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Paper 56
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

DISH NETWORK CORPORATION
and DISH NETWORK L.L.C.,
Petitioner,

v.

CUSTOMEDIA TECHNOLOGIES, L.L.C.,
Patent Owner.

Case CBM2017-00019
Patent 7,840,437

Before MEREDITH C. PETRAVICK, MICHAEL W. KIM, and
KALYAN K. DESHPANDE, *Administrative Patent Judges*.

KIM, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 318(a) and 37 C.F.R. § 42.73

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I. INTRODUCTION

A. *Background*

DISH Network Corporation and DISH Network L.L.C. (collectively, “Petitioner”) filed a Petition to institute a covered business method patent review of claims 1, 9, 10, and 13–16 U.S. Patent No. 7,840,437 (Ex. 1001, “the ’437 patent”) on grounds of unpatentability under 35 U.S.C. §§ 101, 103. Paper 1 (“Pet.”). Customedia Technologies, L.L.C. (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”).

On June 12, 2017, we instituted an *inter partes* review of claims 1, 9, 10, and 13–16, but only on the ground of unpatentability under § 101 set forth in the Petition. Paper 11 (“Dec.”). After institution of trial, Patent Owner filed a Patent Owner Response (Paper 21, “PO Resp.”) and Petitioner filed a Reply (Paper 32, “Pet. Reply”). With authorization, Patent Owner filed a Sur-Reply (Paper 42, “PO Sur.”) and Petitioner filed a Sur-Sur-Reply (Paper 43, “Pet. Sur.”).

An oral hearing was held on March 5, 2018. Paper 48 (“Tr.”). On May 2, 2018, in view of *SAS Inst., Inc. v. Iancu*, 2018 WL 1914661, at *10 (U.S. Apr. 24, 2018), the we modified our Decision on Institution to institute on all of the grounds set forth in the Petition. Paper 49. Patent Owner filed a Supplemental Brief Regarding Board’s Decision to Institute Review of All Challenged Claims, asserting, “with respect to the newly instituted grounds, Patent Owner hereby incorporates by reference the arguments in its Preliminary Response (Paper 6) and the Board’s reasons in the Institution Decision (Paper 11) for denying institution of those grounds.” Paper 51, 2 (“PO Supp.”). On June 1, 2018, in view of *SAS Inst., Inc.*, the Chief Administrative Patent Judge “determined that good cause exists to extend

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the one-year period for issuing a Final Written Decision.” Paper 52. On June 15, 2018, Petitioner submitted a Supplemental Reply Regarding Newly Instituted Grounds. Paper 55 (“Pet. Supp.”).

We have jurisdiction under 35 U.S.C. § 6. In this Final Written Decision, after reviewing all relevant evidence and assertions, we determine that Petitioner has met its burden of showing, by a preponderance of the evidence, that claims 1, 9, 10, and 13–16 of the ’437 patent are unpatentable.

B. Related Proceedings

Petitioner and Patent Owner identify the following district court proceeding concerning the ’437 patent: *Customedia Technologies, L.L.C v. DISH Network L.L.C.*, Civil Action No. 2:16-CV-00129 (E.D. Tex). Pet. 1; Paper 5, 2. The following proceeding, before the Board, also involves the same parties and the ’437 patent: IPR2017-00936 (institution denied). U.S. Patent No. 8,955,029 (“the ’029 patent”) is related by continuity to the ’437 patent, and the ’029 patent is involved in the following proceedings before the Board, and also involves the same parties: CBM2017-00031 (terminated), IPR2017-00638 (terminated), IPR2017-00639 (terminated).

C. Standing

Section 18 of the American Invents Act governs the transitional program for covered business method patent reviews. Leahy-Smith America Invents Act (“AIA”) § 18, Pub. L. No. 112-29, 125 Stat. 284, 329–31 (2011); *see also* 37 C.F.R. §§ 42.300–304 (2016) (setting forth the rules governing the transitional program for covered business method patents). 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. *See also* 37 C.F.R. § 42.302 (setting forth who may

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petition for a covered business method patent review). Petitioner asserts that, because it has been sued for infringement of the '437 patent, it has standing to file this Petition. Pet. 2 (citing Exs. 1005, 1008). Based on the record before us, we agree.

D. The '437 patent

The '437 patent discloses that the claimed invention relates generally to “renting or purchasing data products for immediate, on-demand delivery, which may be formatted and transferred to a portable medium for use in any existing playback device.” Ex. 1001, 1:29–33. According to the '437 patent, an “information explosion” has created “a serious need for an integrated system that manages and handles the growing amount of information available over the various data feeds and can meet the needs and desires of the end user.” Ex. 1001, 1:59–62. The '437 patent purports to solve these problems as follows:

The current invention solves these problems through the use of an integrated information management and processing system that provides for the handling, sorting and storage of large amounts of data that is a user-defined and user resident environment. It allows this management to occur both during and after the actual feed is being received, while also allowing various decisions to be made about the suitability, quality, and other content of the information being received. The invention also has the capability to be securely accessed and utilized from a remote location, including telephone, Internet, and remote computer/television access. This would allow services to provide virtual user transaction zones.

Ex. 1001, 3:19–30.

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E. Illustrative Claim

Petitioner challenges claims 1, 9, 10, and 13–16 of the '437 patent. Claim 1, the only independent claim, is illustrative of the challenged claims, and is reproduced below:

1. A system for the processing, recording, and playback of audio or video data, comprising:
 - a. a receiver apparatus for receiving audio or video data from at least one data feed;
 - b. memory circuitry comprising a storage device built in to the system and which is not removable from the system;
 - c. processing circuitry for processing the data and for storing the processed data in the built in storage device;
 - d. a user interface operatively connected to the processing circuitry for programming which processing functions are to be applied to the received data by the processing circuitry;
 - e. playback circuitry, which reads the data from the built in storage device and which converts the data to electronic signals for driving a playback apparatus; and
 - f. a microprocessor having software programming to control the operation of the processing circuitry and the playback circuitry enabling the recording of rented data and enacting a simulated return of said rented data by deleting or scrambling said data from said built in storage device or blocking further access to said data, and notifying a data supplier of said simulated return.

F. Covered Business Method Patent

Section 18(d)(1) of the AIA defines a covered business method patent as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” *See also* 37 C.F.R. § 42.301(a) (stating the same). To determine whether a patent is a covered business method patent, “§ 18(d)(1) directs us to examine the claims when

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deciding whether a patent is a [covered business method] patent.” *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016) (stating that “the claims at issue in the instant case have an express financial component in the form of a subsidy, or financial inducement, that encourages consumers to participate in the distribution of advertisements”); *Unwired Planet, LLC v. Google, Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016) (“CBM patents are limited to those with claims that are directed to methods and apparatuses of particular types and with particular uses ‘in the practice, administration, or management of a financial product or service.’”).

In our Institution Decision, we determined that Petitioner had shown that the ’437 patent is eligible for CBM review. Dec. 5–11. Patent Owner urges us to reconsider and determine that the ’437 patent is not eligible for CBM review. *See* PO Resp. 1–41. We, however, are not persuaded to change our original determination.

1. Financial Product or Service

Petitioner asserts that “[t]he *claims* here are directed to video-on-demand (‘VOD’) service, which is a well-known method for distributing digital content to subscribers for payment of a fee.” Pet. 5; emphasis added. “In particular, the *claims* recite a system for processing audio/video data that is ‘rented data.’” Pet. 6 (citing Ex. 1001, 46:31–34) (emphasis added).

In our Decision on Institution, we found the following:

Contrary to Patent Owner’s argument, the claims of the ’437 patent do explicitly recite a financial activity—renting or purchasing data. Dependent claim 17 recites “wherein said system includes an electronically based payment system making rental charges to a user’s credit or debit account.” Dependent claim 18 recites “wherein said credit or debit account comprises a credit card account, a checking account, or an ATM account.”

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Dependent claim 27 recites “said software programming further enabling access to an Internet based subscription service and automatic downloading of data for rental or purchase.”

Dec. 6–7. In doing so, we also indicated the following in a footnote: “We acknowledge that Petitioner does not rely expressly on dependent claims 17, 18, and 27 for the first prong. *See generally* Pet. 3–7. Patent Owner will have the opportunity to respond during trial.” Dec. 7, n. 3.

After institution of trial, Patent Owner disclaimed claims 17, 18, and 27. PO Resp. 15 (citing Ex. 2004). Patent Owner presents several assertions with respect to relying on these now disclaimed claims as the jurisdictional basis for conducting a covered business method review. PO Resp. 2–18.

a. Statutory and Regulatory Jurisdiction

Patent Owner first asserts that the Board’s analysis, with respect to dependent claims 17, 18, and 27, were not based on arguments set forth in the Petition, exceeded statutory jurisdiction, was inconsistent with the express language of 35 U.S.C. § 324 and 37 C.F.R. § 42.208(c), was raised improperly *sua sponte*, and presents substantial due process issues. PO Resp. 2–8, 14–15. Patent Owner asserts further that the express language of 35 U.S.C. § 324 and 37 C.F.R. § 42.208(c) supports their position. PO Resp. 2–8, 14–15. Petitioner disagrees generally, and, with respect to Patent Owner’s assertions concerning statutory and regulatory language, responds as follows:

Patent Owner cites to the Supreme Court’s decision in *Cuozzo Speed Technologies, LLC v. Lee* for the proposition that the Board’s decision to institute CBM review is limited to the particular language used by petitioner in its petition. PO Response at 3. To the contrary, as noted above, *Cuozzo* rejected that argument and affirmed the PTAB’s decision to institute an IPR as to claims not specifically mentioned as being challenged

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in the petition. *See also In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1274 (Fed. Cir. 2015). Moreover, Patent Owner’s statutory analysis is flawed because the sections it cites relate to grounds for unpatentability, not for CBM eligibility. *See* PO Response at 4–5.

Pet. Reply 3–4. We agree with Petitioner.

i. Applicable Law

We do not read the express language of 35 U.S.C. § 324 and 37 C.F.R. § 42.208(c) in the limited manner advocated by Patent Owner. The relevant language of 35 U.S.C. § 324 is as follows:

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.

As an initial matter, and as noted by Petitioner, the language of 35 U.S.C. § 324 only speaks, with explicit specificity, to unpatentability. The instant issue is jurisdiction.¹

We agree with Patent Owner that a decision on institution, even concerning jurisdiction, should certainly be *based on* information presented in the petition. It does not follow, however, that a decision on institution *is narrowly limited to information expressly identified only within the four corners* of the petition, for the reasons set forth below.

We begin our analysis with the wording of 35 U.S.C. § 324, which, in relevant part, recites “the information presented in the petition filed under section 321, *if such information is not rebutted . . .*” By its express

¹ Our analysis is the same with respect to 37 C.F.R. § 42.208(c).

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wording, the statute contemplates taking into account rebuttal information, which, by all accounts, is the information set forth in the preliminary response to the petition. *See* 35 U.S.C. § 323 (explaining that a preliminary response may “set[] forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of this chapter.”). Information set forth in a preliminary response to the petition is not *narrowly limited to information expressly identified only within the four corners* of the petition.² In particular, a preliminary response may raise issues relevant to institution that a petition may not have raised.

A latter portion of 35 U.S.C. § 324 recites, in relevant part, determining whether the information presented in the petition “would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” The use of the word “would” indicates that the decision on institution is a prediction in the future as to whether or not a claim *will* be held unpatentable, and within the context of the other relevant statutes, the point in time for which such a prediction is being made is at the time of final written decision. *See* 35 U.S.C. § 328(a). Under 35 U.S.C. § 326(a)(11), such a final written decision must be rendered within a specified time period following the decision on institution. During that specified time period, 35 U.S.C. § 326 contemplates a myriad of evidence and papers to be potentially entered, and considered, in coming to a final written decision. *See, e.g.,* 35 U.S.C. § 326(a)(3) (supplemental

² The relevant portion of the corresponding statute for *inter partes* review reads as follows: “the information presented in the petition filed under section 311 and any response filed under section 313” 35 U.S.C. § 314(a).

