access Memory Chip 50d as a temporary staging point for the Digital Audio Music.

Unique to this invention is that the Control Unit 50 also serves as the user's personal disk jockey. The user may request specific songs to be electronically cued for playback, or may request the Control Unit 50 to randomly select songs based on the user's criteria. All of these commands are electronically stored in random access memory enabling the control unit to remember prior commands while simultaneously performing other tasks requested by the user and, at the same time, continuing to play songs previously cued.

Offering a convenient visual display of the user's library of songs is but one more new and improved aspect of this invention. As the Control Unit 50 is executing the user's commands to electronically sort, select, randomly play, etc., the Video Display Screen 70 is continually providing feedback to the user. The Video Display Screen 70 can list/scroll all songs stored on the Hard Disk 60, list/scroll all cued songs, display the current command function selected by the user, etc. Further expanding upon the improvements this invention has to offer, the Video Display Screen 70 can display the lyrics of the song being played, as well as the name of the song, album, artist, recording company, date of recording, duration of song, etc. This is possible if the lyrics and other incidental information are electronically stored to the Hard Disk 60 with the Digital Audio Music.

In summary, there has been disclosed a new and improved <sup>method</sup> methodology/system by which Digital Audio Music can be electronically sold, distributed, transferred, and stored. Further, there has been disclosed a new and improved <sup>method</sup> methodology/system by which Digital Audio Music can be electronically manipulated, i.e., sorted, cued, and selected for playback. Further still, there has been disclosed a new and improved methodology/system by which the electronic manipulation of Digital Audio Music can be visually displayed for the convenience of the user. Additionally, there has been disclosed a new and improved <sup>method</sup> methodology/system by which electronic copyright protection of quality Digital Audio Music is possible through use of this invention.

~~(f) Claims~~

Since numerous changes may be made in the above described process and apparatus and different embodiments of the invention may be made without departing from the spirit thereof, it is intended that all matter contained in the foregoing description or shown in the accompanying drawings shall be interpreted as illustrative, and not in a limiting sense. Further, it is intended that this invention is not to be limited to Digital Audio Music and can include Digital Video, Digital Commercials, and other applications of digital information.

Claims

*Handwritten notes:*  
The Cl  
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Express Mail No.: EV 502961985 US

Control No.: 90/007,403

Attorney's Docket No. NAPS002

Patent



06/23/08

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

67274 U.S. PTO

In re Application of: Arthur R. Hair

Group No.: 3992

Serial No.: 90/007,403

Examiner: Roland G. Foster

Filed: January 31, 2005

Confirmation No. 3002

For: METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL

REPLY BRIEF ON APPEAL UNDER 37 C.F.R. § 41.41

Mail Stop Appeal Brief - Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

This reply is in response to the Examiner's Answer mailed April 24, 2008. This Reply is being filed within the two month time period set by regulation. No fee is believed to be due for this reply.

If any fees are due, please charge deposit account number 50-0573.

**CERTIFICATE OF MAILING**  
UNDER 37 C.F.R. 1.8(a)

I hereby certify that this paper, along with any paper referred to as being attached or enclosed, is being deposited with the United States Postal Service on the date indicated below, with sufficient postage, as Express mail, in an envelope addressed to: Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

BY: *James P. O'Brien* 06/27/2008 JWHITFIELD 00000003 90007403

DATE: *June 23, 2008*

1030.00 0P

**Real Party in Interest**

Appellant's real party in interest is:

DMT Licensing, LLC (a wholly-owned subsidiary of GE Intellectual Property Licensing, Inc., which is a wholly-owned subsidiary of General Electric Co.)

105 Carnegie Center  
Princeton, New Jersey 08540

Status of the Claims

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are currently pending. Claims numbered 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 were originally issued in U.S. Patent Number 5,675,734 (the “734 Patent”). Claims 35 through 60 were added during reexamination.

Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 are rejected under 35 U.S.C. § 112, first paragraph. Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are rejected under 35 U.S.C. § 103(a). Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are rejected under the doctrine of obviousness-type double-patenting over Claims 1 through 6 of U.S. Patent 5,191,573 (the “573 Patent”).

Appellant appeals the rejection of all claims.



**Grounds for Rejection to be Reviewed on Appeal**

1. Examiner's rejection of Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 under 35 U.S.C. § 103(a) over U.S. Patent 5,132,992 to Yurt (*Yurt*) in view of U.S. Patent 5,241,428 to Goldwasser (*Goldwasser*). In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before either *Yurt* or *Goldwasser* could properly be cited as prior art references.
2. Examiner's rejection of Claims 1, 2, 35 and 36 under 35 U.S.C. § 103(a) over *Yurt* in view of U.S. Patent 4,789,863 to Bush (*Bush*). In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before *Yurt* could properly be cited as a prior art reference.
3. Examiner's rejection of Claim 3 under 35 U.S.C. § 103(a) over *Yurt* in view of *Bush*, further in view of *Goldwasser*. In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before either *Yurt* or *Goldwasser* could properly be cited as prior art references.
4. Examiner's rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 for obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent in view of *Yurt*.
5. Examiner's rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph as not being supported by the written description in the specification.
6. Examiner's rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph as not being enabled by the specification.

Argument

**I. SUMMARY**

The Examiner's Answer ("the Answer") essentially rehashes the arguments/rejections made in the Examiner's last Office Action. Appellant addressed each of those arguments/rejections in its Opening Appeal Brief. Appellant will not repeat all of those arguments here.<sup>1</sup> Instead, this Reply will focus specifically on three deficiencies in the Answer. First, the Answer's attempt to reassign priority dates to the present claims circumvents the rules and regulations governing the scope of reexamination. Second, the Answer continues to apply the incorrect enablement standard. Third, the Answer misconstrues the specification disclosure with respect to the "non-volatile storage portion is not a tape or a CD" element.

**II. THE ANSWER'S REASSIGNING OF PRIORITY HAS NO LEGAL SUPPORT.**

In rejecting the present claims based on "intervening" references, the Answer takes a two step approach that amounts to an improper *de novo* determination of priority for the existing claims. In the first step, the Answer alleges that "new matter" was added during the prosecution of the patent. Using that alleged "new matter," the Answer improperly converts the present continuation application to a continuation in part application by assigning varying priority dates to each of the claims.<sup>2</sup> In the second step, having already improperly created multiple artificial priority dates, the Answer asserts that it is now authorized to use intervening references to reject

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<sup>1</sup> The fact that Appellant, in this Reply, has not raised all of the issues in the Opening Appeal Brief should not be considered a waiver of those issues.

<sup>2</sup> The Answer tries to hide the ball by repeatedly stating the Appellant is conflating the new matter issue with the priority issue. What the Answer fails to acknowledge is that its actions necessarily require the issues to be combined. If the Answer does not examine the claims under 35 USC 112, then the Answer would not have created the alleged "new matter." Without the alleged "new matter," there would be no question of priority because all of the claims would have been entitled to the original priority date. In other words, the Answer could not have reached the second step without initially taking the first step.

the claims. An examiner in a reexamination lacks the authority to take those two steps. As a result, the rejections based on the “intervening” references are improper.

**A. Reassigning priority clearly falls outside the scope of reexamination.**

The first step, *i.e.*, alleging that new matter was added during the original prosecution is outside the scope of reexamination for the pending application. That scope is defined by 37 CFR 1.552, which, in relevant part, recites:

(a) Claims in an *ex parte* reexamination proceeding will be examined on the basis of patents or printed publications and, with respect to subject matter added or deleted in the reexamination proceeding, on the basis of the requirements of 35 U.S.C. 112.

(c) Issues other than those indicated in paragraphs (a) and (b) of this section will not be resolved in a reexamination proceeding. If such issues are raised by the patent owner or third party requester during a reexamination proceeding, the existence of such issues will be noted by the examiner in the next Office action, in which case the patent owner may consider the advisability of filing a reissue application to have such issues considered and resolved.

In short, the reexamination regulations clearly state that issues with respect to 35 U.S.C. §112 can only be raised in a reexamination for “subject matter added or deleted in the reexamination proceeding.” 37 CFR 1.552; *see also In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985) (*en banc*) (“only new or amended claims are also examined under 35 U.S.C. §§ 112 and 132”). That is not the case here.

Determining that material in the specification is “new matter” and then subsequently converting a continuation application to a continuation in part application, as the Answer improperly does in this case, plainly is an issue with raised under 35 U.S.C. §112. However, the material that the Answer alleges is new matter was not “added or deleted in the reexamination proceeding.” The Answer does not – and cannot – dispute this fact. On the contrary, the Answer lists each of dates in which the alleged new matter was added during the *original* prosecution.

Because the material was added during the *original* prosecution and not during reexamination, 37 CFR 1.552 makes clear that the reexamination examiner has no authority to review the material under 35 U.S.C. §112.

Without the first step of magically and improperly converting the continuation application to a continuation in part application, the Answer's rejection based on "intervening references" must fail. The priority date of a continuation application is the filing date of the original application to which the continuation claims priority. There is only one priority date. With only one priority date, there cannot be intervening references. For intervening references to exist, let alone be applied, the examiner necessarily had to reassign priority dates. Thus, the Answer is simply wrong when it asserted that "the examiner simply applied an intervening reference" and that "no priority dates [had] been 'reassigned' by the examiner." Answer, p. 55.

**B. The new matter rejections are not a new question of patentability.**

During the original prosecution, the original examiner was required to, and in fact did, review all added material to determine whether this material was new matter. As a result, conducting a new matter analysis on material added to the application during the original prosecution is not a new question of patentability in this reexamination. Because it is not a new question of patentability, the issue is outside the scope of reexamination.

As acknowledge in the Answer, the examiner in the original prosecution issued a new matter rejection in the office action of February 24, 1992. This rejection evidences the original examiner's attention to this issue; an issue that the statutes and rules mandate the examiner address. See 35 U.S.C. 132 (a) ("No amendment shall introduce new matter into the disclosure of the invention."); MPEP 706.03(o) ("In the examination of an application following amendment thereof, the examiner must be on the alert to detect new matter" and should object "to amendments to the abstract, specification, or drawings attempting to add new disclosure to

that originally disclosed on filing.”). This action is presumed to be complete. *See* 37 CFR §1.104 (“The examiner’s action will be complete as to all matters,” except in certain circumstances, none of which apply here). Therefore, the alleged new matter cannot be a new question of patentability here.<sup>3</sup>

**C. The authority the Answer cites fails to support the action of converting a continuation application to a continuation in part application during reexamination.**

The Answer cites several sections of the MPEP that allegedly empower a reexamination examiner to make a *de novo* priority determination of a *continuation* application. As discussed below, none of the cited sections give a reexamination examiner such authority.<sup>4</sup> In fact, the reexamination examiner attempts to take actions (*i.e.*, convert a continuation to a continuation in part application) that no examiner – not even an original examiner – has authority to do. Thus, if an original examiner believes new matter has been added to an application that is not a continuation-in-part, and further believes the new matter is required to support claims, the proper courses for that original examiner is to object to the new matter under 35 U.S.C. § 132(a), and to reject the claims under 35 U.S.C. §112. It is undisputed there is absolutely no authority for an original examiner to do what the examiner did here – magically turn the application into a continuation-in-part, arbitrarily assign a new priority date to the claims, and thereafter reject those claims based on intervening prior art. Plainly, if an original examiner could not do that, then a reexamination examiner cannot do it either, absent some express authority in the

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<sup>3</sup> The Answer asserts that the appellant’s statement that the original examiner “could not – and did not – reassign priority dates to the original claims...” was an admission “that the original examiner did not address the issue of whether to apply intervening references against the original claims.” Answer, p. 60. This assertion is just plain wrong. That statement was not an admission that the original examiner did not address the issue, but rather a statement that the original examiner correctly and properly did not reassign priority when it had an opportunity to do so.

<sup>4</sup> It is important to note that “the MPEP does not have the force of law,” although it is entitled to judicial notice. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1180, n. 10 (Fed. Cir. 1995).

reexamination statutes or rules which, contrary to the present examiner's assertions, simply does not exist:

- MPEP § 201.11(B) – This section is not directed to reexaminations, and therefore does not apply to the present application.
- MPEP § 202.02 – The Answer cites this section for the proposition that “the inclusion of prior application information in the patent does not necessarily indicate that the claims are entitled to the benefit of the earlier filing date.” First, while this is true, it does not empower a reexamination examiner to convert a continuation application to a continuation in part application. Second, this section is not directed to reexaminations, and therefore does not apply to the present application.
- MPEP § 2258(I)(C) – This section notes that rejections based on intervening references are allowed during reexamination, but does not provide authority for an examiner to conduct a *de novo* priority determination of a *continuation* application during reexamination. The two cases cited in the section addressed continuation in part applications. Neither the section, nor the cases cited in the section provide an examiner with authority to convert a continuation application to a continuation in part application during reexamination.
- MPEP § 2258 (IV)(E) – This section provides that an examiner in reexamination can review priority claims *if* the patentee makes a claim for priority during the reexamination. Appellant did not make such a claim because Appellant did not need to. There is only one priority date to this application. To hold otherwise would in essence convert the continuation application into a continuation in part application, which, as discussed above, cannot be done.
- MPEP § 1402 – This section is directed to reissue applications, not applications in reexamination. The section does not provide an examiner with authority to convert a continuation application to a continuation in part application during reexamination.
- MPEP § 1405 – This section is directed to reissue applications, not applications in reexamination. The section does not provide an examiner with authority to convert a continuation application to a continuation in part application during reexamination.

There is no dispute that an examiner in a reexamination may, under limited circumstances, have authority to review intervening references in a reexamination. However, an examiner can only do so if the patent under reexamination issued from a continuation in part application. Again, that is not the case here. The patent instead issued from a continuation application. The

Answer's smoke and mirrors arguments<sup>5</sup> that shift the burden to the appellant to show why the present continuation application cannot be treated like a continuation in part application are, just that -- smoke and mirrors. Each of the sections cited by the Answer relates to non-reexamination applications and/or continuation in part applications. None of the references relate to a continuation application in reexamination, which is what we have here. As a result, it is the Office that has the burden to show how these sections can apply. Not surprisingly, even with its manufactured arguments, the Answer failed to do that.

### **III. THE ANSWER APPLIED THE IMPROPER STANDARD AND IMPROPERLY IMPORTED LIMITATIONS INTO THE CLAIMS IN SUPPORT OF THE SECTION 112 REJECTIONS.**

#### **A. The Answer tacitly admits that short videos are enabled.**

In the Opening Brief, Appellant pointed out that the rejection included an implicit admission that short videos were enabled. Appellant quoted the Office Action which stated "it is not clear ... how downloaded video files of any appreciable or viable size would have been downloaded and stored on originally disclosed hard disk 60 of the user in the original specification." Opening Brief, p. 64-65. In light of that statement, Appellant argued "The use of 'appreciable' and 'viable' makes it clear that short videos are enabled, and nothing more is required." *Id.* Not only is the use of the qualifying language "appreciable" and "viable" in the Office Action a tacit admission by the Office that the present specification at least enables videos of *some* size, the Answer's (e.g., on pages 31 and 77-78) failure to provide *any evidence* to rebut Appellant's argument that short videos are enabled is legally tantamount to an admission that short videos are enabled. See *In re Herrmann*, 261 F.2d 598, 120 USPQ 182 (CCPA 1958) and *In re Soni*, 54 F.3d 746, 751, 34 USPQ2d 1684, 1688 (Fed. Cir. 1995) reversing rejections for failure to rebut

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<sup>5</sup> The Answer inexplicably asserts that the "appellant has failed to cite to any law or procedure that prohibits the Office from applying intervening printed publications during an *ex parte* reexamination proceeding in the absence of a continuation-in-part." Answer, p. 54. The Answer apparently has overlooked 37 CFR 1.552.

applicant's argument. Because the enablement requirement does not have an "appreciable or viable size" requirement,<sup>6</sup> and because the Answer admits the present specification enables videos of *some* size (*i.e.*, short videos), there can be no doubt the present claims meet the enablement requirement. Appellant therefore submits that the Proposed Findings of Fact and Conclusion of Law, attached hereto as Exhibit A, should be adopted of record in this Appeal.

**B. The Answer applies the wrong standard and improperly imports limitations into the claims in support of the Section 112 rejections.**

The Answer does nothing more than state the enablement rejection is based on the alleged fact that undue experimentation would be required to reach the claimed invention. Without more, that statement falls on its face. The Answer does not even discuss – much less provide any evidence -- as to how much or what kind of experimentation would be required. Instead, the Answer merely states that the level of experimentation would be "undue." This is not enough. Moreover, the Answer attempts to support the undue experimentation statement by introducing qualifiers (*e.g.*, "popular" or "routinely available") that are not present in the claims, and therefore not part of a proper enablement analysis. Again, by using such qualifiers, the examiner has tacitly admitted the claims are enabled in some manner, albeit in ways the examiner considers to be not "popular" or not "routinely available."

Despite its contentions to the contrary, the Answer clearly attempts to apply a "mass production" standard to the claims when, in actuality, the enablement standard of Section 112 has no such requirement. As the Federal Circuit held in *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544, 1562 (Fed. Cir. 1987), "the law has never required that [an Appellant]... must disclose in its patent the dimensions, tolerances, drawings, and other parameters of mass production not necessary to enable one skilled in the art to practice (as distinguished from mass-

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<sup>6</sup> The Answer acknowledges that even a 30-megabyte hard drive could store a three-minute movie if encoded at 1.5 megabits/second, which is more than enough to meet the enablement requirement. Answer, p. 26.



produce) the invention.” Nonetheless, this kind of “mass production” information is exactly the kind of information the Answer now seeks. The Answer asserts that it did not apply the “mass production” standard,<sup>7</sup> but as can be seen from the quotations directly from the Answer, this assertion defies reality.

Thus, the Answer states “[p]ersonal user devices with the processing power capable of playing back much larger and more complicated digital video files, such as DVD players, were not routinely available until the late 1990(s).” Answer, p. 30. (emphasis added). Whether such devices “routinely” were available is not part of the test for enablement, nor is it one of the eight factors for reasonable experimentation that were laid out by the Federal Circuit in *In re Wands*, 858 F.2d 731 (Fed. Cir. 1988). Rather, the only relevant test is whether, without undue experimentation, one of ordinary skill in the art could have made and used the claimed invention.

As further evidence the Answer seeks to apply a “mass production” standard, the Answer states “the digital bandwidth required to transmit a video signal at even VHS quality was around 1.5 megabits per second (approximately 30 megabytes in 3 minutes).” Answer, p. 31 (emphasis added). However, while VHS quality may be appropriate for “mass production,” a limitation requiring VHS quality video is not included in any of the claims, and thus it is impermissible for the Office to use that level of quality as a benchmark for enablement. In fact, the recent success of very small screen video players shows that “mass production” can be achieved with even less than VHS quality.

Moreover, the Answer impermissibly limits the scope of what it referenced when it cites the size of available hard drives. While a 30-megabyte hard drive would have been available in a

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<sup>7</sup> The Answer asserts on page 78 that “Nothing was stated about a ‘mass production’ requirement.” Simply because the Answer did not use the exact words “mass production” does not mean that the requirement was not applied.

3.5-inch form factor, the same chart relied on by the Office illustrates that hard drives larger than 1.89 gigabytes were available at the same time.

Furthermore, the Answer has applied the same “mass production” requirement to the library server. The Answer acknowledges that mainframes did exist which could have operated as repositories for copyrighted materials using hard disk drives, but then discounts the relevance of the existing mainframes by stating “it is not clear how even a small-sized video library ... would have been stored in the hard disk of the copyright holder ... without requiring details directed to a complex mainframe operating environment.” Answer, p. 31. This unsupported statement on “complexity” is insufficient to prove that mainframe operating environments capable of storing digital video files were not already known at the time the original specification was filed, or that undue experimentation would have been required to store digital video files in such an environment. The statement also leaves unanswered how the Answer is defining “small” -- according to the enablement standard under Section 112 or the improper “mass production” standard?

The Answer also states “[r]egarding the transfer of these large video files over a network, the proliferation of broadband communication network[s] capable of delivering these large files to consumers, such as the Internet, simply did not exist or were not well known in 1988.” Answer, p. 31-32. (emphasis added). Such a statement raises at least two issues. First, “not well known” to whom? Those of ordinary skill in the art of computer systems knew of telephony-based wide area networks at the time the original specification was filed. See <http://www.rfc-editor.org/rfc-index.html> for a list of computer communications standards including those available at the time of filing. Second, utilization of a “broadband” network is not required. In fact, the originally filed specification discloses that the audio and video files can be transferred

over telephone lines. While this may not be an extremely fast method of transfer, it nonetheless clearly is enabling under Section 112.

The Office further questions “how the digital video would have been coded and decoded during transmission, as digital video coding standards for purposes of transmission and file download were not settled in 1988. [T]he MPEG-1 standard which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established in 1992.” Answer, p. 32 (emphasis added). Again, standardization of video coding and the use of “NTSC quality” relate to “mass production” rather than enablement under Section 112. Thus, the Office has not alleged -- and cannot allege -- that one of ordinary skill in the art could not have coded video at some other resolution or using some other encoding technique at the time the original specification was filed.

In contrast, those of ordinary skill in the art would have been able to code and decode video data transmitted over a telephone line without undue experimentation. This is because there were existing video teleconferencing systems known and available to them prior to applicant’s earliest priority date. As earlier as five years before applicant’s earliest priority date digital video signals could have been and were sent via telephone networks and decoded with picture processors in real-time.

Similarly, not only were TV processors for video processing available for use in video processing systems, but network interface specifications were available for making systems that were compatible with signals sent via telephone networks. As such, contrary to the position of the Answer, it is clear that at the time of filing of the earliest priority application, one of ordinary

skill in the art would have been able to transmit, download and decode video signals as claimed without undue experimentation.

Accordingly, Claims 4, 6-10, 19, 22-25, 28 and 31-60, which including the “video” feature of the invention are clearly enabled by the originally filed specification under the proper standard for Section 112 enablement.

#### IV. Negative Limitation

The Answer asserts the negative limitation of “a non-volatile storage portion of the second memory, wherein the non-volatile storage is not a tape or a CD”, introduces a new concept to the claims that does not have a basis in the originally filed specification. The Answer cites two cases from the BPAI, one case from the CAFC, and one case from the Court of Customs and Patent Appeals (“C.C.P.A.”) to support this rejection. None of the cases support the rejection.

The CAFC case cited in the Answer, *Lizardtech, Inc. v. Earth Res. Mapping, Inc.*, 433 F.3d 1373 (Fed. Cir. 2006), is merely an opinion denying a petition for rehearing *en banc*. The case does not address anything related to the current rejection. Therefore, the case simply does not support the Answer’s position.

The two cases from the BPAI, *Ex Parte Wong*, No. 2004-1144, 2004 WL 4981845 (Bd. Pat. App. & Interf. June 10, 2004) and *Ex Parte Grasselli*, 231 U.S.P.Q. 393 (Bd. Pat. App. & Interf. 1983), address situations where a negative limitation added to a claim was not described in the specification of the application. However, neither *Wong* nor *Grasselli* support the rejection under Section 112, first paragraph in the instant case. In both *Wong* and *Grasselli*, the issue and ultimate ground for rejection was that a negative limitation added to the claims introduced a new concept not disclosed in the respective specifications in those cases. That simply is not the situation here. Claims 35, 37, 43, 48, 51, and 56 recite a non-volatile storage

portion of a memory that is not a tape or CD. The originally filed specification explicitly states that the disclosed invention eliminates the need to handle tapes and CDs. *See* p. 2, lns. 23 to 26.<sup>8</sup> Thus, the concept of storing digital audio or digital video signals on a memory that is not a tape or CD is explicitly disclosed by the original specification. Therefore, *Wong* and *Grasselli* are inapposite to the present case.

The case from the C.C.P.A., *Application of Johnson*, 558 F.2d 1008 (C.C.P.A. 1977), concerns a situation where the applicant sought to claim priority to an originally filed application for claims in a subsequent continuation-in-part application. The holding of *Johnson* also fails to support the Answer's position. In *Johnson*, an original parent application disclosed and claimed a genus of polymer compositions comprising various monomer units. In a later filed CIP application, the broad genus claims in the parent application were narrowed by expressly excluding certain species from the polymer compositions. The parent application only contained a description of the broader genus. The court found that claims to the narrower sub-genus created by the express exclusion of certain species in the CIP were not supported by the description of the broader genus in the parent specification. Again, the situation with the present reexamination differs significantly from the cited case law. Claims 35, 37, 43, 48, 51, and 56 recite a non-volatile storage portion of a memory that is not a tape or CD. This is exactly what is described at page 2, lines 23 to 26 of the originally filed specification. In short, the negative limitation recited in the present claims is expressly disclosed in the specification of the parent application. Thus, in the instant case, the scope of the disclosure in the specification was never narrowed with respect to this element, contrary to the situation in *Johnson*. Therefore, the

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<sup>8</sup> The Answer argues that the specification's disclosure of the present invention eliminating the need to handle tapes and CDs somehow means that present invention includes tapes and CDs. Eliminating something does not mean including that something. To find otherwise would be nonsensical.

recitation of a non-volatile storage portion of a memory that is not a tape or CD is fully supported by the originally filed specification.

The Board should therefore reverse the “negative limitation” rejections of Claims 35, 37, 43, 48, 51 and 56 under 35 U.S.C. § 112, first paragraph.

**Conclusion**

Based on all of the foregoing and the Appellant’s Opening Brief, Appellant respectfully submits that the Board should reverse the rejections of Claims 4, 6-19, 22, 25, 28, 31-34, and 37-60 under 35 U.S.C. §§ 102(e) and 103(a). Also based on the foregoing and on the Appellant’s Opening Brief, the Board should reverse the rejection of Claims 4, 6-10, 19, 22-25, 28, and 31-60 under 35 U.S.C. § 112, first paragraph. The Board should also reverse double patenting rejection of Claims 1-4, 6-19, 22-25, 28, and 31-60, which was addressed in the Opening Brief. Appellant respectfully requests an oral hearing by way of the Request for Oral Hearing form filed herewith.

Respectfully submitted,



Robert A. Keons, Jr., Esq.  
Attorney for Appellant  
Reg. No. 32,474

Drinker Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> and Cherry Streets  
Philadelphia, PA 19103-6996  
Telephone (215) 988-3392  
Facsimile (215) 988-2757

**Date: June 23, 2008**

**Exhibit A**

**Proposed Findings of Fact**

1. Page 64-65 of Appellant's brief argued "The use of 'appreciable' and 'viable' makes it clear that short videos are enabled, and nothing more is required."
2. The Examiner's Answer provided no evidence to rebut Appellant's argument that "The use of 'appreciable' and 'viable' makes it clear that short videos are enabled."

**Proposed Conclusion of Law**

1. The Examiner's failure to rebut Appellant's argument that short videos are enabled is legally an implicit admission that short videos are enabled. *See In re Herrmann*, 261 F.2d 598, 120 USPQ 182 (CCPA 1958) and *In re Soni*, 54 F.3d 746, 751, 34 USPQ2d 1684, 1688 (Fed. Cir. 1995).





06/23/08

06-24-08

RE-EXAM

67274 116 PTO

Approved for use through 06/30/2008. OMB 0651-0031 U.S. Patent and Trademark Office; U.S. DEPARTMENT OF COMMERCE

Under the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number.

<b>REQUEST FOR ORAL HEARING BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES</b>		Docket Number (Optional)  <b>NAPS002</b>
I hereby certify that this correspondence is being facsimile transmitted to the USPTO or deposited with the United States Postal Service with sufficient postage as first class mail in an envelope addressed to "Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450" [37 CFR 1.8(a)] on <u>June 23 2008</u> Signature <u>[Signature]</u> Typed or printed name <u>ARINA D. OLIVEIRA</u>	In re Application of <b>Arthur R. Hair</b>	
	Application Number <b>90/007,403</b>	Filed <b>January 31, 2005</b>
	For <b>Method for Transmitting a Desired Video or Audio Signal</b>	
	Art Unit <b>3992</b>	Examiner <b>Roland G. Foster.</b>
Applicant hereby requests an oral hearing before the Board of Patent Appeals and Interferences in the appeal of the above-identified application.		
The fee for this Request for Oral Hearing is (37 CFR 41.20(b)(3))		\$ <u>1,030.00</u>
<input type="checkbox"/> Applicant claims small entity status. See 37 CFR 1.27. Therefore, the fee shown above is reduced by half, and the resulting fee is: \$ _____ <input checked="" type="checkbox"/> A check in the amount of the fee is enclosed. <input type="checkbox"/> Payment by credit card. Form PTO-2038 is attached. <input type="checkbox"/> The Director has already been authorized to charge fees in this application to a Deposit Account. I have enclosed a duplicate copy of this sheet. <input checked="" type="checkbox"/> The Director is hereby authorized to charge any fees which may be required, or credit any overpayment to Deposit Account No. <u>50-0573</u> . I have enclosed a duplicate copy of this sheet. <input type="checkbox"/> A petition for an extension of time under 37 CFR 1.136(b) (PTO/SB/23) is enclosed. For extensions of time in reexamination proceedings, see 37 CFR 1.550.		
<b>WARNING: Information on this form may become public. Credit card information should not be included on this form. Provide credit card information and authorization on PTO-2038.</b>		
I am the		
<input type="checkbox"/> applicant/inventor.	<u>[Signature]</u> Signature <b>Robert A. Koons, Jr.</b> Typed or printed name <u>6/23/08</u> Date <u>32,474</u> <u>(215) 988-3392</u> Registration number if acting under 37 CFR 1.34.      Telephone number	
<input type="checkbox"/> assignee of record of the entire interest. See 37 CFR 3.71. Statement under 37 CFR 3.73(b) is enclosed. (Form PTO/SB/96)		
<input type="checkbox"/> attorney or agent of record. Registration number _____		
<input checked="" type="checkbox"/> attorney or agent acting under 37 CFR 1.34. Registration number if acting under 37 CFR 1.34. <u>32,474</u>		
NOTE: Signatures of all the inventors or assignees of record of the entire interest or their representative(s) are required. Submit multiple forms if more than one signature is required, see below*.		

\*Total of 1 forms are submitted.

This collection of information is required by 37 CFR 41.20(b)(3). The information is required to obtain or retain a benefit by the public which is to file (and by the USPTO to process) an application. Confidentiality is governed by 35 U.S.C. 122 and 37 CFR 1.11, 1.14 and 41.6. This collection is estimated to take 12 minutes to complete, including gathering, preparing, and submitting the completed application form to the USPTO. Time will vary depending upon the individual case. Any comments on the amount of time you require to complete this form and/or suggestions for reducing this burden, should be sent to the Chief Information Officer, U.S. Patent and Trademark Office, U.S. Department of Commerce, P.O. Box 1450, Alexandria, VA 22313-1450. DO NOT SEND FEES OR COMPLETED FORMS TO THIS ADDRESS. SEND TO: Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

If you need assistance in completing the form, call 1-800-PTO-9199 and select option 2.

Express Mail No.: EV 502961985 US

Control No.: 90/007,403

Attorney's Docket No. NAPS002

*Patent*

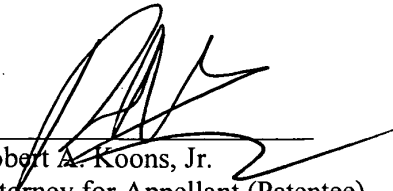
**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In re Application of: Arthur R. Hair	:	Group No.: 3992
Serial No.: 90/007,403	:	Examiner: Roland G. Foster
Filed: January 31, 2005	:	Confirmation No. 3002
For: METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL		

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that true and correct copies of the REPLY BRIEF ON APPEAL UNDER 37 C.F.R. § 41.41 and the REQUEST FOR ORAL HEARING, which were filed with the United States Patent & Trademark Office on June 23, 2008, in Reexamination No. 90/007,403, were served via First Class United States Mail, postage prepaid, this 23<sup>rd</sup> day of June 2008, on the following:

Mr. Albert S. Penilla  
Martine, Penilla, & Gencarella, LLP  
710 Lakeway Drive, Suite 200  
Sunnyvale, CA 94085  
Attorney for Third Party Reexamination Requester

By:   
Robert A. Koons, Jr.  
Attorney for Appellant (Patentee)



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office  
Address: COMMISSIONER FOR PATENTS  
P.O. Box 1450  
Alexandria, Virginia 22313-1450  
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/007,403	01/31/2005	5675734	NAPSP002	3002

23973                      7590                      07/11/2008

DRINKER BIDDLE & REATH  
ATTN: INTELLECTUAL PROPERTY GROUP  
ONE LOGAN SQUARE  
18TH AND CHERRY STREETS  
PHILADELPHIA, PA 19103-6996

EXAMINER

ART UNIT                      PAPER NUMBER

DATE MAILED: 07/11/2008

Please find below and/or attached an Office communication concerning this application or proceeding.



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(THIRD PARTY REQUESTER'S CORRESPONDENCE ADDRESS)

Albert S. Penilla

Martine Penilla & Gencarella, LLP

710 Lakeway Drive, Suite 200

Sunnyvale, CA 94085

**EX PARTE REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. 90/007,403.

PATENT NO. 5675734.

ART UNIT 3992.

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).



**UNITED STATES DEPARTMENT OF COMMERCE**  
**U.S. Patent and Trademark Office**  
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 Alexandria, Virginia 22313-1450

<b>APPLICATION NO./ CONTROL NO.</b>	<b>FILING DATE</b>	<b>FIRST NAMED INVENTOR / PATENT IN REEXAMINATION</b>	<b>ATTORNEY DOCKET NO.</b>
90007403	1/31/05	5675734	NAPSP002

DRINKER BIDDLE & REATH  
 ATTN: INTELLECTUAL PROPERTY GROUP  
 ONE LOGAN SQUARE  
 18TH AND CHERRY STREETS  
 PHILADELPHIA, PA 19103-6996

**EXAMINER**

ROLAND G.. FOSTER

<b>ART UNIT</b>	<b>PAPER</b>
3992	20080707-A

DATE MAILED:

**Please find below and/or attached an Office communication concerning this application or proceeding.**

**Commissioner for Patents**

The examiner requests the opportunity to present arguments at the oral hearing.

Roland G. Foster  
 Primary Examiner  
 Electrical Art Unit 3992  
 Central Reexamination Unit

**MARK J. REINHART**  
**CRU SPE-AU 3992**



UNITED STATES PATENT AND TRADEMARK OFFICE

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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/007,403	01/31/2005	5675734	NAPSP002	3002

23973 7590 04/24/2008

DRINKER BIDDLE & REATH  
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PHILADELPHIA, PA 19103-6996

EXAMINER

ART UNIT PAPER NUMBER

DATE MAILED: 7-11-08

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Albert S. Penilla

Martine Penilla & Gencarella, LLP

710 Lakeway Drive, Suite 200

Sunnyvale, CA 94085

**EX PARTE REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. 90/007,403.

PATENT NO. 5675734.

ART UNIT 3992.

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).



**UNITED STATES DEPARTMENT OF COMMERCE**  
**U.S. Patent and Trademark Office**  
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 Alexandria, Virginia 22313-1450

<b>APPLICATION NO./ CONTROL NO.</b>	<b>FILING DATE</b>	<b>FIRST NAMED INVENTOR / PATENT IN REEXAMINATION</b>	<b>ATTORNEY DOCKET NO.</b>
90007403	1/31/05	5675734	NAPSP002

DRINKER BIDDLE & REATH  
 ATTN: INTELLECTUAL PROPERTY GROUP  
 ONE LOGAN SQUARE  
 18TH AND CHERRY STREETS  
 PHILADELPHIA, PA 19103-6996

**EXAMINER**

ROLAND G. FOSTER


<b>ART UNIT</b>	<b>PAPER</b>
3992	20080707

DATE MAILED:

**Please find below and/or attached an Office communication concerning this application or proceeding.**

**Commissioner for Patents**

The reply brief filed on June 23, 2008 has been entered and considered. The proceeding has been forwarded to the Board of Patent Appeals and Interferences for decision on the appeal.

  
 Roland G. Foster  
 Primary Examiner  
 Electrical Art Unit 3992  
 Central Reexamination Unit

  
**MARK J. REINHART**  
 CRU SPE-AU 3992





UNITED STATES PATENT AND TRADEMARK OFFICE

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United States Patent and Trademark Office
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Table with 5 columns: APPLICATION NO., FILING DATE, FIRST NAMED INVENTOR, ATTORNEY DOCKET NO., CONFIRMATION NO.
Row 1: 90/007.403, 01/31/2005, 5675734, NAPSP002, 3002
Row 2: 23973, 7590, 10/22/2008, [EXAMINER: FOSTER, ROLAND G], [ART UNIT: 3992, PAPER NUMBER]
Row 3: [MAIL DATE: 10/22/2008, DELIVERY MODE: PAPER]

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

UNITED STATES PATENT AND TRADEMARK OFFICE

---

BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES

---

*Ex parte* Arthur R. Hair

---

Reexamination Control No. 90/007,403  
Patent 5,675,734  
Technology Center 3900

---

Mailed: October 21, 2008

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Before LYNN M. KRYZA, *Deputy Chief Trial Administrator*.

ORDER RETURNING UNDOCKETED APPEAL

This reexamination was electronically received by the Board of Patent Appeals and Interferences on July 16, 2008. A review of the reexamination revealed that it is not ready for docketing as an appeal. Accordingly, the reexamination is herewith being returned to the Examiner to address the following matter(s) requiring attention prior to docketing.

**APPEAL BRIEF, MISSING EVIDENCE**

A review of the file finds that with regard to the evidence listed in the Evidence Appendix of the Appeal Brief filed January 30, 2008, it does not appear that copies of such evidence have been provided, nor does there appear to be a statement setting forth where in the record the evidence was entered in the record by the Examiner in accordance with 37 CFR 41.37(c)(1)(ix).

**CONCLUSION**

Accordingly, it is **ORDERED** that the reexamination proceeding be returned to the Examiner:

- 1) to hold the Appeal Brief filed January 30, 2008 defective; and,
- 2) notify Appellant to file a corrected paper addressing the evidence listed in the Evidence Appendix; and,
- 3) for such further action as appropriate.

If there are any questions pertaining to this Order, please contact the Board of Patent Appeals and Interferences at 571-272-9797.

LMK/QSG

Reexamination Control 90/007,403  
Patent 5,675,734

For Patent Owner:

DRINKER BIDDLE & REATH LLP  
ATTN: INTELLECTUAL PROPERTY GROUP  
ONE LOGAN SQUARE  
18<sup>th</sup> and Cherry Streets  
Philadelphia, PA 19103-6996

For Third Party Requester:

Albert S. Penilla  
MARTINE PENILLA & GENCARELLA LLP  
710 Lakeway Drive  
Suite 200  
Sunnyvale, CA 94085



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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/007,403	01/31/2005	5675734	NAPSP002	3002

23973                      7590                      12/04/2008

DRINKER BIDDLE & REATH  
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ONE LOGAN SQUARE  
18TH AND CHERRY STREETS  
PHILADELPHIA, PA 19103-6996

EXAMINER

ART UNIT	PAPER NUMBER
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DATE MAILED: 12/04/2008

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Martine Penilla & Gencarella, LLP  
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Sunnyvale, CA 94085

**MAILED**

**DEC 04 2008**

**CENTRAL REEXAMINATION UNIT**

## **EX PARTE REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. 90/007,403.

PATENT NO. 5675734.

ART UNIT 3992.

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).

**Notification of Non-Compliant Appeal  
Brief (37 CFR 41.37) in  
Ex Parte Reexamination**

<b>Control No.</b>	<b>Patent Under Reexamination</b>
90/007,403	5675734
<b>Examiner</b>	<b>Art Unit</b>
ROLAND G. FOSTER	3992

--The MAILING DATE of this communication appears on the cover sheet with the correspondence address--

The Appeal Brief filed on 1/30/08 is defective for failure to comply with one or more provisions of 37 CFR 41.37(c).

Patent owner is given a TIME PERIOD of ONE MONTH or THIRTY DAYS, whichever is longer, from the mailing date of this Notification for filing an amended brief or other appropriate correction of the Appeal brief (see MPEP 1205.03). If an amended brief or other appropriate correction (see MPEP 1205.03) is not timely submitted, the appeal will be dismissed as of the expiration of the period for reply to this Notification. Extensions of this time period may be obtained only under 37 CFR 1.550(c).

1.  The brief does not contain the items required under 37 CFR 41.37(c), or the items are not under the proper heading or in the proper order.
2.  The brief does not contain a statement of the status of all claims (e.g., rejected, allowed or confirmed, withdrawn, objected to, canceled), or does not identify the appealed claims (37 CFR 41.37(c)(1)(iii)).
3.  At least one amendment has been filed subsequent to the final rejection, and the brief does not contain a statement of the status of each such amendment (37 CFR 41.37(c)(1)(iv)).
4.  The brief does not comply with 37 CFR 41.37(c)(1)(v) if that it fails to (1) contain a concise explanation of the subject matter defined in each of the independent claims involved in the appeal, referring to the specification by page and line number and to the drawings, if any, by reference characters; (2) identify, for each independent claim involved in the appeal and for each dependent claim argued separately, every means plus function and step plus function under 35 U.S.C. 112, sixth paragraph, and/or (3) set forth the structure, material, or acts described in the specification as corresponding to each claimed function with reference to the specification by page and line number, and to the drawings, if any, by reference characters.
5.  The brief does not contain a concise statement of each ground of rejection presented for review (37 CFR 41.37(c)(1)(vi)).
6.  The brief does not present an argument under a separate heading for each ground of rejection on appeal (37 CFR 41.37(c)(1)(vii)).
7.  The brief does not contain a correct copy of the appealed claims as an appendix thereto (37 CFR 41.37(c)(1)(viii)).
8.  The brief does not contain, as an appendix thereto (37 CFR 41.37(c)(1)(ix)), copies of the evidence submitted under 37 CFR 1.130, 131, or 1.132 or of any other evidence entered by the examiner and relied upon by appellant in the appeal, along with a statement setting forth where in the record that evidence was entered by the examiner.
9.  The brief does not contain, as an appendix thereto (37 CFR 41.37(c)(1)(x)), copies of the decisions rendered by a court or the Board in the proceeding identified in the Related Appeals and Interferences section of the brief.
10.  Other (including any explanation in support of the above items):  
See Continuation Sheet.

\* If this is a merged proceeding, one copy must be added for each reexamination in addition to the first reexamination.

cc: Requester (if third party requester)

U.S. Patent and Trademark Office

PTOL-462R (Rev. 07-05) Notification of Non-Compliant Appeal Brief (37 CFR 41.37) in Ex Parte Reexamination

Part of Paper No. 20081203

Continuation of 10. Other (including any explanation in support of the above items):

In accordance with the Order from the Board of Patent Appeals and Interferences, mailed October 22, 2008:

- 1) the examiner holds the Appeal Brief defective; and
- 2) hereby notifies Appellant to file a corrected paper addressing the evidence listed in the Evidence Appendix as described in the Order.

/Roland G. Foster/  
Roland G. Foster  
Primary Examiner  
Electrical Art Unit 3992  
Central Reexamination Unit

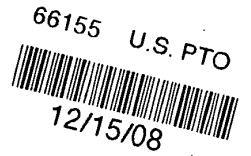


Express Mail No.: EV 320481171 US

Control No.: 90/007,403

Attorney's Docket No. NAPSP002

Patent



**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In re Application of: Arthur R. Hair	:	Group No.: 3992
	:	
Serial No.: 90/007,403	:	Examiner: Roland G. Foster
	:	
Filed: January 31, 2005	:	Confirmation No. 3002
	:	

For: SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS

**AMENDED BRIEF ON APPEAL UNDER 37 C.F.R. § 41.37**

Mail Stop Appeal Brief - Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

This Amended Brief on Appeal is being submitted in response to the Examiner's Notification of Non-Compliant Appeal Brief dated December 4, 2008, which was prompted by the Board's Remand Order dated November 13, 2008. To address alleged deficiencies identified in the Examiner's Notification and the Board's Order, and expedite consideration of the brief by the Board, this Amended Brief (1) deletes reference to [http://en.wikipedia.org/wiki/Non-volatile\\_storage](http://en.wikipedia.org/wiki/Non-volatile_storage) in the Evidence Appendix (no reference was made to this website in the body of the Brief), and (2) deletes reference to the website <http://www.rfc-editor.org/rfc-index.html> in the Evidence Appendix and on page 66 of this Appeal Brief. No other changes have been made.

**Real Party in Interest**

Appellant's real party in interest is:

DMT Licensing, LLC (a wholly-owned subsidiary of GE Intellectual Property Licensing, Inc., which is a wholly-owned subsidiary of General Electric Co.)  
105 Carnegie Center  
Princeton, New Jersey 08540

**Related Appeals and Interferences**

The Appeals in copending reexaminations 90/007,402 and 90/007,407 are related to the instant Appeal. The outcomes in these copending Appeals may affect, be affected by, or have some bearing on the Board's decision in the instant Appeal.

**Status of the Claims**

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are currently pending. Claims numbered 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 were originally issued in U.S. Patent Number 5,675,734 (the "734 Patent"). Claims 35 through 60 were added during reexamination.

Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 are rejected under 35 U.S.C. § 112, first paragraph. Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are rejected under 35 U.S.C. § 103(a). Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are rejected under the doctrine of obviousness-type double-patenting over Claims 1 through 6 of U.S. Patent 5,191,573 (the "573 Patent"). Appellant appeals the rejection of all claims.

**Status of Amendments**

All amendments have been entered.

**Summary of the Claimed Subject Matter**

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are the independent claims. Below, Appellant summarizes the claimed subject matter in the independent claims per 37 C.F.R. § 41.37(c)(1)(v) using references to the Figures and column and line numbers in the issued patent.

Independent Claim 1 recites a method for transferring desired digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The method comprises the steps of 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 [Fig. 1 (20B, 30, 50B); col. 3, lns. 5 to 8; col. 4, lns. 8 to 15; col. 5, lns. 47 to 51], said first memory having a first party hard disk [Fig. 1 (10); col. 3, ln. 63] having a plurality of digital video or digital audio signals including coded desired digital video or digital audio signals [col. 4, lns. 8 to 11 and lns. 43 to 50; col. 6, lns. 13 to 16], and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party [Fig. 1 (20C); col. 3, lns. 65 to 66], the second memory having a second party hard disk [Fig. 1 (60); col. 4, ln. 5]. The method further comprises telephoning the first party controlling use of the first memory by the second party [col. 3, lns. 5 to 8; col. 7, ln. 67 to col. 8, ln. 3], 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 [col. 2, lns. 39 to 43 and lns. 64 to 66; col. 7, lns. 31 to 40]. The method further comprises electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a

configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals [col. 2, ln. 64 to col. 3, ln. 1; col. 4, lns. 43 to 50; col. 6, lns. 13 to 16]. The method further comprises storing a replica of the coded desired digital video or digital audio signals from the first party hard disk into the sales random access memory chip [col. 4, lns. 51 to 54], 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 [col. 4, lns. 51 to 54], and storing the transferred replica of the coded desired digital video or digital audio signals in the second party hard disk [col. 4, lns. 55 to 58].

Independent Claim 4 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, ln. 61 to col. 4, ln. 16], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 65 to 66; col. 4, lns. 51 to 54], and means for electronically selling the desired digital video or digital audio signals [col. 4, lns. 9 to 15]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel [Fig. 1 (50A, 50B); col. 4, lns. 1 to 18], and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel [Fig. 1 (70, 80); col. 4, lns. 1 to 8 and 24 to 26; col. 6, ln. 56 to col. 7, ln. 11], said means for playing operatively controlled by the second party control panel [col. 4, lns. 37 to 61; col. 6, lns. 30 to 31], said second party

control unit remote from the first party control unit [Fig. 1 (20B, 30, 50B); col. 3, lns. 5 to 8; col. 6, lns. 31 to 32], said second party control unit placed by the second party at a location determined by the second party [col. 5, lns. 17 to 34; col. 6, lns. 33 to 35], the second party memory includes a second party hard disk which stores the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback [Fig. 1 (50D, 60); col. 4, lns. 1 to 7 and lns. 55 to 61; col. 6, lns. 13 to 16 and lns. 50 to 56]. The system further comprises telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 8 to 16; col. 6, lns. 38 to 45].

Independent Claim 11 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory in possession and control of the first party [Fig. 1 (10, 20C); col. 3, lns. 61 to 66; col. 6, lns. 19 to 21], a second memory in possession and control of the second party [Fig. 1 (50C, 50D, 60); col. 4, lns. 1 to 5; col. 6, lns. 46 to 48], said second memory at a location remote from said first memory [col. 6, lns. 31 to 32]. The second memory includes a second party hard disk [Fig. 1 (60); col. 4, lns. 1 to 5]. The system further comprises telecommunications lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns.

12 to 16; col. 6, lns. 38 to 45], means or a mechanism for transferring money electronically via telecommunications lines from the second party controlling use and in possession of the second memory to the first party controlling use and in possession of the first memory [col. 2, lns. 21 to 24 and 39 to 43; col. 4, lns. 8 to 25; col. 8, lns. 27 to 31], means or a mechanism for connecting electronically via the telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party [Fig. 1 (20B, 50B); col. 3, ln. 63 to col. 4, ln. 7; col. 6, lns. 17 to 45], said first control unit comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (20A); col. 3, lns. 64 to 66; col. 4, lns. 19 to 23 and lns. 40 to 50], said second control unit comprising a second control panel, a second control integrated circuit, an incoming random access memory and a playback random access memory, said second control panel, said incoming random access memory and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50A, 50B, 50C, 50D); col. 4, lns. 1 to 4, 15 to 18 and 40 to 50]. The system further comprises a means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to the second memory, said means or mechanism for transmitting comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second memory, the transmitter and the telecommunications lines [Fig. 1 (20B, 30, 50B); col. 3, ln. 67; col. 4, lns. 11 to 15; col. 6, lns. 24 to 28; col. 3, lns. 24 to 29], said first

party in control and possession of the transmitter [col. 3, lns 24 to 29], said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party [col. 6, lns. 33 to 45], said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the first memory into the second party hard disk of the second memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said second memory [Fig. 1 (50B, 50C, 60); col. 4, lns. 39 to 61; col. 7, ln. 67 to col. 8, ln. 11].

Independent Claim 16 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory at a first party location [Fig. 1 (10, 20C); col. 3, lns. 61 to 66; col. 6, lns. 17 to 21], said first memory in possession and control of the first party [col. 4, lns. 8 to 15; col. 8, lns. 24 to 27], said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored [Fig. 1 (20C); col. 3, ln. 63; col. 4, lns. 8 to 11; col. 6, lns. 13 to 16]. The system further comprises a second memory in possession and control of the second party [Fig. 1 (50C, 50D, 60); col. 4, lns. 1 to 5 and lns. 15 to 18; col. 6, lns. 38 to 48], wherein said second memory is at a second party location remote from said first memory [col. 6, lns. 31 to 35], said second memory comprising a second party hard disk in which the desired digital video or digital audio signals are stored that are received from the first memory and a playback random access memory connected to the second party hard disk [Fig. 1 (50D, 60); col. 4, lns. 1 to 5]. The system further comprises telecommunications lines [Fig. 1

(30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location [col. 2, lns. 21 to 24 and 39 to 43; col. 6, lns. 22 to 24], said first party controlling use of the first memory [col. 4, lns. 8 to 15; col. 8, lns. 21 to 23], said second party controlling use and in possession of the second memory [col. 2, lns. 43 to 48; col. 3, lns. 24 to 29; col. 5, lns. 51 to 55], said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location [col. 8, lns. 26 to 31]. The system further comprises means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit [col. 3, lns. 16 to 23; col. 3, ln. 64 to col. 4, ln. 4; col. 6, lns. 31 to 35], said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (10, 20A, 20B, 20C); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16], said second control unit comprising a second control panel, a second control integrated circuit, and an incoming random access memory which temporarily stores the desired digital



video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said second party hard disk, said second control panel, said incoming random access memory, said second party hard disk and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50A, 50B, 50C, 50D, 60); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16]. The system further comprises means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines [col. 3, lns. 24 to 29; col. 4, lns. 11 to 18 and 37 to 61], said first party in control and possession of the transmitter, said second party in control and possession of the receiver [col. 4, lns. 11 to 18; col. 5, lns 51 to 56], said receiver remote from said transmitter [col. 3, lns. 5 to 8; col. 6, lns. 28 to 32], and said receiver at the second party location determined by the second party [col. 5, lns. 55 to 56], said transmitting means or mechanism in electrical communication with said connecting means or mechanism [col. 4, lns. 51 to 58; col. 7, lns. 17 to 23], and means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory [col. 4, lns. 1 to 5 and 59 to 61; col. 6, ln. 46 to col. 7, ln. 7].

Independent Claim 19 recites a system for transferring digital video signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit in possession and control of a first party [col. 3, lns. 64 to 66; col. 4, lns. 11 to 15; col. 5, lns. 51 to 55; col. 8, lns. 7 to 11], a second party control unit in possession and control of the second party [col. 4, lns. 1 to 4; col. 5, lns. 26 to 31; col. 6, lns. 38 to 45], wherein said second party control unit is at a location remote from said first party control unit [col. 6, lns. 33 to 35]. The first party control unit has a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes a first party hard disk having the plurality of digital video signals which include desired digital video signals [Fig. 1 (10); col. 4, lns. 8 to 11], and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 4, lns. 51 to 54], and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location [col. 2, ln. 64 to col. 3, ln. 8; col. 6, lns. 22 to 24; col. 7, lns. 31 to 40]. The system further comprises a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel [Fig. 1 (70); col. 4, lns. 1 to 6, 15 to 18 and 39 to 49], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit [col. 6, lns. 33 to 35], said second party choosing the desired digital video signals from the first party's hard disk with said

second party control panel [col. 4, lns. 39 to 49; col. 8, lns. 3 to 6], said second party control unit includes a second memory which is connected to the receiver and the video display [col. 5, lns. 26 to 32], said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip [col. 4, lns. 15 to 19 and 55 to 58], the second party control unit includes a second party hard disk which stores a plurality of digital video signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video signals as a temporary staging area for playback [Fig. 1 (50D, 60); col. 4, lns. 1 to 5 and 55 to 61], and telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, said telecommunications lines include telephone lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 11 to 18].

Independent Claim 28 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, lns. 63 to 66; col. 4, lns. 8 to 15], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 63 to 66; col. 4, lns. 51 to 54], and a mechanism for electronically selling the desired digital video or digital audio

signals of the first party's hard disk [col. 2, lns. 39 to 43; col. 4, lns. 11 to 15; col. 6, lns. 22 to 24]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel [Fig. 1 (50A, 70, 80); col. 4, lns. 1 to 7], said playing mechanism operatively controlled by the second party control panel [col. 4, lns. 39 to 61; col. 5, lns. 17 to 40; col. 6, lns. 13 to 16], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a location determined by the second party [col. 6, lns. 31 to 35], the second party control unit includes a second party hard disk which stores a plurality of digital video or audio signals, and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or audio signals as a temporary staging area for playback [Fig. 1 (50D, 60); col. 4, lns. 1 to 5 and 59 to 61; col. 6, lns. 13 to 16] and telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, said telecommunications lines include telephone lines [Fig. 1 (30); col. 3, lns. 5 to 12 and 67].

Independent Claim 35 recites a method for transferring desired digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The method comprises the steps of 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 [col. 3, lns. 5 to 8; col. 4, lns. 8 to 15; col. 5, lns. 47 to 51], said first memory having a first party hard disk [Fig. 1 (10); col. 3, ln. 63] having a plurality of digital video or digital audio signals including coded desired digital video or digital audio signals [col. 4, lns. 8 to 11 and 43 to 50; col. 6, lns. 13 to 16], and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party [Fig. 1 (20C, 30); col. 3, lns. 65 to 66]. The method further comprises telephoning the first party controlling use of the first memory by the second party [col. 3, lns. 5 to 8; col. 7, ln. 67 to col. 8, ln. 3], 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 [col. 2, lns. 39 to 43 and 64 to 66; col. 7, lns. 31 to 40]. The method further comprises electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals [col. 2, ln. 64 to col. 3, ln. 1; col. 4, lns. 43 to 50; col. 6, lns. 13 to 16]. The method further comprises storing a replica of the coded desired digital video or digital audio signals from the hard disk into the sales random access memory chip [col. 4, lns. 51 to 54], 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 [col. 4, lns. 51 to 54], and storing the transferred replica of the coded desired digital video or digital audio

signals in a non-volatile storage portion of the second memory [col. 4, lns. 55 to 58], wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47].

Independent Claim 37 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, ln. 61 to col. 4, ln. 16], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 65 to 66; col. 4, lns. 51 to 54], and means for electronically selling the desired digital video or digital audio signals [col. 4, lns. 9 to 15]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel [Fig. 1 (50A); col. 4, lns. 1 to 8 and 24 to 26; col. 6, ln. 56 to col. 7, ln. 11], and means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said means for playing operatively controlled by the second party control panel [Fig. 1 (70, 80); col. 4, lns. 37 to 61; col. 6, lns. 30 to 31], said second party control unit remote from the first party control unit [col. 3, lns. 5 to 8; col. 6, lns. 31 to 32], said second party control unit placed by the second party at a location determined by the second party [col. 5, lns. 17 to 34; col. 6, lns. 33 to 35], the second memory includes a non-volatile storage portion which is not a tape or CD [col. 2, lns. 43 to 47], the second memory storing the desired digital video or digital audio signals transferred from the sales random access memory chip, and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or digital audio signals from the non-volatile storage as a

temporary staging area for playback [Fig. 1 (50D); col. 4, lns. 1 to 7 and 55 to 61; col. 6, lns. 13 to 16 and 50 to 56]. The system further comprises telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur and through which the desired digital video or digital audio signals are electronically transferred from the sales random access memory chip to the second memory while the second memory is in possession and control of the second party and after the desired digital video or digital audio signals are sold to the second party by the first party [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 8 to 16; col. 6, lns. 38 to 45].

Independent Claim 43 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party to a second memory of a second party [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory in possession and control of the first party [col. 3, lns. 61 to 66; col. 6, lns. 19 to 21], a second memory in possession and control of the second party [col. 4, lns. 1 to 5; col. 6, lns. 46 to 48], said second memory is at a location remote from said first memory [col. 6, lns. 31 to 32], telecommunications lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for transferring money electronically via telecommunications lines from the second party controlling use and in possession of the second memory to the first party controlling use and in possession of the first memory [col. 2, lns. 21 to 24 and 39 to 43; col. 4, lns. 8 to 25; col. 8, lns. 27 to 31], and includes a non-volatile storage portion that is not a tape or CD [col. 2, lns. 43 to 47]. The system further comprises means or a mechanism for connecting electronically via the telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or

mechanism comprises a first control unit in possession and control of the first party, and a second control unit in possession and control of the second party [col. 3, ln. 63 to col. 4, ln. 7; col. 6, lns. 17 to 45]. Said first control unit comprises a first control panel, first control integrated circuit and a sales random access memory, said sales random access memory and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (20A, 20B, 20C); col. 3, lns. 64 to 66; col. 4, lns. 19 to 23 and 40 to 50], said second control unit comprising a second control panel, a second control integrated circuit, an incoming random access memory and a playback random access memory, said second control panel, said incoming random access memory and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50A, 50B, 50C, 50D); col. 4, lns. 1 to 4 and 15 to 18 and 40 to 50]. The system further comprises means or a mechanism for transmitting the desired digital video or digital audio signals from the first memory to the second memory, said means or mechanism for transmitting comprising a transmitter connected to the first memory and the telecommunications lines and a receiver connected to the second memory, the transmitter and the telecommunications lines [col. 3, lns. 24 to 29 and 67; col. 4, lns. 11 to 15, col. 6, lns. 24 to 28], said first party in control and possession of the transmitter [col. 3, lns 24 to 29], said second party in control and possession of the receiver, said receiver remote from said transmitter and said receiver at a location determined by the second party [col. 6, lns. 33 to 45], said transmitting means or mechanism in electrical communication with said connecting means or mechanism; and means or a mechanism for storing the desired digital video or digital audio signals from the first memory into the non-volatile storage portion of the second memory, said storing means or mechanism in electrical communication with said



receiver of said transmitting means or mechanism and with said second memory [col. 4, lns. 39 to 61; col. 7, ln. 67 to col. 8, ln. 11].

Independent Claim 48 recites a system for transmitting desired digital video or digital audio signals stored on a first memory of a first party at a first party location to a second memory of a second party at a second party location [Abstract; col. 6, lns. 13 to 16]. The system comprises a first memory at a first party location [col. 3, lns. 61 to 66; col. 6, lns. 17 to 21], said first memory in possession and control of the first party [col. 4, lns. 8 to 15; col. 8, lns. 24 to 27], said first memory comprising a first party hard disk in which the desired digital video or digital audio signals are stored [Fig. 1 (10); col. 3, ln. 63; col. 4, lns. 8 to 11; col. 6, lns. 13 to 16]. The system further comprises a second memory in possession and control of the second party [col. 4, lns. 1 to 5 and lns. 15 to 18; col. 6, lns. 38 to 48], wherein said second memory is at a second party location remote from said first memory [col. 6, lns. 31 to 35], said second memory including a non-volatile storage portion in which the desired digital video or digital audio signals are stored that are received from the first memory and a playback random access memory, wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47]. The system further comprises telecommunications lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 12 to 16; col. 6, lns. 38 to 45], means or a mechanism for the first party to charge a fee to the second party and provide access to the desired digital video or digital audio signals at the first party location remote from the second party location [col. 2, lns. 21 to 24 and 39 to 43; col. 6, lns. 22 to 24], said first party controlling use of the first memory [col. 4, lns. 8 to 15; col. 8, lns. 21 to 23], said second party controlling use and in possession of the second memory [col. 2, lns. 43 to 48; col. 3, lns. 24 to 29; col. 5, lns. 51 to 55], said means or mechanism for the first party to charge a fee includes means or a mechanism for transferring money electronically from the

second party via telecommunications lines to the first party at the first party location remote from the second memory at the second party location [col. 8, lns. 26 to 31]. The system further comprises means or a mechanism for connecting electronically via telecommunications lines the first memory with the second memory such that the desired digital video or digital audio signals can pass therebetween, said connecting means or mechanism in electrical communication with the transferring means or mechanism, said connecting means or mechanism comprises a first control unit disposed at the first party location and a second control unit disposed at the second party location remote from said first control unit [col. 3, lns. 16 to 23; col. 3, ln. 64 to col. 4, ln. 4; col. 6, lns. 31 to 35], said first control unit comprises a first control panel, first control integrated circuit, and a sales random access memory connected to the first hard disk for temporarily storing a replica of the desired digital video or digital audio signals to be transmitted from the first control unit, said sales random access memory, said first hard disk and said first control panel in electrical communication with said first control integrated circuit [Fig. 1 (10, 20B); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16], said second control unit comprising a second control panel, a second control integrated circuit, and an incoming random access memory which temporarily stores the desired digital video or digital audio signals transmitted from the sales random access memory, said playback random access memory connected to the incoming random access memory for temporarily storing a replica of the desired digital video signals or digital audio signals to be played, said incoming random access memory connected to said non-volatile storage, said second control panel, said incoming random access memory, said non-volatile storage and said playback random access memory in electrical communication with said second control integrated circuit [Fig. 1 (50C, 50D, 60); col. 3, ln. 61 to col. 4, ln. 61; col. 6, lns. 13 to 16]. The system further comprises

means or a mechanism for transmitting the desired digital video or digital audio signals from the sales random access memory to the incoming random access memory, said means or mechanism for transmitting comprising a transmitter connected to the sales random access memory and the telecommunications lines and a receiver connected to the incoming random access memory, the transmitter and the telecommunications lines [col. 3, lns. 24 to 29; col. 4, lns. 11 to 18 and 37 to 61], said first party in control and possession of the transmitter, said second party in control and possession of the receiver [col. 4, lns. 11 to 18; col. 5, lns. 51 to 56], said receiver remote from said transmitter [col. 3, lns. 5 to 8; col. 6, lns. 28 to 32], and said receiver at the second party location determined by the second party [col. 5, lns. 55 to 56], said transmitting means or mechanism in electrical communication with said connecting means or mechanism [col. 4, lns. 51 to 58; col. 7, lns. 17 to 23], and means or a mechanism for storing the desired digital video or digital audio signals from the sales random access memory in the incoming random access memory, said storing means or mechanism in electrical communication with said receiver of said transmitting means or mechanism and with said sales random access memory [col. 4, lns. 1 to 5 and 59 to 61; col. 6, ln. 46 to col. 7, ln. 7].

Independent Claim 51 recites a system for transferring digital video signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit in possession and control of a first party [col. 3, lns. 64 to 66; col. 4, lns. 11 to 15; col. 5, lns. 51 to 55; col. 8, lns. 7 to 11], a second party control unit in possession and control of the second party [Fig. 1; col. 4, lns. 1 to 4; col. 5, lns. 26 to 31; col. 6, lns. 38 to 45], wherein said second party control unit is at a location remote from said first party control unit [col. 6, lns. 33 to 35]. The first party control unit having a first memory having a plurality of desired individual video selections as desired digital video signals, said first party control unit which includes a first party hard disk having

the plurality of digital video signals which include desired digital video signals [Fig. 1 (10); col. 4, lns. 8 to 11], and a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video signals of the first party's hard disk to be transferred from the first party control unit [Fig. 1 (20C); col. 4, lns. 51 to 54], and means or a mechanism for the first party to charge a fee to the second party for access to the desired digital video signals of the first party's hard disk at a location remote from the second party location [col. 2, ln. 64 to col. 3, ln. 8; col. 6, lns. 22 to 24; col. 7, lns. 31 to 40]. The system further comprises a second party control unit having a second party control panel, a receiver and a video display for playing the desired digital video signals received by the receiver, said second party control panel connected to the video display and the receiver, said receiver and video display operatively controlled by the second party control panel [Fig. 1 (50A, 70); col. 4, lns. 1 to 6, 15 to 18 and 39 to 49], said second party control unit remote from the first party control unit, said second party control unit placed by the second party at a second party location determined by the second party which is remote from said first party control unit [col. 6, lns. 33 to 35], said second party choosing the desired digital video signals from the first party's hard disk with said second party control panel [col. 4, lns. 39 to 49; col. 8, lns. 3 to 6], said second party control unit includes a second memory which is connected to the receiver and the video display [col. 5, lns. 26 to 32], said second memory storing the desired digital video signals that are received by the receiver to provide the video display with the desired digital video signals from the sales random access memory chip [col. 4, lns. 15 to 19 and 55 to 58], the second party control unit includes a non-volatile storage portion which stores a plurality of digital video signals, wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47], and a playback random access memory chip electronically connected to the non-volatile

storage for storing a replica of the desired digital video signals as a temporary staging area for playback [Fig. 1 (50D); col. 4, lns. 1 to 5 and 55 to 61], and telecommunications lines connected to the first party control unit and the second party control unit through which the desired digital video signals are electronically transferred from the sales random access memory chip to the receiver while the second party control unit is in possession and control of the second party after the desired digital video signals are sold to the second party by the first party, the telecommunications lines include telephone lines [Fig. 1 (30); col. 3, ln. 67; col. 4, lns. 11 to 18].

Independent Claim 56 recites a system for transferring digital video or digital audio signals [Abstract; col. 6, lns. 13 to 16]. The system comprises a first party control unit having a first party hard disk having a plurality of digital video or digital audio signals which include desired digital video or digital audio signals [Fig. 1 (10); col. 3, lns. 63 to 66; col. 4, lns. 8 to 15], a sales random access memory chip electronically connected to the first party hard disk for storing a replica of the desired digital video or digital audio signals of the first party's disk to be transferred from the first party control unit [Fig. 1 (20C); col. 3, lns. 63 to 66; col. 4, lns. 51 to 54], and a mechanism for electronically selling the desired digital video or digital audio signals of the first party's hard disk [col. 2, lns. 39 to 43; col. 4, lns. 11 to 15; col. 6, lns. 22 to 24]. The system further comprises a second party control unit having a second party control panel, a second memory connected to the second party control panel, and a mechanism for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel [Fig. 1 (50A, 70, 80); col. 4, lns. 1 to 7], said playing mechanism operatively controlled by the second party control panel [col. 4, lns. 39 to 61; col. 5, lns. 17 to 40; col. 6, lns. 13 to 16], said second party control unit remote from the first party control unit, said second

party control unit placed by the second party at a location determined by the second party [col. 6, lns. 31 to 35], the second memory includes a non-volatile storage portion which stores a plurality of digital video or audio signals, wherein the non-volatile storage portion is not a tape or CD [col. 2, lns. 43 to 47], and a playback random access memory chip electronically connected to the non-volatile storage for storing a replica of the desired digital video or audio signals as a temporary staging area for playback [Fig. 1 (50D); col. 4, lns. 1 to 5 and 59 to 61; col. 6, lns. 13 to 16] and telecommunications lines connected to the first party control unit and the second party control unit through which the electronic sales of the desired digital video or digital audio signals occur of the first party's hard disk, and over which the desired digital video or digital audio signals of the first party's hard disk are electronically transferred from the sales random access memory chip to the non-volatile storage portion of the second memory while the second party is in possession and control of the second memory and after the desired digital video or digital audio signals are sold to the second party by the first party, said telecommunications lines include telephone lines [Fig. 1 (30); col. 3, lns. 5 to 12 and 67].

#### **Grounds for Rejection to be Reviewed on Appeal**

1. Examiner's rejection of Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 under 35 U.S.C. § 103(a) over U.S. Patent 5,132,992 to Yurt (*Yurt*) in view of U.S. Patent 5,241,428 to Goldwasser (*Goldwasser*). In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before either *Yurt* or *Goldwasser* could properly be cited as prior art references.
2. Examiner's rejection of Claims 1, 2, 35 and 36 under 35 U.S.C. § 103(a) over *Yurt* in view of U.S. Patent 4,789,863 to Bush (*Bush*). In particular, Appellant seeks review of the

Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before *Yurt* could properly be cited as a prior art reference.

3. Examiner's rejection of Claim 3 under 35 U.S.C. § 103(a) over *Yurt* in view of *Bush*, further in view of *Goldwasser*. In particular, Appellant seeks review of the Examiner's assertion that the '734 Patent is not entitled to the filing date of June 13, 1988, the assertion having to be correct before either *Yurt* or *Goldwasser* could properly be cited as prior art references.

4. Examiner's rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 for obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent in view of *Yurt*.

5. Examiner's rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph as not being supported by the written description in the specification.

6. Examiner's rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph as not being enabled by the specification.

### Argument

#### **I. Summary**

The instant reexamination was originally filed on January 31, 2005, and was initially assigned to Examiner Benjamin Lanier ("Examiner Lanier"). The reexamination and two related copending reexaminations subsequently were transferred to the Central Reexamination Unit ("CRU") where they were assigned to Examiner Roland Foster ("Examiner Foster").

During the course of the proceedings in the instant reexamination, five Office Actions were issued. The first three Office Actions were issued by Examiner Lanier, who consistently

rejected all claims presented by Appellant as obvious. In each case, Examiner Lanier relied on combinations of up to nine references in his obviousness analyses, offering only conclusory statements regarding the motivation or teaching to combine the multiple references. In each case, the Appellant pointed out the impropriety of the combinations. Examiner Lanier never rebutted the Appellant's arguments. Instead, Examiner Lanier simply asserted that the rejections were proper.

Following the issuance of the third Office Action by Examiner Lanier, the instant reexamination was transferred to the CRU, specifically to Examiner Foster, where the Office reviewed and vacated Examiner Lanier's Final Rejection of the claims. The Office appeared to concur with the Appellant's view that the rejections offered by Examiner Lanier were untenable, but the Office did not allow the claims. Instead, the Office issued two subsequent Office Actions.

The two subsequent Office Actions take an alternate approach which, since also improper, has led to this appeal. Instead of relying on up to nine references, these subsequent Office Actions relied primarily on references that post-dated the June 13, 1988 priority date for the '734 Patent. In other words, the Office Actions relied on non-*prior* art. To justify this, the Office first had to conduct a *de novo* review of the '734 Patent's prosecution and then, based on that review, reassign the '734 Patent's June 13, 1988 priority date; a priority date that was rightfully granted by the original Examiner during the initial examination of the '734 Patent. In taking those steps, the Office reassigned the priority date to February 27, 1996. Then, using this new priority date, the Office cited new art post-dating the June 13, 1988 priority date, which the Office asserts anticipates or makes obvious all of the claims in reexamination.



As detailed below, this *de novo* review and resulting reassignment of the priority date by the Office is clearly outside the scope of authority granted by the Reexamination Statute. 35 U.S.C. §301 *et seq.* Further, the attempted reassignment of a new priority date to the '734 Patent does not comport with the Office's procedures.

Further, as a predicate for reassigning the priority date of the claims in the '734 Patent, the Office asserts that the claims as issued are either not supported by a adequate written description or are not enabled by the specification as filed on June 13, 1988. In making these findings, the Office has applied improper and overly strict standards for both written description and enablement under 35 U.S.C. § 112, first paragraph. Using the appropriate standards, Appellant has demonstrated that the claims in reexamination are fully supported and enabled by the originally filed specification, and are thus entitled to the priority date of June 13, 1988.

The Office has also made separate rejections of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 in reexamination under 35 U.S.C. § 112, first paragraph, as not being supported by an adequate written description and as not being enabled by the specification as issued. Here again, Appellant maintains that the Office has acted outside the mandated scope of reexamination by examining Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 in their entirety for compliance with section 112, first paragraph, rather than limiting the analysis to newly claimed subject matter. Further, the Office has again applied improper standards for both written description support and enablement. Using the appropriate standards, Appellant has demonstrated that the claims in reexamination do comply with the requirements section 112, first paragraph.

Finally, the Office has rejected Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 for obviousness-type double-patenting over Claims 1 to 6 of the '573 Patent,

which is the subject of copending reexamination 90/007,402 (the “402 Reexamination”). In support of this rejection, the Office cites *Yurt*. In the first instance, Appellant asserts that the reliance on *Yurt* is improper, since it is not available as prior art. Further, the issue of double-patenting was previously addressed by the original examiner during the initial examination of the ‘734 Patent. Finally, Appellant questions the propriety of double-patenting rejections based on claims in a related patent that is itself subject to a copending reexamination.

Since many of the positions taken by the Office in finally rejecting Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 rely on a revisiting of issues dealt with during the original examination of the ‘734 Patent, it is appropriate here to summarize the prosecution history of the ‘734 Patent. Appellant’s arguments herein will refer to the summary provided in Section II below.

## II. Prosecution History of the ‘734 Patent

The ‘734 Patent issued from U.S. Patent Application Serial No. 08/607,648 (the “648 Application”), which was filed as a continuation of U.S. Patent Application Serial No. 08/023,398 (the “398 Application”), which was filed as a continuation of U.S. Patent Application Serial No. 07/586,391 (the “391 Application”), which was filed as a continuation of U.S. Patent Application Serial No. 07/206,497 (the “497 Application”), which was the originally filed application. The ‘391 Application was issued as the ‘573 Patent, which is the subject of copending reexamination 90/007,402, currently on Appeal.

The ‘497 Application was originally filed on June 13, 1988 by Arthur Hair as a *pro se* applicant.<sup>1</sup> In the period after the initial filing of the ‘497 Application Mr. Hair retained Ansel

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<sup>1</sup> The application which became the ‘497 Application was actually mailed on June 9, 1988. However, since Mr. Hair was unaware of the use of Express Mail, the application was accorded the date that it actually was received at the Office.

M. Schwartz as patent counsel. The Application was assigned to Examiner Hoa T. Nguyen (“Examiner Nguyen”).

On December 19, 1988, Mr. Schwartz filed a preliminary amendment canceling original Claims 1 through 10 in the ‘497 Application and replacing them with new Claims 11 through 13, which read as follows:

11. A method for transmitting a desired digital audio music signal stored on a first memory to a second memory comprising the steps of: transferring money to a party controlling use of the first memory from a party controlling use of the second memory; connecting electronically the first memory with the second memory such that the desired digital signal can pass therebetween; transmitting the digital signal from the first memory to the second memory; and storing the digital signal in the second memory. (emphasis added).

12. A method as described in Claim 11, including after the transferring step, the steps of searching the first memory for the desired digital audio signal; and selecting the desired digital audio signal from the first memory. (emphasis added).

13. A method as described in Claim 12 wherein the transferring step includes the steps of telephoning the party controlling use of the first memory by the party controlling the second memory; providing a credit card number of the party controlling the second memory to the party controlling the first memory so that the party controlling the second memory is charged money. (emphasis added).

The first Office Action in the ‘497 Application was issued on November 15, 1988 on the basis of Claims 11 to 13 added by the preliminary amendment. All of the claims were rejected as anticipated by U.S. Patent 3,718,906. Mr. Schwartz responded to the Office Action on February 26, 1990. In this response, Claims 15 through 20 were added. Exemplary Claims 14 and 15 read as follows:

14. A method as described in Claim 11 wherein the transmitting step includes the step of transmitting the digital signal from the first memory to the second memory at a location determined by the second party controlling use of the second memory. (emphasis added)

15. A method for transmitting a desired a *digital video* or audio music signal stored on a first memory to a second memory comprising the steps of:

- charging a fee to a first party controlling use of the second memory;
- connecting the first memory with the second memory such that the digital signal can pass therebetween;
- transmitting the digital signal from the first memory to the second memory; and
- storing the digital signal in the second memory. (emphasis added)

The second Office Action in the '497 Application was issued on May 10, 1990 on the basis of Claims 11 to 20. All of the claims were rejected as anticipated by either of U.S. Patent 3,718,906 or 3,990,710. Mr. Schwartz responded to this Office Action on August 21, 1990. In this response, Claims 11, 12 and 15 were amended and Claim 21 was added. Claims 14 and 16 to 20 were canceled. Claims 11 and 15 were amended by including the recitation of a "transmitter" and a "receiver." New Claim 21 read identically to Claim 12, except that it depended from independent Claim 15. On September 9, 1990, Examiner Nguyen issued an Advisory Action indicating that the amendments would not be entered.

The amendment was resubmitted with a File Wrapper Continuation and subsequently entered. The File Wrapper Continuation was assigned application serial number 07/586,391 (the "391 Application"). The '391 Application was filed as a **continuation** of the parent '497 Application and claimed priority to the June 13, 1988 filing date. In fact, due to a clerical error, Mr. Schwartz was required to revive the '497 Application as unintentionally abandoned for the express purpose of establishing copendency with the '391 Application so that a proper claim for priority could be made. No new oath was required by the Office when the '391 Application was filed.

The first Office Action in the '391 Application was issued on September 9, 1991 on the basis of Claims 11 to 13, 15 and 21. All of the claims were rejected as obvious over U.S. Patent 3,990,710. Mr. Schwartz responded to this Office Action on December 9, 1991. In this response, Claims 11 and 15 were amended to recite that the first party location was remote from the second party location. Claim 15 was further amended to delete the reference to digital audio signals. Claim 22, which was essentially identical to Claim 13, but depended from Claim 21 was added. In addition to the claim amendments, text was added to pages 3 and 5 of the specification.

The next Office Action in the '391 Application was issued on February 24, 1992 on the basis of Claims 11 to 13, 15, 21 and 22. In the Office Action, Examiner Nguyen explicitly objected to the amendments to the specification and rejected all of the claims as being unsupported by the originally filed specification. *See* pages 5 to 6 of the February 24, 1992 Office Action. Examiner Nguyen specifically pointed out the following as not having a basis in the original specification:

- (1) "transferring money"
- (2) "second party financially distinct from the first party"
- (3) "in the controlling step 'receiver in possession...of the second party'"
- (4) "telephoning"
- (5) "providing a credit card"

The specification was objected to "as originally filed, failing to provide clear support for the amendments to pages 3 and 5." The amendments to pages 3 and 5 encompassed the entirety of the amendments to the specification. Claims 11 to 13, 15, 21 and 22 were also rejected as obvious over U.S. Patent 3,990,710.

Mr. Schwartz responded to this Office Action on June 23, 1992. In this response, the amendments to the specification adding text at pages 3 and 5 was withdrawn. A substitute

specification was submitted to address formal issues. Further, a new amendment to the specification was presented adding a new Abstract and adding text at page 6 and page 12 of the substitute specification. Claims 11 and 15 were amended to recite “transferring money electronically via a telecommunications line” and “connecting electronically via a telecommunications line.” Claim 15 was again amended to delete “audio.” Claim 23 was added.

In addition to the amendments and arguments filed with the Office Action response on June 23, 1992, Mr. Schwartz also filed a Declaration by Arthur Hair under 37 C.F.R. § 1.132 indicating that one of ordinary skill in the art would recognize that all of the terminology presented in the claims and specification by amendment was supported by the originally filed specification.

The next Office Action in the ‘391 Application was issued on September 21, 1992 on the basis of Claims 11 to 13, 15 and 21 to 23. The Office Action indicated that Claims 11 to 13, 15, 21 and 22 were allowable based on the response filed on June 23, 1992. Claim 23 was rejected. Mr. Schwartz responded to this Office Action on September 30, 1992 by canceling rejected Claim 23. The Examiner proceeded to issue a Notice of Allowance and Issue Fee Due on October 19, 1992.

The ‘398 Application was filed on February 26, 1993 as a **continuation** of the ‘391 Application, which was to issue as the ‘573 Patent on March 2, 1993. Thus, the determinations made by Examiner Nguyen in the ‘391 Application with respect to alleged new matter were of record in the prosecution history of the ‘398 Application.

The ‘398 Application was filed with a new declaration dated February 2, 1993. The “New Application Transmittal” papers included a claim for priority to the ‘391 Application,

which in turn claimed priority to the '497 Application. The specification filed with the '398 Application was substantially the same as the specification originally filed on June 13, 1988, but did contain some differences. The substantive differences were as follows:

- (1) The specification included a "Field of the Invention" section not present in the originally filed application.
- (2) The specification of the '398 Application included an additional paragraph spanning lines 4 to 19 of page 5.
- (3) The specification of the '398 Application included an additional paragraph spanning lines 5 to 20 of page 10.
- (4) The specification included an Abstract.

Although the specification filed with the '398 Application was not identical to that originally filed with the '497 Application, a review of the history of the parent ('391) application shows that the majority of the "new" text was substantially identical to text added by the June 23, 1992 amendment in the '391 Application. In particular, the "Field of the Invention" section was substantially identical with the exception that it recited a "system" in addition to a method. Further the paragraphs at pages 5 and 10 were substantially identical to the paragraphs added by the June 23, 1992 amendment in the '391 Application with the exception that the text added to page 5 recited a "system" instead of a method. It is notable that Examiner Nguyen found this "new" text to be supported by the originally filed specification in the grandparent '497 Application.

The Abstract filed with the '398 Application was less similar to the Abstract added by the June 23, 1992 amendment in the '391 Application. Nonetheless, the terminology presented in the Abstracts was similar.

The first Office Action in the '398 Application was issued by Examiner Nguyen on July 1, 1993 on the basis of originally filed Claims 1 through 31. The specification was objected to and all of Claims 1 through 31 were rejected under 35 U.S.C. § 112, first paragraph, for lack of adequate written description. In particular, Examiner Nguyen stated that the specification failed to set forth the problems in the prior art that the invention intended to overcome. The claims were also rejected as anticipated by U.S. Patent 3,718,906 or obvious over U.S. Patent 3,718,906 in view of U.S. Patent 4,654,799. Mr. Schwartz responded to this Office Action on December 30, 1993 by filing an amendment adding text to the specification, amending Claims 1 through 31 and adding additional Claims 32 through 63.

The amendment to the specification included the addition of individual terms at various points in the existing text; *e.g.* the addition of "or digital video" following "music" or the addition of "or mechanism" following "means."

A large section of text, approximately four and two-thirds pages, was also added. Of this added text, about two and two-thirds pages comprised a written description of original Figure 1, using the lead numbers for the elements shown therein. Approximately one-half page of the added text comprised means-plus-function language. The balance of the added text comprised a description of a method using the system as set forth in the description of Figure 1.

The response filed by Mr. Schwartz also included a second declaration by Arthur Hair under 37 C.F.R. § 1.132, explaining how the terminology presented in the specification as filed and amended would have been understood by one having ordinary skill in the art.

The second Office Action in the '398 Application was issued by Examiner Nguyen on May 4, 1994. In this Office Action, Claims 1 through 3, 8, 9, 16 through 18, 23, 24, 29 through 44 and 51 through 63 were rejected as anticipated by U.S. Patent 4,528,643. Claims 4 through



7, 10 through 15, 19 through 22, 25 through 28 and 45 through 50 were objected to as depending from rejected claims, but were considered allowable if rewritten in independent form. Mr. Schwartz responded to the Office Action on July 13, 1994 by making amendments to the claims in an attempt to put the allowable claims into form for issue. The amendment to the claims included the addition of new Claims 64 through 75. In addition, the Abstract was amended by adding the term "digital" at various places.

Also in the July 13, 1994 response, Mr. Schwartz explicitly asked Examiner Nguyen to consider any possible issues of double-patenting. Thus, Mr. Schwartz expressly stated to Examiner Nguyen:

*"Applicant requests the Examiner to review any double patenting possibility of the above-identified patent application in regard to U.S. Patent 5,191,573. If the Examiner determines there is no need for any double patenting concern, the applicant requests that the Examiner deem this request to consider double patenting as moot."* (Response to Office Action filed by Applicant's Counsel, Ansel Schwartz, July 13, 1994).

A third Office Action in the '398 Application was issued by Examiner Nguyen on October 28, 1994, on the basis of remaining Claims 1, 5 through 7, 9, 11 through 15, 17, 20 through 23, 26 through 28, 43, 46 through 50 and 64 through 75. All of the claims were rejected under 35 U.S.C. § 112, second and fourth paragraphs. Mr. Schwartz responded to the third Office Action on February 24, 1995 by amending the claims. Several minor amendments to the specification were also made. A supplemental amendment was filed by Mr. Schwartz on March 7, 1995 to change the dependency of Claim 46 from canceled Claim 66 to Claim 67.

A fourth Office Action in the '398 Application was issued by Examiner Nguyen on June 28, 1995, on the basis of remaining Claims 1, 5 through 7, 11 through 15, 20 through 23, 26

through 28, 43, 46 through 50, 62, 64, 65 and 67 through 75. All of the claims were rejected under 35 U.S.C. § 112, second paragraph. In response to the fourth Office Action, Mr. Schwartz filed the '648 Application as File Wrapper Continuation application on February 27, 1996. The '648 Application was designated a **continuation** of the '398 Application. No new oath or declaration was filed.

Based on an interview with Examiner Nguyen, Mr. Schwartz filed a preliminary amendment, including amendments to the existing claims and the addition of new Claims 76 through 89.

A first Office Action in the '648 Application was issued by Examiner Nguyen on June 10, 1996 on the basis of the claims following the preliminary amendment. Claims 1, 5, 6, 11, 23, 26 through 28, 43, 48, 67, 76 through 83 were rejected. Claims 9, 17, 20 through 22, 62, 64, 65, 68, 69 and 84 through 89 were allowed. Mr. Schwartz responded to the first Office Action on December 6, 1996 by filing amendments to the claims.

Following the December 6, 1996 amendment, Examiner Nguyen issued a Notice of Allowance and Issue Fee Due on February 5, 1997. On May 2, 1997, Mr. Schwartz filed additional amendments to the specification under 37 C.F.R. § 1.312. Examiner Nguyen refused to enter the amendments. The Issue Fee was subsequently paid and the '648 Application duly issued as the '734 Patent on October 7, 1997.

