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Paper 17
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ZTE Corporation and ZTE (USA) Inc.
Petitioner,

v.

ContentGuard Holdings, Inc.
Patent Owner.

Case IPR2013-00137
Patent 6,963,859

Before JAMESON LEE, MICHAEL W. KIM, and MICHAEL R. ZECHER, *Administrative Patent Judges*.

KIM, *Administrative Patent Judge*.

DECISION
Institution of *Inter Partes* Review
37 C.F.R. § 42.108

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I. INTRODUCTION

ZTE Corporation and ZTE (USA) Inc. ("ZTE") filed a corrected petition requesting an *inter partes* review of claims 1-84 of U.S. Patent No. 6,963,859 (Ex. 1001, "the '859 patent"). (Paper 12, "Pet.") The patent owner, ContentGuard Holdings, Inc. ("ContentGuard") filed a preliminary response. (Paper 16, "Prel. Resp.") We have jurisdiction under 35 U.S.C. § 314.

The standard for instituting an *inter partes* review is set forth in 35 U.S.C. § 314(a) which provides as follows:

> THRESHOLD -- The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

Upon consideration of the petition and ContentGuard's preliminary response, we determine that the information presented in the petition establishes that there is a reasonable likelihood that ZTE would prevail in showing the unpatentability of claims 1-5, 9-11, 15-17, 19, 21-33, 37, 38, 42-44, 46, 48-62, 66, 67, 71-73, 75, and 77-84 of the '859 patent. Accordingly, we grant the petition and institute an *inter partes* review of those claims of the '859 patent.

A. Related Proceedings

ZTE indicates that the '859 patent is involved in co-pending litigation captioned *ContentGuard Holdings Inc. v. ZTE Corp. et al.*, Case No. 3:12-cv-01226 (S.D. Cal.). (Pet. 1.)

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ZTE also filed five other petitions seeking *inter partes* review of the following patents: U.S. Patent No. 7,523,072 (IPR2013-00133); U.S. Patent No. 7,225,160 (IPR2013-00134; U.S. Patent No. 7,359,884 (IPR2013-00136); U.S. Patent No. 7,139,736 (IPR2013-00138); and U.S. Patent No. 7,269,576 (IPR2013-00139). (Pet. 1.)

B. The '859 Patent (Ex. 1001)

The subject matter of the '859 patent relates to distribution of and usage rights enforcement for digitally encoded works. (Ex. 1001, 1:12-13.) According to the '859 patent, an issue facing the publishing and information industries is how to prevent the unauthorized and unaccounted distribution or usage of electronically published materials. (Ex. 1001, 1:16-19.) In particular, a major concern, according to the '859 patent, is the ease in which electronically published works can be "perfectly" reproduced and distributed. (Ex. 1001, 1:30-31.) According to the '859 patent, one way to curb unaccounted distribution is to prevent unauthorized copying and transmission. (Ex. 1001, 1:49-51.) Another way, according to the '859 patent, is to distribute software, which requires a "key" to enable its use. (Ex. 1001, 1:65-66.) However, the '859 patent discloses that while such distribution and protection schemes prevent unauthorized distributions, it does so by sacrificing the potential for subsequent revenue bearing uses. (Ex. 1001, 2:61-65.) For example, the '859 patent discloses that it may be desirable to allow the lending of a purchased work to permit exposure of the work to potential buyers, permit the creation of a derivative work for a fee, or permit copying the work for a fee. (Ex. 1001, 2:65-3:3.) The '859 patent discloses that it

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solves these problems by both permanently attaching usage rights to digital works, and by placing elements in repositories, which store and control the digital works, that enforce these usage rights. (Ex. 1001, 6:11-21.)

C. Exemplary Claims

Of the challenged claims, claims 1, 29, and 58 are independent claims. Independent claims 1, 29, and 58 are respectively directed to a system, a method, and a computer readable medium. Claims 2-28 directly or indirectly depend from claim 1, claims 30-57 directly or indirectly depend from claim 29, and claims 59-84 directly or indirectly depend from claim 58. Claims 1, 29, and 58 are reproduced below, with similar and key features bolded for emphasis:

> 1. A rendering system adapted for use in a distributed system for managing use of content, said rendering system being operative to rendering content in accordance with usage rights associated with the content, said rendering system comprising:
>
> a rendering device configured to render the content; and
>
> a distributed ***repository*** coupled to said rendering device and including a requester mode of operation and server mode of operation,
>
> wherein the server mode of operation is operative to enforce usage rights associated with the content and permit the rendering device to render the content in accordance with a manner of use specified by the usage rights,
>
> ***the requester mode of operation is operative to request access to content from another distributed repository***, and
>
> said distributed repository is operative to receive a request to render the content and permit the content to be rendered only if a

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manner of use specified in the request corresponds to a manner of use specified in the usage rights.

29. A rendering method adapted for use in a distributed system for managing use of content, and operative to render content in accordance with usage rights associated with the content, said method comprising:

configuring a rendering device to render the content;

configuring a distributed ***repository*** coupled to said rendering device to include a requester mode of operation and server mode of operation;

enforcing usage rights associated with the content and permitting the rendering device to render the content in accordance with a manner of use specified by the usage rights, when in the server mode of operation;

requesting access to content from another distributed repository, when in the requester mode of operation; and

receiving by said distributed repository a request to render the content and permitting the content to be rendered only if a manner of use specified in the request corresponds to a manner of use specified in the usage rights.

58. A computer readable medium including one or more computer readable instructions embedded therein for use in a distributed system for managing use of content, and operative to render content in accordance with usage rights associated with the content, said computer readable instructions configured to cause one or more computer processors to perform the steps of:

configuring a rendering device to render the content;

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