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information), (a)(4) (evidence from discovery), (a)(8) (patent owner response with affidavits or declarations, and “any additional factual evidence and expert opinions”). Accordingly, when all of the above is considered together, a decision on institution is made, certainly based on the information presented in the petition, but also with a prediction as to the information that may be submitted during trial, for example, the evidence and papers enumerated above. Such evidence and papers are not *narrowly limited to information expressly identified only within the four corners* of the petition.

In that respect, the guidance from *Cuozzo* is consistent and instructive. Specifically, in *Cuozzo*, the Supreme Court set forth the procedural posture of the proceeding, as follows:

The Board agreed to reexamine claim 17, as well as claims 10 and 14. The Board recognized that Garmin had not expressly challenged claim 10 and claim 14 on the same obviousness ground. But, believing that “claim 17 depends on claim 14 which depends on claim 10,” the Board reasoned that Garmin had “implicitly” challenged claims 10 and 14 on the basis of the same prior inventions, and it consequently decided to review all three claims together. App. to Pet. for Cert. 188a.

Cuozzo Speed Technologies, LLC v. Lee, 136 S. Ct. 2131, 2138 (2016).

While certainly any analysis of whether to institute review must be *based on* the petition, the decision to institute may also be based on information that *implicitly flows from* the information set forth in the petition. Given the patent is evidence squarely before us, implicitly flowing from every petition challenging a patent is the information contained within the patent itself. In other words, when a petition is filed against a patent, the patent is evidence, and it is not unreasonable to expect Patent Owner to be familiar with all of the information contained in the patent, which would include all dependent

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claims, challenged in the petition or otherwise. *Cf. Riverwood Intern. Corp. v. R.A. Jones & Co., Inc.*, 324 F.3d 1346, 1355 (Fed. Cir. 2003) (*quoting Reading & Bates Const. Co. v. Baker Energy Resources Corp.*, 748 F.2d 645, 650 (Fed. Cir. 1984) (“It is common sense that an inventor, regardless of an admission, has knowledge of his own work.”)). In that respect, we note that Section 18(d)(1) of the AIA defines a covered business method patent as “a patent that claims . . . ,” and does not recite any further requirements concerning the nature of the claim, e.g., that the claim must be explicitly challenged in the petition. *See also* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (Comment 8) (“A patent having one or more claims directed to a covered business method is a covered business method patent for purposes of the review, even if the patent includes additional claims.”).

ii. Analysis

As set forth above, we disagree with Patent Owner that a decision on institution is narrowly limited to information expressly identified only within the four corners of the petition, because Patent Owner ignores the statutory language “based.” When the actual statutory language is applied, it is clear that our identification of dependent claims 17, 18, and 27 is *based* on information expressly identified in the four corners of the Petition. More specifically, Petitioner asserts that “[t]he claims here are directed to video-on-demand (‘VOD’) service, which is a well-known method for distributing digital content to subscribers for payment of a fee.” Pet. 5. Here, Petitioner refers to “claims” in the plural. *See also* Pet. 5 (“Just as in *SightSound*, the *claims* of the ’437 patent fall squarely within the statutory definition of a

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covered business method patent) (latter emphasis added). By identifying “claims” in the plural, Petitioner is referring, explicitly, to more than one claim. Patent Owner acknowledges that Petitioner is referring to plural claims. PO Resp. 29 (“The elements of Claims 1, 9, 10, and 13–16 of the ’437 patent cited by Petitioner are not express financial components that are central to the operation of the claims.”).

The aforementioned sentence from the Petition that refers to “claims” in the plural is, furthermore, set forth under the following heading: “The ’437 patent’s *Claims* are Directed to Financial Transactions.” Pet. 3 (emphasis added). The Petition’s analysis cites case law that “[t]he ‘presence of a single claim is sufficient to institute a covered business method review.’” Pet. 3–4 (citing *SAP America, Inc. v. Versata Development Group, Inc.*, CBM2012-00001, No. 36 at p. 26 (PTAB Jan. 9, 2013)). We read that, in the aggregate, as asserting, explicitly, that any one of the plurality claims of the ’437 patent is a proper basis for CBM eligibility.³

The Petition then asserts the following: “In particular, the *claims* recite a system for processing audio/video data that is ‘rented data.’” Pet. 6 (citing Ex. 1001, 46:31–34) (emphasis added). As an initial matter, we note that the sentence begins with the phrase “[i]n particular,” indicating that whatever follows is merely an example, and not an exclusive identification, of language in a claim of the ’437 patent that Petitioner asserts may meet the financial prong of CBM eligibility. The citation to the ’437 patent is to language in independent claim 1. Each of the rest of the claims in the ’437

³ In some respects, it is appropriate to end our inquiry concerning the Petition’s identification of dependent claims 17, 18, and 27 here.

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patent, i.e., claims 2–29, depend, either directly or indirectly, from independent claim 1, and accordingly, also include the language of independent claim 1. While Petitioner’s assertions concerning this issue begin on page 3 of the Petition, the first time the Petition refers only to independent claim 1 is not until page 6 of the Petition. Pet. 6 (“Claim 1 also recites the step of ‘enacting a simulated return of said rented data.’ *Id.* at 46:34.”). Accordingly, the Board reads the above portions of the Petition, collectively, as, at a minimum, implicitly referring to all of claims 1–29 of the ’437 patent.

We acknowledge that the only claim limitations cited expressly, on pages 3–7 of the Petition, are from independent claim 1. In construing “rented data,” however, the construction for which is set forth below, the Board considered the entire patent, which includes each and every one of claims 1–29. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc) (claim construction requires a determination as to how a person of ordinary skill in the art would understand a claim term “in the context of the entire patent, including the specification.”). Given the above, the Board was led to, and did indeed read, each and every claim. The limitations identified expressly by Petitioner are “rented data” and “enacting a simulated return of said rented data.” Pet. 6. With respect to “rented data,” the Petition provides the following analysis:

This understanding of “rented data” is confirmed by the specification. The Summary of the Invention states that an object of the patent “is to provide a system that creates a **transaction or commercial zone** for data to be received, manipulated, stored, retrieved, and accessed by a user.” Ex. 1001 at 3:34–37 (emphasis added). The system may be used to “[p]urchase or rent data products (movie, TV show, etc.)” *Id.* at 4:15 (emphasis

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added). Specifically, the system provides “an interface to a **‘virtual store’ for purchasing and/or *renting audio/video products*** or computer software on demand.” *Id.* at 4:59–61 (emphases added). Payment for these rentals may be made using “Visa, MasterCard, Discover, American Express, Diner’s Club, or any other credit card or banking institution that offers credit or debit payment systems.” *Id.* at 4:28–31.

Pet. 6. Although this portion of the Petition only refers expressly to the Specification, the Board, nevertheless, read all of the claims with a Petition-driven emphasis on the express claim terms “rented data,” but also with an awareness of other claim terms identified expressly in the Petition as related to “rented data,” among them, “transaction,” “purchase,” “rent,” “credit card,” and “credit or debit account.” *Cf. In re NuVasive*, 841 F.3d 966, 971–972 (Fed. Cir. 2016) (“Although the Board is not limited to citing only portions of the prior art specifically drawn to its attention . . . , [Patent Owner] was entitled to an adequate opportunity to respond”). Furthermore, the Petition presents “rented data” in a claim construction context, both expressly (Pet. 21) and implicitly (Pet. 5–7). As a part of construing “rented data,” the Board considers all relevant portions of the specification, cited expressly or otherwise, which includes all dependent claims. Given that guidance from the Petition, the Board identified dependent claims 17, 18, and 27, each of which includes one or more of the aforementioned claim terms, and set forth that identification expressly in the Decision on Institution, and noted, also, and expressly, that “Patent Owner will have the opportunity to respond during trial.” Dec. 7, n. 2.

Furthermore, Patent Owner asserts the following:

For the Board to institute CBM review on the basis of dependent claims not identified in the petition and then find that

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the patent owner's disclaimer was too late is arbitrary and capricious, and a due process concern.

PO Resp. 15. For the reasons set forth above, we are unpersuaded our identification of dependent claims 17, 18, and 27 was not based on information expressly identified in the four corners of the Petition.

Furthermore, due process requires notice and an opportunity to be heard by an impartial decision-maker. *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1328 (Fed. Cir. 2013). As formal administrative adjudications, AIA trial proceedings are subject to the Administrative Procedure Act ("APA"). *SAS Institute, Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1351 (Fed. Cir. 2016). Under the APA, the Board must inform the parties of "the matters of fact and law asserted." 5 U.S.C. § 554(b)(3). It also must give the parties an opportunity to submit facts and arguments for consideration. *Id.* § 554(c). Each party is entitled to present oral and documentary evidence in support of its case, as well as rebuttal evidence. *Id.* § 556(d).

Here, in compliance with the Administrative Procedure Act, notice concerning facts and law applicable to this issue were expressly set forth on pages 6–8 of the Decision on Institution. Dec. 6–7 (expressly identifying claims and applicable case law, and stating, "Patent Owner will have the opportunity to respond during trial."). As stated, Patent Owner has been provided the "opportunity to submit facts and arguments for consideration" on this issue, for example, in its Patent Owner Response. In fact, Patent Owner has done so. *See* PO Resp. 1–18. Accordingly, we are not persuaded by Patent Owner's argument directed towards a due process violation.

iii. Conclusion

For the above reasons, we are unpersuaded, by Patent Owner's assertions that the Board's analysis, with respect to dependent claims 17, 18,

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and 27, were not based on arguments set forth in the Petition, exceeded statutory jurisdiction, was inconsistent with the express language of 35 U.S.C. § 324 and 37 C.F.R. § 42.208(c), was improperly raised *sua sponte*, and presents substantial due process issues.⁴

b. Effect of Disclaimer

Patent Owner asserts that, regardless of whether or not dependent claims 17, 18, and 27 meet the finance prong for CBM eligibility, because Patent Owner disclaimed those claims, pursuant to 35 U.S.C. § 253, those claims must be treated as never having existed, and cannot constitute the basis for CBM eligibility. PO Resp. 8–18. Patent Owner asserts further that, in as much as Petitioner may rely on *J.P. Morgan Chase & Co. v. Intellectual Ventures II LLC*, Case No. CBM2014-00157, (PTAB Jan. 12, 2016) (Paper 40) for the proposition that post-institution disclaimers should be treated differently, the reasoning in *J.P. Morgan Chase* is erroneous, and should not be followed. Petitioner does cite *J.P. Morgan Chase*, and also asserts the following:

Patent Owner compounds its misapplication of law by arguing that post-institution disclaimer of claims strips the Board of its authority to consider those claims. PO Response at 8–18. This argument is also foreclosed by the Board’s precedential decision in *Facebook, Inc. v. Skky*, CBM2016-00091 (Paper 12) (PTAB Sep. 28, 2017). There, an expanded panel held that CBM eligibility is “determined based on the claims of the challenged

⁴ We provided notice of the following in a footnote of the Decision on Institution: “We acknowledge that Petitioner does not rely expressly on dependent claims 17, 18, and 27 for the first prong. *See generally* Pet. 3–7. Patent Owner will have the opportunity to respond during trial.” Dec. 7, n. 3.

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patent as they exist *at the time of the decision whether to institute.*” *Id.* at 6.

...

Even more, the Federal Circuit has recently affirmed the Board’s authority to issue an adverse judgement against a Patent Owner who disclaimed claims even before institution. *Arthrex, Inc. v. Smith & Nephew, Inc.*, ___ F.3d ___, No. 2017-1239, 2018 WL 522366, at *4 (Fed. Cir. Jan. 24, 2018) (“37 C.F.R. § 42.73(b) permits the Board to enter an adverse judgment when a patent owner cancels all claims at issue after an IPR petition has been filed, but before an Decision on Institution.”). Thus, binding authority of both the Federal Circuit and the Board establish that the jurisdiction over this CBM proceeding is proper.