**III. THE APPROPRIATE PRIORITY DATE FOR THE CLAIMS OF THE '734 PATENT IN REEXAMINATION IS JUNE 13, 1988**

As set forth in Section II above, the '734 Patent issued from U.S. Patent Application Serial No. 08/607,648 (the "'684 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 08/023,398 (the "'398 Application'"), which was filed as a continuation of U.S. Patent Application Serial No. 07/586,391 (the "'391 Application'"), which

was filed as a continuation of U.S. Patent Application Serial No. 07/206,497 (the “497 Application”). The Office admits the ‘734 Patent is not a continuation-in-part, but asserts that the ‘734 Patent “shares the characteristics of a continuation-in-part.” The Office now attempts to use this novel characterization of the ‘734 Patent as a pretext to re-examine the priority date of the claims in the ‘734 Patent, which Examiner Nguyen had properly awarded as June 13, 1988. In particular, the Office is attempting to improperly reassign a priority date of February 27, 1996 to the claims in reexamination.

The Office’s actions in reassigning a priority date are improper procedurally, and incorrect based on the prosecution history of the ‘734 Patent. In the first instance, the reexamination statutes do not empower the Office to examine claims for issues of effective priority date in the absence of a continuation-in-part in the original examination history. On this basis alone, the Board should vacate the Examiner’s findings with respect to the proper priority date of the claims in the ‘734 Patent. Even if the Board does not vacate the Examiner’s findings on this basis, the Board should vacate the Examiner’s findings because the issue was thoroughly dealt with by Examiner Nguyen during the initial examination of the ‘734 Patent, and thus does not present a new issue related to patentability. Even putting those arguments aside, the Board should vacate the Examiner’s findings with respect to priority because the claims as issued in the ‘734 Patent and as currently constituted in reexamination are clearly supported by the original specification filed on June 13, 1988.

**A. The Office Exceeded Its Statutory Authority In Considering Issues Of Priority In The Instant Reexamination**

The Office exceeded its statutory authority by considering issues of priority in the instant reexamination. It is well established that the scope of a reexamination proceeding is limited to whether claims are patentable under 35 U.S.C. §§ 102 and 103 “on the basis of

patents and printed publications.” 37 C.F.R. § 1.552. The reexamination rules explicitly preclude consideration of issues arising under 35 U.S.C. § 112, except “with respect to subject matter added or deleted in the reexamination proceeding.” *Id.*; see also *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985) (*en banc*) (“only new or amended claims are also examined under 35 U.S.C. §§ 112 and 132”); *Patent Reexamination: Hearing Before the Committee on the Judiciary*, 96th Cong., 499 (1979) (“Questions affecting patentability or validity which may arise quite apart from the cited patent or publication, in view of which reexamination is requested, are left to be resolved in the forum really equipped to do the job -- the court.”) (statement of Paul L. Gomery, Director, Washington Office, Patent Division of Phillips Petroleum Co.).

Moreover, the inquiry under Section 120 as to whether the language of a particular claim, as filed or amended during an original prosecution, was supported or unsupported by sufficient disclosure is, by definition, not a *new* question. Rather, it is an issue that necessarily arises at the time of original filing or amendment, and one that necessarily is before the original examiner. Where a continuation-in-part (“CIP”) appears in the prosecution history of a patent in reexamination it may be necessary to make an inquiry into whether claims in the CIP, as issued or amended in reexamination, find support in the originally filed parent application or rely on new matter added when the CIP was filed during the original prosecution of the patent. However, where no CIP appears in the record this issue cannot arise since by definition no new matter was found to be added during the original prosecution of the patent in question.

As a result, it is beyond the scope of reexamination for an examiner to make a threshold determination that new matter was added during the original examination of a patent in

reexamination in the absence of a recognition of such new matter in the record of the original examination of the patent in question.

**1. There Is No CIP In The Prosecution History Of The '734 Patent**

The Office admits the '734 Patent is not a continuation-in-part, but then asserts the '734 Patent "shares the characteristics of a continuation-in-part," and cites this as a basis for assigning a later priority date to the claims of the '734 Patent. In support of its position the Office points to text added to the specification of the '391, '398 and '648 Applications that was not found in the originally filed specification in the '497 Application as grounds for this new designation. The Office further cites MPEP § 201.11 to support its conclusion. However, the presence of additional or different text in the specification of a continuation application does not by itself render the continuation application a CIP. The prohibition of MPEP § 201.11 concerns addition of text that would constitute *new matter*.

As set forth in Section II above, the '391 Application was filed under the old File Wrapper Continuation procedure. According to MPEP § 201.06(b), in effect at the time, if the '391 Application had been filed as a CIP a new oath or declaration would have been required; none was required.

The '398 Application was filed as a **continuation** of the '391 Application, but did include a different specification and a new oath. However, as detailed above, the changes to specification as filed in the '398 Application were nearly identical to text introduced by amendment to the specification of the parent '391 Application. As set forth above, after extensive examination of the amendments to the specification and claims in the '391 Application, Examiner Nguyen determined that the added text did not constitute new matter.

As a result, this added text cannot be considered new matter in the context of the **continuation** of the '398 Application.

Finally, the '648 Application was also filed under the old File Wrapper Continuation procedure. Again, according to MPEP § 201.06(b), in effect at the time, if the '684 Application had been filed as a CIP, a new oath or declaration would have been required; none was required.

Based on the above, it is apparent that no CIP appears in the history of the original prosecution of the '734 Patent.

Further, the Office has cited no authority that empowers it, in the context of reexamination, to treat a continuation application as a CIP because the examiner in reexamination believes the continuation "shares characteristics of a continuation-in-part." An application or patent is either a CIP, or it is not. There simply is no designation in the statutes or regulations for patents that are continuations, but "share the characteristics of continuations-in-part", as asserted by the Office. Therefore, the Office has no statutory basis for reassigning the priority date for the '734 Patent.

**2. The Reexamination Statute Does Not Empower The Office To Address Issues Of Priority Under 35 U.S.C. § 120 In The Absence Of A CIP Application In The Prosecution History Of A Patent In Reexamination**

The Office relies on MPEP §§ 2258(I)(C) and 2217 for an implicit grant of authority to cite intervening art based upon a newly determined effective filing date for claims. The Office refers to two cases:

*In re Ruschetta*, 255 F.2d 687 (C.C.P.A. 1958) and *In re Van Langenhoven*, 458 F.2d 132 (C.C.P.A. 1972), cited in MPEP § 2258(I)(C) as granting the underlying authority to address issues under 35 U.S.C. § 120 in reexamination. The Office's reliance on *Ruschetta* and *van*

*Langenhoven* is misplaced. Both *Ruscetta* and *van Langenhoven* deal explicitly with patents issued from CIP applications, which, as discussed *supra*, is simply not the case in the present reexamination. Further, both cases pre-date the reexamination statute, and thus say nothing about the proper conduct of reexamination proceedings. The Office has cited no further authority to support its interpretation of *Ruscetta* or *van Langenhoven*. Moreover, the Office cannot expand the holdings of these cases simply by inserting references to them in MPEP sections dealing with the scope of reexamination. “The MPEP sets forth PTO procedures; it is not a statement of law.” *Regents of the Univ. of New Mexico v. Knight*, 321 F.3d 1111, 1121 (Fed. Cir. 2003).

In contrast to the present case, where a CIP application appears in the prosecution history of a patent in reexamination, it is appropriate to consider the issue of the effective priority date of a claim in reexamination, since it is recognized that a CIP application may introduce new matter not disclosed in its parent application. However, where no CIP appears in the original prosecution record, the examiner in reexamination has no basis for determining that new matter was added during the original prosecution. Further, the limited scope of reexamination prohibits the examiner from undertaking this analysis on his own initiative.

**3. MPEP § 2258.IV.E Does Not Empower The Office To Revisit The Issue Of The Entitlement To A Priority Date Of Claims In An Issued Patent**

The Office cites the Manual of Patent Examining Procedure (“MPEP”) § 2258.IV.E as an example of revisiting priority issues in reexamination. However, most of this section addresses only the procedural issues in reexamination for perfecting a claim for priority made previously during initial examination and does not address the merits of a claim for priority.

The cited section also deals with claiming priority under 35 U.S.C. § 120 to an earlier filed copending application during reexamination where there was an earlier *failure* to make

such a claim. In the instant case, a claim of priority of June 13, 1988 was made by the applicant in each subsequent continuation application. Examiner Nguyen determined the '734 Patent was in fact entitled to that priority date. Since a claim of priority is, by definition, before the Examiner when it is made, it can never be a new issue in reexamination; *i.e.*, an issue that the original Examiner had no reason to consider. Indeed, MPEP § 201.11, cited favorably by the Office, *requires* an Examiner to address the issue during initial examination.

Further, MPEP § 2258.IV.E does not address revisiting and removing an earlier claim of priority made in an application, and does not address the entitlement of an issued patent to an earlier claimed right of priority.

Finally, MPEP § 2258.IV.E addresses reexaminations initiated by a patent owner (in this case, the Appellant). The section does not empower the Office to address the issue of entitlement to a claimed priority date where the issue is not first raised by the patent owner (Appellant).

The Office also cites MPEP § 1402, which concerns reissue proceedings, as an example of addressing priority issues. However, again, the cited section deals with adding or changing claims of priority, where an earlier claim contained an error or was not made at all. While MPEP § 1405 does address deletion of a priority claim in reissue, that section does not empower the Office on its own to determine the propriety of the priority claim.

Finally, 37 C.F.R. § 1.552(c) is explicit about the scope of reexamination:

Issues other than those indicated in paragraphs (a) and (b) of this section *will not be resolved in a reexamination proceeding*. If such issues are raised by the patent owner or third party requester during a reexamination proceeding, the existence of such issues will be noted by the examiner in the next Office action, in which case *the patent owner may consider the advisability of filing a reissue application to have such issues considered and resolved*.



37 C.F.R. § 1.552(c) (emphasis added). Therefore, notwithstanding MPEP § 1405, the propriety of a previously made priority claim cannot be revisited by the Office during reexamination.

**B. The Priority Date For The Claims In The '734 Patent Is Not A New Issue Related To Patentability**

Even if the reexamination statute did provide authority to address the issue of priority in reexamination, which it does not, the Office is still barred from considering the issue with respect to the '734 Patent because it does not present a new issue related to patentability.

**1. Examiner Nguyen Assigned A Priority Date Of June 13, 1988 To The Claims In The '734 Patent**

During initial examination of the '734 Patent, the '391 Application was filed as a **continuation** of the '497 Application and thus, as a preliminary matter, was entitled to the filing date of the original application, June 13, 1988. The Office makes much of the fact that the '391 Application was filed pursuant to the old File Wrapper Continuation procedure, which permitted the filing of CIPs. However, as set forth above, MPEP § 201.06(b), in effect at the time the '391 Application was filed, required that a CIP application filed pursuant to the File Wrapper Continuation procedure include a new oath or declaration. Since Examiner Nguyen did not require a new oath or declaration, as a threshold matter, she assigned the priority date of June 13, 1988 to the '391 Application when it was filed.

Also as set forth above, the '398 Application was filed as a continuation of the '391 Application. Even though the specification filed with the '398 Application was not identical to the originally filed specification, the additional text it included was nearly identical to text introduced by the amendments to the specification of the parent '391 Application. Having determined that the amendments to the specification and claims in the '391 Application did not

constitute new matter, Examiner Nguyen could not plausibly have determined that the same text was new matter in the context of the '398 Application. As a result, Examiner Nguyen also assigned a priority date of June 13, 1988 to the '398 Application when it was filed.

Finally, the '648 Application was also filed under the old File Wrapper Continuation procedure. Again, according to MPEP § 201.06(b), in effect at the time, if the '648 Application had been filed as a CIP a new oath or declaration would have been required. Since Examiner Nguyen did not require a new oath or declaration, as a threshold matter, she assigned the priority date of June 13, 1988 to the '648 Application when it was filed. Notwithstanding this, the Office has asserted that Examiner Nguyen did not consider or have reason to consider the issue of whether the additions to the specification constituted new matter. In support of these assertions, Examiner Foster provided a chart in the Office Action issued on September 29, 2006 in the copending '402 Reexamination, showing when and under what circumstances additions to the specification and resulting claim amendments were made in the '497 and '391 Applications. References to this chart in the September 29, 2006 Office Action in the instant reexamination were accompanied by generalized allegations that other new matter was added to the specification and claims.

Appellant responded to this assertion by reproducing the Examiner's chart in amended form to demonstrate that Examiner Nguyen did in fact consider the various additions to the specification and concluded those additions did not constitute new matter and the subject claims therefore were supported under Section 112. The chart has been amended by adding three columns, subtitled respectively:

“Consideration by Examiner Nguyen,” “Response by Applicant,” and “Subsequent Action by Examiner Nguyen.” That chart is set forth below:

	Parent Application 07/206,497 filed June 13, 1988		Child Application 07/586,391 filed September 18, 1990		Office Action in Application 07/586,391 and response		Issuance of '573 Patent
Feature	Date First Appearing in Claims of Parent Application	Date First Appearing in Specification of Parent Application	Date First Appearing in Claims of Child Application	Date First Appearing in Specification of Child Application	Consideration by Examiner Nguyen	Response by Applicant	Subsequent Action by Examiner Nguyen
Transferring Money from Second Party to a First Party (Charging a Fee)	December 22, 1988 February 28, 1990			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Providing a Credit Card Number	December 22, 1988			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Controlling Use of First/Second Memory	December 22, 1988			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Transmitting to a Location Determined by Second Party	February 28, 1990			September 18, 1990	Considered in Office Action February 24, 1992	Objection/ rejections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Specific Video Download Procedures	February 28, 1990			September 18, 1990	No new matter issues were ever raised	No response was ever necessary since no issue was ever raised	Claims allowed in September 21, 1992 Office Action

First Party in Possession of Transmitter	August 24, 1990 (not entered)			September 18, 1990	Considered in Office Action February 24, 1992	Objection/rejections responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action
Second Party in Possession of Receiver and Second Memory	August 24, 1990 (not entered)			September 18, 1990	Considered in Office Action February 24, 1992	Objection/rejections specifically responded to in June 25, 1992 response	Claims allowed in September 21, 1992 Office Action

The foregoing chart shows that substantially all of the alleged new matter issues were dealt with in the '391 Application, which eventually was issued as the '573 Patent. Thus, Examiner Nguyen already had considered those additions and amendments in the Office Action of February 24, 1992, prior to the filing of the '398 Application. That consideration included an objection to the specification as containing new matter under Section 132, and corresponding rejections of the relevant claims under Section 112. Mr. Schwartz responded to, and overcame, that objection and those rejections in the Response of June 23, 1992. In that Response, Mr. Schwartz included arguments and a Declaration by Arthur Hair under 37 C.F.R. § 1.132 establishing that the additions to the specification had ample antecedent support in the originally filed specification because the subject matter of the additions was implicitly disclosed and understood by those skilled in the art. After considering this Response by the Applicant, Examiner Nguyen withdrew the objection to the specification and the Section 112 rejections of the claims, and thereby determined the claims were allowable.

During prosecution of the '398 Application, the only element incorporated that can be alleged to be "new" is the recitation of an "account." However, when this element was introduced to the claims and specification by amendment, it was accompanied by a Declaration under 37 C.F.R. § 1.132 establishing that the addition to the specification had ample antecedent

support in the originally filed specification because the subject matter of the addition implicitly was disclosed and understood by those skilled in the art. This Declaration was accepted by Examiner Nguyen without comment.

Coincidentally, the prosecution history of the '734 Patent shows that, in the first Office Action after the filing of the '398 Application, Examiner Nguyen did issue an objection to the specification and rejection of the claims under 35 U.S.C. § 112, first paragraph, as failing to provide an adequate written description. Examiner Nguyen stated that the specification as filed "fails to make clear what problems in the prior art the present invention intends to overcome." Office Action issued July 1, 1993, page 2. Although the objection and rejection were not "new matter" based, this nonetheless shows that Examiner Nguyen did in fact review the disclosure and claims for compliance with 35 U.S.C. § 112, first paragraph. This rejection was overcome by providing an additional summary of the problems associated with the prior art and pointing out that the description provided in the originally filed specification made it clear what these problems were. Examiner Nguyen thereafter withdrew the Section 112, first paragraph rejection.

The amended chart set forth above demonstrates indisputably that Examiner Nguyen *did consider* the very same new matter and Section 112 rejections that the Office now asserts. As a result, by definition, Examiner Nguyen determined that the claims in the '734 Patent were entitled to claim priority to the original June 13, 1988 filing date.

In the Office Action in the instant reexamination dated March 17, 2007, the Office admitted that Examiner Nguyen did in fact address the issue of the alleged new matter shown in the table above. The Office further admitted that Appellant has effectively demonstrated as much through the table submitted with Appellant's Response to the Office Action of September

29, 2006. However, the Office now asserts that Examiner Nguyen did not have an opportunity to compare all of the amendments to the claims and specification made during prosecution to the originally filed specification. The Office refers to “gradually added new matter,” which the Office asserts was not addressed by Examiner Nguyen. However, the Office fails to explicitly identify what it considered the “gradually added new matter.” At best, the Office merely refers generally to Table II in the Office Action dated March 17, 2007. Upon reviewing Table II in its entirety, it is apparent that, with the exception of the 1996 amendments, the table merely contains the same alleged new matter as the table presented above. That is, Table II does not include anything that could be identified as “gradually added new matter,” nor does it include anything that the Office has not already admitted was reviewed and passed on by Examiner Nguyen. As a result, the Office’s rejection amounts to a bogus rejection that fails to define what is meant by “gradually added new matter.” *See, e.g.,* § MPEP 706.03(o) (noting that, in making a new matter rejection, an examiner is required to “identify the new matter by page and the line numbers and/or drawing figures and provide an appropriate explanation of [his/her] position”).

With respect to the amendments to the specification filed on December 30, 1993 in the ‘398 Application, those amendments by and large comprise a written description of Figure 1, which was originally filed in the ‘497 Application. As such, this text did not constitute new matter. The remainder of the added text comprised means plus function language, which was supported by the text of the specification originally filed with the ‘398 Application.

With respect to the December 6, 1996 amendment, a review of the filing does not reveal any additions to the specification, only amendments to the claims. Further, all of the text added to the claims via this amendment was either explicitly supported in the originally filed

specification, or included terms that were reviewed previously and found to be supported by Examiner Nguyen.

Therefore, because the text added by the December 30, 1993 and December 6, 1996 amendments consisted of matter either explicitly found in the original specification or previously considered and passed on by Examiner Nguyen, there is no doubt that Examiner Nguyen determined the claims in the '734 Patent were entitled to claim priority to the original June 13, 1988 filing date.

**2. The Absence Of Rejections Based On Intervening References During The Initial Examination Of The '734 Patent Does Not Demonstrate Examiner Nguyen Failed To Address The Issue Of Priority**

Notwithstanding the above, the Office also asserts that Examiner Nguyen never had reason to consider the propriety of the claim of priority made in the '648 or '398 Applications, because no intervening references were ever cited by the Examiner. This line of argument by the Office effectively puts the rabbit in the hat, by concluding that the absence of any intervening references in the record is conclusive evidence the issue of priority was never addressed by Examiner Nguyen. It is more plausible to conclude that no intervening references were cited because Examiner Nguyen properly concluded the '391, '398 and '648 Applications were entitled to the priority date of June 13, 1988. This conclusion is fully supported by the written record as detailed in Section II and Section III(B)(1) above.

**3. The Office Lacks Jurisdiction To Review Again The Same Section 112 Issues Determined By Examiner Nguyen**

As established above, the question of Section 112 support, and hence the appropriate priority date for the claims in the issued '734 Patent, were considered and passed on by Examiner Nguyen in the original examination. Therefore, as a matter of established law, the

Office lacks jurisdiction under the facts in this proceeding to challenge again the Section 112 support and the June 13, 1988 priority date of the claims in reexamination.

In *Patlex Corp. v. Quigg*, 680 F. Supp. 33 (D.C. Cir. 1988), the United States District Court for the District of Columbia addressed a situation substantially identical to the circumstances of the present reexamination. In that case, the District Court reversed, on summary judgment, a decision by the BPAI upholding the final rejection of three claims in a reexamination proceeding. The claims in question had issued in a patent that resulted from a string of continuation and divisional applications relating back to an original priority application. The reexamination examiner took the position that the three claims were not entitled to the original priority date. Consequently, the reexamination examiner reassigned a later effective priority date, based on the reexamination examiner's determination that the specification had not enabled the three claims under Section 112 as of the original filing date.

The District Court determined, however, that the issue of whether the three claims were enabled under Section 112 previously had been considered and decided by the original examiner, and the Court therefore explicitly held that the reexamination examiner lacked jurisdiction to consider that issue again:

Entitlement to the ... [original priority] filing date was decided in the ... [original] examination. Plaintiffs contended then they were entitled to the [original priority] filing date, and the first Examiner considered then whether the [original] disclosure was enabling. Consequently, in order to reexamine ... [the patent] on the basis of whether the claims were anticipated by ... [later prior art], the reexamination examiner had to "reexamine" the question of whether the specification of the ... [original application] contained an enabling disclosure of the subject matter claimed in the ... [patent]. As noted above, however, the reexamination statute does not contemplate a "reexamination" of the sufficiency of a disclosure. Rather it is limited to reexamination of patentability based on prior art patents and publications. Hence, the Court concludes that the Examiner and the Board lack



jurisdiction in this case to “reexamine” the sufficiency of the specification of the ... [original application].

*Id.* at 36-37 (emphasis added.) The holding of the *Patlex* case, therefore, is clear. Where, as in the present case, an original examiner already has considered and determined the sufficiency of a specification’s disclosure under Section 112 and the resulting entitlement of claims to an original priority date, there is no “substantial new” question of patentability for reexamination, as required by 35 U.S.C. § 301, *et seq.* As a result, the Office lacks jurisdiction to “reexamine” that same issue for those same claims in a subsequent reexamination proceeding.

For this reason as well, the Board should vacate the Examiner’s determinations regarding the proper priority date for the ‘734 Patent.

**C. The Claims In The ‘734 Patent Plainly Are Supported By The Originally Filed Specification**

The Office asserts that, for written description support, the claims in the ‘734 Patent rely on certain alleged new matter added to the specification during the original prosecution of the ‘734 Patent. The Office also asserts that the claims directed to the video embodiment of the invention are not supported by disclosure that was enabling as of the original June 13, 1988 filing date. As set forth above, Appellant’s position is that the Office lacks jurisdiction to review issues of adequate written description and enablement, especially where the particular issue was dealt with explicitly in the original prosecution of the patent in reexamination. Those arguments aside, it is clear the originally filed specification does in fact provide both adequate written description for all of the claims and an enabling disclosure for those claims directed to the “video feature” of the invention.

**1. The Claims As Issued In The '734 Patent Are Supported By Adequate Written Description In The Originally Filed Specification**

Appellant provides below an analysis demonstrating that each element in Claims 1 through 34 as issued in the '734 Patent is supported, either explicitly or implicitly, by the original specification filed on June 13, 1988.

**i) The Proper Standard For Determining If The Claims Are Adequately Supported By The Specification As Filed**

As a preliminary matter, the standard for written support in the absence of *ipsis verbis* recitation of a claim limitation is not strictly the inherency or required interpretation standard urged by the Office. Rather, the proper standard generally is whether the written description reasonably conveys to the skilled artisan that the inventor was in possession of the claimed subject matter.

The issue of whether the written description requirement has been met is a question of fact, to be determined on a case-by-case basis. *Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1562 (Fed. Cir. 1991). The legal standard for determining whether the facts of a particular case meet the written description requirement is well established, however. In *Vas-Cath*, the Court of Appeals for the Federal Circuit ("CAFC") held that "[t]he test for sufficiency of support in a patent application is whether the disclosure of the application relied upon '*reasonably conveys* to the skilled artisan that the inventor had possession at that time of the later claimed subject matter.'" *Vas-Cath*, 935 F.2d at 1563 (emphasis added). As further held by the CAFC in *Union Oil Co. of Cal. v. Atlantic Richfield Co.*, 208 F.3d 989 (Fed. Cir. 2000), "[t]he written description does not require the applicant 'to describe exactly the subject matter claimed, [instead] the description must clearly allow persons of ordinary skill in the art to recognize that [the inventor] invented what is claimed.'" *Id.* at 997. In other words, contrary to the Office's

assertions, the general standard does not require that the “only reasonable interpretation” of the general features in the specification be the more specific features in the claims. *Vas-Cath*, 935 F.2d at 1566 (“[t]he [district] court further erred in applying a legal standard that essentially required the drawings of the ‘081 design application to *necessarily exclude* all diameters other than those within the claimed range.”)(emphasis in original).

Because the written description requirement is fact-based, various decision makers have at times appeared to drift from the “reasonably conveys” standard mandated by the CAFC. The CAFC, however, has never wavered from this standard. For example, in *Hyatt v. Boone*, 146 F.3d 1348 (Fed. Cir. 1998), the court reviewed a Board of Patent Appeals and Interferences (“BPAI”) decision holding that one party to an interference (Hyatt) lacked the necessary written description in his originally filed application to support a later claim drawn to a count of the interference. The phraseology used by the BPAI in setting forth the standard for compliance with the written description requirement was that “the written description must be sufficient, when the entire specification is read that the ‘necessary and only reasonable construction’ that would be given it by a person of ordinary skill in the art is one that clearly supports each positive limitation in the count.” *Hyatt*, 146 F.3d at 1353. The appellant argued that the “necessary and only reasonable construction” standard applied by the BPAI was different from and more rigorous than the “reasonably conveys standard” set forth in *Vas-Cath*.

The CAFC determined that despite the arguably more rigorous phraseology used by the BPAI, the standard for meeting the written description requirement did not become more rigorous. Rather, the standard remains that “the written description must include all of the limitations...or the applicant must show that any absent text is *necessarily comprehended* in the description provided and would have been so understood at the time the patent application

was filed.” *Hyatt*, at 1354-55 (emphasis added). Moreover, the CAFC has on subsequent occasions repeatedly reinforced that the standard of *Vas-Cath* remains in effect. *See, e.g., Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 424 F.3d 1161, 1165 (Fed. Cir. 2005)(“[t]he applicant must...convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention.”).

In addition to *Hyatt*, the Office has cited *In re Robertson*, 169 F.3d 743 (Fed. Cir. 1999), and *Lockwood v. American Airlines, Inc.*, 107 F.3d 1565 (Fed. Cir. 1997), as establishing a strict inherency standard for finding written support for a claim element not having *ipsis verbis* support in the specification. In the first instance, the citation of *In Re Robertson* is inapposite. In *Robertson*, the CAFC reiterated the well-known standard for determining anticipation or obviousness of a claim by prior art where the prior art does not include literal disclosure of one or more elements of the claim. As such, *Robertson* was a case directed solely to Section 102/103 issues, and does not even mention Section 112. Moreover, nowhere in *Hyatt* or *Lockwood* does either court even allude to an inherency standard for showing support for claim limitations not described *ipsis verbis* in the specification. Rather, the CAFC simply held in *Lockwood* that “exact terms need not be used *in haec verba*..., the specification must contain an equivalent description of the claimed subject matter.” *Lockwood*, 107 F.3d at 1572 (citations omitted).

Therefore, the requirement of an inherency standard under Section 112 is unsupported by *Hyatt*, *Robertson*, or *Lockwood*. Rather, the proper standard to be applied by the Examiner in determining compliance with the written description requirement remains “whether the disclosure of the application as originally filed reasonably conveys to the artisan that the inventor had possession at that time of the later claimed subject matter, rather than the presence

or absence of literal support in the specification for the claim language.” *In re Kaslow*, 707 F.2d 1366, 1375 (Fed. Cir. 1983).

**ii) All Features Of Claims 1 Through 34 In The ‘734 Patent Find Written Support In The Originally Filed Specification**

Applying the proper standard for compliance with the written description requirement under Section 112, all of the limitations in Claims 1 through 34 of the ‘734 Patent are supported by the originally filed specification. To illustrate this point, Appellant has prepared a detailed chart showing each feature of the invention, the claims in which those features are recited, and where support in the originally filed specification is found for each feature. That chart is set forth immediately below:

Feature	Claims Reciting Feature	Written Description of Feature in Original Specification	Comments
A method/system for transferring desired digital video or digital audio signals	1-34	p. 1, lns. 7-9 p. 2, lns. 8-10, 20-26  (video) p. 5, lns. 36-43	<i>ipsis verbis</i>
forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party	1	p. 3, lns. 35-40	<i>ipsis verbis</i>
first party location and second party location remote from the first party location, the second party location determined by the second party	1, 4, 11, 16, 19, 26	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The as filed original specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. Since the digital audio or digital video signals are transferred to the user’s (second party’s) control unit, a skilled artisan would readily understand that the second party can determine

			the second location.
the first party memory having a first party hard disk having a plurality of digital video or digital audio signals, including coded digital video or digital audio signals	1, 4, 16	p. 3, lns. 35-37	<i>ipsis verbis</i>
the first memory having a sales random access memory chip	1	p. 3, lns. 19-24 Fig. 1	<i>ipsis verbis</i>
telephoning the first party controlling the first memory by the second party	1	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The as filed original specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily recognize this as comprehending the telephoning of the first party by the second party to initiate a transaction. This was addressed previously in the declaration of Arthur Hair submitted May 5, 1992.
providing a credit card number of the second party to the first party so that the second party is charged money	1	p. 1, lns. 13-15 p. 2, lns. 8-10, 20-23, 38-52 p. 3, lns. 12-15, 35-37	The as filed original specification states throughout that the invention provides for electronic sales of digital audio or digital video signals. A skilled artisan would readily recognize credit card sales as being comprehended within electronic sales. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
electronically coding the digital video or digital audio signals to form coded digital audio signals into a configuration that would prevent unauthorized reproduction	1	p. 2, lns. 17-19 p. 4, lns. 15-20	<i>ipsis verbis</i>
storing a replica of the coded desired digital video or digital audio signals from	1	p. 4, lns. 15-23	<i>ipsis verbis</i>

the hard disk to the sales random access memory chip			
transferring the stored replica of the coded desired digital video or digital audio signal 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	1, 4	p. 4, lns. 15-23 p. 4, ln. 35 to p. 5, ln. 21	The as filed original specification includes <i>ipsis verbis</i> support for storing a replica of the coded desired digital audio or digital video signal to the first party sales random access memory, then transferring it to the memory of the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second memory. This was previously addressed in the declaration of Arthur Hair filed May 5, 1992.
storing the transferred digital video or digital audio signals in the second memory	1	p. 2, lns. 23-27	<i>ipsis verbis</i>
a second party integrated circuit which controls and executes commands of the second party connected to a second party control panel	2	p. 3, lns. 26-28 p. 4, lns. 15-20 Fig. 1	<i>ipsis verbis</i>
commanding the second party integrated circuit with the second party control panel to initiate the purchase of the desired digital video or digital audio signals from the first party hard disk	2	p. 4, lns. 12-20	The as filed original specification includes <i>ipsis verbis</i> support for using the second party control panel to command the second party integrated circuit to execute commands of the second party. A skilled artisan would readily recognize that a user would command the second party integrated circuit to initiate a purchase of digital video or digital audio signals, since that is the purpose of the system.

the second memory includes a second party hard disk and an incoming random access memory chip	3, 5, 8, 13, 16, 21, 30	p. 3, lns. 26-31 Fig. 1	<i>ipsis verbis</i>
the second memory includes a playback random access memory chip	3, 5, 16, 21, 30	p. 3, lns. 26-30 p. 4, lns. 39-50 Fig. 1	<i>ipsis verbis</i>
playing the desired digital video or digital audio signal from the second party hard disk	3	p. 2, lns. 26-32	<i>ipsis verbis</i>
a first party control unit (in possession and control of the first party)	4, 11, 16, 19, 26, 28	p. 2, lns. 38-43 p. 3, lns. 35-49	The as filed original specification includes <i>ipsis verbis</i> support for a first party control unit, where the authorized agent is the first party. A skilled artisan would readily recognize that the first party control unit is in possession and control of the first party because as an "agent authorized to electronically sell and distribute" digital audio or digital video, the first party would necessarily have to possess and control the source of the digital audio and digital video.
a second party control unit (in possession and control of the second party)	4, 11, 16, 19, 26, 28	p. 2, lns. 38-43 p. 3, lns. 35-49	The as filed original specification includes <i>ipsis verbis</i> support for a second party control unit, where the user is the second party. A skilled artisan would readily recognize that the second memory is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously



			addressed in the declaration of Arthur Hair filed May 5, 1992.
the first party control unit has a first party hard disk, a sales random access memory chip, and means or mechanism for electronically selling desired digital video or digital audio signals	4, 11, 19, 26, 28	p. 2, lns. 8-10 p. 3, lns. 20-40 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a first party control unit with a hard disk, and sales random access memory chip. A skilled artisan would readily recognize that the first party control unit would include a means or mechanism for executing an electronic sale because the electronic sale is described in the original specification as separate from electronic transfer and electronic distribution.
the second party control unit has a second memory connected to the second party control panel	4, 19, 21, 26, 28	p. 3, lns. 26-31 Fig. 1	The as filed original specification has <i>ipsis verbis</i> support for a control panel connected to the second party control unit. A skilled artisan would readily understand that the second party hard disk corresponds to a second memory.
the second party control unit has means for playing desired digital video or digital audio signals connected to and controlled by the second party control panel	4, 28	p. 3, lns. 26-33 Fig. 1	<i>ipsis verbis</i>
selling digital video or digital audio signals through telecommunications lines	4	p. 2, lns. 8-10, lns. 47-50	<i>ipsis verbis</i>
the first party control unit includes a first party control integrated circuit connected to the first party hard disk, the sales random access memory and the second party control panel through telecommunications lines	4, 6, 11, 16, 19, 22, 26, 28, 31,	p. 3, lns. 20-33 Fig. 1	<i>ipsis verbis</i>
the first party control unit includes a first party control	6, 11, 16, 22, 31	p. 3, lns. 20-24 p. 4, lns. 12-14	<i>ipsis verbis</i>

panel connected to and through which the first party control integrated circuit is programmed		Fig. 1	
the second party control unit includes a second party control integrated circuit connected to the second party hard disk, the playback random access memory and the first party control integrated circuit	7, 11, 16, 23, 32	p. 3, lns. 20-33 p. 4, lns 15-20 Fig. 1	<i>ipsis verbis</i>
the second party control integrated circuit and the first party control integrated circuit regulate the transfer of desired digital video or digital audio signals	7, 22, 23, 31, 32	p. 4, lns. 15-20	<i>ipsis verbis</i>
the second party control unit includes a second party control panel connected to and through which the second party control integrated circuit is programmed	7, 16, 19, 23, 26, 28, 32	p. 3, lns. 26-28 p. 4, lns. 12-14 Fig. 1	<i>ipsis verbis</i>
the playing means of the second party control unit includes a video display	9, 14, 18, 19, 25, 34	p. 3, lns. 26-33 p. 5, lns. 9-21 Fig. 1	<i>ipsis verbis</i>
the telecommunications lines include telephone lines	10, 11, 12, 15, 17, 20, 27, 29	p. 3, ln. 25 Fig. 1	<i>ipsis verbis</i>
means or mechanism for transferring money electronically via telecommunications lines from the second party to the first party	11, 16, 19	p. 1, lns. 10-12 p. 2, lns. 8-10, 20-26, 47-52 p. 3, lns. 20-25 p. 4, lns. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic sales via telecommunications lines. A skilled artisan would readily recognize that electronic sales via telecommunications lines would include the transfer of money via telecommunications lines. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.

means or mechanism for the first party to charge a fee to the second party and granting access to desired digital video or digital audio signals	16, 19, 26	p. 1, Ins. 13-15 p. 2, Ins. 8-10, 20-23, 47-50 p. 3, Ins. 20-33 Fig. 1	The specification discloses electronic sales via telephone lines. Because the agent is authorized to sell and to transfer via telephone lines, there is implicitly support for selling and thereby charging a fee. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
means or mechanism for connecting electronically via telecommunications lines the first memory with the second memory	11, 16,	p. 4, Ins. 15-20 Fig. 1	A skilled artisan would readily recognize from the specification that the first memory would include a means for connecting to the second memory via the disclosed telephone lines.
the second party control unit includes an incoming random access memory	11, 16, 24, 33	p. 3, Ins. 26-29 Fig. 1	<i>ipsis verbis</i>
means or mechanism for transmitting desired digital video or digital audio signals	11, 16, 26, 28	p. 1, Ins. 10-12 p. 2, Ins. 8-10, 20-26, 47-52 p. 3, Ins. 20-25 p. 4, Ins. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of those signals, where the telecommunications lines act as the transmitter. A skilled artisan would also readily recognize in order to receive digital audio or digital video signals over telecommunications lines, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992.
a transmitter connected to the first memory and the telecommunications lines, the first party in possession and control of the transmitter	11, 16	p. 1, Ins. 10-12 p. 2, Ins. 8-10, 20-26, 47-52 p. 3, Ins. 20-25 p. 4, Ins. 21-23	The as filed original specification has <i>ipsis verbis</i> support for electronic distribution via telecommunications lines. A skilled artisan would readily recognize that this requires transmission of

			those signals, where the telecommunications lines act as the transmitter.
a receiver connected to the second memory and the telecommunications lines, the second party in possession and control of the receiver	11, 16, 19, 26	p. 2, lns. 47-49 p. 3, lns. 35-38 p. 4, lns. 24-26	A skilled artisan would readily recognize in order to receive digital audio or digital video signals over telecommunications lines as disclosed throughout the specification, part of the second party control unit would act as a receiver. This was addressed previously in the affidavit of Arthur Hair dated May 5, 1992. A skilled artisan would readily recognize that the receiver is in possession and control of the second party, since the specification as originally filed states throughout that the user can store, sort and play thousands of songs from the user unit. A skilled artisan would clearly understand that this means the second party controls and possesses the second party control unit. This was previously pointed out in the declaration of Arthur Hair submitted December 30, 1993.
the transmitter remote from the receiver, the receiver at a location determined by the second party in electrical communication with the connecting means or mechanism	11	p. 2, lns. 47-50 p. 3, lns. 20-40 Fig. 1 p. 4, lns. 21-23	The original as filed specification states throughout that digital audio or digital video signals are sold and transferred via telephone lines. A skilled artisan would readily understand this to comprehend transfers between two remote locations. A skilled artisan would further recognize that in order for transmission of the digital audio or video signals to occur the transmitter and receiver have to be in electrical communication with the connecting means.

means or mechanism for storing desired digital video or digital audio signals with the receiver	11, 16	p. 3, lns. 26-31 p. 4, lns. 15-20 Fig. 1	The second party control unit includes a second party control integrated circuit which regulates the transfer of the digital audio and digital video signals. A skilled artisan would readily recognize that the second party integrated circuit regulates storage of the digital audio or digital video signals.
speakers in possession and control of the second party	14, 18, 26	p. 3, ln. 33, 47-49	The as filed original specification has <i>ipsis verbis</i> support for speakers. A skilled artisan would readily recognize that the speakers would be in possession and control of the second party since the specification throughout states that the second party may repeatedly listen to stored songs through the speakers.
the second party choosing desired digital audio signals from the first party's hard disk	26	p. 2, lns. 8-16, 20-27, 38-52 p. 35-49	Throughout the specification discloses electronic sales of digital video or digital audio signals. A skilled artisan would readily recognize that this includes the selection of individual desired signals by the purchaser.

For all the reasons set forth in the chart immediately above, the written description standard was satisfied for Claims 1 through 34 of the '734 Patent. For the same reason, and as set forth in more detail below, Claims 35 through 60 are also supported by the originally filed specification of the '497 Application.

Moreover, the claim language "transferring money electronically via a telecommunication line to a first party at a location remote from the second memory," "charging a fee," "providing a credit card number," and "charging an account," all would have

been understood by one of ordinary skill in the art in the context of the described electronic sales and distribution of digital audio signals or digital video signals. In this context, one of ordinary skill in the art would have recognized that electronic sales encompassed transactions where a fee is charged, and thus money is transferred from one party to another electronically via a telecommunication line. It further would have been understood by one of ordinary skill in the art that electronic sales could be accomplished by providing a credit card number. As a result, one of ordinary skill in the art in 1988 would have recognized that the description of electronic sales in the specification of the '497 Application necessarily comprehends "transferring money to a first party from a second party electronically via telecommunication lines," "charging a fee," "charging an account," and "providing a credit card number."

One of ordinary skill in the art in 1988 would have been aware of the available means for connecting computer systems to telecommunication lines for the purpose of transferring electronic signals; for example modems. Such means could be used at the originating (transmitting) computer and at the destination (receiving) computer. The control unit or control integrated circuit of the copyright holder and user would have been recognized by one of ordinary skill in the art as being some type of computer system or part of a computer system. Therefore, the terms in the claims "transmitter" and "receiver" describe what would have been understood by one of ordinary skill in the art as being necessarily comprehended by the description provided in the specification and figures filed with the '497 Application.

Finally, it easily would have been recognized by one of ordinary skill in the art in 1988 that the specification's teaching requires establishing some type of connectivity as a pre-requisite to making a purchase/sale of digital signals, as well as for transferring the digital signals. Since the specification of the '497 Application explicitly discloses selling and

transferring digital audio signals (or digital video signals) over telephone lines, it is clear that the step of requesting and establishing connectivity (telephoning) is necessarily comprehended in the description provided in the '497 Application, since the step would have been recognized as a prerequisite for performing the function of the disclosed system.

For all of the above reasons, Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 find adequate written support in the specification of the '497 Application as filed and are therefore entitled to the June 13, 1988 priority date. For this reason as well, the Board should vacate the Examiner's findings with respect to the priority date of the '734 Patent.

**2. The "Video Feature" Of The Invention In Claims 4, 6 Through 10, 19, 22 Through 25, 28 And 31 Through 60 Of The '734 Patent Was Enabled By The Originally Filed Specification**

The Office asserts the "video feature" of the invention in Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 was not enabled by the disclosure in the originally filed specification.

The Office acknowledges the "original specification does contain a general statement at the end of the specification stating '[f]urther, it is intended that this invention not be limited to Digital Audio Music and can include Digital Video....'" The Office, however, generally asserts "this broad, generic statement fails to enable specifically claimed video download and processing procedures." September 29, 2006 Office Action, page 12. Since the Office has not specifically identified which portions of the claims allegedly are not enabled, Appellant will discuss below the issue of enablement with respect to particular comments made in the September 29, 2006 Office Action.

**i) The Office Is Attempting To Apply An Improper Standard For Enablement**

The Office is attempting to apply a “mass production” standard to the claims when, in actuality, the enablement standard of Section 112 has no such requirement. As the CAFC held in *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544, 1562 (Fed. Cir. 1987), “the law has never required that [an Appellant]... must disclose in its patent the dimensions, tolerances, drawings, and other parameters of mass production not necessary to enable one skilled in the art to practice (as distinguished from mass-produce) the invention.” Nonetheless, it appears this kind of “mass production” information is exactly the kind of information the Office now seeks. For example, the Office Action states “[p]ersonal user devices with the processing power capable of playing back much larger and more complicated digital video files, such as DVD players, were not routinely available until the late 1990(s).” September 29, 2006 Office Action, pages 19-20. (emphasis added.) Whether such devices “routinely” were available is not part of the test for enablement, nor is it one of the eight factors for reasonable experimentation that were laid out by the CAFC in *In re Wands*, 858 F.2d 731 (Fed. Cir. 1988). Rather, the only relevant test is whether, without undue experimentation, one of ordinary skill in the art could have made and used the claimed invention.

As further evidence that the Office seeks to apply a “mass production” standard, it is noted that the Office Action states “the digital bandwidth required to transmit a video signal at even VHS quality was around 1.5 megabits per second (approximately 30-megabytes in 3 minutes).” Office Action, page 14. (emphasis added.) However, while VHS quality may be appropriate for “mass production,” a limitation requiring VHS quality video is not included in any of the claims, and thus it is impermissible for the Office to use that level of quality as a benchmark for enablement. In fact, the recent success of very small screen video players shows that “mass production” can be achieved with even less than VHS quality.



Moreover, even if VHS quality were a requirement for enablement of the claims, there is no articulated basis to believe the original specification would not have enabled one of ordinary skill in the art to meet that quality for a short period of time. This fact is accentuated by the statement in the Office Action that “it is not clear ... how downloaded files of any appreciable or viable size would have been downloaded and stored on originally disclosed hard disk 60 of the user in the original specification.” September 29, 2006 Office Action, page 20. (emphasis added.) The use of “appreciable” and “viable” makes it clear that short videos are enabled, and nothing more is required. Further, the Office appears to acknowledge that even a 30-megabyte hard drive could store a three-minute movie if encoded at 1.5 megabits/second. *Id.* That alone is sufficient to meet the enablement requirement.

Moreover, the Office impermissibly limits the scope of what it referenced when the Office Action cites the size of available hard drives. While a 30-megabyte hard drive would have been available in a 3.5-inch form factor, the same chart relied on by the Office illustrates that hard drives larger than 1.89 gigabytes were available at the same time. *See* September 29, 2006 Office Action, footnote 14.

Furthermore, the Office has applied the same “mass production” requirement to the library server. The Office initially seems to acknowledge that mainframes did exist which could have operated as repositories for copyrighted materials using hard disk drives. However, the Office then seems to discount the relevance of the existing mainframes by stating “it is not clear how even a small-sized video library ... would have been stored in the hard disk of the copyright holder ... without requiring details directed to a complex mainframe operating environment.” This unsupported statement on “complexity” is insufficient to prove that mainframe operating environments capable of storing digital video files were not already

known at the time the original specification was filed, or that undue experimentation would have been required to store digital video files in such an environment. The statement also leaves unanswered how the Office is defining “small” -- according to the enablement standard under Section 112 or the improper “mass production” standard?

The Office Action further states “[r]egarding the transfer of these large video files over a network, the proliferation of broadband communication network[s] capable of delivering these large files to consumers, such as the Internet, simply did not exist or were not well known in 1988.” September 29, 2006 Office Action, pages 14-15. (emphasis added.) Such a statement raises at least two issues. First, “not well known” to whom? Those of ordinary skill in the art of computer systems knew of telephony-based wide area networks at the time the original specification was filed. Second, utilization of a “broadband” network is not required. In fact, the originally filed specification discloses that the audio and video files can be transferred over telephone lines. While this may not be an extremely fast method of transfer, it nonetheless clearly is enabling under Section 112.

The Office further questions “how the digital video would have been coded and decoded during transmission, as digital video coding standards for purposes of transmission and file download were not settled in 1988. [T]he MPEG-1 standard which was designed to code/decode digital video information and to transmit the video via a telephone (telecommunications) network in NTSC (broadcast) quality for archiving, was only established in 1992.” September 29, 2006 Office Action, page 21. (emphasis added.) Again, standardization of video coding and the use of “NTSC quality” relate to “mass production” rather than enablement under Section 112. Thus, the Office has not alleged -- and cannot allege

-- that one of ordinary skill in the art could not have coded video at some other resolution or using some other encoding technique at the time the original specification was filed.

In contrast, those of ordinary skill in the art would have been able to code and decode video data transmitted over a telephone line without undue experimentation. This is because there were existing video teleconferencing systems known and available to them prior to applicant's earliest priority date. As earlier as five years before applicant's earliest priority date digital video signals could have been and were sent via telephone networks and decoded with picture processors in real-time.

Similarly, not only were TV processors for video processing available for use in video processing systems, but network interface specifications were available for making systems that were compatible with signals sent via telephone networks. As such, contrary to the position of the Office Action, it is clear that at the time of filing of the earliest priority application, one of ordinary skill in the art would have been able to transmit, download and decode video signals as claimed without undue experimentation.

Accordingly, Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 directed to the "video feature" embodiment of the invention are enabled by the originally filed specification under the proper standard for Section 112 enablement.

**D. Because Claims 1 Through 4, 6 Through 19, 22 Through 25, 28 And 31 Through 60 Are Entitled To The June 13, 1988 Priority Date Awarded During The Original Examination, *Yurt* And *Goldwasser* Are Not Appropriate Prior Art**

Based on the foregoing, Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in reexamination are entitled to the June 13, 1988 priority date. In the first instance, it is improper for the Office to reconsider the issue of priority in the present reexamination for the reasons set forth in Sections III(A) and (B) above. Further, even if it were proper to

reconsider the issue of priority, the facts of record clearly show the claims were described adequately and enabled by the originally filed specification for the reasons set forth in Section III(C) above. Therefore, U.S. Patent 5,132,992 to Yurt (*Yurt*) and U.S. Patent 5,241,428 to Goldwasser (*Goldwasser*) cannot be proper bases for a rejection because the references post-date the applicable June 13, 1988 priority date for the claims. The Board should, therefore, reverse all rejections based on *Yurt* and *Goldwasser*.

#### IV. THE CLAIMS AS AMENDED ARE SUPPORTED AND ENABLED BY THE WRITTEN DESCRIPTION

In addition to questioning the written support and enablement of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in the originally filed specification, the Office has also asserted separate rejections of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph. In making these rejections, the Office has improperly applied Section 112 analysis to claim elements that existed in the claims as issued, rather than limiting the analysis to “matter added or deleted” as required by 37 C.F.R. § 1.552.

In particular, Appellant notes that Claims 1 through 34 were only amended to add limitations from existing dependent claims into existing independent claims. Therefore, the rationale cited by the Office for subjecting Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 34 to analysis under Section 112, first paragraph is unfounded. The only element present in Claims 35 through 60 that was not previously present in Claims 1 through 34 is the recitation of a non-volatile storage portion of the second memory that is not a tape or CD. Therefore, the Office may only examine the recitation of “a non-volatile storage portion of the second memory that is not a tape or CD” for compliance with Section 112, first paragraph.

Nonetheless, even if it were proper for the Office to examine Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 in their entirety for compliance with Section 112, first

paragraph, under 37 C.F.R. § 1.552(a), those issues already were addressed by Examiner Nguyen during the initial examination of Claims 1 through 34, as recognized by the Office.

**A. Rejection Of Claims 4, 6 Through 10, 19, 22 Through 25, 28 and 31 Through 60 Under 35 U.S.C. § 112, First Paragraph As Introducing Matter Not Found In The Original Specification**

With respect to the recitation of “a non-volatile storage portion of the second memory, wherein the non-volatile storage is not a tape or a CD”, the Office asserts that the negative limitation in Claims 35, 37, 43, 48, 51 and 56 introduces a new concept to the claims that does not have a basis in the originally filed specification. The Office cites two cases from the BPAI, one case from the CAFC, and one case from the Court of Customs and Patent Appeals (“C.C.P.A.”) to support this rejection. None of the cases support the rejection.

The CAFC case cited by the Office, *LizardTech, Inc. v. Earth Res. Mapping Inc.*, 433 F.3d 1373 (Fed. Cir. 2006), is merely an opinion denying a petition for rehearing *en banc*. The case does not address anything related to the current rejection. Therefore, the case simply does not support the Office’s position.

The two cases from the BPAI, *Ex Parte Wong*, No. 2004-1144, 2004 WL 4981845 (Bd. Pat. App. & Interf. June 10, 2004) and *Ex Parte Grasselli*, 231 U.S.P.Q. 393 (Bd. Pat. App. & Interf. 1983), address situations where a negative limitation added to a claim was not described in the specification of the application. However, neither *Wong* nor *Grasselli* support the rejection of Claims 35 through 60 under Section 112, first paragraph, in the instant case. In both *Wong* and *Grasselli*, the issue and ultimate ground for rejection was that a negative limitation added to the claims introduced a new concept not disclosed in the respective specifications in those cases. That simply is not the situation here. All of Claims 35, 37, 43, 48, 51 and 56 recite a non-volatile storage portion of a memory that is not a tape or CD. The

originally filed specification of the '497 Application explicitly states that the disclosed invention eliminates the need to handle tapes and CDs. *See* p. 2, lns. 23 to 26. Thus, the concept of storing digital audio or digital video signals on a memory that is not a tape or CD is explicitly disclosed by the original specification. Therefore, *Wong* and *Grasselli* are inapposite to the present case.

The case from the C.C.P.A., *Application of Johnson*, 558 F.2d 1008 (C.C.P.A. 1977), concerns a situation where the applicant sought to claim priority to an originally filed application for claims in a subsequent CIP application. The holding of *Johnson* also fails to support the Office's position. In *Johnson*, an original parent application disclosed and claimed a genus of polymer compositions comprising various monomer units. In a later filed CIP application, the broad genus claims in the parent application were narrowed by expressly excluding certain species from the polymer compositions. The parent application only contained a description of the broader genus. The court found that claims to the narrower sub-genus created by the express exclusion of certain species in the CIP were not supported by the description of the broader genus in the parent specification. Again, the situation with the present reexamination differs significantly from the cited case law. Claims 35, 37, 43, 48, 51 and 56 recite a non-volatile storage portion of a memory that is not a tape or CD. This is exactly what is described at page 2, lines 23 to 26 of the originally filed specification. In short, the negative limitation recited in Claims 35, 37, 43, 48, 51 and 56 is expressly disclosed in the specification of the parent application. Thus, in the instant case, the scope of the disclosure in the specification was never narrowed with respect to this element, contrary to the situation in *Johnson*. Therefore, the recitation of a non-volatile storage portion of a memory that is not a

tape or CD is fully supported by the originally filed specification, as well as the specification of the '734 Patent as issued.

With respect to the other elements recited in Claims 35 through 60, the issue of written support for the claimed matter was previously addressed by Examiner Nguyen during the initial examination of Claims 1 through 34, as recognized by the Office in the Office Action dated March 17, 2007. Moreover, Appellant thoroughly demonstrated in the Response to the Office Action of September 29, 2006 that each element in Claims 35 through 60 is fully supported and enabled by the original specification as filed, as well as the specification for '734 Patent as issued. Therefore, the Board should reverse the Examiner's rejection.

**B. Rejection Of Claims 4, 6 Through 10, 19, 22 Through 25, 28 and 31 Through 60 Under 35 U.S.C. § 112, First Paragraph As Not Being Enabled By The Original Specification**

Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 have been rejected under Section 112, first paragraph, as not being enabled by the original specification.

As set forth in Section III(A) above, all of the limitations recited in the claims have written support in the original specification filed on June 13, 1988. In particular, Claims 1 through 34 were only amended to add limitations from existing dependent claims into existing independent claims. Therefore, the rationale cited by the Office for subjecting Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 34 to analysis under Section 112, first paragraph is unfounded. Nonetheless, Appellant thoroughly demonstrated in Section III(C)(2) above that each element in Claims 1 through 34 is fully supported and enabled by the original specification as filed, as well as the specification for '734 Patent as issued.

With respect to new Claims 35 through 60, the only difference between the new claims and original Claims 1 through 34 is the recitation of "a non-volatile storage portion of the

second memory that is not a tape or CD.” As further set forth above, 37 C.F.R. § 1.552(a) states that an analysis under Section 112 will be performed with respect to *matter* added or deleted, not *claims* added or deleted. Therefore, the Office may only examine the claims with respect to the recitation of “a non-volatile storage portion of the second memory that is not a tape or CD” for compliance with the enablement requirement. This limitation is fully supported by the originally filed specification, as demonstrated above. For the same reason Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 are enabled, Claims 35 through 60 are also enabled. Therefore, the Board should reverse the Examiner’s rejection.

**V. BASED ON THE PROPER PRIORITY DATE FOR THE CLAIMS IN REEXAMINATION THE REJECTIONS OF CLAIMS 1 THROUGH 4, 6 THROUGH 19, 22 THROUGH 25, 28 AND 31 THROUGH 60 BASED ON YURT AND/OR GOLDWASSER ARE IMPROPER**

As set forth above, the proper priority for Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 in reexamination is June 13, 1988. Therefore, any rejections under Sections 102 or 103 which rely on references that are not prior art based on the June 13, 1988 priority date are improper and should be reversed. U.S. Patent No. 5,132,992 to Yurt (*Yurt*) issued on July 21, 1992 from an application filed on January 7, 1991. U.S. Patent 5,241,428 to Goldwasser (*Goldwasser*) issued on August 31, 1993 from an application filed on March 12, 1991. Therefore, *Yurt* and *Goldwasser* do not qualify as prior art for the purposes of Sections 102 and 103.

**A. Rejection Of Claims 4, 6 Through 19, 22 Through 25, 28, 31 Through 34 and 37 Through 60 Under 35 U.S.C. § 103(a) Over Yurt In View Of Goldwasser**

Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 have been rejected under 35 U.S.C. § 103(a) as obvious over the combination of U.S. Patent 5,132,992 to Yurt (*Yurt*) in view of U.S. Patent No. 5,241,428 to Goldwasser (*Goldwasser*).



Neither of *Yurt* or *Goldwasser* qualifies as prior art based on the proper June 13, 1988 priority date of the '734 Patent. Therefore, a *prima facie* case of obviousness of Claims 4, 6 through 19, 22 through 25, 28, 31 through 34 and 37 through 60 has not been established by the combination of *Yurt* and *Goldwasser*. Therefore, the Board should reverse this rejection.

**B. Rejection Of Claims 1, 2, 35 and 36 Under 35 U.S.C. § 103(a) Over *Yurt* In View Of *Bush***

Claims 1, 2, 35 and 36 have been rejected under 35 U.S.C. § 103(a) as obvious over the combination of *Yurt* in view of U.S. Patent 4,789,863 to Bush (*Bush*).

As set forth above *Yurt* does not qualify as prior art based on the proper June 13, 1988 priority date of the '734 Patent. Consequently, a combination of *Yurt* and another reference cannot provide a proper basis for an obviousness rejection, which means the rejection of Claims 1, 2, 35 and 36 based on a combination of *Yurt* and *Bush* is improper. Therefore, the Board should reverse this rejection.

**C. Rejection Of Claim 3 Under 35 U.S.C. § 103(a) Over *Yurt* In View Of *Bush* In View Of *Goldwasser***

Claim 3 has been rejected under 35 U.S.C. § 103(a) over *Yurt* in view of *Bush* further in view of *Goldwasser*.

As set forth above *Yurt* and *Goldwasser* are not available as prior art based on the appropriate priority date of June 13, 1988 for the '734 Patent. Consequently, a combination of *Yurt* and/or *Goldwasser* and another reference cannot provide a proper basis for an obviousness rejection, which means the rejection of Claim 3 based on a combination of *Yurt*, *Bush* and *Goldwasser* is improper. Therefore, the Board should reverse this rejection.

**VI. DOUBLE PATENTING**

Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 also have been rejected under the judicially created doctrine of obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent, which is copending in reexamination, in combination with *Yurt*. This double-patenting rejection is improper as applied to the instant claims for the reasons set forth below.

**A. Obviousness-Type Double-Patenting Is Not A New Issue Related To Patentability And Is Therefore Inappropriate In The Instant Reexamination**

It is not appropriate to consider and assert obviousness-type double-patenting in the present reexamination because it does not present a "substantial new question of patentability." See 35 U.S.C. § 303.

During the prosecution of the applications that eventually resulted in the '734 Patent and the related '573 Patent, both applications were co-pending before Examiner Nguyen. Indeed, it was Examiner Nguyen who issued the '573 Patent, the subject '734 Patent, and the related U.S. Patent 5,966,440 (the "'440 Patent"). Examiner Nguyen in each case therefore was well aware of the scope of the claims in each application and in the patents that issued from those applications. This by itself indicates the issue of double-patenting was before Examiner Nguyen in the original examination of the subject '734 Patent, and therefore does not present a "substantial new question of patentability" now.

35 U.S.C. § 303 permits the Director to "determine whether a substantial new question of patentability is raised." While the fact that a patent or printed publication previously was cited or considered may not preclude the existence of a substantial new question of patentability in some circumstances, the plain language of the statute nonetheless requires that the *question of patentability* raised must be new. Therefore, it is improper in reexamination to re-raise a ground for rejection that was before the examiner in the original examination of the patent (and

any related patents) at issue. The case law squarely supports this position. *See In re Recreative Techs Corp.*, 83 F.3d 1394, 1398 (Fed. Cir. 1996) (“Reexamination is barred for questions of patentability that were decided in the original examination.”)

In the present case, the prosecution history of the ‘734 Patent shows unequivocally that Mr. Schwartz *specifically requested* Examiner Nguyen to consider any issues of double-patenting that might have resulted from the issuance of the ‘734 Patent. Thus, Mr. Schwartz expressly stated to Examiner Nguyen:

*Applicant requests the Examiner to review any double patenting possibility of the above-identified patent application in regard to U.S. Patent 5,191,573. If the Examiner determines there is no need for any double patenting concern, the applicant requests that the Examiner deem this request to consider double patenting as moot.*

(Response to Office Action filed by Applicant’s Counsel, Ansel Schwartz, July 13, 1994).

Further, in the related copending application that resulted in the ‘440 Patent, Mr. Schwartz again brought the issue of double-patenting to the Examiner Nguyen’s attention. Specifically, Mr. Schwartz stated to Examiner Nguyen:

*Applicant reminds the Examiner of related continuation application 08/607,648 and asks the Examiner to review whether there is any double patenting issue with regard to this application 08/607,648 or parent patent, U.S. Patent No. 5,191,573.*

(Response to Office Action filed by Applicant’s Counsel, Ansel Schwartz, July 3, 1996).

Notwithstanding this express raising of the issue *twice* by Mr. Schwartz, Examiner Nguyen in subsequent Office Actions declined to issue a rejection based on double-patenting in the two copending applications that resulted in issuance of the ‘734 and the ‘440 Patents, with respect to each other or the ‘573 Patent. Thus, Examiner Nguyen plainly had the impetus and the opportunity to make a double patenting rejection had she felt it warranted. She did not do that,

however. It therefore follows, *a fortiori*, that the question of double-patenting cannot, as a matter of law and fact, present a “substantial new question of patentability” in the present proceedings.

Moreover, Applicant was -- and Appellant now is -- entitled to rely on Examiner Nguyen’s declining to make a rejection for double-patenting in response to the Applicant’s previous specific requests to consider the issue. Appellant should not now be forced to face that same issue in the instant reexamination. That is exactly what 35 U.S.C. § 303 is intended to avoid. Indeed, as recognized by the CAFC in *Recreative Technologies*, the “substantial new question requirement would protect Appellants from having to respond to, or participate in unjustified reexaminations. Further, it would act to bar reconsideration of any argument already decided by the Office” and, as a result, “the statute [35 U.S.C. § 303] guarded against simply repeating the prior examination on the same issues and arguments.”

*Id.* at 1397.

Therefore, the issue of double-patenting over the ‘573 Patent was properly before Examiner Nguyen and passed on during the original prosecution of the ‘734 Patent. As a result, under the plain meaning of 35 U.S.C. § 303 and the CAFC’s holding in *Recreative Technologies*, double-patenting, under the present circumstances, is not a “substantial new question of patentability” and therefore is not a proper issue to be considered in this reexamination. Therefore, the Board should reverse the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 for obviousness-type double-patenting.

**B. *Yurt* Is Not Available As Prior Art For The Purpose Of Obviousness-Type Double-Patenting**

As set forth above, the claims currently in reexamination are entitled to the June 13, 1988 priority date awarded in the initial examination of the ‘734 Patent. As a result, *Yurt*,

which does not antedate the June 13, 1988 priority date, is not available as prior art. Therefore, the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 34 for obviousness-type double-patenting over Claims 1 through 6 of the '573 Patent in combination with *Yurt* is improper and should be withdrawn for this reason as well.

**C. The Rejection Of Claims 1 Through 4, 6 through 19, 22 Through 25, 28 And 31 Through 60 Over Claims 1 Through 6 Of The '573 Patent Alone Is Improper In An Obviousness-Type Double-Patenting Rejection**

As established above, *Yurt* is not available as prior art under the circumstances of the present reexamination. Because the rejection for obviousness-type double-patenting therefore is unsupported by some suggestion in the prior art, or the knowledge of one having ordinary skill in the art, it is improper and should be withdrawn for this reason as well.

The BPAI dealt with this very same issue in *Ex parte Schmit*, 64 U.S.P.Q.2d 1723 (Bd. Pat. App. & Interferences 2000). In *Schmit*, the BPAI reversed a rejection under the doctrine of obviousness-type double-patenting where the examiner had relied on a combination of "references" both of which were parents of the application at issue. In its opinion, the BPAI interpreted its own precedent in *Ex parte Oetiker*, 23 U.S.P.Q.2d 1651 (Bd. Pat. App. & Interferences 1990), and the precedent of the CAFC in *In re Longi*, 759 F.2d 887 (Fed. Cir. 1985). The BPAI recognized this precedent to "stand for the proposition *that prior art must be cited to support an obviousness-type double-patenting rejection.*" *Schmit*, 64 U.S.P.Q.2d at 1725. (emphasis added) The BPAI therefore properly held that, "[a]bsent citation of prior art in addition to the base patent, there is no factual basis for the [obviousness-type double-patenting] rejection." *Id.* As a result, in the present reexamination, although the claims of the '573 Patent can be asserted by the Examiner as a partial basis for an obviousness-type double patenting rejection, the '573 Patent cannot *by itself* support such a rejection. *See Ex parte Schmit*, 64

U.S.P.Q.2d at 1723; *In re White*, 405 F.2d 904, 906 (C.C.P.A. 1969) (“Having been copending with the application at bar, appellants’ own patent is not prior art although it is the basis of the double patenting rejection.”); *Research Corp. Techs., Inc. v. Gensia Labs., Inc.*, 10 Fed. Appx. 856, 860 (Fed. Cir. 2001) (“In considering the question [double-patenting], the patent disclosure may not be used as prior art.”)

The instant obviousness-type double-patenting rejection implicitly acknowledges that Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are not co-extensive with the Claims 1 through 6 of the ‘573 Patent. Therefore, under *Oetiker* and *Longi*, as adopted by the BPAI in *Schmit*, it is necessary to show some rationale, either in the prior art, or the knowledge of one having ordinary skill in the art, as to why Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 are obvious over Claims 1 through 6 of the ‘573 Patent. Since *Yurt* is not available as prior art for this purpose, and because the appropriate rationale does not otherwise appear on the record elsewhere, the Board should reverse the instant double-patenting rejection over Claims 1 through 6 of the ‘573 Patent for this further reason as well.<sup>2</sup>

**D. An Obviousness-Type Double-Patenting Rejection Cannot Properly Be Based On Claims 1 Through 6 Of The ‘573 Patent**

Claims 1 through 6 of the ‘573 Patent are currently the subject of the related copending ‘402 Reexamination. As such, any double-patenting rejection in the instant reexamination will necessarily be affected by the outcome in the related ‘402 Reexamination. Since the final form in which claims may emerge from the ‘402 Reexamination is not known, the Examiner cannot properly base a double-patenting rejection on the claims of the ‘573 Patent as they existed prior to the reexamination proceeding.

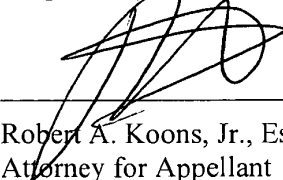
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<sup>2</sup> Parenthetically, Appellant notes that *Schmit* was not published as binding precedent of the BPAI. Nonetheless, for the reasons set forth above, it is abundantly clear that *Schmit* was correctly decided and is supported by the precedent of the C.C.P.A. and CAFC. Therefore, the Board should follow the holding of *Schmit* in the present reexamination.

Conclusion

The Board should reverse the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 103(a). The Board should also reverse the rejection of Claims 1 through 4, 6 through 19, 22 through 25, 28 and 31 through 60 under the doctrine of obviousness-type double-patenting. Finally, the Board should reverse the rejection of Claims 4, 6 through 10, 19, 22 through 25, 28 and 31 through 60 under 35 U.S.C. § 112, first paragraph.

Respectfully submitted,



---

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Reg. No. 32,474

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18<sup>th</sup> and Cherry Streets  
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**Date: December 15, 2008**

12-16-08


Pro-Exam

<b>CERTIFICATE OF MAILING BY "EXPRESS MAIL" (37 CFR 1.10)</b> Applicant(s): Arthur R. Hair	Docket No. NAPSP002
---	------------------------

Application No. 90/007,403	Filing Date January 31, 2005	Examiner Roland G. Foster	Customer No. 23973	Group Art Unit 3992
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Invention: System for Transmitting Desired Digital Video or Digital Audio Signals

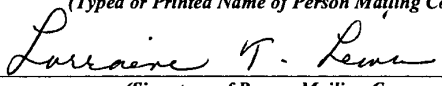
66155 U.S. PTO



12/15/08



I hereby certify that this Amended Brief on Appeal Under 37 C.F.R. 41.37  
*(Identify type of correspondence)*  
 is being deposited with the United States Postal Service "Express Mail Post Office to Addressee" service under  
 37 CFR 1.10 in an envelope addressed to: Director of the United States Patent and Trademark Office, P.O. Box  
 1450, Alexandria, VA 22313-1450 on December 15, 2008  
*(Date)*

Lorraine T. Lewis  
*(Typed or Printed Name of Person Mailing Correspondence)*  
  
*(Signature of Person Mailing Correspondence)*

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**Note: Each paper must have its own certificate of mailing.**



Attorney's Docket No. NAPSP002

Patent


**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In re Application of: Arthur R. Hair : Group No.: 3992  
Serial No.: 90/007,403 : Examiner: Roland G. Foster  
Filed: January 31, 2005 : Confirmation No. 3002  
For: SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO  
SIGNALS

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the AMENDED BRIEF ON APPEAL UNDER 37 C.F.R. § 41.37, which was filed with the United States Patent & Trademark Office on December 15, 2008, in Reexamination No. 90/007,403, was served via First Class United States Mail, postage prepaid, this 15th day of December 2008, on the following:

Mr. Albert S. Penilla  
Martine, Penilla, & Gencarella, LLP  
710 Lakeway Drive, Suite 200  
Sunnyvale, CA 94085  
Attorney for Third Party Reexamination Requester

By:   
Robert A. Koons, Jr.  
Attorney for Appellant (Patentee)



UNITED STATES PATENT AND TRADEMARK OFFICE

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Alexandria, Virginia 22313-1450  
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/007,403	01/31/2005	5675734	NAPSP002	3002

23973                      7590                      12/31/2008

DRINKER BIDDLE & REATH  
ATTN: INTELLECTUAL PROPERTY GROUP  
ONE LOGAN SQUARE  
18TH AND CHERRY STREETS  
PHILADELPHIA, PA 19103-6996

EXAMINER

ART UNIT                      PAPER NUMBER

DATE MAILED: 12/31/2008

Please find below and/or attached an Office communication concerning this application or proceeding.



**DO NOT USE IN PALM PRINTER**

(THIRD PARTY REQUESTER'S CORRESPONDENCE ADDRESS)

Albert S. Penilla

Martine Penilla & Gencarella LLP

710 Lakeway Drive, Suite 200

Sunnyvale, CA 94085

**EX PARTE REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. 90/007,403.

PATENT NO. 5675734.

ART UNIT 3992.

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).



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<b>APPLICATION NO./ CONTROL NO.</b>	<b>FILING DATE</b>	<b>FIRST NAMED INVENTOR / PATENT IN REEXAMINATION</b>	<b>ATTORNEY DOCKET NO.</b>
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90/007,403

DRINKER BIDDLE & REATH  
 ATTN: INTELLECTUAL PROPERTY GROUP  
 ONE LOGAN SQUARE  
 18TH AND CHERRY STREETS  
 PHILADELPHIA, PA 19103-6996

EXAMINER

<b>ART UNIT</b>	<b>PAPER</b>
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3992                      20081230

DATE MAILED:

**Please find below and/or attached an Office communication concerning this application or proceeding.**

**Commissioner for Patents**

The Appellant filed an amended brief on December 15, 2008 correcting the Evidence Appendix deficiencies identified both in the Board of Patent Appeals and Interferences Order, mailed October 22, 2008 and in the resulting Notice of Non-Compliant Appeal Brief, mailed December 4, 2008.

No further action is required by the examiner and the proceeding is returned to the Board of Patent Appeals and Interferences.

ROLAND G. FOSTER  
 CRU EXAMINER-AU 3992



UNITED STATES PATENT AND TRADEMARK OFFICE

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Table with 5 columns: APPLICATION NO., FILING DATE, FIRST NAMED INVENTOR, ATTORNEY DOCKET NO., CONFIRMATION NO. Includes details for application 90/007,403 filed 01/31/2005 by inventor 5675734, attorney NAPSP002, and confirmation 3002. Also lists examiner FOSTER, ROLAND G, art unit 3992, and mail date 01/21/2009.

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.



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DRINKER BIDDLE & REATH  
ATTN: INTELLECTUAL PROPERTY GROUP  
ONE LOGAN SQUARE  
18TH AND CHERRY STREETS  
PHILADELPHIA, PA 19103-6996

Appeal No: 2009-3457  
Application: 90/007,403  
Appellant: 5675734 et al.

**Board of Patent Appeals and Interferences  
Docketing Notice**

Application 90/007,403 was received from the Technology Center at the Board on January 12, 2009 and has been assigned Appeal No: 2009-3457.

A review of the file indicates that the following documents have been filed by appellant:

Appeal Brief filed on: July 30, 2007  
Reply Brief filed on: June 23, 2008  
Request for Hearing filed on: June 23, 2008

In all future communications regarding this appeal, please include both the application number and the appeal number.

The mailing address for the Board is:

**BOARD OF PATENT APPEALS AND INTERFERENCES  
UNITED STATES PATENT AND TRADEMARK OFFICE  
P.O. BOX 1450  
ALEXANDRIA, VIRGINIA 22313-1450**

The facsimile number of the Board is 571-273-0052. Because of the heightened security in the Washington D.C. area, facsimile communications are recommended. Telephone inquiries can be made by calling 571-272-9797 and should be directed to a Program and Resource Administrator.

By order of the Board of Patent Appeals and Interferences

Third Party Requester:

Albert S. Penilla  
Martine Penilla & Gencarella LLP  
710 Lakeway Drive  
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Sunnyvale, CA 94085



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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/007,403	01/31/2005	5675734	NAPSP002	3002
23973	7590	03/12/2009	EXAMINER	
DRINKER BIDDLE & REATH ATTN: INTELLECTUAL PROPERTY GROUP ONE LOGAN SQUARE 18TH AND CHERRY STREETS PHILADELPHIA, PA 19103-6996			FOSTER, ROLAND G	
			ART UNIT	PAPER NUMBER
			3992	
			MAIL DATE	DELIVERY MODE
			03/12/2009	PAPER

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The time period for reply, if any, is set in the attached communication.






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**UNITED STATES PATENT AND TRADEMARK OFFICE**


---

**Board of Patent Appeals and Interferences**

DRINKER BIDDLE & REATH  
 ATTN: INTELLECTUAL  
 PROPERTY GROUP  
 ONE LOGAN SQUARE  
 18TH AND CHERRY STREETS  
 PHILADELPHIA, PA19103-6996

Appeal No: 2009-3457  
 Appellant: 5675734, Sightsound.com  
 Application No: Incorporated(Owner), Napster, Inc.(3rd  
 Hearing Room: Pty. Req.), Albert S. Penilla et al.  
 Hearing Docket: 90/007,403  
 Hearing Date: A  
 Hearing Time: B  
 Location: Wednesday, June 17, 2009  
 10:00 AM  
 Madison Building - East Wing  
 600 Dulany Street, 9th Floor  
 Alexandria, Virginia 22313-1450

**NOTICE OF HEARING  
 CONFIRMATION REQUIRED WITHIN TWENTY-ONE DAYS**

Your attention is directed to 37 CFR § 41.47. The above identified appeal will be heard by the Board of Patent Appeals and Interferences on the date indicated. Hearings will commence at the time set and as soon as the argument in one appeal is concluded, the succeeding appeal will be taken up. The time allowed for argument is twenty minutes unless additional time is requested and permitted before the argument is commenced. If there are any inquires, please contact the Clerk of the Board at 571-272-9797.

The application involved in this appeal has been published. Accordingly, the hearing in this appeal is open to the public.

**CONFIRMATION OR WAIVER OF THE HEARING IS REQUIRED.** This form must be completed below and facsimile transmitted to both: (1) the USPTO Central fax number (official copy), and (2) the Board of Patent Appeals and Interferences fax number (courtesy copy) within TWENTY-ONE (21) DAYS from the mailing date of this notice indicating confirmation or waiver of the hearing. A copy of this notice may be alternately filed by mail if facsimile is not available.

BPAI HEARINGS FAX No: (571) 273-0299

USPTO Central Fax No: (571) 273-8300

BPAI Mailing Address: Board of Patent Appeals and Interferences  
 United States Patent and Trademark Office  
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 Alexandria, Virginia 22313-1450

In all communications relating to this appeal, please identify the appeal by its number.

CHECK ONE: ( ) HEARING ATTENDANCE CONFIRMED ( ) HEARING ATTENDANCE WAIVED

\_\_\_\_\_  
 Signature of Attorney/Agent/Appellant

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Registration No.

Names of other visitors expected to accompany counsel: \_\_\_\_\_

For information on visitor access to hearing rooms and security procedures at the USPTO Alexandria Campus, see  
[http://www.uspto.gov/web/offices/dcom/gcounsel/contact.htm#bpai\\_contacts](http://www.uspto.gov/web/offices/dcom/gcounsel/contact.htm#bpai_contacts)

Albert S. Penilla  
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Sunnyvale, CA 94085



06/16/09

RECEIVED  
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JUN 16 2009

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re PATENT APPLICATION OF:

SightSound.com

Application No.: 90/007,403

Filing Date: January 31, 2005

Title: SYSTEM FOR TRANSMITTING DESIRED  
DIGITAL VIDEO OR AUDIO SIGNALS

Appeal No. 2009-3457

Confirmation No.: 3002

Atty. Dkt.: NAPSP002

Art Unit: 3992

Examiner: Foster, Roland G.

Date: June 16, 2009

UPDATED LIST OF VISITORS

Hon. Commissioner of Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

An updated list of visitors for the above-identified Appeal to be heard tomorrow,  
June 17, 2009 at 10 AM is hereby provided for the convenience and information of the  
Board of Patent Appeals and Interferences:

James DiGiorgio, Kenneth Glick, Brad Irvine, Alex LePore and Scott Sander

In addition, the undersigned is unaware of whether the third-party requester will be  
sending one or more representatives to the hearing.

Respectfully submitted,

By:

Michael R. Casey, Ph.D.  
Registration No.: 40,294

Davidson Berquist Jackson & Gowdey, LLP  
4300 Wilson Boulevard, 7<sup>th</sup> Floor  
Arlington, VA 22203  
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Table with 5 columns: APPLICATION NO., FILING DATE, FIRST NAMED INVENTOR, ATTORNEY DOCKET NO., CONFIRMATION NO. Includes fields for EXAMINER (FOSTER, ROLAND G), ART UNIT (3992), PAPER NUMBER, MAIL DATE (07/10/2009), and DELIVERY MODE (PAPER).

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RECORD OF ORAL HEARING  
UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES

---

*Ex Parte* SIGHTSOUND.COM, INC.

---

Appeal 2009-3457  
Application 90/007,403  
Technology Center 3900

---

Oral Hearing Held: June 17, 2009

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Before JOSEPH F. RUGGIERO, SCOTT R. BOALICK, and  
KEVIN F. TURNER, *Administrative Patent Judges*.

APPEARANCES:

Examiner Roland G. Foster  
TC 3900

ON BEHALF OF THE APPELLANT:

Michael R. Casey, Esquire  
DAVIDSON, BERQUIST, JACKSON & GOWDEY, L.L.P.  
4300 Wilson, Blvd., 7th Floor  
Arlington, VA 22203

PROCEEDINGS

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MS. BOBO-ALLEN: Good morning. Calendar no. 43, appeal no. 2009-3457, Mr. Casey.

JUDGE RUGGIERO: Good morning.

DR. CASEY: Good morning, Your Honors. Your Honors, I'm supposed to introduce for the record the people from the --

JUDGE RUGGIERO: Are you going to be arguing the --

DR. CASEY: I will, Your Honor.

JUDGE RUGGIERO: Are you going to be arguing all three cases?

DR. CASEY: Yes, I will.

JUDGE RUGGIERO: Well, I think you can just give your name to the --

DR. CASEY: Okay.

JUDGE BOALICK: You can introduce them if you want, but there is not a requirement.

DR. CASEY: Okay, all right.

JUDGE RUGGIERO: Have you argued before the Board before?

DR. CASEY: Yes, Your Honor.

JUDGE RUGGIERO: Okay. So you know you've got 20 minutes, but, today, the Examiner is presenting arguments today, so you can allot part of your 20 minutes for rebuttal if you'd like. But your total time is 20 minutes, okay?

DR. CASEY: I understand.

JUDGE BOALICK: Per case.

1 JUDGE RUGGIERO: Yeah, per case. We're going to do each of the  
2 cases separately.

3 JUDGE BOALICK: But you can use less, and we'll hope so.

4 JUDGE RUGGIERO: And the other thing, if you can make sure  
5 when you do switch between cases, just to let us know so that the  
6 stenographer would know, because there's a separate transcript for each case.  
7 So, if you -- you can certainly, you can talk about any issues you want, but  
8 once you sort of switch cases, just don't go back and forth, I guess, would be  
9 sort of the request.

10 DR. CASEY: I understand. And I think that because there is a  
11 stenographer what I'll try to do is I'll try to run one case, and then wait for  
12 the Examiner's comments, and then have my rebuttal, and then we'll start  
13 again, and there are three separate cases, so perhaps that's the best way to do  
14 it.

15 JUDGE RUGGIERO: Is that acceptable to the Examiner?

16 EXAMINER FOSTER: Yes, sir.

17 JUDGE RUGGIERO: Okay. Do you have a business card or  
18 anything? Could you spell your name for the --

19 DR. CASEY: I certainly can.

20 JUDGE BOALICK: Just one other was, if you could, could you just  
21 give us any updates on the status of any co-pending litigation as part of your  
22 presentation on these three patents?

23 DR. CASEY: I can.

24 Good morning, Your Honors. My name is Michael Casey. I am here  
25 on behalf of the assignee of the patent. As there are three related cases, I

1 will start with the lowest number in the appeal, if that's all right with -- or,  
2 the lowest reexam control number, if that's okay.

3 JUDGE BOALICK: Which number is that? I guess we were  
4 prepared, first, to hear reexam control 90/007,403, which was listed first on  
5 the schedule here.

6 DR. CASEY: That's fine. I'll jump to that one, '403.

7 JUDGE BOALICK: Okay, yes. That's right.

8 DR. CASEY: Good morning, Your Honors.

9 The '403 case breaks down to several distinct issues, which are  
10 intertwined by the presence in this case of a 112 first paragraph rejection,  
11 which is also being described in the Office Action, the Final Rejection, as a  
12 denial of priority for certain of the limitations of the claims. And the reason  
13 that this question is important is because if you find that in fact the claims  
14 are entitled to their earliest priority and that there is adequate written  
15 description for these claims, then the first three grounds of rejection, which  
16 all rely on Yurt, U.S. Patent No. 5,132,992, which was filed January 7, 1991,  
17 those rejections would go away because it's not in fact prior art to the  
18 Applicant's invention.

19 The patent that is the subject of this appeal is a continuation of a  
20 continuation. So the patent under reexamination 5,675,734, which is a  
21 continuation of an application filed in '93, which is a continuation of an  
22 application filed in 1990, which is a continuation of an application filed June  
23 13th, 1988.

24 So, ultimately, the question that Your Honors have to be able to  
25 resolve is: Are the claims entitled to their priority date, and, if so, then Yurt



1 is no longer applicable, and the case reduces down to a double-patenting  
2 question and a 112 first paragraph enablement rejection.

3         So, I think that a lot of this case stems from the fact that the Patentee  
4 was so early into the field. We all can cast our mind back to the beginnings  
5 of the first time we heard of iTunes or some other service like that, but this  
6 application was filed in '88, long before anyone had ever heard of iTunes,  
7 and these people actually went out and built the system. And the original  
8 application was filed by the Inventor himself, and it's admittedly not the  
9 standard kind of prose one might find in a modern, a more modern patent  
10 application, but it's certainly enabling and it certainly provides support for  
11 these claims.

12         The language of the claims, for example, that is being looked at, talks  
13 about a first party and a second party. And if you look at the original  
14 application, there is a seller and a buyer, and they each have their own  
15 computer systems, and audio files and video files can be transferred between  
16 the seller and the buyer. And it occurs over a communications link -- a  
17 telecommunications link, such as a phone.

18         So, if I could, since the first rejection is Yurt combined with  
19 Goldwasser and is being applied to claim 4, I'll start with claim 4. Claim 4  
20 does not have in it any of the language that is not supported by the  
21 originally-filed specification. There is a first party control unit, a second  
22 party control unit, and the claim says that the second party memory includes  
23 a second party hard disk, which stores the digital video or audio signals  
24 transferred from the sales random access memory chip. And then, it also  
25 says that there's a telecommunications line that connects the two parties. So

1 what really is the heart of the rejection of claim 4 is whether or not the  
2 digital audio signals is the only thing supported by the originally-filed  
3 specification, or if also the desired digital video signals are also supported.

4 I would submit to you that they are. The last paragraph of the  
5 specification, as originally filed in 1988, has in it the express disclosure:  
6 "Further it is intended that this invention is not to be limited to digital audio  
7 music, and can include digital video, digital commercial and other  
8 applications of digital information." So the current Final Rejection says that  
9 that disclosure of digital video is somehow insufficient to have apprised one  
10 of ordinary skill in the art that the Applicant was in possession of the  
11 invention, and, two, that it was enabled. And so if both of those rejections  
12 are overcome, or those positions are overcome, in fact, then claim 4 is  
13 completely supported and Yurt and Goldwasser are not applicable  
14 references.

15 So, the case really boils down to what would one of ordinary skill in  
16 the art have understood by digital video? The Office Action asserts that one  
17 of ordinary skill in the art would have understood it to be the other  
18 information that's associated with a song, but not actual video. But that's  
19 reading something into it that isn't there. Earlier in the specification, it had  
20 already talked about being able to store lyrics with songs. And if that was  
21 the interpretation of digital video, then why is digital commercials there?  
22 It's clearly an indication of video signals that have been encoded in digital  
23 form. And so I would submit to you that claim 4 is supported by the  
24 originally filed specification, and therefore, Yurt is not applicable, and  
25 therefore, the combination of Yurt and Goldwasser must fail.

1 JUDGE TURNER: At the time of filing, what would have been --  
2 what type of encoding, I mean if you were to hazard a guess, would digital  
3 video have been encoded at?

4 DR. CASEY: What kind?

5 JUDGE TURNER: Sure.

6 DR. CASEY: Successive bitmaps. You could have jpegs. I mean  
7 you're talking about 1988, so Windows-based operating systems were  
8 already around. So, in fact there have been digital picture telephones since  
9 the Fifties. They were first shown at the World's Fair in the Fifties. So, the  
10 thing I was struck by in the rejection was, the argument isn't that video  
11 wasn't supported. It's that higher quality, or commercially-feasible video  
12 wasn't supported or described.

13 JUDGE TURNER: Right. I understand that argument, but in terms of  
14 -- you brought up Windows. Were there any video codecs available in  
15 Windows at that point? You may not have any knowledge of that, but --

16 DR. CASEY: I certainly could look and brief you. My understanding  
17 is there have been video codecs for years. And video is nothing more than a  
18 still picture, replicated at some frame rate. And so, given that, I think we all  
19 agree that the graphical user interface of Windows exists, you're only talking  
20 about being able to update a display. And, to take the example of Windows,  
21 you see that every time you click on a screen and drag a window. That's  
22 essentially an animation. Any of those things could be used to encode a  
23 digital video.

