UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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GOOGLE INC. and APPLE INC.,
Petitioners,

v.

CONTENTGUARD HOLDINGS, INC.,
Patent Owner.

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Case CBM2015-00040[1]
Patent 7,774,280 B2

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Before MICHAEL R. ZECHER, BENJAMIN D. M. WOOD, and
GEORGIANNA W. BRADEN, *Administrative Patent Judges*.

ZECHER, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
Covered Business Method Patent Review
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

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[1] Case CBM2015-00160 has been joined with this proceeding.

I. BACKGROUND

A. *Introduction*

Google Inc. ("Google") filed a Petition requesting a review under the transitional program for covered business method patents of claims 1, 5, 11, 12, and 22 of U.S. Patent No. 7,774,280 B2 ("the '280 patent," Ex. 1001). Paper 1 ("Pet."). ContentGuard Holdings, Inc. ("Patent Owner") filed a Preliminary Response. Paper 8 ("Prelim. Resp."). Taking into account the arguments presented in the Preliminary Response, we determined that the information presented in the Petition establishes that claims 1, 5, and 11 of the '280 patent are more likely than not unpatentable under 35 U.S.C. §§ 102(b) and 103(a). We, however, determined that the information presented in the Petition did not establish that claims 12 and 22 of the '280 patent are more likely than not unpatentable. Pursuant to 35 U.S.C. § 324 and § 18(a) of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 329–31 (2011) ("AIA"),[2] we instituted this covered business method patent review proceeding on June 24, 2015, only as to claims 1, 5, and 11 of the '280 patent. Paper 9 ("Dec. on Inst.").

After instituting this proceeding, we considered a Petition filed by Apple Inc. ("Apple") in Case CBM2015-00160 that challenges the same

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[2] Section 18(a)(1) of the AIA provides that the transitional program for covered business method patents will be regarded as a post-grant review under chapter 32 of title 35 United States Code and will employ the standards and procedures of a post-grant review, subject to certain exceptions.

claims of the '280 patent at issue in this proceeding based on the same grounds of unpatentability. The Petition in Case CBM2015-00160 was accompanied by a Motion for Joinder that requests we join Apple as a party to this proceeding. Pursuant to § 324 and § 18(a) of the AIA, we instituted another covered business method patent review proceeding as to claims 1, 5, and 11 of the '280 patent, and then *granted* Apple's Motion for Joinder. Paper 14.

During the course of trial, Patent Owner filed a Response to the Petition (Paper 15, "PO Resp."), and a Motion to Amend (Paper 16, "Mot. to Amend"). Google and Apple (collectively, "Petitioners") filed a Reply to the Patent Owner Response (Paper 21, "Pet. Reply"), and an Opposition to the Motion to Amend (Paper 22, "Opp. to Mot."). Thereafter, Patent Owner filed a Reply to the Opposition to the Motion to Amend. Paper 25 ("Reply to Mot."). Patent Owner also filed a Motion for Observation regarding certain cross-examination testimony of Petitioners' rebuttal witness, Benjamin Goldberg, Ph.D. (Paper 28, "Obs."), and Petitioners filed a Response (Paper 30, "Obs. Resp."). An oral hearing was held on February 24, 2016, and a transcript of the hearing is included in the record. Paper 33 ("Tr.").

We have jurisdiction under 35 U.S.C. § 6(c). This decision is a Final Written Decision under 35 U.S.C. § 328(a) as to the patentability of claims 1, 5, and 11 of the '280 patent. For the reasons discussed below, we hold that Petitioners have demonstrated by a preponderance of the evidence that these claims are unpatentable under §§ 102(b) and 103(a). We *grant* Patent Owner's Motion to Amend.

B. Related Matters

The parties indicate that the '280 patent has been asserted in the following three district court cases: (1) *ContentGuard Holdings, Inc. v. Google Inc.*, No. 2:14-cv-00061-JRG-RSP (E.D. Tex.); (2) *Google Inc. v. ContentGuard Holdings, Inc.*, No. 3:14-cv-00498-WHA (N.D. Cal.); and (3) *ContentGuard Holdings, Inc. v. Amazon.com Inc.*, No. 2:13-cv-01112-JRG (E.D. Tex.). Pet. 6–7;[3] Paper 7, 1–2. In addition to this Petition, Google filed another Petition in Case CBM2015-00043 requesting a review under the transitional program for covered business method patents of a certain subset of claims in U.S. Patent No. 8,001,053 B2 ("the '053 patent) owned by Patent Owner. Pet. 7; Paper 7, 1. In that related case, another panel of the Board denied the Petition as to all challenged claims of the '053 patent. *Google Inc. v. ContentGuard Holdings, Inc.*, Case CBM2015-00043 (PTAB June 26, 2015) (Paper 9).

C. Standing

Section 18 of the AIA governs the transitional program for covered business method patent reviews. Section 18(a)(1)(B) of the AIA limits such reviews to persons, or their privies, that have been sued or charged with infringement of a covered business method patent. Petitioners assert that,

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[3] The Petition and supporting evidence filed by Google in Case CBM2015-00040 are essentially the same as the Petition and supporting evidence filed by Apple in Case CBM2015-00160. For clarity and ease of reference, all references to the Petition and supporting evidence throughout this Final Written Decision are to the Petition and supporting evidence filed by Google in Case CBM2015-00040.

because they have been sued for infringement of the '280 patent, they have standing to file their respective Petitions. Pet. 8 (citing Ex. 1004). Based on the record developed during trial, we maintain that Petitioners satisfy the standing requirement. *See* Dec. on Inst. 3.

D. The '280 Patent

The '280 patent, titled "System and Method for Managing Transfer of Rights using Shared State Variables," issued August 10, 2010, from U.S. Patent Application No. 10/956,121 ("the '121 application"), filed on October 4, 2004. Ex. 1001, at [54], [45], [21], [22]. The '280 patent is a continuation-in-part of U.S. Patent Application No. 10/162,701 ("the '701 application"), filed on June 6, 2002. *Id*. at [63]. The '280 patent also claims priority to numerous provisional applications, the earliest of which includes U.S. Provisional Application No. 60/331,624 ("the '624 provisional application"), filed on November 20, 2001. *Id*. at [60].

The '280 patent generally relates to a method and system for managing the transfer of rights associated with digital works using shared state variables. Ex. 1001, 1:18–20. According to the '280 patent, one of the most important issues impeding the widespread distribution of digital works is the current lack of ability to enforce the rights of content owners during the distribution and use of their digital works. *Id*. at 1:24–29. In particular, content owners do not have control over downstream parties unless they are privy to transactions with the downstream parties. *Id*. at 2:33–34. The concept of content owners simply granting rights to others that are a subset of the possessed rights is not adequate for multi-tier distribution models. *Id*. at 2:45–48.

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