

UNITED STATES PATENT AND TRADEMARK OFFICE  
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BEFORE THE PATENT TRIAL AND APPEAL BOARD  
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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*.

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

Petitioner Apple Inc. filed a Corrected Petition (Paper 5) (“Pet.”) to institute a covered business method review of claims 1, 64, and 95 of Patent 5,966,440 (the “’440 patent”) pursuant to 35 U.S.C. § 321 *et seq.* Patent Owner SightSound Technologies, LLC filed a preliminary response (“Prelim. Resp.”). We have jurisdiction under 35 U.S.C. § 324. For the reasons that follow, the Board has determined to institute a covered business method review.

## I. BACKGROUND

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

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

Petitioner challenges claims 1, 64, and 95 as anticipated under 35 U.S.C. § 102 and as unpatentable under 35 U.S.C. § 103. Pet. 42-79. We grant the Petition as to claims 1, 64, and 95 on certain grounds as discussed below.

### *A. The ’440 Patent (Ex. 1301)*

The ’440 patent, entitled “System and Method for Transmitting Desired Digital Video or Digital Audio Signals,” issued on October 12, 1999 based on Application 08/471,964, filed June 6, 1995. The ’440 patent is a continuation of Application 08/023,398, filed February 26, 1993 and abandoned subsequently, which is a continuation of Application 07/586,391,

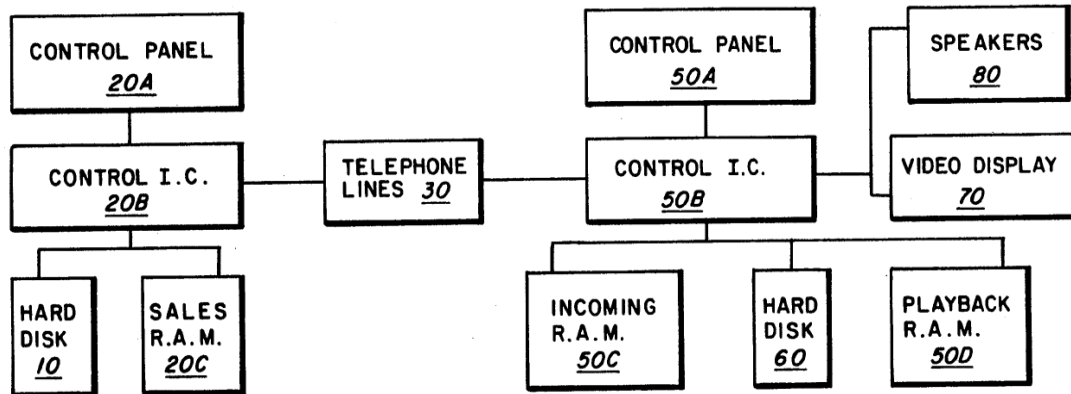
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filed September 18, 1990 and issued as Patent 5,191,573 (the “’573 patent”), which is a file wrapper continuation of Application 07/206,497, filed June 13, 1988. Claims 1, 2, 4, and 5 of the ’573 patent are the subject of Cases CBM2013-00019 (grounds based on 35 U.S.C. §§ 101 and 112) and CBM2013-00020 (grounds based on 35 U.S.C. §§ 102 and 103). The Specification of the ’440 patent includes additional disclosure not part of the ’573 patent specification. *See, e.g.*, Ex. 1301, col. 6, l. 20-col. 8, l. 42.

The ’440 patent was previously the subject of an *ex parte* reexamination (Control No. 90/007,407) requested by Napster, Inc. on January 31, 2005. Claim 1 of the ’440 patent was amended during reexamination and determined to be patentable as amended. Ex. 1301 at 13-35 (reexamination certificate issued July 27, 2010). Claims 64 and 95, which were added during the reexamination, also were determined to be patentable. *Id.* Claims 1, 64, and 95 of the ’440 patent also are the subject of Case CBM2013-00021 (grounds based on 35 U.S.C. § 101 and obviousness-type double patenting).

The ’440 patent relates to a “system and associated method for the electronic sales and distribution of digital audio or video signals.” Ex. 1301, col. 1, ll. 16-21. The patent describes how three types of media used for storing music at the time of the invention—records, tapes, and compact discs—did not allow for music to be transferred easily and had various problems, such as low capacity and susceptibility to damage during handling. *Id.*, col. 1, l. 24-col. 2, l. 21. The patent discloses storing “Digital Audio Music” (i.e., music encoded into binary code) on a computer hard disk and selling and distributing such music electronically. *Id.*, col. 1, ll. 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 a control unit 20 (control panel 20a, control integrated circuit 20b, and sales random access memory chip 20c) and hard disk 10, which stores the music to be distributed. *Id.*, col. 3, l. 62-col. 4, l. 18. On the other side of the figure, a user has a control unit 50 (control panel 50a, control integrated circuit 50b, incoming random access memory chip 50c, and playback random access memory chip 50d), hard disk 60, video display unit 70, and speakers 80. *Id.*, col. 4, ll. 18-28. The agent and user are connected via telephone lines 30. *Id.*, 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.*, col. 4, ll. 34-40.

The 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.*, 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.*, col. 7, ll. 34-56. Control integrated circuits 20b and 50b regulate the electronic transfer. *Id.*, 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.* Once a song is stored in the user's hard disk 60, the user can select it among others in a visual display using control panel 50a and play it on speakers 80. *Id.*, col. 5, ll. 1-18. In addition to "Digital Audio Music," the patent contemplates "Digital Video" being sold and distributed electronically via the disclosed methods. *Id.*, col. 6, ll. 16-19.

### *B. Related Matters*

The '440 patent was asserted previously in two district court litigations: *SightSound.com Inc. v. N2K, Inc. et al.*, W.D. Pa. Case No. 2:98-cv-00118-DWA (filed January 16, 1998) (the "N2K litigation"), and *SightSound Techs., LLC et al. v. Roxio, Inc. et al.*, W.D. Pa. No. 2:04-cv-01549-DWA (filed October 8, 2004). Pet. 15. Both cases settled prior to trial. *See* Ex. 2301. The '440 patent is being asserted currently against Petitioner in *SightSound Techs. LLC v. Apple Inc.*, W.D. Pa. Case No. 2:11-cv-01292-DWA (filed October 10, 2011) (the "Apple litigation"). Pet. 15. The Apple litigation has been stayed. Prelim. Resp. 9.

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