Pet. Reply 3–4 (footnote omitted). On the merits, we agree with Petitioner.

i. Applicable Law

In our Decision on Institution, we indicated:

A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (Comment 8); *see also Emerson Electric. Co. v. SIPCO LLC*, Case CBM2016-00095, slip op. at 7 n.2 (PTAB Jan. 23, 2017) (Paper 12) (“Although the patentability of claims 3 and 4 are not challenged by Petitioner in this proceeding, there is no requirement that only challenged claims may be considered for purposes of determining a patent is eligible for covered business method patent review. As discussed above, a patent is eligible for review if it has at least one claim directed to a covered business method. 77 Fed. Reg. at 48,736 (Response to Comment 8).”).

Dec. 7–8. Since our Decision, a final written decision has issued in *Emerson Electric. Emerson Electric. Co. v. SIPCO LLC*, Case CBM2016-00095,

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(PTAB Jan. 16, 2018) (Paper 39).⁵ Furthermore, the Board identified more relevant case law in our Order of August 9, 2017. Paper 17 (citing *Rembrandt Wireless Technologies, LP v. Samsung Electronics Co., Ltd.*, 853 F.3d 1370, 1383–84 (Fed. Cir. 2017); *J.P. Morgan Chase*, slip op. at 9–15; *Facebook, Inc. v. Skky, LLC*, Case CBM2016-00091, slip op. at 8–12 (PTAB Sept. 28, 2017) (Paper 12) (precedential); *Westlake Services, LLC v. Credit Acceptance Corp.*, Case CBM2014-00176 slip op. at 2–5 (PTAB Sept. 3, 2015) (Paper 41)).

Belated post-institution disclaimer of claims reciting a “financial activity element” does not affect our CBM patent review eligibility determination. “CBM patent review eligibility is determined based on the claims of the challenged patent *as they exist at the time of the decision whether to institute.*” *Facebook*, slip op. at 11 (emphasis added). Section 18(a)(1)(E) of the AIA provides that “[t]he Director may *institute* a transitional proceeding only for a patent that is a covered business method patent” (emphases added). Section 18(d)(1) of the AIA defines a “covered business method patent” as “a patent that *claims* a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service” (emphasis added). Hence, the decision whether to institute a CBM patent review is based on whether a patent “is” a covered business method patent, which in turn is based on what the patent “claims” *at the time of the Decision on Institution*—not as the claims may exist at some later time after institution. *See Facebook*, slip op. at 6. In other words, *Facebook* instructs

⁵ A copy of the final written decision in that proceeding has been entered as Exhibit 3003.

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us as to the effect of disclaimed claims at the time of the decision to institute review, but does not instruct us as to the treatment of disclaimed claims after a patent has been determined to be eligible for CBM review and a trial has been instituted.

When the relevant claims are a part of the relevant patent at the time of the decision on institution, they may be considered in determining whether that patent is eligible for CBM patent review at the time of institution. Any belated disclaimer is an improper attempt to seek the specific relief set forth in 37 C.F.R. § 42.207 without complying with the rule's timeliness requirement. Specifically, under 37 C.F.R. § 42.207 titled "Preliminary response to petition," a "patent owner may file a preliminary response to the petition . . . setting forth the reasons why no post grant review should be instituted." The rule also provides that "[t]he patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a) of this chapter, disclaiming one or more claims in the patent," and "[n]o post-grant review will be instituted based on disclaimed claims." In short, when a patent owner timely files a statutory disclaimer before institution, "[n]o post-grant review will be instituted based on disclaimed claims."

Disclaimed claims are not considered in determining whether a patent is eligible for CBM patent review if a patent owner timely files a statutory disclaimer before institution. *See Facebook*, slip op. at 4 (denying institution on the sole ground that the patent is not eligible for CBM patent review because, when the patent owner filed a statutory disclaimer before its preliminary response, the panel treated the disclaimed claims as if they never existed and declined to consider petitioner's arguments that were based on

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the disclaimed claims). In such a situation, the Board and parties can avoid the cost and expense of the instant trial, assuming no other claim can provide standing.

The Board’s rules are “construed to secure the just, speedy, and inexpensive resolution of every proceeding.” 37 C.F.R. § 42.1(b). The rules, including 35 C.F.R. §§ 42.1(b) and 42.207, were promulgated with the consideration of “the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.” 35 U.S.C. § 326(b). We decline to construe our rules and procedures to encourage dilatory tactics.

A patent owner’s reliance on 35 U.S.C. § 253, to persuade us that post-institution claim disclaimer can eliminate our CBM jurisdiction, is misplaced. While our reviewing court has “held that a disclaimer relinquishes the rights of the patent owner,” its “precedent and that of other courts have not readily extended the effects of disclaimer to situations where others besides the patentee have an interest that relates to the relinquished claims.” *Rembrandt Wireless Techs.*, 853 F.3d at 1383–84. That is relevant here because a denial of institution does not affect a petitioner’s position, in that petitioner is still free to challenge the patent in other forums, such as district court, and on all grounds. But, after institution of a CBM patent review, we are required by 35 U.S.C. § 328(a) “to issue a final written decision with respect to the patentability of” the challenged claims in the instituted CBM patent review. Once that final written decision is issued, petitioner is subject to certain estoppels. AIA § 18(a)(1)(D) (“The petitioner . . . may not assert, either in a civil action . . . or in a proceeding

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before the International Trade Commission . . . that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.”). Accordingly, because, after institution, both the petitioner and the Board also have interests that relate to the relinquished claims (*Rembrandt Wireless Techs.*, 853 F.3d at 1383–84), we are persuaded that related post-institution disclaimer of claims reciting a “financial activity element” does not affect our CBM patent review eligibility determination. *Cf. Guinn v. Kopf*, 96 F.3d 1419, 1422 (Fed. Cir. 1996) (holding disclaimer of an allegedly interfering claim did not divest the Board of jurisdiction over the declared interference proceeding).

ii. Analysis

There is no dispute that dependent claims 17, 18, and 27 were not disclaimed at the time of institution. *Compare* Dec. 7 (entered June 12, 2017); Ex. 2004 (entered Aug. 3, 2017). Accordingly, their consideration in determining whether the ’437 patent is CBM eligible, at the time of institution, was proper, and the subsequent disclaimer does not deprive us of jurisdiction here.

c. Whether Any Claim Contains “Express Financial Component”

Patent Owner asserts that the ’437 patent claim elements neither contain “an express financial component,” nor claim “selling” or “renting” data. PO Resp. 18–32. Patent Owner, however, largely limits their analysis to independent claim 1 only.⁶ After reviewing all of the relevant assertions and evidence anew, we see no reason to alter the following analysis, set forth in our Decision on Institution.

⁶ Patent Owner does refer, in passing, to dependent claims 9, 10, and 13–16. PO Resp. 29.

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Contrary to Patent Owner’s argument, the claims of the ’437 patent do explicitly recite a financial activity—renting or purchasing data. Dependent claim 17 recites “wherein said system includes an electronically based payment system making rental charges to a user’s credit or debit account.” Dependent claim 18 recites “wherein said credit or debit account comprises a credit card account, a checking account, or an ATM account.” Dependent claim 27 recites “said software programming further enabling access to an Internet based subscription service and automatic downloading of data for rental or purchase.”

Dec. 6–7.

*d. Whether Independent Claim 1 Contains
“Express Financial Component”*

Petitioner asserts that “[t]he claims here are directed to video-on-demand (‘VOD’) service, which is a well-known method for distributing digital content to subscribers for payment of a fee.” Pet. 5. “In particular, the claims recite a system for processing audio/video data that is ‘rented data.’” Pet. 6 (citing Ex. 1001, 46:31–34). Petitioner further asserts that “[c]laim 1 also recites the step of ‘enacting a simulated return of said rented data.’” Pet. 6 (citing Ex. 1001, 46:34) “A person of ordinary skill in the art at the time of the purported invention of the ’437 patent would understand that ‘renting’ content involved exchanging money for temporary access to material.” Pet. 6 (citing Ex. 1004 ¶ 106). “The electronic sale of something, including charging a fee to a party’s account, is a financial activity, and allowing such a sale amounts to providing a financial service.” Pet. 5 (citing *Apple Inc. v. Sightsound Technologies, LLC*, Case CBM2013-00023, slip op. at 13 (PTAB Oct. 8, 2013) (Paper 12)).

Patent Owner asserts that “[a] patent claim is not directed to a covered business method merely because it contains a limitation for rented data.” PO Resp. 24. Instead, Patent Owner asserts that the claim must recite

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elements that are “an express financial component that is central to the operation of the claimed invention.” PO Resp. 28. To that end, concerning “rented data,” Patent Owner asserts the following:

To the contrary, “rented data” in the claims is used in reference to a simulated return that deletes or scrambles the data, or blocks access to the data on a storage device. *See, e.g., infra* Part IV.B.1.b. Deleting, scrambling, and blocking data are not financial activities.

Such use of rented data does not give rise to a CBM review. As the *Unwired Planet* court found, “it cannot be the case that a patent covering a method and corresponding apparatuses becomes a CBM patent because its practice could involve a potential sale of a good or service. All patents, at some level, relate to potential sale of a good or service.” *Unwired Planet*, 841 F.3d at 1382. As a result, that the term “rented data” could involve a potential sale or exchange of money for that rented data is not enough to render Claim 1 a CBM under the law. Absent an express limitation about the actual sale of the rented data in an invention where that sale is an express financial component central to the operation of the invention, the claims cannot be found to be directed to a financial activity.

PO Resp. 28. Patent Owner asserts further that, unlike the claims in *SightSound*, independent claim 1 does not recite the actual act of “selling” or “renting” data. PO Resp. 29–30.

Petitioner replies that Patent Owner’s proffered standard is too narrow, in that while a claim must contain, “‘however phrased, a financial activity element,’ . . . [t]he Federal Circuit has never held that the financial element must be ‘central’ to the claims” Pet. Reply 4–5 (citing *Secure Axxcess, LLC v. PNC Bank National Association*, 848 F.3d 1370, 1381 (Fed. Cir. 2017) *vacated as moot* 2018 WL 2186184 (Mem) *1).⁷ Petitioner

⁷ Petitioner presents the language “financial activity element,” citing *Secure*

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further replies that, even under Patent Owner’s erroneous standard, the limitation of “rented data,” recited in independent claim 1, meets that standard, because, as Patent Owner’s own expert admits, “rented” is a financial term, and it is “central” to the claims, in that “a ‘simulated return’ is meaningless unless the data is rented—free data or purchased data is not returned.” Pet. Reply 5–6 (citing Ex. 1016, 34:3–24). While we agree with each party on certain issues, overall, we agree with Petitioner.

i. Whether the Recited “Express Financial Component” Must Be “Central” to the Claim

As an initial matter, the parties are in agreement that the claims themselves, and not the Specification, must recite an “express financial component.” PO Resp. 25–29; Pet. Reply 4–5. We disagree with Patent Owner, however, that the “express financial component” must be “central” to the claim. The primary case law support for this proposition, on which Patent Owner relies, is *Blue Calypso*. The manner in which the “central” language is set forth in *Blue Calypso* is that whether an express limitation “subsidy” was central to the claim was an explicit underlying factual finding

Axxess, LLC v. PNC Bank National Association, 848 F.3d 1370, 1381 (Fed. Cir. 2017). Pet. Reply 4–5. That decision, however, was recently vacated as moot by the Supreme Court. *Secure Axxess, LLC v. PNC Bank National Association*, 2018 WL 2186184 *1 (May 14, 2018) (Mem.) (“The petition for a writ of certiorari [is] granted. The judgment is vacated as moot, and the case is remanded to the United States Court of Appeals for the Federal Circuit with instructions to remand the case to the Patent Trial and Appeal Board to vacate the Board’s order.”). Patent Owner uses the language “express financial component,” as set forth in *Blue Calypso*, 815 F.3d at 1340. We discern little substantive difference between that phrase and “financial activity element.” Accordingly, we substitute all further references to “financial activity element” with “express financial component.”