24 JUDGE TURNER: Right. But, really, in the context of the  
25 originally-filed application, we're talking about buying and selling. So it

1 would have to be in the consumer realm. So while I agree that certainly  
2 video codecs were certainly available going back to perhaps even the  
3 Sixties, we really are kind of -- in the realm of the invention or the  
4 originally-filed application, we would be talking about consumer video,  
5 wouldn't we, or the fact that there were codecs -- I understand your point  
6 about Windows having animation.

7 DR. CASEY: Yes. I think that -- the claim doesn't say it has to be for  
8 VHS quality, or it even has to be large. It could be quite small.

9 JUDGE TURNER: Right.

10 DR. CASEY: So I think that -- I'm trying to think of when the first  
11 animated short was for -- it's a very famous one from -- there is in fact a  
12 book by Foley and Van Dam (phonetic sp.) that talks about the bouncing  
13 light that was all master generated -- but I don't have the exact time. But I  
14 think we can agree that video, even in the form of a picture phone, that  
15 would be a codec that would be around. The picture phone video-  
16 conferencing codec, whatever was coming across a standard  
17 telecommunications line, in order to provide video for a video phone, would  
18 certainly be usable in the context of digital video.

19 And, in fact, one of the issues that came up was, well, what is the  
20 transfer rate of the video across the telephone? But the claim doesn't say it  
21 has to be, essentially, real-time streaming. You could buy it, and download  
22 it and watch it later. In fact, I do that all the time with an Apple TV. I have  
23 to wait 15 minutes for the actual movie to be ready to go and on my local  
24 box, but that doesn't mean that the video wasn't downloaded across the  
25 telecommunications line.

1           JUDGE TURNER: In the context of the invention in 1988, I do know  
2 in your brief you stated about the teleconferencing software distributing  
3 pictures over telephone lines, but would there be any sort of storage involved  
4 with that in such systems at that time?

5           DR. CASEY: You certainly could -- I'm guessing I don't understand  
6 your question.

7           JUDGE TURNER: Because a lot of the claim certainly talked about  
8 storage of digital audio and digital video. Would that have been -- I guess  
9 what I'm sort of getting at is that certainly it would have been understood  
10 that you would have stored visual audio at that point. Certainly there were  
11 CDs. But the question is, since you're suggesting there was digital video,  
12 would it have been within the concept of one of ordinary skill in the art that  
13 such storage would occur, or would it just be sort of momentarily, let's see,  
14 for videoconferencing?

15           DR. CASEY: I think that the question breaks down into two parts.  
16 One, was there a video codec available? And yes, there clearly was.

17           JUDGE TURNER: Okay.

18           DR. CASEY: The second is, could you have stored the video as it  
19 came in for playback later? And, as the Examiner cited in his Examiner's  
20 Answer, and actually I guess in the final section before that, there were very  
21 large, for the time, hard disks available. They weren't cheap, but there were  
22 -- I think the brief says there were 1.3 gigabyte videos -- hard disks  
23 available. They could have had a very large hard disk to write this to, and  
24 played it back at their leisure.

25

1           That's why the whole argument about commercial implementations  
2 versus actual enablement of the general concept and something that is  
3 enabled that's reasonably coupled to the scope of the claims. That's really  
4 what the Applicant had. He couldn't say much more. Hard disks are hard  
5 disks, and the capacities of the hard disks were what they were. But, as the  
6 Examiner has shown, there were very large hard disks out there. And we  
7 know that there were video codecs available at least for picture phones.

8           So then the only issue is can you actually write it to the disk? And I  
9 don't think that there's any doubt that that which you could write to the disk,  
10 if it were digital audio, you could write to the disk if it were digital video.  
11 The format is the exact same. The only issue would be streaming or not.

12           JUDGE TURNER: And I'm just trying to understand the context of  
13 which one of ordinary skill in the art would have looked at this single line in  
14 the original specification and how would they have understood it? Because,  
15 from reading the specifications that are presently there's a lot more  
16 description, I would say, of digital video there. And somebody could argue  
17 you're sort of bootstrapping your way in there. Others would argue that it's  
18 completely valid. But I think the context of what one of ordinary skill in the  
19 art, which sort of dovetails with sort of your view of how we should view  
20 enablement and written description, would sort of call into question how one  
21 of ordinary skill in the art would view digital video at the time of that '88  
22 filing.

23           DR. CASEY: Yeah, and I think that based on the fact that digital  
24 codecs were available for transmitting video, and that hard disks were  
25 available for storing them, and that there isn't a part of the rejection that says

1 people didn't know how to store digital audio, storing digital video is the  
2 same. Bytes is bytes. And to the computer program, it doesn't know the  
3 difference between the two. It wouldn't be until you started passing it to a  
4 codec that you would begin to say, "Oh, my goodness, this actually doesn't  
5 follow the CD format," or the MP3 format, or whatever it would be.

6 So, for this case, Your Honor, I would -- since we're -- I still want to  
7 be able to reserve some time for rebuttal -- looking at claim 4, we see that  
8 it's completely supported. Just like it's supported -- because it's supported,  
9 the rejection of Yurt and Goldwasser goes away.

10 Because the rejection of claims 1, 2, 35 and 36 also are premised  
11 again on this enablement question and adequate written description question,  
12 I think the Brief covers well that neither Yurt nor Bush has a combination  
13 that's valid either. And then, the same is true for Yurt, Bush and  
14 Goldwasser.

15 So we're left with the double-patenting issue, but I think that we can  
16 cover that on the briefs. I think that issue is pretty clear, and I will save the  
17 rest of my time for rebuttal.

18 JUDGE BOALICK: Okay. A question on the 112 written description  
19 and enablement rejections -- what's your understanding of those rejections?  
20 Which specification are we talking about? The ancestor, the 1988  
21 specification, or is it the instant -- the specification for the particular patent  
22 here, the '734 patent? I was a little confused on that. And this may be a  
23 better question for the Examiner, but I wonder, what's your understanding of  
24 that rejection?

25

1 DR. CASEY: My understanding of that rejection is that in order to be  
2 entitled to the earliest priority date, which will allow us to remove Yurt as a  
3 reference, we have to show that the patent is enabled all the way back to its  
4 earliest filing date.

5 That having been said, the 112 first paragraph rejection is really for  
6 the present specification. Now, the present specification and the earlier  
7 specification aren't listed as continuations of each other, and there was a  
8 long back and forth between the Examiner and the Applicant about whether  
9 or not everything was supported. And, ultimately, the Examiner did agree.  
10 And the underlying issue of what you're saying is also that the Examiner  
11 already went through the analysis of whether or not this is supported, and the  
12 Office Action says that there's no indication that's true. But there must be.  
13 132, 35 U.S.C. 132, requires no new matter be added, and therefore, this was  
14 always before the Examiner. So, if I could save the rest of my time for  
15 rebuttal?

16 ALL JUDGES: Sure.

17 JUDGE RUGGIERO: All right, do you want to spell your name for  
18 the --

19 EXAMINER FOSTER: Yes, Roland, r-o-l-a-n-d, Foster,  
20 f-o-s-t-e-r.

21 JUDGE RUGGIERO: I think you're allotted 15 minutes, I think,  
22 according to the rules.

23 EXAMINER FOSTER: May it please the Court, my name is Roland  
24 Foster. I'm a Primary Examiner with the Central Re-Exam Unit, 3992.  
25 That's the Electrical Art Unit.



1           The claims are broadly directed toward downloading audio and video  
2 content via the Internet. So, given the significant nature of these claims,  
3 such as they could potentially read on downloading from I-Tunes, Napster,  
4 or even video from YouTube, the exam was carefully examined, these  
5 patents, during the reexam proceeding, and has determined that a significant  
6 amount of new text was added during the prosecution.

7           The most dispositive issue in these three reexamination proceedings,  
8 and I agree with the Appellant, is the lack of entitlement to the earlier filing  
9 date. And thus, the availability of the intervening prior art. That's because  
10 all three of these reexamination proceedings can be disposed of on that issue  
11 alone. The Appellant has not questioned the merits of these rejections, other  
12 than arguing that they're not properly available as prior art. Thus, the issue  
13 turns on whether they are available as prior art, and the Examiner believes  
14 that they are. The --

15           JUDGE TURNER: The Examiner -- can I just stop you to just ask a  
16 quick question? Why isn't Patent Lex Corporation controlling here?

17           EXAMINER FOSTER: Patent Lex controlling --

18           JUDGE TURNER: Patent Lex Corporation of the -- which was the  
19 District Court case that was in recently.

20           EXAMINER FOSTER: Oh, Patlex?

21           JUDGE TURNER: Can you comment to that?

22           EXAMINER FOSTER: The Patlex?

23           JUDGE TURNER: Patlex, yes.

24           EXAMINER FOSTER: Yes. The facts of that case are substantially  
25 different from this case. That case involved a specification and claims that

1 were essentially similar. And the opinion reiterated that. That not only the  
2 specification between the parent and the child were similar, but the claims  
3 were similar.

4 That's not the case here. There was a substantial amount of new text  
5 added over the course of the continuation. So the child, whatever child  
6 you're looking at, is substantially dissimilar, both in the claims and the  
7 specification, from the parent that you're looking back at. And, also, in  
8 Patlex, they specifically stated that they were not holding -- that the Office  
9 was prohibited from addressing a lack-of-entitlement issue, if that issue had  
10 not been fully explored before.

11 And I'm glad you raised that question because that leads me to a case  
12 that I want to mention. It's a recent, relevant decision of the Federal Circuit.  
13 And I want to raise it per Rule 4147(e)(2).

14 The case is *In re Basell*, and that was decided on November 13, 2008,  
15 several months after these reexams were forwarded to the Board. In that  
16 case, the Federal Circuit left -- affirmed the Board on other issues, but left  
17 undisturbed the Board's decision in an *ex parte* reexamination proceeding, to  
18 issue a new grounds of rejection based on a printed publication intervening  
19 between a parent and a child related as continuations because the filing date  
20 of the continuation was not entitled to the filing date of the parent. And that  
21 is a similar situation to what we have here.

22 In addition, MPEP 2258 explicitly authorizes the Examiner to apply  
23 intervening printed publications through an *ex parte* reexamination  
24 procedure.

25

1 JUDGE TURNER: But that section of the MPEP really relies on  
2 court cases -- not distinguishing *Basell* -- but that on court cases that rely on  
3 CIP applications, don't they?

4 EXAMINER FOSTER: The -- yeah. However, the -- yes. However,  
5 the MPEP never explicitly distinguishes that this procedure applies to CIPs  
6 only. And, indeed, the Board, in the *Basell* case, did not make -- declined to  
7 make that distinction either, and I think there were similar issues in that, too,  
8 whether it could be applied to continuations.

9 JUDGE BOALICK: What about the issues of new matter that were  
10 raised in the prosecution below and decided by Examiner Nguyen? Does  
11 that preclude you from looking at those issues again?

12 EXAMINER FOSTER: That -- let me -- I would skip to that. I was  
13 going to -- that's a good question.

14 JUDGE BOALICK: Okay. Well, you can get to that later, if you'd  
15 like.

16 EXAMINER FOSTER: Okay.

17 JUDGE BOALICK: I'd just like to make sure we touch on that at  
18 some point.

19 EXAMINER FOSTER: Okay.

20 Okay, so table 1, which I included in all of my Examiner's Answers,  
21 reproduces a lot of the new matter text that was added. And this table  
22 focuses on the original parent and child, '573 patent, under reexamination.  
23 The table would not have been -- I could not have fit it on one page if I had  
24 included all the specific video download procedures that were added,  
25 especially in the later continuations. For example, by the time the last '440

1 patent was issued in 1999, the amount of new matter present was significant,  
2 very significant.

3 Now, the sheer number of new matter issues in table 1 presents a  
4 difficult issue to the Appellant. Why? Because if you explicitly fail to  
5 establish possession, then you're facing -- in the parent, then you're facing a  
6 basically inherency standard. Thus, the Appellant would have to show that  
7 all the shaded matter in table 1 is inherent, and that's a tough hurdle, which,  
8 unsurprisingly, I feel the Appellant has failed to do.

9 JUDGE TURNER: Well, let me ask another question. 120, to me,  
10 always seems to be a threshold matter. And maybe I missed it in the record,  
11 but did you ever make a finding, specific to the claims, of what claim has  
12 what priority?

13 EXAMINER FOSTER: Yes, I believe I did.

14 JUDGE TURNER: Okay.

15 EXAMINER FOSTER: In the first -- basically, each -- all the claims  
16 lacked priority. The priority can only extend to the filing date of the patent  
17 itself under reexamination.

18 JUDGE TURNER: Okay, now, that does seem to be --

19 EXAMINER FOSTER: That's on all the claims.

20 JUDGE TURNER: -- in complete counter-distinction to what the  
21 Counselor just said, when he was making reference to claim 4, and he was  
22 stating that no subject matter in claim 4 discloses or recites subject matter  
23 that does not -- that doesn't have -- basically support going back to the '88  
24 application.

25

1 EXAMINER FOSTER: Except in that claim it does recite video  
2 downloading.

3 JUDGE TURNER: Okay.

4 EXAMINER FOSTER: And video -- those specific video  
5 downloading features of the entitlement, to those recited specific video  
6 downloading features are not entitled to the filing date of any of the  
7 proceeding applications.

8 JUDGE TURNER: But he would -- but playing his advocate for a  
9 second, he would say that certainly there is disclosure of downloading of  
10 audio data, and you would not disagree with that, I assume?

11 EXAMINER FOSTER: No, no, I do not. But since this is inherency  
12 standard, that general statement regarding video applicability will not do.  
13 The specific recited video features are not inherent to that general statement.

14 For example, there was a lot of talk of the different codec required for  
15 video downloading. Well, a specific video codec is not inherent to that  
16 general statement. It could have been another, different type of video codec,  
17 or another type of video arrangement all together.

18 The *Lockwood* case is really illustrative. It states that the issue is not  
19 what the Appellant would have preferred to have done, but what he actually  
20 disclosed, and not suggestions on what could have been done, based on  
21 undisclosed features.

22 And so it's the inherency standard, and that presents the difficulty, as  
23 far as establishing priority back to the earlier applications.

24 JUDGE BOALICK: Since we are on table 1, I did have a question  
25 about that table. And it looked like -- if I understand your table correctly,

1 and you can tell me this -- it looked like, as of the filing date of what you  
2 called the grandparent application, all of that matter in the table seems to  
3 have been -- the possession seems to have been established as of September  
4 18, 1990. And if I understand that correctly, why doesn't -- why is  
5 Goldwasser and Yurt still intervening prior art? Because those both have  
6 1991 dates. I mean why isn't the fact that they've established possession as  
7 of 1990 enough to dispose of Goldwasser and Yurt?

8 EXAMINER FOSTER: Yeah. If you look at the MPEP procedure --  
9 let me try to get a citation for you. I cited it in the Answers -- in all the  
10 answers, regarding the new matter issue. The MPEP procedure specifically  
11 states that you look back to the specification as originally filed.

12 JUDGE BOALICK: Right, but this would be the specification of the  
13 grandparent as originally filed, which has a date of September 1990, which  
14 predates --

15 EXAMINER FOSTER: Oh, okay.

16 JUDGE BOALICK: Which predates Yurt and Goldwasser,  
17 if I understand your chart correctly, and maybe I'm not reading it right.

18 EXAMINER FOSTER: The great-grandparent as originally filed --  
19 would have been -- the 6-13-88 -- excuse me -- the 6-13-88 date, which is  
20 the original filing date of the great, great -- the great-grandparent  
21 application. However, the --

22 JUDGE BOALICK: Right, but I was talking about  
23 the --

24 EXAMINER FOSTER: -- specific video downloading -- excuse me.

25

1 JUDGE BOALICK: Yeah. I was talking about the '391 application  
2 that matured into the '573 patent. That's the one I'm talking about. If they've  
3 got priority as to that filing date of September 1990, then that still seems to  
4 me to pre-date your intervening prior art.

5 And, if I understand Table 1 correctly, you're saying they have  
6 priority to September 1990. But maybe, as I'm suggesting, maybe I'm  
7 misunderstanding your chart.

8 EXAMINER FOSTER: Yeah. This goes back to the issue I was  
9 mentioning earlier. In order to make this table succinct and fit onto one  
10 page, when I describe specific video downloading features, there are a lot of  
11 different specific video downloading features that were added. And so, just  
12 because a specific video downloading feature was added in that -- in the  
13 child, that issue that's the '573 patent, there were different specific video  
14 features added later on that were not present in any of the prior  
15 continuations. Perhaps I should have expanded the chart, to explore all the  
16 different --

17 JUDGE BOALICK: So you're saying that the chart doesn't tell the  
18 full story then, I guess is what you're saying?

19 EXAMINER FOSTER: Yes. I was just trying to fit it onto one page.  
20 The chart is more oriented toward the -- to the '402 reexamination  
21 proceeding. But, as far as the later two reexamination proceedings, there is a  
22 pattern of adding a significant amount of specific video downloading  
23 features in both of those patents. Different specific video downloading  
24 features that are not in any of the prior parent applications, as originally  
25 filed.

1 To get to your earlier question about whether the original Examiner  
2 addressed this issue, the Appellant has made much of this new matter  
3 rejection, this single new matter rejection, an amendment to the specification  
4 in the Office Action, filed February 1992, which was then withdrawn,  
5 without any articulated reason, after the Appellant responded in June 1992.

6 The Appellant wants to turn this into a -- I guess a blank check  
7 approval for any new matter limitation added before or after that specific  
8 new matter rejection, and also turn it into a complete priority determination  
9 for the purposes of applying the integrated publication, which is a distinct  
10 inquiry.

11 There are several things wrong with the Appellant's reasoning. At a  
12 fundamental level, no reason was given by the original Examiner why he  
13 withdrew the rejection.

14 JUDGE BOALICK: Is that required?

15 EXAMINER FOSTER: Well, no. It's certainly not required. But any  
16 appellant argument as to the Examiner's reason is beyond the Appellant's  
17 personal knowledge, and is speculation.

18 Another basic reason is reexams are conducted on the basis of printed  
19 publications, not simply a priority issue. No intervening printed publications  
20 were applied in the prior -- in the original prosecution. Therefore, the issue  
21 of an intervening publication -- a printed publication is a new issue that  
22 forms a proper basis for the current reexamination proceedings.

23 JUDGE TURNER: Can I ask just a quick, sort of a public policy  
24 question? And you certainly are in the CRU. You seem to be sort of  
25 advocating that if the new matter issue wasn't raised, or wasn't raised



1 dispositively that it's really -- it can easily be raised as a new question of  
2 patentability upon reexam. It seems like that's going to open the door to any  
3 application that there wasn't -- according to some standard, you know, this  
4 wasn't resolved during the prosecution of the patent, basically opening this  
5 up, this line of 120 priority determination, even if in appellant's -- applicant's  
6 mind, or the patentee's mind, that that issue had been settled by the  
7 Examiner and the patentee.

8 EXAMINER FOSTER: Unfortunately, the original prosecution  
9 wasn't clear as to what was going on regarding that one particular new  
10 matter rejection, at that instant in time in the prosecution history. I think  
11 that, typically, the issue would be better developed, so we would not be  
12 facing -- we would typically not be facing this issue. That is, it would be  
13 clear that the Examiner actually addressed the priority issue in regard to an  
14 intervening printed publication, and if the prosecution history was better,  
15 which I think it would typically be the case.

16 JUDGE TURNER: I don't know that I share your optimism that it  
17 would be. Having seen a lot of appeals, even from the CRU, I don't know if  
18 the issue is always necessarily dealt with during the original prosecution.

19 EXAMINER FOSTER: These were also --

20 JUDGE TURNER: I would hope it would be, too. I would share your  
21 optimism, but my realistic side has another view, so --

22 EXAMINER FOSTER: There are some other reasons, as well. The  
23 original Examiner set forth in the new matter rejection, which is distinct, as I  
24 mentioned, from a full priority determination. A new matter rejection only  
25 has to look at the instant time of prosecution of the child, and whether it

1 contained new matter, relative to the child application as originally filed. A  
2 full priority determination, as done in this proceeding, determines whether  
3 the issued claims, not the claims that are currently pending, the issue claims

4 JUDGE RUGGIERO: Actually, you'll want to try to wrap it up a  
5 little.

6 EXAMINER FOSTER: Sure -- contain new matter relative to the  
7 parent application has -- to the parent application, as originally filed. So  
8 that's a big distinction.

9 And when you look at the prosecution history, it's not even clear  
10 whether the Examiner was referring to the child, as originally filed, or the  
11 parent, as originally filed.

12 Thank you.

13 DR. CASEY: Thank you, Your Honor. Do you have an estimate of  
14 how much time I have? My watch says it should have been about three or  
15 four minutes. Sorry. The Federal Circuit is very tough on that, so I wanted  
16 to make sure I was --

17 JUDGE RUGGIERO: Just an estimate, that's all.

18 JUDGE TURNER: I think our light's not working so --

19 DR. CASEY: Your light's not working? Okay. Judge Lee is very  
20 particular about that when it's interferences, so I wanted to make sure I'm not  
21 going over.

22 A good portion of the discussion of the Examiner was directed toward  
23 table 1 and the new matter chart. And I want to raise a couple things. One,  
24 as was mentioned during the back and forth, we have been discussing  
25 whether or not the original application filed in '88 has worked for the

1 pending claims, but by even the description of the chart, it appears that the  
2 chart says that there's at least support by 1990, which again predates Yurt  
3 and Goldwasser. And if that's correct then this case is disposed of on that  
4 issue.

5 Second of all, one of the other issues that this table shows is that the  
6 elements down the left-hand side are recited as features, not as actual claim  
7 limitations, and as you go back and you look at the claim limitations present  
8 in, for example, claim 4, you don't see any of these, except perhaps the video  
9 question. And if we find that video is disclosed then, again, this issue can be  
10 resolved all the way back to the original priority date of 1988.

11 Second, I want to point out that we -- the Examiner mentioned that  
12 there's no inherent disclosure of any particular codec in the specification,  
13 and that may be true, but as we mentioned there were known codecs. And,  
14 in addition, one of the things that has not happened in this case is the  
15 Examiner has never indicated, or there were no Office Actions ever  
16 indicated, that some level of video coding would have been enabled to put in  
17 a proposed finding of fact to that extent. There is no evidence that some  
18 level of video coding would not have been enabled.

19 And then the question turns on whether or not it would have actually  
20 had a reasonable relationship to the breadth of the claim. But given the  
21 timeframe of this, the 1988, before anyone was doing this at all, I would  
22 submit to you that this -- that breadth is what it's entitled to. It was the new,  
23 broad concept of, hey, you can do this. You can download digital video and  
24 over a telecommunications line for purchase.

25

1 I think that as the public policy question was asked about whether or  
2 not the Examiner has to say why he is withdrawing a particular ground for  
3 rejection, does he just withdraw it and that's enough, or does he have to say,  
4 hey, this is why I was convinced. I would agree that this is going to open the  
5 door to people challenging patents for all number of reasons, and relitigating  
6 issues that have already been resolved by the Patent Office once. There is  
7 supposed to be an assumption of administrative correctness, and I think that  
8 if we can now have to require that an Examiner actually has to state why he  
9 withdrew his rejection, we're going to create a new level of scrutiny that was  
10 not present before.

11 And as to the fact that there was no intervening publication during  
12 examination, that doesn't mean that there wasn't a question of the new matter  
13 in 132, and as a result I think that this issue has been covered in depth by the  
14 Examiner.

15 JUDGE RUGGIERO: Any questions? Okay.

16 Are you ready for the next one?

17 DR. CASEY: Yes, Your Honor. Which one?

18 JUDGE RUGGIERO: I guess you're aware that these cases have  
19 overlapping issues, so we're going to ask you to try not to repeat stuff.

20 DR. CASEY: I understand, Your Honor.

21 (Whereupon, the hearing concluded on June 17, 2009.)

22

23

24

25

Appeal 2009-3457  
Application 90/007,403

1 Third Party Requester:

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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/007,403	01/31/2005	5675734	NAPSP002	3002
23973	7590	08/28/2009	EXAMINER	
DRINKER BIDDLE & REATH ATTN: INTELLECTUAL PROPERTY GROUP ONE LOGAN SQUARE 18TH AND CHERRY STREETS PHILADELPHIA, PA 19103-6996			FOSTER, ROLAND G	
			ART UNIT	PAPER NUMBER
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**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES

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*Ex parte* DMT LICENSING, LLC,  
Appellant and Patent Owner

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Appeal 2009-003457  
Reexamination Control 90/007,403  
Patent 5,657,734  
Technology Center 3900

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Decided: August 28, 2009

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Before JOSEPH F. RUGGIERO, SCOTT R. BOALICK, and  
KEVIN F. TURNER, *Administrative Patent Judges*.

BOALICK, *Administrative Patent Judge*

DECISION ON APPEAL

DMT Licensing, LLC<sup>1</sup> appeals under 35 U.S.C. §§ 134(b) and 306 from a final rejection of claims 1-4, 6-19, 22-25, 28, and 31-60.<sup>2</sup> We have jurisdiction under 35 U.S.C. §§ 134(b) and 306.

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<sup>1</sup> DMT Licensing, LLC is said to be the real party in interest and current owner of the patent under reexamination. (App. Br. 2.) DMT Licensing, LLC is said to be a wholly-owned subsidiary of GE Intellectual Property Licensing, Inc., which is said to be a wholly-owned subsidiary of General Electric Co. (App. Br. 2.)

<sup>2</sup> Claims 5, 20, 21, 26, 27, 29, and 30 have been cancelled.

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We heard oral arguments on June 17, 2009, a written transcript of which is included in the record.

We REVERSE.

#### STATEMENT OF THE CASE

This proceeding arose from a request for *ex parte* reexamination filed by Napster, Inc. on January 31, 2005 of United States Patent 5,675,734 (the '734 patent) issued to Arthur R. Hair on October 7, 1997 based on United States Patent Application 08/607,648 filed February 27, 1996.

The instant appeal is related to appeals of two other copending reexaminations: 90/007,402 and 90/007,407. The former reexamination is made with respect to United States Patent 5,191,573 (the '573 patent, Appeal No. 2009-3609) and the latter with respect to United States Patent 5,966,440 (the '440 patent, Appeal No. 2009-003459). The relations between the issued patents and their applications are illustrated in the chart below:



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Appl. No.	Filing Date	Patent No.	Relationship
07/206,497 ("Great Grandparent" application)	Jun. 13, 1988	abandoned	-
07/586,391 ("Grandparent" application)	Sep. 18, 1990	5,191,573	Continuation of '497
08/023,398 ("Parent" application)	Feb. 26, 1993	abandoned	Continuation of '391
08/471,964	Jun. 6, 1995	5,966,440	Continuation of '398
08/607,648 ("Child" application)	Feb. 27, 1996	5,675,734	Continuation of '398

Patentee's invention relates to a system and an associated method for electronic sales and distribution of digital audio or video signals ('734 patent, col. 1, ll. 14-16). A first party, having authorization to distribute digital audio or video, transfers electronically digital copies of the same to a second party for storage in a local memory after a fee has been charged (*id.* at col. 6, ll. 12-45).

Claim 1, which we deem to be representative, reads as follows:

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

forming a connection through telecommunications lines between a first memory of a first party at a first party

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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, and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party for subsequent transfer via telecommunications lines to the second memory of the second party;

the second memory having a second party hard disk;

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 controlling the first memory so the second party is charged money;

electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals;

storing a replica of the coded desired digital video or digital audio signals from the first party 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

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memory of the second party through telecommunications lines while the second memory is in possession and control of the second party; and

storing the transferred replica of the coded desired digital video or digital audio signals in the second [memory] party hard disk.

The prior art references relied upon by the Examiner in rejecting the claims are:

Bush	US 4,789,863	Dec. 6, 1988
Yurt	US 5,132,992	Jul. 21, 1992
Goldwasser	US 5,241,428	Aug. 31, 1993

Audio Technologies – History of Recordings, <http://www.riaa.com/issues/audio/history.asp> (last visited Sep. 19, 2006).

History of the Compact Disc. – OneOff Media, Inc, <http://www.oneoffcd.com/info/historycd.cfm> (last visited Sep. 19, 2006).

History of MPEG, <http://www2.sims.berkeley.edu/courses/is224/s99/GroupG/report1.html> (last visited Sep. 19, 2006).

Ed Grochowski, IBM HDD Evolution chart, [http://www.storagereview.com/guideImages/z\\_ibm\\_storageevolution.gif](http://www.storagereview.com/guideImages/z_ibm_storageevolution.gif) (last visited Sep. 19, 2006).

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The Examiner rejected claims 1-4, 6-19, 22-25, 28, and 31-60 under the following bases (Ans. 4-81):

- (1) Claims 4, 6-10, 19, 22-25, 28, and 31-60 stand rejected under 35 U.S.C. § 112, first paragraph, as failing to comply with the written description requirement;
- (2) Claims 4, 6-10, 19, 22-25, 28, and 31-60 stand rejected under 35 U.S.C. § 112, first paragraph, as failing to comply with the enablement requirement;
- (3) Claims 4, 6-19, 22-25, 28, 31-34, and 37-60 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Yurt and Goldwasser;
- (4) Claims 1, 2, 35, and 36 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Yurt and Bush;
- (5) Claim 3 stands rejected under 35 U.S.C. § 103(a) as being unpatentable over Yurt, Bush, and Goldwasser; and
- (6) Claims 1-4, 6-19, 22-25, 28, 31-60 stand rejected under the judicially created doctrine of obviousness-type double patenting as being unpatentable over claims 1-6 of the '573 Patent in view of Yurt.

#### ISSUES

Appellant contends that the Examiner is acting outside the scope of the Examiner's authority in the review and resulting reassignment of a priority date for the instant claims (App. Br. 24-25). Appellant also argues that the Examiner has applied improper and overly strict standards for both

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written description and enablement (App. Br. 25-26). Appellant argues that any inquiry into the written description and enablement support for the claims should be limited to newly claimed subject matter (App. Br. 25). With respect to the obviousness-type double patenting rejection, Appellant asserts that this does not present new issues related to patentability, is not proper because Yurt is not prior art, is not proper under our precedent, and is not proper as being made over a patent subject to copending reexamination (App. Br. 25-26). In addition, Appellant argues that the prior art rejections are improper because the Examiner has applied references which are not prior art (App. Br. 67-68).

The Examiner finds that the application of intervening publications is justified because the claims are not entitled to the benefit of a filing date of an earlier-filed application (Ans. 6-24, 50-74, 79-80). The Examiner also defends the application of the written description and enablement standards applied (Ans. 6-24, 75-80). The Examiner also made specific findings of support for specific claim elements in the examiner's "Table I. New Matter Chart" (Ans. 10).

Only those arguments actually made by Appellant have been considered in this decision. Arguments which Appellant did not make in the Briefs have not been considered and are deemed to be waived. *See* 37 C.F.R. § 41.37(c)(1)(vii).

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The issues arising from the respective positions of Appellant and the Examiner are:

1) Has Appellant shown reversible error in the Examiner's determination that the instant claims are not entitled to the benefit of priority of a filing date of an earlier-filed application?

2) Has Appellant shown reversible error in the Examiner's determination that claims 4, 6-10, 19, 22-25, 28, and 31-60 are not supported under 35 U.S.C. § 112, first paragraph, in accordance with the written description and enablement requirements?

4) Has Appellant shown reversible error in the Examiner's rejections of the instant claims over Yurt in various combinations with Bush and Goldwasser?

5) Has Appellant shown reversible error in the Examiner's rejection of claims under the judicially created doctrine of obviousness-type double patenting over claims of the '573 patent and Yurt?

#### FINDINGS OF FACT

1. The '734 patent describes a system and an associated method for electronic sales and distribution of digital audio or video signals ('734 patent col. 1, ll. 14-16).

2. A first party, having authorization to distribute digital audio or video, transfers electronically digital copies of the same to a second party for storage in a local memory after a fee has been charged (*id.* at col. 6, ll. 13-45).
3. The fee is charged via telecommunications lines by the first party using the account of the second party and/or a credit card of the second party (*id.* at col. 7, ll. 31-53).
4. Desired video signals are sent from a first memory by a controller to a receiver at the second party, where the video received is displayed on a video display in possession and control of the second party (*id.* at col. 8, ll. 3-15).
5. The first party control unit may include a hard disk and a sales random access memory chip, where a first party control integrated circuit controls and executes commands by the first party (*id.* at col. 7, ll. 12-30). Similar hardware may be provided at the second party (*id.*).

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6. The following is a reproduction of the Examiner's "Table I. New Matter Chart" (Ans. 10):

Table I. New Matter Chart

Feature	Great-grandparent Appln. 07/206,497, filed 6/13/88 (Abandoned)		Grandparent Appln. 07/586,391, filed 9/18/90 (5,191,573)	
	Date First Appearing in Claims of Great-grandparent Appln.	Date First Appearing in Spec. of Great-grandparent Appln.	Date First Appearing in Claims of Grandparent Appln.	Date First Appearing in Spec. of Grandparent Appln.
Hard Disk/Control Unit of Seller/User	Filing Date of the Original Application -- 6/13/88	Filing Date of the Original Application -- 6/13/88		Filing Date of the Grandparent Application -- 9/18/90
Electronic sales and distribution of the music		Filing Date of the Original Application -- 6/13/88		Filing Date of the Grandparent Application -- 9/18/90
Broad Statement at end of spec. regarding Video Applicability, Note *		Filing Date of the Original Application -- 6/13/88		Filing Date of the Grandparent Application -- 9/18/90
Transferring Money from Second Party to a First Party (Charging a Fee)	12/22/88 (2/28/90)		Filing Date of the Grandparent Application -- 9/18/90	12/11/91
Providing a Credit Card Number	12/22/88		Filing Date of the Grandparent Application -- 9/18/90	
Controlling Use of First/Second Memory	12/22/88		Filing Date of the Grandparent Application -- 9/18/90	12/11/91
Transmitting to a Location Determined by Second Party	2/28/90		Filing Date of the Grandparent Application -- 9/18/90	12/11/91
Specific Video Download Procedures	2/28/90		Filing Date of the Grandparent Application -- 9/18/90	12/11/91 Note **
First Party in Possession of Transmitter	8/24/93, but not entered		Filing Date of the Grandparent Application -- 9/18/90	12/11/91
Second Party in Possession of Receiver and Second Memory	8/24/93, but not entered		Filing Date of the Grandparent Application -- 9/18/90	12/11/91

Key: Clear row means original matter present in the original Great-grandparent application. Shaded row means new matter introduced by amendment into both the Great-grandparent and Grandparent applications subsequent to the date of the original Great-grandparent application.

Note \* - The original specification also describes using a "convenient visual display of the user's library of songs" (page 8), however this section appears to relate to displaying category/genre information to the user regarding downloaded audio content, and not directed to the actual download, processing, and display of video content.

Note \*\* - Even more detailed video download procedures are added to the specification of subsequent Child applications, see the 90/007,403 and 90/007,807 reexaminations.



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## PRINCIPLES OF LAW

Under the written description requirement of 35 U.S.C. § 112, first paragraph, the disclosure of the application relied upon must reasonably convey to the artisan that, as of the filing date of the application, the inventor had possession of the later claimed subject matter. *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1562-63 (Fed. Cir. 1991).

Under 35 U.S.C. § 120, "in a chain of continuing applications, a claim in a later application receives the benefit of the filing date of an earlier application so long as the disclosure in the earlier application meets the requirements of 35 U.S.C. § 112, ¶ 1, including the written description requirement, with respect to that claim." *Tech. Licensing Corp. v. Videotek, Inc.*, No. 2007-1441, -1463, 2008 WL 4529095, at \*7 (Fed. Cir. Oct. 10, 2008) (citing *Transco Prods. Inc. v. Performance Contracting, Inc.*, 38 F.3d 551, 556 (Fed. Cir. 1994)). "Although § 120 incorporates the requirements of § 112 ¶ 1, these requirements and the statutory mechanism allowing the benefit of an earlier filing date are separate provisions with distinct consequences. In accordance with § 120, claims to subject matter in a later-filed application not supported by an ancestor application in terms of § 112 ¶ 1 are not invalidated; they simply do not receive the benefit of the earlier application's filing date." *Reiffin v. Microsoft Corp.*, 214 F.3d 1342, 1346 (Fed. Cir. 2000).

Under the enablement requirement of 35 U.S.C. § 112, first paragraph, the specification of a patent must enable any person skilled in the

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art to which it pertains to make and use the claimed invention. Although the statute does not say so, enablement requires that the specification teach those in the art to make and use the invention without "undue experimentation."

*In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988). Whether undue experimentation is required is a conclusion reached by weighing several underlying factual inquiries. *Id.* at 736.

"Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). "[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness." *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006). "To facilitate review, this analysis should be made explicit." *KSR*, 550 U.S. at 418.

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## ANALYSIS

### *Rejections under 35 U.S.C. § 112, first paragraph*

We begin by noting that the process of determining whether a claim for the benefit of an earlier filing date under 35 U.S.C. § 120 is proper and supported is separate from the process of determining whether claims are enabled by and have written description support in the application in which they are presented. *See Reiffin v. Microsoft Corp.*, 214 F.3d 1342, 1346 (Fed. Cir. 2000) (holding District Court erred in looking to prior application in chain of continuing applications for support under § 112 of claims granted in two later applications). While the former requires an analysis under 35 U.S.C. § 112, first paragraph, to determine whether there is adequate written description in the cited application to support claims in the subject application, the latter is divorced from considerations of an earlier filing date. In other words, claims should be analyzed to determine whether they lack written description support or enablement with respect to the originally filed application in which they are presented. Determining whether such claims can claim the benefit of an earlier filing date is a separate inquiry. *See id.*; *see also* M.P.E.P. § 201.11.

The Examiner's analysis suggests adequate written description and enablement should rest with all members of the "family" for an individual claim to be supported under 35 U.S.C. § 112, first paragraph. The Examiner argues that the original claims of instant patent are not entitled to the benefit of the filing date of its parent because the written description of the parent,

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grandparent and great-grandparent do not support features in the instant claims (Ans. 8-9). Thus, according to the Examiner, even if subject matter of the instant claims is supported by the disclosure of the application filed in the 1990 "grandparent," i.e., 07/586,391, support for the instant claims would need to be found in the earlier filed "great grandparent" application, i.e., 07/206,497, to have adequate support under 35 U.S.C. § 112, first paragraph. We do not agree.

At Oral Hearing in a related case discussing the same issue in the present case, the Examiner responded as follows:

JUDGE BOALICK: . . . as I read the Examiner's answer, it appears that you're saying that there is no written description or enablement in the great-grandparent application, as opposed to the particular application in which these claims arise. Is that – am I reading you answer correctly?

EXAMINER FOSTER: Yes.

(Oral Hearing Transcript of 90/007,407, at p. 12)

In addition, the Examiner cites M.P.E.P. §§ 2258 and 2163.1 (Ans. 25), but those sections are directed to performing analysis for 35 U.S.C. § 112, first paragraph, under different circumstances. Any determination of whether the instant claims have support under 35 U.S.C. § 112, first paragraph, should be made with respect to the instant Specification, i.e. the '734 patent. From our review of the '734 patent Specification and claims, we find no aspect of the instant claims which are unsupported by the instant Specification, in terms of written description and/or enablement (*see* FF 1-5).

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Specific to new and amended claims which contain a negative limitation, e.g., claim 35 which recites "'a non-volatile storage portion of the second memory . . . wherein the non-volatile storage portion is not a tape or CD'", the Examiner argues that such a limitation has no basis in the original disclosure (Ans. 26-28). The Examiner makes reference to a lack of support in the "Great-Grandparent application" (Ans. 27), which is improper. Similarly, the Examiner's rejection for lack of enablement also discusses the "Great-Grandparent application," and talks about requiring undue experimentation to enable the large size file required for digital video (Ans. 28-32). Again, rejections under 35 U.S.C. § 112, first paragraph, should be made with respect to the Specification that is filed with the subject claims. As such, the Examiner's rejections of claims 4, 6-10, 19, 22-25, 28, and 31-60 under 35 U.S.C. § 112, first paragraph, as failing to comply with the written description and enablement requirements were made in error.

*Claims of Priority Under 35 U.S.C. § 120*

Written description adequate to provide support priority under 35 U.S.C. § 120 to an earlier application need not be found to exist to the earliest application within the chain. *See, e.g., In re Edwards*, 568 F. 2d 1349, 1351 (CCPA 1978) (finding it unnecessary to determine whether the grandparent application complies with the written description requirement, where priority to the parent would determine the propriety of the prior art rejection). Thus, if the disclosure of the 07/586,391 application, filed

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September 18, 1990, provides written description support for and/or enables all of the subject matter of a claim, it should be accorded the priority of that filing date even if it is not supported by an even earlier filing date through an even earlier application.

The Examiner's "Table I. New Matter Chart," (FF 6) looks at the presence of certain features in the "Great-grandparent" application and the "Grandparent" application. According to Table I, all of the features listed in the table are supported by the disclosure of at least the Grandparent Application, which was filed September 18, 1990. (FF 6.) In addition, all of the aspects of the claims discussed (Ans. 11-13) are supported by subject matter having priority to at least that date. The Examiner also finds that the Grandparent and Parent applications fail to support claims in the Child application (Ans. 22-24), but the Answer fails to provide any specific limitations not supported, and merely states "for the same reasons as discussed extensively above" (Ans. 22, 23). The fact that "a very large amount of the new text" was added to the specification is not necessarily dispositive of whether new matter has been added (Ans. 20). Therefore, given the support indicated (FF 6), it would appear that all of the instant claims are supported back to at least to that indicated date, *viz.* September 18, 1990.

The Examiner also argues that descriptions of video download features are not supported by the earliest filed application (Ans. 16-20), specifically that the originally disclosed audio transmission features fail to

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imply or require any video transmission features. While the Examiner emphasizes that, circa 1988, devices capable of decoding and playing back digital video, storage for the same, and distribution channels of adequate bandwidth did not exist, we find more compelling Appellant's arguments that the Examiner is importing aspects into the claims (Reply Br. 10-15). Appellant argues correctly 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.*).

Appellant also argues that the priority date for claims in the instant patent is not a new issue related to patentability (App. Br. 39-49). Appellant argues that the original Examiner assigned a priority date of June 13, 1988 to the claims of the '734 Patent and that the Office lacks jurisdiction to review again those issues determined by the original Examiner (App. Br. 41-49). The Examiner emphasizes that where the sufficiency of the patent application has not been originally decided, the proper priority date to assign to claims is within the purview of the reexamination process (Ans. 50-53, 56-60, 65-77).

Central to this issue is whether *Patlex Corp. v. Quigg*, 680 F. Supp. 33 (D.D.C. 1988), is controlling. In that case, the patent holder sought review of a Board decision affirming the rejection of claims in a reexamination proceeding. A first examiner found a "great-grandparent" application provided an enabling disclosure to a "great-grandchild" application, which issued as the patent. During the reexamination proceedings, a second

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examiner reconsidered the merits of the first examiner's decision in order to make a rejection based on intervening prior art. However, the court found that "the reexamination statute does not contemplate a 'reexamination' of the sufficiency of a disclosure." *Id.* at 37. The court further found that the Examiner and the Board lacked jurisdiction to reexamine the sufficiency of the specification of the "great-grandparent" application. *Id.*

The Examiner finds that *Patlex* differs from the instant case in several ways (Ans. 73-74). The Examiner finds that, in *Patlex*, the specifications of the "great-grandparent" and "great-grandchild" applications were essentially identical, and that the claims were drawn to the same invention (Ans. 74). The Examiner finds this to be in contradistinction to the instant case where a "substantial amount" of new text was added to both the Specification and the claims (Ans. 74). However, as discussed *supra*, we do not find even a substantial amount of added matter to be dispositive of whether there was proper written description for that added matter. We again find that the recitations to digital video are supported by adequate written description to show that the Appellant had possession of the same at least by the time of filing of the '391 application on September 18, 1990. As such, we do not find the Examiner's distinctions between *Patlex* and the instant case to be compelling.

The Examiner also cites *Ex parte Basell*, Appeal No. 2007-0111 (BPAI 2007), *aff'd on other grounds, In re Basell Poliolefine Italia S.P.A.*, 547 F.3d 1371 (Fed. Cir. 2008), as allowing for a rejection based on



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intervening art because the filing date of the continuation was not entitled to the filing date of the parent (Oral Hearing Transcript at p. 14). In the Board's decision, the original Examiner never considered the substantive issues of patentability of the claims over a specific piece of prior art because the examiner mistakenly accorded the claims an earlier filing date sufficient to antedate the prior art reference. *Id.*, slip op. at 45-46. The Board's decision distinguished *Patlex* by saying that, in that case, the specifications were identical and that the original examiner had determined that the original disclosure enabled the subject patent's claims. *Id.*, slip op. at 54. It is on this latter basis that the panel in *Basell* distinguishes and we do not.

As Appellant has argued and we have discussed above, the original application faced a new matter rejection, which was overcome. Thus, similar to *Patlex* and distinguishable from *Basell*, the original examiner in the application for the instant patent considered whether the added texts were new matter and subsequently concluded they were not, such that the patent was allowed to issue. As such, under 35 U.S.C. §§ 301-302, 37 CFR § 1.552(a), 37 CFR § 1.552(c), and MPEP § 2258, the Examiner cannot be allowed to reexamine the sufficiency of the specification.

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*Prior Art Rejections Over Various Combinations of  
Yurt, Bush, and Goldwasser*

All prior art rejections of the claims rely in part on Yurt and some additionally rely on Goldwasser. As discussed above, we find the instant claims to have at least the benefit of the application filed September 18, 1990, i.e., the 07/586,391 application. As Appellant argues (App. Br. 72-73), Yurt and Goldwasser are not prior art because Yurt issued from an application filed January 7, 1991 and Goldwasser issued from an application filed March 12, 1991. Thus, neither can be considered prior art to the instant claims under 35 U.S.C. §§ 102 or 103. We find, therefore, that all of the prior art rejections are improper and that the Examiner erred in rejecting the claims over the same.

*Obviousness-type Double Patenting*

Appellant raises four arguments against the obviousness-type double patenting rejection of the instant claims over claims 1-6 listed in the '573 patent and Yurt: 1) Appellant argues that the issue of double patenting was previously considered by the original Examiner of the original application for the instant patent and cannot now be considered a substantial new question of patentability (App. Br. 74-76); 2) Appellant argues that Yurt is not available as prior art for the purpose of obviousness-type double patenting (App. Br. 76-77); 3) Appellant argues that under our prior precedent, *Ex parte Schmit*, the obviousness-type doubling patenting

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rejection is improper because Yurt is not prior art and there is no other citation to prior art or general knowledge of one of ordinary skill in the art to provide an appropriate rationale (App. Br. 77-78); and 4) Appellant argues that since claims 1-6 of the '573 patent are also subject to reexamination, such a double patenting rejection is improper over claims of that patent as it existed prior to the reexamination proceedings (App. Br. 78). With respect to the second and fourth bases we find the rejection to be improper. Accordingly, we do not reach the merits of the first and third bases.

As discussed *supra*, Yurt is not prior art. In addition, the rejection was set forth by the Examiner as obviousness-type double patenting rather than provisional obviousness-type double patenting. (Ans. 49, 81.) At Oral Hearing in a related case discussing the same issue, the Examiner appeared to believe that the obviousness-type double patenting rejection was listed as a provisional rejection. "EXAMINER FOSTER: The – was it not listed as a provisional rejection?" (Oral Hearing Transcript of 90/007,407, at p. 13). Although the Examiner may have intended to raise the obviousness-type double patenting rejection provisionally, the actual rejection was not made provisional. As such, we find that the obviousness-type double patenting rejection was made in error.

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### CONCLUSIONS

Appellant has shown that the Examiner reversibly erred in determining that:

- (1) Claims 4, 6-10, 19, 22-25, 28, 31-60 fail to comply with the written description requirement of 35 U.S.C. § 112, first paragraph;
- (2) Claims 4, 6-10, 19, 22-25, 28, and 31-60 fail to comply with the enablement requirement of 35 U.S.C. § 112, first paragraph;
- (3) Claims 4, 6-19, 22-25, 28, 31-34, and 37-60 are unpatentable over Yurt and Goldwasser under 35 U.S.C. § 103(a);
- (4) Claims 1, 2, 35, and 36 are unpatentable over Yurt and Bush under 35 U.S.C. § 103(a);
- (5) Claim 3 is unpatentable over Yurt, Bush, and Goldwasser under 35 U.S.C. § 103(a); and
- (6) Claims 1-4, 6-19, 22-25, 28, 31-60 are unpatentable over claims 1-6 of the '573 Patent in view of Yurt under the judicially created doctrine of obviousness-type double patenting.

### DECISION

The decision of the Examiner to reject claims 1-4, 6-19, 22-25, 28, and 31-60 is REVERSED.

REVERSED

Appeal 2009-003457  
Reexamination Control 90/007,403  
Patent 5,675,734

ack

cc:

PATENT OWNER:

DRINKER BIDDLE & REATH  
ATTN: INTELLECTUAL PROPERTY GROUP  
ONE LOGAN SQUARE  
18TH AND CHERRY STREETS  
PHILADELPHIA, PA 19103-6996

THIRD PARTY REQUESTER:

ALBERT S. PENILLA  
MARTINE PENILLA & GENCARELLA, LLP  
710 LAKEWAY DRIVE, SUITE 200  
SUNNYVALE, CA 94085

# Litigation Search Report CRU 399

Reexam Control No. 90/007,403

<b>TO: ROLAND FOSTER</b> <b>Location: CRU</b> <b>Art Unit: 3992</b> <b>Date: 02/17/10</b> <b>Case Serial Number: 90/007,403</b>	<b>From: DENISE L. BOYD</b> <b>Location: CRU 3999</b> <b>MDW 7C35</b> <b>Phone: (571) 272-0992</b> <b>Denise.Boyd@uspto.gov</b>
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## Search Notes

**Litigation was found involving U.S. Patent Number 5,675,734.**

**Sources:**

**2:04CV1549 – CLOSED**

- 1) I performed a KeyCite Search in Westlaw, which retrieves all history on the patent including any litigation.
- 2) I performed a search on the patent in Lexis CourtLink for any open dockets or closed cases.
- 3) I performed a search in Lexis in the Federal Courts and Administrative Materials databases for any cases found.
- 4) I performed a search in Lexis in the IP Journal and Periodicals database for any articles on the patent.
- 5) I performed a search in Lexis in the news databases for any articles about the patent or any articles about litigation on this patent.

## KEYCITE

**H** US PAT 5675734 SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS, Assignee: Parsec Sight/Sound, Inc. (Oct 07, 1997)

## History

## Direct History

- H** 1 METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL, US PAT 5191573, 1993 WL 1138260 (U.S. PTO Utility Mar 02, 1993) (NO. 07/586391)  
*Construed by*
- H** 2 SightSound.Com Inc. v. N2K, Inc., 185 F.Supp.2d 445, 2002 Markman 229872 (W.D.Pa. Feb 08, 2002) (NO. CIV.A.98-CV-118) (Markman Order Version)  
*AND Ruled Valid by*
- H** 3 Sightsound.com Inc. v. N2K, Inc., 391 F.Supp.2d 321 (W.D.Pa. Oct 24, 2003) (NO. CIV.A. 98-CV-118)
- => 4 **SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS**, US PAT 5675734, 1997 WL 1488819 (U.S. PTO Utility Oct 07, 1997) (NO. 08/607648)  
*Construed by*
- H** 5 SightSound.Com Inc. v. N2K, Inc., 185 F.Supp.2d 445, 2002 Markman 229872 (W.D.Pa. Feb 08, 2002) (NO. CIV.A.98-CV-118) (Markman Order Version)  
*AND Ruled Valid by*
- H** 6 Sightsound.com Inc. v. N2K, Inc., 391 F.Supp.2d 321 (W.D.Pa. Oct 24, 2003) (NO. CIV.A. 98-CV-118)
- H** 7 SYSTEM AND METHOD FOR TRANSMITTING DESIRED DIGITAL VIDEO OR DIGITAL AUDIO SIGNALS, US PAT 5966440, 1999 WL 1731614 (U.S. PTO Utility Oct 12, 1999) (NO. 08/471964)  
*Construed by*
- H** 8 SightSound.Com Inc. v. N2K, Inc., 185 F.Supp.2d 445, 2002 Markman 229872 (W.D.Pa. Feb 08, 2002) (NO. CIV.A.98-CV-118) (Markman Order Version)  
*AND Ruled Valid by*
- H** 9 Sightsound.com Inc. v. N2K, Inc., 391 F.Supp.2d 321 (W.D.Pa. Oct 24, 2003) (NO. CIV.A. 98-CV-118)

## Court Documents

Trial Court Documents (U.S.A.)

W.D.Pa. Expert Testimony

- 10 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 1998 WL 34373758 (Expert Report and Affidavit) (W.D.Pa. 1998) **Opening Expert Report of James A. Moorer** (NO. 98-0118)
- 11 SIGHTSOUND. COM INCORPORATED, A Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation CDNOW, Inc., A Pennsylvania corporation, and CDNOW Online, Inc., a Pennsylvania corporation, Defendants., 2001 WL 34891529 (Expert Deposition) (W.D.Pa. Apr. 19, 2001) **Proceedings** (NO. 98-118)
- 12 SIGHTSOUND COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware Corporation, CDNOW, INC., a CDNOW Online, Inc., a Pennsylvania corporation, Defendants., 2002 WL 32994569 (Expert Report and Affidavit) (W.D.Pa. Dec. 24, 2002) **Expert Report of Michael Ian Shamos, Ph.D., J.D.** (NO. 98-118)
- 13 SIGHTSOUND.COM INCORPORATED, Plaintiff, v. N2K, INC., CDNow, Inc., and CDNow Online, Inc., Defendants., 2003 WL 24288805 (Expert Report and Affidavit) (W.D.Pa. Jan. 21, 2003) **Expert Report of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 14 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288806 (Expert Report and Affidavit) (W.D.Pa. Feb. 19, 2003) **Rebuttal Expert Report of James A. Moorer to Opening Report of Professor Tygar** (NO. 98-0118)
- 15 SIGHTSOUND.COM INCORPORATED a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware Corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288804 (Expert Report and Affidavit) (W.D.Pa. Feb. 20, 2003) **Rebuttal Report of Michael Ian Shamos, PH.D., J.D.** (NO. 98-118)
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- 17 SIGHTSOUND. COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309949 (Partial Expert Testimony) (W.D.Pa. Mar. 3, 2003) **(Partial Testimony)** (NO. 98-0118)
- 18 SIGHTSOUND.COM, INCORPORATED, Plaintiff, v. N2K, INC., Cdnw, Inc., and Cdnw Online, Inc., Defendants., 2003 WL 24309947 (Partial Expert Testimony) (W.D.Pa. Mar. 9, 2003) **Deposition of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 19 SIGHTSOUND. COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309950 (Expert Deposition) (W.D.Pa. Mar. 11, 2003) **(Deposition)** (NO. 98-0118)
- 20 In the Matter of: SIGHTSOUBD.COM INC., v. N2K, INC. et al., 2003 WL 24309948 (Partial



- Expert Testimony) (W.D.Pa. Mar. 12, 2003) (Partial Testimony) (NO. 98-0118)
- 21 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288807 (Expert Report and Affidavit) (W.D.Pa. Apr. 23, 2003) **Declaration by James A. Moorer in Support of Defendants' Motion for Summary Judgment** (NO. 98-0118)
- 22 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff and, Counterdefendants, v. N2K, INC., a Delaware corporation, CDNOW, Inc., a Pennsylvania corporation, and Cdnw Online, INC., a Pennsylvania corporation, Defendants and Counterclaimants., 2004 WL 3735168 (Expert Report and Affidavit) (W.D.Pa. Jan. 27, 2004) **Declaration of Michael Ian Shamos in Support of Defendants' Motion for Summary Judgment** (NO. 98-0118)

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- 23 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742179 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of James A. Moorer, Ph. D.** (NO. 98-0118)
- 24 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742180 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of Michael Ian Shamos, Ph.D., J.D.** (NO. 98-0118)
- 25 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742181 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of James A. Moorer, Ph.D** (NO. 98-0118)
- 26 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742182 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of Michael Shamos, Ph.D, JD.** (NO. 98-0118)

**Dockets (U.S.A.)**

**W.D.Pa.**

- 27 SIGHTSOUND.COM INC. v. N2K, INC., ET AL, NO. 2:98cv00118 (Docket) (W.D.Pa. Jan. 16, 1998)

**Expert Court Documents (U.S.A.)**

**W.D.Pa. Expert Testimony**

- 28 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 1998 WL 34373758 (Expert Report and Affidavit)

- (W.D.Pa. 1998) **Opening Expert Report of James A. Moorer** (NO. 98-0118)
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- 33 SIGHTSOUND.COM INCORPORATED a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware Corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288804 (Expert Report and Affidavit) (W.D.Pa. Feb. 20, 2003) **Rebuttal Report of Michael Ian Shamos, PH.D., J.D.** (NO. 98-118)
- 34 SIGHTSOUND.COM INCORPORATED, Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2003 WL 24289706 (Expert Report and Affidavit) (W.D.Pa. Feb. 20, 2003) **Rebuttal Expert Report of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 35 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309949 (Partial Expert Testimony) (W.D.Pa. Mar. 3, 2003) **(Partial Testimony)** (NO. 98-0118)
- 36 SIGHTSOUND.COM, INCORPORATED, Plaintiff, v. N2K, INC., Cdnw, Inc., and Cdnw Online, Inc., Defendants., 2003 WL 24309947 (Partial Expert Testimony) (W.D.Pa. Mar. 9, 2003) **Deposition of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 37 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309950 (Expert Deposition) (W.D.Pa. Mar. 11, 2003) **(Deposition)** (NO. 98-0118)
- 38 In the Matter of: SIGHTSOUBD.COM INC., v. N2K, INC. et al., 2003 WL 24309948 (Partial Expert Testimony) (W.D.Pa. Mar. 12, 2003) **(Partial Testimony)** (NO. 98-0118)
- 39 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288807 (Expert Report and Affidavit) (W.D.Pa. Apr. 23, 2003) **Declaration by James A. Moorer in Support of Defendants' Motion for Summary Judgment** (NO. 98-0118)

- 40 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff and, Counterdefendants, v. N2K, INC., a Delaware corporation, CDNOW, Inc., a Pennsylvania corporation, and Cdnw Online, INC., a Pennsylvania corporation, Defendants and Counterclaimants., 2004 WL 3735168 (Expert Report and Affidavit) (W.D.Pa. Jan. 27, 2004) **Declaration of Michael Ian Shamos in Support of Defendants' Motion for Summary Judgment** (NO. 98-0118)

**W.D.Pa. Trial Motions, Memoranda And Affidavits**

- 41 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742179 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of James A. Moorer, Ph. D.** (NO. 98-0118)
- 42 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742180 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of Michael Ian Shamos, Ph.D., J.D.** (NO. 98-0118)
- 43 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742181 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of James A. Moorer, Ph.D** (NO. 98-0118)
- 44 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742182 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of Michael Shamos, Ph.D, JD.** (NO. 98-0118)

**W.D.Pa.**

- 45 SIGHTSOUND.COM INC. v. N2K, INC., ET AL, NO. 2:98cv00118 (Docket) (W.D.Pa. Jan. 16, 1998)

**Patent Family**

- 46 DIGITAL VIDEO OR AUDIO SIGNALS TRANSFER METHOD - FORMING CONNECTION THROUGH TELECOMMUNICATIONS LINES BETWEEN TWO PARTY LOCATIONS AND STORING TRANSFERRED REPLICAS OF CODED SIGNAL, Derwent World Patents Legal 1997-502649

**Assignments**

- 47 ACTION: ASSIGNMENT OF ASSIGNORS INTEREST (SEE DOCUMENT FOR DETAILS). Number of Pages: 006, (DATE RECORDED: Dec 27, 2005)
- 48 ACTION: NOTICE OF GRANT OF SECURITY INTEREST NUMBER OF PAGES: 006, (DATE RECORDED: Oct 24, 2001)
- 49 ACTION: CHANGE OF NAME (SEE DOCUMENT FOR DETAILS). NUMBER OF PAGES: 016, (DATE RECORDED: May 03, 2000)

**Patent Status Files**

.. Request for Re-Examination, (OG DATE: Mar 29, 2005)

**Docket Summaries**

51 "SIGHTSOUND TECH v. ROXIO, INC., ET AL", (W.D.PA. Oct 08, 2004) (NO. 2:04CV01549), (35 USC 271 PATENT INFRINGEMENT)

**Litigation Alert**

52 Derwent LitAlert P1998-06-59 (1999) Action Taken: A complaint was filed.

**Prior Art (Coverage Begins 1976)**

- ▶ 53 AUTOMATIC INFORMATION, GOODS AND SERVICES DISPENSING SYSTEM, US PAT 4567359 (U.S. PTO Utility 1986)
- C 54 BUFFER MEMORY DISPERSION TYPE VIDEO/AUDIO TRANSMISSION SYSTEM, US PAT 4538176Assignee: Hitachi, Ltd., (U.S. PTO Utility 1985)
- C 55 COIN-OPERATED RECORDING MACHINE, US PAT 3990710 (U.S. PTO Utility 1976)
- H 56 METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL, US PAT 5191573 (U.S. PTO Utility 1993)
- C 57 PAY PER VIEW ENTERTAINMENT SYSTEM, US PAT 4789863 (U.S. PTO Utility 1988)
- C 58 RECORDED PROGRAM COMMUNICATION SYSTEM, US PAT 4521806Assignee: World Video Library, Inc., (U.S. PTO Utility 1985)
- C 59 SOFTWARE VENDING SYSTEM, US PAT 4654799Assignee: Brother Kogyo Kabushiki Kais-ha, (U.S. PTO Utility 1987)
- ▶ 60 SYSTEM FOR REPRODUCING INFORMATION IN MATERIAL OBJECTS AT A POINT OF SALE LOCATION, US PAT 4528643Assignee: FPDC, Inc., (U.S. PTO Utility 1985)
- C 61 VENDING SYSTEM FOR REMOTELY ACCESSIBLE STORED INFORMATION, US PAT 3718906Assignee: Lightner R, (U.S. PTO Utility 1973)
- C 62 VIDEO CASSETTE SELECTION MACHINE, US PAT 4647989 (U.S. PTO Utility 1987)

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607648 (08) 5675734 October 7, 1997 ,

UNITED STATES PATENT AND TRADEMARK OFFICE GRANTED PATENT

**5675734**[Access PDF of Official Patent \\*](#)[Order Patent File History / Wrapper from REEDFAX@](#)[Link to Claims Section](#)

October 7, 1997 ,

System for transmitting desired , , digital , , video or , , audio signals

**REEXAM-LITIGATE:**

Reexamination requested January 31, 2005 by Napster, Inc., Los Angeles, CA; c/o Albert S. Penilla, Martine, Penilla & Gencarella, LLP, Sunnyvale, CA, Reexamination No. 90/007,403 (O.G. March 29, 2005) Ex. Gp.: 3625 January 31, 2005

Reexamination requested January 31, 2005 by Napster, Inc., Los Angeles, CA; c/o Albert S. Penilla, Martine, Penilla & Gencarella, LLP, Sunnyvale, CA, Reexamination No. 90/007,403 (O.G. March 29, 2005) Ex. Gp.: 3625 January 31, 2005

**APPL-NO:** 607648 (08)**FILED-DATE:** February 27, 1996**GRANTED-DATE:** October 7, 1997 ,**ASSIGNEE-AT-ISSUE:**

Parsec Sight/Sound, Inc., Upper St. Clair, PENNSYLVANIA, United States of America (US)

**ASSIGNEE-AFTER-ISSUE:**

May 3, 2000 - CHANGE OF NAME (SEE DOCUMENT FOR DETAILS)., SIGHTSOUND.COM INCORPORATED 733 WASHINGTON ROAD, SUITE 400MT. LEBANON, PENNSYLVANIA, 15228, Reel and Frame Number: 010776/0703

October 24, 2001 - NOTICE OF GRANT OF SECURITY INTEREST, KENYON & KENYON ONE BROADWAYNEW YORK, NEW YORK, 10004, SCHWARTZ, ANSEL M. ONE STERLING PLAZA 201 N. CRAIG STREET, SUITE 304PITTSBURGH, PENNSYLVANIA, 15213, WATERVIEW PARTNERS, LLP ONE STERLING PLAZA 152 WEST 57TH STREET, 46TH FLOORNEW YORK, NEW YORK, 10019, D&DF WATERVIEW PARTNERS, L.P. ONE STERLING PLAZA 152 WEST 57TH STREET, 46TH FLOORNEW YORK, NEW YORK, 10019, Reel and Frame Number: 012506/0415

December 27, 2005 - ASSIGNMENT OF ASSIGNORS INTEREST (SEE DOCUMENT FOR DETAILS)., DMT LICENSING, LLC ONE INDEPENDENCE WAY PRINCETON NEW JERSEY 08540, ONE INDEPENDENCE WAY, PRINCETON, NEW JERSEY, UNITED STATES OF AMERICA (US), 08540, Reel and Frame Number: 017555/0149

**CORE TERMS:** digital, music, video, user, audio, electronically, song, hard disk, video signals, memory, integrated, receiver, display, telecommunications, stored, audio signals,

charging, random access memory, playback, memory chip, hardware, control panel, electronic, methodology, compact, disc, additionally, telephone lines, transmitting, transferring

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**OVERVIEW:** Defendant was denied summary judgment on claims of patent invalidity; earlier patent described only "possibility" of use of unit in way that anticipated use of patent-in-suit, not the required "necessity," and fact question existed as to obviousness.

**CORE TERMS:** patent, digital, sightsound, invention, music, summary judgment, signal, prior art, license, consumer ...

... other patents, No. **5,675,734**, issued on October ...

-  2. [Sightsound.com Inc. v. N2k, Inc.](#), Civil Action No. 98-118 , UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA, 185 F. Supp. 2d 445; 2002 U.S. Dist. LEXIS 6828, February 8, 2002, Decided

**OVERVIEW:** In an action involving patents which were directed to commercially-acceptable systems and methods for selling music and video in digital form over telecommunications lines, the judge made several recommendations regarding claim construction.

**CORE TERMS:** digital, memory, telecommunication, electronically, patent, audio signals, signal, specification, desired, transferring ...







... Patent Nos. 5,191,573 ("the '573 Patent"), **5,675,734** ("the '734 Patent"), ...

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**LENGTH:** 15903 words

**ARTICLE:** DEATH OF A MYTH: THE PATENTING OF INTERNET BUSINESS MODELS AFTER STATE STREET BANK

**NAME:** William D. Wiese \*

**BIO:**

\* Mr. Wiese is an associate with *Jenkins & Gilchrist, P.C.*, Austin, Texas. This Article includes the individual opinions of the author and does not necessarily reflect the opinion of the firm or its individual shareholders.

**SUMMARY:**

... WiseWire also determines the most popular Internet sites within a particular category and loads that category with dynamic content. ... A method has been developed by Open Market, Inc. for monitoring and analyzing how users browse through content on a Web site, thereby allowing businesses to market more effectively to buyers based upon viewing patterns. The system can also be used to limit access to specific content, such as subscription or account information, or an organization's internal information. ...

**TEXT:**

**[\*17]**

I. Introduction

The recent flurry of patents issued for Internet business models has left patentholders and competitors alike wondering exactly what uses such patents cover and whether or not the patents will stand up in court. Business models, or "methods of doing business," such as those claimed in the recently issued patents, had long been considered unpatentable under a judicially created exception to the Patent Act. <sup>1</sup> However, on July 23, 1998, in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, <sup>2</sup> the United States Court of Appeals for the Federal Circuit gave its stamp of approval to the patenting of business methods and cleared the way for patenting methods of doing business on the Internet.

Although heralded as a revolutionary change in the court's view of patentable subject matter, in all likelihood the Federal Circuit's decision in *State Street Bank* will have little long-term effect on the patentability of Internet business models. Where a patent claims subject matter patentable under pre-*State Street Bank* requirements, it will be upheld. Where it does not, it will not be upheld. Part II of this Article provides background information about the Internet, the Patent Act, and Internet business models. Parts III, IV, and V examine the reasons why the seemingly important decision in *State Street Bank* will have few long-term consequences.

First, although the business method exception was often mentioned in dicta, most courts ultimately cited another bar to patentability, such as lack of novelty or [\*18] obviousness, as the dispositive factor. Therefore, the business method exception never really existed.<sup>3</sup> Second, even if one assumes that the business method exception was a legitimate doctrine, the United States Patent and Trademark Office (PTO) has recently relaxed the entire field of patentable subject matter for computer-related inventions. This change in the scope of patentable subject matter likely would have subsumed the business method exception, rendering it meaningless. Finally, the PTO and the courts must continue to evaluate business method patents under the patentability requirements of the Patent Act. Thus, the PTO will probably reject many claims for Internet business models, and courts will continue to invalidate claims for such models, just as they did when the business method exception was alive.

## II. Background

### A. The Internet

The Internet<sup>4</sup> was originally developed in the 1960s by the Department of Defense as a decentralized, packet-switched network intended to facilitate communication in the United States in the event of a nuclear attack.<sup>5</sup> It is a cooperative venture regulated by several volunteer agencies but owned by no one.<sup>6</sup> To date, it connects more than two million computers to over fifty-eight million users worldwide.<sup>7</sup>

The best known and most dynamic category of communication over the Internet is the World Wide Web ("Web"), which allows users to search for [\*19] and retrieve information stored in remote computers all over the world.<sup>8</sup> Documents on the Web, which are known as Web pages or Web sites, "contain information stored in a variety of formats, including text, still images, sounds, and video."<sup>9</sup> Web sites often enable viewers to communicate with the site's owner, and may also contain links to other documents within the site or to other related sites. In short, the Web brings together a wide array of resources linked together on a worldwide basis, thus providing a transnational channel for the distribution of information.

A highly profitable area of Internet usage is electronic commerce.<sup>10</sup> It is projected that Web-based transactions in the United States will grow from the \$ 13 billion recorded in 1998 to \$ 108 billion by 2003.<sup>11</sup> One researcher projected that ninety-eight percent of corporate America would be on the Internet by the end of 1999.<sup>12</sup> Because of this enormous growth, many companies are willing to go to any length to protect their methods of doing business online. The most recent trend has been to seek patent protection for new Internet business models.

### B. The Patent Act

To qualify as patentable statutory subject matter under section 101 of the Patent Act, an invention must be a "new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof."<sup>13</sup> An invention relating to a method of doing business appears to [\*20] qualify as a process under the Act. However, "process" is circularly defined in section 100(b) as a "process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter or material."<sup>14</sup> The statute therefore provides little insight into Congress's intended scope for process patents. Nevertheless, the legislative history of section 101 demonstrates that Congress intended the section to be interpreted broadly such that "anything under the sun that is made by man" is included in statutory subject matter.<sup>15</sup>

Assuming that the invention meets this rather lax subject matter requirement, it must then overcome other hurdles to patentability under the Patent Act, such as novelty<sup>16</sup> and nonobviousness,<sup>17</sup> issues which will be [\*21] discussed later.<sup>18</sup> Once satisfied that all requirements have been met, the PTO grants a patent, which gives the inventor the right to exclude others from making, using, selling, or offering to sell the patented invention for a limited time.<sup>19</sup> In exchange for this right, however, the inventor must disclose his or her invention to the world. Because of the implications of acquiring a patent, inventors should consider alternative forms of protection available under copyright or trade secret laws.

## 1. Patent Protection as an Alternative to Copyright Protection

A copyright is a property right granted by statute to the originator of artistic and literary works.<sup>20</sup> Under the Copyright Act, the copyright owner has the exclusive right to make copies of the work<sup>21</sup> but has no right to preclude others from using the ideas or information revealed by the work.<sup>22</sup> [\*22] The protection afforded by the Act attaches as soon as the work is recorded in some concrete form.<sup>23</sup> Consequently, in most cases the work is not submitted for registration.<sup>24</sup> Where registration is undertaken, the requirements are minimal. For example, an author of a software program may register a copyrighted work by submitting a simple application, a nominal fee, and a disk with the code or a certain number of pages of written code to the Copyright Office.<sup>25</sup> In most cases, protection under the Copyright Act terminates seventy years after the death of the author.<sup>26</sup>

There are several important distinctions between the processes of securing copyrights and patents, and the protections afforded thereby. First, the process of securing a patent takes far longer, typically two to four years, and is much more expensive than the process of securing a copyright. Second, unlike patent infringement, which can occur even under conditions of innocent, independent development,<sup>27</sup> copyright infringement requires another person's wrongful conduct (e.g., copying or stealing). Third, patents are more effective in protecting intellectual property than copyrights because they protect the essence of a commercially valuable idea and not merely its specific, easily circumvented expression.<sup>28</sup> Finally, the term for copyright protection, the life of the author plus seventy years, surpasses the term for [\*23] patent protection, which expires twenty years after the application was filed.<sup>29</sup>

To illustrate the distinction by way of example,<sup>30</sup> if an inventor created a novel business method and subsequently described the work in a pamphlet, he would have the exclusive right under copyright law to distribute the pamphlet,<sup>31</sup> but could not prevent others from using the method described in the pamphlet.<sup>32</sup> Similarly, if he developed a computer program for a business system, copyright law would prevent others from copying the expression contained in the program, but would not prevent them from practicing the invented method or from independently developing a computer program that could perform the same method of doing business.<sup>33</sup> A patent, by contrast, would protect the underlying method in each case.

## 2. Patent Protection as an Alternative to Trade Secret Protection

A trade secret is "an internal business practice that is kept private"<sup>34</sup> and may consist of "any formula, pattern, device or compilation of information which is used in one's business, and [provides]... an advantage over competitors who do not know or use it."<sup>35</sup> The only subject matter requirement for a trade secret is that it must be a secret.<sup>36</sup> A product or process in the public domain cannot subsequently be appropriated as one's [\*24] own trade secret.<sup>37</sup> Therefore, to retain a trade secret, a business must make contractual agreements with its employees, contractors, and agents that preclude those persons from disclosing the trade secret. In essence, trade secret law focuses on conduct (i.e., retaining the technology as a secret), not on the technology (i.e., its novelty).<sup>38</sup>

Once again, there are several significant distinctions between the protection afforded to trade secrets and that afforded by patents. First, while a patent is "totally exclusionary for the period for which [it is] granted," a "trade secret is protected only so long as competitors fail to duplicate it by legitimate independent research."<sup>39</sup> Second, "[a] trade secret law... does not offer protection against discovery by fair and honest means, such as by... so-called reverse engineering, that is, by starting with the known product and working backwards to divine the process which aided in its development or manufacture."<sup>40</sup> Third, as distinguished from a patent, a trade secret need not be essentially new, novel, or unique.<sup>41</sup> "These requirements are essential to patentability because a patent protects against unlicensed use of the patented device or process even by one who discovers it properly through independent research."<sup>42</sup> By contrast, trade secret protection is "merely [protection] against breach of faith and reprehensible means of learning another's secret. For this limited protection it is not appropriate to require also the kind of novelty and invention which is a requisite of patentability."<sup>43</sup> In short, a "trade secret is protected by being kept secret[, and a] patent is protected after being [\*25] spread on the public records for all to see."<sup>44</sup>

In view of the nature of trade secrets, some business models lend themselves better to protection as trade secrets than others. <sup>45</sup> Generally, methods that are purely internal to a business or that can be tightly controlled by the business are well suited for protection as trade secrets. For example, the chemical processes involved in refining oil are well known, but the optimum control parameters for many of the processes are not. <sup>46</sup> Oil refining companies often enter into trade secret agreements with the engineers who develop such parameters. <sup>47</sup> Similarly, mathematical formulas used in manufacturing processes, such as equations for optimal batch sizes and ingredients, may be protected. <sup>48</sup> Trade secret protection is also often utilized in the accounting field; for instance, stock valuation methods may be protected. <sup>49</sup>

By contrast, selling methods are anathema to trade secret protection. By their very nature, selling methods involve parties outside the business who are exposed to the methods. As participants in the transaction, buyers must know the general nature of the deal and methodology used to carry it out. <sup>50</sup> Additionally, a goal of most sellers is to distribute products or services widely, not to limit their distribution. Consequently, trade secret protection is probably not the most practical form of protection for selling methods. <sup>51</sup> For this reason, developers of Internet business methods, many of which relate to the sale of goods, have found patents to be the preferred form of protection for their intellectual property.

**[\*26]**

### C. Internet Business Models

Manufacturing, selling, and accounting are prototypical categories for business methods. <sup>52</sup> Manufacturing and accounting functions are primarily internal functions of the business, and with proper precaution and diligence can be protected as trade secrets. By contrast, sales functions involve a large number of people outside the business who require access to information about the business's product or service in order to participate in the selling process. <sup>53</sup> The Internet was created for the mass distribution of information, and is therefore an ideal medium for selling. <sup>54</sup> However, the involvement of the masses makes protection of business methods under copyright or trade secret laws extremely difficult. Consequently, many companies are pursuing patent protection for their Internet sales-related business models.

Companies that obtain patents for online business models can preclude potential competitors from entering the market, and innovative (or lucky) companies can even end up owning patents on very basic business models whose usefulness extends across industry lines. <sup>55</sup> Armed with a patent, patentholders may force competitors to license the business models, which may hamper competition. <sup>56</sup> Further, many entrepreneurs seek patent protection for their business models to demonstrate to potential investors that their enterprise will not be copied, or because a patent is a "major source of... leverage" when dealing with large companies. <sup>57</sup> In light of the enormous market potential promised by the Internet, there is likely to be an **[\*27]** onslaught of patent infringement suits in this area. Not surprisingly, some disputes have already flared into lawsuits. <sup>58</sup>

United States patents have already issued for a wide variety of Internet business methods, <sup>59</sup> including:

a. Internet Search Method. A method patented <sup>60</sup> by Lycos, called "WiseWire," "helps in searching for information on the Internet." "It lets... users read and rate documents, learns from their responses, and then automatically delivers fresh information." <sup>61</sup> WiseWire also determines the most popular Internet sites within a particular category and loads that category with dynamic content. <sup>62</sup>

b. Delivery of Postage. An electronic postage system, developed by Pitney Bowes Corporation for buying postage stamps over the Internet, was the first to make it through the U.S. Post Office's arduous screening process. <sup>63</sup> The patented <sup>64</sup> technology allows users to download postage from the Internet and print it directly onto envelopes using software, a small piece of hardware, and a standard printer. <sup>65</sup>

c. Internet Server Access Control and Monitoring Systems. A method has been developed by Open Market, Inc. for monitoring and analyzing how users browse through content on a Web site, thereby allowing businesses to market more effectively to buyers based upon viewing patterns.<sup>66</sup> The system can also be used to limit access to specific content, such as subscription or account information, or an organization's internal information.<sup>67</sup>

**[\*28]** d. Electronic Shopping Carts. Another Open Market patent provides for "electronic shopping carts" in which online merchants allow their customers to accumulate items for purchase before checking out.<sup>68</sup> This patent also details the passing of payment and purchase information through a URL.<sup>69</sup> The technology allows digital offers to be distributed on the Web via e-mail, CD-ROMs, and even over broadcast media.<sup>70</sup>

e. Secure Online Payments. The third in the trilogy<sup>71</sup> of Open Market patents is for a system that provides for secure, real-time payment using credit and debit cards over the Internet, enabling E-merchants to verify credit card information in several seconds while customers wait online.<sup>72</sup>

f. Name-Your-Price Reverse Auctions. A method patented by Priceline.com, L.L.C. allows buyers to make an offer to purchase goods or services and for "sellers... to bind a buyer to a contract based on the buyer's purchase offer."<sup>73</sup>

g. Pay-Per-View Ads. A system patented by CyberGold, Inc. for online "attention brokerage"<sup>74</sup> "allows [users] to earn money by clicking on banner advertisements and corporate Web sites."<sup>75</sup>

h. Online Interactive Frequency and Award Redemption Programs. A set of systems, procedures, and methods patented by Netcentives, Inc. provides for online rewards programs in which consumers shop online, earn points or other units of value for their purchases, then redeem those points online for items from an award catalog.<sup>76</sup> The system is being used for tracking and awarding frequent flyer mileage for online purchases.<sup>77</sup>

i. Method for Downloading Videos or Software. Sightsound.com received "two patents<sup>78</sup> for the method of selling digital audio and video files" **[\*29]** over the Internet.<sup>79</sup> The company, which calls itself a "download service provider," believes "its patents also cover any 'player' software that charges for each download."<sup>80</sup>

j. Internet Keyword Search Service. Netword, L.L.C. received a patent for a method of searching the Internet whereby users type words into the browser's address bar where they would ordinarily type a URL.<sup>81</sup> For example, a user could type "Chevy" to get to Chevrolet's Web site in lieu of typing the much lengthier Web address <http://www.chevrolet.com>.

k. Offline Advertising Delivery. Juno Online Services, L.P. received patents for a system that displays and updates interactive ads on a remote user's computer after the user has disconnected from the Internet<sup>82</sup> and an electronic mail system for displaying advertisements received from a remote system at a local computer while the local computer is offline.<sup>83</sup>

While the range of online business methods receiving patents is noteworthy, it is the pace at which these patents are being issued that is staggering. Since patent approval generally takes two to four years, the increase of Internet commerce activity in late 1995 may account for this recent flood of new patents. In light of the frenzied pace of Internet commerce and the suboptimal alternative forms of protection available, it is likely that the number of patents sought for Internet business models will continue to rise.

### III. Death of a Myth

#### A. The Myth of the Business Method Exception

##### 1. Origin of the Business Method Exception

The state of the law regarding the patentability of methods of doing business had been



unsettled for many years. For example, in an 1869 case, *Ex parte Abraham*, the Commissioner of Patents suggested in dicta that bookkeeping methods were unpatentable.<sup>84</sup> By contrast, in a 1912 case, *In re Tallmadge*, the court suggested that novel bookkeeping systems were [\*30] patentable.<sup>85</sup> Since that time, no case has specifically defined the elements of a "method of doing business," nor has Congress created a statutory definition.<sup>86</sup>

In *Hotel Security Checking v. Lorraine*, the case often cited as fathering the business method exception, the Second Circuit reviewed a claim for a "'method... for cash-registering and account-checking' designed to prevent frauds... by waiters."<sup>87</sup> The court held that "[a] system of transacting business disconnected from the means for carrying out the system is not... an art" and therefore is not patentable.<sup>88</sup> There are numerous cases in the *Hotel Security Checking* progeny,<sup>89</sup> but suffice it to say that, until *State Street Bank*, conventional wisdom and hornbook law<sup>90</sup> had been that "methods of doing business" are unpatentable. This was largely due to the fact that business methods, such as bookkeeping procedures and investment management strategies, were difficult to characterize as technical innovations or "useful" arts, which would be entitled to patent protection. Although concrete physical innovations, such as oscilloscopes for displaying electrical signals, have always been readily identifiable as technological art,<sup>91</sup> it was more difficult to characterize noncomputerized business methods as such.

## 2. Why It Is a Myth

Although professed in hornbooks and discussed in dicta, the business [\*31] method exception has never truly been a bar to patentability. Recall *Hotel Security Checking*, the father of the business method exception, in which the court stated in dicta that "[a] system of transacting business disconnected from the means for carrying out the system is not [patentable subject matter]."<sup>92</sup> In actuality, the court denied patentability of the system based on lack of novelty, not on the unpatentability of a business method, stating that "if the 'art' described in the [invention] be old, the claims cannot be upheld because of novelty in the appliances used in carrying it out, - for the reason that there is no novelty."<sup>93</sup> The court ultimately deferred judgment on what constitutes a patentable business system.<sup>94</sup>

After *Hotel Security Checking*, neither the Federal Circuit nor its predecessor court, the United States Court of Customs and Patent Appeals (CCPA), had ever invoked the business method exception as the sole basis for holding an invention to be non-statutory subject matter.<sup>95</sup> Instead, invocation of the exception was always preceded by a clearer basis under 35 U.S.C. 101.<sup>96</sup> In fact, the CCPA explicitly stated after *Hotel Security Checking* that some "methods of doing business" might be patentable.<sup>97</sup> In addition, the PTO has continued to grant patents for inventions that are, at least arguably, business methods.<sup>98</sup> For example, U.S. Patent Number 4,885,686, issued after *Hotel Security Checking* and before *State Street Bank*, describes a process for the efficient resource allocation of industrial facilities to minimize costs.<sup>99</sup> [\*32] Similarly, U.S. Patent Number 5,148,365 is entitled "Scenario Optimization" and describes a model for targeting a portfolio of financial instruments.<sup>100</sup>

The critical patentability issue under the Patent Act is not whether the claimed method does "business" instead of something else, but whether the method, viewed as a whole, meets the requirements of patentability set forth in the Patent Act.<sup>101</sup> In *State Street Bank*, the Federal Circuit characterized the business method exception as an "unwarranted encumbrance to the definition of statutory subject matter in section 101, that [should] be discarded as error-prone, redundant, and obsolete."<sup>102</sup> The court reiterated its previous position that any historical distinctions among methods and their means of implementation have been blurred by the complexity of modern computerized business systems.<sup>103</sup> In short, the business method exception was a myth that could not withstand the Federal Circuit's scrutiny.

