UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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VERANCE CORP.,
Petitioner,

v.

MZ AUDIO SCIENCES, LLC,
Patent Owner.

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IPR2022-01544
Patent 7,289,961 B2

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Record of Oral Hearing
Held Virtually: January 25, 2024

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Before KARL D. EASTHOM, DAVID C. McKONE, and
IFTIKHAR AHMED, *Administrative Patent Judges.*

APPEARANCES:

ON BEHALF OF THE PETITIONER:

      Babak Tehranchi
      PERKINS COIE, LLP
      11452 El Camino Real,
      Sand Diego, CA 92130-2080

ON BEHALF OF THE PATENT OWNER:

      Sarah E. Spires
      SKIERMONT DERBY, LLP
      1601 Elm Street
      Suite 4400
      Dallas, Texas 75201

     The above-entitled matter came on for hearing on Thursday, January 25, 2024, commencing at 10:00 a.m., via video teleconference.

1	PROCEEDINGS
2	- - - - -
3	JUDGE EASTHOM: Good morning. This is Judge Easthom. Judge
4	Ahmed and Judge McKone are on the video hearing with us. This is
5	Verance Corp. versus MZ Audio Sciences, LLC, IPR 2022-01544, U.S.
6	Patent 7,289,961 B2, and we'll refer to that as the '961 patent. We
7	appreciate everyone's willingness to be here. You have the right to be
8	heard, so if at any time you have a problem hearing anything or the lines
9	drop, please contact the Board personnel that helped you set this up. When
10	you're not speaking, please mute yourself and introduce yourself when you
11	begin speaking, and pause before speaking after we ask a question so the
12	court reporter creates a good record. Please also briefly pause after you turn
13	to another slide or location in the record so that everyone can catch up. We
14	have both parties' demonstratives, and thank you for filing those. They're
15	helpful for us to resolve this issue, although they're not evidence, as we
16	know.
17	Petitioner, you have the burden of persuasion. You have 45 minutes.
18	Patent Owner also has 45 minutes. You can also each reserve rebuttal time.
19	So, with that Petitioner, why don't you please introduce yourself for the
20	record and let me know what time you want to reserve for rebuttal, please?
21	MR. TEHRANCHI: Thank you, Judge Eastman. My name is Babak
22	Tehranchi. I'm representing Petitioner Verance Corporation. I'd like to
23	reserve 30 minutes, and 15 minutes for the rebuttal. So, start with 30
24	minutes and then reserve 15.

1   JUDGE EASTHOM: Thank you, Mr. Tehranchi. Okay, who do we

2   have for Patent Owner?

3   MS. SPIRES: This is Sarah Spires from Skiermont Derby. On behalf

4   of MZ Audio Sciences, LLC.

5   JUDGE EASTHOM: Welcome, Ms. Spires.

6   MS. SPIRES: Thank you.

7   JUDGE EASTHOM: You may begin, Mr. Tehranchi.

8   MR. TEHRANCHI: Thank you, Your Honor, may I share my

9   demonstratives? I know you have it, but it may be easier to just go on,

10   follow it.

11   JUDGE EASTHOM: It's totally up to you. We have them, and if you

12   want to share them, that's fine.

13   MR. TEHRANCHI: Okay, so let me know if you could see them.

14   JUDGE EASTHOM: Yes. Great.

15   MR. TEHRANCHI: Again, thank you for the opportunity to present

16   this case. In our case, we have three grounds. First ground is based on the

17   combination of Srinivasan, Cabot, and Kudumakis. The second ground,

18   we're adding Hobson for some dependent claims. And the third ground is

19   based on Kudumakis, Tilki, and Cabot. This is on page two of the

20   demonstratives.

21   On page three, I have reproduced the claim language, claim 1 and

22   claim 4. What I like to point out is that I think both parties agree there is no

23   controversy that the actual text that is not in the red box is taught by

24   Srinivasan, in the Srinivasan combination. And it basically entails getting

25   the audio signal, dividing it into time frames and frequency components,

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1   then taking at least two of those components and altering the face of at least

2   one of those components.

3   The added limitations that were added during prosecution was about

4   selecting the fundamental tone and the overtone. And that is where the

5   combination with Cabot and Kudumakis comes into picture. I'd also like to

6   note that there are also watermark extraction claims, which more or less are

7   similar to the encoding. They're decoding the watermark from the

8   composite signal.

9   On page four of the demonstrative, this is just to show that

10   Kudumakis basically has these steps. You divide it up into time frames, into

11   frequency components, and then it selects two components. It calls them F1

12   and F0. And it changes the phase of one component, and it talks about

13   changing the component with a lower amplitude; so, it changes the phase of

14   that with respect to a reference frequency component.

15   On page five of the demonstratives, as you can see, Srinivasan talks

16   about selecting a frequency range of 4.8 kHz to 6 kHz. And it says you need

17   to do so because that provides better audibility results. But however,

18   Srinivasan also recognizes that embedding watermarks in terms of audibility

19   is not perfect; and in fact, acknowledges in that column 11, that we've

20   highlighted that says, yes, if you embed watermarks and you are to change

21   the phase of the component to be zero or 180 degrees, it could result in some

22   audible artifacts. And it goes on to explain that there is an alternative

23   method where it actually uses certain neighborhoods as opposed to changing

24   the phase to be zero or 180. So, there is an acknowledgment that there might

25   be some audibility issues, and it proposes some methodology to fix that.

26   And also, we want to point out that the language in Srinivasan about

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