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made, by the Board, in support of an overall determination that a patent at issue in that proceeding was a covered business method patent. *See Blue Calypso*, 815 F.3d at 1339–1340 (“The *Board* further observed that the subsidy concept was ‘central to the claims’”) (emphasis added); *Id.* at 1340 (“As the *Board* noted, the subsidy is central to the operation of the claimed invention.”) (emphasis added). While *Blue Calypso* states that such an underlying factual finding was relevant in that case to the overall determination that the patent at issue there was a covered business method patent, we do not read it as a requirement that such be considered in all cases.

Patent Owner additionally cites *Unwired Planet* in support of its position, contending that *Unwired Planet* stands for the proposition that “‘claimed ‘activities ‘incidental to’ or ‘complementary to’ a financial activity’ [is] not ‘the legal standard to determine whether a patent is a CBM,’” which, according to Patent Owner, underscores the requirements that any “express financial component” must be “central” to the claim. PO Resp. 26–27 (citing *Unwired Planet*, 841 F.3d at 1382). Patent Owner’s reliance on *Unwired Planet* is misplaced, however, as *Unwired Patent* does not even discuss express claim language, let alone a requirement that some of that express claim language be “central” to the claim.

ii. *Whether the “Rented Data” is an “Express Financial Component”*

Turning to the instant proceeding, Petitioner asserts that “rented data,” as recited in independent claim 1, is an express financial component, in that “renting” content involves exchanging money for temporary access to material. Pet. 5–6 (citing Ex. 1004 ¶ 106). Petitioner further cites portions of the Specification as confirming that “rented data” is an express financial

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component. Pet. 6 (citing Ex. 1001, 3:34–37, 4:15, 4:28–31, 4:59–61). Although Patent Owner sets forth the following heading, “[t]he ’437 patent claim elements cited by DISH do not contain ‘an express financial component’” (PO Resp. 24), in the subsequent analysis, Patent Owner does not substantively dispute that “rented data” is an express financial component, instead focusing its assertions on other aspects. *See generally* PO Resp. 24–29. We address those assertions below.

Petitioner further asserts the following: “Patent Owner’s expert admits that ‘rented’ is a financial term that involves paying money in exchange for a period of use of an object.” Pet. Reply 6 (citing Ex. 1016, 34:3–24 (“You -- you somehow -- you -- you somehow obtained temporary possession of something and -- and you obviously have -- one way or the other, you have provided compensation for that -- for that period of time and you’ve possessed whatever you have possessed.”)). Patent Owner responds, “[h]ow that temporary use was established, i.e. for free, in exchange for watching a targeted advertisement, or some other means, is not relevant to the claim.” PO Sur-Reply 5.

While Patent Owner’s last assertion has some merit, based on all of the evidence identified above, we find that “rented data” is an “express financial component.”⁸

⁸ This finding is also consistent with the plain and ordinary meaning of “rent,” which is periodic payment for use of another’s property. *See Collins English Dictionary* (12th ed.), London, UK: Collins (2014), Retrieved from <https://search.credoreference.com/content/entry/hcengdict/rent1/0?institutionId=743> (“rent” is defined as “a payment made periodically by a tenant to a landlord or owner for the occupation or use of land, buildings, or by a user for the use of other property, such as a telephone”) (last accessed July 18, 2018) (Ex. 3004); *The Chambers Dictionary* (13th ed.), London, UK:

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iii. *Whether the “Rented Data” is “Central” to Independent Claim 1*

Even assuming that Patent Owner’s statement of law concerning “central” is correct, we are persuaded, for the reasons asserted by Petitioner, that “rented data” is “central” to independent claim 1. Pet. Reply 6 (citing Ex. 1001, 3:34–37, 4:15, 8:4–6). Specifically, Petitioner asserts, and we agree, that the aforementioned portions of the Specification are consistent with the following limitation being the “center” of the claim:

a microprocessor having software programming to control the operation of the processing circuitry and the playback circuitry enabling the recording of rented data and enacting a simulated return of said rented data by deleting or scrambling said data from said built in storage device or blocking further access to said data, and notifying a data supplier of said simulated return.

Ex. 1001, 46:16–37. We further agree with Petitioner that, analogous to the recitation of “subsidy” in *Blue Calypso*, “[w]ithout the ‘rented’ aspect of the claims, there is no reason for the other claim elements, including a simulated return,” as “a ‘simulated return’ is meaningless unless the data is rented — free data or purchased data is not returned.” Pet. Reply 6.

Chambers Harrap (2015), Retrieved from <https://search.credoreference.com/content/entry/chambdict/rent1/0?institutionId=743> (“rent” is defined as “periodical payment for use of another's property, *esp* houses and lands; revenue.”) (last accessed July 18, 2018) (Ex. 3005); *The Columbia Encyclopedia* (7th ed.), New York, NY: Columbia University Press (2017), Retrieved from <https://search.credoreference.com/content/entry/columency/rent/0?institutionId=743> (“rent” is defined as “periodic payment by a tenant for the use of another’s property.”) (last accessed July 18, 2018) (Ex. 3006).

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*iv. Whether the Claim Must Include an Action
Constituting a Financial Activity*

Patent Owner asserts that, under *SightSound*, the claim must include an action constituting a financial activity (i.e., a verb), such as “selling,” “purchasing,” or “renting,” and that “rented data” is not a financial activity. PO Resp. 28–30. The assertion is misplaced. As set forth above, *Blue Calypso* indicates that the claims must recite an “express financial component.” *Id.*, 815 F.3d at 1340. By its own explicit terms, an “express financial component” does not include or require a financial activity.⁹

Patent Owner asserts further that Petitioner’s citations to the Specification concerning financial activities cannot substitute for their absences from the claims. PO Resp. 30–32. We agree. Patent Owner’s assertions are misplaced, however, as, for the reasons set forth above, we find that the claim term “rented data” is an “express financial component.”

e. Conclusion

For the foregoing reasons, we determine that Petitioner has met its burden of demonstrating that at least one of claims 1, 17, 18, and 27 are, or were at the time of the Decision on Institution, directed to an apparatus for performing data processing used in the practice, administration, or

⁹ Even assuming that the proper terminology was “financial activity element,” by appending the word “element” to “financial activity,” we opine that the claims are not limited to only those containing a “financial activity,” but also may encompass an “element,” i.e., a noun, related to a “financial activity.” To that end, for the reasons discussed above, we find that “rent” is a “financial activity.” We also find that “data” is an “element” (*see, e.g.*, Ex. 1001, 1:23 (“data received on one or more data feeds”), 2:16 (“storing the data”)) and, thus, agree with Petitioner that the combined term, “rented data,” is a “financial activity element.”

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management of a financial product or service. Consequently, the '437 patent satisfies the “financial product or service” component of the definition for a covered business method patent under § 18(d)(1) of the AIA.”

2. *Technological Invention*

As set forth above, the definition for “covered business method patent” does not include patents for “technological inventions.” AIA § 18(d)(1); *see also* 37 C.F.R. § 42.301(a) (stating the same). To determine whether a patent falls within this exception, our rules prescribe a two-prong approach whereby we consider “whether the claimed subject matter as a whole [(1)] recites a technological feature that is novel and unobvious over the prior art; and [(2)] solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(b). Further, the following claim drafting techniques would not typically render a patent a “technological invention”:

(a) Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.

(b) Reciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious.

(c) Combining prior art structures to achieve the normal, expected, or predictable result of that combination.

Office Patent Trial Practice Guide (“Trial Practice Guide”), 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Pursuant to the two-prong framework, Petitioner argues that the claims of the '437 patent do not meet either prong. Pet. 7–9 (citing Ex. 1001). Patent Owner disagrees for several reasons. Prelim. Resp. 32–41 (citing Ex. 1001). We have considered Patent Owner’s arguments, but we

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are persuaded that Petitioner has shown sufficiently that the claimed invention of the '437 patent is not for a technological invention.

Turning to the first prong, we consider whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art, Petitioner asserts that the claims recite only generic computer components performing generic computer functions that were well known in the art at the time of the invention. Pet. 8 (citing Ex. 1001). Patent Owner asserts that Petitioner has not met its burden of showing that this is correct, because, as set forth in the Decision on Institution, Petitioner failed to meet its burden of showing that the challenged claims are anticipated or obvious in view of Ginter and Stefik. PO Resp. 33–36; *see also* PO Resp. 37–38 (asserting that, through its arguments concerning Ginter and Stefik, Patent Owner did contest this prong in its Preliminary Response). Patent Owner asserts further the following:

But the ‘technological feature’ component of the regulation cannot abrogate the burden placed on DISH by Section 326, and merely asserting that features are not ‘technological’ is not sufficient to satisfy 37 C.F.R. § 42.301(b): DISH must demonstrate that such features are not ‘novel and unobvious over the prior art.’ Having failed to do that, the Board cannot conclude that DISH has satisfied the first prong of the technological invention test for CBM review.

PO Resp. 37.

Petitioner replies as follows:

Patent Owner mistakenly argues that Petitioner must show that the features are not ‘technological’ and that they are not ‘novel and unobvious over the prior art.’ *Id.* at 37. The plain language of the exception requires a technological feature, and thus a showing of no technological feature is sufficient. *See* 37 C.F.R. § 42.301(b).”

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Pet. Reply 7. While we disagree with much of Petitioner's analysis in its Reply, we are persuaded, based on the assertions set forth in the Petition, that Petitioner has met its burden of showing that the claimed subject matter, as a whole, recites a technological feature that is not novel and unobvious over the prior art.

As an initial matter, Patent Owner's assertions concerning Ginter and Stefik are misplaced. A showing that a claim is not anticipated or obvious over the cited prior art is not commensurate with a determination that the claimed subject matter, as a whole, recites a technological feature that is novel and unobvious over the prior art. *See* 37 C.F.R. § 42.301(b). While the former analysis focuses on the novelty or obviousness of the claim as a whole, the latter analysis focuses on the novelty or non-obviousness of *specific, discrete* technological features recited in the claim as a whole. For the reasons set forth in the Decision on Institution, we agree with Patent Owner that Petitioner failed as to the former. Dec. 19–26. As set forth below, however, we are persuaded that Petitioner has met its burden with respect to the establishing specific, discrete technological features recited in the claim as a whole are not novel or no-nobvious.

Specifically, the Petition expressly identifies examples of the specific, discrete technological features recited in independent claim 1, namely, “receiver,” “circuitry,” “user interface,” and “microprocessor.” The Petition further asserts, with explicit citations to the Specification, i.e., intrinsic evidence, that each of these and other generic computer-related terms recited in independent claim 1, were already “known” in the art. Pet. 8 (citing Ex. 1001, Abs.; 4:63–64; 5:8–10; 13:25–31; 13:54–60; 13:66–14:2; 14:5–8;

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14:29–35; 14:35–40; 14:46–50; 15:4–6; 15:11–14; 15:14–18; 15:43–46;
18:20–23; 18:42–46; 24:29–37; 25:4–10; and 37:33–36).

For example, the citation to Exhibit 1001, 14:46–50, reads as follows: “Processing means 13 may include any number of circuits, signal processors, filters, or other data manipulation devices *known in the art* for providing any electronic features or functions that may exist in standard televisions and other such displays known in the art” (emphasis added). Independent claim 1 recites “processing circuitry for processing the data and for storing the processed data in the built in storage device.” When considered together, we are persuaded that Petitioner has met its burden of showing, through explicit guidance from the Petition, that the recited “processing circuitry” was generic and well-known in the art.

In another example, the citation to Exhibit 1001, 15:11–14, reads as follows: “Playback device 15 may include any technology known in the art for playing back audio/video data from any storage device *known in the art* (e.g., video tape, DVD, laser disc, etc.)” (emphasis added). Independent claim 1 recites “playback circuitry, which reads the data from the built in storage device and which converts the data to electronic signals for driving a playback apparatus.” Again, when considered together, we are persuaded that Petitioner has met its burden of showing, through explicit guidance from the Petition, that the recited “playback circuitry” was generic and well-known in the art.