## 3. An Alternative Explanation for the Business Method Exception

The most often heard argument in support of the business method exception is that business methods are not an "art" and do not fall within other patentable subject matter "apart from the [physical] means for carrying out [the] system."<sup>104</sup> The PTO's past reluctance to grant patents for business methods, particularly computerized business methods, is probably better explained by the Supreme Court's requirement that a computer-related invention relate to some physical process or step. This physicality requirement emanates from three Supreme

Court cases that together embody the current law on computer-related inventions. <sup>105</sup>

In the first of the three cases, *Gottschalk v. Benson*, the Supreme Court reviewed the CCPA's grant of claims for a computer program that converted binary-coded decimal numbers into pure binary numbers. <sup>106</sup> In reviewing the claims, the Court reasoned that "the mathematical formula involved here has no substantial practical application except in connection with a digital computer, which means that... the patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the [\*33] algorithm itself." <sup>107</sup> The Court held that the computer program, a mathematical formula without substantial practical application except in connection with a computer, was not a patentable process. <sup>108</sup>

Similarly, in *Parker v. Flook*, the Court held that a computerized method for updating alarm set points for a chemical process was not statutory subject matter. <sup>109</sup> The claimed invention included a small computer programmed to use a mathematical equation to update alarm limits for a petroleum refining process. <sup>110</sup> "The patent drafter... attempted to avoid the problems of *Benson* simply by writing the patent application in a way that limited the use of the formula to hydrocarbon refining" and thereby "avoided 'wholly preempting' use of the formula in other applications." <sup>111</sup> The Court explained that the "application simply provides a new and presumably better method for calculating alarm limit values" and was therefore not patentable. <sup>112</sup>

Finally, in *Diamond v. Diehr*, the Court reviewed the CCPA's reversal of the PTO's rejection of claims for a computerized process for curing synthetic rubber. <sup>113</sup> The Court held that the process constituted patentable subject matter, notwithstanding that several of its steps included use of a mathematical formula and a programmed digital computer, because the process involved transformation of uncured synthetic rubber into "a different state or thing." <sup>114</sup>

In response to the requirement emanating from this trilogy of cases that computerized methods must be applied in some manner to physical elements, the CCPA developed the Freeman-Walter-Abele two-part test under which a court was to consider (1) whether the patent claim recites a mathematical algorithm; and, if so, (2) whether the algorithm is "applied in any manner to physical elements or steps." <sup>115</sup> Although refusing to adopt the specific [\*34] methodology of the test, <sup>116</sup> the Federal Circuit agreed with the CCPA's conceptual approach, stating that "the dispositive inquiry is whether the claim as a whole is directed to statutory subject matter[;] it is irrelevant that a claim may contain, as part of the whole, subject matter which would not be patentable by itself." <sup>117</sup> In *In re Alappat*, the Federal Circuit, sitting en banc, found patentable subject matter in claims that recited a "means for" generating smooth digital waves on a display screen. <sup>118</sup> Because the invention truly resided in the software, and because the "means" recited in the claims could have been satisfied by any general purpose computer, *Alappat* effectively relaxed the physicality requirement previously understood from the Supreme Court's trilogy of cases. <sup>119</sup>

With regard to the patentability of Internet business models, it appears that (1) the PTO's reluctance to grant patents for business models coincided with the Supreme Court's decision to apply the model to physical elements; and that (2) the elimination of the business method exception coincided with the relaxation of the physicality requirement. Consequently, the elimination of the business method exception, particularly in the area of computer-related inventions, is probably of little consequence. <sup>120</sup>

## **[\*35]**

### **B. The Elimination of the Business Method Exception**

#### **1. Elimination by a Lower Court: *Paine, Webber v. Merrill Lynch***

The beginning of the end of the business method exception was shepherded by the District Court of Delaware in *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.* <sup>121</sup> In 1982 the brokerage firm of Merrill Lynch was issued a patent on its cash management account system ("CMA"). <sup>122</sup> The CMA used a computer program to combine a brokerage security account, its market funds, a checking account, and a VISA charge account into a single product. <sup>123</sup> Merrill Lynch applied for a patent on the program; the claims were

drafted in a "means" apparatus form describing a CMA combination. <sup>124</sup> After the initial success of the CMA, other firms began using the system. Faced with a patent infringement suit, Paine Webber initiated a declaratory judgment action to have Merrill Lynch's patent declared invalid. <sup>125</sup> In upholding the patent, the court observed that "the product of the claims... effectuates a highly useful business method and would be unpatentable if done by hand." <sup>126</sup> This case is significant because the claims that "teach a method of operation on a computer to effectuate a business activity" were found to be patentable subject matter. <sup>127</sup>

Even after Paine, Webber, however, courts did not universally reject the business method exception. For example, in *Ex parte Murray*, a patent was sought on a method of providing a credit card/check expense analysis accounting; the expense analysis statement generated by the method provides a running record for the user identifying the nature and purpose of each purchase. <sup>128</sup> The Board of Patent Appeals and Interferences stated that

the claimed accounting method, requiring no more than the entering, sorting, debiting and totaling of expenditures as necessary preliminary steps to issuing an expense analysis statement is, on its very face, a vivid example of the type of "method of doing business" contemplated by our review court as outside the protection of the patent statutes.

... Whereas an apparatus or system capable of performing a business function may comprise patentable subject matter, a method [\*36] of doing business generated by the apparatus or system is not. <sup>129</sup>

## 2. Removal from the MPEP

In pre-1996 editions of the Manual of Patent Examining Procedure (MPEP), a paragraph of section 706.03(a) read, "Though seemingly within the category of process or method, a method of doing business can be rejected as not being within the statutory classes." <sup>130</sup> This paragraph has been deleted in the most recent edition of the MPEP. <sup>131</sup> Similarly, the PTO's Examination Guidelines for Computer-Related Inventions have been amended to include a provision that "office personnel have had difficulty in properly treating claims directed to methods of doing business. Claims should not be categorized as methods of doing business. Instead, such claims should be treated like any other process claims...." <sup>132</sup>

## 3. Blessing by the Federal Circuit: State Street Bank

In *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, the Federal Circuit held that a computerized financial method constituted patentable subject matter and declared that the business method exception was a "no longer applicable legal principle." <sup>133</sup> *State Street Bank* was the first appeal since *Alappat* of a litigated dispute concerning whether a business method constitutes statutory subject matter under 35 U.S.C. 101 where the claims are drafted as a computer "means" for performing business functions. Signature Financial Group was the assignee of a patent directed to a "Hub and Spoke" data processing system whereby mutual funds ("Spokes") pool their assets in an investment portfolio ("Hub"). <sup>134</sup> "The system determines the percentage share that each Spoke maintains in the Hub, while taking into consideration daily changes both in the value of the Hub's investment securities and in the concomitant amount of each Spoke's assets." <sup>135</sup> In short, the "investment configuration provides the administrator of a mutual fund [\*37] with the advantageous combination of economies of scale in administering investments coupled with the tax advantages of a partnership." <sup>136</sup> *State Street Bank* attempted to negotiate a license for the patented system, but after negotiations failed, challenged the PTO's decision to grant Signature Financial Group a patent on the system, claiming invalidity and unenforceability and seeking partial summary judgment for failure to claim statutory subject matter under section 101 of the Patent Act. <sup>137</sup>

The U.S. District Court for the District of Massachusetts found the claims invalid under the business method exception. <sup>138</sup> After reviewing several cases that supported, if only anecdotally, the business method exception, the court stated that "patenting an accounting system necessary to carry on a certain type of business is tantamount to a patent on the

business itself. Because such abstract ideas are not patentable... as methods of doing business... the [patent] must fail." <sup>139</sup> The court held that the computerized method of administering mutual funds was invalid as directed to non-statutory subject matter. <sup>140</sup>

Instead of analyzing whether the claimed business method addressed patentable subject matter, the Federal Circuit took the "opportunity to lay this ill-conceived exception to rest" <sup>141</sup> and construed the claims as directed towards "a machine, namely a data processing system for managing a financial services configuration of a portfolio established as a partnership, which machine is made up of, at the very least, the specific structures disclosed in the written description and corresponding to the means-plus-function elements... recited in the claim." <sup>142</sup> The claim is therefore for a machine programmed with the Hub and Spoke software that produces a "'useful, concrete, and tangible result'" <sup>143</sup> in the form of "numbers such as price, profit, percentage, cost, or loss." <sup>144</sup> The Federal Circuit held that the patent had been correctly granted and that patents could not be withheld **[\*38]** simply because the claims covered a business model. <sup>145</sup> Therefore, after *State Street Bank*, if an online business model has a practical application, then it will probably satisfy the statutory subject matter requirements. Because the Federal Circuit's decision calls for the model to provide a "useful, concrete, and tangible result," such things as "price, profit, percentage cost, or loss" will probably meet those criteria.

#### IV. The PTO's Trend Toward Broadening Patentable Subject Matter

Rather than argue that the business method exception is of no consequence because it was a myth, one could argue that it is no longer of consequence due to the PTO's recent movement towards broadening the field of patentable subject matter. Quite simply, claims that in the past would have been drafted towards a business method now may be drafted towards an alternative and substantially less specious area of patentability.

In 1995 the Federal Circuit decided several cases that collectively represented a significant expansion of the scope of software patentability. <sup>146</sup> On February 28, 1996, in response to these cases, the PTO released the final version of its Examination Guidelines for Computer-Related Inventions ("Guidelines"), which deal at length with statutory subject matter issues. <sup>147</sup> The change was also due, in part, to the recognition that "business models were in and of themselves technological advances, because businesses were inventing new ways of automating services." <sup>148</sup>

Under the new Guidelines, the first inquiry is whether the claim is directed towards non-statutory subject matter. Assuming that the claim survives this test, it will then be classified as (i) a specific product claim, (ii) a nonspecific product claim, or (iii) a process claim. A specific product claim is always statutory subject matter. A nonspecific product claim must be evaluated further on the basis of the underlying process. Process claims, including business method claims, may qualify as statutory subject matter under two safe harbors, pre-or post-computer physical process activity. Alternatively, the practical technological application must be explicitly claimed. <sup>149</sup> The safe harbors represent the PTO's attempt to preserve the **[\*39]** Freeman-Walter-Abele test, <sup>150</sup> while the alternate "technological application" test represents the PTO's interpretation of the 1995 Federal Circuit cases. <sup>151</sup>

It is the technological application test that provides the key to the patentability of Internet business models that might not otherwise have been patentable prior to the 1995 Federal Circuit cases and the Guidelines. In essence, a claim not involving pre-or post-computer physical process activity, as required under the Freeman-Walter-Abele analysis, can nevertheless qualify as statutory subject matter by explicitly reciting a practical technological application. Therefore, while a claimed process that merely manipulates an abstract idea is non-statutory, a claimed process that explicitly limits the abstract idea to a practical technological application is statutory. Notwithstanding the Federal Circuit's decision in *State Street Bank*, claims drafted in accordance with the Guidelines meet the requirements for patentable subject matter whether or not the claims are directed towards methods of doing business.

#### V. Alternative Grounds for Denying Internet Business Model Patents

Although the Federal Circuit has declared business methods to be patentable subject matter,

an invention must still meet the requirements of novelty and nonobviousness and must avoid the numerous exceptions to patentability that may preclude issuance of a patent. Moreover, the mere fact that a patent has been issued does not necessarily mean that the patent will stand up to a legal challenge. Irrespective of the Federal Circuit's decision in *State Street Bank*, claims directed to Internet business models are examined, and potentially rejected, on the following grounds.

#### A. Lack of Novelty

To be patentable, an invention must be new at the time of discovery by an original inventor.<sup>152</sup> This novelty requirement lies at the heart of the patent system.<sup>153</sup> Section 102(a) bars a patent on an invention "known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant [\*40] for patent."<sup>154</sup> Thus, a prior patent or publication anywhere will "anticipate" or negate novelty, while prior use, knowledge, or invention must be in this country to negate novelty.

Many of the cases often cited as following the business method exception were actually cases in which the invention in question lacked novelty.<sup>155</sup> For example, in what appears to be the first and last Supreme Court case regarding methods of doing business, *Munson v. City of New York*, the Court considered the patentability of a system for "preserving, filing and cancelling bonds, coupons, certificates," and all similar documents by pasting them in blank books.<sup>156</sup> Instead of deciding whether the plaintiff's business method constituted patentable subject matter as an "art," the Court held that it lacked novelty.<sup>157</sup>

The online world is so new and is changing so rapidly that the PTO has no way to gauge whether most business models possess patentable novelty. On the Internet, things that make an idea "not novel" may be only three weeks old and available only in fairly obscure places. Yet the PTO looks primarily at issued patents and printed publications when judging novelty. It has acknowledged the difficulty in ascertaining novelty when evaluating online [\*41] business systems.<sup>158</sup> This difficulty is going to haunt those who hold patents for Internet business models.<sup>159</sup>

The Open Market patents offer a striking example of the difficulty in determining the novelty of an Internet business model and the resultant impact on the patentee's rights. After receiving its three patents,<sup>160</sup> Open Market attempted to obtain royalties or licensing fees from companies it believed were infringing the patents. In response, its competitors contended that the methods claimed in the patents were not novel and that the competitors had developed and used the same business methods long before Open Market applied for its patents.<sup>161</sup> Open Market consequently had difficulty collecting royalties and decided not to press the point.<sup>162</sup>

In another example, a competitor of Priceline.com, TravelBids, Inc., contended that it pioneered the reverse auction business method that Priceline.com patented.<sup>163</sup> Specifically, TravelBids, Inc. claimed that it had used the method at least one year before Priceline.com.<sup>164</sup> Interestingly, Priceline.com did not contend that its patented method was novel and therefore valid. Instead, it countered TravelBids' claims by contending that the business method used by TravelBids was different.<sup>165</sup>

#### B. Lack of Utility

To meet the utility requirement for patentability, "an invention must perform some function of positive benefit to society."<sup>166</sup> "The purpose of the utility requirement is to assure that society obtains a 'quid pro quo' in the form of a 'substantial utility' and 'specific benefit... in currently available form' before granting a monopoly to an inventor."<sup>167</sup> To meet the utility [\*42] requirement,

an invention need not be superior to existing products or processes. However, it must meet three tests. First, it must be operable and capable of use. It must operate to perform the functions and secure the result intended. Second, it must operate to achieve some minimum

human purpose. Third, it must achieve a human purpose that is not illegal, immoral or contrary to public policy. <sup>168</sup>

With regard to proof of the utility and operability of inventions..., the Patent Office has long applied a rule that an invention is presumed to be operable as disclosed. The burden of proving operability and utility shifts to the applicant only if there is a reasonable doubt as to the truth of the applicant's assertions. <sup>169</sup>

The utility requirement essentially means that patents are granted only for the application of ideas. To be useful, an invention must apply knowledge rather than merely consist of abstract ideas. Therefore, while a business method that applies knowledge qualifies as useful, a theoretical method of operating a business or a mere management philosophy is unpatentable as it only encompasses ideas. <sup>170</sup>

It is this concept - patents may only be granted for the application of ideas - which may prove to be the nemesis of many Internet business model patents. Many of the business model patents described above <sup>171</sup> arguably describe an abstract idea for doing business rather than a patentable invention. For example, CyberGold asserted that its patent covers "any program that rewards people for responding to online advertising by giving them "cash, points, frequent-flyer miles, or other forms of compensation."" <sup>172</sup> It is difficult to argue with those who have suggested that the patent covers a concept, not a technology. <sup>173</sup>

### C. Obviousness

The Supreme Court long ago established that the sine qua non of patentability is "invention" and that the protection of the patent law does not extend to an "improvement [that] is the work of the skilful mechanic, not that [\*43] of the inventor." <sup>174</sup> In 1952 Congress codified this judicial standard by requiring that the improvement sought to be patented "would [not] have been obvious at the time the invention was made to a person having ordinary skill in the art." <sup>175</sup> Whether referred to as "invention" or "nonobviousness," the requirement is based on the constitutional command that patents be used "to promote the Progress of... useful Arts." <sup>176</sup> Patents may not be issued to remove existing knowledge from the public domain or to limit access to materials already available.

The nonobviousness and novelty requirements are closely related:

Novelty acts primarily in a negative fashion. If an invention is not new, then the invention is not patentable. That ends the inquiry. But if the invention is new, further inquiry must be made into whether it is "new enough," that is, not obvious to one with ordinary skill in the art. <sup>177</sup>

It has been argued that the nonobviousness requirement is inappropriate for the patenting of computer code. <sup>178</sup> While "patent examiners and judges are accustomed to considering even small, incremental changes as deserving new patents," computer scientists "are trained to generalize solution principles from one problem to another," which results in minor changes to software programs that other programmers would consider obvious. <sup>179</sup> A minor change to an Internet business model that would appear obvious to those familiar with the art may not appear so to an examiner in the PTO. <sup>180</sup>

Once again, Internet business model patents will likely have difficulty meeting the nonobviousness requirement. Many times the model for which a patent is sought is simply an old idea that is being applied on the Internet. For example, recall that Priceline.com's patent claims a method that allows buyers to make an offer to purchase goods or services and for "sellers... to bind a buyer to a contract based on the buyer's purchase offer." <sup>181</sup> This is clearly not a new concept in offline commerce, and Priceline.com's critics have questioned the validity of the patent. <sup>182</sup>

[\*44] Even if a method has not been performed offline prior to its introduction on the Internet, it still may not pass the nonobviousness hurdle. The reason is that it is difficult for the PTO to ascertain the existence of prior art, <sup>183</sup> much less determine which of the subtle

differences among models make one model patentable and others not. For instance, TravelBids, Inc. claimed to have pioneered Priceline.com's patented business method, contending that "the reverse auction is a common method of conducting both online and conventional business transactions." <sup>184</sup>

#### D. Abstract Ideas

The legal framework for patentability under 35 U.S.C. 101 has evolved into a judicially defined set of principles dictating that such things as laws of nature, natural phenomena, and abstract ideas fall outside the realm of permissible statutory subject matter. <sup>185</sup> For instance: "A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right." <sup>186</sup> "Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work." <sup>187</sup> "The oft-quoted embodiment of these exceptions is that Albert Einstein could not have patented  $E = mc^2$  and Sir Isaac Newton could not have patented the laws of motion." <sup>188</sup>

Many of the cases originally evaluated as business method cases actually involved abstract ideas. For example, in *In re Maucorps*, the patent claimed a business methodology for deciding "the optimum number of times a sales [\*45] representative for a business should visit each customer over a period of time." <sup>189</sup> *In re Meyer* involved a patent application whose "claims recite a mathematical algorithm, which represents a mental process that a neurologist should follow." <sup>190</sup> Clearly, neither of the alleged "inventions" in these cases falls within any section 101 category, and closer scrutiny reveals that the claimed inventions in both *Maucorps* and *Meyer* were rejected as abstract ideas, not as unpatentable business methods. <sup>191</sup>

It is common for owners of online business model patents to make broad, abstract claims regarding the coverage of their patents that are not sustainable in court. For example, in 1996 *E-Data* asserted that its patent "covered all methods for purchasing and downloading merchandise, news, fonts and software." <sup>192</sup> In a judicial thrashing, U.S. District Court Judge Barbara Jones stated that:

In an obvious attempt to expand the scope of its patent beyond that which was intended, plaintiff implausibly asserts that its patent covers certain uses of the Internet and World Wide Web, and applies to certain CD-ROM applications. It is abundantly clear to the Court, however, that the [patent does] not support plaintiff's broad interpretation. <sup>193</sup>

It appears that another of the Internet business model patents may be headed for the same fate. As noted, <sup>194</sup> *CyberGold* asserted that its patent covers "any program that rewards people for responding to online advertising by giving them "cash, points, frequent-flyer miles, or other forms of compensation.'" <sup>195</sup> Based on this description, *CyberGold*'s patent covers a concept, not a technology, and will be subjected to the same destiny as the *E-Data* patent. The fact that the patent may not be as broad as *CyberGold* claims may be evidenced by a patent subsequently issued to *Netcentives* for an "on-line, interactive frequency and award redemption program." <sup>196</sup>

[\*46]

#### E. Mathematical Algorithms

In *State Street Bank*, the Federal Circuit circumscribed the exception of mathematical algorithms from statutory subject matter. The district court had applied the Supreme Court's trilogy of cases <sup>197</sup> and lower court precedent to ascertain whether the claims fell within the exception. <sup>198</sup> Detecting the presence of a mathematical algorithm, the court inquired into whether the claims defined any physical activities or objects and found that "the claims do not recite any significant pre- or post-solution activity. Neither does the invention measure physical objects or phenomena... nor does it physically convert data into a different form as in *Alappat*." <sup>199</sup> Accordingly, the court held the claims to be invalid as directed to non-

statutory subject matter under the mathematical algorithm exception. <sup>200</sup> On appeal, the Federal Circuit reversed, stating that the two-part test had "little, if any, applicability," and emphasized that the statutory subject matter inquiry should focus not on the specific statutory category but on the "essential characteristics" of the claimed invention, specifically, its practical utility. <sup>201</sup>

The purpose of the patent system is to promote innovation. <sup>202</sup> However, software and the online business models it generates may not be sufficiently removed from mathematical algorithms to be eligible for patent protection. Methods of doing business are sometimes determined to be unpatentable subject matter because they recite mathematical concepts disembodied from a specific structure or process. However, "if no Benson algorithm <sup>203</sup> exists, the product of a computer program is irrelevant, and the focus of analysis should be on the operation of the program on the computer." <sup>204</sup>

**[\*47]**

## VI. Conclusion


The life of the business method exception was short and of little importance. From its birth in Hotel Security Checking in 1908 until its demise in State Street Bank in 1998, its existence was confined to dicta. Its presence was subsumed by the more substantive facets of patent law such as the Supreme Court's holdings on computer-related inventions and the PTO's trend towards broadening patentability. It was an exception that was never really an exception.

The advent of the Internet has recently brought a wave of business method patents. Many applicants consider the Federal Circuit's elimination of the business method exception a ticket to automatic patentability. While the PTO may prove them right in the short term, it is likely that patentees will soon discover that their newly issued patents are viewed by their competitors as unenforceable or deemed by the courts as invalid. In either case, the significance of the elimination of the business method exception will soon pass. Although Internet business model patents may look like the wave of the future, they are merely a ripple on the sea of patentability.

## Legal Topics:

For related research and practice materials, see the following legal topics:

[Computer & Internet Law](#) > [Internet Business](#) > [General Overview](#) 

[Copyright Law](#) > [Civil Infringement Actions](#) > [Infringement Online](#) > [General Overview](#) 

[Trade Secrets Law](#) > [Federal & State Regulation](#) > [Patent Law](#) 

## FOOTNOTES:

<sup>1</sup> 35 U.S.C. 1-376 (1994 & Supp. III 1997).

<sup>2</sup> 149 F.3d 1368, 47 U.S.P.Q.2d (BNA) 1596 (Fed. Cir. 1998), cert. denied, 119 S. Ct. 851 (1999).

<sup>3</sup> Other commentators have made similar arguments. See, e.g., Rinaldo Del Gallo III, Are "Methods of Doing Business" Finally Out of Business as a Statutory Rejection?, 38 IDEA 403, 435 (1998) ("It is clear that the 'business method exception' is now and has always been a chimera."); Mary S. Kakefuda, Recent Decision, Patent Law - Determining When a Process Invention Contains a Mathematical Algorithm and When It Falls Within Statutory Subject Matter - In Re Schrader, 68 Temp. L. Rev. 507, 527 n.171 (1995) ("These cases show that the 'method of doing business' exception is really a disguised lack of novelty argument and, therefore, is a 102 issue, and not a 101 statutory subject matter issue.").



¶n4. Throughout this Article, the term Internet (with an uppercase "I") is used in its most general sense, referring to the collection of all interconnected networks that use the TCP/IP protocols and that evolved from the ARPANET. The internet (with a lowercase "i") refers to a network comprising two or more networks. See Matisse Enzel, *Glossary of Internet Terms*, 75 Mich. B.J. 527, 528-29 (1996).

¶n5. For a detailed, though somewhat one-sided description of the Internet's history, means of accessing the Internet, and methods of communication over the Internet, see ACLU v. Reno, 929 F. Supp. 824, 830-49 (E.D. Pa. 1996).

¶n6. See id. at 831.

¶n7. See Shorts, *Computerworld*, Dec. 15, 1997, at 8.

¶n8. See ACLU, 929 F. Supp. at 836.

¶n9. *Id.* (describing the World Wide Web as a series of documents containing information stored in a "variety of formats, including text, still images, sounds, and video," stored in different computers all over the Internet).

¶n10. "E-commerce encompasses services which allow businesses to sell products to customers via the Internet through the use of virtual shopping baskets, order forms, and so forth." Sprint Corp. v. DeAngelo, 12 F. Supp. 2d 1188, 1192 n.5 (D. Kan. 1998).

¶n11. See NetServe, Inc., *E-commerce Statistics and Forecasts* (visited Jan. 26, 2000) <<http://www.netserveinc.com/market.htm>>.

¶n12. See Gail G. Grant, *Business Models for the Internet and New Media*, in *Representing the New Media Company* 49, 57 (PLI Pats., Copyrights, Trademarks, & Literary Prop. Course Handbook Series No. 505, Jan. 1998) (citing research by Straightline International, Inc.).

¶n13. 35 U.S.C. 101 (1994) provides: "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." See also John A. Burtis, Comment, *Towards a Rational Jurisprudence of Computer-Related Patentability in Light of In re Alappat*, 79 Minn. L. Rev. 1129, 1131 & n.10 (1995):

Congress enacted the first Patent Act in 1793, principally authored by Thomas Jefferson. [See Patent Act of 1793, ch. 11, 1 Stat. 318 (codified as amended at 35 U.S.C. 1-376 (1994 & Supp. III 1997)).] The Act extended patent protection to "any new and useful art, machine, manufacture or composition of matter, or any new or useful improvement [thereof]." [Id. at 319.] This broad language staking out the territory of patentable subject matter remained unchanged through successive Patent Acts in 1836, 1870, and 1874. In 1952, when Congress recodified this provision into 35 U.S.C. 101, the present standard for determining patentable subject matter, the only change made was replacing the word "art" with the word "process." [S. Rep. No. 82-1979, pt. 2, at 34 (1952); H.R. Rep. No. 82-1923, pt. 2, at 189 (1952), reprinted in 1952 U.S.C.C.A.N. 2394, 2398-99.]

See also Kakefuda, *supra* note 3, at 511 n.35 ("See also Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 476-77, 181 U.S.P.Q. (BNA) 673, 676 (1974) (discussing requirements for patentability); William T. Goglia, Annotation, *Supreme Court's Views as to What Is Patentable Subject Matter Under Federal Law as "Process," "Machine," "Manufacture," or "Composition of Matter,"* 65 L. Ed. 2d 1197, 1199-1202 (1981) (discussing what constitutes patentable subject matter).").

¶n14. 35 U.S.C. 100(b) (1994). The term "process" has been a category frequently redefined by the Supreme Court. For instance, it has been defined as "an operation," "a system or method," "a method for securing the performance of a function by a means which has never occurred in nature," or "a useful art or method." Kakefuda, *supra* note 3, at 511 n.36 (citing

Goglia, supra note 13, at 1204).

¶n15. S. Rep. No. 82-1979, pt. 2, at 34; H.R. Rep. No. 82-1923, pt. 2, at 189.

¶n16. Section 102 states:

A person shall be entitled to a patent unless -

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

35 U.S.C. 102.

¶n17. Section 103, in pertinent part, states:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

...

(c) Subject matter developed by another person, which qualifies as prior art only under subsection (f) or (g) of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the invention was made, owned by the same person or subject to an obligation of assignment to the same person.

35 U.S.C. 103 (Supp. III 1997).

¶n18. See discussion *infra* Part V.A, C.

¶n19. See U.S. Const. art. I, 8, cl. 8. Three types of patents currently exist: utility patents, design patents, and plant patents. Utility patents, by far the most common, cover new, nonobvious, and useful machines, articles of manufacture, compositions of matter, and processes by protecting the utility of the claimed invention for 20 years from the date on which the patent application was filed. See 35 U.S.C. 154(a)(2) (1994). Design patents protect the unique appearance or design of articles of manufacture for a term of 14 years. See *id.* 171-73. Plant patents protect certain new asexually reproduced plant varieties for 20 years from the patent application's filing date. See *id.* 161-64.

¶n20. See 17 U.S.C. 102 (1994).

¶n21. See *id.* 106(1). In addition to the right to make copies, copyright protection also allows the owner to control derivative works such as plays, motion pictures, or other adaptations of the basic work. See *id.* 106(2).

¶n22. See *id.* 102(b).

¶n23. See *id.* 102(a) ("Copyright protection subsists... in original works of authorship fixed in any tangible medium of expression...." (emphasis added)).

¶n24. Although registration of copyright is "permissive," 17 U.S.C. 408(a), the Copyright Act provides the following incentives for timely registration: (1) early registration ensures prima facie proof of validity of the copyright, see *id.* 410(c); (2) for works of U.S. origin, registration is a prerequisite to an infringement action, see *id.* 411(a); and (3) statutory damages and attorney's fees may be awarded only if registration is made prior to the commencement of the infringement suit, see *id.* 412.

¶n25. See *id.* 409.

¶n26. See 17 U.S.C. 302(a) (1994) ("Copyright in a work created on or after January 1, 1978, subsists from its creation and, except as provided in the following subsections, endures for a term consisting of the life of the author and fifty years after the author's death."). Under the Sonny Bono Copyright Term Extension Act, the duration of copyright in a work created after January 1, 1978 is the life of the author plus 70 years. For works created prior to January 1, 1978 or works owned by corporations, copyright protection lasts 75 years from the date of the original copyright. See Sonny Bono Copyright Term Extension Act, Pub. L. No. 105-298, 112 Stat. 2827 (1998) (amending, *inter alia*, 302(a)) (codified as 17 U.S.C. 302(a) (Supp. IV 1998)).

¶n27. See *SRI Int'l, Inc. v. Advanced Tech. Lab., Inc.*, No. 93-1074, 1994 WL 712487, at \*1-\*2 (Fed. Cir. Dec. 21, 1994) ("An innocent infringer is no less liable for patent infringement than a willful infringer. The culpability of the infringer comes into play, if at all, in determining the amount of damages owed the patentee. Indeed, a finding of willfulness does not require a court to increase damages.").

¶n28. "'A patent is much more powerful because it doesn't require any copying'... Whereas a copyright would cover the source code itself for a spreadsheet application, for example, a patent would cover the notion of a spreadsheet application, regardless of similarities or differences in the underlying source code." Beth Lipton, *Floodgates Open for Patent Cases*, CNET News.com (Aug. 28, 1998) <<http://news.cnet.com/news/0-1005-200-332689.html>>.

¶n29. Compare 17 U.S.C. 302 (Supp. IV 1998) (copyright term) with 35 U.S.C. 154 (1994) (patent term).

¶n30. See Michael L. Fuelling, *Manufacturing, Selling, and Accounting: Patenting Business Methods*, 76 J. Pat. & Trademark Off. Soc'y 471, 475 (1994) (providing brochure and computer program examples).

¶n31. See *id.*; 17 U.S.C. 106(3) (1994).

¶n32. See Fuelling, supra note 30, at 475 & n.28 ("17 U.S.C. 102(b)"); see also Briggs v. New Hampshire Trotting & Breeding Ass'n, Inc., 191 F. Supp. 234, 128 U.S.P.Q. (BNA) 465 (D.N.H. 1960) (holding that the author of a brochure entitled "The Fabulous 4-7 The Incomparable 5-9 Big-Bonus Pari-Mutuel Wagering Selections" was not entitled to the exclusive use of the betting system described in the brochure).").

¶n33. See Fuelling, supra note 30, at 475; 17 U.S.C. 102(b).

¶n34. Fuelling, supra note 30, at 473.

¶n35. Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 474, 181 U.S.P.Q. (BNA) 673, 676 (1974) (quoting Restatement of Torts 757 cmt. b (1939)); see also Water Servs., Inc. v. Tesco Chems., Inc., 410 F.2d 163, 171, 162 U.S.P.Q. (BNA) 321, 327 (5th Cir. 1969) (quoting Restatement of Torts 757 cmt. b, at 5 (1939)):

[A trade secret] may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers... Generally it relates to the formula for the production of an article. It may, however, relate to the sale of goods or to other operations in the business, such as a code for determining discounts, rebates or other concessions in a price list or catalogue, or a list of specialized customers, or a method of bookkeeping or other office management.

¶n36. See Cataphote Corp. v. Hudson, 422 F.2d 1290, 1293, 165 U.S.P.Q. (BNA) 41, 44 (5th Cir. 1970).

¶n37. "Of course,... a non-secret item may become the subject of a process not theretofore generally known and therefore secret." Id. at 1293 n.2, 165 U.S.P.Q. (BNA) at 44 n.2.

¶n38. See Fuelling, supra note 30, at 474; see also Cataphote, 422 F.2d at 1293, 165 U.S.P.Q. (BNA) at 43 (citing Restatement of Torts 757 cmt. a, at 4 (1939)):

The patent laws establish a monopoly for the purpose of encouraging invention and the arts. Protection of trade secrets is a form of protection against use by others, focusing upon inequitable use by another - by breach of contract not to reveal, or abuse of confidence, or impropriety in obtaining the secret.

¶n39. Water Servs., 410 F.2d at 171, 162 U.S.P.Q. (BNA) at 327.

¶n40. Kewanee Oil, 416 U.S. at 476, 181 U.S.P.Q. (BNA) at 676.

¶n41. See 2 Callman, Unfair Competition, Trademarks and Monopolies 14.07, at 36 (4th ed. 1996) ("As distinguished from a patentable invention, a trade secret need not be... novel or unobvious....").

¶n42. Restatement of Torts 757 cmt. b, at 7 (1939). "The patent monopoly is a reward to the inventor. But such is not the case with a trade secret. Its protection is not based on a policy of rewarding or otherwise encouraging the development of secret processes or devices." Id.

¶n43. Id.; see also Cataphote Corp. v. Hudson, 422 F.2d 1290, 1294 n.3, 165 U.S.P.Q. (BNA) 41, 44 n.3 (5th Cir. 1970):

Though it need not do so, a trade secret may possess qualities of novelty or inventiveness but not rise to the level of patentable invention. Or the trade secret may be patentable and the owner seek to protect it as a trade secret rather than spread it on the records as a

patent.

¶n44. Cataphote, 422 F.2d at 1293, 165 U.S.P.Q. (BNA) at 44.

¶n45. See, e.g., Fuelling, supra note 30, at 473-74.

¶n46. See id. at 474.

¶n47. See id.

¶n48. See id. If a company requires developers of such formulas to enter into confidentiality agreements, it would even be possible to keep the formula secret from those who operate the equipment by setting up a computer program whereby a user merely enters data. See id.

¶n49. See id. Interestingly, the case that confirmed the patentability of business methods, State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 47 U.S.P.Q.2d (BNA) 1596 (Fed. Cir. 1998), cert. denied, 119 S. Ct. 851 (1999), involved a patent for an accounting-type function (a stock selection technique), and many of the patentee's competitors have argued that the patent is redundant because most similar functions are protected by "trade-secrets law and a veil of silence." Pui-Wing Tam, What's Next? Getting Patents for Cold Calls?, Wall St. J., Nov. 2, 1998, at C1.

¶n50. See Fuelling, supra note 30, at 474.

¶n51. See id. For a detailed comparison of patent and trade secret protection, see Gordon L. Doerfer, *The Limits on Trade Secret Law Imposed by Federal Patent and Antitrust Supremacy*, 80 Harv. L. Rev. 1432, 1447-56 (1967).

¶n52. See Fuelling, supra note 30, at 473.

¶n53. See id.

¶n54. See supra text accompanying note 5.

¶n55. In a famous case, Compton New Media received a patent in 1994 covering a commonly used method of searching and receiving sound, text, and video in computer programs. The company publicized its intention to charge anyone using such technology (basically the entire industry), and the "ensuing uproar" was so great that "Patent Commissioner Bruce Lehman, in a rare move, re-examined the patent himself and invalidated it." James Kim, *Patent He Seeks Could Affect All Web Browsers*, USA Today, Mar. 26, 1996, at 1B.

¶n56. For example, U.S. Patent No. 5,790,793 (issued Aug. 4, 1998), held by NETdelivery, covers a "method of communicating between computers [by] sending a message over a network, said message including at least one reference to a predetermined location at a first computer system; receiving said message at a second computer system; and decoding said message by retrieving data from said predetermined location automatically." Paul Festa, *Patent Could Push Firms' Buttons*, CNET News.com (Aug. 21, 1998) <<http://www.news.com/News/Item/0.25.255562.00.html>>. This claim translates into "push" technology, a technology currently in wide use by, among others, Netscape Communications' Netcaster, Microsoft's Channel Definition Format, and Marimba's Castanet. NETdelivery formulated a licensing program and planned to ask infringing companies to "pony up." Id.

¶n57. Lipton, supra note 28. Netcentives, see infra text accompanying note 76, announced that it received \$ 17.25 million in new funding as a result of its newly issued patent. See Lipton, supra note 28.

¶n58. For example, E-Data Corp. sued 21 companies, including Adobe Systems, CompuServe, and McGraw-Hill, claiming infringement of its broad patent on methods of selling software electronically. A court dismissed the claim and chastised E-Data for expanding "the scope of its patent beyond that which was intended." Interactive Gift Express, Inc. v. CompuServe, Inc., 47 U.S.P.Q.2d (BNA) 1797 (S.D.N.Y. 1998); see also infra text

accompanying notes 192 and 193. Nevertheless, E-Data notified 150 other companies that they were infringing the patent. See Kim, *supra* note 55.

¶n59. See Tim Clark, *Who's Got the Patent?*, CNET News.com (Aug. 26, 1998) <<http://news.cnet.com/news/0-1003-200-332600.html>> (providing a sampling of issued e-commerce patents).

¶n60. See U.S. Patent No. 5,867,799 (issued Feb. 2, 1999).

¶n61. See *Lycos Gets Patent for WiseWire*, CNET News.com (Aug. 5, 1998) <<http://news.cnet.com/news/0-1005-200-331942.html>>.

¶n62. See *id.*

¶n63. See *Pitney Bowes Tests Net Postage*, CNET News.com (Nov. 11, 1998) <<http://news.cnet.com/news/0-1007-200-335238.html>>.

¶n64. See, e.g., U.S. Patent No. 5,625,694 (issued Apr. 29, 1997); U.S. Patent No. 5,781,438 (issued July 14, 1998); U.S. Patent No. 5,987,441 (issued Nov. 16, 1999).

¶n65. See *Pitney Bowes*, *supra* note 63.

¶n66. See U.S. Patent No. 5,708,780 (issued Jan. 13, 1998). The claimed system may also cover digital certificates, but not cookies, to track users on a Web site. See Clark, *supra* note 59.

¶n67. See U.S. Patent No. 5,708,780 (issued Jan. 13, 1998).

¶n68. U.S. Patent No. 5,715,314 (issued Feb. 3, 1998).

¶n69. See *id.*

¶n70. See *id.*

¶n71. See John Evan Froom, *Open Market Receives Internet Payment Patent*, InternetWeek Online (Mar. 3, 1998) <<http://www.comweek.com/news/news0303-4.htm>>; Gabrielle Jonas, *Open Market Shares Soar on Patent News*, TechWeb (Mar. 3, 1998) <<http://www.techweb.com/wire/finance/story/INV19980303S0003>>.

¶n72. See U.S. Patent No. 5,724,424 (issued Mar. 3, 1998).

¶n73. U.S. Patent No. 5,794,207 (issued Aug. 11, 1998).

¶n74. See U.S. Patent No. 5,794,210 (issued Aug. 11, 1998).

¶n75. Matt Richtel, *Are Patents Good or Bad for Business Online?*, *Cyber L.J.* (Aug. 28, 1998) <<http://www.nytimes.com/library/tech/98/08/cyber/cyberlaw/28law.html>>.

¶n76. See U.S. Patent No. 5,774,870 (issued June 30, 1998).

¶n77. See Clark, *supra* note 59.

¶n78. See U.S. Patent No. 5,191,573 (issued Mar. 2, 1993); U.S. Patent No. **5,675,734** (issued Oct. 7, 1997).

¶n79. Jennifer Sullivan, *Patented Listening Pleasure*, *Wired News* (Oct. 1, 1998) <<http://www.wired.com/news/news/business/story/15346.html>>.

¶n80. *Id.*

¶n81. See U.S. Patent No. 5,764,906 (issued June 9, 1998).

¶n82. See U.S. Patent No. 5,838,790 (issued Nov. 17, 1998).

¶n83. See U.S. Patent No. 5,809,242 (issued Sept. 15, 1998).

¶n84. See 1869 Dec. Comm'r Pat. 59 (1869) (stating that "it is contrary... to the spirit of the law, as construed by the office for many years, to grant patents for methods of book-keeping").

¶n85. See 1912 Dec. Comm'r Pat. 434, 436-37 (D.C. Cir. 1911) (stating that "had he really invented a method of simultaneous double entry bookkeeping he would be entitled to the protection of that invention").

¶n86. While no case has specifically identified the elements of the business method exception, some cases have given examples of "methods of doing business." See, e.g., Loew's Drive-In Theatres, Inc. v. Park-In Theatres, 174 F.2d 547, 81 U.S.P.Q. (BNA) 149 (1st Cir. 1949). In fact, some commentators have argued that it would be a bad idea to define a "method of doing business." See, e.g., Fuelling, *supra* note 30, at 472 n.15 ("Although [patenting methods of doing business] might promote predictability... it would place a judicial limit on Congress' definition of process.").

¶n87. Hotel Security Checking v. Lorraine, 160 F. 467 (2d Cir. 1908).

¶n88. Id. at 469.

¶n89. See, e.g., Berardini v. Tocci, 190 F. 329 (C.C.S.D.N.Y. 1911), *rev'd*, 200 F. 1021 (2d Cir. 1912); Guthrie v. Curlett, 10 F.2d 725 (2d Cir. 1926); Loew's Drive-In, 174 F.2d at 547, 81 U.S.P.Q. (BNA) at 149; In re Johnston, 502 F.2d 765, 183 U.S.P.Q. (BNA) 172 (C.C.P.A. 1974), *rev'd sub nom. Dann v. Johnston*, 425 U.S. 219, 189 U.S.P.Q. (BNA) 257 (C.C.P.A. 1976); McAlpine v. AAMCO Automatic Transmissions, Inc., 461 F. Supp. 1232, 202 U.S.P.Q. (BNA) 575 (E.D. Mich. 1978).

¶n90. See, e.g., Donald S. Chisum, *Patents: A Treatise on the Law of Patentability, Validity, and Infringement* 1.01 (1992) ("Discoveries, however practical and useful, in nontechnological arts, such as... business and management methodology," are denied patentability.); Peter D. Rosenberg, *Patent Law Fundamentals* 6.02[3][b] (rel. 48 June 1999).

¶n91. See, e.g., In re Alappat, 33 F.3d 1526, 1537, 31 U.S.P.Q.2d (BNA) 1545, 1551 (Fed. Cir. 1994).

¶n92. 160 F. at 469.

¶n93. Id.

¶n94. See id. at 472.

¶n95. See State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 1375, 47 U.S.P.Q.2d (BNA) 1596, 1603 (Fed. Cir. 1998) ("The business method exception has never been invoked by this court, or the CCPA, to deem an invention unpatentable."), *cert. denied*, 119 S. Ct. 851 (1999). For a case-by-case analysis of the actual grounds for denying patentability in cases where the business method exception was discussed, see Fuelling, *supra* note 30, at 471-72.

¶n96. See State Street Bank, 149 F.3d at 1375, 47 U.S.P.Q.2d (BNA) at 1603.

¶n97. See In re Wait, 73 F.2d 982, 983, 24 U.S.P.Q. (BNA) 88, 89 (C.C.P.A. 1934) ("That a physical system contrived to enable the carrying out of transactions such as those described might be patentable... is quite conceivable....").

¶n98. See Fuelling, *supra* note 30, at 488.

¶n99. See U.S. Patent No. 4,885,686 (issued Dec. 5, 1989):

Resource allocation decisions are typically subject to constraints on such allocations. Resources are always limited in overall availability, and, furthermore, the usefulness of a particular resource in some particular application may also be limited. For example, the traffic-carrying capacity of each individual link in a telecommunications system is limited, while the overall traffic offered to the communications system is also limited. Each particular allocation of resources can be associated with a "payoff," i.e., a cost of that allocation or an allocation benefit (e.g., profit). The problem, then, is to allocate the resources so as to satisfy all of the constraints and, simultaneously, to maximize the payoff, i.e., minimize the costs or maximize the benefits.

¶n100. See U.S. Patent No. 5,148,365 (issued Sept. 15, 1992).

¶n101. See State Street Bank, 149 F.3d at 1375, 47 U.S.P.Q.2d (BNA) at 1603.

¶n102. Id. at 1375 n.10, 47 U.S.P.Q.2d (BNA) at 1603-04 n.10 (Fed. Cir. 1998) (quoting In re Schrader, 22 F.3d 290, 298, 30 U.S.P.Q.2d (BNA) 1455, 1462 (Fed. Cir. 1994) (Newman, J., dissenting)).

¶n103. Id. at 1376 n.13, 47 U.S.P.Q.2d (BNA) at 1603 n.13. The Internet certainly qualifies as such a system.

¶n104. Ernest Bainbridge Lipscomb, 1 Walker on Patents 2:17 (3d ed. 1984).

¶n105. See Burtis, *supra* note 13, at 1137-42 (examining "The Supreme Court Trilogy").

¶n106. 409 U.S. 63, 64, 175 U.S.P.Q. (BNA) 673, 674 (1972).

¶n107. Id. at 71-72, 175 U.S.P.Q. (BNA) at 676.

¶n108. See id., 175 U.S.P.Q. (BNA) at 676.

¶n109. 437 U.S. 584, 594, 198 U.S.P.Q. (BNA) 193, 199 (1978).

¶n110. See id. at 586, 198 U.S.P.Q. (BNA) at 195-96.

¶n111. Burtis, *supra* note 13, at 1140; see Flook, 437 U.S. at 586, 198 U.S.P.Q. (BNA) at 195-96.

¶n112. Flook, 437 U.S. at 594-95, 198 U.S.P.Q. (BNA) at 199.

¶n113. 450 U.S. 175, 184, 209 U.S.P.Q. (BNA) 1, 10 (1981).

¶n114. Id., 209 U.S.P.Q. (BNA) at 10.

¶n115. In re Pardo, 684 F.2d 912, 915, 214 U.S.P.Q. (BNA) 673, 675-76 (C.C.P.A. 1982). In Pardo, the CCPA described the Freeman-Walter-Abele two-part test as follows:

First, the claim is analyzed to determine whether a mathematical algorithm is directly or indirectly recited. Next, if a mathematical algorithm is found, the claim as a whole is further analyzed to determine whether the algorithm is "applied in any manner to physical elements or process steps," and, if it is, it "passes muster under 101."

Id., 214 U.S.P.Q. (BNA) at 675-76 (quoting In re Walter, 618 F.2d 758, 767, 205 U.S.P.Q. 397, 407 (C.C.P.A. 1980)). As a result of this test, practitioners used a claim drafting tool - reciting software claims as physical computer "means" for performing the functions of the program - when seeking protection for computer programs. See 35 U.S.C. 112, para. 6 (1994) (permitting an element in a combination of elements to be claimed as a "means for"



performing a specified function).

¶n116. See Burtis, *supra* note 13, at 1147 n.96:

Interestingly, the Federal Circuit apparently has failed to adopt this uniform approach towards applying the Freeman-Walter-Abele test. Despite paying lip service to such an approach in a recent case by restating the test as requiring that an algorithm be "applied in one or more steps of an otherwise statutory process claim, or one or more elements of an otherwise statutory apparatus claim" to satisfy the requirements of 101, the court failed to apply the test to the apparatus claims at issue in the case. *Arrhythmia Res. Tech., Inc. v. Corazonix Corp.*, 958 F.2d 1053, 1058, 22 U.S.P.Q.2d (BNA) 1033, 1037 (Fed. Cir. 1992)...

¶n117. *In re Alappat*, 33 F.3d 1526, 1543, 31 U.S.P.Q.2d (BNA) 1545, 1557 (Fed. Cir. 1994).

¶n118. See *id.* at 1545, 31 U.S.P.Q.2d (BNA) at 1558.

¶n119. There was confusion regarding the physical activity requirement even at the time *Alappat* was decided. In *In re Schrader*, a case decided within four months of *Alappat*, the Federal Circuit reviewed a patent applicant's claim to a competitive bidding system for which computers were "useful" but not necessary. 22 F.3d 290, 30 U.S.P.Q.2d (BNA) 1455 (Fed. Cir. 1994). The court found the patent to be directed to nonpatentable subject matter because there was no "transformation or conversion of subject matter representative of or constituting physical activity or objects." *Id.* at 294, 30 U.S.P.Q.2d (BNA) at 1459.

¶n120. See also discussion *infra* Part IV.

¶n121. 564 F. Supp. 1358, 218 U.S.P.Q. (BNA) 212 (D. Del. 1983).

¶n122. See *id.* at 1363, 218 U.S.P.Q. (BNA) at 216.

¶n123. See *id.* at 1361, 218 U.S.P.Q. (BNA) at 214.

¶n124. See *id.* at 1363, 218 U.S.P.Q. (BNA) at 216.

¶n125. See *id.* at 1360-61, 218 U.S.P.Q. (BNA) at 214.

¶n126. *Paine, Webber*, 564 F. Supp. at 1369, 218 U.S.P.Q. (BNA) at 220.

¶n127. *Id.*, 218 U.S.P.Q. (BNA) at 220.

¶n128. 9 U.S.P.Q.2d (BNA) 1819, 1819 (Bd. Pat. App. & Interf. 1988).

¶n129. *Id.* at 1820-21.

¶n130. E.g., Manual of Patent Examining Procedure 706.03(a) (6th ed. Jan. 1995).

¶n131. See Manual of Patent Examining Procedure (7th ed. 1998), available in <<http://www.uspto.gov/web/offices/pac/mpep/mpep.htm>> [hereinafter MPEP].

¶n132. Examination Guidelines for Computer-Related Inventions, 61 Fed. Reg. 7,478, 7,479 (1996), reprinted in MPEP, *supra* note 131, 2106 [hereinafter Guidelines].

¶n133. 149 F.3d 1368, 1375, 47 U.S.P.Q.2d (BNA) 1596, 1602 (Fed. Cir. 1998), cert. denied, 119 S. Ct. 851 (1999).

¶n134. See *id.* at 1371, 47 U.S.P.Q.2d (BNA) at 1599. Key elements of the claims at issue included "(a) computer processor means... for processing data;... [and] (d) second means... for processing data regarding assets in the portfolio and each of the funds from a previous day..." *Id.*, 47 U.S.P.Q.2d (BNA) at 1599.

- ¶n135. Id., 47 U.S.P.Q.2d (BNA) at 1599.
- ¶n136. Id. at 1370, 47 U.S.P.Q.2d (BNA) at 1598.
- ¶n137. See id., 47 U.S.P.Q.2d (BNA) at 1598.
- ¶n138. State Street Bank & Trust Co. v. Signature Financial Group, Inc., 927 F. Supp. 502, 38 U.S.P.Q.2d (BNA) 1530 (D. Mass. 1996), rev'd, 149 F.3d 1368, 47 U.S.P.Q.2d (BNA) 1596 (Fed. Cir. 1998), cert. denied, 119 S. Ct. 851 (1999).
- ¶n139. Id. at 516, 38 U.S.P.Q.2d (BNA) at 1542.
- ¶n140. See id. at 517, 38 U.S.P.Q.2d (BNA) at 1542.
- ¶n141. State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 1375, 47 U.S.P.Q.2d (BNA) 1596, 1602 (Fed. Cir. 1998), cert. denied, 119 S. Ct. 851 (1999).
- ¶n142. Id. at 1372, 47 U.S.P.Q.2d (BNA) at 1599.
- ¶n143. Id. at 1375, 47 U.S.P.Q.2d (BNA) at 1602 (quoting In re Alappat, 33 F.3d 1526, 1544, 31 U.S.P.Q.2d (BNA) 1545, 1557 (Fed. Cir. 1994)).
- ¶n144. Id., 47 U.S.P.Q.2d (BNA) at 1602.
- ¶n145. See id., 47 U.S.P.Q.2d (BNA) at 1602.
- ¶n146. For a history of the Federal Circuit cases, see Ronald S. Laurie & Joseph K. Siino, A Bridge over Troubled Waters? Software Patentability and the PTO's Proposed Guidelines (pts. 1 & 2), Computer Law., Sept. 1995, at 6, Computer Law., Oct. 1995, at 18.
- ¶n147. See Guidelines, supra note 132.
- ¶n148. Richtel, supra note 75.
- ¶n149. See Guidelines, supra note 132, at 7,492 (presenting flowchart of step "IV. Determine Whether the Claimed Invention Complies with 35 U.S.C. 101").
- ¶n150. See supra note 115 and accompanying text.
- ¶n151. See Ronald S. Laurie & Joseph Yang, Patenting Content: The Expanding Role of Patent Protection for Internet-Based Information Products, in PLI's Second Annual Institute for Intellectual Property Law 239, 263 (PLI Pats., Copyrights, Trademarks, & Literary Prop. Course Handbook Series No. 453, Sept. 1996).
- ¶n152. See Donald S. Chisum, Chisum on Patents 3.01 (1994).
- ¶n153. See id.
- ¶n154. 35 U.S.C. 102(a) (1994).
- ¶n155. See Anthony William Deller, 1 Walker on Patents 22 (Baker, Voorhis & Co., Deller's ed. 1937) (stating that "as instances of the non-patentability of ideas, mention may be made of the various systems for doing business, such as modes of bookkeeping and hotel checking systems" and citing, in support of his proposition, those cases described in the text which rejected the inventions because they were not novel, not because they lacked patentable subject matter).
- ¶n156. 124 U.S. 601, 603 (1888).
- ¶n157. See id. at 604-05; Fuelling, supra note 30, at 480. Several other cases have reached the same result. See In re Klingaman, 22 F.3d 290, 298, 30 U.S.P.Q.2d (BNA) 1455, 1462

(Fed. Cir. 1994) (Newman, J., dissenting):

The decisions that have spoken of "methods of doing business" have, or could have, resolved the issue in each case simply by relying on the statutory requirements of patentability such as novelty and unobviousness. An illustration is the CCPA's analysis in In re Howard, 55 C.C.P.A. 1121, 394 F.2d 869, 157 U.S.P.Q. 615 (C.C.P.A. 1968), wherein the court affirmed the Board of Appeals' rejection of the claims for lack of novelty, the court finding it unnecessary to reach the Board's section 101 ground that a method of doing business is "inherently unpatentable." *Id.* at 872, 157 U.S.P.Q. at 617.

Ex parte Murray, 9 U.S.P.Q.2d 1819 (Bd. Pat. App. & Interf. 1988), relied on herein by the Board, can be viewed similarly, for the Murray holding that "the claimed accounting method [requires] no more than the entering, sorting, debiting and totaling of expenditures as necessary preliminary steps to issuing an expense analysis statement," 9 U.S.P.Q.2d at 1820, states grounds of obviousness or lack of novelty, not of non-statutory subject matter. Indeed, in Dann v. Johnston, 425 U.S. 219, 189 U.S.P.Q. 257, 47 L. Ed. 2d 692, 96 S. Ct. 1393 (1976), the Supreme Court declined to discuss the section 101 argument concerning the computerized financial record-keeping system, in view of the Court's holding of patent invalidity under section 103.

¶n158. See Richtel, *supra* note 75 ("Because the medium is so new, [Karen Buchanan, Associate Solicitor in the Office of the Solicitor at the Patent and Trademark Office] said, patent investigators have not always had an easy time determining the relative novelty of a business model. "We don't have a history'... "We have to struggle through magazines and conference papers. Everyone is feeling the struggle."").

¶n159. Boulder, Colorado-based TravelBids, Inc. claims that it, not Priceline.com, pioneered the reverse auction business method. See Mel Duvall, Priceline Patent Sparks Debate, *Inter@ctive Week Online* (Aug. 17, 1998) <<http://www.zdnet.com/intweek/print/980817/345090.html>>.

¶n160. See *supra* Part II.C.

¶n161. See Paul C. Judge, *The Internet: They've Got the Patents, But So What?*, *Bus. Wk.*, June 1, 1998, at 154B.

¶n162. See *id.* ("It's asking the Net commerce giants to license its patented technologies - but for little money.").

¶n163. See Duvall, *supra* note 159.

¶n164. See *id.*

¶n165. See *id.*

¶n166. Chisum, *supra* note 152, 4.01.

¶n167. *Id.* (quoting Brenner v. Manson, 383 U.S. 519, 534-35, 148 U.S.P.Q. (BNA) 689, 695 (1966)).

¶n168. Chisum, *supra* note 152, 4.01.

¶n169. *Id.* 4.04[1].

¶n170. See Gottschalk v. Benson, 409 U.S. 63, 175 U.S.P.Q. (BNA) 673 (1972) (holding that ideas are unpatentable).

¶n171. See *supra* Part II.C.

¶n172. Craig Bicknell, *Giveaways Are Gonna Cost Ya*, *Wired News* (Aug. 24, 1998)

<<http://www.wired.com/news/news/business/story/14612.html>>.

¶n173. See Wendy R. Leibowitz, *Patents and E-Business*, Nat'l L.J., June 14, 1999, at A19 ("Some people will end up paying licensing fees for concepts, such as coupons, that are familiar.").

¶n174. Hotchkiss v. Greenwood, 52 U.S. (11 How.) 248, 267 (1851).

¶n175. 35 U.S.C. 103(a) (Supp. III 1997).

¶n176. U.S. Const. art. I, 8, cl. 8; see also Graham v. John Deere Co., 383 U.S. 1, 5-6, 148 U.S.P.Q. (BNA) 459, 462 (1966).

¶n177. Chisum, *supra* note 152, 3.01.

¶n178. See, e.g., *Against Software Patents: The League for Programming Freedom*, 14 Hastings Comm. & Ent. L.J. 297, 302 (1992).

¶n179. *Id.*

¶n180. See *id.*

¶n181. See *supra* text accompanying note 73.

¶n182. See Leibowitz, *supra* note 173 (noting a practitioner's concern that "patents are being granted for familiar business models merely because they are appearing on the Web" and that "Dutch auctions have existed in the real world for centuries").

¶n183. See *supra* text accompanying note 159.

¶n184. Duvall, *supra* note 159.

¶n185. See Burtis, *supra* note 13, at 1137 n.43:

These three categories evolved from somewhat more generalized principles. See, e.g., Rubber-Tip Pencil Co. v. Howard, 87 U.S. (20 Wall.) 498, 507 (1874) ("An idea of itself is not patentable, but a new device by which it may be made practically useful is."); LeRoy v. Tatham, 55 U.S. (14 How.) 156, 175 (1852) ("A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right."); In re Bergy, 596 F.2d 952, 965, 201 U.S.P.Q. (BNA) 352, 364 (C.C.P.A. 1979) (finding it well established that "principles, laws of nature, mental processes, intellectual concepts, ideas, natural phenomena, mathematical formulae, methods of calculation, fundamental truths, original causes, motives, [and] the Pythagorean theorem" do not fall within section 101).

¶n186. LeRoy, 55 U.S. at 175.

¶n187. Gottschalk v. Benson, 409 U.S. 63, 67, 175 U.S.P.Q. (BNA) 673, 675 (1972).

¶n188. Burtis, *supra* note 13, at 1138; see also Diamond v. Chakrabarty, 447 U.S. 303, 309, 206 U.S.P.Q. (BNA) 193, 197 (1980) ("[A] new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter. Likewise, Einstein could not patent his celebrated law that  $E=mc^2$ ; nor could Newton have patented the law of gravity.").

¶n189. 609 F.2d 481, 482, 203 U.S.P.Q. (BNA) 812, 813 (C.C.P.A. 1979).

¶n190. 688 F.2d 789, 795, 215 U.S.P.Q. (BNA) 193, 198 (C.C.P.A. 1982).

¶n191. See Maucorps, 609 F.2d at 486, 203 U.S.P.Q. (BNA) at 816; Meyer, 688 F.2d at 796, 215 U.S.P.Q. (BNA) at 199.

¶n192. Sullivan, supra note 79.

¶n193. Interactive Gift Express, Inc. v. CompuServe, Inc., 47 U.S.P.Q.2d (BNA) 1797, 1809 (S.D.N.Y. 1998).

¶n194. See supra text accompanying note 172.

¶n195. Bicknell, supra note 172.

¶n196. U.S. Patent No. 5,774,870 (issued June 30, 1998).

¶n197. See discussion supra Part III.A.3.

¶n198. See State Street Bank & Trust Co. v. Signature Financial Group, Inc., 927 F. Supp. 502, 514, 38 U.S.P.Q.2d (BNA) 1530, 1540-41 (D. Mass. 1996), rev'd, 149 F.3d 1368, 47 U.S.P.Q.2d (BNA) 1596 (Fed. Cir. 1998), cert. denied, 119 S. Ct. 851 (1999).

¶n199. Id. at 515, 38 U.S.P.Q.2d (BNA) at 1541.


¶n200. See id., 38 U.S.P.Q.2d (BNA) at 1541.

¶n201. State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 1374-75, 47 U.S.P.Q.2d (BNA) 1596, 1601-02 (Fed. Cir. 1998), cert. denied, 119 S. Ct. 851 (1999).

¶n202. See Chisum, supra note 152, 4.01.

¶n203. See supra text accompanying notes 106-08.

¶n204. Paine, Webber, Johnson & Curtis, Inc. v. Merrill, Lynch, Pierce, Fenner & Smith, Inc., 564 F. Supp. 1358, 1369, 218 U.S.P.Q. (BNA) 212, 220 (D. Del. 1983) (synthesizing various CCPA holdings).

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... consider patents 5191573 and **5675734**, created by Arthur ...  
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... doesn't apply to you. Patent **5675734**'s claims also specify that ...  
... evaluating what patents 5191573 and **5675734** mean to his company's plans ...
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EXAMINER

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CENTRAL REEXAMINATION UNIT

**EX PARTE REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. 90/007,403.

PATENT NO. 5675734.

ART UNIT 3992.

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified *ex parte* reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the *ex parte* reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).

<b>Office Action in Ex Parte Reexamination</b>	Control No. 90/007,403	Patent Under Reexamination 5675734	
	Examiner ROLAND G. FOSTER	Art Unit 3992	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

- a  Responsive to the communication(s) filed on 15 December 2008.      b  This action is made FINAL.  
c  A statement under 37 CFR 1.530 has not been received from the patent owner.

A shortened statutory period for response to this action is set to expire 2 month(s) from the mailing date of this letter. Failure to respond within the period for response will result in termination of the proceeding and issuance of an *ex parte* reexamination certificate in accordance with this action. 37 CFR 1.550(d). **EXTENSIONS OF TIME ARE GOVERNED BY 37 CFR 1.550(c).** If the period for response specified above is less than thirty (30) days, a response within the statutory minimum of thirty (30) days will be considered timely.

Part I THE FOLLOWING ATTACHMENT(S) ARE PART OF THIS ACTION:

1.  Notice of References Cited by Examiner, PTO-892.      3.  Interview Summary, PTO-474.  
2.  Information Disclosure Statement, PTO/SB/08.      4.  \_\_\_\_\_.

Part II SUMMARY OF ACTION

- 1a.  Claims 1-34 are subject to reexamination.  
1b.  Claims \_\_\_\_\_ are not subject to reexamination.  
2.  Claims \_\_\_\_\_ have been canceled in the present reexamination proceeding.  
3.  Claims \_\_\_\_\_ are patentable and/or confirmed.  
4.  Claims 1-34 are rejected.  
5.  Claims \_\_\_\_\_ are objected to.  
6.  The drawings, filed on \_\_\_\_\_ are acceptable.  
7.  The proposed drawing correction, filed on \_\_\_\_\_ has been (7a)  approved (7b)  disapproved.  
8.  Acknowledgment is made of the priority claim under 35 U.S.C. § 119(a)-(d) or (f).  
a)  All b)  Some\* c)  None of the certified copies have  
1  been received.  
2  not been received.  
3  been filed in Application No. \_\_\_\_\_.  
4  been filed in reexamination Control No. \_\_\_\_\_.  
5  been received by the International Bureau in PCT application No. \_\_\_\_\_.  
\* See the attached detailed Office action for a list of the certified copies not received.  
9.  Since the proceeding appears to be in condition for issuance of an *ex parte* reexamination certificate except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte* Quayle, 1935 C.D. 11, 453 O.G. 213.  
10.  Other: \_\_\_\_\_

cc: Requester (if third party requester)

***Prosecution Reopened***

**Claims 1-4, 6-19, 22-25, 28 and 31-60** were pending in the present reexamination proceeding. All original, independent claims, except for claim 16, were amended and new claims 35-60 were added during this reexamination proceeding. The rejection of these claims was then appealed to the Board of Patent Appeals and Interferences (the "Board"), who rendered a decision on August 28, 2009.

The subject patent under reexamination however, U.S. Patent No. 5,675,734 (the "Hair" patent) issued October 7, 1997, based on United States Application 07/607,648, filed February 27, 1996, but claims entitlement to the filing date June 13, 1988. Thus, the Hair patent under reexamination was enforceable until June 13, 2008, just before a request for oral hearing and reply brief was filed by the patent owner on June 23, 2008. 35 USC § 154.

No amendment may be proposed for entry in an expired patent. 37 C.F.R. §1.530(j). Amendments are not effective until the reexamination certificate is used and published. 37 C.F.F. §1.530(k). See also MPEP § 2250.

As such, the Board's decision decided the propriety of claim rejections subject to amendments effectively withdrawn by the mandatory expiration of the Hair patent term. Most of the original **claims 1-34** however stood rejected before the now (effectively) withdrawn amendments. See the Office action, mailed March 17, 2006. Thus, in accordance with 37 C.F.R. §1.198, prosecution is reopened and a new grounds of rejection is made (below) to the originally

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granted **claims 1-34** as they existed prior to the mandatory withdrawal of all amendments. See also MPEP § 1214.04.



Irem Yucel  
TC Director

### *Claim Interpretation*

As discussed above, the Hair patent under reexamination appears to have expired on June 13, 2008. Regarding reexamination of expired patent, MPEP § 2258.I.G states:

In a reexamination proceeding involving claims of an expired patent, claim construction pursuant to the principle set forth by the court in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316, 75 USPQ2d 1321, 1329 (Fed. Cir. 2005) (words of a claim “are generally given their ordinary and customary meaning” as understood by a person of ordinary skill in the art in question at the time of the invention) should be applied since the expired claim are not subject to amendment.

Regarding "ordinary and customary meaning," MPEP § 2111.01.III states:

The ordinary and customary meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention, i.e., as of the effective filing date of the patent application.” *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313, 75 USPQ2d 1321, 1326 (Fed. Cir. 2005) (en banc).

....  
The ordinary and customary meaning of a term may be evidenced by a variety of sources, including “the words of the claims themselves, the remainder of the specification, the prosecution history, and extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art.” *Phillips v. AWH Corp.*, 415 F.3d at 1314, 75 USPQ2d at 1327.

In the present Office action, the claims are given their ordinary and customary meaning.

The meaning of each claim term in the office actions is the meaning that the term would have to

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a person of ordinary skill in the art in question at the time of the invention. The ordinary and customary meaning given to the claim terms in the office action are evidenced by the claims themselves and the remainder of the specification. For example, the examiner applies prior art, such as Bush to teach the digital transfer of digital audio and video files via "telecommunication lines" in a manner consistent with the meaning the claim terms would have to one of ordinary skill in the art based on the specification of the Hair patent under reexamination. See the rejection of claim 1 for additional details.

In addition, for the reasons discussed below, all recited "means" claims are insufficient to invoke a "means plus function" interpretation corresponding to the disclosed structure. Thus, as indicated above, these claims are interpreted according to the ordinary and customary meaning, rather than necessarily limited to their corresponding structure.

#### *Means plus Function*

Certain claims, such as independent claims 4, 11, 16, 19 and 26, appear to recite means plus function language.

The USPTO must apply 35 U.S.C. 112, sixth paragraph in appropriate cases, and give claims their broadest reasonable interpretation, in light of and consistent with the written description of the invention in the application. See *Donaldson*, 16 F.3d at 1194, 29 USPQ2d at 1850 (stating that 35 U.S.C. 112, sixth paragraph "merely sets a limit on how broadly the PTO may construe means-plus-function language under the rubric of

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reasonable interpretation.”). See also MPEP § 2181.I.

A claim limitation will be presumed to invoke 35 U.S.C. 112, sixth paragraph, if it meets the following 3-prong analysis (MPEP § 2181.I):

- (A) the claim limitations must use the phrase “means for ” or “step for; ”
- (B) the “means for ” or “step for ” must be modified by functional language; and
- (C) the phrase “means for ” or “step for ” must not be modified by sufficient structure, material, or acts for achieving the specified function.

With respect to the first prong of this analysis, numerous means phrases fail to recite "means for." See, for example, see independent claims 11, 16, 19, and 26, which repeatedly recite "means or a mechanism for...." Thus virtue of the explicit use of broad alternative language (means "or" mechanism), the claims to not require any "means" interpretation whatsoever. Regardless, the appellant must show that even though the phrase "means for" is not used, the claim limitation is written as a function to be performed and does not recite sufficient structure. *Id.* The appellant has not presented such an argument during this reexamination proceeding. Thus, it has not been shown that the means limitations discussed above satisfy the first prong.

With respect to the second and third prongs, the examiner finds that all means clauses are not modified by functional language, but instead recite material structure and acts for achieving the specified function. For example, claim 4 recites:

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a means for playing the desired digital video or digital audio signals connected to the second memory and the second party control panel, said means for playing operatively controlled by the second party control panel....

"Means for playing" in claim 4 recites a detailed function comprising several material acts and structure for achieving the means for playing. For example, the means for playing is connected to the "second memory" and a "second party control panel" and furthermore the means for playing is "controlled" by the second party control panel. Thus, all means clauses fail the second and third prongs of said analysis.

Thus, all means plus function phrases are interpreted by the examiner according to the ordinary and customary meaning discussed in the section above and not limited to corresponding structure.

### *Claim Rejections Based on Gallagher*

#### *Claim Rejections - 35 USC § 103*

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

**Claims 1-34** are rejected under 35 U.S.C. 103(a) as being unpatentable over UK Patent Application Publication No. GB 2 178 275 A ("Gallagher") in view of U.S. Patent No. 4,825,357 ("Ovies"), and further in view of U.S. Patent No. 4,528,643 ("Freeny"), of record.



*Summary*

Gallagher teaches substantially all limitations recited in the claims. For example regarding claim 1, Ovies is relied upon to teach the obvious addition of a read/write cache chip to the hard disk disclosed by Gallagher. Freeny is relied upon to teach the obvious addition of providing a credit card number to the sale of digital audio/video data disclosed by Gallagher. Explicit teachings provide suggestions/motivations to combine all three references.

Regarding claim 1,

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

Gallagher teaches transmitting audio and visual signals (page 1, col. 5-10 and 84-92).

**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,**

Gallagher teaches connecting via plural electronic, "telephone links" (telecommunications line) (page 1, ll. 28-32) the first memory (Fig. 2, which illustrates a "database" comprising storage 23, see also page 1, ll. 60 & 61) of the first party (record company) with the remote, second memory (storage medium 32) of the second party (household user), such that the digital audio (music and music information) passes therebetween. See also page 1, ll. 39-54.

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**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,**

Gallagher teaches the first memory (database storage 23) for storing digital video and audio, as discussed above, includes a hard disk (page 1, ll. 32-35). The digital signals are also "encoded" to prevent unlawful copying (page 1, ll. 36-38 & 50-53). As illustrated in Figs. 1 and 2, the digital signals are encoded by "encoder" 13 before storage into the first memory (database storage 23)

**and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party**

Although Gallagher refers to database storage 23 as comprising a buffer (temporary storage) (page 1, ll. 83 & 84) for coded, video and audio signals stored on the hard disk of database storage 23 (as discussed above) and purchased by the second party (page 2, l. 92), Gallagher fails to explicitly teach the sales buffer is a "random access memory chip" to store a "replica of the coded desired digital video or digital audio signals."

As an initial matter, the specification of the Hair patent under reexamination provides few details about the RAM chip other than stating that, as might be expected, it performs a storage function (i.e., it temporarily stores a digital replica) and structurally that it lies between a hard disk 10 and a CPU (control I.C. 20B) See, e.g., Fig. 1 and col. 4, ll. 51-54. Thus, the specification does not state the purpose for the storage function, for example, whether to buffer

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data reads/writes from/to the hard disk or to buffer data transfer over the telecommunication line. Neither does the specification indicate whether the entire replica is stored within the RAM at one time. Thus, the ordinary and customary meaning of a RAM chip consistent with the specification is a RAM chip that temporarily stores replicas of coded digital signals. That is, the ordinary and customary meaning of the term RAM chip does not require reading limitations regarding the purpose of the RAM chip (other than for storage) or whether the RAM chip stores an entire digital signal at one time.

Ovies teaches such a RAM chip according to the above ordinary and custom meaning. In addition however, Ovies even teaches those limitations discussed above not required by the claims.<sup>1</sup> Ovies teaches a large RAM chip is used as a cache memory used to temporarily store data read from (and before writing from) the hard disk. Abstract, Fig. 1, cache RAM chip 52, col. 2, ll. 40-52, col. 4, ll. 37-60. The Ovies RAM chip 52 also lies between the hard disk and CPU consistent with the structure of the Hair RAM chip 20c (compare Fig. 1 of Ovies to Figs. 1 and 2 of the Hair patent under reexamination). The purpose of the Ovies RAM chip 52 is to buffer a hard disk, where the buffered data is still going to/coming from somewhere (other than the hard disk), thus when added to Gallagher that "somewhere" is a telecommunication line. Thus, another purpose of the Ovies RAM chip 52, when added to Gallagher, is to buffer data transferred over a telecommunication line. Ovies also teaches the cache RAM is a "large RAM" that stores "64 records of data." *Id.* Thus although the claims fail to recite that the entire replica

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<sup>1</sup> Ovies however does not teach the unclaimed limitation storing an entire digital signal at the same time if the digital signal is extremely large (greater than 64 Kilo Bytes), however this unclaimed and very narrow limitation is alternatively addressed in a claim rejection *infra*, which adds U.S. Patent No. 5,086,434 ("Abe") as a secondary teaching reference.

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is simultaneously stored, the RAM chip temporarily stores the replica of the entire digital signal when the signal is less than or equal to 64 KB (i.e., Kilobytes) of data. Thus, digital signals other than very large signals would be entirely and simultaneously stored. Finally, as noted above, Gallagher teaches a sales buffers, thus once the Ovies RAM chip is added to Gallagher, it would support the sale of audio and video data taught by Gallagher (as discussed above), and thus perform the function of a "sales" RAM chip.

The suggestion/motivation for adding the random access memory (cache) chip taught by Ovies to support the hard disk of Gallagher would have been to solve a problem common to "almost all serial memories," [e.g., the Gallagher hard disk, serial memory], namely "their slow access times compared to semiconductor random access memories (RAM)," which tends to "very often slow[] the operation of the much faster CPU." Ovies, col. 1, ll. 15-23 and 38-60. Thus, the speed of operation in Gallagher's processing units would have been increased. In other words, the addition of RAM buffering to a hard disk would have increased processing efficiency and speed.

Thus, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to add RAM chip which temporarily stores a replica of the digital video or digital audio signal as taught by Ovies to the "sales" system of Gallagher, which uses a hard disk, serial memory to store the data for purchase.

**for subsequent transfer via telecommunications lines to the second memory of the second party;**

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**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 controlling the first memory so the second party is charged money;**

As discussed above, Gallagher teaches that the digital music data is "purchased" by the household user (second party) automatically via the telecommunications line (telephone line). The first memory (database storage 23) is in control and possession of the first party (record company) because the database "belong[s]" to the record company and because the record company controls the unit by choosing what data to transfer to the unit for "sale" to the general public. Page 1, ll. 44-54. The second memory (storage medium 32) is in possession and control of the second party because the second party (user) determines the location to which the audio/video data is transmitted as broadly recited by the claims, such as the user at home logs onto the user unit, selects the desired data, buys the data, and downloads the data to the user's home unit comprising the second memory. Page 1, ll. 87-92 & 100-107 and page 2, l. 92. This same section of Gallagher also teaches that the second party initiates contact with the first party via the telephone line (telecommunications line) in order to "log on to the database and make her/his selection according to a supplied menu." Since said contact is established via a telephone link (page 1, ll. 28-31), the second party is "telephoning" (as broadly recited distinct from more narrowly placing an outbound telephone call) the first party. Nonetheless even regarding the second party (user) calling the first party (record company), Gallagher teaches that the first party is indeed "called" by the user units. Page 1, ll. 16-18.

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Gallagher as modified however fails to specifically detail how the purchase is transacted (e.g., by the second party providing a credit card number to the first party so the second party is charged money).

Freeny discloses a method of electronically distributing and selling audio and video data from remote, information control machines 14 (first party) to information control machines 12 (second party) (abstract, col. 4, ll. 35-60, col. 5, ll. 10-15, col. 7, l. 50 - col. 8, l. 28, and col. 11, ll. 10-58) also known as "point of sales" locations (col. 4, ll. 35-60), which include a "consumer's home (point of sale location)" (col. 3, ll. 64-68) by way of having the requesting user transmit a consumer credit card number along with their request for the audio and video data (col. 13, lines 25-29).

The suggestion/motivation for further modifying Gallagher with Freeny would have been because Freeny's method of electronic sale allows the selling party to more reliably receive compensation (increase revenue) for the sale of product because the "owner of the information receives the compensation directly for each sale of a recording and such compensation is received before the reproduction is authorized." Col. 13, lines 36-39. Emphasis added. In addition, revenue would have been increased by merely supporting the use of credit card transactions. For example, credit cards permit customers to make purchases in cases where they do not have cash on hand, as would have been notoriously well known in the art. Furthermore, providing support for credit card transactions would have increased the speed and efficiency of

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the financial transaction by eliminating the steps of separately mailing payment to the seller, processing the payment, and then sending the purchased good to the buyer.

In addition, combining prior art elements according to known methods to yield predictable results is obvious. *KSR v. Teleflex*, 550 U.S. 395, 417 (2007). The above analysis establishes that the prior art (Gallagher as modified and Freeny) includes each element claimed, but not in one single prior art reference. One of ordinary skill in the art at the time the invention was made however would have recognized that in combination, Gallagher as modified and Freeny predictably perform their respective functions as they would have separately. For example, in combination Gallagher as modified still transfers digital audio music to the user after purchase and Freeny still teaches allowing the seller of digital audio and video data to directly receive compensation for sale before transferring the data, such as by supporting credit card transactions. One of ordinary skill in the art would have also recognized that the results of the combination were predictable. For example, even when the second party was in possession of the second memory at the second party's house as clearly taught by Gallagher, the advantage of receiving compensation, and particularly a credit card transaction, from the second party before transferring data (Freeny) would have predictably been the same -- to increase revenue due to more reliable compensation for the sold product, to increase sales due to customers at home purchasing on credit, and to advantageously increase the speed and efficiency of the financial transaction.

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Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to have the requesting user's of Gallagher transmit a consumer credit card number along with their request for the digital audio and video data so that the source unit could approve and charge the sale of the digital data to the consumer credit card before the product (digital audio or video) is released, thereby "transferring money electronically via a telecommunication line" as recited.

**electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals**

The digital signals are also "encoded" to prevent unlawful copying (page 1, ll. 36-38 & 50-53). As illustrated in Figs. 1 and 2, the digital signals are encoded by "encoder" 13 before storage into the first memory (database storage 23)

**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; and**

**storing the transferred replica of the coded desired digital video or digital audio signals in the second memory.**

The obvious combination of Gallagher in view of Ovies, and further in view of Freeny teaches these limitations, as discussed above in regard to the prior limitations.



Independent **claim 4** differs substantively from claim 1 in the following manner. Claim 4 recites a "first party control unit," which reads on the first party "database" (as discussed above), which comprises a "main computer" (control unit). Page 1, ll. 13. The database also comprises a "means for controlling the storage and processing of data," which also reads upon a control unit. *Id.* Claim 4 also recites a "means for playing the desired digital video or digital audio signals...operatively controlled by the second party control panel," which reads on the user unit's (second party's) "conversion apparatus 34 for audio and/or visual reproduction." Page 1, ll. 89-92. Regarding the second party "control panel," the conversion apparatus comprises either a speaker panel or a display panel that aids the user in controlling the device. Indeed, Gallagher teaches the second party (user) "logs" on to the database and makes selections according to a supplied menu (page 1, ll. 102-103), which requires the use of a display panel and/or speaker panel. Finally, claim 4 recites "telecommunications lines" (plural) through which both the electronic sale occurs and through which the digital signals are transferred. As noted in the claim 1 rejection above, the combination of Gallagher in view of Freeny teaches transferring the digital signals and credit card numbers via telephone lines.

Independent **claim 11** differs substantively from claims 1 and 4 above in the following manner. Claim 11 recites a "second control integrated circuit, an incoming random access memory and a playback random access memory." Gallagher teaches that user's (second party's) storage device comprises an integrated circuit. Page 1, ll. 32-35. Furthermore, Gallagher

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teaches a control circuit in the form of a "means for storing/recalling and/or processing data" in the user's unit. Page 1, ll. 20-22.

Thus, it would have been obvious to a person of ordinary skill in the art at the time the invention was made modify the user's control circuit disclosed by Gallagher into an integrated circuit as taught by Gallagher regarding the storage device in order to lower cost by relying on efficient, consistently manufactured, and low-cost integrated circuits and to control said circuit via a user-interface (control panel).

Regarding the recited second party "incoming and playback RAM," as noted in the claim 1 rejection above, the addition of a read/write RAM cache to support the hard disk as taught by Ovies would have been an obvious addition to the first party memory (control unit) of Gallagher. Furthermore, not only does Gallagher teach a first party hard disk (as discussed in the claim 1 rejection), but also a second party hard disk -- Fig. 2, storage medium 32, where media "storage" includes the use of a hard disk (page 1, ll. 32-35). Thus for the same reasons as discussed in the claim 1 rejection, the addition of a read/write RAM cache as taught by Ovies would have been an obvious addition to the second party hard disk of Gallagher. The added read/write RAM cache would thus function as a RAM for caching signals written to (incoming) and read from (playback) for the hard disk. Claim 11 also recites a "transmitter connected to the first memory," which reads on Fig. 1, transmitter 20 and a "receiver connected to the second memory," which reads on Fig. 2, receiver 30.

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Finally, claim 11 recites a "means or a mechanism for storing the desired digital video or digital audio signals from the first memory in the second memory," which reads on the second party, hard disk disclosed by Gallagher, as previously discussed.

Independent **claim 16** differs substantively from claims 1, 4, and 11 above in that claim 16 recites a "second party hard disk," however Gallagher discloses this feature. See Fig. 2, storage medium 32, where media "storage" includes the use of a hard disk (page 1, ll. 32-35).

Independent **claims 19, 26 and 28** do not differ substantively from the limitations addressed in the claims 1, 4, 11 and 16 rejections above. Thus, see those rejections for additional details.

Regarding dependent **claim 2**, these limitations were addressed above, such as in the claims 4 and 11 rejections regarding the second party integrated circuit and control panel. Gallagher teaches purchase of the desired, digital content as discussed in the claim 1 rejection, which is initiated via display panel, menu screen (page 1, ll. 102-107).

Regarding dependents **claims 3 and 5**, these limitations were addressed above, such in the claims 11 and 16 rejection regarding Gallagher teaching a second party (user) hard disk and the obvious addition of an incoming random access memory and playback random access memory.

Regarding dependent **claim 6**, see the claim 1 rejection regarding the first party sales random access memory (read/write cache) and the claim 4 rejection regarding the second party control panel. Gallagher as modified fails to specifically teach that the first party device includes an integrated circuit and control panel, which controls and executes commands of the first party. As discussed in the claim 11 rejection above however, Gallagher teaches an integrated circuit would have been an obvious addition to the second party's (user's) device and that the device included a control panel.

Thus, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to add an integrated circuit and control panel to the first party device of Gallagher in order to lower cost by relying on efficient, consistently manufactured, and low-cost integrated circuits and to control said circuit via a user-interface (control panel).

Regarding dependent **claims 7 and 8**, these limitations were addressed above, such as claims 4 and 11 regarding the second party control integrated circuit and control panel; and in the claims 11 and 16 rejections regarding the disclosed second party hard disk and the obvious addition of a playback random access memory (read/write cache).

Regarding dependent **claim 9, 14, 18 and 25**, see the claim 4 rejection for additional details.

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Regarding dependent **claims 10, 12 15, 17, 20, 27 and 29**, as discussed in the claim 1 rejection, one of the recited "telecommunications lines" (plural) is a telephone line.

Regarding dependent **claim 13**, see the claims 1, 11 and 16 rejections above regarding the disclosed first and second party hard disk.

Regarding dependent **claim 21**, see the claims 3 and 5 rejections above regarding the second party hard disk and playback random access memory chip.

Regarding dependent **claim 22**, these limitations were addressed above, for example, see the claim 6 rejection regarding the obvious addition of a first party integrated circuit and control panel. See the claim 1 rejection regarding the disclosed first party, hard disk and the obvious addition of a sales random access memory (read/write cache).

Regarding dependent **claims 23 and 24**, these limitations were addressed above, for example, see the claim 11 rejection regarding the second party, integrated circuit and control panel and second party hard disk and the obvious addition of an incoming/playback random access memory (read/write cache).

Regarding dependent **claim 30**, these limitations were addressed above, for example, see the claim 11 and 16 rejections regarding the disclosed second party hard disk and the obvious addition of a random access memory chip (read/write cache).

Regarding dependent **claim 31**, these limitations were addressed above, for example, see the claim 6 regarding the obvious addition of a first party control integrated circuit.

Regarding dependent **claims 32 and 33**, these limitations were addressed above, see the claim 4 rejection regarding the second party control integrated circuit and control panel.

Regarding dependent **claim 34**, see the claim 4 rejection for additional details.

**Claims 1-34** are rejected under 35 U.S.C. 103(a) as being unpatentable over Gallagher in view of Ovies and Freeny, and further in view of U.S. Patent No. 5,086,434 ("Abe"), newly cited.

The subject rejection differs from the prior rejection of the same claims (over Gallagher in view of Ovies and Freeny) in that Abe is relied upon to teach a memory if that limitation is interpreted to narrowly mean a memory capable of storing an entire digital signal at the same time if the digital signal is large (greater than 64 Kilobytes). As discussed in the prior rejection, Ovies teaches the obvious addition of a RAM chip (buffer) that stores an entire digital signal at the same time, just not a signal bigger than 64 Kilobytes. Abe teaches the buffer can be substantially larger.

Specifically, Abe is analogous art in that it teaches techniques for transmitting image data (col. 1, ll. 9-12) stored on a hard disk (Fig. 1, hard disk unit 50) while, as explained, Gallagher is similarly directed to transmitting moving image data (i.e., video) stored on a hard disk. Abe further teaches memory buffers are used to store an entire, large image (e.g., 4 Megabytes or 512 Kilobytes) and to provide "transmission speed matching between the rigid disk [Fig. 1, hard disk unit 50] and the communication channel" and as a "buffer for temporarily storing predetermined data, thereby matching the speed of the reader 10, printer 70 and communication channel 40." Col. 2, l. 48 – col. 3, l. 4.

The suggestion/motivation for adding Abe's buffer to the sales RAM chip (buffer) taught by Gallagher as modified is to increase the efficiency of data transmission by using a buffer capable of storing large files thereby providing better capability to match the transmission speed of a slow telecommunication channel (e.g., conventional telephone line) to the much faster read/write speed of the hard disk that stores the files, as suggested by Abe above. Furthermore, in telecommunication channels such as telephone lines the user will often be unavailable to receive data (e.g., the user's telephone is off-hook and thus the telephone line is busy). Thus, an extremely large buffer can efficiently store all data intended for transmission to that user until such time the user's telephone line becomes busy, as would have been notoriously well known in the art.

Thus, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to add a buffer storing an entire digital signal at the same time if the digital

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signal is large as taught by the 4 Megabytes (512 Kilobytes) memory of Abe to the 64 Kilobyte sales RAM chip (buffer) of Gallagher as modified.

***Claim Rejections Based on Bush***

*Claim Rejections - 35 USC § 103*

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

**Claims 1-34** are rejected under 35 U.S.C. 103(a) as being unpatentable over U.S. Patent No. 4,789,863 ("Bush"), of record, in view of Ovies, and further in view of Freeny.

*Summary*

Bush teaches substantially all limitations recited in the claims. For example regarding claim 1, the Ovies secondary reference is relied upon to teach the obvious addition of a hard disk and a read/write cache chip to support said hard disk to the storage disclosed by Bush. The Freeny secondary reference is relied upon to teach the obvious addition of coding the digital signal disclosed by Bush in order to prevent unauthorized reproduction. Explicit teachings provide suggestions/motivations to combine all three references.

Regarding **claim 1**,



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

Bush teaches transmitting a desired digital, audio or video signal (col. 2, ll. 18-29 and col. 3, ll. 26 - 35).

