

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SIGHTSOUND TECHNOLOGIES, LLC,
Patent Owner.

Case CBM2013-00023
Patent 5,966,440

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

ARBES, *Administrative Patent Judge*.

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

I. BACKGROUND

Petitioner Apple Inc. (“Apple”) filed a Corrected Petition (Paper 5, “Pet.”) seeking covered business method patent review of claims 1, 64, and 95 of U.S. Patent No. 5,966,440 (“the ’440 patent”) pursuant to 35 U.S.C. §§ 321–29. On October 8, 2013, we instituted a covered business method patent review of claims 1, 64, and 95 on two grounds of unpatentability (Paper 12, “Dec. on Inst.”). Patent Owner SightSound Technologies, LLC (“SightSound”) filed a Patent Owner Response (Paper 38, “PO Resp.”), Apple filed a Reply (Paper 49, “Reply”), and SightSound filed a Sur-Reply (Paper 100, “Sur-Reply”). *See* Paper 96 (authorizing a sur-reply).

Apple filed a Motion to Exclude (Paper 67, “Pet. Mot. to Exclude”) certain testimony from one of SightSound’s declarants, John Snell. SightSound filed an Opposition (Paper 75, “PO Exclude Opp.”), and Apple filed a Reply (Paper 85, “Pet. Exclude Reply”). SightSound filed a Motion to Exclude (Paper 64, “PO Mot. to Exclude”) certain testimony and evidence submitted by Apple. Apple filed an Opposition (Paper 76, “Pet. Exclude Opp.”), and SightSound filed a Reply (Paper 82, “PO Exclude Reply”). SightSound also filed a Motion for Observation (Paper 72, “Obs.”) on certain cross-examination testimony of Apple’s declarants, and Apple filed a Response (Paper 77, “Obs. Resp.”).

The parties moved to seal certain materials in this proceeding, and we conditionally granted the motions and entered the parties’ proposed protective order, which was a copy of the Board’s default protective order. Paper 88. The materials later were unsealed upon agreement of the parties. Paper 96 at 3–4. Apple subsequently filed an additional Motion to Seal (Paper 98, “Mot. to Seal”), which is addressed herein.

A combined oral hearing in this proceeding and related Case CBM2013-00020 was held on May 6, 2014, and a transcript of the hearing is included in the record (Paper 97, “Tr.”).

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

For the reasons that follow, we determine that Apple has shown by a preponderance of the evidence that claims 1, 64, and 95 of the ’440 patent are unpatentable.

A. The ’440 Patent

The ’440 patent¹ relates to a “system and associated method for the electronic sales and distribution of digital audio or video signals.” Ex. 4301, col. 1, ll. 16–21.² The ’440 patent describes how three types of media used

¹ The ’440 patent issued on October 12, 1999, from U.S. Patent Application No. 08/471,964, filed June 6, 1995. The ’440 patent is a continuation-in-part of U.S. Patent Application No. 08/023,398, filed February 26, 1993, and abandoned subsequently, which is a continuation of U.S. Patent Application No. 07/586,391, filed September 18, 1990, and issued as U.S. Patent No. 5,191,573 (the “’573 patent”), which is a file wrapper continuation of U.S. Patent Application No. 07/206,497, filed June 13, 1988. The ’573 patent is the subject of related Case CBM2013-00020.

² Apple’s original Exhibits 1301–1347 were not labeled properly. Paper 4 at 2. Apple filed corrected exhibits, but used the same numbers as the originally filed exhibits. Paper 6. To avoid confusion, we renumbered the originally filed copies as Exhibits 4301–4347. Rather than referring to the replacement copies numbered Exhibits 1301–1347, however, the parties in their subsequent papers continued to refer to the originally filed copies numbered Exhibits 4301–4347. Apple also filed additional exhibits in the 4000 series. To ensure that the record is clear, we exercise our discretion and waive the labelling requirements of 37 C.F.R. § 42.63(d), and refer to

for storing music at the time of the patent—records, tapes, and compact discs (“CDs”)—did not allow for music to be transferred easily and had various problems, such as low capacity and susceptibility to damage during handling. *Id.* at col. 1, l. 24–col. 2, l. 21. The ’440 patent discloses storing “Digital Audio Music” (i.e., music encoded into binary code) on a computer hard disk and selling and distributing such music electronically. *Id.* at col. 1, ll. 58–61; col. 2, ll. 22–48.