In this regard, after considering each limitation of independent claim 1, as well as each explicit citation to the Specification expressly set forth in the Petition, we are persuaded that Petitioner has met its burden of showing, via analysis and evidence explicitly set forth on page 8 of the Petition, that

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independent claim 1, as a whole, does not recite a technological feature that is novel or unobvious.¹⁰

Turning to the second prong for determining whether a patent is for a “technological invention,” we recognize that Patent Owner presents assertions directed to whether the claimed invention solves a technical problem using a technical solution. PO Resp. 38–41; *see also id.* at 51–65 (in the context of a ground of unpatentability under 35 U.S.C. § 101, assertions that patents are directed to a technological solution to a technological problem). We, however, need only assess whether one of the prongs set forth in 37 C.F.R. § 42.301(b) is deficient to determine whether the claims of the ’437 patent are not for a “technological invention.” *See Apple Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016) (“We need not address this argument regarding whether the first prong of 37 C.F.R. § 42.301(b) was met, as we affirm the Board’s determination on the second prong of the regulation—that the claimed subject matter as a whole does not solve a technical problem using a technical solution”). As set forth above, we are persuaded by Petitioner’s explanation as to why the claimed subject matter, as a whole, does not recite a technological feature that is novel and non-obvious over the prior art, and, therefore, we are

¹⁰ In view of this determination, which is based on Petitioner’s express analysis and evidence set forth explicitly on page 8 of the Petition, Patent Owner’s more specific arguments, e.g., the determination is arbitrary and capricious (PO Resp. 33–34), the burden of persuasion is improperly shifted to Patent Owner (PO Resp. 34–35), that the determination lacks adequate reasoning (PO Resp. 35–36), that the determination is not based on evidence (PO Resp. 36), and that the Petition’s analysis is inadequate (PO Resp. 36–37), also fall away.

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satisfied that Petitioner has met its burden of showing that the '437 patent is not for a “technological invention.”

3. Conclusion

For the reasons set forth above, we are persuaded that Petitioner has met its burden of demonstrating that the '437 patent is covered business method patent eligible for review.

G. Grounds of Unpatentability

The Board instituted trial on claims 1, 9, 10, and 13–16 on the following grounds.

Reference(s)	Basis	Challenged Claims
	§ 101	1, 9, 10, and 13–16
Ginter ¹¹	§ 102(b)	1, 9, 10, and 13–16
Ginter and Stefik ¹²	§ 103(a)	1, 9, 10, and 13–16

Dec. 2, 26. Petitioner relies on the Declarations of Anthony Wechselberger. Exs. 1004, 1017, 1022. Patent Owner relies on the Declaration of Dr. Jay P. Kesan (Exs. 2001, 2005), who was deposed (Exs. 1016, 1021).

II. ANALYSIS OF GROUNDS OF UNPATENTABILITY

A. Claims 1, 9, 10, and 13–16 as Directed to Non-Statutory Subject Matter Under 35 U.S.C. § 101

Petitioner contends that claims 1, 9, 10, and 13–16 do not recite patent eligible subject matter under 35 U.S.C. § 101, because they are directed to

¹¹ WO 96/27155, pub. Sept. 6, 1996 (Ex. 1002, “Ginter”).

¹² U.S. Patent No. 5,634,012, iss. May 27, 1997 (Ex. 1003, “Stefik”).

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an unpatentable abstract idea and do not contain an “inventive concept” that amounts to significantly more than the abstract idea. Pet. 23–39 (citing Exs. 1001, 1004). Patent Owner disagrees. PO Resp. 41–78 (citing Exs. 1001, 2005–2007). Petitioner replies. Pet. Reply 8–23. Patent Owner further responded. PO Sur. 1–5. Petitioner did the same. Pet. Sur. 1–5.

1. Relevant Law

An invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101. The Supreme Court, however, has long interpreted § 101 to include implicit exceptions: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *E.g., Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014).

In determining whether a claim falls within the abstract ideas exception, we are guided in our analysis by the Supreme Court’s two-step framework, described in *Mayo* and *Alice*. *Id.* at 2355 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296–97 (2012)). In accordance with that framework, we first determine whether the claim is “directed to” a patent-ineligible abstract idea. *See Alice*, 134 S. Ct. at 2356. We evaluate “the focus of the claimed advance over the prior art to determine if the claim’s character as a whole is directed to excluded subject matter.” *Affinity Labs of Texas, LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016) (internal quotation marks omitted). “When considering claims purportedly direct to ‘an improvement of computer functionality,’ we ‘ask whether the focus of the claims is on the specific asserted improvement in computer capabilities . . . or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely

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as a tool.” *Smartflash LLC v. Apple, Inc.*, 680 Fed. App’x. 977, 982–83 (Fed. Cir. 2017) (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335–36 (Fed. Cir. 2016)).

The following method is then used to determine whether what the claim is “directed to” is an abstract idea:

[T]he decisional mechanism courts now apply is to examine earlier cases in which a similar or parallel descriptive nature can be seen—what prior cases were about, and which way they were decided. *See, e.g., Elec. Power Grp.*, 830 F.3d at 1353–54.² That is the classic common law methodology for creating law when a single governing definitional context is not available. *See generally* Karl N. Llewellyn, *The Common Law Tradition: Deciding Appeals* (1960). This more flexible approach is also the approach employed by the Supreme Court. *See Alice*, 134 S.Ct. at 2355–57. We shall follow that approach here.

Amdocs (Israel) Limited v. Openet Telecom, Inc., 841 F.3d 1288, 1294 (Fed. Cir. 2016).

If the claim is “directed to” a patent-ineligible abstract idea, we then consider the elements of the claim—both individually and as an ordered combination—to assess whether the additional elements transform the nature of the claim into a patent-eligible application of the abstract idea. *Alice*, 134 S. Ct. at 2355. This is a search for an “inventive concept”—an element or combination of elements sufficient to ensure that the claim amounts to “significantly more” than the abstract idea itself. *Id.*

2. *Whether the Claims Are Directed to an “Abstract Idea”*

Petitioner asserts the following:

Claim 1 of the ’437 patent is directed to the abstract idea of delivering rented audio/video content to a user. Ex. 1004 at ¶ 105. The remaining elements of the claim merely identify the generic technological environment (i.e., the “receiver apparatus,” “memory circuitry,” “processing circuitry,” “user

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interface,” “playback circuitry,” and “microprocessor”) and add routine and conventional post-solution activity. *Id.* at ¶ 109.

Pet. 28. In response to the assertions set forth in the Patent Owner Preliminary Response, in the Decision on Institution, we modified Petitioner’s assertion as to what independent claim 1 is directed to, as follows: “delivering rented audio/video *electronic* content to a user.” Dec. 14–15; *but see* concurring opinion (disagreeing with the majority’s inclusion of the word “electronic”). Petitioner expressly adopts that formulation. Pet. Reply 9.

*i. Whether the Majority’s Addition of
“Electronic” was Procedurally Proper*

Patent Owner asserts that, analogous to the Board’s consideration of dependent claim 17, 18, and 27, adding the word “electronic” was improper because it was “considering arguments beyond the Petition.” PO Resp. 65–67. For all the same reasons set forth above, Patent Owner’s assertions are unpersuasive. Certainly, Petitioner’s assertions must be based on the Petition, in that any omission by Petitioner is made at their own peril. We disagree, however, that a decision on institution is *narrowly limited to information expressly identified only within the four corners* of the petition. Indeed, the most overt exception to the information set forth in the petition, as indicated above, is the preliminary response to petition. 35 U.S.C. § 324 (“the information presented in the petition filed under section 321, if such information is not rebutted . . .”). Here, as acknowledged by Patent Owner, the majority based their determination on assertions set forth in Patent Owner’s Preliminary Response. PO Resp. 66 (citing Dec. 14–15).

Patent Owner may perhaps be asserting that, based on the relevant statutes, any deviation from a petition made, or at least those due to

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assertions advanced by a patent owner, are fatal, or that only such assertions detrimental to the petition should be taken into account. We disagree with both assertions. With respect to the latter, as a practical matter, we determine it would be difficult to sort what is or is not detrimental to the petition. Furthermore, a party, whether petitioner or patent owner, is free to set forth, or not set forth, any assertion, with the understanding that such an assertion, or omission, is done at their own peril. In any case, we discern that the better rule is to address all relevant assertions made, without any regard as to whether any resulting consequences favor one party or another.

With regards to the former, certainly we expect that most deviations from the petition made, at the behest of a patent owner, will be detrimental, and, in some cases, fatal, to the petition. Nevertheless, that is not always the case, and, here, Petitioner was fortunate that the case cited in the Petition, *Affinity Labs of Texas, LLC v. Amazon.Com, Inc.*, No. 6:15-CV-0029-WSS-JCM, 2015 WL 3757497, at *8 (W.D. Tex. June 12, 2015) (*aff'd* 2016 WL 5335502, at *2), was sufficient to show that both its original formulation as to what independent claim is “directed to,” and the formulation revised in light of Patent Owner’s arguments, were directed to an unpatentable abstract idea. Dec. 16–17 (citing Pet. 28–29).

In this case, we are persuaded that Petitioner has met their burden of showing that independent claim 1 is directed to “delivering rented audio/video electronic content to a user,” and that such a concept is an unpatentable abstract idea. Our reasoning is set forth below.

ii. Whether the Petitioner’s Assertion as to What Independent Claim 1 is “Directed To” is Too Narrow

Patent Owner asserts that “delivering rented audio/video content to a user,” electronic or otherwise, does not capture the full scope of independent

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claim 1. PO Resp. 67. Specifically, Patent Owner asserts that such a formulation of what independent claim 1 is “directed to” does not account for “operational parameters (*e.g.* control of the rented audio/video content *after* it is delivered) that solve problems created by the onward march of computer networking technology and the evolving distribution channels for rented data.” PO Resp. 67 (citing *Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253 (Fed. Cir. 2017)). Petitioner responds, “the ‘technological’ limitations of claim 1 are ancillary to the abstract idea of ‘delivering rented audio/video electronic content to a user.’” Pet. Reply 10. Although we agree with certain points made by both parties, in the aggregate, we agree with Petitioner.

Patent Owner first asserts that, in the related district court proceeding, Petitioner’s damages expert admitted the following:

I understand that the ’437 patent and the ’029 patent relate to simulated and virtual return notification for time-restricted video content. Specifically, the ’437 patent and ’029 patent generally describe a digital STB and relate to notification/monitoring of the virtual return/simulated return of limited-use digital data/rented digital data.

PO Resp. 67 (quoting Ex. 2006 ¶ 68) (emphasis omitted); *see also* Ex. 2006 ¶¶ 111, 193 (asserting the same). While we acknowledge Patent Owner’s general point, we are persuaded by Petitioner’s assertion that it is not dispositive, as (1) the testimony refers to patents, and not claims, and (2) that the testimony is in the context of infringement and damages, both of which concern inquiries different than what a claim is “directed to.” Tr. 75:22–76:2, 88:22–89:17, 90:4–15.

Patent Owner next asserts that Petitioner’s analogy to rental of physical tapes generally is incorrect, as follows:

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But DISH is only able to make the analogy because DISH impermissibly ignores the specification. As the specification notes, there are several problems with the transfer and exchange of *digital* files that are *unique* to computer networking. For example, the specification repeatedly details the technological problems with piracy and unauthorized use of data, as pirates are able to intercept, steal, and mass distribute files to thousands of people without the content provider or end user knowing that the files were intercepted. *See supra* Part I.B.1.a. There simply is no analogue to such activity in the video store analogy. To make it more exact, one would have to imagine an absurd scenario where the rented video is secretly stolen out of the customer's car *while they are driving* to or from the video store, copied, distributed to millions of other people, and returned to the customer's car without the customer or video store ever knowing.

PO Resp. 68–69; *see also* PO Resp. 52 (“[t]here is no historical analogue to a ‘simulated’ or ‘virtual’ return described in the patents.”). Petitioner responds that the above technical aspects are implementation details of the abstract idea of “delivering rented audio/video electronic content to a user,” using “pre-existing computer functions and generically recited ‘software,’” and that the technical aspects identified by Patent Owner are those that fall on the side of generic computer components that should not be included in what a claim is “directed to,” rather than an improvement in computer functionality of networking. Pet. Reply 10, 12–14. We agree with Petitioner.