**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,**

The limitation broadly recites "a telecommunications lines" (plural). The examiner interprets a "telecommunications lines" to mean transmission of a signal over lines over a distance. The interpretation is consistent with the specification of the Hair patent under reexamination, which provides few details of a telecommunication line, at most stating the "telecommunications lines are preferably telephone lines." Col. 7, ll. 52 & 53. Thus, telecommunications lines are reasonably interpreted to be broader than just telephone lines. This interpretation is also consistent with the interpretation preferred by the patent owner, who argues "telecommunication lines" requires electronic mediums for communicating between computers, which requires end-to-end connectivity. Sightsound.com Inc. v. NSK, Inc. Cdnow, Inc., and Cdnow Online, Inc., Civil Action No. 98-118, pp. 50 and 57 (District Court for the Western District of Pennsylvania, Feb. 2002). Here, Bush teaches of a cable system (electronic medium) that provides end-to-end communications between computers at the central cable system associated with source 10 and the consumer's computer (Figs. 1, 2 and 5). The digital signals are transmitted to plural subscribers (col. 2, ll. 48-50) and furthermore the transmitter comprises "128 digital channels" (col. 3, ll. 25-35). Thus, Bush teaches plural "telecommunication lines."

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The audio and video files are downloaded via this telecommunication line and thus connect the first and second memories, as discussed above.

The digital audio or video signals are stored on compact disc machines 41-46 (first memory) of a pay per view entertainment system provider associated with source 10 (first party) (Figs. 1, 4 and col. 2, ll. 19-47). The digital signals are transmitted via a network connection to the consumer's (second party) receiver 14 (Fig. 1) (also illustrated as receiver 100 in Fig. 5, see also col. 3, ll. 14-17). The first party's location (source 10) is remote via a network from the consumer (Fig. 1). The signals are stored on cassette recording unit and an associated cassette tape (second memory) (Fig. 5 and col. 4, ll. 1-11). The receiver 14 includes a cassette tape (or CD) (col. 5, ll. 34-44) that is in possession and control of the second party (col. 1, ll. 59-64).

**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,**

As discussed above, Bush teaches the first memory uses serial, magnetic storage (cassette recording unit and associated tape), but not that the magnetic storage also includes a hard disk.

Ovies however teaches of a computer system (abstract) using serial, magnetic storage, both in forms very similar to Bush, such as serial magnetic cassette tape and even serial CD (col. 1, ll. 34-37) and also in the specific form of a hard disk (abstract, Fig. 1, hard disk 12).

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The suggestion/motivation for adding magnetic storage in the form of a hard disk as taught by Ovies to the magnetic storage disclosed by Bush would have been because one of the "most popular" forms of magnetic, serial storage is the hard disk," which stores "relatively large amounts of data" with "access time[s]...usually much faster than other types of magnetic disks." Ovies, col. 1, ll. 15-23.

Thus, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to add serial, magnetic storage in the specific form of a hard disk as taught by the computer system of Ovies to the first memory in the computer system of Bush, which also uses serial, magnetic storage.

Regarding "coded" digital signals, this limitation is addressed below regarding the limitations directed to electronically coding to "prevent unauthorized reproduction."

**and a sales random access memory chip which temporarily stores a replica of the coded desired digital video or digital audio signals purchased by the second party**

Bush fails to teach a sales random access memory chip. Ovies however teaches such a feature to support the hard disk that was obviously added to Bush above. As explained in the Gallagher based rejection above, Ovies not only teaches such a RAM chip according to the above ordinary and custom meaning, but also a RAM chip that buffers both the hard disk and the

transmission line and that stores the entire digital signal at one time. In addition however, Ovies even teaches those limitations discussed above not required by the claims.

The suggestion/motivation for adding the random access memory (cache) chip taught by Ovies to support the hard disk of Bush as modified would have been to solve a problem common to "almost all serial memories," [e.g., the Bush hard disk, serial memory], namely "their slow access times compared to semiconductor random access memories (RAM)," which tends to "very often slow[] the operation of the much faster CPU." Ovies, col. 1, ll. 15-23 and 38-60. Thus, the speed of operation in Bush's processing units would have been increased. In other words, the addition of RAM buffering to a hard disk would have increased processing efficiency and speed.

Thus, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to add RAM chip which temporarily stores a replica of the digital video or digital audio signal as taught by Ovies to the "sales" system of Bush as modified, which uses a hard disk, serial memory to store the data for purchase. The integrated RAM chip would have thus been used in a "sales" capacity.

Regarding "coded" digital signals, this limitation is addressed below regarding limitations directed to electronically coding to "prevent unauthorized reproduction."

**for subsequent transfer via telecommunications lines to the second memory of the second party;**

**telephoning the first party controlling use of the first memory by the**

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**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;**

Bush teaches subsequently transmitting a desired digital, audio or video signal (col. 2, ll. 18-29 and col. 3, ll. 26 - 35) via the one of the plural telecommunications lines (as discussed above).

Bush also teaches source 10 (first party) "is also responsible for...customer billing" (col. 2, ll. 44-47). As part of the billing process, the user (second party) "dials the billing service, and transfers the [credit card] data previously input by the operator..." (col. 4, ll. 43-47). Thus the second party telephones the first party. The first party (source) controls use of the first memory, including by obtaining the prerecorded entertainment stored in the first memory. Col. 2, ll. 22-29.

After telephoning the first party as discussed above, Bush teaches that first money is electronically transferred via a telephone line and clearing house 200 to the source 10 (first party) by way of a credit card transaction (Fig. 3 and col. 2, ll. 58-63, col. 4, ll. 44-47, col. 5, ll. 1-3, col. 6, ll. 25-28, and ll. 45-48). Indeed, Bush further teaches "[f]unds deposited into the central receiving account [of the first party] will also carry the following information" including a credit card transaction type and the card number for that transaction (col. 6, ll. 49-64). The second party (consumer) subsequently commands the download of audio/video from the memories of the first party (source 10) (Fig. 7, col. 1, ll. 59-64, and col. 6, ll. 11-48). The second

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party (consumer) also controls the use and also possesses the second memory, such as by the ability to determine what contents are stored in the second memory (col. 6, ll. 11-48).

**electronically coding the desired digital video or digital audio signals to form said coded desired digital video or digital audio signals into a configuration which would prevent unauthorized reproduction of the desired digital video or digital audio signals**

Bush fails to teach coding the digital signals in order to prevent unauthorized reproduction.

Freeny however teaches of a similar system for electronically distributing and selling audio and video data from remote, information control machines 14 (first party) to information control machines 12 (second party) (abstract, col. 4, ll. 35-60, col. 5, ll. 10-15, col. 7, l. 50 - col. 8, l. 28, and col. 11, ll. 10-58) also known as "point of sales" locations (col. 4, ll. 35-60), which include a "consumer's home (point of sale location)" (col. 3, ll. 64-68). Freeny additionally teaches the digital signals are encoded in order to prevent unauthorized reproduction of the digital signals. Col. 6, l. 38 - col. 7, l. 7. The encoded digital signals are then stored a first memory (information file unit 28) for subsequent retrieval. Col. 7, ll. 8-49. See also col. 11, ll. 50-58.

The suggestion/motivation for adding the storage of coded digital video and audio signals in the first memory to prevent unauthorized reproduction as taught by Freeny to the first memory taught by Bush would have been to allow reproduction "at point of sale locations only with the

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permission of the owner of the information, thereby assuring that the owner of the information will be compensated in connection with such reproduction." Freeny, col. 4, ll. 8-13.

Thus, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to add the storage of coded digital video and audio signals in the first memory to prevent unauthorized reproduction as taught by Freeny to the first memory of Bush as modified.

**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; and**

**storing the transferred replica of the coded desired digital video or digital audio signals in the second memory.**

The obvious combination of Bush in view of Ovies, and further view of Freeny teaches these limitations, as discussed above in regard to the prior limitations.

Independent **claim 4** differs substantively from claim 1 in the following manner. Claim 4 recites a "first party control unit," which reads on Fig. 1, multi-system operator 12 (or operator 11), and a "second party control unit having a second party control panel," which reads on Figs. 5 and 6, receiver 100. Fig. 6 specifically illustrate that receiver 100 includes a control panel. Claim 4 also recites a "means for playing the desired digital video or digital audio

signals...operatively controlled by the second party control panel," which reads on television 15 and stereo speakers 107 and 108. Finally, claim 4 recites "telecommunications lines" (plural) through which both the electronic sale occurs and through which the digital signals are transferred. As noted in the claim 1 rejection above, the combination of Bush in view of Ovies and further in view of Freeny teaches transferring the digital signals via a cable system and credit card numbers via a telephone line, both of which can interpreted reasonably broadly as part of the recited, plural "telecommunications lines."

Independent **claim 11** differs substantively from claims 1 and 4 above in the following manner. Claim 11 recites a "second control integrated circuit, an incoming random access memory and a playback random access memory." Bush teaches Fig. 5, microprocessor 114 (second control integrated circuit). Regarding the recited incoming and playback RAM, as noted in the claim 1 rejection above, the addition of a hard disk and a large, read/write RAM cache to support the hard disk as taught by Ovies would have been an obvious addition to the first party memory (control unit) of Bush. For the same reasons, the addition of a hard disk and a large, read/write RAM cache as taught by Ovies would have been an obvious addition to the second control unit of Bush. The added read/write RAM cache would thus function as a RAM for caching signals written to (incoming) and read from (playback) for the hard disk. Claim 11 also recites a "transmitter connected to the first memory," which reads on Fig. 4, CADA transceivers 40 and a "receiver connected to the second memory," which reads on Fig. 5, RF video decoder 104. Finally, claim 11 recites a "means or a mechanism for storing the desired digital video or



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digital audio signals from the first memory in the second memory," which reads on the obvious addition of a second party, hard disk, as discussed above.

Independent **claim 16** differs substantively from claims 1, 4, and 11 above in that claim 16 recites a "second party hard disk," however this would have been an obvious addition as discussed in the claim 11 rejection above.

Independent **claims 19, 26 and 28** do not differ substantively from the limitations addressed in the claims 1, 4, 11 and 16 rejections above. Thus, see those rejections for additional details.

Regarding dependent **claim 2**, these limitations were addressed above, such as in the claims 4 and 11 rejections regarding the second party integrated circuit and control panel.

Regarding dependents **claims 3 and 5**, these limitations were addressed above, such in the claim 11 rejection regarding the obvious addition of a hard disk to the second party device and incoming random access memory and playback random access memory.

Regarding dependent **claim 6**, see the claim 1 rejection regarding the first party sales random access memory (read/write cache) and the claim 4 rejection regarding the second party control panel. Bush as modified fails to specifically teach that the first party device includes an integrated circuit and control panel, which controls and executes commands of the first party.

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As discussed in the claim 4 rejection, Bush teaches both a second party integrated circuit (microprocessor) and control panel.

Thus, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to add an integrated circuit (microprocessor) and control panel to the first party device of Bush in order to lower cost by relying on efficient, consistently manufactured, and low-cost integrated circuits and to control said circuit via a user-interface (control panel).

Regarding dependent **claims 7 and 8**, these limitations were addressed above, such as claims 4 and 11 regarding the second party control integrated circuit and control panel; and the claim 11 rejection regarding the obvious addition of a second party hard disk and playback random access memory (read/write cache).

Regarding dependent **claim 9, 14, 18 and 25**, see the claim 4 rejection for additional details.

Regarding dependent **claims 10, 12 15, 17, 20, 27 and 29**, as discussed in the claim 1 rejection, the recited "telecommunications lines" (plural) includes telephone lines.

Regarding dependent **claim 13**, see the claims 1 and 11 rejections above regarding the obvious addition of a first and second party hard disk.

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Regarding dependent **claim 21**, see the claims 3 and 5 rejections above regarding the second party hard disk and playback random access memory chip.

Regarding dependent **claim 22**, these limitations were addressed above, see the claim 6 rejection regarding the obvious addition of a first party integrated circuit and control panel. See the claim 1 rejection regarding the obvious addition of a first party, hard disk and sales random access memory (read/write cache).

Regarding dependent **claims 23 and 24**, these limitations were addressed above, see the claim 11 rejection regarding the second party, integrated circuit and control panel and regarding the obvious addition of a second party hard disk and incoming/playback random access memory (read/write cache).

Regarding dependent **claim 30**, these limitations were addressed above, see the claim 11 rejection regarding the obvious addition of a second party hard disk and random access memory chip (read/write cache).

Regarding dependent **claim 31**, these limitations were addressed above, see the claim 6 regarding the obvious addition of a first party control integrated circuit and claim 4 regarding the first party control panel.

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Regarding dependent **claims 32 and 33**, these limitations were addressed above, see the claim 4 rejection regarding the second party control integrated circuit and control panel.

Regarding dependent **claim 34**, see the claim 4 rejection for additional details.

***Conclusion***

In order to ensure full consideration of any amendments, affidavits or declarations, or other documents as evidence of patentability, such documents must be submitted in response to this Office action. Submissions after the next Office action, which is intended to be a final action, will be governed by the requirements of 37 CFR 1.116, after final rejection and 37 CFR 41.33 after appeal, which will be strictly enforced.

Extensions of time under 37 CFR 1.136(a) will not be permitted in these proceedings because the provisions of 37 CFR 1.136 apply only to “an applicant” and not to parties in a reexamination proceeding. Additionally, 35 U.S.C. 305 requires that reexamination proceedings “will be conducted with special dispatch” (37 CFR 1.550(a)). Extension of time in *ex parte* reexamination proceedings are provided for in 37 CFR 1.550(c).

The patent owner is reminded of the continuing responsibility under 37 CFR 1.565(a) to apprise the Office of any litigation activity, or other prior or concurrent proceeding, involving the Hair patent throughout the course of this reexamination proceeding. The third party requester is also reminded of the ability to similarly apprise the Office of any such activity or proceeding throughout the course of this reexamination proceeding. See MPEP §§ 2207, 2282 and 2286.

Art Unit: 3992

All correspondence relating to this *ex parte* reexamination proceeding should be directed as follows:

By EFS: Registered users may submit via the electronic filing system EFS-Web, at <https://sportal.uspto.gov/authenticate/authenticateuserlocalepf.html>.

By Mail to: Mail Stop *Ex Parte* Reexam  
Central Reexamination Unit  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

By FAX to: (571) 273-9900  
Central Reexamination Unit

By hand to: Customer Service Window  
Randolph Building  
401 Dulany St.  
Alexandria, VA 22314

For EFS-Web transmission, 37 CFR 1.8(a)(1)(i) (C) and (ii) states that correspondence (except for a request for reexamination and a corrected or replacement request for reexamination) will be considered timely if (a) it is transmitted via the Office's electronic filing system in accordance with 37 CFR 1.6(a)(4), and (b) includes a certificate of transmission for each piece of correspondence stating the date of transmission, which is prior to the expiration of the set period of time in the Office action.

Any inquiry concerning this communication should be directed to Roland Foster at telephone number 571-272-7538.

Signed:

/Roland G. Foster/  
Roland G. Foster  
Central Reexamination Unit, Primary Examiner  
Electrical Art Unit 3992  
(571) 272-7538

Conferees:

/ESK/



<b>Notice of References Cited</b>	Application/Control No. 90/007,403	Applicant(s)/Patent Under Reexamination 5675734	
	Examiner ROLAND G. FOSTER	Art Unit 3992	Page 1 of 1

**U.S. PATENT DOCUMENTS**

*	Document Number Country Code-Number-Kind Code	Date MM-YYYY	Name	Classification
*	A US-4,825,357	04-1989	Ovies et al.	710/29
*	B US-5,086,434	02-1992	Abe et al.	375/219
	C US-			
	D US-			
	E US-			
	F US-			
	G US-			
	H US-			
	I US-			
	J US-			
	K US-			
	L US-			
	M US-			


**FOREIGN PATENT DOCUMENTS**

*	Document Number Country Code-Number-Kind Code	Date MM-YYYY	Country	Name	Classification
	N				
	O				
	P				
	Q				
	R				
	S				
	T				

**NON-PATENT DOCUMENTS**

*	Include as applicable: Author, Title Date, Publisher, Edition or Volume, Pertinent Pages)
U	
V	
W	
X	

\*A copy of this reference is not being furnished with this Office action. (See MPEP § 707.05(a).)  
Dates in MM-YYYY format are publication dates. Classifications may be US or foreign.

<b>Reexamination</b> 	<b>Application/Control No.</b> 90007403	<b>Applicant(s)/Patent Under Reexamination</b> 5675734
	<b>Certificate Date</b>	<b>Certificate Number</b>


<b>Requester Correspondence Address:</b>	<input type="checkbox"/> <b>Patent Owner</b>	<input checked="" type="checkbox"/> <b>Third Party</b>
Albert S. Penilla Martine Penilla & Gencarella, LLP 710 Lakeway Drive, Suite 200 Sunnyvale, CA 94085		

<b>LITIGATION REVIEW</b> <input checked="" type="checkbox"/>	r.g.f. (examiner initials)	03/15/2010 (date)
<b>Case Name</b>		<b>Director Initials</b>
2:04cv1549, closed.		<i>Lee Pearl For GM</i>

<b>COPENDING OFFICE PROCEEDINGS</b>	
<b>TYPE OF PROCEEDING</b>	<b>NUMBER</b>
1. None	

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<b>Search Notes</b>  	<b>Application/Control No.</b> 90007403	<b>Applicant(s)/Patent Under Reexamination</b> 5675734
	<b>Examiner</b> ROLAND G FOSTER	<b>Art Unit</b> 3992

<b>SEARCHED</b>			
<b>Class</b>	<b>Subclass</b>	<b>Date</b>	<b>Examiner</b>

<b>SEARCH NOTES</b>		
<b>Search Notes</b>	<b>Date</b>	<b>Examiner</b>
East text search - see attached search history.	3/15/2010	r.g.f.

<b>INTERFERENCE SEARCH</b>			
<b>Class</b>	<b>Subclass</b>	<b>Date</b>	<b>Examiner</b>

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90/007,403  
ATTACH TO PAPER NO. 20100305 SEARCH NOTES  
**EAST Search History (Prior Art)**

Pg. 10F1

R.C.F.

Ref #	Hits	Search Query	DBs	Default Operator	Plurals	Time Stamp
L1	9632	(hard adj1 (disk or drive)) same (buffer or cache)	USPAT	OR	OFF	2010/03/15 13:55
L2	55	1 and @ad<"19880101"	USPAT	OR	OFF	2010/03/15 13:56

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Re-Examination of PATENT:  
5,675,734  
Control No.: 90/007,403  
Filing Date: 01/31/2005

Confirmation No.: 3002  
Attorney Docket: NAPSP002  
Group Art Unit: 3992  
Examiner: Foster, R.  
Date: May 24, 2010

RESPONSE

Hon. Commissioner of Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

In response to the Office Action dated March 24, 2010, Applicant respectfully submits the Remarks/Arguments beginning on page 2 of this paper.

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REMARKS/ARGUMENTS

Favorable reconsideration of the claims undergoing re-examination, in light of the following discussions, is respectfully requested.

Claims 1-34 are currently undergoing re-examination. No changes have been made to the claims herewith. However, as specified in the Office Action, all previous amendments have now been withdrawn in light of the expiration of the patent.

In the outstanding Office Action, the previous grounds for rejection for the previously pending claims were withdrawn, and several new grounds for rejection have been made. The outstanding rejections are as follows:

(1) Claims 1-34 have been rejected under 35 U.S.C. § 103(a) as being unpatentable over U.K. Patent Application Publication No. GB2178275 (hereinafter “Gallagher”) in view of U.S. Patent No. 4,825,357 (hereinafter “the ‘357 patent”) and further in view of U.S. Patent No. 4,528,643 (hereinafter “the ‘643 patent”);

(2) Claims 1-34 have been rejected under 35 U.S.C. § 103(a) as being unpatentable over Gallagher in view of the ‘357 patent, the ‘643 patent and the ‘434 patent; and

(3) Claims 1-34 have been rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 4,789,863 (hereinafter “the ‘863 patent”) in view of the ‘357 patent and the ‘643 patent.

The assignee respectfully traverses each of those rejections for the reasons set forth below and refers to the contemporaneously filed DECLARATION UNDER 37 C.F.R. 1.132 OF JUSTIN DOUGLAS TYGAR, PH.D. (hereinafter “Tygar Declaration”) throughout in support of its position that claims 1-34 are not rendered obvious by the proposed combinations of references. See Tygar Declaration, paragraph (5).

As a preliminary matter, the Office Action discusses the interpretation of claim elements including the terms “means.” As part of the litigation cited by the examiner in the Western

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District of Pennsylvania, a Markman order has been issued which discusses the interpretation of claim elements reciting “means.” That Markman order is included in an Information Disclosure Statement filed herewith.

The Rejection of Claims 1-34 under 35 U.S.C. § 103(a) over Gallagher in View of the ‘357 Patent and the ‘643 Patent

Claims 1-3

Claim 1 recites “a first party hard disk” and “a sales random access memory chip.” In the outstanding Office Action, the rejection is premised on the alleged obviousness of combining the ‘357 patent with Gallagher and the ‘643 patent. In the Summary of the rejection, the Office Action states the ‘357 patent “is relied upon to teach the obvious addition of a read/write cache chip to the hard disk disclosed by Gallagher.” Page 10 of the rejection further states “The suggestion/motivation for adding the random access memory (cache) chip taught by [the ‘357 patent] to support the hard disk of Gallagher would have been to solve a problem common to ‘almost all serial memories... namely their slow access times compared to ... RAM ... which tends to very often slow the operation of the much faster CPU.” However, there is no evidence that one of skill in the art would have made such a combination. See Tygar Declaration, paragraphs (6) and (7).

The Abstract of the ‘357 patent summarizes the teachings of the ‘357 patent as describing an “I/O controller for a computer system having a plurality of memory devices of different types such as floppy and hard disks, wherein[] a single cache memory is employed for all of the memory devices. Each of the memory devices is provided with its own interface device which directs data outputted from the associated memory device onto a common device bus.” However, Gallagher does not explicitly describe simultaneously using multiple memory devices of different types, so there is no evidence that one of ordinary skill in the art would have looked to the ‘357 patent as a candidate for combination with Gallagher. See Tygar Declaration, paragraph (8).

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In fact, the Summary of the Invention of the '357 patent reinforces that the use of the '357 patent was in configurations where there were multiple disk types, which it refers to as "serial memories." Col. 2, lines 35-44, states:

Accordingly, this invention seeks to provide a controller for an I/O cache in which the controller can support *multiple serial memories* having disparate characteristics.

The invention can be summarized as a controller for an I/O cache in which controller the serial data from one of *multiple serial memory devices* is deserialized and transferred on a parallel device bus ....

(Emphasis added.) See Tygar Declaration, paragraph (9).

Similarly, the very first paragraph of the Detailed Description of the Preferred Embodiments also reiterates the applicability of its invention to multiple disk types. It states "The invention is a controller for supporting two or more serial memories with an I/O cache, in which the serial memories may have disparate characteristics." Based on these teachings, there is no evidence that one of ordinary skill in the art would have made the proposed combination without impermissibly utilizing the patent as a roadmap. See Tygar Declaration, paragraph (10).

The Office Action further attempts to modify the teachings of the '357 patent by changing its principle of operation -- which is an indication of non-obviousness. See MPEP 2143.01 ("If the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified, then the teachings of the references are not sufficient to render the claims *prima facie obvious*."). The Office Action asserts "The purpose of the ... RAM chip 52 [in the '357 patent] is to buffer a hard disk, where the buffered data is still going to/coming from somewhere (other than the hard disk), thus when added to Gallagher that 'somewhere' is a telecommunications line." However, this is explicitly contradicted by the '357 patent which describes that data is sent to and from the processor. The Summary of the Invention states:

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The invention can be summarized as a controller for an I/O cache in which controller the serial data from one of multiple serial memory devices is deserialized and transferred on a parallel device bus to a medium sized buffer RAM (random access memory). A large RAM is used as a cache memory associated with the I/O controller *which transfers data to and from the processor* via a parallel cache bus.

(Emphasis added.) Thus, the system of the '357 patent could read data from and write data to a hard disk without ever utilizing a telecommunications line. Accordingly, the alleged "purpose" is not supported by evidence, and the patentability of claim 1 and its dependent claims 2 and 3 should be confirmed. See Tygar Declaration, paragraph (11).

### Claim 3

Claim 3 depends from claim 1. In addition to the reasons set forth above for the patentability of claim 1, claim 3 is also separately patentable in light of its recitation of "the second memory includes an incoming random access memory chip ..., a second party hard disk for storing the coded desired digital video or audio digital signals from the incoming random access memory chip, and a playback random access memory chip for temporarily storing the coded desired digital video or digital audio signals from the first party hard disk for sequential playback." With respect to claim 3, the Office Action cites the rejection of claim 16 which asserts that Gallagher teaches a second party hard disk but that rejection cites to two different terms in support of its assertion. The Office Action first cites to storage medium 32 of Figure 3, but, rather than then citing to the description of storage medium 32 in the specification, the Office Action cites to page 1, ll. 32-35, which appears to be a discussion of the database-side rather than the user unit. Storage medium 32 is expressly described in the specification, page 1, ll. 89-90, as "a storage medium 32 such as a video tape or optical disk." Neither of these is a hard disk. Further, both of those media are media which were able to be used in consumer playback devices such as video tape players or CD players. Hard disks therefore are not taught

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by Gallagher as part of storage media 32. In addition, Figure 2 shows that Gallagher treats store 23 and storage medium 32 as different, so there is no evidence that page 1, ll. 32-35, was intended to reference the storage medium 32. Thus, Gallagher does not teach the claimed “second party hard disk.” See Tygar Declaration, paragraphs (12) and (13).

In addition, since Gallagher does not teach a second party hard disk, one of ordinary skill in the art would not have been motivated to combine Gallagher and the ‘357 patent because the existence of the hard disk was the alleged reason for combining Gallagher and the ‘357 patent. As there is no assertion that the incoming random access memory chip and the playback random access memory chip would be taught without the ‘357 patent, these elements are not rendered obvious by the improper combination of Gallagher and the ‘357 patent. Accordingly, claim 3 is separately patentable for at least these reasons as well. See Tygar Declaration, paragraph (14).

#### Claims 4-10

Like claim 1, claim 4 also recites “a first party hard disk” and a “sales random access memory chip.” The Office Action has not stated that those elements in claim 4 are allegedly obvious for reasons different than the reasons set forth for claim 1. Thus, claim 4 and its dependent claims 5-9 are patentable for at least the reasons set forth above for the patentability of claim 1. See Tygar Declaration, paragraph (15).

#### Claims 5-9

Claim 5, which depends from claim 4, recites that “the second memory includes a second party hard disk ..., and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback.” As described above with respect to claim 3, such a combination of elements is not taught by the proposed combination. Thus, claim 5 and its dependent claims 6-9 are patentable for at least the reasons set forth above for the patentability of claim 3. See Tygar Declaration, paragraph (16).



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Claims 11-15

Claim 11 recites “a first memory in possession and control of the first party” and “a sales random access memory.” The Office Action has asserted that the hard disk of Gallagher reads on the claimed “first memory” and that it would have been obvious to combine Gallagher with the ‘357 patent. However, as described above with respect to claim 1, the Office Action has not shown that it would have been obvious to make the alleged combination of references. Thus, claim 11 and its dependent claims are patentable for at least the reasons set forth above for the patentability of claim 1. See Tygar Declaration, paragraph (17).

Claim 13

Claim 13, which depends from claim 11, recites that “the second memory comprises a second hard disk.” Claim 11 already recites “a playback random access memory.” As described above with respect to claim 3, such a combination of elements is not taught by the proposed combination. Thus, claim 13 is patentable for at least the reasons set forth above for the patentability of claim 3. See Tygar Declaration, paragraph (18).

Claims 16-18

Claim 16 recites “a first party hard disk”, “a sales random access memory connected to the first hard disk”, and “a second party hard disk.” As discussed above with respect to claims 1 and 3, this combination of elements is not rendered obvious by the proposed combination of references. Thus, the patentability of claim 16 and its dependent claims 17 and 18 should be confirmed. See Tygar Declaration, paragraph (19).

Claims 19-34

The Office Action states that “claims 19, 26 and 28 do not differ substantively from the limitations addressed in ... claims 1, 4, 11 and 16.” While the assignee does not agree with this statement, with respect to the limitations discussed above with respect to claim 1, this is an admission that any deficiencies with respect to the rejection of claim 1 are also applicable to

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independent claims 19, 26 and 28. As discussed above, the Office Action has not shown that those claims and their dependent claims are obvious in light of the proposed combination of references. Thus, the patentability of claims 19-34 should be confirmed. See Tygar Declaration, paragraph (20).

Claims 21-25 and 30-34

Claim 21 depends from independent claim 19. Claim 30 depends from independent claim 28. Both claim 21 and claim 30 recite second party hard disks. As described above with respect to claim 3, the claimed hard disk configuration is not taught by the proposed combination. Thus, claims 21 and 30 and their dependent claims are patentable for at least the reasons set forth above for the patentability of claim 3. See Tygar Declaration, paragraph (21).

The Rejection of Claims 1-34 under 35 U.S.C. § 103(a) over Gallagher in View of the '357 Patent, the '643 Patent and the '434 Patent

The Office Action alleges that the combination of Gallagher in view of the '357 patent and the '643 patent can be further modified to include the buffer of the '434 patent. However, as set forth above with respect to Gallagher in view of the '357 patent and the '643 patent, that combination of references does not render obvious the subject matter of claims 1-34 regardless of the size of the buffer. Thus, the addition of a different sized buffer by the '434 patent does not cure the deficiencies described above in the original combination itself. If one of ordinary skill in the art would not have been motivated to make the original combination, he/she would not have been motivated to make a combination based on the original combination plus an additional reference as well. Thus, the patentability of claims 1-34 should be confirmed in light of these grounds for rejection as well. See Tygar Declaration, paragraph (22).

The Rejection of Claims 1-34 under 35 U.S.C. § 103(a) over the '863 Patent in view of the '357 Patent and the '643 Patent

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The Office Action further includes a rejection of claims 1-34 in light of the combination of the '863 patent in view of the '357 patent and the '643 patent. For the reasons set forth below, those grounds for rejection also are traversed. See Tygar Declaration, paragraph (23).

### Claims 1-3

With respect to claim 1, the Office Action states that the '863 patent "teaches the first memory uses serial, magnetic storage (cassette recording unit and associate tape) but not that the magnetic storage also includes a hard disk." The Office Action attempts to overcome the admitted deficiency of the '863 patent by relying on the '357 patent. The Office Action asserts that the '357 patent "teaches ... a computer system (abstract) using serial, magnetic storage, both in forms very similar to [the '863 patent], such as serial magnetic cassette tape and even serial CD (col. 1, ll. 34-37) and also in the specific form of a hard disk (abstract, Fig. 1, hard disk 12)." The Office Action further alleges that the "suggestion/motivation for adding magnetic storage in the form of a hard disk as taught by [the '357 patent] to the magnetic storage disclosed by [the '863 patent] would have been because one of the 'most popular' forms of magnetic, serial storage is the hard disk, which stores 'relatively large amounts of data' with 'access times usually much faster than other types of magnetic disks.'" See Tygar Declaration, paragraph (24).

The alleged motivation ignores the overall teachings of the '357 patent. The '357 patent expressly describes disadvantages of a hard disk as opposed to removable media. It states "a hard disk suffers the disadvantage of high cost, bulk and difficulty of transporting the hard disk between installations." Given that the system of the '863 patent describes physical distribution of media between locations, it is respectfully submitted that the environment of the '863 patent is exactly the kind of environment where one of ordinary skill in the art would not have been motivated to replace the cheap, easy to use CD and tapes of the '863 patent with a bulky, expensive, and difficult to transport hard disk. See Tygar Declaration, paragraph (25).

Moreover, the main focus of the '357 patent is the use of "a controller for an I/O cache in which controller the serial data from one of multiple serial memory devices is deserialized and

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transferred on a parallel device bus to a medium sized buffer RAM (random access memory).” Given that each of the carts and CD readers appear to act as separate device readers, one of ordinary skill in the art would not have been motivated to apply the teachings of a multi-device controller to the ‘863 patent. See Tygar Declaration, paragraph (26).

Furthermore, even if the ‘357 patent were combined with the ‘863 patent, the Office Action has not provided any evidence that one of ordinary skill in the art would not have been more likely to keep the CD readers and/or carts (because of the cost and bulk considerations described above) and simply add a cache to them. In such a combination, there would be no “first party hard disk” as claimed in claim 1. See Tygar Declaration, paragraph (27).

Accordingly, the proposed combination of references does not render obvious claim 1, and the patentability of claims 1-3 should be confirmed. See Tygar Declaration, paragraph (27).

### Claim 3

Claim 3 depends from claim 1. In addition to the reasons set forth above for the patentability of claim 1, claim 3 is also separately patentable in light of its recitation of “the second memory includes an incoming random access memory chip ..., a second party hard disk for storing the coded desired digital video or audio digital signals from the incoming random access memory chip, and a playback random access memory chip for temporarily storing the coded desired digital video or digital audio signals from the first party hard disk for sequential playback.” With respect to claim 3, the Office Action cites the rejection of claim 11 which asserts that the ‘357 patent teaches a second party hard disk and a corresponding RAM cache. The Office Action alleges that it would have been obvious to make the combination on the second party side for the same reasons as it would have been obvious to make the combination on the first party side. However, as discussed above, it would not have been obvious to make the combination on the first party side, so it would not have been obvious to make the combination on the second party side either. See Tygar Declaration, paragraph (28).

In addition, the ‘863 patent does not appear to treat the cassette audio electronics 111 (shown in Figure 5) as a block device whose contents is read and written by the microprocessor

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114. The '863 patent states "The receiver 100 includes two main sections, i.e., a program and logic control section 101 and a audio/video routing section 102." The control lines of the program and logic control section 101 do not appear to receive data from the audio/video routing section 102, but rather, the program and logic control section 101 controls functions of the cassette audio electronics 111 such as stop, eject, "fwd/rev," rewind, "rec" and pause, as shown in Fig. 5. As a result, there is no indication that the cassette audio electronics 111 requires a RAM cache for the microprocessor to read and/or write the claimed data from/to the cache, nor is there an indication that adding such a cache would create the performance enhancement alleged by the Office Action. See Tygar Declaration, paragraph (29).

In fact, as shown in Figure 5, the cassette audio electronics 111 appears to receive a real-time signal without buffering such that it can be applied directly to the speakers 107 and 108 and to the stereo level indicator 110. Similarly, even if the cassette audio electronics 111 were replaced with an audio compact disc recorder of claims 7 and 14 of the '863 patent, the connection to the recorder could nonetheless still be an analog connection such that the microprocessor still does not need a RAM cache to operate the compact disc recorder. Consequently, in light of the different type of use that the cassette audio electronics 111 and the compact disc recorder are used for as compared to a hard disk, there is no evidence that one of ordinary skill in the art would have been motivated to make the proposed combination. Accordingly, claim 3 is separately patentable for at least these reasons as well. See Tygar Declaration, paragraph (30).

#### Claims 4-10

Like claim 1, claim 4 also recites "a first party hard disk" and a "sales random access memory chip." The Office Action has not stated that those elements in claim 4 are allegedly obvious for reasons different than the reasons set forth for claim 1. Thus, claim 4 and its dependent claims 5-9 are patentable for at least the reasons set forth above for the patentability of claim 1. See Tygar Declaration, paragraph (31).

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Claims 5-9

Claim 5, which depends from claim 4, recites that “the second memory includes a second party hard disk . . . , and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback.” As described above with respect to claim 3, such a combination of elements is not taught by the proposed combination. Thus, claim 5 and its dependent claims 6-9 are patentable for at least the reasons set forth above for the patentability of claim 3. See Tygar Declaration, paragraph (32).

Claims 11-15

Claim 11 recites “a first memory in possession and control of the first party” and “a sales random access memory.” The Office Action has asserted that the hard disk of Gallagher reads on the claimed “first memory” and that it would have been obvious to combine Gallagher with the ‘357 patent. However, as described above with respect to claim 1, the Office Action has not shown that it would have been obvious to make the alleged combination of references. Thus, claim 11 and its dependent claims are patentable for at least the reasons set forth above for the patentability of claim 1. See Tygar Declaration, paragraph (33).

Claim 13

Claim 13, which depends from claim 11, recites that “the second memory comprises a second hard disk.” Claim 11 already recites “a playback random access memory.” As described above with respect to claim 3, such a combination of elements is not taught by the proposed combination. Thus, claim 13 is patentable for at least the reasons set forth above for the patentability of claim 3. See Tygar Declaration, paragraph (34).

Claims 16-18

Claim 16 recites “a first party hard disk”, “a sales random access memory connected to the first hard disk”, and “a second party hard disk.” As discussed above with respect to claims 1

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and 3, this combination of elements is not rendered obvious by the proposed combination of references. Thus, the patentability of claim 16 and its dependent claims 17 and 18 should be confirmed. See Tygar Declaration, paragraph (35).

#### Claims 19-34

The Office Action states that “claims 19, 26 and 28 do not differ substantively from the limitations addressed in ... claims 1, 4, 11 and 16.” While the assignee does not agree with this statement, with respect to the limitations discussed above with respect to claim 1, this is an admission that any deficiencies with respect to the rejection of claim 1 are also applicable to independent claims 19, 26 and 28. As discussed above, the Office Action has not shown that those claims and their dependent claims are obvious in light of the proposed combination of references. Thus, the patentability of claims 19-34 should be confirmed. See Tygar Declaration, paragraph (36).

#### Claims 21-25 and 30-34

Claim 21 depends from independent claim 19. Claim 30 depends from independent claim 28. Both claims 21 and claim 30 recite second party hard disks. As described above with respect to claim 3, the claimed hard disk configuration is not taught by the proposed combination. Thus, claims 21 and 30 and their dependent claims are patentable for at least the reasons set forth above for the patentability of claim 3. See Tygar Declaration, paragraph (37).

#### Secondary Consideration of Non-Obviousness

One form of evidence showing secondary considerations of non-obviousness is commercial success. See, e.g., *WMS Gaming Inc. v. International Game Technology*, 184 F.3d 1339, 51 USPQ2d 1385 (Fed. Cir. 1999). It is respectfully submitted that the commercial success of Apple’s hard-disk based iPods and AppleTVs shows the commercial success of the claimed invention. In addition, the fact that this success comes when others used the type of

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technology of the applied references without the corresponding success shows the non-obviousness of the claimed systems.

For example, in May 1993, IBM and Blockbuster announced a CD system similar to the '863 patent "Allowing stores to make CDs on the spot." See Exhibit 2. However, just a few days later, a Sony representative and a Warner spokesmen were quoted as expressing doubts about such a system. As shown in Exhibit 3, "Sony said it isn't supporting [the] system because CD copying is 'illegal,' and [a] Warner spokeswoman said [the] company saw 'no benefits in this system' as it was described." Later, in March 1994, Blockbuster again described its utilization of a system that transfers copies to removable media that can be brought home by users rather than to a second party hard disk as claimed in, for example, claims 3, 5, 13, 16, 21 and 30. As shown in Exhibit 4, "Programming is transferred to [a] medium -- cartridge, disc or cassette -- while labels and other graphic materials are printed."

As shown in Exhibit 5, Blockbuster continued to discuss transfers to removable media in June 1994. ("Programming is transferred to cartridge, disc, or cassette media, while labels and other graphic materials are printed.") As shown in Exhibit 6, by February 1995, Consumer Electronics reported that Blockbuster was not going to move forward with a CD based system and was instead going to focus on game cartridges -- another removable media. ("Blockbuster abandoned original plans to introduce electronic distribution concept with sale-only music programming and went with rental-oriented videogames instead, testing "always-in-stock" capability by having cartridges programmed to match demand for rentals of hit games.... When Blockbuster announced plan to deliver music programming electronically to in-store kiosks, it was met with generally unfavorable reaction from record companies.")

However, as shown in Exhibit 7, by April 2007, the use of music CD kiosks was seen as problematic as compared to iTunes and its associated devices. Specifically noted problems include "If we put a kiosk in, we would have to sell an ungodly amount to recoup our expenses," and "The demand for kiosks existed before the iPod began to take over the online realm, but by the time manufacturers got enough funding to ramp up deployment, iTunes, Apple's online store, owned 80 percent of the market." Further, the same article notes that "At the time of the launch



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[of its music kiosks], Starbucks had plans to expand the rollout to 2,500 locations through 2006, but after two years of testing the company pulled the machines from 35 of the 40 stores that had them.”

Another article stated “Starbucks has decided to pull its CD-burning kiosks from its Austin and Seattle stores. Can’t say I’m surprised. Living in Austin and frequenting Starbucks a couple times per week, I’ve NEVER seen anyone actually burn a CD using the kiosk.” See Exhibit 8. The same article states “This CD-burning venture was doomed to fail from the start. ... As a Starbucks consumer, I would be more apt to enjoy a latte while using their wi-fi service to download music from iTunes directly to my laptop than to sit down at the Hear Music kiosk, navigate through the clunky interface, and burn a music CD.”

Others agree that the kiosks that can burn CDs (or other removable media) can be disadvantageous. As can be seen in Exhibit 9, Sony attempted to release a system where “digital files will then be sent over a proprietary computer system and pressed to the customer's choice of format, including CD, DVD, or minidisk.” However, “Analysts were skeptical of the plan, citing problems with the operation and maintenance of kiosk devices in highly trafficked retail outlets, as well as the unwillingness of consumers to wait for their purchases to be prepared.” The same article even discussed the earlier attempts noted above by Blockbuster and stated “Indeed, several attempts this decade to sell music through kiosks have failed. Digital On-Demand is a successor to another kiosk business, Newleaf Entertainment, which was a joint venture by IBM and Viacom Inc.'s Blockbuster Entertainment unit. That venture, whose patents Digital On-Demand has licensed, was shelved because the companies could not create enthusiasm for the idea within the industry.”

By comparison, as shown in Exhibit 10, iPod sales were \$10.9 billion and \$11 billion in the first quarter of 2010 and 2009, respectively, with \$31.8 billion and \$33.7 billion for the six months ending March 27, 2010 and March 29, 2009, respectively. Such sales by comparison to the problems of the CD-style kiosks shows that the claimed invention is non-obvious.

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Consequently, in light of the above discussions, the outstanding grounds for rejection are believed to have been overcome and the patentability of all claims should be confirmed. An early and favorable action to that effect is respectfully requested.

<b>CHARGE STATEMENT:</b> Deposit Account No. 501860, order no. <b>2689-0001</b> .
The Commissioner is hereby authorized to charge any fee specifically authorized hereafter, or any missing or insufficient fee(s) filed, or asserted to be filed, or which should have been filed herewith or concerning any paper filed hereafter, and which may be required under Rules 16-18 ( <u>missing or insufficiencies only</u> ) now or hereafter relative to this application and the resulting Official Document under Rule 20, or credit any overpayment, to our Accounting/ Order Nos. shown above, for which purpose a <u>duplicate</u> copy of this sheet is attached.
<b>This CHARGE STATEMENT <u>does not authorize charge of the issue fee until/unless an issue fee transmittal sheet is filed.</u></b>

CUSTOMER NUMBER <b>42624</b>	Respectfully submitted,  By: / Michael R. Casey /  _____ Michael R. Casey, Ph.D. Registration No.: 40,294
Davidson Berquist Jackson & Gowdey LLP 4300 Wilson Blvd., 7th Floor, Arlington, Virginia 22203 Main: (703) 894-6400 • FAX: (703) 894-6430	

## Exhibit 1

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Re-Examination of PATENT:	Confirmation No.:	3002
5,675,734	Attorney Docket:	NAPSP002
Control No.: 90/007,403	Group Art Unit:	3992
Filing Date: 01/31/2005	Examiner:	Foster, R.

DECLARATION UNDER 37 C.F.R. 1.132 OF JUSTIN DOUGLAS TYGAR, PH.D.

Hon. Commissioner of Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

I, Justin Douglas Tygar, do hereby declare as follows:

- (1) I have been retained by Davidson Berquist Jackson & Gowdey, LLP as a technical expert to provide my opinions regarding various reexamination proceedings involving members of the Hair patent family (including U.S. Patent Nos. 5,675,734 and 5,191,573), including this reexamination proceeding. I was previously retained to provide my opinions in a litigation relating to the same patent family. My compensation for work performed in that litigation and in this re-examination are not contingent on the outcome.
- (2) I am a Professor at the University of California at Berkeley, and I have been a full Professor there since 1998. I have an appointment in two departments: (a) the Department of Electrical Engineering and Computer Sciences (Computer Science Division) and (b) the School of Information. I have been associated with the computer field as a professor and consultant for more than 20 years and have been awarded 2 U.S. Patents for my contributions. I received my Ph.D. in Computer Science from Harvard University in 1986. From 1986-1998, I was an Assistant and then Associate Professor in the Computer Science Department of Carnegie Mellon University and received my tenure there in 1995. A more detailed account of my work experience and other qualifications is listed in my Curriculum Vitae attached as Exhibit 1.
- (3) As a Professor at Carnegie Mellon University and the University of California at Berkeley, I have taught computer science classes at the undergraduate, masters and doctoral

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levels. As a result, I am aware of what of a person of ordinary skill in the art would know before and at the time the patent applications at issue were filed.

(4) I have reviewed the Office Action dated March 24, 2010 issued in connection with the above-referenced reexamination of U.S. Patent No. 5,675,734 (“the ‘734 patent”). In the Office Action, three rejections are made as follows:

(1) Claims 1-34 have been rejected under 35 U.S.C. § 103(a) as being unpatentable over U.K. Patent Application Publication No. GB2178275 (hereinafter “Gallagher”) in view of U.S. Patent No. 4,825,357 (hereinafter “the ‘357 patent”) and further in view of U.S. Patent No. 4,528,643 (hereinafter “the ‘643 patent”);

(2) Claims 1-34 have been rejected under 35 U.S.C. § 103(a) as being unpatentable over Gallagher in view of the ‘357 patent, the ‘643 patent and the ‘434 patent; and

(3) Claims 1-34 have been rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 4,789,863 (hereinafter “the ‘863 patent”) in view of the ‘357 patent and the ‘643 patent.

(5) Based on my review of the Office Action, the cited references, the patents and their prosecution histories, I conclude that claims 1-34 of the ‘734 patent are patentable. In the following paragraphs, I explain some of the more pertinent reasons why I find the claims patentable over the rejections. This is not intended to be an exhaustive compilation of my opinions as to why the claims are patentable, but merely my explanation of why, from a technical standpoint viewed through the eyes of one skilled in the art of computer systems in June 1988, I conclude that the claims are patentable in view of the art referenced in the Office Action.

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The Rejection of Claims 1-34 under 35 U.S.C. § 103(a) over Gallagher in View of the '357 Patent and the '643 Patent

Claims 1-3

(6) The outstanding Office Action finds that it would have been obvious to combine the '357 patent with Gallagher and the '643 patent. I do not agree.

(7) In the Summary of the rejection, the Office Action states the '357 patent "is relied upon to teach the obvious addition of a read/write cache chip to the hard disk disclosed by Gallagher." Page 10 of the rejection further states "The suggestion/motivation for adding the random access memory (cache) chip taught by [the '357 patent] to support the hard disk of Gallagher would have been to solve a problem common to 'almost all serial memories... namely their slow access times compared to ... RAM ... which tends to very often slow the operation of the much faster CPU." However, given the teachings of the references as a whole, I do not believe that the Office Action has shown that one of skill in the art would have made such a combination.

(8) The Abstract of the '357 patent summarizes the teachings of the '357 patent as describing an "I/O controller for a computer system having a plurality of memory devices of different types such as floppy and hard disks, wherein[] a single cache memory is employed for all of the memory devices. Each of the memory devices is provided with its own interface device which directs data outputted from the associated memory device onto a common device bus." However, Gallagher does not explicitly describe simultaneously using multiple memory devices of different types, so I do not believe that one of ordinary skill in the art would have looked to the '357 patent as a candidate for combination with Gallagher.

(9) In fact, the Summary of the Invention of the '357 patent reinforces that the use of the '357 patent was in configurations where there were multiple disk types, which it refers to as "serial memories." Col. 2, lines 35-44, states:

Accordingly, this invention seeks to provide a controller for an I/O cache in which the controller can support *multiple serial memories* having disparate characteristics.

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The invention can be summarized as a controller for an I/O cache in which controller the serial data from one of *multiple serial memory devices* is deserialized and transferred on a parallel device bus ....

(Emphasis added.)

(10) Similarly, the very first paragraph of the Detailed Description of the Preferred Embodiments also reiterates the applicability of its invention to multiple disk types. It states “The invention is a controller for supporting two or more serial memories with an I/O cache, in which the serial memories may have disparate characteristics.” Based on these teachings, one of ordinary skill in the art would not have made the proposed combination without utilizing the patent as a roadmap.

(11) The Office Action further attempts to modify the teachings of the ‘357 patent in its rejection. The Office Action asserts “The purpose of the ... RAM chip 52 [in the ‘357 patent] is to buffer a hard disk, where the buffered data is still going to/coming from somewhere (other than the hard disk), thus when added to Gallagher that ‘somewhere’ is a telecommunications line.” However, this is explicitly contradicted by the ‘357 patent which describes that data is sent to and from the processor. The Summary of the Invention states:

The invention can be summarized as a controller for an I/O cache in which controller the serial data from one of multiple serial memory devices is deserialized and transferred on a parallel device bus to a medium sized buffer RAM (random access memory). A large RAM is used as a cache memory associated with the I/O controller *which transfers data to and from the processor* via a parallel cache bus.

(Emphasis added.) Thus, the system of the ‘357 patent could read data from and write data to a hard disk without ever utilizing a telecommunications line. Accordingly, the alleged “purpose” for the combination is not actually achieved by the combination. I, therefore, believe that the patentability of claim 1 and its dependent claims 2 and 3 should be confirmed.

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Claim 3

(12) Claim 3 depends from claim 1. In addition to the reasons set forth above for the patentability of claim 1, claim 3 is also separately patentable in light of its recitation of “the second memory includes an incoming random access memory chip . . . , a second party hard disk for storing the coded desired digital video or audio digital signals from the incoming random access memory chip, and a playback random access memory chip for temporarily storing the coded desired digital video or digital audio signals from the first party hard disk for sequential playback.”

(13) With respect to claim 3, the Office Action cites the rejection of claim 16 which asserts that Gallagher teaches a second party hard disk but that rejection cites to two different terms in support of its assertion. The Office Action first cites to storage medium 32 of Figure 3, but, rather than then citing to the description of storage medium 32 in the specification, the Office Action cites to page 1, ll. 32-35, which appears to be a discussion of the database-side rather than the user unit. Storage medium 32 is expressly described in the specification, page 1, ll. 89-90, as “a storage medium 32 such as a video tape or optical disk.” Neither of these is a hard disk. Further, both of those media are media which were able to be used in consumer playback devices such as video tape players or CD players. Hard disks therefore are not taught by Gallagher as part of storage media 32. In addition, Figure 2 shows that Gallagher treats store 23 and storage medium 32 as different, so I do not believe that page 1, ll. 32-35, was intended to reference the storage medium 32. Thus, Gallagher does not teach the claimed “second party hard disk.”

(14) In addition, since Gallagher does not teach a second party hard disk, one of ordinary skill in the art would not have been motivated to combine Gallagher and the ‘357 patent because the existence of the hard disk was the alleged reason for combining Gallagher and the ‘357 patent. As the Office Action does not allege that the incoming random access memory chip and the playback random access memory chip would be taught without the ‘357 patent, these elements are not rendered obvious by the improper combination of Gallagher and the ‘357 patent. Accordingly, claim 3 is separately patentable for at least these reasons as well.



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Claims 4-10

(15) Like claim 1, claim 4 also recites “a first party hard disk” and a “sales random access memory chip.” The Office Action has not stated that those elements in claim 4 are allegedly obvious for reasons different than the reasons set forth for claim 1. Thus, claim 4 and its dependent claims 5-9 are patentable for at least the reasons set forth above for the patentability of claim 1.

Claims 5-9

(16) Claim 5, which depends from claim 4, recites that “the second memory includes a second party hard disk ..., and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback.” As described above with respect to claim 3, such a combination of elements is not taught by the proposed combination. Thus, claim 5 and its dependent claims 6-9 are patentable for at least the reasons set forth above for the patentability of claim 3.

Claims 11-15

(17) Claim 11 recites “a first memory in possession and control of the first party” and “a sales random access memory.” The Office Action has asserted that the hard disk of Gallagher reads on the claimed “first memory” and that it would have been obvious to combine Gallagher with the ‘357 patent. However, as described above with respect to claim 1, the Office Action has not shown that it would have been obvious to make the alleged combination of references. Thus, claim 11 and its dependent claims are patentable for at least the reasons set forth above for the patentability of claim 1.

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Claim 13

(18) Claim 13, which depends from claim 11, recites that “the second memory comprises a second hard disk.” Claim 11 already recites “a playback random access memory.” As described above with respect to claim 3, such a combination of elements is not taught by the proposed combination. Thus, claim 13 is patentable for at least the reasons set forth above for the patentability of claim 3.

Claims 16-18

(19) Claim 16 recites “a first party hard disk”, “a sales random access memory connected to the first hard disk”, and “a second party hard disk.” As discussed above with respect to claims 1 and 3, this combination of elements is not rendered obvious by the proposed combination of references. Thus, the patentability of claim 16 and its dependent claims 17 and 18 should be confirmed.

Claims 19-34

(20) The Office Action states that “claims 19, 26 and 28 do not differ substantively from the limitations addressed in ... claims 1, 4, 11 and 16.” While I do not agree with this statement, I believe that this means that any deficiencies with respect to the rejection of claim 1 are also applicable to independent claims 19, 26 and 28. As discussed above, the Office Action has not shown that those claims and their dependent claims are obvious in light of the proposed combination of references. Thus, the patentability of claims 19-34 should be confirmed.

Claims 21-25 and 30-34

(21) Claim 21 depends from independent claim 19. Claim 30 depends from independent claim 28. Both claims 21 and claim 30 recite second party hard disks. As described above with respect to claim 3, the claimed hard disk configuration is not taught by the proposed combination. Thus, claims 21 and 30 and their dependent claims are patentable for at least the reasons set forth above for the patentability of claim 3.

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The Rejection of Claims 1-34 under 35 U.S.C. § 103(a) over Gallagher in View of the '357 Patent, the '643 Patent and the '434 Patent

(22) The Office Action alleges that the combination of Gallagher in view of the '357 patent and the '643 patent can be further modified to include the buffer of the '434 patent. However, as set forth above with respect to Gallagher in view of the '357 patent and the '643 patent, that combination of references does not render obvious claims 1-34 regardless of the size of the buffer. Thus, the addition of a different sized buffer by the '434 patent does not cure the deficiencies described above in the original combination itself. If one of ordinary skill in the art would not have been motivated to make the original combination, he/she would not have been motivated to make a combination based on the original combination plus an additional reference as well. Thus, the patentability of claims 1-34 should be confirmed in light of these grounds for rejection as well.

The Rejection of Claims 1-34 under 35 U.S.C. § 103(a) over the '863 Patent in view of the '357 Patent and the '643 Patent

(23) The Office Action further includes a rejection of claims 1-34 in light of the combination of the '863 patent in view of the '357 patent and the '643 patent. For the reasons set forth below, I believe that those grounds for rejection should also be withdrawn.

Claims 1-3

(24) With respect to claim 1, the Office Action states that the '863 patent "teaches the first memory uses serial, magnetic storage (cassette recording unit and associate tape) but not that the magnetic storage also includes a hard disk." The Office Action instead relies on the '357 patent for that limitation. The Office Action asserts that the '357 patent "teaches ... a computer system (abstract) using serial, magnetic storage, both in forms very similar to [the '863 patent], such as serial magnetic cassette tape and even serial CD (col. 1, ll. 34-37) and also in the specific form of a hard disk (abstract, Fig. 1, hard disk 12)." The Office Action further alleges that the

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“suggestion/motivation for adding magnetic storage in the form of a hard disk as taught by [the ‘357 patent] to the magnetic storage disclosed by [the ‘863 patent] would have been because one of the ‘most popular’ forms of magnetic, serial storage is the hard disk, which stores ‘relatively large amounts of data’ with ‘access times usually much faster than other types of magnetic disks.’”

(25) I do not believe that the motivation is proper if one looks at the overall teachings of the ‘357 patent. The ‘357 patent expressly describes disadvantages of a hard disk as opposed to removable media. It states “a hard disk suffers the disadvantage of high cost, bulk and difficulty of transporting the hard disk between installations.” Given that the system of the ‘863 patent describes physical distribution of media between locations, I believe that the environment of the ‘863 patent is exactly the kind of environment where one of ordinary skill in the art would not have been motivated to replace the cheap, easy to use CD and tapes of the ‘863 patent with a bulky, expensive, and difficult to transport hard disk.

(26) Moreover, the main focus of the ‘357 patent is the use of “a controller for an I/O cache in which controller the serial data from one of multiple serial memory devices is deserialized and transferred on a parallel device bus to a medium sized buffer RAM (random access memory).” Given that each of the carts and CD readers appear to act as separate device readers, one of ordinary skill in the art would not have been motivated to apply the teachings of a multi-device controller to the ‘863 patent.

(27) Furthermore, even if the ‘357 patent were combined with the ‘863 patent, I believe that one of ordinary skill in the art would have been more likely to keep the CD readers and/or carts (because of the cost and bulk considerations described above) and simply add a cache to them. In such a combination, there would be no “first party hard disk” as claimed in claim 1. Accordingly, the proposed combination of references does not render obvious claim 1, and the patentability of claims 1-3 should be confirmed.

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Claim 3

(28) Claim 3 depends from claim 1. In addition to the reasons set forth above for the patentability of claim 1, claim 3 is also separately patentable in light of its recitation of “the second memory includes an incoming random access memory chip ..., a second party hard disk for storing the coded desired digital video or audio digital signals from the incoming random access memory chip, and a playback random access memory chip for temporarily storing the coded desired digital video or digital audio signals from the first party hard disk for sequential playback.” With respect to claim 3, the Office Action cites the rejection of claim 11 which asserts that the ‘357 patent teaches a second party hard disk and a corresponding RAM cache. The Office Action alleges that it would have been obvious to make the combination on the second party side for the same reasons as it would have been obvious to make the combination on the first party side. However, as discussed above, it would not have been obvious to make the combination on the first party side, so it would not have been obvious to make the combination on the second party side either.

(29) In addition, the ‘863 patent does not appear to treat the cassette audio electronics 111 (shown in Figure 5) as a block device whose contents is read and written by the microprocessor 114. The ‘863 patent states “The receiver 100 includes two main sections, i.e., a program and logic control section 101 and a audio/video routing section 102.” The control lines of the program and logic control section 101 do not appear to receive data from the audio/video routing section 102, but rather, the program and logic control section 101 controls functions of the cassette audio electronics 111 such as stop, eject, “fwd/rev,” rewind, “rec” and pause, as shown in Fig. 5. As a result, there is no indication that the cassette audio electronics 111 requires a RAM cache for the microprocessor to read and/or write the claimed data from/to the cache, nor is there an indication that adding such a cache would create the performance enhancement alleged by the Office Action.

(30) In fact, as shown in Figure 5, the cassette audio electronics 111 appears to receive a real-time signal without buffering such that it can be applied directly to the speakers 107 and 108 and to the stereo level indicator 110. Similarly, even if the cassette audio electronics 111 were

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replaced with an audio compact disc recorder of claims 7 and 14 of the '863 patent, the connection to the recorder could nonetheless still be an analog connection such that the microprocessor still does not need a RAM cache to operate the compact disc recorder. Consequently, in light of the different type of use that the cassette audio electronics 111 and the compact disc recorder are used for as compared to a hard disk, I do not believe that one of ordinary skill in the art would have been motivated to make the proposed combination. Accordingly, claim 3 is separately patentable for at least these reasons as well.

#### Claims 4-10

(31) Like claim 1, claim 4 also recites “a first party hard disk” and a “sales random access memory chip.” The Office Action has not stated that those elements in claim 4 are allegedly obvious for reasons different than the reasons set forth for claim 1. Thus, claim 4 and its dependent claims 5-9 are patentable for at least the reasons set forth above for the patentability of claim 1.

#### Claims 5-9

(32) Claim 5, which depends from claim 4, recites that “the second memory includes a second party hard disk ..., and a playback random access memory chip electronically connected to the second party hard disk for storing a replica of the desired digital video or digital audio signals from the second party hard disk as a temporary staging area for playback.” As described above with respect to claim 3, such a combination of elements is not taught by the proposed combination. Thus, claim 5 and its dependent claims 6-9 are patentable for at least the reasons set forth above for the patentability of claim 3.

#### Claims 11-15

(33) Claim 11 recites “a first memory in possession and control of the first party” and “a sales random access memory.” The Office Action has asserted that the hard disk of Gallagher reads on the claimed “first memory” and that it would have been obvious to combine Gallagher with

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the '357 patent. However, as described above with respect to claim 1, the Office Action has not shown that it would have been obvious to make the alleged combination of references. Thus, claim 11 and its dependent claims are patentable for at least the reasons set forth above for the patentability of claim 1.

Claim 13

(34) Claim 13, which depends from claim 11, recites that “the second memory comprises a second hard disk.” Claim 11 already recites “a playback random access memory.” As described above with respect to claim 3, such a combination of elements is not taught by the proposed combination. Thus, claim 13 is patentable for at least the reasons set forth above for the patentability of claim 3.

Claims 16-18

(35) Claim 16 recites “a first party hard disk”, “a sales random access memory connected to the first hard disk”, and “a second party hard disk.” As discussed above with respect to claims 1 and 3, this combination of elements is not rendered obvious by the proposed combination of references. Thus, the patentability of claim 16 and its dependent claims 17 and 18 should be confirmed.

Claims 19-34

(36) The Office Action states that “claims 19, 26 and 28 do not differ substantively from the limitations addressed in ... claims 1, 4, 11 and 16.” While I do not agree with this statement, I believe that this means that any deficiencies with respect to the rejection of claim 1 are also applicable to independent claims 19, 26 and 28. As discussed above, the Office Action has not shown that those claims and their dependent claims are obvious in light of the proposed combination of references. Thus, the patentability of claims 19-34 should be confirmed.

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Claims 21-25 and 30-34

(37) Claim 21 depends from independent claim 19. Claim 30 depends from independent claim 28. Both claims 21 and claim 30 recite second party hard disks. As described above with respect to claim 3, the claimed hard disk configuration is not taught by the proposed combination. Thus, claims 21 and 30 and their dependent claims are patentable for at least the reasons set forth above for the patentability of claim 3.

(38) I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

Dated: May 24, 2010



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Justin Douglas Tygar, Ph.D.



## Exhibit 1 to Tygar Declaration

# DOUG TYGAR

## **Address:**

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Berkeley, CA 94720-4600  
(510) 643-7855  
tygar@cs.berkeley.edu

## **Personal Information:**

Full name: Justin Douglas Tygar  
US Citizen

## **Education:**

- A.B., 1982     **University of California, Berkeley**, *Math/Computer Science*  
Bell Labs University Relations Student (1981)
- Ph.D., 1986     **Harvard University**, *Computer Science*  
Thesis: *An Integrated Toolkit for Operating System Security*  
Advisor: Michael Rabin  
NSF Graduate Fellow (1982 – 1985), IBM Graduate Fellow (1985 – 1986)

## **Academic Appointments:**

**University of California, Berkeley**  
**Department of Electrical Engineering and Computer Science**  
**& School of Information Management and Systems**  
1998 – Present     *Professor* (tenured, joint appointment)

**Carnegie Mellon University**  
**Computer Science Department**  
2000 – Present     *Adjunct Professor*  
1992 – 2000     *Associate Professor* (tenured 1995, on leave 1998 – 2000)  
1986 – 1992     *Assistant Professor*

## **Major Awards:**

NSF Presidential Young Investigator, 1988  
Outstanding Professor Award, *Carnegie Magazine*, 1989  
Chair, Defense Information Science and Technology Study Group on Security with Privacy  
Member, National Research Council Committee on Information Trustworthiness  
Member, INFOSEC Science and Technology Study Group  
Okawa Foundation Fellow, 2003-4  
Wide consulting for both industry and government

**Major speeches:***Keynote addresses:*

PODC (1995), ASIAN-96 (1996), NGITS (1997), VLDB (1998), CRYPTEC (1999),  
CAV (2000), Human Authentication (2001), PDSN (2002), ISM (2005), ISC (2005), ASIACCS (2006),  
Croucher ASI (2004, 2006), ISC (2008), WISTP (2009)

*Other major invited addresses:*

Harvard Graduate School of Arts and Science 100th Anniversary,  
CMU Computer Science Department 25th Anniversary  
More than 260 talks & 20 professional seminars since 1985

**External review activities:**

Electronic Commerce Program, City University of Hong Kong  
Information Systems Management Program, Singapore Management University  
Information Technology Program, United Arab Emirates University  
Computer Science Program, University of California, Davis

**Editorial boards**

Springer Lecture Notes on Computer Science  
IEEE Transactions on Dependable and Secure Computing  
Journal of Information Science and Engineering  
International Journal of Information Science and Engineering

## Publications

### Books

1. **Computer Security in the 21st Century.** Eds. D. Lee, S. Shieh, and J. D. Tygar. Springer, 2005. (This book includes item 10 below as well as a technical introduction by me and the other editors.)
2. ワイヤード/ワイヤレスネットワークにおけるブロードキャスト通信のセキュリティ. A. Perrig and J. D. Tygar; translated by Fumio Mizoguchi and the Science University of Tokyo Information Media Science Research Group with the assistance of J. D. Tygar. Kyoritsu Shuppan, 2004. (This is a Japanese translation of item 3 which also contains new and additional material written by me in Japanese.)
3. **Secure Broadcast Communication in Wired and Wireless Networks.** A. Perrig and J. D. Tygar. Springer (Kluwer), 2003. (See also item 2.)
4. **Trust in Cyberspace.** National Research Council Committee on Information Systems Trustworthiness (S. Bellovin, W. E. Boebert, M. Branstad, J. R. Catoe, S. Crocker, C. Kaufman, S. Kent, J. Knight, S. McGeedy, R. Nelson, A. Schiffman, F. Schneider [ed.], G. Spix, and J. D. Tygar). National Academy Press, 1999.

### Book Chapters (does not include items listed above)

5. "Misleading learners: Co-opting your spam filter." B. Nelson, M. Barreno, F. Chi, A. Joseph, B. Rubinstein, U. Saini, C. Sutton, J. D. Tygar, and K. Xia. In **Machine Learning in Cyber Trust: Security, Privacy, Reliability**, eds. J. Tsai and P. Yu (eds.) Springer, 2009, pp. 17-51.
6. "Preface." J. D. Tygar. In **從DIGIart@eTaiwan 談互動創意**, ed. S. Hsu. 遠流出版社, 2007.
7. "Case Study: Acoustic Keyboard Emanations." L. Zhuang, F. Zhou, and J. D. Tygar. In **Phishing and Countermeasures: Understanding the Increasing Problem of Electronic Identity Theft**, eds. M. Jakobsson and S. Myers. Wiley-Interscience, 2007, pp. 221-240. (This is a popularized version of item 24.)
8. "Dynamic Security Skins." R. Dhamija and J. D. Tygar.. In **Phishing and Countermeasures: Understanding the Increasing Problem of Electronic Identity Theft**, eds. M. Jakobsson and S. Myers. Wiley-Interscience, 2007, pp. 339-351. (This is a popularized version of item 61.)
9. "Why Johnny can't encrypt: A usability evaluation of PGP 5.0." A. Whitten and J. D. Tygar. In **Security and Usability: Designing Secure Systems that People Can Use**, eds. L. Cranor and G. Simson. O'Reilly, 2005, pp. 679-702. (An earlier version of the paper was published in **Proceedings of the 8th USENIX Security Symposium**, August 1999, pp. 169-183. See also item 109.)
10. "Private matching." Y. Li, J. D. Tygar, J. Hellerstein. In **Computer Security in the 21st Century**, eds. D. Lee, S. Shieh, and J. D. Tygar. Springer, 2005, pp. 25-50. (See item 1.)

(An early version of this paper appeared as Intel Research Laboratory Berkeley technical report IRB-TR-04-005, February 2004.)

11. "Digital cash." J. D. Tygar. In **Berkshire Encyclopedia of Human Computer Interaction**, ed. W. Bainbridge. Berkshire Publishing, 2004, pp. 167-170.
12. "Spamming." J. D. Tygar. In **Berkshire Encyclopedia of Human Computer Interaction**, ed. W. Bainbridge. Berkshire Publishing, 2004, pp. 673-675.
13. "Viruses." J. D. Tygar. In **Berkshire Encyclopedia of Human Computer Interaction**, ed. W. Bainbridge. Berkshire Publishing, 2004, pp. 788-791.
14. "Privacy in sensor webs and distributed information systems." J. D. Tygar. In **Software Security**, eds. M. Okada, B. Pierce, A. Scedrov, H. Tokuda, and A. Yonezawa. Springer, 2003, pp. 84-95.
15. "Atomicity in electronic commerce." J. D. Tygar. In **Internet Besieged**, eds. D. Denning and P. Denning. ACM Press and Addison-Wesley, 1997, pp. 389-405. (An expanded earlier version of this paper was published in **Proceedings of the Fifteenth Annual ACM Symposium on Principles of Distributed Computing, Keynote paper**, May 1996, pp. 8-26; and as Carnegie Mellon University Computer Science technical report CMU-CS-96-112, January 1996. See also item 33.)
16. "Cryptographic postage indicia." J. D. Tygar, B. Yee, and N. Heintze. In **Concurrency and Parallelism, Programming, Networking, and Security**, eds. J. Jaffar and R. Yap. Springer, 1996, pp. 378-391. (Preprint also available. Early versions appeared as Carnegie Mellon University Computer Science technical reports CMU-CS-96-113, January 1996, UC San Diego Computer Science technical report UCSD-TR-CS96-485, and in the 1996 **Securicom Proceedings**, Paris, 1996. See also item 111.)
17. "Dyad: A system for using physically secure coprocessors." J. D. Tygar and B. Yee. In **Technological Strategies for the Protection of Intellectual Property in the Networked Multimedia Environment**. Interactive Multimedia Association, 1994, pp. 121-152. (An early version appeared as Carnegie Mellon University Computer Science technical report CMU-CS-91-140R, May 1991.)
18. "A system for self-securing programs." J. D. Tygar and B. Yee. In **Carnegie Mellon Computer Science: A 25-Year Commemorative**, ed. R. Rashid. ACM Press and Addison-Wesley, 1991, pp. 163-197. (Note: The first printing of this volume had incorrect text due to a production error.)
19. "Implementing capabilities without a trusted kernel." M. Herlihy and J. D. Tygar. In **Dependable Computing for Critical Applications**, eds. A. Avizienis and J. Laprie. Springer, 1991, pp. 283-300. (Note: An early version appeared in the **(IFIP) Proceedings of the International Working Conference on Dependable Computing for Critical Applications**, August 1989.)
20. "Strongbox." J. D. Tygar and B. Yee. In **Camelot and Avalon: A Distributed Transaction Facility**, eds. J. Eppinger, L. Mummert, and A. Spector. Morgan-Kaufmann, 1991, pp. 381-400.

21. "ITOSS: An Integrated Toolkit for Operating System Security." M. Rabin and J. D. Tygar. In **Foundations of Data Organization**, eds. W. Litwin and H.-J. Shek. Springer, 1990, pp. 2-15. (Preprint also available.) (Note: Earlier, longer versions appeared as Harvard University Aiken Computation Laboratory technical report TR-05-87R and my Ph.D. dissertation.)
22. "Formal Semantics for Visual Specification of Security." M. Maimone, J. D. Tygar, and J. Wing. In **Visual Languages and Visual Programming**, ed. S. K. Chang. Plenum, 1990, pp. 97-116. (An early version was published in **Proceedings of the 1988 IEEE Workshop on Visual Programming**, pp. 45-51, and as Carnegie Mellon University Computer Science technical report CMU-CS-88-173r, December 1988.)

**Journal Articles (does not include items listed above)**

23. "Secure encrypted-data aggregation for wireless sensor networks." S. Huang, S. Shieh and J. D. Tygar. To appear in *Wireless Networks* (available now online at SpringerLink.)
24. "Keyboard Acoustic Emanations Revisited." L. Zhuang, F. Zhou, and J. D. Tygar. To appear in the *ACM Transactions on Information and Systems Security*. (An earlier version appeared in **Proceedings of the 12th ACM Conference on Computer and Communications Security**, November 2005, pp. 373-382.) (See also item 7.)
25. "Injecting Heterogeneity through Protocol Randomization." L. Zhuang, J. D. Tygar, R. Dhamija. In *International Journal of Network Security*, 4:1, January 2007, pp. 45-58.
26. "Cyber defense technology networking and evaluation." Members of the DETER and EMIST Projects (R. Bajcsy, T. Benzel, M. Bishop, B. Braden, C. Brodley, S. Fahmy, S. Floyd, W. Hardaker, A. Joseph, G. Kesidis, K. Levitt, B. Lindell, P. Liu, D. Miller, R. Mundy, C. Neuman, R. Ostrenga, V. Paxson, P. Porras, C. Rosenberg, S. Sastry, D. Sterne, J. D. Tygar, and S. Wu). In *Communications of the ACM*, 47:3, March 2004, pp. 58-61.
27. "Technological dimensions of privacy in Asia." J. D. Tygar. In *Asia-Pacific Review*, 10:2, November 2003, pp. 120-145.
28. "SPINS: Security protocols for sensor networks." A. Perrig, R. Szewczyk, J. D. Tygar, V. Wen, and D. Culler. In [*ACM Journal of*] *Wireless Networks*, 8:5, September 2002, pp. 521-534. (An early version of this paper appears in **Proceedings of the 7th Annual International Conference on Mobile Computing and Networks (MOBICOM)**, July 2001, pp. 189-199.)
29. "The TESLA broadcast authentication protocol." A. Perrig, R. Canneti, J. D. Tygar, and D. Song. In *CryptoBytes*, 5:2, Summer/Fall 2002, pp. 2-13.
30. "SAM: A flexible and secure auction architecture using trusted hardware." A. Perrig, S. Smith, D. Song, and J. D. Tygar. In *Electronic Journal on E-commerce Tools and Applications*, 1:1, January 2002 (online journal). (An early version of this paper appeared in **Proceedings of the 1st IEEE International Workshop on Internet Computing and Electronic Commerce**, April 2001, pp. 1764-1773.)
31. "Why isn't the internet secure yet?" J. D. Tygar and A. Whitten. In *ASLIB Proceedings*, 52:3, March 2000, pp. 93-97.

32. "Multi-round anonymous auction protocols." H. Kikuchi, M. Harkavy, and J. D. Tygar. In *Institute of Electronics, Information, and Communication Engineers Transactions on Information and Systems*, E82-D:4, April 1999, pp. 769-777. (An early version appeared in **Proceedings of the First IEEE Workshop on Dependable and Real-Time E-Commerce Systems (DARE '98)**, June 1998, pp. 62-69. )
33. "Atomicity in electronic commerce." J. D. Tygar. In *ACM NetWorker*, 2:2, April/May 1998, pp. 32-43. (Note: this is a revision of item 15 published together with a new article: "An update on electronic commerce." In *ACM NetWorker*, Volume 2, Number 2, April/May 1998, pp. 40-41.)
34. "A model for secure protocols and their compositions." N. Heintze and J. D. Tygar. In *IEEE Transactions on Software Engineering*, 22:1, January 1996, pp. 16-30. (An extended abstract appeared in **Proceedings of the 1994 IEEE Symposium on Security and Privacy**, May 1994, pp. 2-13. Another early version appeared as Carnegie Mellon University Computer Science technical report CMU-CS-92-100, January 1992.)
35. "NetBill: An Internet commerce system optimized for network-delivered services." M. Sirbu and J. D. Tygar. In *IEEE Personal Communications*, 2:4, August 1995, pp. 34-39. (An early version appeared in **Proceedings of Uniform '96**, February 1996, pp. 203-226. Another early version appeared in **Proceedings of the 40th IEEE Computer Society International Conference**, Spring 1995, pp. 20-25.)
36. "Optimal sampling strategies for quicksort." C. C. McGeoch and J. D. Tygar. In *Random Structures and Algorithms*, 7:4, 1995, pp. 287-300. (An early version appeared in **Proceedings of the 28th Annual Allerton Conference on Communication, Control, and Computing**, October 1990, pp. 62-71.)
37. "Geometric characterization of series-parallel variable resistor networks." R. Bryant, J. D. Tygar, and L. Huang. In *IEEE Transactions on Circuits and Systems I: Fundamental Theory and Applications*, 41:11, November 1994, pp. 686-698. (Preprint also available.) (An early version appeared in **Proceedings of the 1993 IEEE International Symposium on Circuits and Systems**, May 1993, pp. 2678-2681.)
38. "Computability and complexity of ray tracing." J. Reif, J. D. Tygar, and A. Yoshida. In *Discrete and Computational Geometry*, 11:3, April 1994, pp. 265-287. (An early version appeared in **Proceedings of the 31st Annual IEEE Symposium on Foundations of Computer Science**, October 1990, pp. 106-114.)
39. "Specifying and checking Unix security constraints." A. Heydon and J. D. Tygar. In *Computing Systems*, 7:1, Winter 1994, pp. 91-112. (An early version appeared in **Proceedings of the 3rd USENIX Security Symposium**, September 1992, pp. 211-226, preprint also available.)
40. "Protecting privacy while preserving access to data." L. J. Camp and J. D. Tygar. In *The Information Society*, 10:1, January 1994, pp. 59-71.
41. "Miro: visual specification of security." A. Heydon, M. Maimone, J. D. Tygar, J. Wing, and A. Zaremski. In *IEEE Transactions on Software Engineering*, 16:10, October 1990, pp. 1185-1197. (An early version appeared as Carnegie Mellon University Computer Science Department technical report CMU-CS-89-199, December 1989.)

42. "Efficient parallel pseudo-random number generation." J. Reif and J. D. Tygar. In *SIAM Journal of Computation*, 17:2, April 1988, pp. 404-411. (An early version appeared in **Proceedings of CRYPTO-85**, eds. E. Brickell and H. Williams, Springer, 1986, pp. 433-446.)
43. "Review of **Abstraction and Specification in Program Development**." J. D. Tygar. In *ACM Computing Reviews*, 28:9, September 1987, pp. 454-455.

**Refereed Conference Papers (does not include items listed above)**

44. "ANTIDOTE: Understanding and Defending against Poisoning of Anomaly Detectors." B. Rubinstein, B. Nelson, L. Huang, A. Joseph, S. Lau, S. Rao, N. Taft, and J. D. Tygar. To appear in **Proceedings of the Internet Measurement Conference**, November 2009.
45. "Wireless Sensor Networks: a building block for Mass Creativity and Learning." S. Hsu and J. D. Tygar. To appear in **Proceedings ACM Creativity & Cognition 2009, Understanding the Creative Conversation Workshop**, October 2009.
46. "Stealthy Poisoning Attacks on PCA-based Anomaly Detectors." B. Rubinstein, B. Nelson, L. Huang, A. Joseph, S. Lau, S. Rao, N. Taft, and J. D. Tygar. In **Proceedings of the 2009 ACM SIGMETRICS International Conference on Measurement and Modeling of Computer Systems**, June 2009.
47. "Conditioned-safe Ceremonies and a User Study of an Application to Web Authentication." C. Karlof, J. D. Tygar, and D. Wagner. In **Proceedings of the 16th Annual Network and Distributed Systems Security Symposium**, February 2009.
48. "Evading Anomaly Detection through Variance Injection Attacks on PCA." (Extended abstract). B. Rubinstein, B. Nelson, L. Huang, A. Joseph, S. Lau, N. Taft, and J. D. Tygar. In the **Proceedings of the 11th International Symposium on Recent Advances in Intrusion Detection**, Springer, 2008, pp. 394-395.
49. "A Power-Preserving Broadcast Protocol for WSNs with DoS Resistance." C. Ni, T. Hsiang, J. D. Tygar. In **Proceedings of 17th International IEEE Conference on Computer Communications and Networks**. August 2008, pp. 1-6.
50. "CITRIC: A Low-Bandwidth Wireless Camera Network Platform." P. Chen, P. Ahammad, C. Boyer, S. Huang, L. Lin, E. Lobaton, M. Meingast, S. Oh, S. Wang, P. Yan, A. Yang, C. Yeo, L. Chang, J. D. Tygar, and S. Sastry. To appear in **Proceedings of the 2nd ACM/IEEE International Conference on Distributed Smart Cameras (ICDSC-08)**. September 2008, pp. 1-10
51. "Open Problems in the Security of Learning." M. Barreno, P. Bartlett, F. Chi, A. Joseph, B. Nelson, B. Rubinstein, U. Saini, and J. D. Tygar. In **Proceedings of the First ACM Workshop on AISec**. 2008, pp. 19-26.
52. "SWOON: A Testbed for Secure Wireless Overlay Networks." Y.L. Huang, J.D. Tygar, H.Y. Lin, L.Y. Yeh, H.Y. Tsai, K. Sklower, S.P. Shieh, C.C. Wu, P.H. Lu, S.Y. Chien, Z.S. Lin,



- L.W. Hsu, C.W. Hsu, C.T. Hsu, Y.C. Wu, and M.S. Leong. In **Proceedings USENIX Workshop on Cyber Security and Test**, July 2008.
53. "Characterizing Botnets from Email Spam Records." L. Zhuang, J. Dunagan, D. Simon, H. Wang, I. Osipkov, G. Hulten and J. D. Tygar. In **Proceedings of First USENIX Workshop on Large Scale Exploits and Emergent Threats (LEET 2008)**. April 2008.
  54. "Exploiting machine learning to subvert your spam filter." B. Nelson, M. Barreno, F. Chi, A. D. Joseph, B. Rubinstein, U. Saini, C. Sutton, J. D. Tygar, and Kai Xia. In **Proceedings of the First USENIX Workshop on Large-Scale Exploits and Emergent Threats (LEET 2008)**. April 2008.
  55. "Optimal ROC Curve for a Combination of Classifiers." Marco Barreno Alvaro A. Cardenas and J.D. Tygar. In **Advances in Neural Information Processing Systems (NIPS)**, MIT Press, 2008, pp. 57-64..
  56. "Dynamic Pharming Attacks and Locked Same-origin Policies for Web Browsers." Chris Karlof, Umesh Shankar, J.D. Tygar, and David Wagner. In **Proceedings of the Fourteenth ACM Conference on Computer and Communications Security (CCS 2007)**, November 2007, pp. 58-71.
  57. "Coexistence Proof using Chain of Timestamps for Multiple RFID Tags." C. Lin, Y. Lai, J. D. Tygar, C. Yang, and C. Chiang. In **Proceedings of Advances in Web and Network Technologies and Information Management**, 2007, Springer, pp. 634-643.
  58. "Why Phishing Works." R. Dhamija, J. D. Tygar, and M. Hearst. In **Proceedings of CHI-2006: Conference on Human Factors in Computing Systems**, April 2006.
  59. "Can Machine Learning Be Secure?" M. Barreno, B. Nelson, R. Sears, A. Joseph, and J. D. Tygar. *Invited paper*. In **Proceedings of the ACM Symposium on Information, Computer, and Communication Security**, March 2006.
  60. "The Battle Against Phishing: Dynamic Security Skins." R. Dhamija and J. D. Tygar. In **SOUPS 2005: Proceedings of the 2005 ACM Symposium on Usable Security and Privacy**, *ACM International Conference Proceedings Series*, ACM Press, July 2005, pp. 77-88. (See also item 8.)
  61. "Collaborative filtering CAPTCHAs." M. Chew and J. D. Tygar. In **Human Interactive Proofs: Second International Workshop (HIP 2005)**, eds. H. Baird and D. Lopresti, Springer, May 2005, pp. 66-81.
  62. "Phish and HIPs: Human interactive proofs to detect phishing attacks." R. Dhamija and J. D. Tygar. In **Human Interactive Proofs: Second International Workshop (HIP 2005)**, eds. H. Baird and D. Lopresti, Springer, May 2005, pp. 127-141.
  63. "Image recognition CAPTCHAs." M. Chew and J. D. Tygar. In **Proceedings of the 7th International Information Security Conference (ISC 2004)**, Springer, September 2004, pp. 268-279. (A longer version appeared as UC Berkeley Computer Science Division technical report UCB/CSD-04-1333, June 2004.)

64. "Side effects are not sufficient to authenticate software." U. Shankar, M. Chew, and J. D. Tygar. In **Proceedings of the 13th USENIX Security Symposium**, August 2004, pp. 89-101. (A version with an additional appendix appeared as UC Berkeley Computer Science Division technical report UCB/CSD-04-1363, September 2004.)
65. "Statistical monitoring + predictable recovery = Self-\*." A. Fox, E. Kiciman, D. Patterson, R. Katz, M. Jordan, I. Stoica and J. D. Tygar. In **Proceedings of the 2nd Bertinoro Workshop on Future Directions in Distributed Computing (FuDiCo II)**, June 2004 (online proceedings).
66. "Distillation codes and their application to DoS resistant multicast authentication." C. Karlof, N. Sastry, Y. Li, A. Perrig, and J. D. Tygar. In **Proceedings of the Network and Distributed System Security Conference (NDSS 2004)**, February 2004, pp. 37-56.
67. "Privacy and security in the location-enhanced World Wide Web." J. Hong, G. Boriello, J. Landay, D. McDonald, B. Schilit, and J. D. Tygar. In **Proceedings of the Workshop on Privacy at Ubicomp 2003**, October 2003 (online proceedings).
68. "The problem with privacy." J. D. Tygar. *Keynote paper*. In **Proceedings of the 2003 IEEE Workshop on Internet Applications**, June 2003, pp. 2-8.
69. "Safe staging for computer security." A. Whitten and J. D. Tygar. In **Proceedings of the 2003 Workshop on Human-Computer Interaction and Security Systems**, April 2003 (online proceedings).
70. "Expander graphs for digital stream authentication and robust overlay networks." D. Song, D. Zuckerman, and J. D. Tygar. In **Proceedings of the 2002 IEEE Symposium on Security and Privacy**, May 2002, pp. 258-270.
71. "ELK: A new protocol for efficient large-group key distribution." A. Perrig, D. Song, and J. D. Tygar. In **Proceedings of the 2001 IEEE Symposium on Security and Privacy**, May 2001, pp. 247-262.
72. "Efficient and secure source authentication for multicast." A. Perrig, R. Canetti, D. Song, and J. D. Tygar. In **Proceedings of the Internet Society Network and Distributed System Security Symposium (NDSS 2001)**, February 2001, pp. 35-46.
73. "Efficient authentication and signing of multicast streams over lossy channels." A. Perrig, R. Canetti, J. D. Tygar, and D. Song. In **Proceedings of the 2000 IEEE Symposium on Security and Privacy**, May 2000, pp. 56-73..
74. "Flexible and scalable credential structures: NetBill implementation and experience." Y. Kawakura, M. Sirbu., I. Simpson, and J. D. Tygar. In **Proceedings of the International Workshop on Cryptographic Techniques and E-Commerce**, July 1999, pp. 231-245.
75. "Open problems in electronic commerce." J. D. Tygar. *Invited address*. In **Proceedings of the 18th ACM SIGMOD-SIGACT-SIGART Symposium on Principles of Database Systems (PODS 1999)**, May 1999, p. 101.

