UNITED STATES PATENT AND TRADEMARK OFFICE
_____

BEFORE THE PATENT TRIAL AND APPEAL BOARD
_____

ZTE CORPORATION AND ZTE (USA) INC.
Petitioners

v.

CONTENTGUARD HOLDINGS, INC.
Patent Owner

_____

Case IPR2013-00139
Patent 7,269,576

_____

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

LEE, *Administrative Patent Judge*.

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

I.   INTRODUCTION

ZTE Corporation and ZTE (USA) Inc. ("ZTE") filed a petition requesting an *inter partes* review of claims 1-36 of U.S. Patent No. 7,269,576 (Ex. 1001, "the '576 patent"). (Paper 2.) ZTE also filed a corrected petition. (Paper 9, "Pet.") The patent owner, ContentGuard Holdings, Inc. ("ContentGuard") filed a preliminary response. (Paper 14, "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 corrected petition and ContentGuard's preliminary response, we determine that the information presented by ZTE establishes that there is a reasonable likelihood that ZTE would prevail in showing the unpatentability of claims 18-21, 25-28, and 31-36 of the '576 patent. Accordingly, we grant the petition and only institute an *inter partes* review of claims 18-21, 25-28, and 31-36 of the '576 patent.

A. Related Proceedings

ZTE indicates that the '576 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.)

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. 6,963,859 (IPR2013-00137); and U.S. Patent No. 7,139,736 (IPR2013-00138). (Pet. 1.)

B. The '576 Patent

The subject matter of the '576 patent relates to the distribution of digitally encoded works and the enforcement of usage rights. (Ex. 1001, 1:5-6.) According to the '576 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, 1:10-13.) In particular, a major concern, according to the '576 patent, is the ease with which electronically published works can be "perfectly" reproduced and distributed. (Ex. 1001, 1:24-25.) According to the '576 patent, one way to curb unaccounted distribution is to prevent unauthorized copying and transmission. (Ex. 1001, 1:44-46.) Another way, according to the '576 patent, is to distribute software which requires a "key" to enable its use. (Ex. 1001, 1:60-61.) The '576 patent discloses that while such distribution and protection schemes prevent unauthorized distributions, they do so by sacrificing the potential for subsequent revenue bearing uses. (Ex. 1001, 2:56-60.) For example, the '576 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, 2:60-65.) The '576 patent discloses that it solves these problems

3

by both permanently attaching usage rights to digital works, and by placing elements in repositories, which store and control the digital works and enforce the usage rights associated therewith. (Ex. 1001, 3:53-4:15.)

Figure 1 of the '576 patent illustrates the basic operations of the disclosed invention. (Ex. 1001, 4:31-34, 6:66-7:1). Figure 1 of the '736 patent is reproduced below:
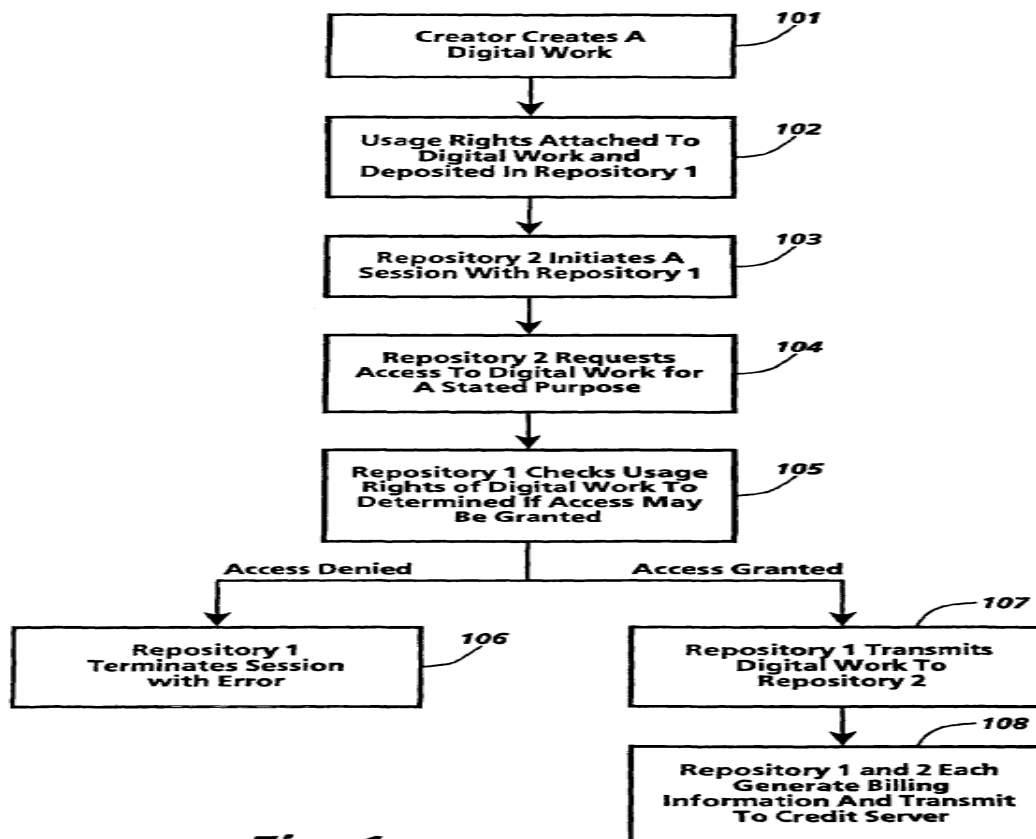

Fig. 1

Figure 1 illustrates the basic operations of repositories 1 and 2.

According to the embodiment of Figure 1, at step 101, a creator creates a digital work. (Ex. 1001, 7:1-2.) At step 102, the creator determines the

4

appropriate usage rights and fees, attaches them to the digital work, and stores the digital work with the associated usage rights and fees in repository 1. (Ex. 1001, 7:2-7.) At step 103, repository 1 receives a request to access the digital work from repository 2. (Ex. 1001, 7:7-9.) Such a request, or session initiation, includes steps that help ensure that repository 1 and repository 2 are trustworthy. (Ex. 1001, 7:7-12.) At step 104, repository 2 requests access to the digital work stored in repository 1 for a stated purpose, *e.g.*, to print the digital work or obtain a copy of the digital work. (Ex. 1001, 7:13-17.) At step 105, repository 1 checks the usages rights associated with the digital work stored therein to determine if access to the digital work may be granted. (Ex. 1001, 7:17-24.) At step 106, if access is denied, repository 1 terminates the session with repository 2 by transmitting an error message. (Ex. 1001, 7:24-25.) At step 107, if access is granted, repository 1 transmits the digital work to repository 2. (Ex. 1001, 7:25-27.) At step 108, both repository 1 and 2 generate billing information prior to transmitting the billing information to a credit server. (Ex. 1001, 7:27-30.) The use of both repositories 1 and 2 for billing prevents attempts to circumvent the billing process. (Ex. 1001, 7:30-31.)

One embodiment described in the '576 patent relates to enforcing usage rights in rendering systems. (Ex. 1001, 8:16-67.) Rendering systems are systems that can render a digital work into its desired form, such as by printing a file on a printer or executing a software program in a processor. (Ex. 1001, 8:19-22, 8:37-38, 8:53-55.) Other examples of rendering systems include display, video, or audio systems. (Ex. 1001, 51:65-67.) Rendering systems include repositories that store digital works and maintain the security features of the '576 patent. (Ex.

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.