We acknowledge that, of course, this is the difficulty of conducting this inquiry under the framework set forth in the *Alice*: that claims recite many limitations, yet, in determining what the claims are “directed to,” choices must be made as to include or omit, and there is no clear guidance concerning where such lines should be drawn. *See Visual Memory*, 867 F.3d at 1259 (“With these guideposts in mind, and cognizant of the difficulty

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inherent in delineating the contours of an abstract idea, we turn to the claims at issue here.”). Having said that, we determine that the clearest indication that Petitioner is correct, that Petitioner’s adopted formulation is not too narrow, is from an analysis flowing from the formulation itself.

Specifically, we begin with “delivering rented audio/video electronic content to a user,” and an inquiry as to the minimum steps needed, theoretically, as to how to implement such a concept. The minimum steps needed would appear to be (a) identifying the electronic content to be rented on a remote storage device, (b) transferring that electronic content to a local storage device, (c) utilizing the electronic content on a local processing device, and, (d) when the rental period has concluded, somehow “returning” the electronic content to the remote storage device. Given those minimum steps needed, we review independent claim 1, and determine that the steps recited therein largely mirror those minimum steps. Indeed, the only limitations not arguably subsumed within those minimum steps are the specifics of “enacting a simulated return,” however, three options are then provided, namely, “deleting,” “scrambling,” or “blocking.” We discern that it would appear, at best, awkward to place multiple options into what should be a unitary determination of what a claim is “directed to,” which, to us, indicates that those are, as Petitioner suggests, implementation details that should be excluded.¹³ Indeed, Patent Owner admits as much by indicating,

¹³ In their Sur-Reply, Patent Owner asserts that the step of “return” cannot be subsumed within “delivering rented audio/video electronic content to a user,” because, by its own literal terms, it only involves “delivery.” PO Sur-Reply 3. While that assertion has some merit, in the end, we determine that the “return” is subsumed within “rented,” as we are unclear how something can be “rented” without a “return.”

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“the Patent accomplishes that task with innovative technological solutions, *like* scrambling the data to limit access to it.” PO Resp. 70; emphasis added. We are persuaded that it is not appropriate to add, to a determination of what a claim is “directed to,” an implementation that is merely exemplary.

By contrast, Patent Owner’s assertions that independent claim 1 is directed to a specific, discrete implementation of a technological solution is unconvincing because, among other reasons, Patent Owner does not set forth a counter-assertion as to what independent claim 1 is “directed to,” from which an analysis counter to that of Petitioner’s can be performed. For example, Patent Owner asserts that independent claim 1 solves a problem “unique to the network-connected digital world” by providing “a microprocessor with discrete operational parameters that prohibit the unauthorized use and distribution of restricted (rented) digital data in a multifaceted network connected environment.” PO Resp. 51–52. The problem is that Patent Owner does not identify those “discrete operational parameters,” or how they would compel any changes to “delivering rented audio/video electronic content to a user.” And insofar as Patent Owner is asserting that “enacting a simulated return,” i.e., “deleting,” “scrambling,” or “blocking,” are those operational parameters, we are persuaded that they are already subsumed within “delivering rented audio/video electronic content to a user,” for the reasons set forth above.

Patent Owner further asserts that the claims concern “limitation[s] narrowing the scope of the claim to restricted digital data in a networked environment and a solution to the problem of enforcing the restrictions on that data after it is received at the end user’s location,” and that “[i]t is only because of the ability to distribute content (rented data) over networked

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communications systems that the unique piracy and unauthorized use and distribution problems arose.” PO Resp. 51–52. The assertions are misplaced, as we are unclear how such an assertion is contrary to a determination that independent claim 1 is directed to “delivering rented audio/video electronic content to a user.” Indeed, if anything, they appear to be co-extensive with, and support, Petitioner’s position.

Patent Owner next goes into extensive detail concerning the technological problems set forth in the Specification, and also cites Dr. Kesan’s analysis of those technological problems. PO Resp. 52–55 (citing Ex. 1001, 1:44–62, 2:13–20, 9:65–10:1; Ex. 2005 ¶¶ 1022, 1050, 1052, 1054). We have reviewed them, and agree with Patent Owner that many of these factual assertions, on their own, have merit. However, we also determine that these factual assertions are consistent with a determination that independent claim 1 is directed to “delivering rented audio/video electronic content to a user,” in that the presence of the word “electronic” presupposes electronic devices, and that any implementation of a business problem in another technological environment will inevitably involve some execution issues. The Supreme Court has made clear that “if a patent’s recitation of a computer amounts to a mere instruction to “‘implemen[t]’ an abstract idea ‘on . . . a computer,’ that addition cannot impart patent eligibility.” *Alice*, 134 S. Ct. at 2358. The relevant question then, is whether the problem is, indeed, primarily technological by itself, which would weigh toward patent eligibility, or fundamentally a business problem with readily foreseeable technological execution issues, which would not. We admit that teasing such nuance out of claim limitations is, at times, difficult. Ultimately, however, we determine that the proper conclusion here

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is the latter – that the identified technological problems are readily foreseeable technological execution issues of fundamentally a business problem. The above analysis also applies for Patent Owner’s further assertions that independent claim 1 is directed to a “discrete, specific implementation of a technological solution to address the technological problems described in the specification.” PO Resp. 55–60 (citing Ex. 1001, 4:3–8, 7:18–24, 8:14–17, 12:65–13:3, 34:34–38, 35:32–34, 35:54–67, 37:63–38:28, 38:39–44; Ex. 2005 ¶¶ 82, 1050).

Patent Owner additionally mentions that “[c]ontrolling access of proprietary data to authorized end users—and (more importantly to the data provider) preventing unauthorized users from accessing that data—had been a technological dilemma confounding the industry since the information explosion described in the ’437 Patent specification,” and that standards have been developed to deal with this, such as MPEG-21. PO Resp. 60–65 (citing Ex. 2005 ¶ 5; Ex. 2007). While we agree generally, we are unclear as to the relevance to our conclusion as to what independent claim 1 is “directed to.” For example, we note that the word “rent,” or any variant thereof, is not mentioned in any portion of this analysis. By use of italics in the aforementioned portion of the Patent Owner Response, we speculate that perhaps Patent Owner meant for terms such as “management,” “manipulation,” and “protection” to be proxies for “rented.” Patent Owner has not, however, provided sufficient analysis to bridge that gap, and we are unable to discern it for ourselves.

Indeed, when the above assertions are taken as a whole, what Patent Owner appears to be asserting is that an identification of any technological problem, and any corresponding technological solution, *by itself* takes a

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claim outside the realm of an abstract idea. While that idea will be explored in more detail in the next portion of our analysis, as a general matter, that, of course, cannot be correct. In particular, both Petitioner and the Board have identified case law that, while arguably involving a technological problem with a technological solution, was, nevertheless, found to be “directed to” an abstract idea under the *Amdocs* framework. *See Affinity Labs of Texas*, 2015 WL 3757497, at *8; *Smartflash*, 680 Fed. App’x. at 982–83; *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014); *see also Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307 (Fed. Cir. 2016) (“claim 7 involves an idea that originated in the computer era—computer virus screening. . . . By itself, virus screening is well-known and constitutes an abstract idea.”). Instead, “[w]hen considering claims purportedly directed to ‘an improvement of computer functionality,’ we ‘ask whether the focus of the claims is on the specific asserted improvement in computer capabilities . . . or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.” *Smartflash*, 680 Fed. App’x. at 982–83 (*quoting Enfish*, 822 F.3d at 1335–36). Essentially, Petitioner asserts the latter, a position we determine is credible and adequately supported, and Patent Owner does not persuasively identify specific flaws in Petitioner’s formulation of what independent claim 1 is “directed to,” or, in the alternative, provide their own more persuasive formulation.

In view of the above, we find that independent claim 1 is properly directed to “delivering rented audio/video electronic content to a user.”

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ii. *Whether “Delivering Rented Audio/Video Electronic Content to a User” is an Abstract Idea*

Petitioner identifies *Affinity Labs of Texas, LLC*, 2015 WL 3757497, at *8 (aff’d 2016 WL 5335502, at *2) for support that “[t]he process of selecting media, receiving that media, and subsequently playing that media describes an abstract idea, devoid of a concrete or tangible application.” Pet. 28–29. Under the *Amdocs* framework, Petitioner asserts that this is similar to “delivering rented audio/video electronic content to a user.” The Decision on Institution also provides the following analysis:

Similarly, in *Smartflash*, the Federal Circuit determined that claims reciting a method and a terminal for controlling access to and retrieving multimedia content were directed to the abstract idea of “conditioning and controlling access to data based on payment.” *Smartflash*, No. 2016-1059, slip op. at 4–6. Like the claims at issue here, the claims at issue in *Smartflash* recited the use of components of a computer, such as a processor having code to receive multimedia content and code to control access to the multimedia content according to use rules, a user interface, a memory, and an audio/video player. *Id.* at 4–6. The Federal Circuit determined that the claims “invoke computers merely as tools to execute fundamental economic practices.” *Id.* at 10; *see also Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014) (finding computer-implemented system claim merely recited the abstract idea of offering media content in exchange for viewing an advertisement, along with routine additional steps such as restrictions on public access).

Dec. 17.

Patent Owner asserts that Petitioner’s citation to *Affinity Labs* is inapposite, and asserts that *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) is more appropriate. PO Resp. 69. As an initial matter, we are unclear as to why Petitioner’s citation to *Affinity Labs* is inapposite. In particular, independent claim 1 is directed to “delivering

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rented audio/video electronic content to a user,” and similarly *Affinity Labs* reads that “[t]he process of selecting media, receiving that media, and subsequently playing that media describes an abstract idea, devoid of a concrete or tangible application.” *Affinity Labs of Texas, LLC*, 2015 WL 3757497, at *8 (aff’d 2016 WL 5335502, at *2). In our view, the comparison between the two seems, if nothing else, relevant.

Concerning *DDR Holdings*, however, Patent Owner appears to be asserting that, like the inappropriateness of analogizing kiosk shopping in the physical world into the digital world, as held in *DDR Holdings*, it is equally inappropriate, here, to analogize physical video rentals into the digital world. Patent Owner’s assertion is misplaced, in that it rests on the belief that Petitioner was relying only on its theory that “renting videos from a brick and mortar retail store” is an abstract idea. If that were the case, Patent Owner’s assertion may have some merit. However, Petitioner also relies on *Affinity Labs*, which having claims very similar to those at issue here, that our reviewing court found as being directed to an abstract idea, an analysis to which Patent Owner does not respond with, at least as far as we are able to ascertain, an express challenge. Put another way, while *DDR Holdings* may provide support for Patent Owner’s general point, as a practical matter, we are persuaded by Petitioner’s assertions that the “directed to” formulations in *Affinity Labs* and independent claim 1 are very similar, which, under *Amdocs*, is the controlling inquiry as to whether or not something is an abstract idea.

With respect to *Smartflash*, Patent Owner asserts the following:

The Board cites *Smartflash LLC v. Apple Inc.*, 680 Fed. App’x 977 (Fed. Cir. Mar. 1, 2017)—an unpublished opinion—for the proposition that, “[l]ike the claims at issue here, the claims at

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issue in *Smartflash* recited the use of components of a computer, such as a processor having code to receive multimedia content and code to control access to the multimedia content according to use rules, a user interface, a memory, and an audio/video player.” Paper 11, at 17. But that analogy fails to reconcile the fact that the Patent is directed to solving problems that are *unique to* the technological environment and solve a long-felt problem with unauthorized access to data, and that the Patent accomplishes that task with innovative technological solutions, like scrambling the data to limit access to it. Further, the patent-at-issue in *Smartflash* explicitly recited multiple steps in a financial transaction and then just put them into a computer, *see* 680 Fed. App’x at 980, which is not the case here.