76. "Electronic auctions with private bids." M. Harkavy, J. D. Tygar, and H. Kikuchi. In **Proceedings of the 3rd USENIX Workshop on Electronic Commerce**, September 1998, pp. 61-73.
77. "Atomicity versus anonymity: Distributed transactions for electronic commerce." J. D. Tygar. In **Proceedings of the 24th International Conference on Very Large Data Bases**, August 1998, pp. 1-12.
78. "Smart cards in hostile environments." H. Gobioff, S. Smith, J. D. Tygar, and B. Yee. In **Proceedings of the 2nd USENIX Workshop on Electronic Commerce**, November 1996, pp. 23-28. (An early version appeared as Carnegie Mellon University Computer Science technical report CMU-CS-95-188, September 1995.)
79. "Anonymous atomic transactions." L. J. Camp, M. Harkavy, and B. Yee. In **Proceedings of the 2nd USENIX Workshop on Electronic Commerce**, November 1996, pp. 123-133. (Preprint also available.) (An early version appeared as Carnegie Mellon University Computer Science technical report CMU-CS-96-156, July 1996.)
80. "Model checking electronic commerce protocols." N. Heintze, J. D. Tygar, J. Wing, and H. Wong. In **Proceedings of the 2nd USENIX Workshop on Electronic Commerce**, November 1996, pp. 147-164.
81. "WWW electronic commerce and Java Trojan horses." J. D. Tygar and A. Whitten. In **Proceedings of the 2nd USENIX Workshop on Electronic Commerce**, November 1996, pp. 243-250.
82. "Building blocks for atomicity in electronic commerce." J. Su and J. D. Tygar. In **Proceedings of the 6th USENIX Security Symposium**, July 1996, pp. 97-102.
83. "Token and notational money in electronic commerce." L. J. Camp, M. Sirbu, and J. D. Tygar. In **Proceedings of the 1st USENIX Workshop on Electronic Commerce**, July 1995, pp. 1-12. (An early version was presented at the Telecommunications Policy Research Conference, October 1994.)
84. "NetBill security and transaction protocol." B. Cox, J. D. Tygar, and M. Sirbu. In **Proceedings of the 1st USENIX Workshop on Electronic Commerce**, July 1995, pp. 77-88.
85. "Secure coprocessors in electronic commerce applications." B. Yee and J. D. Tygar. In **Proceedings of the 1st USENIX Workshop on Electronic Commerce**, July 1995, pp. 155-170.
86. "Completely asynchronous optimistic recovery with minimal rollbacks." S. Smith, D. Johnson, and J. D. Tygar. In **Proceedings of the 25th IEEE Symposium on Fault-Tolerant Computing**, June 1995, pp. 361-370. (An early version appears as Carnegie Mellon University Computer Science technical report CMU-CS-94-130, March 1994.)
87. "A fast off-line electronic currency protocol." L. Tang and J. D. Tygar. In **CARDIS 94: Proceedings of the First IFIP Smart Card Research and Advanced Application Conference**, October 1994, pp. 89-100.

88. "Security and privacy for partial order time." S. Smith and J. D. Tygar. In **Proceedings 1994 Parallel and Distributed Computing Systems Conference**, October 1994, pp. 70-79. (Early versions appeared as Carnegie Mellon University Computer Science technical reports CMU-CS-93-116, October 1991 and February 1993, and CMU-CS-94-135, April 1994.)
89. "Certified electronic mail." A. Bahreman and J. D. Tygar. In **Proceedings of the 1994 Network and Distributed Systems Security Conference**, February 1994, pp. 3-19.
90. "Miro tools." A. Heydon, M. Maimone, A. Moormann, J. D. Tygar and J. Wing. In **Proceedings of the 3rd IEEE Workshop on Visual Languages**, October 1989, pp. 86-91. (A preprint appeared as Carnegie Mellon University Computer Science technical report CMU-CS-89-159, July 1989.)
91. "Constraining pictures with pictures." A. Heydon, M. Maimone, A. Moormann, J. D. Tygar, and J. Wing. In **Information Processing 89: Proceedings of the 11th World Computer Congress**, August 1989, pp. 157-162. (An early version appeared as Carnegie Mellon University Computer Science technical report CMU-CS-88-185, November 1988.)
92. "How to make replicated data secure." M. Herlihy and J. D. Tygar. In **Proceedings of CRYPTO-87**, ed. C. Pomerance, 1988, pp. 379-391. (An early version appeared as Carnegie Mellon University Computer Science Technical Report CMU-CS-87-143, August 1987.)
93. "Visual specification of security constraints." J. D. Tygar and J. Wing. In **Proceedings of the 1987 (First IEEE) Workshop on Visual Languages**, August 1987, pp. 288-301. (A preprint appeared as Carnegie Mellon University Computer Science Technical Report CMU-CS-87-122, May 1987.)
94. "Efficient netlist comparison using hierarchy and randomization." J. D. Tygar and R. Ellickson. In **Proceedings of the 22nd ACM/IEEE Design Automation Conference**, Las Vegas, NV, July 1985, pp. 702-708.
95. "Hierarchical logic comparison." R. Ellickson and J. D. Tygar. In **Proceedings of MIDCON '84**, 1984.

***Other Conference Publications (does not include items listed above)***

96. "Panel: Authentication in Constrained Environments." M. Burmester, V. Gligor, E. Kranakis, J. D. Tygar and Y. Zheng . Transcribed by B. de Medeiros. In **Proceedings First International Workshop, MADNES 2005, Singapore, September 20-22, 2005, Revised Selected Papers**, 2006, pp. 186-191.
97. "When Computer Security Crashes with Multimedia." [Abstract] J. D. Tygar. In **Proceedings of the 7th International IEEE Symposium on Multimedia**, December 2005, p. 2.
98. "Notes from the Second USENIX Workshop on Electronic Commerce." M. Harkavy, A. Meyers, J. D. Tygar, A. Whitten, and H. Wong. In **Proceedings of the 3rd USENIX Workshop on Electronic Commerce**, September 1998, pp. 225-242.
99. "How are we going to pay for this? Fee-for-service in distributed systems -- research and policy issues." C. Clifton, P. Gemmel, E. Means, M. Merges, J. D. Tygar. In **Proceedings of**

the 15th International Conference on Distributed Computing Systems, May 1995, pp. 344-348.

100. "Miro: A visual language for specifying security." [Abstract] M. Maimone, A. Moorman, J. D. Tygar, J. Wing. In **Proceedings of the (First) USENIX UNIX Security Workshop**, August 1988, p. 49.
101. "StrongBox: support for self-securing programs." [Abstract] J. D. Tygar, B. Yee, and A. Spector. In **Proceedings of the (First) USENIX UNIX Security Workshop**, August 1988, p. 50.

**Standards Documents (does not include items listed above)**

102. **TESLA: Multicast Source Authentication Transform Introduction.** A. Perrig, D. Song, R. Canetti, J. D. Tygar, B. Briscoe. IETF RFC 4082. June 2005. (Early drafts of this RFC were published in October 2002, and in May, August, and December 2004.)
103. **Performance Criteria for Information-Based Indicia and Security Architecture for Closed IBI Postage Metering Systems (PCIBI-C) (Draft).** United States Postal Service. January 1999. (Note: I was a major contributor to this document.)
104. **Performance Criteria for Information-Based Indicia and Security Architecture for Open IBI Postage Evidence Systems (PCIBI-O) (Draft).** United States Postal Service. February 2000. (Note: I was a major contributor to this document.)
105. **Production, Distribution, and Use of Postal Security Devices and Information Based Indicia.** United States Postal Service. *Federal Register* 65:191, October 2, 2000, pp. 58682-58698. (Note: I was a major contributor to this document.)

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## Exhibit 2

## IBM, Blockbuster join forces on CD venture

Associated Press  
12 May 1993  
The Las Vegas Review-Journal  
10E  
(Copyright 1993)

FORT LAUDERDALE, Fla. \_ Blockbuster Entertainment Corp. and IBM are teaming to create a new technology that would give record stores the ability to make audio compact discs for their customers on demand.

The partnership announced Tuesday matches the retail skills of Blockbuster with the technological background of International Business Machines in a major multimedia venture.

Multimedia involves the mixing of text, sound, images and video. It has attracted a lot of attention in the computer industry, but not a lot of customer interest, due in part to its high cost and complexity.

Allowing stores to make CDs on the spot would save the cost of making thousands of copies of a recording and shipping them to stores. It would also cut down on lost sales when recordings are out of stock.

The CDs could be produced in a matter of minutes, the companies said.

The technology, still in the laboratory stage, could also extend to the production and sales of computer software, video games and videos.

"It's exciting because it's the first multimedia application of this kind," said Christopher Clough, a spokesman for IBM Fireworks Partners, a multimedia arm of IBM. "It can dramatically change the economic model for distribution of entertainment."

The technology, which Clough said could be available at retailers within a year, would allow the industry to cut down on the costs of retailers returning unsold CDs and would allow access to old titles that cannot be ordered in bulk.

"It would take the guesstimate out of the business," said Clough. "The typical retailer would have unlimited access to titles and could download anything available..."

But Jay Berman, president of the Recording Industry Association of America, cautioned that many business hurdles remain, such as copyright issues and licensing of Blockbuster by individual labels to allow reproduction of their works.

"It may be much further along as a technology than as a marketplace approach," said Berman.

He said the technique might be more useful for old titles, classical, jazz and folk than for hot-selling pop titles.

"I don't think Michael Jackson needs an alternative marketing technique," Berman said.



Blockbuster, which made its name in video rentals has been aggressively expanding into other entertainment ventures such as music sales, and plans megastores that would market videos, music and computer software.

The joint ventures would be operated through NewLeaf Entertainment Corp. a Blockbuster subsidiary, and the creation of a new company, Fairway Technology Associates, both based in nearby Deerfield Beach.

Blockbuster has roughly roughly 3,170 video stores in 48 states and nine foreign countries, two thirds of which are company-owned. The company also has 237 Sound Warehouse and Music Plus stores operating in 40 cities.

## Exhibit 3

## Blockbuster Reaffirms Video Retailing Roots

17 May 1993

VIDEO WEEK Warren Publishing, Inc.

Vol. 14, No. 19 ISSN: 0196-5905

COPYRIGHT 1993 BY WARREN PUBLISHING, INC.

On-demand digital audio duplication ventures with IBM and 400-acre S. Fla. entertainment complex were highlights of Blockbuster annual shareholders meeting in Ft. Lauderdale last week, but company continued to emphasize Blockbuster Video chain as its core business. Plans call for Blockbuster to open 365 new stores this year -- at pace of one daily. By end of 1995, company hopes to expand its N. American video store base to 3,000 from current 2,179 and overseas outlets to 2,000 from 991. Foreign market is particularly promising because 70% of world VCR population is outside U.S.

Blockbuster Video stores also will be touted in summer TV ad campaign that will include spot featuring Magic Johnson in company's store and promoting his new Slam-Dunk Basketball Game from Virgin Games for Super Nintendo. Beginning in mid-June, Blockbuster plans "significant" airplay for commercial, which is "100% at our expense," National Mktg. Vp Brian Woods told us. "It was an advertising idea that we conceived when we found out Magic was going to come out with this game. It will help build awareness of Blockbuster with one of the most recognized faces on the planet." Idea was similar to Blockbuster's Cindy Crawford spot that promotes her workout tape from Goodtimes Home Video. Blockbuster plans 3-4 other commercials during heavy summer renting period, Woods said, declining to disclose ad budget.

Blockbuster Video logo also is featured on company's new blimp purchased from Virgin Lightships as part of its joint venture with Virgin Group to open megastores. Demonstrating its diversification into programming at annual meeting, company showed trailers on its 54%-owned Spelling Entertainment and its 35% owned Republic Pictures.

Acknowledging Blockbuster stock price hasn't taken off, Chmn.-CEO Wayne Huizenga told shareholders market is "ignoring our growth" because media hyping of 500-channel universe is casting "technology cloud over our stock." However, Huizenga expressed confidence that video stores would prevail as viable entertainment medium. "Do people really want 500 or 200 or 300 cable channels?" he said. "Some people think 50 or 60 are already too much. Where will the programming come from for all these channels?" Despite Carolco agreement to provide TCI with PPV rights to up to 4 movies before theatrical release (VW May 3 p3), Huizenga said he doubted studios would "let home video fall by the wayside," leaving cable "monopoly" as major post-theatrical distribution outlet. "They would lose control over their own destinies," he said. As result, "there will still be a Blockbuster Video store in your neighborhood" by year 2000.

Huizenga took swipe at PPV industry, estimating half of \$150 million it generated last year came from "adult movies that Blockbuster doesn't carry," statement that drew applause from shareholders. "Our south Florida stores alone generated more revenues than pay-per-view nationwide," he said. "I see no reason why this should change." Company predicted its total revenues would jump to \$1.9 billion this year, up 58.3% from \$1.2 billion in 1992.

New technology on Blockbuster's part was focal point of extensive media coverage of annual meeting -- and cited as possible reason for drop in Handleman stock price (see elsewhere in this issue). Blockbuster announced details of the 2 IBM joint ventures, both based in

Deerfield Beach, Fla. Retailer will be more involved with NewLeaf Entertainment, which will work with retailers and entertainment software owners and focus on marketing, while IBM will have more direct contact with Fairway Technology Assoc., which will build on prototypes developed by Soundsational R&D company acquired by Blockbuster 2 years ago. IBM spokesman said each partner will bear roughly 50% financial burden for the 2 companies. Proposed system is scheduled for testing later this year, most likely in Blockbuster's Sound Warehouse and Music Plus chains that will be merged under Blockbuster Music name this year. Blockbuster Vice Chmn. Steven Berrard said company hopes system will be prevalent in video and music stores in next 2 years.

Proposed system would have record companies download compressed digital copies of their music into Fairway's regional databases connected to stores' booths or kiosks with 20" touchscreen monitors through which consumers could order programming. While system can be used for video titles and games, Blockbuster Senior Programming & Communications Vp Ron Castell told us audio would be "springboard," consistent with company's growing involvement in music software retailing. Currently, there are no plans for video application, he said. As we reported, system won't be exclusive to Blockbuster (VW March 8 p2). "This isn't going to be effective unless it's available to everyone in the market," Vice Chmn. Steven Berrard said.

Blockbuster has approached several record labels and chains, which have reacted "very cautiously," Berrard said. "They want us to show them that it works." Spokeswoman for Polygram, whose parent Philips owns 6.7% stake in Blockbuster, said senior executive recently had brief conversation recently with Blockbuster but she characterized talks as more informal than substantive. Record company is "open to evaluating" IBM/Blockbuster initiative, she said, cautioning that some issues need to be resolved. "Technology is changing," she said, but extent those changes would affect conventional retailers "remains to be seen." Officials at Sony Music and Warner Music said they weren't contacted by NewLeaf or its owners. Sony said it isn't supporting system because CD copying is "illegal," and Warner spokeswoman said company saw "no benefits in this system" as it was described.

Entertainment complex, which has been nicknamed "Wayne's World," will cost at least \$150 million. Besides baseball stadium for his Fla. Marlins expansion baseball team and hockey arena for his Fla. Panthers, complex will include studio for Spelling Entertainment, recording studio, little league stadium, sports museum and memorabilia shop, virtual reality seminar and water sports area.

## Exhibit 4

## Blockbuster To Test Videogame Downloads In Summer

28 March 1994

Audio Week Warren Publishing, Inc

Vol. 6, No. 12 ISSN: 1044-7601

Copyright 1994 Warren Publishing, Inc.

After Blockbuster's much-publicized plan to download compressed digital copies of music programming to in-store kiosks hit roadblock of opposition year ago from copyright-conscious record companies (AW May 17 p3), retailer changed course and apparently found friend in videogame industry. Instead of beginning by manufacturing music CDs as originally announced, company has decided to test cartridge-based games first.

Blockbuster will begin using digital distribution system developed by NewLeaf Entertainment and Fairway Technology, both of Deerfield Beach, Fla., on videogames this summer. Announcement came from NewLeaf CEO Antonio Romero at closing session of National Association of Recording Merchandisers (NARM) convention in San Francisco last week. Both NewLeaf and Fairway were formed last year as part of IBM-

Blockbuster joint venture. Former IBM exec. Robert Carberry was brought into Blockbuster to oversee venture and company has just announced test of standalone videogame stores.

Other than saying that effort's "very first dollar of revenue will soon come from the videogame industry," Romero offered few details. Only explanation was that company was "prepared to do (videogames) now from a technology and a relationship point of view." He wouldn't reveal what game companies NewLeaf was working with or where test stores would be located. But he promised music products would follow shortly. RIAA Exec. Vp-Gen. Counsel David Leibowitz said he was aware that delegates for each of 6 major music distribution companies recently have had talks with Blockbuster officials and toured NewLeaf/Fairway facilities in Deerfield Beach, but declined further comment and referred specific questions to individual member companies.

"We will begin to deploy our videogame system in a test mode in the next couple of months, and in the 2nd half of the year we will begin to deploy it in a production mode," Romero said. "Parallel with the videogame system, we will begin to deploy the preview and merchandising station, which is part of the music system. This is not going to happen overnight. Developing the technology will be "an evolutionary process and not a revolutionary process."

Romero set out to debunk misconceptions about project: (1) It isn't strictly for music industry. Other potential products besides music and videogames include movies, interactive multimedia, audiobooks, business computer software. (2) It isn't compilation system -- consumers won't be able to pick and choose elements from their favorite titles. "We are focused on delivering product in the original format," he said. (3) It isn't exclusively for Blockbuster; NewLeaf is actively soliciting other retailers. Romero even indicated joint venture might be separated from its parents soon. "At some point in time, it would make sense for NewLeaf to be a stand-alone company," he said, declining further comment.

System complements existing wholesale channels and doesn't threaten them, Romero said. It can be used as just-in-time manufacturing system for retailers to improve customer service, as inventory replenishment system for stores to fine-tune selection or copy depth or as "minimill" for wholesale distributors to use in servicing their retail customers.

Technology developed by NewLeaf/Fairway allows entertainment software products to be downloaded by stores from high-speed telecommunications network similar to those used for

automated teller machines. Programming is transferred to medium -- cartridge, disc or cassette -- while labels and other graphic materials are printed. Kiosk-based system can be used to provide information and let customers sample products, including videogames, Romero said. It also allows for cross-promotions that could involve coupons, and can develop database for making product recommendations based on customers' purchase patterns.

Early entrants to technology will shape it, Romero said. "The first participants will decide where the train tracks will lead and will even help design what the train will look like." However, he said, "many people will wait to just be passengers on the train." NewLeaf and Fairway are alone on digital distribution railroad right now, but Romero doesn't expect it to stay that way. "We are the only ones to declare our intention to offer such a set of products, but I'm sure others will come along."

## Exhibit 5



## Blockbuster Changes Course of In-store Duplication Plans

1 June 1994

Multimedia & Videodisc Monitor Future Systems, Inc

Vol. 12, No. 6 ISSN: 0739-7089

Copyright 1994 Future Systems, Inc.

Because Blockbuster Entertainment Corporation's plan to download compressed digital copies of music programming to in-store kiosks was met with adverse reaction from copyright-conscious record companies last year, the company has changed course -- deciding to test the duplication of cartridge-based games first, according to a report in Video Week.

Blockbuster will reportedly begin using the digital distribution system developed by NewLeaf Entertainment and Fairway Technology (Monitor 6/93 p4) on videogames this summer. The company has yet to comment on which games companies NewLeaf and Fairway are working with at this time, or where the test stores will be located. But, Blockbuster does plan to follow shortly with the distribution of music products.

According to Antonio Romero (CEO of NewLeaf), NewLeaf will deploy its videogame system in a test mode shortly, and in the second half of the year will begin to deploy it in a production mode. "Parallel with the videogame system, we will begin to deploy the preview and merchandising station, which is part of the music system," he said.

The technology, developed by NewLeaf and Fairway, allows entertainment software products to be downloaded by stores from high-speed telecommunications network. Programming is transferred to cartridge, disc, or cassette media, while labels and other graphic materials are printed (Blockbuster, PO Box 40706, Fort Lauderdale FL 33340-7060, 305/832-3250).

## Exhibit 6

## Turning Over New Leaf

13 February 1995  
Consumer Electronics  
(Copyright 1995 by Warren Publishing, Inc.)

Former joint venture with IBM minority participation, **New Leaf** electronic **music** distribution system, is being consolidated into Blockbuster, Corporate Communications Mgr. Mike Caruso said. Commenting on article in Wall St. Journal on "dismantling" of venture, he said it contained inaccuracies.

Consolidation has been "ongoing for the last couple of weeks," Caruso said. "After 18 months, we felt the type of things **New Leaf** was doing would be better exploited in our own technology organization." He denied electronic distribution of audio has been ruled out. "We continue to be enthusiastic about all forms of multimedia, including audio," he said. He wouldn't go into specifics. Journal article cited opposition from leading record companies.

Caruso also declined to comment on information that Blockbuster is looking into expanding electronic distribution beyond videogames to movies. But development seems natural, given that Blockbuster abandoned original plans to introduce electronic distribution concept with sale-only **music** programming and went with rental-oriented videogames instead, testing "always-in-stock" capability by having cartridges programmed to match demand for rentals of hit games.

**New Leaf**, majority-owned by Blockbuster, will continue as element of Blockbuster's in-house technology unit by continuing to pursue application of on-demand publishing in Blockbuster stores, Caruso said. Fairway, majority-owned by IBM, will continue to operate by marketing electronic distribution service to outside retailers, he said.

When Blockbuster announced plan to **deliver music programming electronically to in-store kiosks**, it was met with generally unfavorable reaction from record companies. Retailer then set sights on videogames, and is in midst of Game Factory test with Sega games. Test is expected to conclude within 2 months. Caruso declined to say where concept will go from there.

## Exhibit 7

## Music burning kiosks: On the right track?

Monday, 09 April 2007  
Self Service & Kiosk Association

John Timmons looks like what he is. Tall and thin with wild blond hair that flows like a Jimi Hendrix riff, he fits the mental image of a record-store owner. His shop, ear X-tacy, sits on a trendy stretch of traffic jam in Louisville, Ky. Inside, music muffles the sound of CD cases flipped by listeners scanning for titles.

In a nod to the technology that has overtaken his passion since the days of vinyl and large, cardboard jackets, Timmons has installed a listening station at the front of his store that lets customers sample clips of CDs. What he does not have, however, is a kiosk for those customers to download their selections to a CD or an MP3 player.

"If we put a kiosk in, we would have to sell an ungodly amount to recoup our expenses," Timmons said. "They are very expensive, and the money we would get back for each song would not be very much. I see how money can be made with kiosks, but the financial model doesn't work for me."

The same dilemma faces many potential deployers of music-download kiosks. At the beginning of the decade, the devices promised a fun and convenient way for music fans to take advantage of the confluence of digital music, cheap burning technology and the advent of portable playing devices. Users would gain access to a vast library of songs, even those no longer published. Deployers would have virtually unlimited "long-tail" inventory.

But the promise was fading as fast as Britney Spears' marriage when a new device called the iPod electrified the music market. Suddenly, even technophobic senior citizens could take Barry Manilow with them on MP3 as they went mall walking.

Music kiosks unplugged?

Francie Mendelsohn, president of Summit Research Associates, believes the music-download kiosk is unplugged. She said digital media kiosks already have matured to their full potential and have little room to grow.

"It doesn't look like a terribly promising thing," said Mendolsohn, who tests and consults on kiosks. "There was a lot of excitement for them at one point, but they won't last all that long."

The demand for kiosks existed before the iPod began to take over the online realm, but by the time manufacturers got enough funding to ramp up deployment, iTunes, Apple's online store, owned 80 percent of the market.

The ripples shot across the industry. In 2004, for example, coffee giant Starbucks unveiled digital music kiosks in several of their highest-grossing stores, including numerous locations in their home city of Seattle and in Santa Monica, Calif. At the time of the launch, Starbucks had plans to expand the rollout to 2,500 locations through 2006, but after two years of testing the company pulled the machines from 35 of the 40 stores that had them.

Starbucks officials, who would not respond to an interview request, insisted the company was not pulling away or scaling down.

Location: Getting the juice flowing

Outside looking in, it seems the time may have come and gone for music kiosks, but those in the industry say the opposite is true and, in fact, the age of music kiosks is just beginning.

Manufacturers of music kiosks agree on the benefits of digital downloading at kiosks. Dave Champlin, vice president of marketing for Mediaport, said that in addition to bringing in extra foot traffic to music stores, kiosks allow stores to reduce their retail space and at the same time greatly increase their selection of titles. Customers have the flexibility of making custom compilation albums and accessing older recordings that are out of print or not in stock.

Jon F. Butler, Mediaport president, said the company has seen a 20 percent yearly increase in sales since the company began in 2000. He believes that music kiosks are part of a natural evolution of music media, similar to when eight tracks were overtaken by cassettes, which in turn were made obsolete by CDs.

Butler said Mediaport's deployments, located in Virgin and Brazin stores in Australia, are successful because they have taken a different approach when choosing their locations: Its success has come from deploying in music stores where people already are planning to buy music.

"We watched the Starbucks trial happen, but most people are going there for quick convenience and not to lounge around for a long time," Butler said. "It would be the same if you put a music kiosk in McDonald's; it would get dusty and eventually unplugged because people are in and out."

Digital rights management

Differentiating electronic formats are one of the biggest challenges for kiosk manufacturers. Digital-rights management and interoperability are the biggest hurdles music-kiosk manufacturers face. Apple's iTunes uses a proprietary system called FairPlay to ensure that iPods only play music downloaded from iTunes. Mix & Burn and Mediaport use Microsoft's Plays-for-Sure system, which allows songs burned from their kiosks to be played on a wide range of MP3 players, but not iPods.

"The problem with the industry is that everyone is trying to provide one key piece, when everyone needs to come together for a complete solution," Butler said. "It's like the battle between VHS and Beta. There will eventually be a standard format for digital music."

Bob French, president and COO of St. Paul, Minn.-based Mix & Burn, works with record companies to acquire music licenses, which, he said, can be the most daunting task of all. Record labels, reluctant to release their entire catalog for fear of piracy and theft of kiosk hard drives, embed digital rights management (DRM) codes into their music.

According to French, Mix & Burn was one of the first music-burning kiosk companies to acquire DRM licenses from the "Big Five" record labels: Universal, Sony, BMG, EMI and Warner Music Group.

"Acquiring the licenses costs a lot of money, so there is always a lot of pressure for the labels to give up DRM," French said. "Even though the DRM battle will keep going on, it's still better to be in the market."

The future is beginning to look better for DRM, however. EMI recently released most of its massive music catalog to be sold on iTunes, free of DRM restrictions. Listeners always have been able to burn downloaded iTunes songs to CDs, thus removing the DRM coding, and later upload those tracks to MP3 players. Now one step has been eliminated.

Music kiosk manufacturers hope this deal is the beginning of a trend that will result in easy access to all big-name music catalogs.

Jon Butler and Bob French both credit iTunes for opening the door and letting record companies know there is a market for digital music. But with Apple owning a majority of the online music market and record labels constantly raising the cost of their digital rights, music kiosk manufacturers often are asked why they continue to place music kiosks in stores when people can just burn CDs at their own homes.

French and Butler agree that it's all about the hands-on experience of making your own custom CD, and even though it is self-service the human interaction with store clerks and other music fans draws people in.

"Believe it or not, people actually still want to get out of their houses," Bob French said. "People go out and get in the buying mood, and making a CD using the music kiosk is an impulse buy people make while shopping."

"There is a place for entertainment in retail. To say it's gone is a mistake," French said. "Kiosks are alive and well, and there is a business here."

Brian Abbott would agree. He is a store manager for FYE, whose parent company has partnered with Mix & Burn. His store, in Lexington, Ky., uses a Mix & Burn kiosk with six tablets, or stations. Abbott said the kiosk brings in about 50 CD transactions a week.

While the kiosk does not generate a significant percentage of business, Abbott sees other advantages.

"There's usually someone sitting over there messing around on it," he said. "So far it's been great for selling singles and getting albums that are out-of-stock."



## Exhibit 8

## Starbucks shuts down its Hear Music kiosks

UPDATED (May 26, 2006) | The Seattle Times is reporting Starbucks "has pulled them [CD-burning kiosks] out of all but five locations in each city and will not install them in future coffee stores."

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According to this Austin American-Statesman article (reg. req'd), Starbucks has decided to pull its CD-burning kiosks from its Austin and Seattle stores. Can't say I'm surprised. Living in Austin and frequenting Starbucks a couple times per week, I've NEVER seen anyone actually burn a CD using the kiosk. Seen lots of college kids curled up reading a textbook while listening to tunes from the kiosk though.

In an email exchange with the Statesman reporter, I shared the following thoughts about why the Hear Music Media Bars weren't working out as planned:

-----  
Starbucks failed to solve a consumer problem with their CD-burning stations like they solved the problem of weak, flavorless coffee. Before Starbucks, coffee was a hot, brown liquid meant to be a caffeine delivery vehicle more than a drink that actually tasted good. Starbucks changed all that. Thanks to Starbucks, it is far easier for us to find better tasting coffee that is meant to be enjoyed more than just endured.

-----  
Starbucks has been successful because it made the coffee experience uncommonly better. So uncommonly better that we gladly pay a premium for it. Using that mindset, the Starbucks CD-burning stations have been unsuccessful because they failed to make the music download experience uncommonly better. It's far easier for us to download music using our own computers than it is using the Starbucks CD-burning kiosk.

-----  
This CD-burning venture was doomed to fail from the start. Launching the service without the ability for customers to download music directly to their mp3 player was a major misstep. Starbucks may have attained success if they launched the service with mp3 downloads directly to a customer's mp3 player. As a Starbucks consumer, I would be more apt to enjoy a latte while using their wi-fi service to download music from iTunes directly to my laptop than to sit down at the Hear Music kiosk, navigate through the clunky interface, and burn a music CD.

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Source: [http://brandautopsy.typepad.com/brandautopsy/2006/05/starbucks\\_shuts.html](http://brandautopsy.typepad.com/brandautopsy/2006/05/starbucks_shuts.html)

## Exhibit 9

## Sony Music Plans to Test Use of In-Store Digital Kiosks

June 10, 1999

By LISA NAPOLI

New York Times

Sony Music Entertainment said Thursday that it had struck a deal that would let consumers buy music through digital vending machines in music stores.

The announcement follows a flurry of deals and partnerships in recent months that hope to capitalize on public interest in the digital delivery of music over the Internet. The Sony deal is unusual, however, because it shifts digital delivery out of the home and into retail outlets.

In an agreement with Digital On-Demand, a company that has developed the in-store digital kiosks, consumers will be able to choose from 4,000 albums, about half of Sony's music catalogue.

The digital files will then be sent over a proprietary computer system and pressed to the customer's choice of format, including CD, DVD, or minidisk.

The transaction, which would include the printing of art and liner notes to match that of a prepackaged CD, should take 10 to 15 minutes, according to Scott T. Smith, president of Digital On-Demand, which is based in Carlsbad, Calif. An initial test of the kiosks is to take place in 50 stores in the New York and Los Angeles metropolitan areas beginning this fall, he said.

The kiosks will also be able to download music to digital music players, once such a standard is created, Smith said.

A music industry coalition, including Sony and the other four major music producers, have said they will reach a digital delivery standard by June 30.

Last month, even in advance of an agreement on a standard, Sony said it planned to begin selling singles by its musicians this summer directly through the Internet -- a move that could bring it into conflict with traditional retailers.

Danny Yarbrough, chairman of Sony Music Distribution, said yesterday that the kiosks would not eclipse efforts at online sales, but make music more widely available in more formats.

"We see this as an expansion of the business," he said. "It offers the retailer the ability to offer titles they wouldn't be able to physically carry to that consumer in that environment."

Analysts were skeptical of the plan, citing problems with the operation and maintenance of kiosk devices in highly trafficked retail outlets, as well as the unwillingness of consumers to wait for their purchases to be prepared.

Mark Hardie, senior analyst with Forrester Research of Cambridge, Mass., noted a proliferation of "smoke and mirrors" announcements stemming from the eagerness of various industries to ride the mania surrounding digital-based production.

"There's so much noise being made about technology that glosses over the realities of poor products, bad interfaces, the true market," he said. "At the end of the day, I don't think this is going to succeed. It's neat technology at a time when the world is ga-ga over neat technology."

Mike Dreese, founder of Newbury Comics, a New England music chain, said that his experience with earlier versions of kiosks in his stores had been troublesome.

"There's an enormous disconnect going on between technologists, the music industry, and the people who have tested these devices," he said. "There are very few in-store devices that work."

Indeed, several attempts this decade to sell music through kiosks have failed. Digital On-Demand is a successor to another kiosk business, Newleaf Entertainment, which was a joint venture by I.B.M. and Viacom Inc.'s Blockbuster Entertainment unit. That venture, whose patents Digital On-Demand has licensed, was shelved because the companies could not create enthusiasm for the idea within the industry.

## Exhibit 10

10-Q 1 d10q.htm FORM 10-Q

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 27, 2010

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 000-10030

**APPLE INC.**

(Exact name of Registrant as specified in its charter)

**California**  
(State or other jurisdiction  
of incorporation or organization)

**94-2404110**  
(I.R.S. Employer Identification No.)

**1 Infinite Loop**  
**Cupertino, California**  
(Address of principal executive offices)

**95014**  
(Zip Code)

**Registrant's telephone number, including area code: (408) 996-1010**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

909,938,383 shares of common stock issued and outstanding as of April 9, 2010

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**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements****APPLE INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**  
(In millions, except share amounts which are reflected in thousands and per share amounts)

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Net sales	\$ 13,499	\$ 9,084	\$ 29,182	\$ 20,964
Cost of sales	7,874	5,457	17,146	12,830
Gross margin	<u>5,625</u>	<u>3,627</u>	<u>12,036</u>	<u>8,134</u>
Operating expenses:				
Research and development	426	319	824	634
Selling, general and administrative	1,220	985	2,508	2,076
Total operating expenses	<u>1,646</u>	<u>1,304</u>	<u>3,332</u>	<u>2,710</u>
Operating income	3,979	2,323	8,704	5,424
Other income and expense	50	63	83	221
Income before provision for income taxes	4,029	2,386	8,787	5,645
Provision for income taxes	955	766	2,335	1,770
Net income	<u>\$ 3,074</u>	<u>\$ 1,620</u>	<u>\$ 6,452</u>	<u>\$ 3,875</u>
Earnings per common share:				
Basic	\$ 3.39	\$ 1.82	\$ 7.12	\$ 4.35
Diluted	\$ 3.33	\$ 1.79	\$ 7.00	\$ 4.29
Shares used in computing earnings per share:				
Basic	907,548	891,180	905,545	890,161
Diluted	922,878	902,993	921,331	902,243

See accompanying Notes to Condensed Consolidated Financial Statements.



APPLE INC.

**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(In millions, except share amounts)

	March 27, 2010	September 26, 2009
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 10,018	\$ 5,263
Short-term marketable securities	13,137	18,201
Accounts receivable, less allowances of \$57 and \$52, respectively	2,886	3,361
Inventories	638	455
Deferred tax assets	1,142	1,135
Other current assets	4,515	3,140
Total current assets	32,336	31,555
Long-term marketable securities	18,549	10,528
Property, plant and equipment, net	3,504	2,954
Goodwill	480	206
Acquired intangible assets, net	263	247
Other assets	1,925	2,011
Total assets	\$ 57,057	\$ 47,501
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 5,666	\$ 5,601
Accrued expenses	4,021	3,852
Deferred revenue	2,542	2,053
Total current liabilities	12,229	11,506
Deferred revenue – non-current	941	853
Other non-current liabilities	4,539	3,502
Total liabilities	17,709	15,861
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 909,635,811 and 899,805,500 shares issued and outstanding, respectively	9,553	8,210
Retained earnings	29,670	23,353
Accumulated other comprehensive income	125	77
Total shareholders' equity	39,348	31,640
Total liabilities and shareholders' equity	\$ 57,057	\$ 47,501

See accompanying Notes to Condensed Consolidated Financial Statements.

APPLE INC.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(In millions)

	<u>Six Months Ended</u>	
	<u>March 27, 2010</u>	<u>March 28, 2009</u>
Cash and cash equivalents, beginning of the period	<u>\$ 5,263</u>	<u>\$ 11,875</u>
Operating activities:		
Net income	6,452	3,875
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation, amortization and accretion	425	349
Stock-based compensation expense	436	351
Deferred income tax expense	893	570
Loss on disposition of property, plant and equipment	9	8
Changes in operating assets and liabilities:		
Accounts receivable, net	482	490
Inventories	(183)	197
Other current assets	(824)	1,234
Other assets	149	(361)
Accounts payable	(18)	(1,527)
Deferred revenue	577	128
Other liabilities	(287)	(535)
Cash generated by operating activities	<u>8,111</u>	<u>4,779</u>
Investing activities:		
Purchases of marketable securities	(25,061)	(23,483)
Proceeds from maturities of marketable securities	13,331	6,280
Proceeds from sales of marketable securities	8,686	5,457
Purchases of other long-term investments	(9)	(54)
Payments made in connection with business acquisitions, net of cash acquired	(325)	—
Payment for acquisition of property, plant and equipment	(650)	(439)
Payment for acquisition of intangible assets	(32)	(30)
Other	19	(55)
Cash used in investing activities	<u>(4,041)</u>	<u>(12,324)</u>
Financing activities:		
Proceeds from issuance of common stock	534	122
Excess tax benefits from stock-based compensation	413	47
Cash used to net share settle equity awards	(262)	(33)
Cash generated by financing activities	<u>685</u>	<u>136</u>
Increase/(decrease) in cash and cash equivalents	<u>4,755</u>	<u>(7,409)</u>
Cash and cash equivalents, end of the period	<u>\$ 10,018</u>	<u>\$ 4,466</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 2,144	\$ 1,828

See accompanying Notes to Condensed Consolidated Financial Statements.

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**Apple Inc.****Notes to Condensed Consolidated Financial Statements (Unaudited)****Note 1 – Summary of Significant Accounting Policies**

Apple Inc. and its wholly-owned subsidiaries (collectively “Apple” or the “Company”) design, manufacture, and market personal computers, mobile communication devices, and portable digital music and video players and sell a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications. The Company sells its products worldwide through its online stores, its retail stores, its direct sales force, and third-party wholesalers, resellers and value-added resellers. In addition, the Company sells a variety of third-party Macintosh (“Mac”), iPhone, iPad and iPod compatible products including application software, printers, storage devices, speakers, headphones, and various other accessories and supplies through its online and retail stores. The Company sells to consumer, small and mid-sized business, education, enterprise, government and creative customers.

**Basis of Presentation and Preparation**

The accompanying condensed consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated. The preparation of these condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. Certain prior year amounts in the condensed consolidated financial statements and notes thereto have been reclassified to conform to the current period’s presentation.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company’s annual consolidated financial statements and the notes thereto for the fiscal year ended September 26, 2009, included in its Annual Report on Form 10-K, as amended (the “2009 Form 10-K”). Unless otherwise stated, references to particular years or quarters refer to the Company’s fiscal years ended in September and the associated quarters of those fiscal years.

*Retrospective Adoption of New Accounting Principles*

In September 2009, the Financial Accounting Standards Board (“FASB”) amended the accounting standards related to revenue recognition for arrangements with multiple deliverables and arrangements that include software elements (“new accounting principles”). The new accounting principles permit prospective or retrospective adoption, and the Company elected retrospective adoption during the first quarter of 2010.

Under the historical accounting principles, the Company was required to account for sales of both iPhone and Apple TV using subscription accounting because the Company indicated it might from time-to-time provide future unspecified software upgrades and features for those products free of charge. Under subscription accounting, revenue and associated product cost of sales for iPhone and Apple TV were deferred at the time of sale and recognized on a straight-line basis over each product’s estimated economic life. This resulted in the deferral of significant amounts of revenue and cost of sales related to iPhone and Apple TV.

The new accounting principles generally require the Company to account for the sale of both iPhone and Apple TV as two deliverables. The first deliverable is the hardware and software essential to the functionality of the hardware device delivered at the time of sale, and the second deliverable is the right included with the purchase of iPhone and Apple TV to receive on a when-and-if-available basis future unspecified software upgrades and features relating to the product’s essential software. The new accounting principles result in the recognition of substantially all of the revenue and product costs from the sales of iPhone and Apple TV at the time of sale. Additionally, the Company is required to estimate a standalone selling price for the unspecified software upgrade rights included with the sale of iPhone and Apple TV and recognizes that amount ratably over the 24-month estimated life of the related hardware device.

The Company had the option of adopting the new accounting principles on a prospective or retrospective basis. Prospective adoption would have required the Company to apply the new accounting principles to sales beginning in

fiscal year 2010 without reflecting the impact of the new accounting principles on iPhone and Apple TV sales made prior to September 2009. Accordingly, the Company's financial results for the two years following adoption would have included the impact of amortizing the significant amounts of deferred revenue and cost of sales related to historical iPhone and Apple TV sales. The Company believes prospective adoption would have resulted in financial information that was not comparable between financial periods because of the significant amount of past iPhone sales; therefore, the Company elected retrospective adoption. Retrospective adoption required the Company to revise its previously issued financial statements as if the new accounting principles had always been applied. The Company believes retrospective adoption provides the most comparable and useful financial information for financial statement users, is more consistent with the information the Company's management uses to evaluate its business, and better reflects the underlying economic performance of the Company.

Refer to the "Explanatory Note" and Note 2, "Retrospective Adoption of New Accounting Principles" in the 2009 Form 10-K for additional information on the impact of adoption.

### Earnings Per Common Share

Basic earnings per common share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding options, shares to be purchased under the employee stock purchase plan, and unvested restricted stock units ("RSUs"). The dilutive effect of potentially dilutive securities is reflected in diluted earnings per common share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

The following table sets forth the computation of basic and diluted earnings per common share for the three- and six-month periods ended March 27, 2010 and March 28, 2009 (in thousands, except net income in millions and per share amounts):

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Numerator:				
Net income	\$ 3,074	\$ 1,620	\$ 6,452	\$ 3,875
Denominator:				
Weighted-average shares outstanding	907,548	891,180	905,545	890,161
Effect of dilutive securities	15,330	11,813	15,786	12,082
Weighted-average shares diluted	<u>922,878</u>	<u>902,993</u>	<u>921,331</u>	<u>902,243</u>
Basic earnings per common share	\$ 3.39	\$ 1.82	\$ 7.12	\$ 4.35
Diluted earnings per common share	<u>\$ 3.33</u>	<u>\$ 1.79</u>	<u>\$ 7.00</u>	<u>\$ 4.29</u>

Potentially dilutive securities representing approximately 1.3 million and 19.2 million shares of common stock for the three months ended March 27, 2010 and March 28, 2009, respectively, and 0.8 million and 18.0 million shares of common stock for the six months ended March 27, 2010 and March 28, 2009, respectively, were excluded from the computation of diluted earnings per common share for these periods because their effect would have been antidilutive.

### Revenue Recognition

Net sales consist primarily of revenue from the sale of hardware, software, digital content and applications, peripherals, and service and support contracts. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable.

Product is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred. For most of the Company's product sales, these criteria are met at the time the product is shipped. For online sales to individuals, for some sales to education customers in the U.S., and for certain other sales, the Company defers revenue until the customer receives the product because the Company legally retains a portion of the risk of loss on these sales during transit. The Company recognizes revenue from the sale of hardware products (e.g., Mac computers, iPhones, iPods and peripherals), software bundled with hardware that is essential to the functionality of the hardware, and third-party digital content sold on the iTunes Store in accordance with general revenue recognition accounting guidance. The Company recognizes revenue in accordance with industry specific software accounting guidance for the following types of sales transactions: (i) standalone sales of software products, (ii) sales of software upgrades and (iii) sales of software bundled with hardware not essential to the functionality of the hardware.

Revenue from service and support contracts is deferred and recognized ratably over the service coverage periods. These contracts typically include extended phone support, repair services, web-based support resources, diagnostic tools, and extend the service coverage offered under the Company's standard limited warranty.

The Company sells software and peripheral products obtained from other companies. The Company generally establishes its own pricing and retains related inventory risk, is the primary obligor in sales transactions with its customers, and assumes the credit risk for amounts billed to its customers. Accordingly, the Company generally recognizes revenue for the sale of products obtained from other companies based on the gross amount billed.

The Company records reductions to revenue for estimated commitments related to price protection and for customer incentive programs, including reseller and end-user rebates, and other sales programs and volume-based incentives. The estimated cost of these programs is accrued as a reduction to revenue in the period the Company has sold the product and committed to a plan. The Company also records reductions to revenue for expected future product returns based on the Company's historical experience. Revenue is recorded net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

#### *Revenue Recognition for Arrangements with Multiple Deliverables*

For multi-element arrangements that include tangible products that contain software that is essential to the tangible product's functionality and undelivered software elements that relate to the tangible product's essential software, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the new accounting principles establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

For both iPhone and Apple TV, the Company has indicated it may from time-to-time provide future unspecified software upgrades and features free of charge to customers. The Company has identified two deliverables generally contained in arrangements involving the sale of iPhone and Apple TV. The first deliverable is the hardware and software essential to the functionality of the hardware device delivered at the time of sale, and the second deliverable is the right included with the purchase of iPhone and Apple TV to receive on a when-and-if-available basis future unspecified software upgrades and features relating to the product's essential software. The Company has allocated revenue between these two deliverables using the relative selling price method. Because the Company has neither VSOE nor TPE for the two deliverables the allocation of revenue has been based on the Company's ESPs. Amounts allocated to the delivered hardware and the related essential software are recognized at the time of sale provided the other conditions for revenue recognition have been met. Amounts allocated to the unspecified software upgrade rights are deferred and recognized on a straight-line basis over the 24-month estimated life of the related hardware. All product cost of sales, including estimated warranty costs, are generally recognized at the time of sale. Costs for engineering and sales and marketing are expensed as incurred.

For all periods presented, the Company's ESP for the software upgrade rights included with each iPhone and Apple TV sold is \$25 and \$10, respectively. The Company's process for determining its ESP for deliverables without VSOE or TPE considers multiple factors that may vary depending upon the unique facts and circumstances related to

each deliverable. The Company believes its customers, particularly consumers, would be reluctant to buy unspecified software upgrade rights related to iPhone and Apple TV. This view is primarily based on the fact that upgrade rights do not obligate the Company to provide upgrades at a particular time or at all, and do not specify to customers which upgrades or features will be delivered in the future. Therefore, the Company has concluded that if it were to sell upgrade rights on a standalone basis, such as those included with iPhone and Apple TV, the selling price would be relatively low. Key factors considered by the Company in developing the ESPs for iPhone and Apple TV upgrade rights include prices charged by the Company for similar offerings, the Company's historical pricing practices, the nature of the upgrade rights (e.g., unspecified and when-and-if-available), and the relative ESP of the upgrade rights as compared to the total selling price of the product. In addition, when developing ESPs for products other than iPhone and Apple TV, the Company may consider other factors as appropriate including the pricing of competitive alternatives if they exist, and product-specific business objectives.

The Company accounts for multiple element arrangements that consist only of software or software-related products, including the sale of upgrades to previously sold software, in accordance with industry specific accounting guidance for software and software-related transactions. For such transactions, revenue on arrangements that include multiple elements is allocated to each element based on the relative fair value of each element, and fair value is generally determined by VSOE. If the Company cannot objectively determine the fair value of any undelivered element included in such multiple-element arrangements, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements. When the fair value of a delivered element has not been established, but fair value exists for the undelivered elements, the Company uses the residual method to recognize revenue if the fair value of all undelivered elements is determinable. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue.

Except as described for iPhone and Apple TV, the Company generally does not offer specified or unspecified upgrade rights to its customers in connection with software sales or the sale of extended warranty and support contracts. A limited number of the Company's software products are available with maintenance agreements that grant customers rights to unspecified future upgrades over the maintenance term on a when and if available basis. Revenue associated with such maintenance is recognized ratably over the maintenance term.

#### **Fair Value Measurements**

During 2009, the Company adopted the FASB's new accounting standard on fair value measurements and disclosures for all financial assets and liabilities. The new accounting principles defined fair value, provided a framework for measuring fair value, and expanded the disclosures required for fair value measurements. During the first quarter of 2010, the Company adopted the new fair value accounting principles for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, which did not have a material effect on the Company's financial condition or operating results.

#### **Business Combinations**

In December 2007, the FASB issued a new accounting standard for business combinations, which established principles and requirements for how an acquirer is to recognize and measure in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree in a business combination. This new accounting standard also established principles regarding how goodwill acquired in a business combination or a gain from a bargain purchase should be recognized and measured, as well as provides guidelines on the disclosure requirements. In April 2009, the FASB amended this new accounting standard to require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value, if the fair value can be determined during the measurement period. The Company adopted the new business combination accounting standard in the first quarter of 2010 and applied these principles to any business combinations completed in or after the first quarter of 2010. The adoption of the new business combination accounting standard did not have a material effect on the Company's financial condition or operating results.

**Note 2 – Financial Instruments****Cash, Cash Equivalents and Marketable Securities**

The following table summarizes the fair value of the Company's cash and available-for-sale securities held in its marketable securities investment portfolio, recorded as cash, cash equivalents or short-term or long-term marketable securities as of March 27, 2010 and September 26, 2009 (in millions):

	<u>March 27, 2010</u>	<u>September 26, 2009</u>
Cash	\$ 1,773	\$ 1,139
Money market funds	2,176	1,608
U.S. Treasury securities	2,504	289
U.S. agency securities	1,165	273
Non-U.S. government securities	188	—
Certificates of deposit and time deposits	757	572
Commercial paper	1,402	1,381
Corporate securities	48	—
Municipal securities	5	1
Total cash equivalents	<u>8,245</u>	<u>4,124</u>
U.S. Treasury securities	2,161	2,843
U.S. agency securities	3,842	8,582
Non-U.S. government securities	600	219
Certificates of deposit and time deposits	769	1,142
Commercial paper	1,523	2,816
Corporate securities	4,074	2,466
Municipal securities	168	133
Total short-term marketable securities	<u>13,137</u>	<u>18,201</u>
U.S. Treasury securities	1,461	484
U.S. agency securities	3,793	2,252
Non-U.S. government securities	1,398	102
Certificates of deposit and time deposit	37	—
Corporate securities	11,175	7,320
Municipal securities	685	370
Total long-term marketable securities	<u>18,549</u>	<u>10,528</u>
Total cash, cash equivalents and marketable securities	<u>\$ 41,704</u>	<u>\$ 33,992</u>

The following tables summarize the Company's available-for-sale securities' adjusted cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category as of March 27, 2010 and September 26, 2009 (in millions):

	March 27, 2010			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money market funds	\$ 2,176	\$ —	\$ —	\$ 2,176
U.S. Treasury securities	6,126	2	(2)	6,126
U.S. agency securities	8,797	5	(2)	8,800
Non-U.S. government securities	2,175	12	(1)	2,186
Certificates of deposit and time deposits	1,563	—	—	1,563
Commercial paper	2,925	—	—	2,925
Corporate securities	15,256	53	(12)	15,297
Municipal securities	856	3	(1)	858
Total cash equivalents and marketable securities	<u>\$39,874</u>	<u>\$ 75</u>	<u>\$ (18)</u>	<u>\$39,931</u>
	September 26, 2009			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money market funds	\$ 1,608	\$ —	\$ —	\$ 1,608
U.S. Treasury securities	3,610	6	—	3,616
U.S. agency securities	11,085	22	—	11,107
Non-U.S. government securities	320	1	—	321
Certificates of deposit and time deposits	1,714	—	—	1,714
Commercial paper	4,197	—	—	4,197
Corporate securities	9,760	42	(16)	9,786
Municipal securities	502	2	—	504
Total cash equivalents and marketable securities	<u>\$32,796</u>	<u>\$ 73</u>	<u>\$ (16)</u>	<u>\$32,853</u>

The Company had net unrealized gains on its investment portfolio of \$57 million both as of March 27, 2010 and September 26, 2009. The net unrealized gains as of March 27, 2010 and September 26, 2009 are related primarily to long-term marketable securities. The Company may sell certain of its marketable securities prior to their stated maturities for strategic purposes, in anticipation of credit deterioration, or for duration management. The Company recognized no significant net gains or losses during the three- and six-month periods ended March 27, 2010 and March 28, 2009 related to such sales.



The following tables show the gross unrealized losses and fair value for investments in an unrealized loss position as of March 27, 2010 and September 26, 2009, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in millions):

	March 27, 2010					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	\$ 2,168	\$ (2)	\$ —	\$ —	\$ 2,168	\$ (2)
U.S. agency securities	3,293	(2)	—	—	3,293	(2)
Non-U.S. government securities	720	(1)	—	—	720	(1)
Corporate securities	5,110	(9)	351	(3)	5,461	(12)
Municipal securities	392	(1)	—	—	392	(1)
Total	<u>\$ 11,683</u>	<u>\$ (15)</u>	<u>\$ 351</u>	<u>\$ (3)</u>	<u>\$ 12,034</u>	<u>\$ (18)</u>

	September 26, 2009					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate securities	\$ 1,667	\$ (3)	\$ 719	\$ (13)	\$ 2,386	\$ (16)
Total	<u>\$ 1,667</u>	<u>\$ (3)</u>	<u>\$ 719</u>	<u>\$ (13)</u>	<u>\$ 2,386</u>	<u>\$ (16)</u>

The unrealized losses on the Company's marketable securities were caused primarily by changes in market interest rates. The Company considers the declines in market value of its marketable securities investment portfolio to be temporary in nature. The Company typically invests in highly-rated securities, and its policy generally limits the amount of credit exposure to any one issuer. The Company's investment policy requires investments to be investment grade, primarily rated single-A or better, with the objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's amortized cost basis. During the three- and six-month periods ended March 27, 2010 and March 28, 2009, the Company did not recognize any significant impairment charges on outstanding securities. As of March 27, 2010, the Company does not consider any of its investments to be other-than-temporarily impaired.

#### Derivative Financial Instruments

The Company uses derivatives to partially offset its business exposure to foreign currency exchange risk. The Company may enter into foreign currency forward and option contracts to offset some of the foreign exchange risk of expected future cash flows on certain forecasted revenue and cost of sales, of net investments in certain foreign subsidiaries, and on certain existing assets and liabilities. To help protect gross margins from fluctuations in foreign currency exchange rates, certain of the Company's subsidiaries whose functional currency is the U.S. dollar, hedge a portion of forecasted foreign currency revenue. The Company's subsidiaries whose functional currency is not the U.S. dollar and who sell in local currencies, may hedge a portion of forecasted inventory purchases not denominated in the subsidiaries' functional currencies. The Company typically hedges portions of its forecasted foreign currency exposure associated with revenue and inventory purchases for three to six months. To help protect the net investment in a foreign operation from adverse changes in foreign currency exchange rates, the Company may enter into foreign currency forward and option contracts to offset the changes in the carrying amounts of these investments due to fluctuations in foreign currency exchange rates. The Company may also enter into foreign currency forward and option contracts to partially offset the foreign currency exchange gains and losses generated by the re-measurement of certain assets and liabilities denominated in non-functional currencies. However, the Company may choose not to hedge certain foreign currency exchange exposures for a variety of reasons, including but not limited to immateriality, accounting considerations and the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign currency exchange rates.

The Company's accounting policies for these instruments are based on whether the instruments are designated as hedge or non-hedge instruments. The Company records all derivatives on the Condensed Consolidated Balance Sheets at fair value. The effective portions of cash flow hedges are recorded in other comprehensive income until the hedged item is recognized in earnings. The effective portions of net investment hedges are recorded in other comprehensive income as a part of the cumulative translation adjustment. Derivatives that are not designated as hedging instruments and the ineffective portions of cash flow hedges and net investment hedges are adjusted to fair value through earnings in other income and expense.

The Company had a net deferred gain associated with cash flow hedges of approximately \$29 million and \$1 million, net of taxes, recorded in other comprehensive income as of March 27, 2010 and September 26, 2009, respectively. Other comprehensive income associated with cash flow hedges of foreign currency revenue is recognized as a component of net sales in the same period as the related revenue is recognized, and other comprehensive income related to cash flow hedges of inventory purchases is recognized as a component of cost of sales in the same period as the related costs are recognized. Hedged transactions as of March 27, 2010 are expected to occur within six months.

Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two month time period. Deferred gains and losses in other comprehensive income associated with such derivative instruments are reclassified immediately into earnings through other income and expense. Any subsequent changes in fair value of such derivative instruments also are reflected in current earnings unless they are re-designated as hedges of other transactions. The Company did not recognize any significant net gains or losses related to the loss of hedge designation on discontinued cash flow hedges during the three- and six-month periods ended March 27, 2010 and March 28, 2009, respectively.

The Company had an unrealized net gain on net investment hedges of \$2 million and unrealized net loss on net investment hedges of \$2 million, net of taxes, included in the cumulative translation adjustment account of accumulated other comprehensive income ("AOCI") as of March 27, 2010 and September 26, 2009, respectively. The ineffective portions and amounts excluded from the effectiveness test of net investment hedges are recorded in current earnings in other income and expense.

The Company recognized in earnings a net gain on foreign currency forward and option contracts not designated as hedging instruments of \$24 million and a net loss of \$10 million during the three- and six-month periods ended March 27, 2010, respectively, and a net gain on foreign currency forward and option contracts not designated as hedging instruments of \$15 million and \$173 million during the three- and six-month periods ended March 28, 2009, respectively.

The following table shows the notional principal and credit risk amounts of the Company's derivative instruments outstanding as of March 27, 2010 and September 26, 2009 (in millions):

	<u>March 27, 2010</u>		<u>September 26, 2009</u>	
	<u>Notional Principal</u>	<u>Credit Risk Amounts</u>	<u>Notional Principal</u>	<u>Credit Risk Amounts</u>
Instruments qualifying as accounting hedges:				
Foreign exchange contracts	\$ 6,037	\$ 106	\$ 4,422	\$ 31
Instruments other than accounting hedges:				
Foreign exchange contracts	\$ 4,283	\$ 18	\$ 3,416	\$ 10

The notional principal amounts for derivative instruments provide one measure of the transaction volume outstanding as of March 27, 2010 and September 26, 2009, and do not represent the amount of the Company's exposure to credit or market loss. The credit risk amounts represent the Company's gross exposure to potential accounting loss on these transactions if all counterparties failed to perform according to the terms of the contract, based on then-current currency exchange rates at each respective date. The Company's gross exposure on these

transactions may be further mitigated by collateral received from certain counterparties. The Company's exposure to credit loss and market risk will vary over time as a function of currency exchange rates. Although the table above reflects the notional principal and credit risk amounts of the Company's foreign exchange instruments, it does not reflect the gains or losses associated with the exposures and transactions that the foreign exchange instruments are intended to hedge. The amounts ultimately realized upon settlement of these financial instruments, together with the gains and losses on the underlying exposures, will depend on actual market conditions during the remaining life of the instruments.

The Company generally enters into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. To further limit credit risk, the Company generally enters into collateral security arrangements that provide for collateral to be received when the net fair value of certain financial instruments exceeds contractually established thresholds. The Company presents its derivative assets and derivative liabilities at their gross fair values. As of March 27, 2010, the Company has received cash collateral related to the derivative instruments under its collateral security arrangements of \$71 million and recorded the offsetting balance as accrued expenses in the Condensed Consolidated Balance Sheet. The Company did not record any significant amounts of cash collateral related to the derivative instruments under its master netting arrangements as of September 26, 2009. The Company did not have any derivative instruments with credit risk-related contingent features that would require it to post additional collateral as of March 27, 2010 or September 26, 2009.

The estimates of fair value are based on applicable and commonly used pricing models and prevailing financial market information as of March 27, 2010 and September 26, 2009. Refer to Note 3, "Fair Value Measurements" of this Form 10-Q, for additional information on the fair value measurements for all financial assets and liabilities, including derivative assets and derivative liabilities, that are measured at fair value in the condensed consolidated financial statements on a recurring basis. The following tables show the Company's derivative instruments measured at gross fair value as reflected in the Condensed Consolidated Balance Sheets as of March 27, 2010 and September 26, 2009 (in millions):

	<b>March 27, 2010</b>		
	<b>Fair Value of Derivatives Designated as Hedge Instruments</b>	<b>Fair Value of Derivatives Not Designated as Hedge Instruments</b>	<b>Total Fair Value</b>
Derivative assets (a):			
Foreign exchange contracts	\$ 77	\$ 18	\$ 95
Derivative liabilities (b):			
Foreign exchange contracts	\$ 37	\$ 8	\$ 45
	<b>September 26, 2009</b>		
	<b>Fair Value of Derivatives Designated as Hedge Instruments</b>	<b>Fair Value of Derivatives Not Designated as Hedge Instruments</b>	<b>Total Fair Value</b>
Derivative assets (a):			
Foreign exchange contracts	\$ 27	\$ 10	\$ 37
Derivative liabilities (b):			
Foreign exchange contracts	\$ 24	\$ 1	\$ 25

(a) All derivative assets are recorded as other current assets in the Condensed Consolidated Balance Sheets.

(b) All derivative liabilities are recorded as accrued expenses in the Condensed Consolidated Balance Sheets.

The following tables show the pre-tax effect of the Company's derivative instruments designated as cash flow and net investment hedges in the Condensed Consolidated Statements of Operations for the three- and six-month periods ended March 27, 2010 and March 28, 2009 (in millions):

		Three Month Periods							
		Gains (Losses) Recognized in OCI - Effective Portion (a)		Gains (Losses) Reclassified from AOCI into Income - Effective Portion (a)			Gains (Losses) Recognized - Ineffective Portion and Amount Excluded from Effectiveness Testing		
		March 27, 2010	March 28, 2009	Location	March 27, 2010	March 28, 2009	Location	March 27, 2010	March 28, 2009
Cash flow hedges:									
	Foreign exchange contracts	\$ 84	\$ 27	Net sales	\$ 29	\$ 100	Other income and expense	\$ (14)	\$ (28)
	Foreign exchange contracts	(34)	27	Cost of sales	4	27	Other income and expense	(10)	(6)
Net investment hedges:									
	Foreign exchange contracts	3	16	Other income and expense	—	—	Other income and expense	—	—
	Total	<u>\$ 53</u>	<u>\$ 70</u>		<u>\$ 33</u>	<u>\$ 127</u>		<u>\$ (24)</u>	<u>\$ (34)</u>
		Six Month Periods							
		Gains (Losses) Recognized in OCI - Effective Portion (a)		Gains (Losses) Reclassified from AOCI into Income - Effective Portion (a)			Gains (Losses) Recognized - Ineffective Portion and Amount Excluded from Effectiveness Testing		
		March 27, 2010	March 28, 2009	Location	March 27, 2010	March 28, 2009	Location	March 27, 2010	March 28, 2009
Cash flow hedges:									
	Foreign exchange contracts	\$ 94	\$ 298	Net sales	\$ 31	\$ 323	Other income and expense	\$ (23)	\$ (51)
	Foreign exchange contracts	(32)	123	Cost of sales	(18)	111	Other income and expense	(15)	(5)
Net investment hedges:									
	Foreign exchange contracts	2	(22)	Other income and expense	—	—	Other income and expense	—	2
	Total	<u>\$ 64</u>	<u>\$ 399</u>		<u>\$ 13</u>	<u>\$ 434</u>		<u>\$ (38)</u>	<u>\$ (54)</u>

(a) Refer to Note 6, "Shareholders' Equity and Stock-Based Compensation" of this Form 10-Q, which summarizes the activity in accumulated other comprehensive income related to derivatives.

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**Note 3 – Fair Value Measurements**

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The Company's valuation techniques used to measure the fair value of money market funds and certain marketable equity securities were derived from quoted prices in active markets for identical assets or liabilities. The valuation techniques used to measure the fair value of all other financial instruments, all of which have counterparties with high credit ratings, were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data.

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**Assets/Liabilities Measured at Fair Value on a Recurring Basis**

The following tables present the Company's assets and liabilities measured at fair value on a recurring basis as of March 27, 2010 and September 26, 2009 (in millions):

	March 27, 2010			Total (a)
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Money market funds	\$ 2,176	\$ —	\$ —	\$ 2,176
U.S. Treasury securities	—	6,126	—	6,126
U.S. agency securities	—	8,800	—	8,800
Non-U.S. government securities	—	2,186	—	2,186
Certificates of deposit and time deposits	—	1,563	—	1,563
Commercial paper	—	2,925	—	2,925
Corporate securities	—	15,297	—	15,297
Municipal securities	—	858	—	858
Marketable equity securities	77	—	—	77
Foreign exchange contracts	—	95	—	95
Total assets measured at fair value	<u>\$ 2,253</u>	<u>\$ 37,850</u>	<u>\$ —</u>	<u>\$ 40,103</u>
<b>Liabilities:</b>				
Foreign exchange contracts	\$ —	\$ 45	\$ —	\$ 45
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 45</u>	<u>\$ —</u>	<u>\$ 45</u>

	September 26, 2009			Total (a)
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Money market funds	\$ 1,608	\$ —	\$ —	\$ 1,608
U.S. Treasury securities	—	3,616	—	3,616
U.S. agency securities	—	11,107	—	11,107
Non-U.S. government securities	—	321	—	321
Certificates of deposit and time deposits	—	1,714	—	1,714
Commercial paper	—	4,197	—	4,197
Corporate securities	—	9,786	—	9,786
Municipal securities	—	504	—	504
Marketable equity securities	61	—	—	61
Foreign exchange contracts	—	37	—	37
Total assets measured at fair value	<u>\$ 1,669</u>	<u>\$ 31,282</u>	<u>\$ —</u>	<u>\$ 32,951</u>
<b>Liabilities:</b>				
Foreign exchange contracts	\$ —	\$ 25	\$ —	\$ 25
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 25</u>	<u>\$ —</u>	<u>\$ 25</u>

(a) The total fair value amounts for assets and liabilities also represent the related carrying amounts.

The following tables summarize the Company's assets and liabilities measured at fair value on a recurring basis presented on the Company's Condensed Consolidated Balance Sheets as of March 27, 2010 and September 26, 2009 (in millions):

	March 27, 2010			Total (a)
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Cash equivalents	\$ 2,176	\$ 6,069	\$ —	\$ 8,245
Short-term marketable securities	—	13,137	—	13,137
Long-term marketable securities	—	18,549	—	18,549
Other current assets	—	95	—	95
Other assets	77	—	—	77
Total assets measured at fair value	<u>\$ 2,253</u>	<u>\$ 37,850</u>	<u>\$ —</u>	<u>\$ 40,103</u>
<b>Liabilities:</b>				
Other current liabilities	\$ —	\$ 45	\$ —	\$ 45
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 45</u>	<u>\$ —</u>	<u>\$ 45</u>

	September 26, 2009			Total (a)
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Cash equivalents	\$ 1,608	\$ 2,516	\$ —	\$ 4,124
Short-term marketable securities	—	18,201	—	18,201
Long-term marketable securities	—	10,528	—	10,528
Other current assets	—	37	—	37
Other assets	61	—	—	61
Total assets measured at fair value	<u>\$ 1,669</u>	<u>\$ 31,282</u>	<u>\$ —</u>	<u>\$ 32,951</u>
<b>Liabilities:</b>				
Other current liabilities	\$ —	\$ 25	\$ —	\$ 25
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 25</u>	<u>\$ —</u>	<u>\$ 25</u>

(a) The total fair value amounts for assets and liabilities also represent the related carrying amounts.

#### Note 4 – Condensed Consolidated Financial Statement Details

The following tables show the Company's condensed consolidated financial statement details as of March 27, 2010 and September 26, 2009 (in millions):

##### Other Current Assets

	March 27, 2010	September 26, 2009
Vendor non-trade receivables	\$ 1,743	\$ 1,696
Inventory component prepayments - current	190	309
Other current assets	2,582	1,135
Total other current assets	<u>\$ 4,515</u>	<u>\$ 3,140</u>

##### Property, Plant and Equipment

	March 27, 2010	September 26, 2009
Land and buildings	\$ 1,170	\$ 955
Machinery, equipment and internal-use software	2,459	1,932
Office furniture and equipment	128	115
Leasehold improvements	1,798	1,665
Gross property, plant and equipment	5,555	4,667
Accumulated depreciation and amortization	(2,051)	(1,713)
Net property, plant and equipment	<u>\$ 3,504</u>	<u>\$ 2,954</u>



**Other Assets**

	<u>March 27, 2010</u>	<u>September 26, 2009</u>
Inventory component prepayments – non-current	\$ 781	\$ 844
Deferred tax assets – non-current	129	163
Capitalized software development costs, net	80	106
Other assets	935	898
Total other assets	<u>\$ 1,925</u>	<u>\$ 2,011</u>

**Accrued Expenses**

	<u>March 27, 2010</u>	<u>September 26, 2009</u>
Accrued warranty and related costs	\$ 588	\$ 577
Accrued compensation and employee benefits	382	357
Deferred margin on component sales	343	225
Accrued marketing and distribution	261	359
Income taxes payable	255	430
Other current liabilities	2,192	1,904
Total accrued expenses	<u>\$ 4,021</u>	<u>\$ 3,852</u>

**Non-Current Liabilities**

	<u>March 27, 2010</u>	<u>September 26, 2009</u>
Deferred tax liabilities	\$ 3,241	\$ 2,216
Other non-current liabilities	1,298	1,286
Total other non-current liabilities	<u>\$ 4,539</u>	<u>\$ 3,502</u>

**Note 5 – Income Taxes**

As of March 27, 2010, the Company recorded gross unrecognized tax benefits of \$946 million, of which \$348 million, if recognized, would affect the Company's effective tax rate. As of September 26, 2009, the total amount of gross unrecognized tax benefits was \$971 million, of which \$307 million, if recognized, would affect the Company's effective tax rate. The Company's total gross unrecognized tax benefits are classified as other non-current liabilities in the Condensed Consolidated Balance Sheets. The Company had \$272 million and \$291 million of gross interest and penalties accrued as of March 27, 2010 and September 26, 2009, respectively, which are also classified as other non-current liabilities in the Condensed Consolidated Balance Sheets.

Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs. Although timing of the resolution and/or closure of audits is not certain, the Company believes it is reasonably possible that tax audit resolutions could reduce its unrecognized tax benefits by between \$105 million and \$145 million in the next 12 months.

**Note 6 – Shareholders' Equity and Stock-Based Compensation****Preferred Stock**

The Company has five million shares of authorized preferred stock, none of which is issued or outstanding. Under the terms of the Company's Restated Articles of Incorporation, the Board of Directors is authorized to determine or alter the rights, preferences, privileges and restrictions of the Company's authorized but unissued shares of preferred stock.

### Comprehensive Income

Comprehensive income consists of two components, net income and other comprehensive income. Other comprehensive income refers to revenue, expenses, gains, and losses that under GAAP are recorded as an element of shareholders' equity but are excluded from net income. The Company's other comprehensive income consists of foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency, unrealized gains and losses on marketable securities categorized as available-for-sale, and net deferred gains and losses on certain derivative instruments accounted for as cash flow hedges.

The following table summarizes the components of total comprehensive income, net of taxes, during the three- and six-month periods ended March 27, 2010 and March 28, 2009 (in millions):

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Net income	\$ 3,074	\$ 1,620	\$ 6,452	\$ 3,875
Other comprehensive income:				
Change in unrecognized gains on derivative instruments	10	(47)	28	(6)
Change in foreign currency translation	6	(2)	11	(107)
Net change in unrealized gains/losses on marketable securities	(2)	(18)	9	31
Total comprehensive income	<u>\$ 3,088</u>	<u>\$ 1,553</u>	<u>\$ 6,500</u>	<u>\$ 3,793</u>

The following table summarizes activity in other comprehensive income related to derivatives, net of taxes, held by the Company during the three- and six-month periods ended March 27, 2010 and March 28, 2009 (in millions):

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Change in fair value of derivatives	\$ 30	\$ 31	\$ 36	\$ 254
Adjustment for net gains/losses realized and included in net income	(20)	(78)	(8)	(260)
Change in unrecognized gains on derivative instruments	<u>\$ 10</u>	<u>\$ (47)</u>	<u>\$ 28</u>	<u>\$ (6)</u>

The following table summarizes the components of accumulated other comprehensive income, net of taxes, as of March 27, 2010 and September 26, 2009 (in millions):

	March 27, 2010	September 26, 2009
Net unrealized gains/losses on marketable securities	\$ 57	\$ 48
Net unrecognized gains on derivative instruments	29	1
Cumulative foreign currency translation	39	28
Accumulated other comprehensive income	<u>\$ 125</u>	<u>\$ 77</u>

### Employee Benefit Plans

#### Rule 10b5-1 Trading Plans

During the second quarter of 2010, executive officers Timothy D. Cook, Ronald B. Johnson, Peter Oppenheimer, Mark Papermaster, Philip W. Schiller and Bertrand Serlet had trading plans pursuant to Rule 10b5-1(c)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). A trading plan is a written document that pre-establishes the amounts, prices and dates (or formula for determining the amounts, prices and dates) of future purchases or sales of the Company's stock including the exercise and sale of employee stock options and shares acquired pursuant to the Company's employee stock purchase plan and upon vesting of RSUs.

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*2003 Employee Stock Plan*

The 2003 Employee Stock Plan (the “2003 Plan”) is a shareholder approved plan that provides for broad-based equity grants to employees, including executive officers. At the Company’s 2010 annual meeting of shareholders, the 2003 Plan was amended to (1) increase the number of shares of the Company’s common stock that may be delivered pursuant to awards granted under the 2003 Plan by an additional 36,000,000 shares and (2) extend the Company’s authority to grant awards under the 2003 Plan intended to qualify as “performance-based awards” within the meaning of Section 162(m) of the U.S. Internal Revenue Code through the 2015 annual meeting of shareholders.

*1997 Director Stock Plan*

In August 1997, the Company’s Board of Directors adopted a Director Stock Plan (the “Director Plan”) for non-employee directors of the Company, which was approved by shareholders in 1998. At the Company’s 2010 annual meeting of shareholders, the Director Plan was amended to (1) permit the Company to grant awards of restricted stock units under the Director Plan, (2) effective for grants awarded on or after February 25, 2010, replace the automatic initial and annual grants of stock options under the Director Plan with automatic initial and annual grants of restricted stock units under the plan, (3) modify the Director Plan’s existing share-counting provision so that RSUs granted are deducted from the shares available for grant under the Director Plan utilizing a factor of two times the number of RSUs granted, and (4) extend the term of the Director Plan to November 9, 2019.

**Restricted Stock Units**

A summary of the Company’s RSU activity and related information for the six months ended March 27, 2010, is as follows (in thousands, except per share amounts):

	<u>Number of Shares</u>	<u>Weighted- Average Grant Date Fair Value</u>	<u>Aggregate Intrinsic Value</u>
Balance at September 26, 2009	12,263	\$ 122.52	
Restricted stock units granted	4,499	\$ 193.10	
Restricted stock units vested	(3,045)	\$ 106.91	
Restricted stock units cancelled	(436)	\$ 145.44	
Balance at March 27, 2010	<u>13,281</u>	\$ 149.26	\$3,066,509

The fair value as of the vesting date of RSUs that vested was \$345 million and \$637 million for the three- and six-month periods ended March 27, 2010, respectively, and \$2 million and \$88 million for the three- and six-month periods ended March 28, 2009, respectively.

### Stock Option Activity

A summary of the Company's stock option and RSU activity and related information for the six months ended March 27, 2010, is as follows (in thousands, except per share amounts and contractual term in years):

	Shares Available for Grant	Number of Shares	Outstanding Options		
			Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at September 26, 2009	37,261	34,375	\$ 81.17		
Additional shares authorized	36,000	—	\$ —		
Restricted stock units granted	(8,998)	—	\$ —		
Options granted	(33)	33	\$ 202.00		
Options assumed	—	67	\$ 11.72		
Options cancelled	282	(282)	\$ 135.54		
Restricted stock units cancelled	872	—	\$ —		
Options exercised	—	(7,518)	\$ 63.03		
Balance at March 27, 2010	<u>65,384</u>	<u>26,675</u>	\$ 85.69	3.17	\$3,873,474
Exercisable at March 27, 2010		20,046	\$ 68.28	2.76	\$3,259,825
Expected to vest after March 27, 2010		6,504	\$ 138.33	4.41	\$ 602,109

Aggregate intrinsic value represents the value of the Company's closing stock price on the last trading day of the fiscal period in excess of the weighted-average exercise price multiplied by the number of options outstanding or exercisable. The aggregate intrinsic value excludes the effect of stock options that have a zero or negative intrinsic value. The total intrinsic value of options at the time of exercise was \$377 million and \$1.1 billion for the three- and six-month periods ended March 27, 2010, respectively, and \$94 million and \$149 million for the three- and six-month periods ended March 28, 2009, respectively.

RSUs granted are deducted from the shares available for grant under the Company's stock option plans utilizing a factor of two times the number of RSUs granted. Similarly, RSUs cancelled are added back to the shares available for grant under the Company's stock option plans utilizing a factor of two times the number of RSUs cancelled. Outstanding RSU balances are not included in the outstanding options balances in the stock option activity table.

### Stock-Based Compensation

Stock-based compensation cost for RSUs is measured based on the closing fair market value of the Company's common stock on the date of grant. Stock-based compensation cost for stock options is estimated at the grant date based on each option's fair-value as calculated by the Black-Scholes Merton ("BSM") option-pricing model. The BSM option-pricing model incorporates various assumptions including expected volatility, expected life and interest rates. The expected volatility is based on the historical volatility of the Company's common stock over the most recent period commensurate with the estimated expected life of the Company's stock options and other relevant factors including implied volatility in market traded options on the Company's common stock. The Company bases its expected life assumption on its historical experience and on the terms and conditions of the stock awards it grants to employees. The Company recognizes stock-based compensation cost as expense ratably on a straight-line basis over the requisite service period.

The weighted-average assumptions used for stock options granted do not apply to employee stock options assumed in conjunction with business acquisitions during the three- and six-month periods ended March 27, 2010. The weighted-average fair value of stock options assumed during the three- and six-month periods ended March 27, 2010 was \$198.22. The weighted-average assumptions used for the three- and six-month periods ended March 27, 2010 and March 28, 2009, and the resulting estimates of weighted-average fair value per share of stock options granted and of employee stock purchase plan rights ("stock purchase rights") during those periods are as follows:

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Expected life - stock options	10 years	3.4 years	10 years	3.4 years
Expected life - stock purchase rights	7 months	6 months	6 months	6 months
Interest rate - stock options	3.71%	1.26%	3.71%	1.73%
Interest rate - stock purchase rights	0.20%	0.19%	0.29%	0.92%
Expected volatility - stock options	36.30%	51.00%	36.30%	53.26%
Expected volatility - stock purchase rights	27.12%	57.64%	35.17%	53.71%
Expected dividend yields	—	—	—	—
Weighted-average fair value of stock options granted during the period	\$ 108.58	\$ 38.04	\$ 108.58	\$ 38.23
Weighted-average fair value of stock purchase rights during the period	\$ 46.82	\$ 24.92	\$ 39.98	\$ 32.18

The following table provides a summary of the stock-based compensation expense included in the Condensed Consolidated Statements of Operations for the three- and six-month periods ended March 27, 2010 and March 28, 2009 (in millions):

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Cost of sales	\$ 37	\$ 29	\$ 74	\$ 57
Research and development	86	67	160	127
Selling, general and administrative	108	85	202	167
Total stock-based compensation expense	\$ 231	\$ 181	\$ 436	\$ 351

The income tax benefit related to stock-based compensation expense was \$79 million and \$161 million for the three- and six-month periods ended March 27, 2010, respectively, and was \$66 million and \$132 million for the three- and six-month periods ended March 28, 2009. As of March 27, 2010, the total unrecognized compensation cost related to outstanding stock options and RSUs expected to vest was \$1.9 billion, which the Company expects to recognize over a weighted-average period of 2.77 years.

## Note 7 – Commitments and Contingencies

### Lease Commitments

The Company leases various equipment and facilities, including retail space, under noncancelable operating lease arrangements. The Company does not currently utilize any other off-balance sheet financing arrangements. The major facility leases are generally for terms of one to 20 years and generally provide renewal options for terms of one to five additional years. Leases for retail space are for terms of five to 20 years, the majority of which are for ten years, and often contain multi-year renewal options. As of September 26, 2009, the Company's total future minimum lease payments under noncancelable operating leases were \$1.9 billion, of which \$1.5 billion related to leases for retail space. As of March 27, 2010, total future minimum lease payments under noncancelable operating leases related to leases for retail space increased \$200 million to \$1.7 billion.

### Accrued Warranty and Indemnifications

The following table reconciles changes in the Company's accrued warranties and related costs for the three- and six-month periods ended March 27, 2010 and March 28, 2009 (in millions):

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Beginning accrued warranty and related costs	\$ 584	\$ 693	\$ 577	\$ 671
Cost of warranty claims	(137)	(128)	(272)	(271)
Accruals for product warranties	141	72	283	237
Ending accrued warranty and related costs	<u>\$ 588</u>	<u>\$ 637</u>	<u>\$ 588</u>	<u>\$ 637</u>

The Company generally does not indemnify end-users of its operating system and application software against legal claims that the software infringes third-party intellectual property rights. Other agreements entered into by the Company sometimes include indemnification provisions under which the Company could be subject to costs and/or damages in the event of an infringement claim against the Company or an indemnified third-party. However, the Company has not been required to make any significant payments resulting from such an infringement claim asserted against it or an indemnified third-party and, in the opinion of management, does not have a potential liability related to unresolved infringement claims subject to indemnification that would materially adversely affect its financial condition or operating results. Therefore, the Company did not record a liability for indemnification costs as of either March 27, 2010 or September 26, 2009.

The Company has entered into indemnification agreements with its directors and executive officers. Under these agreements, the Company has agreed to indemnify such individuals to the fullest extent permitted by law against liabilities that arise by reason of their status as directors or officers and to advance expenses incurred by such individuals in connection with related legal proceedings. It is not possible to determine the maximum potential amount of payments the Company could be required to make under these agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each claim. However, the Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations, and payments made under these agreements historically have not materially adversely affected the Company's financial condition or operating results.

### Concentrations in the Available Sources of Supply of Materials and Product

Although most components essential to the Company's business are generally available from multiple sources, certain key components including but not limited to microprocessors, enclosures, certain liquid crystal displays ("LCDs"), certain optical drives and application-specific integrated circuits ("ASICs") are currently obtained by the Company from single or limited sources, which subjects the Company to significant supply and pricing risks. Many of these and other key components that are available from multiple sources including but not limited to NAND flash memory, dynamic random access memory ("DRAM") and certain LCDs, are subject at times to industry-wide shortages and significant commodity pricing fluctuations. In addition, the Company has entered into certain agreements for the supply of key components including but not limited to microprocessors, NAND flash memory, DRAM and LCDs at favorable pricing, but there is no guarantee that the Company will be able to extend or renew these agreements on similar favorable terms, or at all, upon expiration or otherwise obtain favorable pricing in the future. Therefore, the Company remains subject to significant risks of supply shortages and/or price increases that can materially adversely affect its financial condition and operating results.

The Company and other participants in the personal computer, mobile communication and consumer electronics industries also compete for various components with other industries that have experienced increased demand for their products. In addition, the Company uses some custom components that are not common to the rest of the personal computer, mobile communication and consumer electronics industries, and new products introduced by the Company often utilize custom components available from only one source until the Company has evaluated whether there is a need for, and subsequently qualifies, additional suppliers. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or manufacturing capacity has increased. If the Company's supply of a key single-sourced component for a new or existing product were delayed or constrained, if such components were available only at significantly higher prices, or if a key

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manufacturing vendor delayed shipments of completed products to the Company, the Company's financial condition and operating results could be materially adversely affected. The Company's business and financial performance could also be adversely affected depending on the time required to obtain sufficient quantities from the original source, or to identify and obtain sufficient quantities from an alternative source. Continued availability of these components at acceptable prices, or at all, may be affected if those suppliers decided to concentrate on the production of common components instead of components customized to meet the Company's requirements.

Significant portions of the Company's Mac computers, iPhones, iPads, iPods, logic boards and other assembled products are now manufactured by outsourcing partners, primarily in various parts of Asia. A significant concentration of this outsourced manufacturing is currently performed by only a few of the Company's outsourcing partners, often in single locations. Certain of these outsourcing partners are the sole-sourced supplier of components and manufacturing outsourcing for many of the Company's key products including but not limited to final assembly of substantially all of the Company's portable Mac computers, iPhones, iPads, iPods and most of the Company's desktop products. Although the Company works closely with its outsourcing partners on manufacturing schedules, the Company's operating results could be adversely affected if its outsourcing partners were unable to meet their production commitments. The Company's purchase commitments typically cover its requirements for periods ranging from 30 to 150 days.

### **Contingencies**

The Company is subject to certain other legal proceedings and claims that have arisen in the ordinary course of business and have not been fully adjudicated, which are discussed in Part II, Item 1 of this Form 10-Q under the heading "Legal Proceedings." In the opinion of management, the Company does not have a potential liability related to any current legal proceedings and claims that would individually or in the aggregate materially adversely affect its financial condition or operating results. However, the results of legal proceedings cannot be predicted with certainty. If the Company failed to prevail in any of these legal matters or if several of these legal matters were resolved against the Company in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

Production and marketing of products in certain states and countries may subject the Company to environmental, product safety and other regulations including, in some instances, the requirement to provide customers the ability to return product at the end of its useful life, and place responsibility for environmentally safe disposal or recycling with the Company. Such laws and regulations have been passed in several jurisdictions in which the Company operates, including various countries within Europe and Asia and certain states and provinces within North America. Although the Company does not anticipate any material adverse effects in the future based on the nature of its operations and the thrust of such laws, there is no assurance that such existing laws or future laws will not materially adversely affect the Company's financial condition or operating results.

### **Note 8 – Segment Information and Geographic Data**

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable segments.

The Company manages its business primarily on a geographic basis. Accordingly, the Company determined its operating and reporting segments, which are generally based on the nature and location of its customers, to be the Americas, Europe, Japan, Asia-Pacific and Retail operations. The Americas, Europe, Japan and Asia Pacific segments exclude activities related to the Retail segment. The Americas segment includes both North and South America. The Europe segment includes European countries, as well as the Middle East and Africa. The Asia-Pacific segment includes Australia and Asia, but does not include Japan. The Retail segment operates Apple-owned retail stores in the U.S. and in international markets. Each reportable operating segment provides similar hardware and software products and similar services to the same types of customers. The accounting policies of the various segments are the same as those described in Note 1, "Summary of Significant Accounting Policies" of this Form 10-Q and in the Notes to Consolidated Financial Statements in the Company's 2009 Form 10-K.

The Company evaluates the performance of its operating segments based on net sales and operating income. Net sales for geographic segments are generally based on the location of customers, while Retail segment net sales are based on sales from the Company's retail stores. Operating income for each segment includes net sales to third

parties, related cost of sales and operating expenses directly attributable to the segment. Advertising expenses are generally included in the geographic segment in which the expenditures are incurred. Operating income for each segment excludes other income and expense and certain expenses managed outside the operating segments. Costs excluded from segment operating income include various corporate expenses, such as manufacturing costs and variances not included in standard costs, research and development, corporate marketing expenses, stock-based compensation expense, income taxes, various nonrecurring charges, and other separately managed general and administrative costs. The Company does not include intercompany transfers between segments for management reporting purposes. Segment assets exclude corporate assets, such as cash, short-term and long-term investments, manufacturing and corporate facilities, miscellaneous corporate infrastructure, goodwill and other acquired intangible assets. Except for the Retail segment, capital asset purchases for long-lived assets are not reported to management by segment. Cash payments for capital asset purchases by the Retail segment were \$41 million and \$148 million during the three- and six-month periods ended March 27, 2010, respectively, and \$30 million and \$101 million during the three- and six-month periods ended March 28, 2009.