Figure 1 of the ’440 patent is reproduced below.

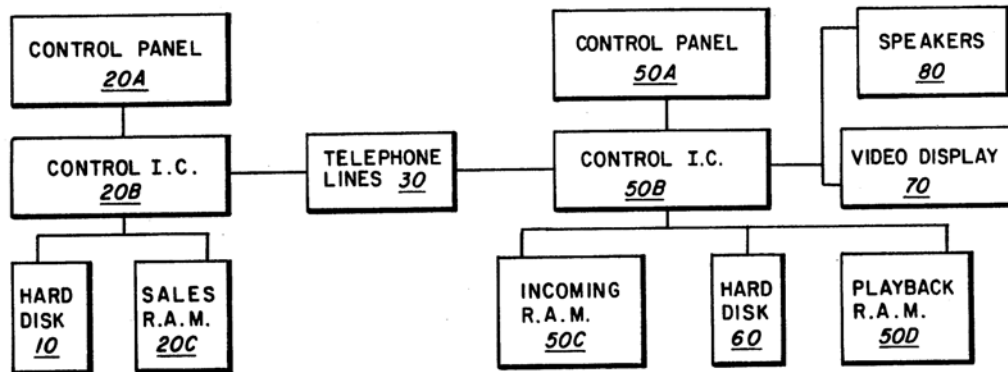


FIG. 1

As shown in Figure 1 above, an agent authorized to sell and distribute “Digital Audio Music” has control unit 20 (control panel 20a, control integrated circuit 20b, and sales random access memory chip 20c) and hard disk 10, which stores the music to be distributed. *Id.* at col. 3, l. 62–col. 4, l. 18. On the other side of the Figure, a user has control unit 50 (control panel 50a, control integrated circuit 50b, incoming random access memory chip 50c, and playback random access memory chip 50d), hard disk 60,

Apple’s original exhibits filed as Exhibits 4301–4473. *See* 37 C.F.R. § 42.5(b). Accordingly, Exhibits 1301–1347 should no longer be cited in this proceeding.

video display unit 70, and speakers 80. *Id.* at col. 4, ll. 18–28. The agent and user are connected via telephone lines 30. *Id.* at col. 4, ll. 14–18. According to the '440 patent, control units 20 and 50 are “designed specifically to meet the teachings of this invention,” but all other components shown in Figure 1 were “already commercially available.” *Id.* at col. 4, ll. 34–40.

The '440 patent describes a process by which a user transfers money “via telecommunications lines” to purchase music from the agent and the music is transferred electronically “via telecommunications lines” to the user and stored on the user’s hard disk. *Id.* at col. 5, ll. 43–62. For example, a user may provide a credit card number to charge a fee to the user’s credit card account. *Id.* at col. 7, ll. 34–56. Control integrated circuits 20b and 50b regulate the electronic transfer. *Id.* at col. 4, ll. 45–63. The agent’s sales random access memory chip 20c stores music temporarily so that it can be transferred to the user. *Id.* The user’s incoming random access memory chip 50c stores music temporarily before storage in hard disk 60, and playback random access memory chip 50d stores music temporarily so that it can be played. *Id.* In addition to “Digital Audio Music,” the '440 patent contemplates “Digital Video” being sold and distributed electronically via the disclosed methods. *Id.* at col. 6, ll. 16–19.

B. Exemplary Claim

Claim 1 of the '440 patent recites:

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 and a second memory of

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