PO Resp. 70. Patent Owner’s assertions are inapposite, because, even crediting Patent Owner’s factual assertions, that does not disturb our previous findings that (1) *Smartflash* is directed to “claims reciting a method and a terminal for controlling access to and retrieving multimedia content[, which] were directed to the abstract idea of ‘conditioning and controlling access to data based on payment’” (Dec. 17 (*citing Smartflash*, No. 2016-1059, slip op. at 4–6)), and (2) there is little difference between that, and “delivering rented audio/video electronic content to a user,” as set forth in independent claim 1. Indeed, the only claim limitation identified expressly by Patent Owner as a potential difference is “scrambling the data,” however, for the reasons set forth above, we are persuaded that is properly omitted from the formulation of what independent claim 1 is “directed to.” Patent Owner also does identify that *Smartflash* is directed to “multiple steps in a financial transaction,” but we are unpersuaded that illuminates a sufficient substantive difference between the relevant formulations, as “delivering rented audio/video electronic content to a user” also involves a financial activity, as noted above.

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Patent Owner makes assertions, similar to those set forth for *Smartflash*, for *Ultramercial*, with the only substantive difference, that we are able to discern, being that *Ultramercial* is in the field of advertising. PO Resp. 70–71. While Patent Owner is correct on that factual point, again, that is insufficient to substantively determine that while offering media content in exchange for viewing an advertisement, along with routine additional steps such as restrictions on public access, as set forth in *Ultramercial*, is an abstract idea, “delivering rented audio/video electronic content to a user,” as in the instant independent claim 1, is not.

Indeed, we determine that the case law most favorable to Patent Owner, and closest to the concept of “delivering rented audio/video electronic content to a user,” is *Visual Memory*. PO Resp. 41–43. When we delve into the details, however, we see that analogy fails, or, at a minimum, does not override our above conclusions concerning *Affinity Labs*, *Smartflash*, and *Ultramercial*. Specifically, in *Visual Memory*, the Federal Circuit held the following:

Our review of the ’740 patent claims demonstrates that they are directed to an improved computer memory system, not to the abstract idea of categorical data storage. Claim 1 requires a memory system “having one or more programmable operational characteristics, said characteristics being defined through configuration by said computer based on the type of said processor,” and “determin[ing] a type of data stored by said cache.”

Visual Memory, 867 F.3d at 1259. We are unable to identify any of these relevant traits in independent claim 1. For example, we are unclear what part of a computer is improved by “delivering rented audio/video electronic content to a user.” By its own terms, it would seem that any “improvement” would accrue to the user, and not a computer. In another example, we are

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unclear what part of a computer would have configuration characteristics defined by data. In “delivering rented audio/video electronic content to a user,” the only data recited is “audio/video electronic content,” however, as best as we are able to ascertain, such “content” would be delivered in the same manner, regardless of the “type” of content.

Finally, Petitioner asserts that it is clear from the prosecution history that independent claim 1 was allowed based on the inclusion of its “notifying” limitation, and that Patent Owner’s assertions made in district court “preclude[] a finding that the claims are not directed to an abstract idea.” Pet. Reply 10–16. Nominally, Petitioner argues that this assertion is in response to Patent Owner’s assertion that certain claim limitations “solve[] issues of accessibility, piracy and data protection.” Pet. Reply 10 (citing PO Resp. 57–58); *see also* Pet. Sur. 1–2 (asserting that arguments are also responsive to those made on pages 72–74 of Patent Owner Response, which concern step two of *Alice*). As an initial matter, we are in agreement with Patent Owner, in that we are skeptical of the proffered justification for Petitioner’s assertions concerning “notifying,” as the claim limitations immediately preceding this portion of Petitioner’s Reply only include “simulated return” and “scrambling,” and related terms “encryption” and “encoding,” and not “notifying.” PO Sur. 1. Even when considered, however, we are unclear as to their relevance to step one of *Alice*, in that Petitioner does not appear to advocate for any changes as to what independent claim 1 is “directed to” based on the “notifying” limitation, and we are unclear as to how the “abstractness” of “notifying” assists in determining whether “delivering rented audio/video electronic content to a user” is an abstract idea.

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In view of the above, we find that “delivering rented audio/video electronic content to a user” is an abstract idea.

iii. Conclusion

We are persuaded that Petitioner has met its burden of showing that independent claim 1 is directed to “delivering rented audio/video electronic content to a user,” and that “delivering rented audio/video electronic content to a user” is an abstract idea. We are persuaded that Petitioner has met the same for dependent claims 9, 10, and 13–16. Pet. 35.

3. Whether the Claims Recite “Significantly More” than an Abstract Idea

Petitioner goes into detail concerning each of claims 1, 9, 10, and 13–16, and why each of these claims does not, in their view, contain an inventive concept that amounts to “significantly more” than an abstract idea. Pet. 30–39. Patent Owner asserts that Petitioner has failed to meet its burden of showing, under the guidance set forth in *Berkheimer v. HP, Inc.*, 881 F.3d 1360 (Fed. Cir. 2018), a sufficient evidentiary basis for its assertions that certain claims elements are “well-understood, conventional and routine.” PO Sur. 3–5. Petitioner disagrees, asserting, among other arguments, that its assertions with respect to “well-understood, conventional and routine” are sufficiently supported by evidence, for example, by the prior art cited in the Petitioner, the testimony of Mr. Wechselberger, and “the inventor’s own admissions that the majority of the claim elements were conventional.” Pet. Sur. 4–5 (citing Pet. 30–35; Ex. 1004 ¶¶ 107–146; Ex. 1017 ¶¶ 6–38). As a general procedural matter, we agree with Petitioner that none of their assertions concerning “well-understood, conventional and routine” are so devoid of evidentiary support as to compel a determination that Petitioner has not met their burden on this basis alone. Accordingly, we, instead,

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evaluate each of Patent Owner's assertions, concerning an evidentiary deficiency with respect to a particular claim element, individually, in light of Petitioner's assertions. *Berkheimer*, 881 F.3d at 1368 (“[N]ot every § 101 determination contains genuine disputes over the underlying facts material to the § 101 inquiry.”).

To that end, Patent Owner first asserts that “[c]laim 1’s architecture of separating the processing circuitry from the microprocessor and assigning specific operations to that processing circuitry was unconventional and non-generic,” with the functions of the processing circuitry identified being (1) processing data, (2) storing data, and (3) receiving programming functions from the user interface. PO Resp. 72–74 (citing Ex. 2005 ¶¶285–86, 1056–57). Petitioner replies as follows:

The three functions that Patent Owner assigns to the claimed processing circuitry are processing, storing, and receiving data. *Id.* These three functions were well-known in the art, as shown by the combination of Goldwasser and Tsukamoto cited during prosecution. Ex. 1017, ¶ 38. Moreover, it is hard to think of any more conventional and routine functions of computer processing circuitry.”

Pet. Reply 17–18; *see also* Pet. 32–34 (citing Ex. 1001, 14:23–33, 14:46–48; Ex. 1004 ¶¶ 123, 127). We agree with Petitioner. The ’437 patent discloses that “[p]rocessing means 13 may include any number of circuits, signal processors, filters, or other data manipulation devices known in the art The microprocessor may also include, but is not limited to, one or more the following processing circuits or devices” Ex. 1001, 14:46–48. We agree that this directly supports Petitioner’s assertion that the separation of the processing circuitry from the microprocessor was “well-understood, conventional and routine.” We further agree with Petitioner that there

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cannot be any reasonable dispute that processors, or whatever equivalent terms may be used, process data and store data. We additionally agree with Petitioner that, for receiving programming functions from a user interface, Petitioner provides a sufficient factual support for that function being “well-understood, conventional and routine, in that the ’437 patent discloses that such programming functions are received from user interface 17 using “any . . . computer interface known in the art.” Ex. 1001, 14:29–33.

Patent Owner asserts further that “DISH’s prior art references (for challenges that were rejected by this Board) further demonstrate the point that such architecture was both unconventional and a solution over the prior art.” PO Resp. 72–73. Petitioner responds, “Patent Owner again conflates the Board’s decision not to institute on Petitioner’s prior art based grounds with a proper analysis of unpatentability under Section 101.” Pet. Reply 17. We agree with Petitioner. “Groundbreaking, innovative, or even brilliant discovery does not by itself satisfy the § 101 inquiry.” *Ass’n. for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 591 (2013). A novel and non-obvious claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo*, 566 U.S. at 90; *see also Diamond v. Diehr*, 450 U.S. 175, 188–89 (1981) (“The ‘novelty’ of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter.”).

Patent Owner asserts additionally that the recited “simulated” or “virtual” returns, by “deleting or scrambling limited-use data, and allowing for the capability of notifying the data supplier that the data had been rendered inaccessible” was also unconventional and non-generic.

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PO Resp. 73. Petitioner asserts that “[d]uring prosecution, the inventor of the ’437 Patent admitted that the idea of ‘enacting a simulated return of said rented data by deleting or scrambling said data from said built in storage device or blocking further access to said data’ was disclosed by the prior art.” Pet. 34 (citing Ex. 1009, 150–52); *see also* Pet. Reply 18 (citing Ex. 1009, 151; Ex. 1016, 64:11–16) (asserting the same). Petitioner asserts further that “[o]ne of ordinary skill in the art would understand that in order to bill the user for late fees, the user must notify the data provider of when the data has been ‘returned.’ Ex. 1004 at ¶ 130. Moreover, the concept of providing rental fees upon late notification of a late return was a well-known practice in brick-and-mortar rental stores. *Id.*” Pet. 34–35; *see also* Pet. Reply 18–19 (citing Ex. 1009, 151; Ex. 1016, 70:24–71:20) (asserting the same). We agree with Petitioner, in part because Patent Owner does not provide countervailing evidentiary or analytical support for their assertion.

Patent Owner asserts that Petitioner’s analysis is similarly deficient for certain limitations recited in some dependent claims. PO Resp. 74–78. For example, for dependent claim 9, Patent Owner identifies “limitations of recording the rented data onto a portable storage device and a restriction on the number of programs that can be recorded onto that device,” and that this is an “inventive concept” because it is a specific, “discrete implementation that improves upon the authorized use and playback of data on portable storage devices.” PO Resp. 75. Petitioner responds that Patent Owner does not dispute that portable storage devices were already known in the art, an assessment with which we agree, and that “controlling authorized use and playback of data, even on portable media, was already a well-known technique in the art using [digital rights management, i.e.,] DRM.” Pet.

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Reply 20 (citing Ex. 1004 ¶¶ 11, 56–61, 142; *see also* Pet. 35–36 (citing Ex. 1001, 13:28–31; Ex. 1004 ¶ 134) (addressing the portable storage devices recited in dependent claim 9). We agree with Petitioner. In particular, we credit paragraph 142 of Dr. Wechselberg’s Declaration, which addresses DRM on portable devices.

Patent Owner next identifies dependent claim 10, which “limits the portable storage device to one of ten discrete and specific media, including a mini-disk, a DVD, and a PDA,” and asserts that “those devices were not known in the art to augment a VPR/DMS system (as set out in claim 1) or include the ability to record rented data from the VPR/DMS system (as set out in claim 9).” PO Resp. 75–76. Petitioner asserts that the ’437 patent itself admits that these are known (Pet. 36), and that “augmenting” a system with conventional portable storage devices cannot be viewed as an inventive concept. Pet. Reply 21. We agree with Petitioner. The DRM functionality on portable devices generally was addressed by Petitioner in its analysis of dependent claim 9. We are persuaded that citing a laundry list of specific portable devices, admitted in the ’437 patent as known (Ex. 1001 13:26–31), is also insufficient to constitute an inventive concept, especially where neither the specification nor the claim sets forth the relevance of the different types of portable storage devices to the function of the system.

For dependent claim 13, Patent Owner asserts that the requirement that “the simulated return that deletes or scrambles (from Claim 1) on the portable storage device” is an inventive concept, because it “it limits the simulated return—itself a technological solution to a technological problem and an inventive concept—to a portable storage device.” PO Resp. 76. Petitioner asserts that “[a] person of ordinary skill in the art would

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understand that deleting or scrambling data from a portable storage device was a well-known activity at the time of the purported invention of the '437 Patent.” Pet. 37 (citing Ex. 1004 ¶ 138); *see also* Pet. Reply 21 (“Patent Owner does not assert that deleting, scrambling, or blocking access to data on a portable storage device itself is an inventive concept.”). We agree with Petitioner, in part, because we credit the undisputed content of paragraph 138 of Dr. Wechselberg’s Declaration.