The Company has certain retail stores that have been designed and built to serve as high-profile venues to promote brand awareness and serve as vehicles for corporate sales and marketing activities. Because of their unique design elements, locations and size, these stores require substantially more investment than the Company's more typical retail stores. The Company allocates certain operating expenses associated with its high-profile stores to corporate marketing expense to reflect the estimated Company-wide benefit. The allocation of these operating costs to corporate expense is based on the amount incurred for a high-profile store in excess of that incurred by a more typical Company retail location. The Company had opened a total of 12 high-profile stores as of March 27, 2010. Expenses allocated to corporate marketing resulting from the operations of high-profile stores were \$19 million and \$36 million during the three- and six-month periods ended March 27, 2010, respectively, and \$16 million and \$32 million during the three- and six-month periods ended March 28, 2009, respectively.

Summary information by operating segment for the three- and six-month periods months ended March 27, 2010 and March 28, 2009 is as follows (in millions):

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Americas:				
Net sales	\$ 4,993	\$ 3,970	\$ 11,085	\$ 9,271
Operating income	\$ 1,674	\$ 1,407	\$ 3,485	\$ 3,173
Europe:				
Net sales	\$ 4,050	\$ 2,485	\$ 9,074	\$ 6,070
Operating income	\$ 1,661	\$ 821	\$ 3,826	\$ 2,045
Japan:				
Net sales	\$ 887	\$ 587	\$ 1,670	\$ 1,085
Operating income	\$ 441	\$ 245	\$ 795	\$ 385
Asia-Pacific:				
Net sales	\$ 1,886	\$ 665	\$ 3,699	\$ 1,415
Operating income	\$ 892	\$ 212	\$ 1,712	\$ 440
Retail:				
Net sales	\$ 1,683	\$ 1,377	\$ 3,654	\$ 3,123
Operating income	\$ 373	\$ 317	\$ 854	\$ 726



A reconciliation of the Company's segment operating income to the condensed consolidated financial statements for the three- and six-month periods ended March 27, 2010 and March 28, 2009 is as follows (in millions):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>March 27, 2010</u>	<u>March 28, 2009</u>	<u>March 27, 2010</u>	<u>March 28, 2009</u>
Segment operating income	\$ 5,041	\$ 3,002	\$ 10,672	\$ 6,769
Stock-based compensation expense	(231)	(181)	(436)	(351)
Other corporate expenses, net (a)	(831)	(498)	(1,532)	(994)
Total operating income	<u>\$ 3,979</u>	<u>\$ 2,323</u>	<u>\$ 8,704</u>	<u>\$ 5,424</u>

- (a) Other corporate expenses include research and development, corporate marketing expenses, manufacturing costs and variances not included in standard costs, and other separately managed general and administrative expenses, including certain corporate expenses associated with support of the Retail segment.

#### **Note 9 – Related Party Transactions and Certain Other Transactions**

The Company entered into a Reimbursement Agreement with its CEO, Steve Jobs, for the reimbursement of expenses incurred by Mr. Jobs in the operation of his private plane when used for Apple business. The Company recognized a total of \$127,000 and \$143,000 in expenses pursuant to the Reimbursement Agreement during the three- and six-month periods ended March 27, 2010, respectively. The Company did not recognize any expenses pursuant to the Reimbursement Agreement during the three months ended March 28, 2009 and recognized a total of \$4,000 in expenses pursuant to the Reimbursement Agreement during the six months ended March 28, 2009. All expenses recognized pursuant to the Reimbursement Agreement have been included in selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part II, Item 1A, "Risk Factors," which are incorporated herein by reference. The following discussion should be read in conjunction with the Company's Annual Report on Form 10-K, as amended, for the year ended September 26, 2009 and any amendments thereto (the "2009 Form 10-K") filed with the U.S. Securities and Exchange Commission ("SEC") and the Condensed Consolidated Financial Statements and notes thereto included elsewhere in this Form 10-Q. All information presented herein is based on the Company's fiscal calendar. Unless otherwise stated, references in this report to particular years or quarters refer to the Company's fiscal years ended in September and the associated quarters of those fiscal years. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.*

**Available Information**

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act") are filed with the SEC. Such reports and other information filed by the Company with the SEC are available on the Company's website at <http://www.apple.com/investor> when such reports are available on the SEC website. The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy, and information statements and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. The contents of these websites are not incorporated into this filing. Further, the Company's references to the URLs for these websites are intended to be inactive textual references only.

**Retrospective Adoption of New Accounting Principles**

In September 2009, the Financial Accounting Standards Board ("FASB") amended the accounting standards related to revenue recognition for arrangements with multiple deliverables and arrangements that include software elements ("new accounting principles"). The Company adopted the new accounting principles on a retrospective basis during the first quarter of 2010.

Under the historical accounting principles, the Company was required to account for sales of both iPhone and Apple TV using subscription accounting because the Company indicated it might from time-to-time provide future unspecified software upgrades and features for those products free of charge. Under subscription accounting, revenue and associated product cost of sales for iPhone and Apple TV were deferred at the time of sale and recognized on a straight-line basis over each product's estimated economic life. This resulted in the deferral of significant amounts of revenue and cost of sales related to iPhone and Apple TV.

The new accounting principles generally require the Company to account for the sale of both iPhone and Apple TV as two deliverables. The first deliverable is the hardware and software essential to the functionality of the hardware device delivered at the time of sale, and the second deliverable is the right included with the purchase of iPhone and Apple TV to receive on a when-and-if-available basis future unspecified software upgrades and features relating to the product's essential software. The new accounting principles result in the recognition of substantially all of the revenue and product costs from the sales of iPhone and Apple TV at the time of sale. Additionally, the Company is required to estimate a standalone selling price for the unspecified software upgrade rights included with the sale of iPhone and Apple TV and recognizes that amount ratably over the 24-month estimated life of the related hardware device.

Note 1, "Summary of Significant Accounting Policies" under the subheadings "*Basis of Presentation and Preparation*" and "*Revenue Recognition*" of this Form 10-Q provides additional information on the Company's change in accounting resulting from the adoption of the new accounting principles and the Company's revenue recognition accounting policy.

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**Executive Overview**

The Company designs, manufactures, and markets a range of personal computing products, mobile communication and consumer electronics devices, and portable digital music and video players and sells a variety of related software, services, peripherals, and networking solutions. The Company's products and services include the Mac® line of desktop and portable computers, iPhone®, iPad™, the iPod® line of portable digital music and video players, Apple TV®, Xserve®, a portfolio of consumer and professional software applications, the Mac OS® X operating system, third-party digital content and applications through the iTunes Store®, and a variety of accessory, service and support offerings. The Company sells its products worldwide through its online stores, its retail stores, its direct sales force, and third-party wholesalers, retailers, and value-added resellers. In addition, the Company sells a variety of third-party Mac, iPhone, iPad and iPod compatible products, including application software, printers, storage devices, speakers, headphones, and various other accessories and peripherals through its online and retail stores. The Company sells to consumer, small and mid-sized business ("SMB"), education, enterprise, government, and creative markets. A further description of the Company's products may be found below under the heading "Products" and Part II, Item 1A, "Risk Factors," as well as in Part I, Item 1, "Business," of the Company's 2009 Form 10-K.

The Company is focused on providing innovative products and solutions to consumer, SMB, education, enterprise, government and creative customers that greatly enhance their evolving digital lifestyles and work environments. The Company's overall business strategy is to control the design and development of the hardware and software for all of its products, including the personal computer, mobile communications and consumer electronics devices. The Company's business strategy leverages its unique ability to design and develop its own operating system, hardware, application software, and services to provide its customers new products and solutions with superior ease-of-use, seamless integration, and innovative industrial design. The Company believes continual investment in research and development is critical to the development and enhancement of innovative products and technologies.

In conjunction with its strategy, the Company continues to build and host a robust platform for the discovery and delivery of third-party digital content and applications through the iTunes Store. The Company's App Store™ and iBookstore™ allow users to browse, search for, and purchase third-party applications and books through either a Mac or Windows-based computer or by wirelessly downloading directly to an iPhone, iPad or iPod touch. The Company also desires to support a community for the development of third-party products that complement the Company's offerings through its developer programs. The Company is therefore uniquely positioned to offer superior and well-integrated digital lifestyle and productivity solutions.

The Company participates in several highly competitive markets, including personal computers with its Mac line of personal computers; mobile communications and consumer electronics devices with its iPhone, iPad and iPod product families; and through distribution of third-party digital content and applications with its online iTunes Store. While the Company is widely recognized as a leading innovator in the personal computer, mobile communications and consumer electronics markets as well as a leader in the market for distribution of digital content and applications, these markets are highly competitive and subject to aggressive pricing. To remain competitive, the Company believes that increased investment in research and development and marketing and advertising is necessary to maintain or expand its position in the markets where it competes. The Company's research and development spending is focused on further developing its existing Mac line of personal computers; the Mac OS X operating system; application software for the Mac; iPhone, iPad and iPod line of portable digital music and video players and related software; development of new digital lifestyle consumer and professional software applications; and investing in new product areas and technologies. The Company also believes increased investment in marketing and advertising programs is critical to increasing product and brand awareness.

The Company utilizes a variety of direct and indirect distribution channels. The Company believes that sales of its innovative and differentiated products are enhanced by knowledgeable salespersons who can convey the value of the hardware, software, and peripheral integration, demonstrate the unique digital lifestyle solutions that are available on Mac computers, and demonstrate the compatibility of the Mac with the Windows platform and networks. The Company further believes providing a high-quality sales and after-sales support experience is critical to attracting new and retaining existing customers. To ensure a high-quality buying experience for its products in which service and education are emphasized, the Company continues to expand and improve its distribution capabilities by opening its own retail stores in the U.S. and in international markets. The Company had 286 stores open as of March 27, 2010.

The Company has also invested in programs to enhance reseller sales, including the Apple® Sales Consultant Program, which places Apple employees and contractors at selected third-party reseller locations, and the Apple Premium Reseller Program, through which independently run businesses focus on the Apple platform and provide a high level of customer service and product expertise. The Company believes providing direct contact with its targeted customers is an efficient way to demonstrate the advantages of its Mac computers and other products over those of its competitors. The Company also sells to customers directly through its online stores around the world and through its direct sales force.

The Company distributes iPhones in over 80 countries, through its direct channels, its cellular network carriers' distribution channels and certain third-party resellers. The Company has signed multi-year agreements with various cellular network carriers authorizing them to distribute and provide cellular network services for iPhones. These agreements are generally not exclusive with a specific carrier, except in the U.S., Germany, Spain and certain other countries.

The Company's iPods are sold through a significant number of distribution points to provide broad access. iPods can be purchased in certain department stores, member-only warehouse stores, large retail chains and specialty retail stores, as well as through the channels for Mac distribution listed above.

### **Product Updates**

In January 2010, the Company introduced iPad, a multi-purpose mobile device for browsing the web, reading and sending email, viewing photos, watching videos, listening to music, playing games, reading e-books and more. iPad is based on the Company's Multi-Touch™ technology, has a 9.7-inch LED-backlit display, is 0.5 inches thick and weighs 1.5 pounds. iPad will be available in two models, one with Wi-Fi connectivity and the other with both Wi-Fi and 3G connectivity. The iPad with Wi-Fi began shipping in the U.S. in early April 2010 and the 3G version is expected to begin shipping in the U.S. on April 30, 2010. Both versions of iPad are expected to be available in nine additional countries at the end of May 2010.

In January 2010, the Company also introduced a new version of iWork® for iPad, a productivity suite including versions of Pages®, Keynote® and Numbers® designed specifically for Multi-Touch. Each of these applications is available for purchase separately through the App Store.

In April 2010, the Company previewed its new iPhone OS 4 software, which is expected to be available for iPhone and iPod touch users in the summer of 2010 and for iPad users in the fall of 2010. iPhone OS 4 software includes new features, such as support for multi-tasking for third-party applications, folders to organize and access applications, a unified Mail inbox, the iAd mobile advertising platform, and the iBooks™ reader and online bookstore. Certain features of iPhone OS 4 software will not function on some earlier iPhone and iPod touch models.

In April 2010, the Company began shipping new versions of its MacBook® Pro family of portable computers, updated with faster processors, next-generation NVIDIA graphics and longer battery life.

A detailed discussion of the Company's other products may be found in Part I, Item 1, "Business," of the Company's 2009 Form 10-K.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles ("GAAP") and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions, and estimates that affect the amounts reported in its condensed consolidated financial statements and accompanying notes. Note 1, "Summary of Significant Accounting Policies" of this Form 10-Q and in the Notes to Consolidated Financial Statements in the Company's 2009 Form 10-K describes the significant accounting policies and methods used in the preparation of the Company's condensed consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates and such differences may be material.

Management believes the Company's critical accounting policies and estimates are those related to revenue recognition, valuation of marketable securities, allowance for doubtful accounts, inventory valuation and inventory purchase commitments, warranty costs, income taxes, and legal and other contingencies. Management considers

these policies critical because they are both important to the portrayal of the Company's financial condition and operating results, and they require management to make judgments and estimates about inherently uncertain matters. The Company's senior management has reviewed these critical accounting policies and related disclosures with the Audit and Finance Committee of the Company's Board of Directors.

#### *Revenue Recognition*

Net sales consist primarily of revenue from the sale of hardware, software, digital content and applications, peripherals, and service and support contracts. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Product is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred. For most of the Company's product sales, these criteria are met at the time the product is shipped. For online sales to individuals, for some sales to education customers in the U.S., and for certain other sales, the Company defers recognition of revenue until the customer receives the product because the Company retains a portion of the risk of loss on these sales during transit. The Company recognizes revenue from the sale of hardware products (e.g., Mac computers, iPhones, iPods and peripherals), software bundled with hardware that is essential to the functionality of the hardware, and third-party digital content sold on the iTunes Store in accordance with general revenue recognition accounting guidance. The Company recognizes revenue in accordance with industry specific software accounting guidance for the following types of sales transactions: (i) standalone sales of software products, (ii) sales of software upgrades and (iii) sales of software bundled with hardware not essential to the functionality of the hardware.

For multi-element arrangements that include tangible products containing software essential to the tangible product's functionality and undelivered software elements relating to the tangible product's essential software, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the new accounting principles establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE") and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

For iPhone, the Company indicated it might from time-to-time provide future unspecified software upgrades and features free of charge to customers. The Company has identified two deliverables generally contained in arrangements involving the sale of iPhone. The first deliverable is the hardware and software essential to the functionality of the hardware device delivered at the time of sale, and the second deliverable is the right included with the purchase of iPhone to receive on a when-and-if-available basis future unspecified software upgrades and features relating to the product's essential software. The Company has allocated revenue between these two deliverables using the relative selling price method. Because the Company has neither VSOE nor TPE for the two deliverables, the allocation of revenue has been based on the Company's ESPs. Amounts allocated to the delivered hardware and the related essential software are recognized at the time of sale provided the other conditions for revenue recognition have been met. Amounts allocated to the unspecified software upgrade right are deferred and recognized on a straight-line basis over the 24-month estimated life of the related hardware. All product cost of sales, including estimated warranty costs, are generally recognized at the time of sale. Costs for engineering and sales and marketing are expensed as incurred. If the estimated life of the hardware product should change, the future rate of amortization of the revenue allocated to the software upgrade right will also change.

For all periods presented, the Company's ESP for the software upgrade right included with each iPhone sold is \$25. The Company's process for determining its ESP for deliverables without VSOE or TPE involves management's judgment. The Company's process considers multiple factors that may vary depending upon the unique facts and circumstances related to each deliverable. The Company believes its customers, particularly consumers, would be reluctant to buy unspecified software upgrade rights related to iPhone. This view is primarily based on the fact that upgrade rights do not obligate the Company to provide upgrades at a particular time or at all, and do not specify to customers which upgrades or features will be delivered in the future. Therefore, the Company has concluded if it were to sell upgrade rights on a standalone basis, such as those included with iPhone, the selling price would be relatively low. Key factors considered by the Company in developing the ESPs for iPhone upgrade rights include prices charged by the Company for similar offerings, the Company's historical pricing practices, the nature of the

upgrade rights (e.g., unspecified and when-and-if-available), and the relative ESP of the upgrade rights as compared to the total selling price of the product. If the facts and circumstances underlying the factors considered change or should future facts and circumstances lead the Company to consider additional factors, the Company's ESP for software upgrades related to future iPhone sales could change in future periods.

The Company records reductions to revenue for estimated commitments related to price protection and for customer incentive programs, including reseller and end-user rebates, and other sales programs and volume-based incentives. For transactions involving price protection, the Company recognizes revenue net of the estimated amount to be refunded, provided the refund amount can be reasonably and reliably estimated and the other conditions for revenue recognition have been met. The Company's policy requires that, if refunds cannot be reliably estimated, revenue is not recognized until reliable estimates can be made or the price protection lapses. For customer incentive programs, the estimated cost of these programs is recognized at the later of the date at which the Company has sold the product or the date at which the program is offered. The Company also records reductions to revenue for expected future product returns based on the Company's historical experience. Future market conditions and product transitions may require the Company to increase customer incentive programs and incur incremental price protection obligations that could result in additional reductions to revenue at the time such programs are offered. Additionally, certain customer incentive programs require management to estimate the number of customers who will actually redeem the incentive. Management's estimates are based on historical experience and the specific terms and conditions of particular incentive programs. If a greater than estimated proportion of customers redeem such incentives, the Company would be required to record additional reductions to revenue, which would have a negative impact on the Company's results of operations.

#### *Valuation and Impairment of Marketable Securities*

The Company's investments in available-for-sale securities are reported at fair value. Unrealized gains and losses related to changes in the fair value of investments are included in accumulated other comprehensive income, net of tax, as reported in the Company's Condensed Consolidated Balance Sheets. Changes in the fair value of investments impact the Company's net income only when such investments are sold or an other-than-temporary impairment is recognized. Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis. The Company regularly reviews its investment portfolio to determine if any investment is other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns, which would require the Company to record an impairment charge in the period any such determination is made. In making this judgment, the Company evaluates, among other things, the duration and extent to which the fair value of an investment is less than its cost, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's amortized cost basis. The Company's assessment on whether an investment is other-than-temporarily impaired or not, could change in the future due to new developments or changes in assumptions related to any particular investment.

#### *Allowance for Doubtful Accounts*

The Company distributes its products through third-party distributors, cellular network carriers, and resellers and directly to certain education, consumer, and enterprise customers. The Company generally does not require collateral from its customers; however, the Company will require collateral in certain instances to limit credit risk. In addition, when possible the Company does attempt to limit credit risk on trade receivables with credit insurance for certain customers in Latin America, Europe, Asia, and Australia, or by requiring third-party financing, loans or leases to support credit exposure. These credit-financing arrangements are directly between the third-party financing company and the end customer. As such, the Company generally does not assume any recourse or credit-risk-sharing related to any of these arrangements. However, considerable trade receivables that are not covered by collateral, third-party financing arrangements, or credit insurance are outstanding with the Company's distribution and retail channel partners.

The allowance for doubtful accounts is based on management's assessment of the ability to collect specific customer accounts and includes consideration of the credit-worthiness and financial condition of those specific customers. The Company records an allowance to reduce the specific receivables to the amount that it reasonably believes to be collectible. The Company also records an allowance for all other trade receivables based on multiple factors, including historical experience with bad debts, the general economic environment, the financial condition of the Company's distribution channels, and the aging of such receivables. If there is a deterioration of a major customer's financial condition, if the Company becomes aware of additional information related to the credit-worthiness of a

major customer, or if future actual default rates on trade receivables in general differ from those currently anticipated, the Company may have to adjust its allowance for doubtful accounts, which would affect its results of operations in the period the adjustments are made.

#### *Inventory Valuation and Inventory Purchase Commitments*

The Company must order components for its products and build inventory in advance of product shipments. The Company records a write-down for inventories of components and products, including third-party products held for resale, which have become obsolete or are in excess of anticipated demand or net realizable value. The Company performs a detailed review of inventory each fiscal quarter that considers multiple factors including demand forecasts, product life cycle status, product development plans, current sales levels, and component cost trends. The personal computer, mobile communications and consumer electronics industries are subject to a rapid and unpredictable pace of product and component obsolescence and demand changes. If future demand or market conditions for the Company's products are less favorable than forecasted or if unforeseen technological changes negatively impact the utility of component inventory, the Company may be required to record additional write-downs, which would negatively affect its results of operations in the period when the write-downs were recorded.

The Company records accruals for estimated cancellation fees related to component orders that have been cancelled or are expected to be cancelled. Consistent with industry practice, the Company acquires components through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. These commitments typically cover the Company's requirements for periods ranging from 30 to 150 days. If there is an abrupt and substantial decline in demand for one or more of the Company's products or an unanticipated change in technological requirements for any of the Company's products, the Company may be required to record additional accruals for cancellation fees that would negatively affect its results of operations in the period when the cancellation fees are identified and recorded.

#### *Warranty Costs*

The Company provides for the estimated cost of hardware and software warranties at the time the related revenue is recognized based on historical and projected warranty claim rates, historical and projected cost-per-claim, and knowledge of specific product failures that are outside of the Company's typical experience. Each quarter, the Company reevaluates its estimates to assess the adequacy of its recorded warranty liabilities considering the size of the installed base of products subject to warranty protection and adjusts the amounts as necessary. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liability would be required and could materially affect the Company's results of operations.

The Company periodically provides updates to its applications and operating system software to maintain the software's compliance with specifications. The estimated cost to develop such updates is accounted for as warranty cost that is recognized at the time related software revenue is recognized. Factors considered in determining appropriate accruals related to such updates include the number of units delivered, the number of updates expected to occur, and the historical cost and estimated future cost of the resources necessary to develop these updates.

#### *Income Taxes*

The Company records a tax provision for the anticipated tax consequences of the reported results of operations. In accordance with GAAP, the provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The Company recognizes and measures uncertain tax positions in accordance with GAAP, whereby the Company only recognizes the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with the tax effects of the deferred tax liabilities, will be sufficient to fully recover the deferred tax assets. In the event that the Company determines all or part of the net deferred tax assets are not realizable in the future, the Company will make an adjustment to the valuation allowance that would be charged to earnings in the period such determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on the Company's financial condition and operating results.

*Legal and Other Contingencies*

As discussed in Part II, Item 1 of this Form 10-Q under the heading "Legal Proceedings" and in Note 7 "Commitments and Contingencies" in Notes to Condensed Consolidated Financial Statements, the Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In accordance with GAAP, the Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether an exposure can be reasonably estimated. In management's opinion, the Company does not have a potential liability related to any current legal proceedings and claims that would individually or in the aggregate materially adversely affect its financial condition or operating results. However, the outcomes of legal proceedings and claims brought against the Company are subject to significant uncertainty. Should the Company fail to prevail in any of these legal matters or should several of these legal matters be resolved against the Company in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.



**Net Sales**

The following table summarizes net sales and Mac unit sales by operating segment and net sales and unit sales by product during the three- and six-month periods ended March 27, 2010 and March 28, 2009 (in millions, except unit sales in thousands and per unit amounts):

	Three Months Ended			Six Months Ended		
	March 27, 2010	March 28, 2009	Change	March 27, 2010	March 28, 2009	Change
<b>Net Sales by Operating Segment:</b>						
Americas net sales	\$ 4,993	\$ 3,970	26%	\$ 11,085	\$ 9,271	20%
Europe net sales	4,050	2,485	63%	9,074	6,070	49%
Japan net sales	887	587	51%	1,670	1,085	54%
Asia-Pacific net sales	1,886	665	184%	3,699	1,415	161%
Retail net sales	1,683	1,377	22%	3,654	3,123	17%
Total net sales	<u>\$ 13,499</u>	<u>\$ 9,084</u>	49%	<u>\$ 29,182</u>	<u>\$ 20,964</u>	39%
<b>Unit Sales by Operating Segment:</b>						
Americas Mac unit sales	971	809	20%	2,158	1,721	25%
Europe Mac unit sales	899	658	37%	1,967	1,453	35%
Japan Mac unit sales	129	109	18%	234	208	13%
Asia-Pacific Mac unit sales	338	202	67%	651	405	61%
Retail Mac unit sales	606	438	38%	1,295	953	36%
Total Mac unit sales	<u>2,943</u>	<u>2,216</u>	33%	<u>6,305</u>	<u>4,740</u>	33%
<b>Net Sales by Product:</b>						
Desktops (a)	\$ 1,532	\$ 1,056	45%	\$ 3,224	\$ 2,101	53%
Portables (b)	2,228	1,904	17%	4,986	4,424	13%
Total Mac net sales	<u>3,760</u>	<u>2,960</u>	27%	<u>8,210</u>	<u>6,525</u>	26%
iPod	1,861	1,665	12%	5,252	5,036	4%
Other music related products and services (c)	1,327	1,049	27%	2,491	2,060	21%
iPhone and related products and services (d)	5,445	2,427	124%	11,023	5,367	105%
Peripherals and other hardware (e)	472	357	32%	941	744	26%
Software, service and other sales (f)	634	626	1%	1,265	1,232	3%
Total net sales	<u>\$ 13,499</u>	<u>\$ 9,084</u>	49%	<u>\$ 29,182</u>	<u>\$ 20,964</u>	39%
<b>Unit Sales by Product:</b>						
Desktops (a)	1,147	818	40%	2,381	1,546	54%
Portables (b)	1,796	1,398	28%	3,924	3,194	23%
Total Mac unit sales	<u>2,943</u>	<u>2,216</u>	33%	<u>6,305</u>	<u>4,740</u>	33%
Net sales per Mac unit sold (g)	<u>\$ 1,278</u>	<u>\$ 1,336</u>	(4%)	<u>\$ 1,302</u>	<u>\$ 1,377</u>	(5%)
iPod unit sales	<u>10,885</u>	<u>11,013</u>	(1%)	<u>31,855</u>	<u>33,740</u>	(6%)
Net sales per iPod unit sold (h)	<u>\$ 171</u>	<u>\$ 151</u>	13%	<u>\$ 165</u>	<u>\$ 149</u>	11%
iPhone unit sales	<u>8,752</u>	<u>3,793</u>	131%	<u>17,489</u>	<u>8,156</u>	114%

(a) Includes iMac, Mac mini, Mac Pro and Xserve product lines.

(b) Includes MacBook, MacBook Air and MacBook Pro product lines.

(c) Consists of iTunes Store sales, iPod services, and Apple-branded and third-party iPod accessories.

(d) Derived from handset sales, carrier agreements, and Apple-branded and third-party iPhone accessories.

(e) Includes sales of displays, wireless connectivity and networking solutions, and other hardware accessories.

(f) Includes sales of Apple-branded operating system, application software, third-party software, AppleCare, and Internet services.

(g) Derived by dividing total Mac net sales by total Mac unit sales.

(h) Derived by dividing total iPod net sales by total iPod unit sales.

Net sales during the second quarter of 2010 and the first six months of 2010 increased \$4.4 billion or 49%, and \$8.2 billion or 39%, respectively, compared to the same periods in 2009. Several factors contributed positively to this increase, including the following:

- Net sales of iPhone and related products and services were \$5.4 billion and \$11.0 billion in the second quarter of 2010 and first six months of 2010, respectively, representing an increase of 124% and 105%, respectively. Net sales of iPhone and related products and services accounted for 40% and 38% of the Company's total net revenue for the second quarter of 2010 and first six months of 2010, respectively. iPhone handset unit sales totaled 8.8 million and 17.5 million during the second quarter of 2010 and first six months of 2010, respectively. Unit sales of iPhone increased 5.0 million or 131% during the second quarter of 2010 and 9.3 million or 114% during the first six months of 2010 compared to the same periods in 2009. This growth is attributed primarily to expanded distribution with new international carriers and resellers, continued growth across existing carriers and strong overall demand for iPhones, especially in international markets. iPhone revenue includes handset revenue recognized and revenue from sales of iPhone accessories and carrier agreements.
- Mac net sales increased by \$800 million or 27% and \$1.7 billion or 26% in the second quarter of 2010 and first six months of 2010, respectively, compared to the same periods in 2009. Mac unit sales increased by 727,000 or 33% and 1.6 million or 33% in the second quarter of 2010 and first six months of 2010, respectively, compared to the same periods in 2009. Net sales of the Company's Macs accounted for 28% of the Company's total net revenue for both the second quarter of 2010 and first six months of 2010. During the second quarter of 2010 and the first six months of 2010, net sales of the Company's Mac desktop systems increased by 45% and 53%, respectively. This growth was driven by strong demand for iMac, which was updated in October 2009. Net sales of the Company's Mac portable systems increased by 17% and 13% during the second quarter of 2010 and first six months of 2010, respectively, compared to the same period in 2009.
- Net sales of iPods increased \$196 million or 12% during the second quarter of 2010, and increased \$216 million or 4% during the first six months of 2010 compared to the same periods in 2009. iPod unit sales decreased by 1% and 6% in the second quarter of 2010 and first six months of 2010, respectively, compared to the same periods in 2009. Net sales per iPod unit sold increased from \$151 in the second quarter of 2009 to \$171 in the second quarter of 2010, and increased from \$149 for the first six months of 2009 to \$165 for the first six months of 2010. The increases in net sales per iPod unit sold resulted from a shift in product mix toward iPod touch. Net sales of iPods accounted for 14% and 18% of the Company's total net revenue for the second quarter of 2010 and first six months of 2010, respectively.
- Net sales of other music related products and services increased \$278 million or 27% and \$431 million or 21% during the second quarter of 2010 and first six months of 2010, respectively, compared to the same periods in 2009. The increases were due primarily to increased net sales from the iTunes Store, which experienced double-digit growth in each of the Company's geographic segments. During the second quarter of 2010, the iTunes store reported net sales of \$1.1 billion. The Company believes this continued growth is the result of heightened consumer interest in downloading third-party digital content, continued growth in its customer base of iPod and iPhone customers, the expansion of third-party audio and video content available for sale and rent via the iTunes Store, and the continued interest in and growth of the iTunes® App Store. The Company continues to expand its iTunes content and applications offerings around the world. Net sales of other music related products and services accounted for 10% and 9% of the Company's total net revenue for the second quarter of 2010 and first six months of 2010, respectively.

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**Segment Operating Performance**

The Company manages its business primarily on a geographic basis. The Company's operating and reporting segments consist of the Americas, Europe, Japan, Asia-Pacific and Retail operations. The Americas, Europe, Japan and Asia-Pacific reportable segments do not include activities related to the Retail segment. The Americas segment includes both North and South America. The Europe segment includes European countries as well as the Middle East and Africa. The Asia-Pacific segment includes Australia and Asia, but does not include Japan. The Retail segment operates Apple-owned retail stores in the U.S. and in international markets. Each reportable operating segment provides similar hardware and software products and similar services to the same types of customers. Further information regarding the Company's operating segments may be found in Note 8, "Segment Information and Geographic Data" in Notes to Condensed Consolidated Financial Statements of this Form 10-Q.

*Americas*

Net sales in the Americas during the second quarter of 2010 increased \$1.0 billion or 26% over the second quarter of 2009. The increase in net sales during the second quarter of 2010 was attributable to increased iPhone revenue, strong demand for Mac desktop and portable systems, and higher iPod net sales due to strong demand for iPod touch. Also contributing to the increase in net sales were higher sales of third-party digital content and applications from the iTunes Store. Americas Mac net sales and unit sales increased 16% and 20%, respectively, during the second quarter of 2010 compared to the second quarter of 2009. The Americas segment represented 37% and 44% of the Company's total net sales in the second quarter of 2010 and 2009, respectively.

During the first six months of 2010, net sales in the Americas segment increased \$1.8 billion or 20% compared to the same period in 2009. The increase in net sales during the first six months of 2010 was attributable primarily to the significant year-over-year increase in iPhone revenue, strong demand for Mac desktop and portable systems, and higher sales of third-party digital content and applications from the iTunes Store. Also contributing to the increase in sales were higher iPod net sales due primarily to strong demand for iPod touch. The Americas segment represented approximately 38% and 44% of the Company's total net sales for the first six months of 2010 and 2009, respectively.

*Europe*

Net sales in Europe increased \$1.6 billion or 63% during the second quarter of 2010 compared to the second quarter of 2009. The growth in net sales was due mainly to the significant increase in iPhone revenue primarily attributable to country and carrier expansion and continued growth across existing carriers, strong demand for Mac desktop and portable systems, strength in the Euro relative to the U.S. dollar, and higher sales of third-party digital content and applications from the iTunes Store. Europe Mac net sales and unit sales increased 34% and 37%, respectively, during the second quarter of 2010 compared to the second quarter of 2009. The Europe segment represented 30% and 27% of total net sales in the second quarter in 2010 and 2009, respectively.

For the first six months of 2010, net sales in Europe increased \$3.0 billion or 49%, compared to the same period in 2009. The increase in net sales during the first six months of 2010 was attributable primarily to the significant year-over-year increase in iPhone revenue, strong demand for Mac desktop and portable systems, and higher sales of third-party digital content and applications from the iTunes Store. The Europe segment represented 31% and 29% of total net sales for the first six months in 2010 and 2009, respectively.

*Japan*

Japan's net sales increased \$300 million or 51% during the second quarter of 2010 and increased \$585 million or 54% during the first six months of 2010 compared to the same periods in 2009. The key contributors to Japan's net sales growth for both the second quarter and first six months of 2010 were increased iPhone revenue, higher sales of third-party digital content and applications from the iTunes Store, and strength in the Japanese Yen relative to the U.S. dollar. Mac unit sales grew in the Japan segment by 18% and 13%, while Mac net sales declined by 2% and 6% during the second quarter of 2010 and first six months of 2010, respectively, due primarily to lower average selling prices compared to the same periods in 2009. The Japan segment represented 7% of total net sales in both the second quarter of 2010 and 2009, respectively, and 6% and 5% of total net sales in the first six months of 2010 and 2009, respectively.

*Asia-Pacific*

Net sales in Asia Pacific increased \$1.2 billion or 184% during the second quarter of 2010 and increased \$2.3 billion or 161% during the first six months of 2010 compared to the same periods in 2009. The growth in net sales was due mainly to the significant increase in iPhone revenue primarily attributable to country and carrier expansion and continued growth across existing carriers, increased Mac portable and desktop systems, strong demand for iPod touch, as well as strengthening of the Australian dollar relative to the U.S. dollar. Also contributing to the increase in net sales were higher sales of third-party digital content and applications from the iTunes Store. The Asia Pacific segment represented 14% and 7% of total net sales in the second quarter of 2010 and 2009, respectively, and 13% and 7% of total net sales in the first six months of 2010 and 2009, respectively.

*Retail*

Retail net sales increased \$306 million or 22% during the second quarter of 2010 compared to the second quarter of 2009. The increase in net sales was driven by strong demand for Mac desktop and portable systems, higher sales of Mac-related accessories, and increased iPhone revenue, offset partially by a decrease in net sales of iPods. Mac net sales and unit sales grew in the Retail segment by 28% and 38%, respectively, during the second quarter of 2010 compared to the second quarter of 2009. The Company opened three new retail stores during the second quarter of 2010, all of which were international stores, ending the quarter with 286 stores open as compared to 252 stores at the end of the second quarter of 2009. With an average of 284 stores and 251 stores opened during the second quarter of 2010 and 2009, respectively, average revenue per store increased to \$5.9 million in the second quarter of 2010, compared to \$5.5 million in the second quarter of 2009. The Retail segment represented 12% and 15% of total net sales in the second quarter of 2010 and 2009, respectively.

Retail net sales grew \$531 million or 17% during the first six months of 2010 compared to the same period in 2009 due primarily to strong demand for Mac desktop and portable systems, higher sales of Mac-related accessories, and increased iPhone revenue, offset partially by a decrease in net sales of iPods. Mac net sales and unit sales grew by 24% and 36%, respectively, during the first six months of 2010 and 2009, respectively. Average revenue per store increased to \$13.0 million for the first six months of 2010 based on an average of 281 stores, up from \$12.5 million in the first six months of 2009 based on an average of 250 stores. The Retail segment represented 12% and 15% of total net sales for the first six months of 2010 and 2009, respectively.

The Retail segment reported operating income of \$373 million during the second quarter of 2010 compared to operating income of \$317 million during the second quarter of 2009, and reported operating income of \$854 million during the first six months of 2010 compared to \$726 million during the first six months of 2009. The increase in Retail operating income year-over-year is attributable to higher overall net sales and a higher gross margin percentage consistent with that experienced Company-wide, partially offset by higher operating costs.

Expansion of the Retail segment has required and will continue to require a substantial investment in fixed assets and related infrastructure, operating lease commitments, personnel, and other operating expenses. Capital asset purchases associated with the Retail segment since its inception totaled \$1.9 billion through the end of the second quarter of 2010. As of March 27, 2010, the Retail segment had approximately 18,500 full-time equivalent employees and had outstanding lease commitments associated with retail space and related facilities of \$1.7 billion. The Company would incur substantial costs if it were to close multiple retail stores and such costs could adversely affect the Company's financial condition and operating results.

**Gross Margin**

Gross margin for the three- and six-month periods ended March 27, 2010 and March 28, 2009 was as follows (in millions, except gross margin percentages):

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Net sales	\$ 13,499	\$ 9,084	\$ 29,182	\$ 20,964
Cost of sales	7,874	5,457	17,146	12,830
Gross margin	\$ 5,625	\$ 3,627	\$ 12,036	\$ 8,134
Gross margin percentage	41.7%	39.9%	41.2%	38.8%

The gross margin percentage in the second quarter of 2010 was 41.7% compared to 39.9% in the second quarter of 2009 and the gross margin percentage for the first six months of 2010 was 41.2% compared to 38.8% for the first six months of 2009. These increases were largely driven by a more favorable sales mix towards products with higher gross margins, primarily iPhone.

The Company expects its gross margin percentage to decrease in future periods compared to levels achieved during the first half of 2010 and anticipates gross margin levels of about 36% in the third quarter of 2010. This expected decline is largely due to the introduction of iPad, which has been aggressively priced, flat or reduced average selling prices on new and innovative products that have higher cost structures that deliver greater value to customers, and both expected and potential future cost increases for key components.

The foregoing statements regarding the Company's expected gross margin percentage are forward-looking and could differ from anticipated levels because of several factors, including but not limited to certain of those set forth below in Part II, Item 1A, "Risk Factors" under the subheading "*Future operating results depend upon the Company's ability to obtain key components including but not limited to microprocessors, NAND flash memory, DRAM and LCDs at favorable prices and in sufficient quantities,*" which is incorporated herein by reference. There can be no assurance that targeted gross margin percentage levels will be achieved. In general, gross margins and margins on individual products will remain under downward pressure due to a variety of factors, including continued industry wide global product pricing pressures, increased competition, compressed product life cycles, product transitions and expected increases in the cost of key components including but not limited to microprocessors, NAND flash memory, dynamic random access memory ("DRAM") and liquid crystal displays ("LCDs"), as well as potential increases in the costs of outside manufacturing services and a potential shift in the Company's sales mix towards products with lower gross margins. In response to these competitive pressures, the Company expects it will continue to take product pricing actions, which would adversely affect gross margins. Gross margins could also be affected by the Company's ability to manage product quality and warranty costs effectively and to stimulate demand for certain of its products. Due to the Company's significant international operations, financial results can be significantly affected in the short-term by fluctuations in exchange rates.

### Operating Expenses

Operating expenses for the three- and six-month periods ended March 27, 2010 and March 28, 2009 were as follows (in millions, except for percentages):

	Three Months Ended		Six Months Ended	
	March 27, 2010	March 28, 2009	March 27, 2010	March 28, 2009
Research and development	\$ 426	\$ 319	\$ 824	\$ 634
Percentage of net sales	3%	4%	3%	3%
Selling, general, and administrative	\$ 1,220	\$ 985	\$ 2,508	\$ 2,076
Percentage of net sales	9%	11%	9%	10%

#### Research and Development ("R&D")

Expenditures for R&D increased 34% or \$107 million to \$426 million during the three months ended March 27, 2010 compared to the same period in 2009, and increased 30% or \$190 million to \$824 million during the six months ended March 27, 2010 compared to the same period in 2009. These increases were due primarily to an increase in headcount in the current year to support expanded R&D activities and higher stock-based compensation expenses. In addition, \$23 million and \$45 million of software development costs were capitalized related to Mac OS X Version 10.6 Snow Leopard and excluded from R&D expense during the three- and six-month periods ended March 28, 2009, respectively, while no software development costs were capitalized during the three- and six-month periods ended March 27, 2010. Although total R&D expense increased 34% and 30% during the three- and six-month periods ended March 27, 2010, compared to the same periods in 2009, respectively, it remained relatively flat as a percentage of net sales given the revenue growth of 49% and 39%, respectively, during the same periods in 2009. The Company continues to believe that focused investments in R&D are critical to its future growth and competitive position in the marketplace and are directly related to timely development of new and enhanced products that are central to the Company's core business strategy. As such, the Company expects to continue to invest in R&D to remain competitive.

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*Selling, General, and Administrative ("SG&A")*

SG&A expenditures increased \$235 million or 24% to \$1.2 billion during the three months ended March 27, 2010 compared to the same period in 2009, and increased \$432 million or 21% to \$2.5 billion during the six months ended March 27, 2010 compared to the same period in 2009. These increases were due primarily to the Company's continued expansion of its Retail segment, higher spending on marketing and advertising, higher stock-based compensation expenses, and increased costs associated with the overall growth of the Company.

**Other Income and Expense**

Total other income and expense decreased \$13 million or 21% to \$50 million during second quarter of 2010 compared to the same period of 2009, and decreased \$138 million or 62% to \$83 million during the first six months of 2010 compared to the same period in 2009. The overall decrease in other income and expense is primarily attributable to the decline in interest rates during the second quarter of 2010 as compared to the second quarter of 2009, partially offset by the Company's higher cash, cash equivalents and marketable securities balances. The weighted-average interest rate earned by the Company on its cash, cash equivalents and marketable securities decreased to 0.70% in the second quarter of 2010 from 1.53% in the second quarter of 2009. During the second quarter of 2010 and 2009, the Company had no debt outstanding and accordingly did not incur any related interest expense.

The Company's investment portfolio had gross unrealized gains of \$75 million and \$73 million as of March 27, 2010 and September 26, 2009, respectively, which were partially offset by gross unrealized losses of \$18 million and \$16 million as of March 27, 2010 and September 26, 2009, respectively. As of March 27, 2010 and September 26, 2009, the gross unrealized gains related primarily to long-term marketable securities and the gross unrealized losses on the Company's marketable securities were caused primarily by changes in market interest rates.

The Company considers the declines in market value of its marketable securities investment portfolio to be temporary in nature. The Company does not have the intent to sell, nor is it more likely than not the Company will be required to sell, any investment before recovery of its amortized cost basis. Accordingly, no significant declines in fair value were recognized in the Company's Condensed Statements of Operations during the three- and six-month periods ended March 27, 2010 and March 28, 2009. The Company may sell its marketable securities prior to their stated maturities for strategic purposes, in anticipation of credit deterioration, or for duration management. The Company recognized no significant net gains or losses during the three- and six-month periods ended March 27, 2010 and March 28, 2009 related to such sales.

**Provision for Income Taxes**

The Company's effective tax rates for the three- and six-month periods ended March 27, 2010 were approximately 24% and 27%, respectively, compared to approximately 32% and 31% for the three- and six-month periods ended March 28, 2009, respectively. The Company's effective rates for both periods differ from the statutory federal income tax rate of 35% due primarily to certain undistributed foreign earnings for which no U.S. taxes are provided because such earnings are intended to be indefinitely reinvested outside the U.S. The lower effective tax rate during the second quarter of 2010 as compared to the same quarter in 2009 is due primarily to an increase in foreign earnings on which U.S. income taxes have not been provided.

The Internal Revenue Service (the "IRS") has completed its field audit of the Company's federal income tax returns for the years 2002 through 2006 and proposed certain adjustments. The Company has contested certain of these adjustments through the IRS Appeals Office. All IRS audit issues for years prior to 2002 have been resolved. In addition, the Company is subject to audits by state, local, and foreign tax authorities. Management believes that adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

**Liquidity and Capital Resources**

The following table presents selected financial information and statistics as of March 27, 2010 and September 26, 2009 (in millions):

	<u>March 27, 2010</u>	<u>September 26, 2009</u>
Cash, cash equivalents and marketable securities	\$ 41,704	\$ 33,992
Accounts receivable, net	\$ 2,886	\$ 3,361
Inventory	\$ 638	\$ 455
Working capital	\$ 20,107	\$ 20,049

As of March 27, 2010, the Company had \$41.7 billion in cash, cash equivalents and marketable securities, an increase of \$7.7 billion from September 26, 2009. The principal component of this net increase was the cash generated by operating activities of \$8.1 billion, which was partially offset by payments for acquisition of property, plant and equipment of \$650 million and payments made in connection with business acquisitions, net of cash acquired, of \$325 million.

The Company's marketable securities investment portfolio is invested primarily in highly rated securities with a minimum rating of single-A. As of March 27, 2010 and September 26, 2009, \$23.9 billion and \$17.4 billion, respectively, of the Company's cash, cash equivalents and marketable securities were held by foreign subsidiaries and are generally based in U.S. dollar-denominated holdings. The Company believes its existing balances of cash, cash equivalents and marketable securities will be sufficient to satisfy its working capital needs, capital asset purchases, outstanding commitments, and other liquidity requirements associated with its existing operations over the next 12 months.

#### *Capital Assets*

The Company's cash payments for capital asset purchases were \$650 million during the first six months of 2010, consisting of approximately \$148 million for Retail store facilities and \$502 million for other capital asset purchases. The Company anticipates utilizing approximately \$2.0 billion for capital asset purchases during 2010, including approximately \$400 million for Retail store facilities and approximately \$1.6 billion for real estate acquisitions, corporate facilities and infrastructure including information systems enhancements, and product tooling and manufacturing process equipment.

Historically the Company has opened between 25 and 50 new retail stores per year. During 2010, the Company expects to open a number of new stores near the upper end of this range, over half of which are expected to be located outside of the U.S.

#### **Off-Balance Sheet Arrangements and Contractual Obligations**

The Company has not entered into any transactions with unconsolidated entities whereby the Company has financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose the Company to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company.

#### *Lease Commitments*

As of September 26, 2009, the Company had total outstanding commitments on noncancelable operating leases of \$1.9 billion, \$1.5 billion of which are related to the lease of retail space and related facilities. The Company's major facility leases are generally for terms of one to 20 years and generally provide renewal options for terms of one to five additional years. Leases for retail space are for terms of five to 20 years, the majority of which are for ten years, and often contain multi-year renewal options. Total outstanding commitments on noncancelable operating leases related to the lease of retail space increased to \$1.7 billion as of March 27, 2010.

#### *Purchase Commitments with Contract Manufacturers and Component Suppliers*

The Company utilizes several contract manufacturers to manufacture sub-assemblies for the Company's products and to perform final assembly and test of finished products. These contract manufacturers acquire components and build product based on demand information supplied by the Company, which typically covers periods ranging from 30 to 150 days. The Company also obtains individual components for its products from a wide variety of individual suppliers. Consistent with industry practice, the Company acquires components through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. Such purchase commitments typically cover the Company's forecasted component and manufacturing requirements for periods ranging from 30 to 150 days. As of March 27, 2010, the Company had outstanding off-balance sheet third-party manufacturing commitments and component purchase commitments of \$4.9 billion.

The Company has entered into prepaid long-term supply agreements to secure the supply of certain inventory components. As of March 27, 2010, the Company had a total of \$971 million of inventory component prepayments outstanding, which is classified as other current assets and other assets in the Condensed Consolidated Balance Sheets.

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*Other Obligations*

Other outstanding obligations were \$279 million as of March 27, 2010, primarily related to advertising, research and development, Internet and telecommunications services, and other obligations.

As of March 27, 2010, the Company had gross unrecognized tax benefits of \$946 million and an additional \$272 million for gross interest and penalties classified as non-current liabilities in the Condensed Consolidated Balance Sheet. Although timing of the resolution and/or closure of audits is not certain, the Company believes it is reasonably possible that tax audit resolutions could reduce its unrecognized tax benefits by between \$105 million and \$145 million in the next 12 months. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments in individual years due to uncertainties in the timing of tax audit outcomes.

**Indemnifications**

The Company generally does not indemnify end-users of its operating system and application software against legal claims that the software infringes third-party intellectual property rights. Other agreements entered into by the Company sometimes include indemnification provisions under which the Company could be subject to costs and/or damages in the event of an infringement claim against the Company or an indemnified third-party. However, the Company has not been required to make any significant payments resulting from such an infringement claim asserted against it or an indemnified third-party and, in the opinion of management, does not have a liability related to unresolved infringement claims subject to indemnification that would materially adversely affect its financial condition or operating results. Therefore, the Company did not record a liability for indemnification costs as of either March 27, 2010 or September 26, 2009.

The Company has entered into indemnification agreements with its directors and executive officers. Under these agreements, the Company has agreed to indemnify such individuals to the fullest extent permitted by law against liabilities that arise by reason of their status as directors or officers and to advance expenses incurred by such individuals in connection with related legal proceedings. It is not possible to determine the maximum potential amount of payments the Company could be required to make under these agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each claim. However, the Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations, and payments made under these agreements historically have not materially adversely affected the Company's financial condition or operating results.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company's market risk profile has not changed significantly during the first six months of 2010.

*Interest Rate and Foreign Currency Risk Management*

The Company regularly reviews its foreign exchange forward and option positions, both on a stand-alone basis and in conjunction with its underlying foreign currency and interest rate related exposures. However, given the effective horizons of the Company's risk management activities and the anticipatory nature of the exposures, there can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in either foreign exchange or interest rates. In addition, the timing of the accounting for recognition of gains and losses related to mark-to-market instruments for any given period may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect the Company's financial condition and operating results.

*Interest Rate Risk*

While the Company is exposed to interest rate fluctuations in many of the world's leading industrialized countries, the Company's interest income and expense is most sensitive to fluctuations in the general level of U.S. interest rates. As such, changes in U.S. interest rates affect the interest earned on the Company's cash, cash equivalents and marketable securities, the fair value of those investments, as well as costs associated with foreign currency hedges.



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The Company's investment policy and strategy are focused on preservation of capital and supporting the liquidity requirements of the Company. A portion of the Company's cash is managed by external managers within the guidelines of the Company's investment policy and to objective market benchmarks. The Company's internal portfolio is benchmarked against external manager performance.

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investment portfolio. The Company typically invests in highly rated securities and its policy generally limits the amount of credit exposure to any one issuer. The Company's investment policy requires investments to be investment grade, primarily rated single-A or better with the objective of minimizing the potential risk of principal loss. All highly liquid investments with initial maturities of three months or less at the date of purchase are classified as cash equivalents. The Company classifies its marketable securities as either short-term or long-term based on each instrument's underlying contractual maturity date. All short-term marketable securities have maturities less than 12 months, while all long-term marketable securities have maturities greater than 12 months. The Company may sell its investments prior to their stated maturities for strategic purposes, in anticipation of credit deterioration, or for duration management. The Company recognized no significant net gains or losses during the three- and six-month periods ended March 27, 2010 and March 28, 2009 related to such sales.

#### *Foreign Currency Risk*

In general, the Company is a net receiver of currencies other than the U.S. dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, will negatively affect the Company's net sales and gross margins as expressed in U.S. dollars. There is also a risk that the Company will have to adjust local currency product pricing due to competitive pressures when there has been significant volatility in foreign currency exchange rates.

The Company may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions, forecasted future cash flows, and net investments in foreign subsidiaries. Generally, the Company's practice is to hedge a majority of its material foreign exchange exposures, typically for three to six months. However, the Company may choose not to hedge certain foreign exchange exposures for a variety of reasons, including but not limited to immateriality, accounting considerations and the prohibitive economic cost of hedging particular exposures.

#### **Item 4. Controls and Procedures**

##### *Evaluation of Disclosure Controls and Procedures*

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") were effective as of March 27, 2010 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

##### *Changes in Internal Control Over Financial Reporting*

There were no changes in the Company's internal control over financial reporting during the second quarter of 2010, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

As of March 27, 2010, the end of the quarterly period covered by this report, the Company was subject to the various legal proceedings and claims discussed below, as well as certain other legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business. In the opinion of management, the Company does not have a potential liability related to any current legal proceeding or claim that would individually or in the aggregate materially adversely affect its financial condition or operating results. However, the results of legal proceedings cannot be predicted with certainty. Should the Company fail to prevail in any of these legal matters or should several of these legal matters be resolved against the Company in the same reporting period, the operating results of a particular reporting period could be materially adversely affected. The Company settled certain matters during the second quarter of 2010 that did not individually or in the aggregate have a material impact on the Company's financial condition and results of operations.

*Bramming et al. v. Apple Computer, Inc.*

Plaintiffs originally filed this purported class action against the Company in San Francisco County Superior Court on February 17, 2005 on behalf of putative classes of consumers and resellers. The case was transferred to Santa Clara Superior Court in May 2005. In general, the consumer plaintiffs allege that the Company "shorted" the coverage provided under its warranties and AppleCare Protection Plan extended service contracts and sold plaintiffs used products that were represented to be new. In general, the reseller plaintiffs allege that the Company damaged their businesses by opening the Apple retail stores and making misrepresentations in connection with doing so. The complaint seeks unspecified damages and other relief. On October 28, 2009, the Court granted the consumer plaintiffs' motion to certify a class relating to their "shorting" claims, but denied class certification as to their "used as new" claims. This case is currently pending.

*Harvey v. Apple Inc.*

Plaintiff filed this action against the Company on August 6, 2007, in the United States District Court for the Eastern District of Texas alleging infringement by the Company of U.S. Patent Nos. 6,753,671 and 6,762,584. The complaint seeks unspecified damages and other relief. On October 8, 2009, the case was transferred to the Northern District of California, where it is currently pending.

*Mediostream, Inc. v. Acer America Corp. et al.*

Plaintiff filed this action against the Company, Acer America Corp., Dell, Inc. and Gateway, Inc. on August 28, 2007, in the United States District Court for the Eastern District of Texas alleging infringement of U.S. Patent No. 7,009,655. Plaintiff seeks unspecified damages and other relief. This case is currently pending.

*Nokia Corporation v. Apple Inc.; Apple Inc. v. Nokia Corporation*

On October 22, 2009, Nokia Corporation ("Nokia") filed a complaint against the Company in the United States District Court for the District of Delaware, alleging infringement of U.S. Patent Nos. 5,802,465; 5,862,178; 5,946,651; 6,359,904; 6,694,135; 6,755,548; 6,882,727; 7,009,940; 7,092,672; and 7,403,621. The complaint alleges that these patents are essential to one or more of the GSM, UMTS and 802.11 wireless communications standards, and that the Company has the right to license these patents from plaintiff on fair, reasonable, and non-discriminatory ("FRAND") terms and conditions. Nokia seeks unspecified FRAND compensation and other relief. The Company has asserted counterclaims for declaratory judgment of non-infringement and invalidity as well as for breach of contract, promissory estoppel, antitrust violations, and Nokia's infringement of Apple's U.S. Patent Nos. 5,634,074; 6,343,263; 5,915,131; 5,555,369; 6,239,795; 5,315,703; 6,189,034; 7,469,381; RE 39,486; 5,455,854; 7,383,453; 5,848,105; and 5,379,431.

On December 29, 2009, Nokia filed a complaint in the United States International Trade Commission ("ITC") ("the Nokia ITC Action") requesting that the ITC conduct an investigation into whether certain iPhones, iPods and Apple computers infringe U.S. Patent Nos. 6,714,091; 6,834,181; 6,895,256; 6,518,957; 6,073,036; 6,262,735; and 6,924,789.

On December 29, 2009, Nokia filed a complaint against the Company in the United States District Court for the District of Delaware alleging infringement of the same patents that are the subject of the Nokia ITC Action. This case has been stayed pending the outcome of the Nokia ITC Action.

On January 15, 2010, the Company filed a complaint in the ITC (“the Apple ITC Action”) requesting that the ITC conduct an investigation into whether certain Nokia mobile communication devices and components thereof infringe certain claims of U.S. Patent Nos. 5,379,431; 5,455,599; 5,519,867; 5,915,131; 5,920,726; 5,969,705; 6,343,263; 6,424,354; and RE 39,486.

*OPTi Inc. v. Apple Inc.*

Plaintiff filed this action against the Company on January 16, 2007, in the United States District Court for the Eastern District of Texas alleging infringement of U.S. Patent Nos. 5,710,906, 5,813,036, and 6,405,291. On April 3, 2009, the Court ruled that the accused computers sold between 2005 and 2007 infringed the ‘291 patent. On April 23, 2009, the jury returned a verdict that the patent was valid and willfully infringed, and awarded \$19 million in damages. On December 3, 2009, the Court granted the Company’s judgment as a matter of law on willfulness, denied plaintiff’s motion for enhanced damages and entered judgment against the Company for \$21.7 million. The case is currently on appeal.

*Saito Shigeru Kenchiku Kenkyusho (Shigeru Saito Architecture Institute) v. iPod; Apple Japan Inc. v. Shigeru Saito Architecture Institute*

Plaintiff Saito filed a petition against the Company in the Japan Customs Office in Tokyo on January 23, 2007, alleging infringement by the Company of Japanese Patent No. 3,852,854. The petition sought an order barring the importation into Japan of fifth generation iPods and second generation iPod nanos. The Customs Office rejected the petition to bar importation and dismissed plaintiff’s case.

Apple Japan, Inc. filed a Declaratory Judgment action against Saito on February 6, 2007, in the Tokyo District Court, seeking a declaration that the ‘854 patent is invalid and not infringed. Saito filed a Counter Complaint for infringement seeking damages. These cases are currently pending.

*St-Germain v. Apple Canada, Inc.*

Plaintiff filed this action against the Company in Montreal, Quebec, Canada, on August 5, 2005, as a putative class action for the refund by the Company of the Canadian Private Copying Levy that was applied to the iPod purchase price in Quebec between December 12, 2003 and December 14, 2004, but later declared invalid by the Canadian Court. The Company has completed a refund program for this levy. On January 11, 2008, the Court ruled that despite the Company’s good faith efforts with the levy refund program, the Company must pay the amount claimed. This case is currently on appeal.

*The Apple iPod iTunes Antitrust Litigation (formerly Charoensak v. Apple Computer, Inc. and Tucker v. Apple Computer, Inc.); Somers v. Apple Inc.*

The first-listed action is a consolidated case filed in the United States District Court for the Northern District of California combining two cases previously pending under the names *Charoensak v. Apple Computer Inc. (formerly Slattery v. Apple Computer Inc.,* filed on January 3, 2005) and *Tucker v. Apple Computer, Inc.* (filed on July 21, 2006). A Consolidated Complaint was filed on April 17, 2007 on behalf of a purported class of direct purchasers of iPods and iTunes Store content, alleging various claims including alleged unlawful tying of music and video purchased on the iTunes Store with the purchase of iPods and unlawful acquisition or maintenance of monopoly market power. The Court granted partial certification of plaintiffs’ monopolization claims and subsequently de-certified these claims. The Court also dismissed plaintiffs’ tying claims. Plaintiffs subsequently filed an Amended Consolidated Complaint seeking unspecified damages and other relief pursuant to § 2 of the Sherman Act (15 U.S.C. § 2), California Business & Professions Code §16700 et seq. (the Cartwright Act), California Business & Professions Code §17200 (unfair competition), the California Consumer Legal Remedies Act and California monopolization law. This case is currently pending.

A related complaint, *Somers v. Apple Inc.*, was filed on December 31, 2007, in the United States District Court for the Northern District of California on behalf of a purported class of indirect purchasers, alleging various claims including alleged unlawful tying of music and videos purchased on the iTunes Store with the purchase of iPods and vice versa and unlawful acquisition or maintenance of monopoly market power. The complaint alleges violations of §§1 and 2 of the Sherman Act (15 U.S.C. §§1 and 2), California Business & Professions Code §16700 et seq. (the Cartwright Act), California Business & Professions Code §17200 (unfair competition), the California Consumer Legal Remedies Act and California monopolization law. Plaintiff seeks unspecified damages and other relief. This case is currently pending.

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*Tse v. Apple Computer, Inc. et al.*

Plaintiff filed this action against the Company and other defendants on August 5, 2005, in the United States District Court for the District of Maryland alleging infringement of U.S. Patent No. 6,665,797. The complaint seeks unspecified damages and other relief. The action was subsequently transferred to the Northern District of California. The case is currently stayed pending the outcome of the U.S. Patent and Trademark Office reexamination of the asserted patent.

*Vitt v. Apple Computer, Inc.*

Plaintiff filed this purported class action on November 7, 2006, in the United States District Court for the Central District of California on behalf of a purported nationwide class of all purchasers of the iBook G4 alleging that the computer's logic board fails at an abnormally high rate. The complaint alleges violations of California Business & Professions Code §17200 (unfair competition) and California Business & Professions Code §17500 (false advertising). The complaint seeks unspecified damages and other relief. This case is currently pending.

*Vogel et al. v. Jobs et al.*

On August 24, 2006, plaintiffs filed a purported shareholder class action in the United States District Court for the Northern District of California against the Company and certain current and former officers and directors, alleging improper backdating of stock option grants to maximize certain defendants' profits, failing to properly account for those grants and issuing false financial statements. On June 27, 2008, plaintiffs filed another, similar purported shareholder class action in the United States District Court for the Northern District of California. Plaintiffs' First Amended Consolidated Complaint, filed on March 22, 2010, asserts claims for unspecified damages against the Company and certain current and former officers and directors under the federal securities laws on behalf of a purported class of shareholders. These cases have been consolidated and are currently pending.

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**Item 1A. Risk Factors**

Because of the following factors, as well as other factors affecting the Company's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

*Economic conditions could materially adversely affect the Company.*

The Company's operations and performance depend significantly on worldwide economic conditions. Uncertainty about current global economic conditions poses a risk as consumers and businesses may continue to postpone spending in response to tighter credit, unemployment, negative financial news and/or declines in income or asset values, which could have a material negative effect on demand for the Company's products and services. Demand also could differ materially from the Company's expectations since the Company generally raises prices on goods and services sold outside the U.S. to offset the effect of a strengthening of the U.S. dollar. Other factors that could influence demand include increases in fuel and other energy costs, conditions in the real estate and mortgage markets, labor and healthcare costs, access to credit, consumer confidence, and other macroeconomic factors affecting consumer spending behavior. These and other economic factors could materially adversely affect demand for the Company's products and services and on the Company's financial condition and operating results.

In the event of renewed financial turmoil affecting the banking system and financial markets, additional consolidation of the financial services industry, or significant financial service institution failures, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in fixed income, credit, currency, and equity markets. In addition, the risk remains that there could be a number of follow-on effects from the credit crisis on the Company's business, including the insolvency of key suppliers or their inability to obtain credit to finance development and/or manufacture products resulting in product delays; inability of customers, including channel partners, to obtain credit to finance purchases of the Company's products and/or customer, including channel partner, insolvencies; and failure of derivative counterparties and other financial institutions negatively impacting the Company's treasury operations. Other income and expense also could vary materially from expectations depending on gains or losses realized on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realized in the future on the Company's financial instruments differing significantly from the fair values currently assigned to them.

Uncertainty about current global economic conditions could also continue to increase the volatility of the Company's stock price.

*Global markets for personal computers, mobile communication devices, digital music and video devices, and related peripherals and services are highly competitive and subject to rapid technological change. If the Company is unable to compete effectively in these markets, its financial condition and operating results could be materially adversely affected.*

The Company competes in highly competitive global markets characterized by aggressive price cutting, with resulting downward pressure on gross margins, frequent introduction of new products, short product life cycles, evolving industry standards, continual improvement in product price/performance characteristics, rapid adoption of technological and product advancements by competitors, and price sensitivity on the part of consumers.

The Company's ability to compete successfully depends heavily on its ability to ensure a continuing and timely introduction of innovative new products and technologies to the marketplace. The Company believes it is unique in that it designs and develops nearly the entire solution for its personal computers, mobile communication devices, and consumer electronics, including the hardware, operating system, numerous software applications, and related services. As a result, the Company must make significant investments in research and development and as such, the Company currently holds a significant number of patents and copyrights and has registered and/or has applied to register numerous patents, trademarks and service marks. By contrast, many of the Company's competitors seek to compete primarily through aggressive pricing and very low cost structures. If the Company is unable to continue to develop and sell innovative new products with attractive margins or if other companies infringe on the Company's intellectual property, the Company's ability to maintain a competitive advantage could be negatively affected and its financial condition and operating results could be materially adversely affected.

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In the market for personal computers and peripherals, the Company faces a significant number of competitors, many of which have broader product lines, lower priced products, and larger installed customer bases. Consolidation in this market has resulted in larger and potentially stronger competitors. Price competition has been particularly intense as competitors selling Windows-based personal computers have aggressively cut prices and lowered product margins. The Company also faces increased competition in key market segments, including consumer, SMB, education, enterprise, government and creative markets. An increasing number of Internet devices that include software applications and are smaller and simpler than traditional personal computers compete for market share with the Company's existing products.

The Company is currently the only authorized maker of hardware using the Mac OS. The Mac OS has a minority market share in the personal computer market, which is dominated by computer makers using competing operating systems, most notably Windows. The Company's financial condition and operating results depend substantially on the Company's ability to continually improve the Mac platform to maintain functional and design advantages. Use of unauthorized copies of the Mac OS on other companies' hardware products may result in decreased demand for the Company's hardware products, and could materially adversely affect the Company's financial condition and operating results.

The Company is currently focused on certain mobile communication devices and consumer electronic devices and third-party digital content and applications distribution. The Company faces substantial competition from companies that have significant technical, marketing, distribution and other resources, as well as established hardware, software and digital content supplier relationships. The Company also competes with illegitimate ways to obtain third-party digital content and applications. The Company has only recently entered the mobile communications market, and many of its competitors in the mobile communications market have significantly greater experience, product breadth and distribution channels than the Company. Because some current and potential competitors have substantial resources and experience and a lower cost structure, they may be able to provide such products and services at little or no profit or even at a loss. The Company also expects competition to intensify as competitors attempt to imitate the Company's approach to providing these components seamlessly within their individual offerings or work collaboratively to offer integrated solutions.

The Company currently receives subsidies from its exclusive and non-exclusive carriers providing cellular network service for iPhone. There is no assurance that such subsidies will be continued at all or in the same amounts upon renewal of the Company's agreements with these carriers or in agreements the Company enters into with new carriers.

There can be no assurance the Company will be able to continue to provide products and services that compete effectively.

*To remain competitive and stimulate customer demand, the Company must successfully manage frequent product introductions and transitions.*

Due to the highly volatile and competitive nature of the personal computer, mobile communication and consumer electronics industries, the Company must continually introduce new products, services and technologies, enhance existing products and services, and effectively stimulate customer demand for new and upgraded products. The success of new product introductions depends on a number of factors including but not limited to timely and successful product development, market acceptance, the Company's ability to manage the risks associated with new products and production ramp issues, the availability of application software for new products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and costs to meet anticipated demand, and the risk that new products may have quality or other defects in the early stages of introduction. Accordingly, the Company cannot determine in advance the ultimate effect of new product introductions and transitions on its financial condition and operating results.

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*The Company faces substantial inventory and other asset risk.*

The Company records a write-down for product and component inventories that have become obsolete or exceed anticipated demand or net realizable value and accrues necessary cancellation fee reserves for orders of excess products and components. The Company also reviews its long-lived assets for impairment whenever events or changed circumstances indicate the carrying amount of an asset may not be recoverable. If the Company determines that impairment has occurred, it records a write-down equal to the amount by which the carrying value of the assets exceeds its fair market value. Although the Company believes its inventory and other asset related provisions are currently adequate, no assurance can be given that, given the rapid and unpredictable pace of product obsolescence in the global personal computer, mobile communication, and consumer electronics industries, the Company will not incur additional inventory or asset related charges. Such charges have, and could, materially adversely affect the Company's financial condition and operating results.

The Company must order components for its products and build inventory in advance of product announcements and shipments. Consistent with industry practice, components are normally acquired through a combination of purchase orders, supplier contracts, open orders and, where appropriate, prepayments, in each case based on projected demand. Such purchase commitments typically cover forecasted component and manufacturing requirements for 30 to 150 days. Because the Company's markets are volatile, competitive and subject to rapid technology and price changes, there is a risk the Company will forecast incorrectly and order or produce excess or insufficient inventories of components or products. The Company's financial condition and operating results have been in the past and could be in the future materially adversely affected by the Company's ability to manage its inventory levels and respond to short-term shifts in customer demand patterns.

*Future operating results depend upon the Company's ability to obtain key components including but not limited to microprocessors, NAND flash memory, DRAM and LCDs at favorable prices and in sufficient quantities.*

Because the Company currently obtains certain key components including but not limited to microprocessors, enclosures, certain LCDs, certain optical drives, and application-specific integrated circuits ("ASICs"), from single or limited sources, the Company is subject to significant supply and pricing risks. Many of these and other key components that are available from multiple sources including but not limited to NAND flash memory, DRAM and certain LCDs, are subject at times to industry-wide shortages and significant commodity pricing fluctuations. The Company has entered into certain agreements for the supply of key components including but not limited to microprocessors, NAND flash memory, DRAM and LCDs at favorable pricing, but there is no guarantee that the Company will be able to extend or renew these agreements on similar favorable terms, or at all, upon expiration or otherwise obtain favorable pricing in the future. The follow-on effects from the credit crisis on the Company's key suppliers, referred to in "*Economic conditions could materially adversely affect the Company*" above, which is incorporated herein by reference, also could affect the Company's ability to obtain key components. Therefore, the Company remains subject to significant risks of supply shortages and/or price increases that could materially adversely affect the Company's financial condition and operating results. The Company expects to experience decreases in its gross margin percentage in future periods, as compared to levels achieved during the first half of 2010, largely due to the introduction of iPad, which has been aggressively priced, flat or reduced average selling prices on new and innovative products that have higher cost structures and deliver greater value to customers, and both expected and potential future cost increases for key components. For additional information refer to Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the subheading "Gross Margin," which is incorporated herein by reference.

The Company and other participants in the personal computer, mobile communication and consumer electronics industries compete for various components with other industries that have experienced increased demand for their products. The Company uses some custom components that are not common to the rest of the personal computer, mobile communication and consumer electronics industries. The Company's new products often utilize custom components available from only one source until the Company has evaluated whether there is a need for, and subsequently qualifies, additional suppliers. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or manufacturing capacity has increased. Continued availability of these components at acceptable prices, or at all, may be affected if those suppliers decided to concentrate on the production of common components instead of components customized to meet the Company's requirements. If the supply of a key single-sourced component for a new or existing product were delayed or

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constrained, if such components were available only at significantly higher prices, or if a key manufacturing vendor delayed shipments of completed products to the Company, the Company's financial condition and operating results could be materially adversely affected.

*The Company depends on component and product manufacturing and logistical services provided by third parties, many of whom are located outside of the U.S.*

Most of the Company's components and products are manufactured in whole or in part by a few third-party manufacturers. Many of these manufacturers are located outside of the U.S., and are concentrated in several general locations. The Company has also outsourced much of its transportation and logistics management. While these arrangements may lower operating costs, they also reduce the Company's direct control over production and distribution. It is uncertain what effect such diminished control will have on the quality or quantity of products or services, or the Company's flexibility to respond to changing conditions. In addition, the Company relies on third-party manufacturers to adhere to the Company's supplier code of conduct. Although arrangements with such manufacturers may contain provisions for warranty expense reimbursement, the Company may remain responsible to the consumer for warranty service in the event of product defects. Any unanticipated product defect or warranty liability, whether pursuant to arrangements with contract manufacturers or otherwise, could materially adversely affect the Company's reputation, financial condition and operating results.

Final assembly of the Company's products is currently performed in the Company's manufacturing facility in Ireland, and by external vendors in California, Texas, China, the Czech Republic and Korea. Currently, the supply and manufacture of many critical components is performed by sole-sourced third-party vendors in the U.S., China, Germany, Ireland, Israel, Japan, Korea, Malaysia, the Netherlands, the Philippines, Taiwan, Thailand and Singapore. Sole-sourced third-party vendors in China perform final assembly of substantially all of the Company's portable Mac products, iPhones, iPads, iPods and most of the Company's desktop products. If manufacturing or logistics in these locations is disrupted for any reason, including natural disasters, information technology system failures, military actions or economic, business, labor, environmental, public health, or political issues, the Company's financial condition and operating results could be materially adversely affected.

*The Company relies on third-party digital content and applications, which may not be available to the Company on commercially reasonable terms or at all.*

The Company contracts with certain third parties to offer their digital content and applications through the Company's iTunes Store. The Company pays substantial fees to obtain the rights to audio, video and other digital content. The Company's licensing arrangements with these third parties are short-term and do not guarantee the continuation or renewal of these arrangements on reasonable terms, if at all. Some third-party content providers currently or in the future may offer competing products and services, and could take action to make it more difficult or impossible for the Company to license their content in the future. Other content owners, providers or distributors may seek to limit the Company's access to, or increase the total cost of, such content. If the Company is unable to continue to offer a wide variety of content at reasonable prices with acceptable usage rules, or continue to expand its geographic reach, the Company's financial condition and operating results may be materially adversely affected.

Many third-party content providers require that the Company provide certain digital rights management ("DRM") and other security solutions. If these requirements change, the Company may have to develop or license new technology to provide these solutions. There is no assurance the Company will be able to develop or license such solutions at a reasonable cost and in a timely manner. In addition, certain countries have passed or may propose legislation that would force the Company to license its DRM, which could lessen the protection of content and subject it to piracy and also could affect arrangements with the Company's content providers.

*The Company relies on access to third-party patents and intellectual property, and the Company's future results could be materially adversely affected if it is alleged or found to have infringed intellectual property rights.*

Many of the Company's products are designed to include third-party intellectual property, and in the future the Company may need to seek or renew licenses relating to various aspects of its products and business methods. Although the Company believes that, based on past experience and industry practice, such licenses generally could be obtained on reasonable terms, there is no assurance that the necessary licenses would be available on acceptable terms or at all.



Because of technological changes in the global personal computer, mobile communication and consumer electronics industries, current extensive patent coverage, and the rapid issuance of new patents, it is possible that certain components of the Company's products and business methods may unknowingly infringe the patents or other intellectual property rights of third parties. From time to time, the Company has been notified that it may be infringing such rights. Regardless of merit, responding to such claims can consume significant time and expense. At present, the Company is vigorously defending a number of patent infringement cases, and several pending claims are in various stages of evaluation. In certain cases, the Company may consider the desirability of entering into licensing agreements, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. If the Company is found to be infringing such rights, it may be required to pay substantial damages. If there is a temporary or permanent injunction prohibiting the Company from marketing or selling certain products or a successful claim of infringement against the Company requires it to pay royalties to a third party, the Company's financial condition and operating results could be materially adversely affected, regardless of whether it can develop non-infringing technology. While in management's opinion the Company does not have a potential liability for damages or royalties from any known current legal proceedings or claims related to the infringement of patent or other intellectual property rights that would individually or in the aggregate materially adversely affect its financial condition and operating results, the results of such legal proceedings cannot be predicted with certainty. Should the Company fail to prevail in any of the matters related to infringement of patent or other intellectual property rights of others or should several of these matters be resolved against the Company in the same reporting period, the Company's financial condition and operating results could be materially adversely affected.

With the June 2007 introduction of iPhone, the Company has begun to compete with mobile communication device companies that hold significant patent portfolios. Regardless of the scope or validity of such patents or the merits of any potential patent claims by competitors, the Company may have to engage in protracted litigation, enter into expensive agreements or settlements and/or modify its products. Any of these events could have a material adverse impact on the Company's financial condition and operating results.

*The Company's future performance depends on support from third-party software developers. If third-party software applications and services cease to be developed and maintained for the Company's products, customers may choose not to buy the Company's products.*

The Company believes decisions by customers to purchase its hardware products, including its Macs, iPhones, iPads and iPods, are often based to a certain extent on the availability of third-party software applications and services. There is no assurance that third-party developers will continue to develop and maintain applications and services for the Company's products on a timely basis or at all, and discontinuance or delay of these applications and services could materially adversely affect the Company's financial condition and operating results.

With respect to its Mac products, the Company believes the availability of third-party software applications and services depends in part on the developers' perception and analysis of the relative benefits of developing, maintaining, and upgrading such software for the Company's products compared to Windows-based products. This analysis may be based on factors such as the perceived strength of the Company and its products, the anticipated revenue that may be generated, continued acceptance by customers of Mac OS X, and the costs of developing such applications and services. If the Company's minority share of the global personal computer market causes developers to question the Company's prospects, developers could be less inclined to develop or upgrade software for the Company's products and more inclined to devote their resources to developing and upgrading software for the larger Windows market. The Company's development of its own software applications and services may also negatively affect the decisions of third-party developers, such as Microsoft, Adobe and Google, to develop, maintain, and upgrade similar or competitive software and services for the Company's products. Since October 2007, Mac OS X has included a feature that enables Intel-based Mac systems to run Microsoft Windows operating systems. This feature may deter developers from creating software applications for Mac OS X if such applications are already available for the Windows platform.

With respect to iPhone, iPad and iPod touch, the Company relies on the continued availability and development of compelling and innovative software applications. Unlike third-party software applications for Mac products, the software applications for the iPhone, iPad and iPod touch platforms are distributed through a single distribution channel, the App Store. The absence of multiple distribution channels, which are available for competing platforms, may limit the availability and acceptance of third-party applications by the Company's customers, thereby causing

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developers to curtail significantly, or stop, development for the Company's platforms. In addition, iPhone, iPad and iPod touch are subject to rapid technological change, and, if third-party developers are unable to keep up with this pace of change, third-party applications might not successfully operate and may result in dissatisfied customers. Further, if the Company develops its own software applications and services, such development may negatively affect the decisions of third-party developers to develop, maintain, and upgrade similar or competitive applications for the iPhone, iPad and iPod touch platforms. As with applications for the Company's Mac products, the availability and development of these applications also depend on developers' perceptions and analysis of the relative benefits of developing software for the Company's products rather than its competitors' products, including devices that use competing platforms. If developers focus their efforts on these competing platforms, the availability and quality of applications for the Company's devices may suffer.

*The Company's future operating performance depends on the performance of distributors, carriers and other resellers.*

The Company distributes its products through wholesalers, resellers, national and regional retailers, value-added resellers, and cataloguers, many of whom distribute products from competing manufacturers. The Company also sells many of its products and resells third-party products in most of its major markets directly to end-users, certain education customers, and certain resellers through its online and retail stores. iPhone is distributed through the Company, its cellular network carriers' distribution channels and certain third-party resellers.

Many resellers operate on narrow operating margins and have been negatively affected in the past by weak economic conditions. Some resellers have perceived the expansion of the Company's direct sales as conflicting with their business interests as distributors and resellers of the Company's products. Such a perception could discourage resellers from investing resources in the distribution and sale of the Company's products or lead them to limit or cease distribution of those products. The Company's financial condition and operating results could be materially adversely affected if the financial condition of these resellers weakens, if resellers stopped distributing the Company's products, or if uncertainty regarding demand for the Company's products caused resellers to reduce their ordering and marketing of the Company's products. The Company has invested and will continue to invest in programs to enhance reseller sales, including staffing selected resellers' stores with Company employees and contractors and improving product placement displays. These programs could require a substantial investment while providing no assurance of return or incremental revenue.

*The Company's retail business has required and will continue to require a substantial investment and commitment of resources and is subject to numerous risks and uncertainties.*

Through March 27, 2010, the Company had opened 286 retail stores. The Company's retail stores have required substantial fixed investment in equipment and leasehold improvements, information systems, inventory and personnel. The Company also has entered into substantial operating lease commitments for retail space with terms ranging from five to 20 years, the majority of which are for ten years. Certain stores have been designed and built to serve as high-profile venues to promote brand awareness and serve as vehicles for corporate sales and marketing activities. Because of their unique design elements, locations and size, these stores require substantially more investment than the Company's more typical retail stores. Due to the high fixed cost structure associated with the Retail segment, a decline in sales or the closure or poor performance of individual or multiple stores could result in significant lease termination costs, write-offs of equipment and leasehold improvements, and severance costs that could materially adversely affect the Company's financial condition and operating results.

Many factors unique to retail operations, some of which are beyond the Company's control, pose risks and uncertainties that could materially adversely affect the Company's financial condition and operating results. These risks and uncertainties include, among other things, macro-economic factors that could have a negative effect on general retail activity, as well as the Company's inability to manage costs associated with store construction and operation, inability to sell third-party products at adequate margins, failure to manage relationships with existing retail channel partners, more challenging environment in managing retail operations outside the U.S., costs associated with unanticipated fluctuations in the value of retail inventory, and inability to obtain and renew leases in quality retail locations at a reasonable cost.

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*Investment in new business strategies and initiatives could disrupt the Company's ongoing business and present risks not originally contemplated.*

The Company has invested, and in the future may invest, in new business strategies or acquisitions. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, insufficient revenue to offset liabilities assumed and expenses associated with the strategy, inadequate return of capital, and unidentified issues not discovered in the Company's due diligence. Because these new ventures are inherently risky, no assurance can be given that such strategies and initiatives will be successful and will not materially adversely affect the Company's financial condition and operating results.

*The Company's products and services experience quality problems from time to time that can result in decreased sales and operating margin.*

The Company sells highly complex hardware and software products and services that can contain defects in design and manufacture. Sophisticated operating system software and applications, such as those sold by the Company, often contain "bugs" that can unexpectedly interfere with the software's intended operation. Defects may also occur in components and products the Company purchases from third parties. There can be no assurance the Company will be able to detect and fix all defects in the hardware, software and services it sells. Failure to do so could result in lost revenue, harm to reputation, and significant warranty and other expenses, and could have a material adverse impact on the Company's financial condition and operating results.

*In certain countries, including the U.S., the Company relies on a single cellular network carrier to provide service for iPhone.*

In the U.S., Germany, Spain and certain other countries, the Company has contracted with a single carrier to provide cellular network services for iPhone on an exclusive basis. If these exclusive carriers cannot successfully compete with other carriers in their markets on any basis, including but not limited to the quality and coverage of wireless voice and data services, performance and timely build-out of advanced wireless networks, and pricing and other terms of conditions of end-user contracts, or if these exclusive carriers fail to promote iPhone aggressively or favor other handsets in their promotion and sales activities or service plans, sales may be materially adversely affected.

*The Company is subject to risks associated with laws, regulations and industry-imposed standards related to mobile communications devices.*

Laws and regulations related to mobile communications devices in the many jurisdictions in which the Company operates are extensive and subject to change. Such changes, which could include but are not limited to restrictions on production, manufacture, distribution, and use of the device, locking the device to a carrier's network, or mandating the use of the device on more than one carrier's network, could materially adversely affect the Company's financial condition and operating results.

Mobile communication devices, such as iPhones and certain iPads, are subject to certification and regulation by governmental and standardization bodies, as well as by cellular network carriers for use on their networks. These certification processes are extensive and time consuming, and could result in additional testing requirements, product modifications or delays in product shipment dates, which could materially adversely affect the Company's financial condition and operating results.

*The Company's success depends largely on the continued service and availability of key personnel.*

Much of the Company's future success depends on the continued availability and service of key personnel, including its CEO, its executive team and highly skilled employees in technical, marketing and staff positions. Experienced personnel in the technology industry are in high demand and competition for their talents is intense, especially in the Silicon Valley, where most of the Company's key personnel are located. There can be no assurance that the Company will continue to attract and retain key personnel.

In addition, the Company has relied on equity awards in the form of stock options and restricted stock units as one means for recruiting and retaining highly skilled talent. Significant adverse volatility in the Company's stock price could result in a stock option's exercise price exceeding the underlying stock's market value or a significant deterioration in the value of restricted stock units granted, thus lessening the effectiveness of stock-based awards for retaining employees.

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*Political events, war, terrorism, public health issues, natural disasters and other circumstances could materially adversely affect the Company.*

War, terrorism, geopolitical uncertainties, public health issues, and other business interruptions have caused and could cause damage or disruption to international commerce and the global economy, and thus could have a strong negative effect on the Company, its suppliers, logistics providers, manufacturing vendors and customers, including channel partners. The Company's business operations are subject to interruption by natural disasters, fire, power shortages, terrorist attacks, and other hostile acts, labor disputes, public health issues, and other events beyond its control. Such events could decrease demand for the Company's products, make it difficult or impossible for the Company to make and deliver products to its customers, including channel partners, or to receive components from its suppliers, and create delays and inefficiencies in the Company's supply chain. Should major public health issues, including pandemics, arise, the Company could be negatively affected by more stringent employee travel restrictions, additional limitations in freight services, governmental actions limiting the movement of products between regions, delays in production ramps of new products, and disruptions in the operations of the Company's manufacturing vendors and component suppliers. The majority of the Company's research and development activities, its corporate headquarters, information technology systems, and other critical business operations, including certain component suppliers and manufacturing vendors, are located near major seismic faults. Because the Company does not carry earthquake insurance for direct quake-related losses and significant recovery time could be required to resume operations, the Company's financial condition and operating results could be materially adversely affected in the event of a major earthquake.

*The Company may be subject to information technology system failures, network disruptions and breaches in data security.*

Information technology system failures, network disruptions and breaches of data security caused by such factors including without limitation earthquakes, fire, theft, or other causes could disrupt the Company's operations by causing delays or cancellation of customer, including channel partner, orders, negatively affecting the Company's online, iTunes, MobileMe and retail offerings and services, impeding the manufacture or shipment of products, processing transactions and reporting financial results, resulting in the unintentional disclosure of customer or Company information, or damage to the Company's reputation. While management has taken steps to address these concerns by implementing sophisticated network security and internal control measures, there can be no assurance that a system failure or loss or data security breach will not materially adversely affect the Company's financial condition and operating results.

*The Company expects its quarterly revenue and operating results to fluctuate for a variety of reasons.*

The Company's profit margins vary among its products and its distribution channels. The Company's software, accessories, and service and support contracts generally have higher gross margins than certain of the Company's other products. Gross margins on the Company's hardware products vary across product lines and can change over time as a result of product transitions, pricing and configuration changes, and component, warranty, and other cost fluctuations. The Company's direct sales generally have higher associated gross margins than its indirect sales through its channel partners. In addition, the Company's gross margin and operating margin percentages, as well as overall profitability, may be materially adversely impacted as a result of a shift in product, geographic or channel mix, new products, component cost increases, strengthening U.S. dollar, or price competition. The Company has typically experienced greater net sales in the first and fourth fiscal quarters compared to the second and third fiscal quarters due to seasonal demand related to the holiday season and the beginning of the school year, respectively. Furthermore, the Company sells more products from time-to-time during the third month of a quarter than it does during either of the first two months. Developments late in a quarter, such as lower-than-anticipated demand for the Company's products, an internal systems failure, or failure of one of the Company's key logistics, components supply, or manufacturing partners, could have a material adverse impact on the Company's financial condition and operating results.

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*The Company's stock price continues to be volatile.*

The Company's stock has at times experienced substantial price volatility due to a number of factors, including but not limited to variations between its actual and anticipated financial results, announcements by the Company and its competitors, and uncertainty about current global economic conditions. The stock market as a whole also has experienced extreme price and volume fluctuations that have affected the market price of many technology companies in ways that may have been unrelated to these companies' operating performance. Furthermore, the Company believes its stock price reflects high future growth and profitability expectations. If the Company fails to meet these expectations its stock price may significantly decline.

*The Company's business is subject to the risks of international operations.*

The Company derives a large and growing portion of its revenue and earnings from its international operations. Compliance with U.S. and foreign laws and regulations that apply to the Company's international operations, including without limitation import and export requirements, the Foreign Corrupt Practices Act, tax laws (including U.S. taxes on foreign subsidiaries), foreign exchange controls and cash repatriation restrictions, data privacy requirements, labor laws, and anti-competition regulations, increases the costs of doing business in foreign jurisdictions, and such costs may rise in the future as a result of changes in these laws and regulations or in their interpretation. Furthermore, the Company has implemented policies and procedures designed to facilitate compliance with these laws and regulations, but there can be no assurance that the Company's employees, contractors, or agents will not violate such laws and regulations or the Company's policies. Any such violations could individually or in the aggregate materially adversely affect the Company's financial condition or operating results.

The Company's financial condition and operating results also could be significantly affected by other risks associated with international activities, including but not limited to, economic and labor conditions, political instability, and changes in the value of the U.S. dollar versus local currencies. Margins on sales of the Company's products in foreign countries, and on sales of products that include components obtained from foreign suppliers, could be materially adversely affected by foreign currency exchange rate fluctuations and by international trade regulations, including duties, tariffs and antidumping penalties.

The Company's primary exposure to movements in foreign currency exchange rates relate to non-U.S. dollar denominated sales in Europe, Japan, Australia, Canada and certain parts of Asia, as well as non-U.S. dollar denominated operating expenses incurred throughout the world. Weakening of foreign currencies relative to the U.S. dollar will adversely affect the U.S. dollar value of the Company's foreign currency-denominated sales and earnings, and generally will lead the Company to raise international pricing, potentially reducing demand for the Company's products. In some circumstances, due to competition or other reasons, the Company may decide not to raise local prices to the full extent of the dollar's strengthening, or at all, which would adversely affect the U.S. dollar value of the Company's foreign currency denominated sales and earnings. Conversely, a strengthening of foreign currencies, while generally beneficial to the Company's foreign currency-denominated sales and earnings, could cause the Company to reduce international pricing, thereby limiting the benefit. Additionally, strengthening of foreign currencies may also increase the Company's cost of product components denominated in those currencies, thus adversely affecting gross margins.

The Company has used derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place.

*The Company is exposed to credit risk and fluctuations in the market values of its investment portfolio.*

Although the Company has not recognized any material losses on its cash, cash equivalents and marketable securities, any significant future declines in their market values could materially adversely affect the Company's financial condition and operating results. Given the global nature of its business, the Company has investments both domestically and internationally. Additionally, the Company's overall investment portfolio has concentrations in the financial sector, which has been negatively impacted by adverse market liquidity conditions in the recent past. Credit ratings and pricing of these investments can be negatively impacted by liquidity, credit deterioration or losses,

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financial results, or other factors. As a result, the value or liquidity of the Company's cash, cash equivalents and marketable securities could decline and result in a material impairment, which could materially adversely affect the Company's financial condition and operating results.

*The Company is exposed to credit risk on its accounts receivable and prepayments related to long-term supply agreements. This risk is heightened during periods when economic conditions worsen.*

A substantial majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. The Company also has unsecured non-trade receivables resulting from purchases of components by contract manufacturers and other vendors that manufacture sub-assemblies or assemble final products for the Company. In addition, the Company has made prepayments associated with long-term supply agreements to secure supply of certain inventory components. While the Company has procedures to monitor and limit exposure to credit risk on its trade and non-trade receivables as well as long-term prepayments, there can be no assurance such procedures will effectively limit its credit risk and avoid losses, which could materially adversely affect the Company's financial condition and operating results.

*The matters relating to the Company's past stock option practices and its restatement of consolidated financial statements may result in additional litigation.*

The Company's investigation into its past stock option practices and its restatement of prior financial statements in the Annual Report on Form 10-K for the year ended September 30, 2006 gave rise to litigation and government investigations. As described in Part II, Item 1, "Legal Proceedings," several derivative and class action complaints regarding stock options were filed against the Company and current and former officers and directors. These actions have been dismissed following a comprehensive settlement. Two former officers of the Company were also named as defendants in an SEC enforcement action, which has been settled.

No assurance can be given that additional actions will not be filed against the Company and current and former officers and directors as a result of past stock option practices. If such actions are filed and result in adverse findings, the remedies could materially adversely affect the Company's financial condition and operating results.

*Unfavorable results of legal proceedings could materially adversely affect the Company.*

The Company is subject to various legal proceedings and claims that have arisen out of the ordinary conduct of its business and are not yet resolved and additional claims may arise in the future. Results of legal proceedings cannot be predicted with certainty. Regardless of merit, litigation may be both time-consuming and disruptive to the Company's operations and cause significant expense and diversion of management attention. In recognition of these considerations, the Company may enter into material settlements. Should the Company fail to prevail in certain matters, or should several of these matters be resolved against the Company in the same reporting period, the Company may be faced with significant monetary damages or injunctive relief against it that would materially adversely affect a portion of its business and might materially affect the Company's financial condition and operating results.

*The Company is subject to risks associated with laws and regulations related to health, safety and environmental protection.*

The Company's products and services, and the production and distribution of those goods and services, are subject to a variety of laws and regulations. These may require the Company to offer customers the ability to return a product at the end of its useful life and place responsibility for environmentally safe disposal or recycling with the Company. Such laws and regulations have been passed in several jurisdictions in which the Company operates, including various countries within Europe and Asia and certain states and provinces within North America. Although the Company does not anticipate any material adverse effects based on the nature of its operations and the focus of such laws, there is no assurance such existing laws or future laws will not materially adversely affect the Company's financial condition and operating results.

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*Changes in the Company's tax rates, the adoption of new U.S. tax legislation or exposure to additional tax liabilities could affect its future results.*

The Company is subject to taxes in the United States and numerous foreign jurisdictions. The Company's future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. In addition, the current administration and Congress have recently announced proposals for new U.S. tax legislation that, if adopted, could adversely affect the Company's tax rate. Any of these changes could have a material adverse affect on the Company's profitability. The Company is also subject to the continual examination of its income tax returns by the Internal Revenue Service and other tax authorities. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for taxes. There can be no assurance that the outcomes from these examinations will not materially adversely affect the Company's financial condition and operating results.

*The Company is subject to risks associated with the availability and coverage of insurance.*

For certain risks, the Company does not maintain insurance coverage because of cost and/or availability. Because the Company retains some portion of its insurable risks, and in some cases self-insures completely, unforeseen or catastrophic losses in excess of insured limits could materially adversely affect the Company's financial condition and operating results.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits****(a) Index to Exhibits**

Exhibit Number	Exhibit Description	Incorporated by Reference	
		Form	Filing Date/ Period End Date
3.1	Restated Articles of Incorporation, filed with the Secretary of State of the State of California on July 10, 2009.	10-Q	6/27/09
3.2	By-Laws of the Registrant, as amended through May 27, 2009.	8-K	6/2/09
4.1	Form of Stock Certificate of the Registrant.	10-Q	12/30/06
10.1**	Employee Stock Purchase Plan, as amended through March 8, 2010.		
10.2*	Form of Indemnification Agreement between the Registrant and each director and executive officer of the Registrant.	10-Q	6/27/09
10.3*	1997 Employee Stock Option Plan, as amended through October 19, 2001.	10-K	9/28/02
10.4*	1997 Director Stock Plan, as amended through February 25, 2010.	8-K	3/1/10
10.5*	2003 Employee Stock Plan, as amended through February 25, 2010.	8-K	3/1/10
10.6*	Reimbursement Agreement dated as of May 25, 2001 by and between the Registrant and Steven P. Jobs.	10-Q	6/29/02
10.7*	Form of Option Agreements.	10-K	9/24/05
10.8*	Form of Restricted Stock Unit Award Agreement effective as of August 28, 2007.	10-K	9/29/07
10.9*	Form of Restricted Stock Unit Award Agreement effective as of November 11, 2008.	10-Q	12/27/08
10.10*	Transition Agreement and Settlement Agreement and Release dated as of November 3, 2008 by and between the Registrant and Anthony Fadell.	10-Q	12/27/08
14.1	Business Conduct Policy of the Registrant dated February 2009.	10-Q	3/28/09
31.1**	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer.		
31.2**	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer.		
32.1***	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.		
101.INS****	XBRL Instance Document		
101.SCH****	XBRL Taxonomy Extension Schema Document		
101.CAL****	XBRL Taxonomy Extension Calculation Linkbase Document		
101.LAB****	XBRL Taxonomy Extension Label Linkbase Document		
101.PRE****	XBRL Taxonomy Extension Presentation Linkbase Document		

\* Indicates management contract or compensatory plan or arrangement.

\*\* Filed herewith.

\*\*\* Furnished herewith.



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\*\*\*\* Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

April 21, 2010

APPLE INC.

By: /s/ Peter Oppenheimer

Peter Oppenheimer  
Senior Vice President,  
Chief Financial Officer

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the Response and Information Disclosure Statement (including Form PTO-1449 (modified) and 12 non-patent references) filed with the USPTO on May 24, 2010 in Re-examination No. 90/007,403 were served via U.S. Priority Mail, postage prepaid, this 24<sup>th</sup> day of May, 2010, on the Third Party Requester as follows:

Mr. Albert S. Penilla  
Martine, Penillla & Gencarella, LLP  
710 Lakeway Drive, Suite 200  
Sunnyvale, CA 94085

/ Michael R. Casey /

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Michael R. Casey, Ph.D.

## Electronic Acknowledgement Receipt

<b>EFS ID:</b>	7672189
<b>Application Number:</b>	90007403
<b>International Application Number:</b>	
<b>Confirmation Number:</b>	3002
<b>Title of Invention:</b>	SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS
<b>First Named Inventor/Applicant Name:</b>	5675734
<b>Customer Number:</b>	23973
<b>Filer:</b>	Michael R. Casey
<b>Filer Authorized By:</b>	
<b>Attorney Docket Number:</b>	NAPSP002
<b>Receipt Date:</b>	24-MAY-2010
<b>Filing Date:</b>	31-JAN-2005
<b>Time Stamp:</b>	15:00:23
<b>Application Type:</b>	Reexam (Third Party)

### Payment information:

Submitted with Payment	no
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### File Listing:

Document Number	Document Description	File Name	File Size(Bytes)/ Message Digest	Multi Part /.zip	Pages (if appl.)
1	Transmittal Letter	20100524_IDS.pdf	120644 <small>78096f75e8058d59210760a0c5ef10728cf4 4f70</small>	no	2

### Warnings:

### Information:

2	Information Disclosure Statement (IDS) Filed (SB/08)	20100524_1449.pdf	293884	no	2
			b45953b04eb7c1a0d27b7b8c19be6eca52215f64		
<b>Warnings:</b>					
<b>Information:</b>					
This is not an USPTO supplied IDS fillable form					
3	NPL Documents	NP0000.pdf	579968	no	60
			7e117128031fde3a7cbb79d3e501d567ac cb617		
<b>Warnings:</b>					
<b>Information:</b>					
4	NPL Documents	NP0001.pdf	45694	no	1
			da5e8c0bfad4184505262c5a0bf454b44ed 54863		
<b>Warnings:</b>					
<b>Information:</b>					
5	NPL Documents	NP0002.pdf	57196	no	2
			0a6dabc551e64555bae1c8a38be13ea515a 1bb13		
<b>Warnings:</b>					
<b>Information:</b>					
6	NPL Documents	NP0003.pdf	68295	no	2
			a5eaf754f8a00accf642ba1db33d9530996c 08cd		
<b>Warnings:</b>					
<b>Information:</b>					
7	NPL Documents	NP0004.pdf	48161	no	2
			c7c388b816aab2256c4a30ba1c07720c7df 3789e		
<b>Warnings:</b>					
<b>Information:</b>					
8	NPL Documents	NP0005.pdf	168074	no	4
			d541afc4be6d56375b88b3dee9324717173 0dece		
<b>Warnings:</b>					
<b>Information:</b>					
9	NPL Documents	NP0006.pdf	900445	no	97
			44b4fba7db6d90a36e8daf4d4896e3048ee ba3f7		
<b>Warnings:</b>					
<b>Information:</b>					
10	NPL Documents	NP0007.pdf	73907	no	3
			c3adc1fdf11e0a66213ef8ceff03ec09b4b8 655		

<b>Warnings:</b>					
<b>Information:</b>					
11	NPL Documents	NP0008.pdf	67216 c95b743b6202435e51a6976fce864376ebd8e980	no	4
<b>Warnings:</b>					
<b>Information:</b>					
12	NPL Documents	NP0009.pdf	44335 1376c507f3a7fb2f629fd1bbf615fea3dbe8ae03	no	2
<b>Warnings:</b>					
<b>Information:</b>					
13	NPL Documents	NP0010.pdf	58514 ce3ce0a64d662ec1ecd256c1ec00be74fd23e6cf	no	1
<b>Warnings:</b>					
<b>Information:</b>					
14	NPL Documents	NP0011.pdf	55825 ff10f5f2c05887a999bf5affa47b813774599192	no	1
<b>Warnings:</b>					
<b>Information:</b>					
15	Amendment/Req. Reconsideration-After Non-Final Reject	20100524_Response_Cover.pdf	71873 de413b0c9de0f5f0a7600999e49236cd77356b2b	no	1
<b>Warnings:</b>					
<b>Information:</b>					
16	Applicant Arguments/Remarks Made in an Amendment	20100524_Response_Remarks.pdf	97083 9b86c549a6b43ae731c3726a46bd4c5497c17d70	no	15
<b>Warnings:</b>					
<b>Information:</b>					
17	Rule 130, 131 or 132 Affidavits	exhibit_1_1_132_Tygar_Declaration.pdf	3988570 7d08cd45f3277eec288d9d6cd2ec0e3eb34db0a2	no	28
<b>Warnings:</b>					
<b>Information:</b>					
18	Applicant Arguments/Remarks Made in an Amendment	exhibits_2-10.pdf	728668 242afb19af9a8d5071dfdd3aec31027f699225db	no	84
<b>Warnings:</b>					
<b>Information:</b>					
19	Reexam Certificate of Service	20100524_COS.pdf	39775 be3511b404ce01172c79ae8d44ae63678402a9ee	no	1

<b>Warnings:</b>	
<b>Information:</b>	
<b>Total Files Size (in bytes):</b>	7508127
<p><b>This Acknowledgement Receipt evidences receipt on the noted date by the USPTO of the indicated documents, characterized by the applicant, and including page counts, where applicable. It serves as evidence of receipt similar to a Post Card, as described in MPEP 503.</b></p> <p><b><u>New Applications Under 35 U.S.C. 111</u></b>  <b>If a new application is being filed and the application includes the necessary components for a filing date (see 37 CFR 1.53(b)-(d) and MPEP 506), a Filing Receipt (37 CFR 1.54) will be issued in due course and the date shown on this Acknowledgement Receipt will establish the filing date of the application.</b></p> <p><b><u>National Stage of an International Application under 35 U.S.C. 371</u></b>  <b>If a timely submission to enter the national stage of an international application is compliant with the conditions of 35 U.S.C. 371 and other applicable requirements a Form PCT/DO/EO/903 indicating acceptance of the application as a national stage submission under 35 U.S.C. 371 will be issued in addition to the Filing Receipt, in due course.</b></p> <p><b><u>New International Application Filed with the USPTO as a Receiving Office</u></b>  <b>If a new international application is being filed and the international application includes the necessary components for an international filing date (see PCT Article 11 and MPEP 1810), a Notification of the International Application Number and of the International Filing Date (Form PCT/RO/105) will be issued in due course, subject to prescriptions concerning national security, and the date shown on this Acknowledgement Receipt will establish the international filing date of the application.</b></p>	

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In re PATENT:		Confirmation No.:	3002
5,675,734		Attorney Docket:	NAPSP002
Appl. S.N.:	90/007,403	Group Art Unit:	3992
Filing Date:	1/31/2005	Examiner:	Foster, R.
Title:		Date:	5/24/2010

**INFORMATION DISCLOSURE STATEMENT**

Hon. Commissioner of Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

Pursuant to 37 C.F.R. § 1.56, the attention of the Patent and Trademark Office is hereby directed to the reference(s) listed on the attached PTO-1449. One copy of each non-U.S. Patent reference is attached. It is respectfully requested that the information be expressly considered during the prosecution of this application, and that the reference(s) be made of record therein and appear among the "References Cited" on any patent to issue therefrom.

The submission of any document herewith, which is not a statutory bar, is not intended that any such document constitutes prior art against any of the claims of the present application or is considered to be material to patentability as defined in 37 C.F.R. § 1.56(b). Applicants do not waive any rights to take any action which would be appropriate to antedate or otherwise remove as a competent reference against the claims of the present application.



In re Patent: 5,675,734  
Control No.: 90/007,403  
Page 2 of 2

**CHARGE STATEMENT: Deposit Account No. 501860, order no. 2689-0001.**  
The Commissioner is hereby authorized to charge any fee specifically authorized hereafter, or any missing or insufficient fee(s) filed, or asserted to be filed, or which should have been filed herewith or concerning any paper filed hereafter, and which may be required under Rules 16-18 (missing or insufficiencies only) now or hereafter relative to this application and the resulting Official Document under Rule 20, or credit any overpayment, to our Accounting/Order Nos. shown above, for which purpose a duplicate copy of this sheet is attached  
**This CHARGE STATEMENT does not authorize charge of the issue fee until/unless an issue fee transmittal sheet is filed.**

CUSTOMER NUMBER  
**42624**

Davidson Berquist Jackson & Gowdey LLP  
4300 Wilson Blvd., 7th Floor,  
Arlington Virginia 22203  
Main: (703) 894-6400 • FAX: (703) 894-6430

Respectfully submitted,

By: / Michael R. Casey /

Michael R. Casey  
Registration No.: 40,294

<b>INFORMATION DISCLOSURE STATEMENT BY APPLICANT</b> FORM PTO-1449 (modified)  Sheet 1 of 2	Reexam number	90/007,403
	First Named Inventor	5,675,734
	Patent Under Re-Exam	5,675,734
	Issue Date	
	Group Art Unit	3992
	Examiner Name	Foster, R.
	Attorney Docket No.	NAPSP002
	Confirmation No.	3002

NON-PATENT REFERENCES			
Examiner Initials*	Cite No.	Non-patent Reference bibliographic information, where available	Notes
	1-1	Apple Inc., Form 10-Q, April 21, 2010.	
	1-2	Blockbuster Changes Course of In-store Duplication Plans, Multimedia & Videodisc Monitor, Vol. 12, No. 6, June 1, 1994 (1 page)	
	1-3	Blockbuster Reaffirms Video Retailing Roots, Video Week, Vol. 14, No. 19, May 17, 1993 (2 pages)	
	1-4	Blockbuster To Test Videogame Downloads In Summer, Audio Week, Vol. 6, No. 12, March 28, 1994 (2 pages)	
	1-5	IBM, Blockbuster join forces on CD venture; Associated Press, May 12, 1993 (2 pages)	
	1-6	Magistrate's Report and Recommendation (Amending Claim Construction), Sightsound.com v. NSK et al., Civil Action No. 98-118, April 2, 2002	
	1-7	Magistrate's Report and Recommendation (on Claim Construction), Sightsound.com v. NSK et al., Civil Action No. 98-118, February 8, 2002	

Examiner Signature		Date Considered	
--------------------	--	-----------------	--

\*Examiner: Initial if reference was considered, whether or not citation is in conformance with MPEP 609. Draw a line through citation if not in conformance and not considered. Include a copy of this form with next communication to applicant. Notes: If identified, the following is provided: EA = English Abstract, T = Translation, PT = Partial Translation, SOR = Statement of Relevancy, PF = Patent Family.

<b>INFORMATION DISCLOSURE STATEMENT BY APPLICANT</b> FORM PTO-1449 (modified)	Reexam number	90/007,403
	First Named Inventor	5,675,734
	Patent Under Re-Exam	5,675,734
	Issue Date	
	Group Art Unit	3992
	Examiner Name	Foster, R.
	Attorney Docket No.	NAPSP002
Confirmation No.	3002	
Sheet 2 of 2		

NON-PATENT REFERENCES			
Examiner Initials*	Cite No.	Non-patent Reference bibliographic information, where available	Notes
	2-1	Memorandum Order of Court (adopting amended claim construction recommendation), Sightsound.com v. NSK et al., Civil Action No. 98-118, November 27, 2002	
	2-2	Music burning kiosks: On the right track; Self Service and Kiosk Association, April 9, 2007 (4 pages)	
	2-3	Sony Music Plans to Test Use of In-Store Digital Kiosks, New York Times, June 10, 1999	
	2-4	Starbucks shuts down its Hear Music kiosks, May 2006 ( <a href="http://brandautopsy.typepad.com/brandautopsy/2006/05/starbucks_shuts.html">http://brandautopsy.typepad.com/brandautopsy/2006/05/starbucks_shuts.html</a> )	
	2-5	Turning Over New Leaf, Consumer Electronics, February 13, 1995 (1 page)	
	2-6		
	2-7		

Examiner Signature		Date Considered	
--------------------	--	-----------------	--

\*Examiner: Initial if reference was considered, whether or not citation is in conformance with MPEP 609. Draw a line through citation if not in conformance and not considered. Include a copy of this form with next communication to applicant. Notes: If identified, the following is provided: EA = English Abstract, T = Translation, PT = Partial Translation, SOR = Statement of Relevancy, PF = Patent Family.



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE  
 United States Patent and Trademark Office  
 Address: COMMISSIONER FOR PATENTS  
 P.O. Box 1450  
 Alexandria, Virginia 22313-1450  
 www.uspto.gov



Bib Data Sheet

CONFIRMATION NO. 3002

<b>SERIAL NUMBER</b> 90/007,403	<b>FILING OR 371(c) DATE</b> 01/31/2005 <b>RULE</b>	<b>CLASS</b> 705	<b>GROUP ART UNIT</b> 3992	<b>ATTORNEY DOCKET NO.</b> NAPSP002
------------------------------------	---	---------------------	-------------------------------	--

**APPLICANTS**  
 5675734, Residence Not Provided;  
 Sightsound.com Incorporated(Owner), Mt. Lebanon, PA;  
 Napster, Inc.(3rd Pty. Req.), Los Angeles, CA;  
 Albert S. Penilla, Sunnyvale, CA

**\*\* CONTINUING DATA \*\*\*\*\***  
 This application is a REX of 08/607,648 02/27/1996 PAT 5,675,734  
 which is a CON of 08/023,398 02/26/1993 ABN  
 which is a CON of 07/586,391 09/18/1990 PAT 5,191,573  
 which is a CON of 07/206,497 06/13/1988 ABN

**\*\* FOREIGN APPLICATIONS \*\*\*\*\***

Foreign Priority claimed <input type="checkbox"/> yes <input type="checkbox"/> no	<b>STATE OR COUNTRY</b>	<b>SHEETS DRAWING</b>	<b>TOTAL CLAIMS</b> 34	<b>INDEPENDENT CLAIMS</b> 7
35 USC 119 (a-d) conditions met <input type="checkbox"/> yes <input type="checkbox"/> no <input type="checkbox"/> Met after Allowance				
Verified and Acknowledged	Examiner's Signature	Initials		

**ADDRESS**  
 42624

**TITLE**  
 SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS

<b>FILING FEE RECEIVED</b> 2520	FEES: Authority has been given in Paper No. _____ to charge/credit DEPOSIT ACCOUNT No. _____ for following:	<input type="checkbox"/> All Fees
		<input type="checkbox"/> 1.16 Fees ( Filing )
		<input type="checkbox"/> 1.17 Fees ( Processing Ext. of time )
		<input type="checkbox"/> 1.18 Fees ( Issue )
		<input type="checkbox"/> Other _____
		<input type="checkbox"/> Credit

Under the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number.

<b>REVOCAION OF POWER OF ATTORNEY WITH NEW POWER OF ATTORNEY AND CHANGE OF CORRESPONDENCE ADDRESS</b>	Application Number:	90/007,403
	Filing Date:	January 31, 2005
	First Named Inventor:	5,675,734
	Group Art Unit:	3992
	Examiner Name:	FOSTER, Roland G.
	Attorney Docket No.:	2689-0011

<b>I hereby revoke all previous powers of attorney given in the above-identified application</b>			
<input type="checkbox"/> A Power of Attorney is submitted herewith.			
<b>OR</b>			
<input checked="" type="checkbox"/> I hereby appoint the practitioners associated with the Customer Number: <u>42624</u>			
<input checked="" type="checkbox"/> Please change the correspondence address for the above-identified application to:			
<input checked="" type="checkbox"/> The address associated with Customer Number: <u>42624</u>			
<b>OR</b>			
<input type="checkbox"/>	Firm or Individual Name		
Address Line 1			
Address Line 2			
City		State	
Country			
Telephone		Fax	
I am the:			
<input type="checkbox"/> Applicant / Inventor			
<input checked="" type="checkbox"/> Assignee of record of the entire interest. See 37 CFR 3.71. <i>Statement under 37 CFR 3.73(b) is enclosed. (Form PTO/SB/96)</i>			
<b>SIGNATURE of Applicant or Assignee of Record</b>			
Name	Ken Glick <i>Assistant Secretary, DMT Licensing, LLC</i>		
Signature	<i>Ken Glick</i>		
Date	<i>6/23/2010</i>	Telephone	<i>609-936-6022</i>
NOTE: Signatures of all the inventors or assignees of record of the entire interest or their representative(s) are required. Submit multiple forms if more than one signature is required, see below*.			

This collection of information is required by 37 CFR 1.36. The information is required to obtain or retain a benefit by the public which is to file (and by the USPTO to process) an application. Confidentiality is governed by 35 U.S.C. 122 and 37 CFR 1.14. This collection is estimated to take 3 minutes to complete, including gathering, preparing, and submitting the completed application form to the USPTO. Time will vary depending upon the individual case. Any comments on the amount of time you require to complete this form and/or suggestions for reducing this burden, should be sent to the Chief Information Officer, U.S. Patent and Trademark Office, U.S. Department of Commerce, P.O. Box 1450, Alexandria, VA 22313-1450. DO NOT SEND FEES OR COMPLETED FORMS TO THIS ADDRESS. SEND TO: Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

**STATEMENT UNDER 37 CFR 3.73(B)**

Applicant / Patent Owner: HAIR, Arthur R.

Docket No. 2689-0011

Application No. / Patent No. 90/007,403

Filed / Issued Date: January 31, 2005

Entitled: SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS

Assignee: DMT LICENSING, LLC

A corporation

(Name of assignee)

(Type of Assignee: corporation, partnership, university, government agency, etc.)

States that it is:

- 1.  the assignee of the entire right, title, and interest; or
- 2.  an assignee of less than the entire right, title and interest.  
(The extent (by percentage) of its ownership interest is        %)

in the patent application / patent identified above by virtue of either:

- A.  An assignment from the inventor(s) of the patent application / patent identified above. The assignment was recorded in the United States Patent and Trademark Office at Reel        , Frame        , or for which a copy thereof is attached.

**OR**

- B.  A chain of title from the inventor(s), of the patent application / patent identified above, to the current assignee shown below:

1.	From: <u>Arthur R. Hair</u> To: <u>PARSEC SIGHT/SOUND, INC.</u> The document was recorded in the United States Patent and Trademark Office at Reel <u>007656</u> Frame <u>0701</u> , or for which a copy thereof is attached.
2.	From: <u>PARSEC SIGHT/SOUND, INC.</u> To: <u>SIGHTSOUND.COM INCORPORATED</u> The document was recorded in the United States Patent and Trademark Office at Reel <u>010776</u> Frame <u>0703</u> , or for which a copy thereof is attached.
3.	From: <u>SIGHTSOUND TECHNOLOGIES, INC.</u> To: <u>DMT LICENSING, LLC</u> The document was recorded in the United States Patent and Trademark Office at Reel <u>017555</u> Frame <u>0149</u> , or for which a copy thereof is attached.

- Additional documents in the chain of title are listed on a supplemental sheet.
- Copies of assignments or other documents in the chain of title are attached.

**As required by 37 CFR 3.73(b)(1)(i), the documentary evidence of the chain of title from the original owner to the assignee was, or concurrently is being, submitted for recordation pursuant to 37 CFR 3.11.**

[Note: A separate copy (i.e., a true copy of the original assignment document(s)) must be submitted to Assignment Division in accordance with 37 CFR Part 3, if the assignment is to be recorded in the records of the USPTO. See MPEP 302.08]

The undersigned (whose title is supplied below) is authorized to act on behalf of the assignee.

  
 \_\_\_\_\_  
 Signature

June 28, 2010  
 \_\_\_\_\_  
 Date

Michael R. Casey, Ph.D.  
 \_\_\_\_\_  
 Printed or Typed Name

703.894.6400  
 \_\_\_\_\_  
 Telephone Number

Attorney, Registration No. 40,294  
 Title: \_\_\_\_\_

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the Transmittal Letter, Revocation of Power Attorney and Statement Under 37 CFR 3.73(b) filed with the USPTO on June 28, 2010 in Re-examination No. 90/007,403 were served via First Class United States Mail, postage prepaid, this 28<sup>th</sup> day of June, 2010, on the Third Party Requester as follows:

Mr. Albert S. Penilla  
Martine, Penilla & Gencarella, LLP  
710 Lakeway Drive, Suite 200  
Sunnyvale, CA 94085

/ Michael R. Casey /

---

Michael R. Casey, Ph.D.

## Electronic Acknowledgement Receipt

<b>EFS ID:</b>	7904106
<b>Application Number:</b>	90007403
<b>International Application Number:</b>	
<b>Confirmation Number:</b>	3002
<b>Title of Invention:</b>	SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS
<b>First Named Inventor/Applicant Name:</b>	5675734
<b>Customer Number:</b>	23973
<b>Filer:</b>	Michael R. Casey
<b>Filer Authorized By:</b>	
<b>Attorney Docket Number:</b>	NAPSP002
<b>Receipt Date:</b>	28-JUN-2010
<b>Filing Date:</b>	31-JAN-2005
<b>Time Stamp:</b>	14:16:17
<b>Application Type:</b>	Reexam (Third Party)

### Payment information:

Submitted with Payment	no
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### File Listing:

Document Number	Document Description	File Name	File Size(Bytes)/ Message Digest	Multi Part /.zip	Pages (if appl.)
1	Miscellaneous Incoming Letter	Transmittal_06-28-10_2689-00 11.pdf	140131  bd3557b446b641b1850553880bbddaafba 20c2b3	no	1

### Warnings:

### Information:



2	Power of Attorney	POA_06-28-10_2689-0011.pdf	157011 112537d3ba84e71ada6c12aeca9a661e1a730be4	no	1
<b>Warnings:</b>					
<b>Information:</b>					
3	Assignee showing of ownership per 37 CFR 3.73(b).	StatementUnder37CFR_06-28-10_2689-0011.pdf	184195 eb03c085a447ee05cd06728941b43d608d1e6027	no	1
<b>Warnings:</b>					
<b>Information:</b>					
4	Reexam Certificate of Service	20100628_CERTIFICATE_OF_SERVICE.pdf	40085 22736a8b3a1843fc400aed56eed89187b9eb0fa8	no	1
<b>Warnings:</b>					
<b>Information:</b>					
<b>Total Files Size (in bytes):</b>			521422		
<p><b>This Acknowledgement Receipt evidences receipt on the noted date by the USPTO of the indicated documents, characterized by the applicant, and including page counts, where applicable. It serves as evidence of receipt similar to a Post Card, as described in MPEP 503.</b></p> <p><b><u>New Applications Under 35 U.S.C. 111</u></b>  <b>If a new application is being filed and the application includes the necessary components for a filing date (see 37 CFR 1.53(b)-(d) and MPEP 506), a Filing Receipt (37 CFR 1.54) will be issued in due course and the date shown on this Acknowledgement Receipt will establish the filing date of the application.</b></p> <p><b><u>National Stage of an International Application under 35 U.S.C. 371</u></b>  <b>If a timely submission to enter the national stage of an international application is compliant with the conditions of 35 U.S.C. 371 and other applicable requirements a Form PCT/DO/EO/903 indicating acceptance of the application as a national stage submission under 35 U.S.C. 371 will be issued in addition to the Filing Receipt, in due course.</b></p> <p><b><u>New International Application Filed with the USPTO as a Receiving Office</u></b>  <b>If a new international application is being filed and the international application includes the necessary components for an international filing date (see PCT Article 11 and MPEP 1810), a Notification of the International Application Number and of the International Filing Date (Form PCT/RO/105) will be issued in due course, subject to prescriptions concerning national security, and the date shown on this Acknowledgement Receipt will establish the international filing date of the application.</b></p>					

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In re Patent Application of:		Confirmation No.: 3002
5,675,734		Atty. Docket No.: 2689-0011
Appln. No.:	90/007,403	Art Unit: 3992
Filed:	January 31, 2005	Examiner: FOSTER, Roland
Title:	SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS	Date: June 28, 2010

**TRANSMITTAL**

Hon. Commissioner of Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

Attached please find the following documents, submitted for filing in connection with the above-identified application:

- Revocation of Power of Attorney with New Power of Attorney and Change in Correspondence Address
- Statement Under 37 CFR 3.73(b)

Our Deposit Account No.: 501860


Our Order No. (Client-Matter No.): 2689-0011

**CHARGE STATEMENT:** The Commissioner is hereby authorized to charge any fee specifically authorized hereafter, or any missing or insufficient fee(s) filed, or asserted to be filed, or which should have been filed herewith or concerning any paper filed hereafter, and which may be required under Rules 16-18 (missing or insufficiencies only) now or hereafter relative to this application and the resulting Official document under Rule 20, or credit any overpayment, to our Account/Order Nos. (or Attorney Docket No.) shown in the heading hereof for which purpose a duplicate copy of this paper is attached.

**This Charge Statement does not authorize charge of the issue fee until/unless an issue fee transmittal form is filed.**

<p>CUSTOMER NUMBER  <b>42624</b></p>
--

Respectfully submitted,

By:   
Michael R. Casey, Ph.D.  
Registration No.: 40,294

Davidson Berquist Jackson & Gowdey LLP  
4300 Wilson Boulevard, 7<sup>th</sup> Floor  
Arlington, VA 22203  
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UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office  
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Alexandria, Virginia 22313-1450  
www.uspto.gov

APPLICATION NUMBER	FILING OR 371(C) DATE	FIRST NAMED APPLICANT	ATTY. DOCKET NO./TITLE
90/007,403	01/31/2005	5675734	NAPSP002

**CONFIRMATION NO. 3002**

**POA ACCEPTANCE LETTER**

42624  
DAVIDSON BERQUIST JACKSON & GOWDEY LLP  
4300 WILSON BLVD., 7TH FLOOR  
ARLINGTON, VA 22203



Date Mailed: 06/29/2010

**NOTICE OF ACCEPTANCE OF POWER OF ATTORNEY**

This is in response to the Power of Attorney filed 06/28/2010.

The Power of Attorney in this application is accepted. Correspondence in this application will be mailed to the above address as provided by 37 CFR 1.33.

/jawhitfield/

Office of Data Management, Application Assistance Unit (571) 272-4000, or (571) 272-4200, or 1-888-786-0101



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office  
Address: COMMISSIONER FOR PATENTS  
P.O. Box 1450  
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www.uspto.gov

APPLICATION NUMBER	FILING OR 371(C) DATE	FIRST NAMED APPLICANT	ATTY. DOCKET NO./TITLE
90/007,403	01/31/2005	5675734	NAPSP002

**CONFIRMATION NO. 3002**

**POWER OF ATTORNEY NOTICE**

23973  
DRINKER BIDDLE & REATH  
ATTN: INTELLECTUAL PROPERTY GROUP  
ONE LOGAN SQUARE, SUITE 2000  
PHILADELPHIA, PA 19103-6996



Date Mailed: 06/29/2010

**NOTICE REGARDING CHANGE OF POWER OF ATTORNEY**

This is in response to the Power of Attorney filed 06/28/2010.

- The Power of Attorney to you in this application has been revoked by the assignee who has intervned as provided by 37 CFR 3.71. Future correspondence will be mailed to the new address of record(37 CFR 1.33).

/jawhitfield/

Office of Data Management, Application Assistance Unit (571) 272-4000, or (571) 272-4200, or 1-888-786-0101

# Litigation Search Report CRU 3999

Reexam Control No. 90/007,403

**TO: ROLAND FOSTER**  
**Location: CRU**  
**Art Unit: 3992**  
**Date: 08/09/10**  
**Case Serial Number: 90/007,403**

**From: DENISE L. BOYD**  
**Location: CRU 3999**  
**MDW 7C35**  
**Phone: (571) 272-0992**  
**Denise.Boyd@uspto.gov**

## Search Notes

**Litigation was found involving U.S. Patent Number 5,675,734.**

**Sources:**

**2:04CV1549 - CLOSED**

- 1) I performed a KeyCite Search in Westlaw, which retrieves all history on the patent including any litigation.
- 2) I performed a search on the patent in Lexis CourtLink for any open dockets or closed cases.
- 3) I performed a search in Lexis in the Federal Courts and Administrative Materials databases for any cases found.
- 4) I performed a search in Lexis in the IP Journal and Periodicals database for any articles on the patent.
- 5) I performed a search in Lexis in the news databases for any articles about the patent or any articles about litigation on this patent.

## KEYCITE

**H** US PAT 5675734 SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS, Assignee: Parsec Sight/Sound, Inc. (Oct 07, 1997)

## History

## Direct History

- H** 1 METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL, US PAT 5191573, 1993 WL 1138260 (U.S. PTO Utility Mar 02, 1993) (NO. 07/586391)  
*Construed by*
- H** 2 SightSound.Com Inc. v. N2K, Inc., 185 F.Supp.2d 445, 2002 Markman 229872 (W.D.Pa. Feb 08, 2002) (NO. CIV.A.98-CV-118) (Markman Order Version)  
*AND Ruled Valid by*
- H** 3 Sightsound.com Inc. v. N2K, Inc., 391 F.Supp.2d 321 (W.D.Pa. Oct 24, 2003) (NO. CIV.A. 98-CV-118)
- => 4 SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS, US PAT 5675734, 1997 WL 1488819 (U.S. PTO Utility Oct 07, 1997) (NO. 08/607648)  
*Construed by*
- H** 5 SightSound.Com Inc. v. N2K, Inc., 185 F.Supp.2d 445, 2002 Markman 229872 (W.D.Pa. Feb 08, 2002) (NO. CIV.A.98-CV-118) (Markman Order Version)  
*AND Ruled Valid by*
- H** 6 Sightsound.com Inc. v. N2K, Inc., 391 F.Supp.2d 321 (W.D.Pa. Oct 24, 2003) (NO. CIV.A. 98-CV-118)
- H** 7 SYSTEM AND METHOD FOR TRANSMITTING DESIRED DIGITAL VIDEO OR DIGITAL AUDIO SIGNALS, US PAT 5966440, 1999 WL 1731614 (U.S. PTO Utility Oct 12, 1999) (NO. 08/471964)  
*Construed by*
- H** 8 SightSound.Com Inc. v. N2K, Inc., 185 F.Supp.2d 445, 2002 Markman 229872 (W.D.Pa. Feb 08, 2002) (NO. CIV.A.98-CV-118) (Markman Order Version)  
*AND Ruled Valid by*
- H** 9 Sightsound.com Inc. v. N2K, Inc., 391 F.Supp.2d 321 (W.D.Pa. Oct 24, 2003) (NO. CIV.A. 98-CV-118)

## Court Documents

Trial Court Documents (U.S.A.)

W.D.Pa. Expert Testimony

- 10 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 1998 WL 34373758 (Expert Report and Affidavit) (W.D.Pa. 1998) **Opening Expert Report of James A. Moorer** (NO. 98-0118)
- 11 SIGHTSOUND.COM INCORPORATED, A Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation CDNOW, Inc., A Pennsylvania corporation, and CDNOW Online, Inc., a Pennsylvania corporation, Defendants., 2001 WL 34891529 (Expert Deposition) (W.D.Pa. Apr. 19, 2001) **Proceedings** (NO. 98-118)
- 12 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware Corporation, CDNOW, INC., a CDNOW Online, Inc., a Pennsylvania corporation, Defendants., 2002 WL 32994569 (Expert Report and Affidavit) (W.D.Pa. Dec. 24, 2002) **Expert Report of Michael Ian Shamos, Ph.D., J.D.** (NO. 98-118)
- 13 SIGHTSOUND.COM INCORPORATED, Plaintiff, v. N2K, INC., CDNow, Inc., and CDNow Online, Inc., Defendants., 2003 WL 24288805 (Expert Report and Affidavit) (W.D.Pa. Jan. 21, 2003) **Expert Report of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 14 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288806 (Expert Report and Affidavit) (W.D.Pa. Feb. 19, 2003) **Rebuttal Expert Report of James A. Moorer to Opening Report of Professor Tygar** (NO. 98-0118)
- 15 SIGHTSOUND.COM INCORPORATED a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware Corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288804 (Expert Report and Affidavit) (W.D.Pa. Feb. 20, 2003) **Rebuttal Report of Michael Ian Shamos, PH.D., J.D.** (NO. 98-118)
- 16 SIGHTSOUND.COM. INCORPORATED, Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2003 WL 24289706 (Expert Report and Affidavit) (W.D.Pa. Feb. 20, 2003) **Rebuttal Expert Report of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 17 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309949 (Partial Expert Testimony) (W.D.Pa. Mar. 3, 2003) **(Partial Testimony)** (NO. 98-0118)
- 18 SIGHTSOUND.COM, INCORPORATED, Plaintiff, v. N2K, INC., Cdnw, Inc., and Cdnw Online, Inc., Defendants., 2003 WL 24309947 (Partial Expert Testimony) (W.D.Pa. Mar. 9, 2003) **Deposition of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 19 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309950 (Expert Deposition) (W.D.Pa. Mar. 11, 2003) **(Deposition)** (NO. 98-0118)
- 20 In the Matter of: SIGHTSOUBD.COM INC., v. N2K, INC. et al., 2003 WL 24309948 (Partial

- Expert Testimony) (W.D.Pa. Mar. 12, 2003) (**Partial Testimony**) (NO. 98-0118)
- 21 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288807 (Expert Report and Affidavit) (W.D.Pa. Apr. 23, 2003) **Declaration by James A. Moorer in Support of Defendants' Motion for Summary Judgment** (NO. 98-0118)
- 22 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff and, Counterdefendants, v. N2K, INC., a Delaware corporation, CDNOW, Inc., a Pennsylvania corporation, and Cdnw Online, INC., a Pennsylvania corporation, Defendants and Counterclaimants., 2004 WL 3735168 (Expert Report and Affidavit) (W.D.Pa. Jan. 27, 2004) **Declaration of Michael Ian Shamos in Support of Defendants' Motion for Summary Judgment** (NO. 98-0118)

**W.D.Pa. Trial Motions, Memoranda And Affidavits**

- 23 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742179 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of James A. Moorer, Ph. D.** (NO. 98-0118)
- 24 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742180 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of Michael Ian Shamos, Ph.D., J.D.** (NO. 98-0118)
- 25 SIGHTSOUND.COM INC., v. N2K, INC., et al., 2004 WL 5855261 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude the Testimony of Gerald Mossinghoff** (NO. 98CV00118)
- 26 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742181 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of James A. Moorer, Ph.D** (NO. 98-0118)
- 27 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742182 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of Michael Shamos, Ph.D, JD.** (NO. 98-0118)
- 28 SIGHTSOUND.COM INC., v. N2K, INC., et al., 2004 WL 5855262 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Memorandum in Opposition to Sightsound's Motion in Limine to Preclude the Testimony of Gerald Mossinghoff** (NO. 98CV00118)

**Dockets (U.S.A.)**

**W.D.Pa.**

- 29 SIGHTSOUND.COM INC. v. N2K, INC., ET AL, NO. 2:98cv00118 (Docket) (W.D.Pa. Jan. 16, 1998)



Expert Court Documents (U.S.A.)

W.D.Pa. Expert Testimony

- 30 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 1998 WL 34373758 (Expert Report and Affidavit) (W.D.Pa. 1998) **Opening Expert Report of James A. Moorer** (NO. 98-0118)
- 31 SIGHTSOUND.COM INCORPORATED, A Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation CDNOW, Inc., A Pennsylvania corporation, and CDNOW Online, Inc., a Pennsylvania corporation, Defendants., 2001 WL 34891529 (Expert Deposition) (W.D.Pa. Apr. 19, 2001) **Proceedings** (NO. 98-118)
- 32 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware Corporation, CDNOW, INC., a CDNOW Online, Inc., a Pennsylvania corporation, Defendants., 2002 WL 32994569 (Expert Report and Affidavit) (W.D.Pa. Dec. 24, 2002) **Expert Report of Michael Ian Shamos, Ph.D., J.D.** (NO. 98-118)
- 33 SIGHTSOUND.COM INCORPORATED, Plaintiff, v. N2K, INC., CDNow, Inc., and CDNow Online, Inc., Defendants., 2003 WL 24288805 (Expert Report and Affidavit) (W.D.Pa. Jan. 21, 2003) **Expert Report of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 34 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288806 (Expert Report and Affidavit) (W.D.Pa. Feb. 19, 2003) **Rebuttal Expert Report of James A. Moorer to Opening Report of Professor Tygar** (NO. 98-0118)
- 35 SIGHTSOUND.COM INCORPORATED a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware Corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288804 (Expert Report and Affidavit) (W.D.Pa. Feb. 20, 2003) **Rebuttal Report of Michael Ian Shamos, PH.D., J.D.** (NO. 98-118)
- 36 SIGHTSOUND.COM INCORPORATED, Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2003 WL 24289706 (Expert Report and Affidavit) (W.D.Pa. Feb. 20, 2003) **Rebuttal Expert Report of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 37 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309949 (Partial Expert Testimony) (W.D.Pa. Mar. 3, 2003) **(Partial Testimony)** (NO. 98-0118)
- 38 SIGHTSOUND.COM, INCORPORATED, Plaintiff, v. N2K, INC., Cdnw, Inc., and Cdnw Online, Inc., Defendants., 2003 WL 24309947 (Partial Expert Testimony) (W.D.Pa. Mar. 9, 2003) **Deposition of Justin Douglas Tygar, Ph.D.** (NO. 98-0118)
- 39 SIGHTSOUND.COM INCORPORATED, a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24309950 (Expert Deposition) (W.D.Pa. Mar. 11, 2003) **(Deposition)** (NO. 98-0118)

- 40 In the Matter of: SIGHTSOUBD.COM INC., v. N2K, INC. et al., 2003 WL 24309948 (Partial Expert Testimony) (W.D.Pa. Mar. 12, 2003) (**Partial Testimony**) (NO. 98-0118)
- 41 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff, v. N2K, INC., a Delaware corporation, Cdnw, Inc., a Pennsylvania corporation, and Cdnw Online, Inc., a Pennsylvania corporation, Defendants., 2003 WL 24288807 (Expert Report and Affidavit) (W.D.Pa. Apr. 23, 2003) **Declaration by James A. Moorero in Support of Defendants' Motion for Summary Judgment** (NO. 98-0118)
- 42 SIGHTSOUND.COM, INC., a Pennsylvania corporation, Plaintiff and, Counterdefendants, v. N2K, INC., a Delaware corporation, CDNOW, Inc., a Pennsylvania corporation, and Cdnw Online, INC., a Pennsylvania corporation, Defendants and Counterclaimants., 2004 WL 3735168 (Expert Report and Affidavit) (W.D.Pa. Jan. 27, 2004) **Declaration of Michael Ian Shamos in Support of Defendants' Motion for Summary Judgment** (NO. 98-0118)

**W.D.Pa. Trial Motions, Memoranda And Affidavits**

- 43 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742179 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of James A. Moorero, Ph. D.** (NO. 98-0118)
- 44 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742180 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 12, 2004) **Sightsound's Motion in Limine to Preclude Certain Testimony of Michael Ian Shamos, Ph.D., J.D.** (NO. 98-0118)
- 45 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., CDnow, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742181 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of James A. Moorero, Ph.D** (NO. 98-0118)
- 46 SIGHTSOUND.COM INC., Plaintiff, v. N2K, INC., Cdnw, Inc., and CDnow Online, Inc., Defendants., 2004 WL 3742182 (Trial Motion, Memorandum and Affidavit) (W.D.Pa. Jan. 27, 2004) **Defendants' Opposition to Plaintiff's Motion in Limine to Preclude Certain Testimony of Michael Shamos, Ph.D, JD.** (NO. 98-0118)

**W.D.Pa.**

- 47 SIGHTSOUND.COM INC. v. N2K, INC., ET AL, NO. 2:98cv00118 (Docket) (W.D.Pa. Jan. 16, 1998)

**Patent Family**

- 48 DIGITAL VIDEO OR AUDIO SIGNALS TRANSFER METHOD - FORMING CONNECTION THROUGH TELECOMMUNICATIONS LINES BETWEEN TWO PARTY LOCATIONS AND STORING TRANSFERRED REPLICAS OF CODED SIGNAL, Derwent World Patents Legal 1997-502649

**Assignments**

- 49 Action: ASSIGNMENT OF ASSIGNORS INTEREST (SEE DOCUMENT FOR DETAILS). Number of Pages: 006, (DATE RECORDED: Dec 27, 2005)
- 50 ACTION: NOTICE OF GRANT OF SECURITY INTEREST NUMBER OF PAGES: 006, (DATE RECORDED: Oct 24, 2001)
- 51 ACTION: CHANGE OF NAME (SEE DOCUMENT FOR DETAILS). NUMBER OF PAGES: 016, (DATE RECORDED: May 03, 2000)

**Patent Status Files**

- .. Request for Re-Examination, (OG DATE: Mar 29, 2005)

**Docket Summaries**

- 53 "SIGHTSOUND TECH v. ROXIO, INC., ET AL", (W.D.PA. Oct 08, 2004) (NO. 2:04CV01549), (35 USC 271 PATENT INFRINGEMENT)

**Litigation Alert**

- 54 Derwent LitAlert P1998-06-59 (1999) Action Taken: A complaint was filed.

**Prior Art (Coverage Begins 1976)**

- ▶ 55 AUTOMATIC INFORMATION, GOODS AND SERVICES DISPENSING SYSTEM, US PAT 4567359 (U.S. PTO Utility 1986)
- ◐ 56 BUFFER MEMORY DISPERSION TYPE VIDEO/AUDIO TRANSMISSION SYSTEM, US PAT 4538176 Assignee: Hitachi, Ltd., (U.S. PTO Utility 1985)
- ◐ 57 COIN-OPERATED RECORDING MACHINE, US PAT 3990710 (U.S. PTO Utility 1976)
- ◐ 58 METHOD FOR TRANSMITTING A DESIRED DIGITAL VIDEO OR AUDIO SIGNAL, US PAT 5191573 (U.S. PTO Utility 1993)
- ◐ 59 PAY PER VIEW ENTERTAINMENT SYSTEM, US PAT 4789863 (U.S. PTO Utility 1988)
- ◐ 60 RECORDED PROGRAM COMMUNICATION SYSTEM, US PAT 4521806 Assignee: World Video Library, Inc., (U.S. PTO Utility 1985)
- ◐ 61 SOFTWARE VENDING SYSTEM, US PAT 4654799 Assignee: Brother Kogyo Kabushiki Kaisha, (U.S. PTO Utility 1987)
- ▶ 62 SYSTEM FOR REPRODUCING INFORMATION IN MATERIAL OBJECTS AT A POINT OF SALE LOCATION, US PAT 4528643 Assignee: FPDC, Inc., (U.S. PTO Utility 1985)
- ◐ 63 VENDING SYSTEM FOR REMOTELY ACCESSIBLE STORED INFORMATION, US PAT 3718906 Assignee: Lightner R, (U.S. PTO Utility 1973)
- ◐ 64 VIDEO CASSETTE SELECTION MACHINE, US PAT 4647989 (U.S. PTO Utility 1987)

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607648 (08) 5675734 October 7, 1997

## UNITED STATES PATENT AND TRADEMARK OFFICE GRANTED PATENT

**5675734**[Access PDF of Official Patent \\*](#)[Order Patent File History / Wrapper from REEDFAX®](#)[Link to Claims Section](#)

October 7, 1997

System for transmitting desired digital video or audio signals

**REEXAM-LITIGATE:**

Reexamination requested January 31, 2005 by Napster, Inc., Los Angeles, CA; c/o Albert S. Penilla, Martine, Penilla & Gencarella, LLP, Sunnyvale, CA, Reexamination No. 90/007,403 (O.G. March 29, 2005) Ex. Gp.: 3625 January 31, 2005

Reexamination requested January 31, 2005 by Napster, Inc., Los Angeles, CA; c/o Albert S. Penilla, Martine, Penilla & Gencarella, LLP, Sunnyvale, CA, Reexamination No. 90/007,403 (O.G. March 29, 2005) Ex. Gp.: 3625 January 31, 2005

**INVENTOR:** Hair, Arthur R. - Pittsburgh, United States of America (US)**APPL-NO:** 607648 (08)**FILED-DATE:** February 27, 1996**GRANTED-DATE:** October 7, 1997**ASSIGNEE-AT-ISSUE:**

Parsec Sight/Sound, Inc., Upper St. Clair, PENNSYLVANIA, United States of America (US)

**ASSIGNEE-AFTER-ISSUE:**

May 3, 2000 - CHANGE OF NAME (SEE DOCUMENT FOR DETAILS)., SIGHTSOUND.COM INCORPORATED 733 WASHINGTON ROAD, SUITE 400MT. LEBANON, PENNSYLVANIA, 15228, Reel and Frame Number: 010776/0703

October 24, 2001 - NOTICE OF GRANT OF SECURITY INTEREST, KENYON & KENYON ONE BROADWAYNEW YORK, NEW YORK, 10004, SCHWARTZ, ANSEL M. ONE STERLING PLAZA 201 N. CRAIG STREET, SUITE 304PITTSBURGH, PENNSYLVANIA, 15213, WATERVIEW PARTNERS, LLP ONE STERLING PLAZA 152 WEST 57TH STREET, 46TH FLOORNEW YORK, NEW YORK, 10019, D&DF WATERVIEW PARTNERS, L.P. ONE STERLING PLAZA 152 WEST 57TH STREET, 46TH FLOORNEW YORK, NEW YORK, 10019, Reel and Frame Number: 012506/0415

December 27, 2005 - ASSIGNMENT OF ASSIGNORS INTEREST (SEE DOCUMENT FOR DETAILS)., DMT LICENSING, LLC ONE INDEPENDENCE WAY PRINCETON NEW JERSEY 08540, ONE INDEPENDENCE WAY, PRINCETON, NEW JERSEY, UNITED STATES OF AMERICA (US), 08540, Reel and Frame Number: 017555/0149

**LEGAL-STATUS:**

May 3, 2000 - ASSIGNMENT May 3, 2000 - ASSIGNMENT October 24, 2001 - ASSIGNMENT October 24, 2001 - ASSIGNMENT October 24, 2001 - ASSIGNMENT October 24, 2001 - ASSIGNMENT October 24, 2001 - ASSIGNMENT October 24, 2001 - ASSIGNMENT October 24, 2001 - ASSIGNMENT October 24, 2001 - ASSIGNMENT March 29, 2005 - REQUEST FOR REEXAMINATION FILED December 27, 2005 - ASSIGNMENT

**CORE TERMS:** digital, music, video, user, audio, electronically, song, hard disk, video signals, memory, integrated, receiver, display, telecommunications, stored, audio signals, charging, random access memory, playback, memory chip, hardware, control panel, electronic, methodology, compact, disc, additionally, telephone lines, transmitting, transferring

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1. [Sightsound.com, Inc. v. N2K, Inc.](#), Civil Action No. 98-0118 , UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA, 391 F. Supp. 2d 321; 2003 U.S. Dist. LEXIS 25503, October 23, 2003, Decided

**OVERVIEW:** Defendant was denied summary judgment on claims of patent invalidity; earlier patent described only "possibility" of use of unit in way that anticipated use of patent-in-suit, not the required "necessity," and fact question existed as to obviousness.

**CORE TERMS:** patent, digital, sightsound, invention, music, summary judgment, signal, prior art, license, consumer ...

... assigned to Parsec two other patents, No. **5,675,734**, issued on October 7, 1997 ("the '734 ...

2. [Sightsound.com Inc. v. N2k, Inc.](#), Civil Action No. 98-118 , UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA, 185 F. Supp. 2d 445; 2002 U.S. Dist. LEXIS 6828, February 8, 2002, Decided

**OVERVIEW:** In an action involving patents which were directed to commercially-acceptable systems and methods for selling music and video in digital form over telecommunications lines, the judge made several recommendations regarding claim construction.

**CORE TERMS:** digital, memory, telecommunication, electronically, patent, audio signals, signal, specification, desired, transferring ...

... S. Patent Nos. 5,191,573 ("the '573 Patent"), **5,675,734** ("the '734 Patent"), and 5,966,440 ("the '440 Patent") ...

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1. [Copyright \(c\) 2000 Marquette Intellectual Property Law Review Marquette Intellectual Property Law Review](#), 2000, 4 Marq. Intell. Prop. L. Rev. 17, 15903 words, ARTICLE: DEATH OF A MYTH: THE PATENTING OF INTERNET BUSINESS MODELS AFTER STATE STREET BANK, William D. Wiese \*

**CORE TERMS:** patent, invention, com, subject matter, http, internet, patentable, patentability, patented, trade secret, cnet, html, www, doing business', business method, novelty, registration, infringement, manufacture, algorithm, machine, web, computer program, mathematical, composition, technology, software, network, formula, message

... issued Mar. 2, 1993); U.S. Patent No. **5,675,734** (issued Oct. 7, 1997).n79. Jennifer Sullivan, ...

2. [Intellectual Property Today](#), April, 2004, INTERNETINFO.COLUMN; Pg. 49, 718 words, Will the Price of Music Downloads Include Patent License Fees?, BY W. SCOTT PETTY; Scott Petty, a Patent Attorney with King & Spalding, focuses on intellectual property issues for computer software, telecommunications and e-commerce companies. Scott can be contacted by telephone at 404.572.2888 or via e-mail at [speetty@kslaw.com](mailto:speetty@kslaw.com).

**CORE TERMS:** patent, SightSound, CDNow, patent infringement, Internet, N2K, District Court, Bertelsmann, infringement, downloadable, downloads, via

... N2K, Inc. infringed U.S. Patent Nos. 5,191,573 and **5,675,734**, which date back to a patent application filed in ...

3. [Intellectual Property Today](#), March, 1998, RFC EXPRESS TM; Recently Filed Patent Cases; Pg. 23, 1248 words

**CORE TERMS:** ET AL, BERNHARDT, LLC, SYSTEMS INC, ETTENSBERGER, FURNITURE, DOCKERY, DEVAN, CLAUS, DBA, USA INC, INDUSTRIES INC, COMMUNICATIONS INC, HARLEY-DAVIDSON, BRISTOL-MYERS, FAIRMONT, REYNOLDS, MED-PRO, GENETICS, RANBAXY, CARTER, PATENTS, SQUIBB, GENSCI, MYRIAD, MOORE, WHEELS, TERK

... SIGHT/SOUND INC. vs. N2K INC. 5,191,573; **5,675,734** 97-2387 -- Filed: 971118 FANTASTIC LIGHTED CLOTHING, ...

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1. [Intellectual Property Today](#), April, 2004, INTERNETINFO.COLUMN; Pg. 49, 718 words, Will the Price of Music Downloads Include Patent License Fees?, BY W. SCOTT PETTY; Scott Petty, a Patent Attorney with King & Spalding, focuses on intellectual property issues for computer software, telecommunications and e-commerce companies. Scott can be contacted by telephone at 404.572.2888 or via e-mail at spetty@kslaw.com.
- CORE TERMS:** patent, SightSound, CDNow, patent infringement, Internet, N2K, District Court, Bertelsmann, infringement, downloadable, downloads, via
- ... N2K, Inc. infringed U.S. Patent Nos. 5,191,573 and **5,675,734**, which date back to a patent application filed in ...
2. [Mondaq Business Briefing - Hale and Dorr LLP, US](#), November 3, 1999, 02275027, 2050 words, US: Business Methods Patents - The Effects Of State Street On Electronic Commerce And The Internet, Alter, Scott M
- CORE TERMS:** patent, State Street, please, endnote, subclass, commerce, method, relating, relate, subject matter, PriceLine, invention, mentioned, trend, com, PTO, obtaining, portion, obtain, business methods, patent infringement, MercExchange, Sightsound, Internet, Walker, patentable, allowing, indicate, inventor, doing business
- ... 7. Patent number 5,191,573 and **5,675,734** ...
3. [Mondaq Business Briefing](#), November 3, 1999, 2275027, 2043 words, US: Business Methods Patents - The Effects Of State Street On Electronic Commerce And The Internet SO[Hale and Dorr LLP, US] SO, Alter, Scott M
- CORE TERMS:** patent, State Street, please, endnote, subclass, commerce, method, relating, relate, subject matter, PriceLine, invention, mentioned, trend, com, PTO, obtaining, portion, obtain, business methods, patent infringement, MercExchange, Sightsound, Internet, Walker, patentable, allowing, indicate, inventor, doing business
- ... 1998 is only 33% 7. Patent number 5,191,573 and **5,675,734** 8. Unlike most other countries that reward the first ...
4. [Salon.com](#), March 9, 1999 Tuesday, Feature, 2469 words, How can they patent that?, By Peter Wayner
- ... account numbers from prying eyes. Or consider patents 5191573 and **5675734**, created by Arthur Hair when he lived in Pittsburgh. He ...
- ... negotiations have limited the breadth of the claims. For instance, patent **5675734** -- one of Hair's patents for online pay-per- ...
- ... chip" or some equivalent, then the patent doesn't apply to you. Patent **5675734**'s claims also specify that money is involved. That is, a person ...
- ... an engineer for N2K, is evaluating what patents 5191573 and **5675734** mean to his company's plans for selling music over the ...
5. [Business Wire](#), May 19, 1998, Tuesday, 867 words, Digital Sight/Sound Rolls Out First Patented Method for Sale of Digital Audio/Video Over the Internet, LOS ANGELES

**CORE TERMS:** A2B, Sight, Internet, recordings, download, audio, protection, Sander, Scott, Hair, licensee, patent

... patent protection under United States Patents 5,191,573 and **5,675,734**.  
"A2B is a superb platform for the download sale of ...

6. Business Wire, May 19, 1998, B0IE0BHBYTWR, 839 words, DIGITAL SIGHT/SOUND ROLLS OUT FIRST PATENTED METHOD FOR SALE OF DIGITAL AUDIO/VIDEO OVER THE INTERNET

**CORE TERMS:** Hair, A2B, sight, Internet, audio, recording, download, Sander, Scott, Web, programming, protection, engineer, patent, Microshows, Arthur, EJs, sightsound, digitally, focused, licensee, recorded, fashion, concept, medium, www, com

... patent protection under United States Patents 5,191,573 and **5,675,734**.  
"A2B is a superb platform for the download sale of ...

7. Business Wire, May 19, 1998, B0IETBZAM6WR, 844 words, DIGITAL SIGHT/SOUND ROLLS OUT FIRST PATENTED METHOD FOR SALE OF DIGITAL

**CORE TERMS:** Hair, A2B, sight, Internet, audio, recording, download, Sander, Scott, Web, programming, protection, engineer, patent, Microshows, Arthur, EJs, sightsound, digitally, focused, licensee, recorded, fashion, concept, medium, www, com

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"A2B is a superb platform for the download sale of ...

8. Business Wire, May 18, 1998, Monday, 867 words, Digital Sight/Sound Rolls Out First Patented Method for Sale of Digital Audio/Video Over the Internet, LOS ANGELES

**CORE TERMS:** A2B, Sight, Internet, recordings, download, audio, protection, Sander, Scott, Hair, licensee, patent

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"A2B is a superb platform for the download sale of ...

9. Business Wire, May 18, 1998, B0IE0BHABEWR, 839 words, DIGITAL SIGHT/SOUND ROLLS OUT FIRST PATENTED METHOD FOR SALE OF DIGITAL AUDIO/VIDEO OVER THE INTERNET


**CORE TERMS:** Hair, A2B, sight, Internet, audio, recording, download, Sander, Scott, Web, programming, protection, engineer, patent, Microshows, Arthur, EJs, sightsound, digitally, focused, licensee, recorded, fashion, concept, medium, www, com

... patent protection under United States Patents 5,191,573 and **5,675,734**.  
"A2B is a superb platform for the download sale of ...

10. Business Wire, May 18, 1998, B0IESBSA2JWR, 844 words, DIGITAL SIGHT/SOUND ROLLS OUT FIRST PATENTED METHOD FOR SALE OF DIGITAL

**CORE TERMS:** Hair, A2B, sight, Internet, audio, recording, download, Sander, Scott, Web, programming, protection, engineer, patent, Microshows, Arthur, EJs, sightsound, digitally, focused, licensee, recorded, fashion, concept, medium, www, com

... patent protection under United States Patents 5,191,573 and **5,675,734**.  
"A2B is a superb platform for the download sale of ...

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# Patent Assignment Abstract of Title

## Total Assignments: 3

Application #: 08607648

Filing Dt: 02/27/1996

Patent #: 5675734

Issue Dt: 10/07/1997

PCT #: NONE

Publication #: NONE

Pub Dt:

Inventor: ARTHUR R. HAIR

Title: SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS

## Assignment: 1

Reel/Frame: 010776 / 0703

Received: 05/16/2000

Recorded: 05/03/2000

Mailed: 07/14/2000

Pages: 16

Conveyance: CHANGE OF NAME (SEE DOCUMENT FOR DETAILS).

Assignor: PARSEC SIGHT/SOUND, INC.

Exec Dt: 04/26/2000

Assignee: SIGHTSOUND.COM INCORPORATED

733 WASHINGTON ROAD, SUITE 400  
MT. LEBANON, PENNSYLVANIA 15228

Correspondent: ANSEL M. SCHWARTZ  
ONE STERLING PLAZA  
201 N. CRAIG STREET, SUITE 304  
PITTSBURGH, PA 15213

## Assignment: 2

Reel/Frame: 012506 / 0415

Received: 01/30/2002

Recorded: 10/24/2001

Mailed: 04/25/2002

Pages: 6

Conveyance: NOTICE OF GRANT OF SECURITY INTEREST

Assignor: SIGHTSOUND TECHNOLOGIES, INC.

Exec Dt: 10/01/2001

Assignees: KENYON & KENYON

ONE BROADWAY  
NEW YORK, NEW YORK 10004

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D&DF WATERVIEW PARTNERS, L.P.  
ONE STERLING PLAZA  
152 WEST 57TH STREET, 46TH FLOOR  
NEW YORK, NEW YORK 10019

Correspondent: PAUL, WEISS, RIFKIND, WHARTON & GARRISON  
DEBORAH HARTNETT  
1285 AVENUE OF THE AMERICAS  
NEW YORK, NY 10019

## Assignment: 3

Reel/Frame: 017555 / 0149

Received: 12/30/2005

Recorded: 12/27/2005

Mailed: 05/01/2006

Pages: 6

Conveyance: ASSIGNMENT OF ASSIGNORS INTEREST (SEE DOCUMENT FOR DETAILS).

Assignor: SIGHTSOUND TECHNOLOGIES, INC.

Exec Dt: 11/10/2005

Assignee: DMT LICENSING, LLC

ONE INDEPENDENCE WAY  
PRINCETON, NEW JERSEY 08540

Correspondent: MATTHEW P. MCWILLIAMS  
DRINKER BIDDLE & REATH LLP  
ONE LOGAN SQUARE  
18TH AND CHERRY STREETS  
PHILADELPHIA, PA 19103-6996

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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
90/007,403	01/31/2005	5675734	NAPSP002	3002

42624 7590 08/16/2010

DAVIDSON BERQUIST JACKSON & GOWDEY LLP  
4300 WILSON BLVD., 7TH FLOOR  
ARLINGTON, VA 22203

EXAMINER

ART UNIT PAPER NUMBER

DATE MAILED: 08/16/2010

Please find below and/or attached an Office communication concerning this application or proceeding.





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United States Patents and Trademark Office  
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THIRD PARTY REQUESTER'S CORRESPONDENCE ADDRESS  
ALBERT S. PENILA  
MARTINE PENILLA & GENCARELLA LLP  
710 LAKEWAY DRIVE, SUITE 200  
SUNNYVALE, CA 94085

Date:  
**MAILED**

**AUG 16 2010**

**CENTRAL REEXAMINATION UNIT**

**EX PARTE REEXAMINATION COMMUNICATION TRANSMITTAL FORM**

REEXAMINATION CONTROL NO. : 90007403  
PATENT NO. : 5675734  
ART UNIT : 3900

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above identified ex parte reexamination proceeding (37 CFR 1.550(f)).

Where this copy is supplied after the reply by requester, 37 CFR 1.535, or the time for filing a reply has passed, no submission on behalf of the ex parte reexamination requester will be acknowledged or considered (37 CFR 1.550(g)).

---

<b>Notice of Intent to Issue Ex Parte Reexamination Certificate</b>	<b>Control No.</b> 90/007,403	<b>Patent Under Reexamination</b> 5675734	
	<b>Examiner</b> ROLAND G. FOSTER	<b>Art Unit</b> 3992	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

1.  Prosecution on the merits is (or remains) closed in this *ex parte* reexamination proceeding. This proceeding is subject to reopening at the initiative of the Office or upon petition. Cf. 37 CFR 1.313(a). A Certificate will be issued in view of
  - (a)  Patent owner's communication(s) filed: 24 May 2010.
  - (b)  Patent owner's late response filed: \_\_\_\_\_.
  - (c)  Patent owner's failure to file an appropriate response to the Office action mailed: \_\_\_\_\_.
  - (d)  Patent owner's failure to timely file an Appeal Brief (37 CFR 41.31).
  - (e)  Other: \_\_\_\_\_.

Status of *Ex Parte* Reexamination:

  - (f) Change in the Specification:  Yes  No
  - (g) Change in the Drawing(s):  Yes  No
  - (h) Status of the Claim(s):
    - (1) Patent claim(s) confirmed: 1-34.
    - (2) Patent claim(s) amended (including dependent on amended claim(s)): \_\_\_\_\_
    - (3) Patent claim(s) cancelled: \_\_\_\_\_.
    - (4) Newly presented claim(s) patentable: \_\_\_\_\_.
    - (5) Newly presented cancelled claims: \_\_\_\_\_.
    - (6) Patent claim(s)  previously  currently disclaimed: \_\_\_\_\_
    - (7) Patent claim(s) not subject to reexamination: \_\_\_\_\_.
  
2.  Note the attached statement of reasons for patentability and/or confirmation. Any comments considered necessary by patent owner regarding reasons for patentability and/or confirmation must be submitted promptly to avoid processing delays. Such submission(s) should be labeled: "Comments On Statement of Reasons for Patentability and/or Confirmation."
  
3.  Note attached NOTICE OF REFERENCES CITED (PTO-892).
  
4.  Note attached LIST OF REFERENCES CITED (PTO/SB/08 or PTO/SB/08 substitute.).
  
5.  The drawing correction request filed on \_\_\_\_\_ is:  approved  disapproved.
  
6.  Acknowledgment is made of the priority claim under 35 U.S.C. § 119(a)-(d) or (f).
  - a)  All b)  Some\* c)  None of the certified copies have
    - been received.
    - not been received.
    - been filed in Application No. \_\_\_\_\_.
    - been filed in reexamination Control No. \_\_\_\_\_.
    - been received by the International Bureau in PCT Application No. \_\_\_\_\_.

\* Certified copies not received: \_\_\_\_\_.
  
7.  Note attached Examiner's Amendment.
  
8.  Note attached Interview Summary (PTO-474).
  
9.  Other: \_\_\_\_\_.

cc: Requester (if third party requester)  
U.S. Patent and Trademark Office  
PTOL-469 (Rev.6-06)

Notice of Intent to Issue Ex Parte Reexamination Certificate

Part of Paper No 20100810

Art Unit: 3992

**NOTICE OF INTENT TO ISSUE EX PARTE REEXAMINATION CERTIFICATE**

***Summary***

Claims 1-34 of U.S. Patent No. 5,675,734 (the "Hair" patent) are currently under reexamination in this proceeding.

***Patentable Claims***

Claims 1-34 are confirmed.

***Reasons for Patentability***

***Claim Interpretation During Reexamination of an Expired Patent***

As discussed in the last Office action mailed March 24, 2010, the Hair patent under reexamination expired and thus the claims are interpreted according to their ordinary and customary meaning. MPEP § 2111.01.III and 2258.I.G. In a reexamination proceeding in which the PTO is considering the patentability of claims of an expired patent which are not subject to amendment, a policy of liberal claim construction should be applied.

*Ex parte Papst-Motoren*, 1 USPQ2d 1655, 1656 (BPAI 1986). Even so, the plain language of the claim is the primary determinant of patentability.

In the present Office action, the claims are given their ordinary and customary meaning. The meaning of each claim term in the office actions is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention. The ordinary and

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customary meaning given to the claim terms in the office action are evidenced by the claims themselves and the remainder of the specification.

Each of the original, independent claims recite a "second memory." The background section and summary of the invention establish that the second memory is not CD, cassette tapes, or the like. Col. 1, l. 23 – col. 2, l. 60. For example, the "Summary of the Invention describes the invention as 'eliminating the need to unnecessarily handle records, tapes, or compact discs on a regular basis.'" Col. 2, ll. 43-47. Furthermore, U.S. Patent No. 5,191,573 shares the same specification as the instant patent under reexamination. See the Board of Patent Appeals and Interferences Decision (the "Board"), which mailed a decision August 28, 2009 (the "Decision"). In a reexamination of the U.S. Patent No. 5,191,573, the patent owner similarly argued the specification establishes that the claimed "second memory" is not a cassette tape or CD (see the patent owner's response, filed May 25, 2010 in Reexamination Control No. 90/007,402). Thus, attempting to read the claimed second memory on exactly the type of media that the specification describes as deficient is a misinterpretation of the scope of the claims. See *SciMed Life Systems, Inc. v. Advanced Cardiovascular Systems, Inc.* 242 F.3d 1337 (Fed. Cir. 2001).

In addition, before the patent expired and all amendments made during the reexamination proceeding were withdrawn (in accordance with the Office action mailed March 20, 2010), the patent owner amended the claims to explicitly recite an example of the second memory not being a cassette tape or CD. For example, the patent owner amended independent claim 1 to newly

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recite "the second memory having a second party hard disk." See the amendment, filed November 29, 2006.

*The Claimed Invention Distinguishes Over the Bush, Gallagher, Freeny, Akashi Prior Art*

In view of patent expiration, the specification, and the repeated patent owner statements and actions discussed above, the examiner interprets the ordinary and customary meaning of "second memory" as not including cassette tapes, CDs and the like. The prior art "base references" applied in the last Office action mailed March 25, 2010, namely Bush and Gallagher, relied upon a second memory in the form of a tape and/or CD. Thus, any combination based upon these references fails to fairly teach or suggest the claimed invention.

*The Claimed Invention Distinguishes Over other Art of Record for the Reasons Set Forth in the Board Decision*

Thus, the original claims have a similar scope to the amended, original claims when they were reviewed by the Board in the Decision mailed August 28, 2009.

In the decision, the Board held the prior art relied upon the examiner was not "prior" art. Regarding the issue of priority of those claims features described in Table I (FF 6) under 35 U.S.C. § 120, the Board found "[a]ll of the features listed in [Table I (FF 6)]...are supported by the disclosure of at least the Grandparent Application, which was filed September 18, 1990." P. 16. As for video download limitations not listed in Table I (FF 6), the Board held the "Examiner also finds that the Grandparent and Parent applications fail to support claims in the Child application, but the Answer fails to provide any specific limitations not supported....given the

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support indicated (FF 6), it would appear that the instant claims are all supported back to at least to that indicated date, viz. September 18, 1990." *Id.* The Board also noted the Examiner's written description analysis that the "original disclosed audio transmission features fail to imply or require any video transmission features." P. 17. To this point, the Board found "more compelling" the Appellant's enablement analysis. P. 17. Finally, the Board noted the "Examiner cannot be allowed to reexamine the sufficiency of the specification." P. 19.

Any comments considered necessary by the Patent Owner regarding the above statement must be submitted promptly to avoid processing delays. Such submission by the Patent Owner should be labeled: "Comments on Statement of Reasons for Patentability and/or Confirmation" and will be placed in the reexamination file.

***Conclusion***

Extensions of time under 37 CFR 1.136(a) will not be permitted in these proceedings because the provisions of 37 CFR 1.136 apply only to "an applicant" and not to parties in a reexamination proceeding. Additionally, 35 U.S.C. 305 requires that reexamination proceedings "will be conducted with special dispatch" (37 CFR 1.550(a)). Extension of time in *ex parte* reexamination proceedings are provided for in 37 CFR 1.550(c).

The patent owner is reminded of the continuing responsibility under 37 CFR 1.565(a) to apprise the Office of any litigation activity, or other prior or concurrent proceeding, involving the Hair patent throughout the course of this reexamination proceeding. The third party requester is also reminded of the ability to similarly apprise the Office of any such activity or proceeding throughout the course of this reexamination proceeding. See MPEP §§ 2207, 2282 and 2286.

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All correspondence relating to this *ex parte* reexamination proceeding should be directed as follows:

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By Mail to: Mail Stop *Ex Parte* Reexam  
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Any inquiry concerning this communication should be directed to Roland Foster at telephone number 571-272-7538.

Signed:

Conferees:

/Roland G. Foster/

Roland G. Foster  
Central Reexamination Unit, Primary Examiner  
Electrical Art Unit 3992  
(571) 272-7538

SW —  
ESK



Receipt date: 05/24/2010

90007403 - GAU: 3992

<p align="center"><b>INFORMATION DISCLOSURE STATEMENT BY APPLICANT</b> FORM PTO-1449 (modified)</p> <p align="center">Sheet 1 of 2</p>	Reexam number	90/007,403
	First Named Inventor	5,675,734
	Patent Under Re-Exam	5,675,734
	Issue Date	
	Group Art Unit	3992
	Examiner Name	Foster, R.
	Attorney Docket No.	NAPSP002
	Confirmation No.	3002

NON-PATENT REFERENCES			
Examiner Initials*	Cite No.	Non-patent Reference bibliographic information, where available	Notes
/R.F./	1-1	Apple Inc., Form 10-Q, April 21, 2010.	
	1-2	Blockbuster Changes Course of In-store Duplication Plans, Multimedia & Videodisc Monitor, Vol. 12, No. 6, June 1, 1994 (1 page)	
	1-3	Blockbuster Reaffirms Video Retailing Roots, Video Week, Vol. 14, No. 19, May 17, 1993 (2 pages)	
	1-4	Blockbuster To Test Videogame Downloads In Summer, Audio Week, Vol. 6, No. 12, March 28, 1994 (2 pages)	
	1-5	IBM, Blockbuster join forces on CD venture; Associated Press, May 12, 1993 (2 pages)	
	1-6	Magistrate's Report and Recommendation (Amending Claim Construction), Sightsound.com v. NSK et al., Civil Action No. 98-118, April 2, 2002	
	1-7	Magistrate's Report and Recommendation (on Claim Construction), Sightsound.com v. NSK et al., Civil Action No. 98-118, February 8, 2002	

Examiner Signature	/Roland Foster/	Date Considered	08/11/2010
--------------------	-----------------	-----------------	------------

\*Examiner: Initial if reference was considered, whether or not citation is in conformance with MPEP 609. Draw a line through citation if not in conformance and not considered. Include a copy of this form with next communication to applicant. Notes: If identified, the following is provided: EA = English Abstract, T = Translation, PT = Partial Translation, SOR = Statement of Relevancy, PF = Patent Family.

Receipt date: 05/24/2010

90007403 - GAU: 3992

<p align="center"><b>INFORMATION DISCLOSURE STATEMENT BY APPLICANT</b> FORM PTO-1449 (modified)</p> <p align="center">Sheet 2 of 2</p>	Reexam number	90/007,403
	First Named Inventor	5,675,734
	Patent Under Re-Exam	5,675,734
	Issue Date	
	Group Art Unit	3992
	Examiner Name	Foster, R.
	Attorney Docket No.	NAPSP002
	Confirmation No.	3002

NON-PATENT REFERENCES			
Examiner Initials*	Cite No.	Non-patent Reference bibliographic information, where available	Notes
/R.F./	2-1	Memorandum Order of Court (adopting amended claim construction recommendation), Sightsound.com v. NSK et al., Civil Action No. 98-118, November 27, 2002	
↓	2-2	Music burning kiosks: On the right track; Self Service and Kiosk Association, April 9, 2007 (4 pages)	
↓	2-3	Sony Music Plans to Test Use of In-Store Digital Kiosks, New York Times, June 10, 1999	
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	2-6		
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Examiner Signature	/Roland Foster/	Date Considered	08/11/2010
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\*Examiner: Initial if reference was considered, whether or not citation is in conformance with MPEP 609. Draw a line through citation if not in conformance and not considered. Include a copy of this form with next communication to applicant. Notes: If identified, the following is provided: EA = English Abstract, T = Translation, PT = Partial Translation, SOR = Statement of Relevancy, PF = Patent Family.



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Bib Data Sheet

CONFIRMATION NO. 3002

SERIAL NUMBER	FILING OR 371(c) DATE	CLASS	GROUP ART UNIT	ATTORNEY DOCKET NO.
90/007,403	01/31/2005	705	3625	NAPSP002
<b>APPLICANTS</b>				
5675734, Residence Not Provided; Sightsound.com Incorporated (Owner), Mt. Lebanon, PA; <i>DMT Licensing, LLC (owner), Princeton, NJ</i> Napster, Inc. (3rd Pty. Req.), Los Angeles, CA; Albert S. Penilla, Sunnyvale, CA				
<b>** CONTINUING DATA *****</b>				
This application is a REX of 08/607,648 02/27/1996 PAT 5,675,734 which is a CON of 08/023,398 02/26/1993 ABN which is a CON of 07/586,391 09/18/1990 PAT 5,191,573 <i>ba</i> which is a CON of 07/206,497 06/13/1988 ABN				
<b>** FOREIGN APPLICATIONS *****</b> <i>NONE ba</i>				
Foreign Priority claimed <input type="checkbox"/> yes <input checked="" type="checkbox"/> no		STATE OR COUNTRY	SHEETS DRAWING	TOTAL CLAIMS
35 USC 119 (a-d) conditions met <input type="checkbox"/> yes <input checked="" type="checkbox"/> no <input type="checkbox"/> Met after Allowance				34
Verified and Acknowledged <i>[Signature]</i> Examiner's Signature		Initials <i>[Initials]</i>		INDEPENDENT CLAIMS 7
<b>ADDRESS</b>				
Ansel M. Schwartz 201 N. Craig Street Suite 304 Pittsburgh, PA 15213				
<b>TITLE</b>				
SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS				
FILING FEE RECEIVED 2520	FEES: Authority has been given in Paper No. _____ to charge/credit DEPOSIT ACCOUNT No. _____ for following:	<input type="checkbox"/> All Fees		
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<b>Reexamination</b> 	<b>Application/Control No.</b> 90007403	<b>Applicant(s)/Patent Under Reexamination</b> 5675734
	<b>Certificate Date</b>	<b>Certificate Number</b> C1


<b>Requester Correspondence Address:</b>	<input type="checkbox"/> <b>Patent Owner</b>	<input checked="" type="checkbox"/> <b>Third Party</b>
Albert S. Penilla Martine Penilla & Gencarella, LLP 710 Lakeway Drive, Suite 200 Sunnyvale, CA 94085		

<b>LITIGATION REVIEW</b> <input checked="" type="checkbox"/>	r.g.f. (examiner initials)	08/11/2010 (date)
Case Name		Director Initials
2:04cv1549, closed.		<i>Eric Heard for GM</i>

<b>COPENDING OFFICE PROCEEDINGS</b>	
<b>TYPE OF PROCEEDING</b>	<b>NUMBER</b>
1. None	

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<b>Search Notes</b>  	<b>Application/Control No.</b> 90007403	<b>Applicant(s)/Patent Under Reexamination</b> 5675734
	<b>Examiner</b> ROLAND G FOSTER	<b>Art Unit</b> 3992

<b>SEARCHED</b>			
<b>Class</b>	<b>Subclass</b>	<b>Date</b>	<b>Examiner</b>

<b>SEARCH NOTES</b>		
<b>Search Notes</b>	<b>Date</b>	<b>Examiner</b>
Search History Not Updated.	8/1/2010	r.g.f.

<b>INTERFERENCE SEARCH</b>			
<b>Class</b>	<b>Subclass</b>	<b>Date</b>	<b>Examiner</b>

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US005675734C1

(12) **EX PARTE REEXAMINATION CERTIFICATE** (7924th)  
**United States Patent**  
**Hair**

(10) **Number:** **US 5,675,734 C1**  
(45) **Certificate Issued:** **Dec. 14, 2010**

- (54) **SYSTEM FOR TRANSMITTING DESIRED DIGITAL VIDEO OR AUDIO SIGNALS**
- (75) **Inventor:** **Arthur R. Hair**, Pittsburgh, PA (US)
- (73) **Assignee:** **DMT Licensing, LLC**, Princeton, NJ (US)

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**Reexamination Request:**  
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*Primary Examiner*—Roland G Foster

(57) **ABSTRACT**

A method for transferring desired digital video or digital audio signals. The method comprises the steps of forming a connection through telecommunications lines between a first memory of a first party and a second memory of a second party. The first memory has the desired digital video or digital audio signals. Then, there is the step of 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. Then, there is the step of 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 through the telecommunications lines while the second memory is in possession and control of the second party. Additionally, there is a system for transferring digital video or digital audio signals.

**Related U.S. Application Data**

- (63) Continuation of application No. 08/023,398, filed on Feb. 26, 1993, now abandoned, which is a continuation of application No. 07/586,391, filed on Sep. 18, 1990, now Pat. No. 5,191,573, which is a continuation of application No. 07/206,497, filed on Jun. 13, 1988, now abandoned.

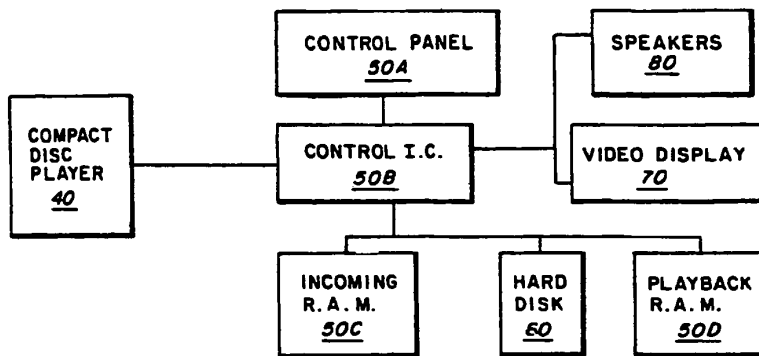
- (51) **Int. Cl.**  
*G11B 20/00* (2006.01)  
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*G11B 27/034* (2006.01)  
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- (52) **U.S. Cl.** ..... **705/26; 379/93.12; 380/43; 705/52; 709/219**
- (58) **Field of Classification Search** ..... None  
See application file for complete search history.

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**1**  
**EX PARTE**  
**REEXAMINATION CERTIFICATE**  
**ISSUED UNDER 35 U.S.C. 307**

NO AMENDMENTS HAVE BEEN MADE TO  
THE PATENT

**2**  
AS A RESULT OF REEXAMINATION, IT HAS BEEN  
DETERMINED THAT:

5 The patentability of claims 1-34 is confirmed.

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