Patent Owner purportedly addresses together dependent claim 14 (“portable storage device . . . connected to the processing circuitry for the deleting or scrambling of the rented data”) and dependent claim 15 (“copy protection of the data and a confirmation that the data transferred from the non-movable storage of the VPR/DMS (of Claim 1) to the portable storage device has been deleted or rendered inaccessible”), but then merely asserts that “[b]oth claims are beyond *BASCOM*’s requirement at step two,” before summarizing dependent claim 15. PO Resp. 76–77. The substance of these arguments are addressed by Petitioner (Pet. 37–38 (citing Ex. 1004 ¶¶ 140, 142); Pet. Reply 22) using reasoning similar to those identified above for similar claim limitations. For the same reasons, we agree with Petitioner.

Finally, Patent Owner identifies claim 16, which “limits the manner in which the rented data is received to particular transmission technologies (e.g., UHF/VHF),” and while admitting that “[o]f course UHF/VHF was known in the art,” asserts that Petitioner “DISH has provided no evidence that those particular transmission technologies were used in the art to deliver rented data to a VPR/DMS with the specific components, circuits, and capabilities of Claim 1, including the ability to enact a simulated return of the rented data.” PO Resp. 77–78. Petitioner responds as follows:

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Claim 16 merely lists various types of information sources that may provide the rented data. Ex. 1001 at Claim 16. Patent Owner again bases its argument on the fact that it was not known to use these transmission technologies with a “VPR/DMS” as claimed in claim 1. PO Response at 77. But giving a known prior art system an acronym does not transform the equipment and functionality into something more than the abstract idea.

Pet. Reply 22; *see also* Pet. 39 (citing Ex. 1001, 1:53–56). We are persuaded that Petitioner has shown adequately that the information source of the “rented data” is insufficient to constitute an inventive concept, especially where neither the specification nor the claim sets forth the relevance of the different types of information source to the function of the system.

4. Conclusion

For the foregoing reasons, we determine that the Petitioner has shown, by a preponderance of the evidence, that claims 1, 9, 10, and 13–16 are unpatentable under 35 U.S.C. § 101.

B. The Parties’ Post-Institution Arguments

Petitioner asserts that claims 1, 9, 10, and 13–16 are either anticipated by Ginter, or rendered obvious in view of Ginter and Stefik. Pet. 39–67. We must now determine whether Petitioner has established by a preponderance of the evidence that the specified claims are unpatentable over the cited prior art. 35 U.S.C. § 316(e). We previously instructed Patent Owner that “any arguments for patentability not raised in the [Patent Owner Response] will be deemed waived.” Paper 12, 6; *see also* 37 C.F.R. § 42.23(a) (“Any material fact not specifically denied may be considered admitted.”). Additionally, the Board’s Trial Practice Guide states that the Patent Owner Response “should identify all the involved claims that are

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believed to be patentable and state the basis for that belief.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,766 (Aug. 14, 2012).

In its Preliminary Response (Paper 6) and Supplemental Response (Paper 51), Patent Owner did not dispute Petitioner’s contentions that certain claim limitations are described in the prior art. We find that the Petition identifies where each of these uncontested limitations is disclosed or suggested in the prior art, for the grounds instituted. *See* Pet. 39–67 (citing Exs. 1002–1004) (unchallenged portions only). Based on the preponderance of the evidence before us, we conclude that the prior art identified by Petitioner describes all limitations of the reviewed claims that were not contested by the Patent Owner in either its Preliminary Response or Response. *In re NuVasive*, 841 F.3d 966, 974 (2016). We address only the contested limitations below.

C. Claims 1, 9, 10, and 13–16 as Anticipated by Ginter

Petitioner asserts that Ginter anticipates claims 1, 9, 10, and 13–16. Pet. 39–54 (citing Exs. 1002, 1004). Patent Owner disagrees. PO Supp. 1 (referring to Prelim. Resp. 20–23, 39–45 (citing Exs. 1002, 2001) and Dec. 19–22). Petitioner replies. Pet. Supp. 1–10 (citing Exs. 1001, 1004, 1015, 2001).

1. Ginter (Ex. 1002)

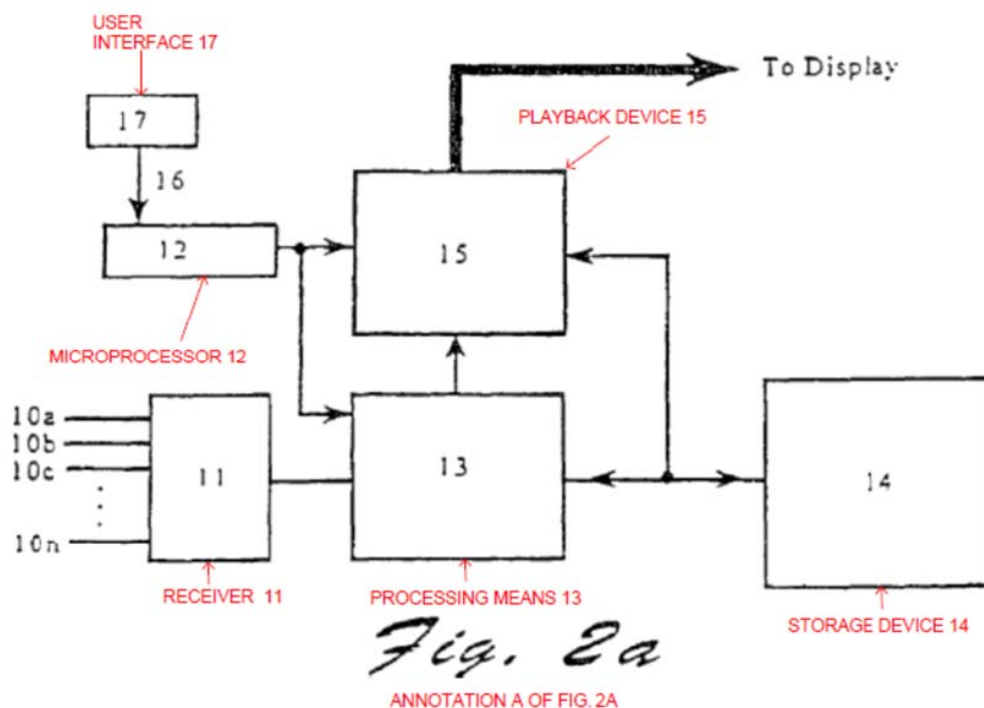
Ginter is directed to a computer-based technology that ensures that information is accessed and/or otherwise used only in authorized ways, and maintains the integrity, availability, and/or confidentiality of such information and process related to such use. Ex. 1002, 1:6–12. Ginter discloses the use of “electronic appliances,” such as computers, to ensure that information is accessed only in authorized ways. Ex. 1002, Abstract.

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Ginter further uses subsystems with the “electronic appliances” to create a virtual distribution environment (VDE) that controls or monitors the use of electronically stored information. Ex. 1002, Abstract.

2. Relevant Claim Construction

Independent claim 1 recites “processing circuitry for processing the data and for storing the processed data in the built in storage device” and “a microprocessor having software programming to control the operation of the processing circuitry and the playback circuitry enabling the recording of rented data.” Through its assertions concerning the prior art, Patent Owner argues that the recited “processing circuitry” must be construed as being separate from the recited “microprocessor.” Prelim. Resp. 39–40 (citing Ex. 1001, Figs. 2a, 7; Ex. 2001, 23. In support, Patent Owner provides the following annotated version of Figure 2a, which shows processing means 13 and microprocessor 12 separately:



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Prelim. Resp. 40. Figure 2a is block diagram of a television unit. As noted in our Decision on Institution, two distinct claim elements should each be given full effect. Dec. 20.

Petitioner responds that “microprocessor” and “processing circuitry” need not be physically distinct elements, despite being named as different elements. Pet. Supp. 3. In support, Petitioner offers several pieces of evidence, each of which we evaluate in turn.

Petitioner first asserts that Dr. Kesan admitted that the “microprocessor” and “processing circuitry” need not be physically separate, and that the ’437 patent’s only disclosures of the exact term “processing circuitry” is consistent with that admission. Pet. Supp. 3–4 (citing Ex. 1001, 8:57–59, 40:60–62; Ex. 1021, 104:7–105:24). We do not agree. In his testimony, Dr. Kesan indicates that while the “microprocessor” and “processing circuitry” may be fixed physically relative to each other, for example, on the same motherboard, that they are, nevertheless, separate components. Ex. 1021, 104:18–20 (“So that means there is another circuitry – the processing circuitry, that must be controlled by the microprocessor.”). The cited portion of the ’437 patent is consistent with that assertion, as it reads “[t]his microprocessor has software programming to control the operation of the processing circuitry and the playback circuitry.” Ex. 1001, 8:57–59, 40:60–62. While certainly possible, it, nevertheless, requires some mental gymnastics to comprehend why a component controlling a portion of itself would name that portion something else.

Petitioner next asserts that Figure 1 of the ’437 patent does not disclose that the “microprocessor” and “processing circuitry” are physically separate, in that there is no separate block for “processing circuitry,” and,

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instead, discloses that microprocessor 3 has the circuitry for performing all processing functions. Pet. Supp. 4–5 (citing Ex. 1001, 12:65–13:8, Fig. 1; Ex. 1021, 111:4–8). As an initial matter, we agree that microprocessor 3 is capable of performing all processing functions, and note, expressly, that the cited portions of the '437 patent and Dr. Kesan's testimony directly supports that finding. That finding, however, does not support Petitioner's assertion, as the fact that microprocessor 3 has that capability does not indicate that when separate "processing circuitry" is identified, that such "processing circuitry" must be located within microprocessor 3.

Petitioner further identifies microcontroller 31 in Figure 7 of the '437 patent, and asserts that any data in Figure 7 is processed by microprocessor 12, and not by microcontroller 31. Pet. Supp. 5 (citing Ex. 1001, Fig. 7; Ex. 1021, 127:16–129:21; Ex. 1022 ¶ 7). While we agree with Petitioner's factual assertion, it is, again, misplaced, as we are unclear what relevance the function of microcontroller 31 has in determining the relationship between the recited "microprocessor" and "processing circuitry."

With respect to Figure 2a, the embodiment relied on by Patent Owner for its position, Petitioner asserts the following:

Dr. Kesan only cites to one figure—Fig. 2a—where the "processing means 13" and microprocessor are shown as separate blocks. Again, the phrase "processing circuitry" is never exactly identified in its own block in any drawing. Rather, "processing circuitry" is used to refer to circuitry that may also be included in the microprocessor. Ex. 1001 at 14:13–18, 14:41–45.

Pet. Supp. 5–6. We disagree, in that we are unpersuaded that it is credible to assert that "processing means 13" cannot correspond to the recited "processing circuitry." This is especially so where independent claim 1

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recites “processing circuitry for processing the data,” where the data is received by the recited “receiver apparatus,” and the ’437 patent discloses, correspondingly, that “processing functions [are] applied to the received data as it is transmitted through the processing means 13.” *See also* Ex. 1001, 14:46–50 (“Processing means 13 may include any number of circuits, signal processors, filters, or other data manipulation devices known in the art for providing any electronic features or functions that may exist in standard televisions and other such displays known in the art.”). Relatedly, while the portions of the ’437 patent cited by Petitioner do disclose that “microprocessor 12 controls which processing functions (if any) are applied to the received data,” we find that it is clear from the context of the surrounding portions of the ’437 patent that the such processing functions, while controlled by microprocessor 12, are actually performed, at least in this embodiment, by separate processing means 13. *See generally* Ex. 1001, 14:11–65 (consistently refers to separate microprocessor 12 and processing means 13).

Finally, Petitioner asserts that “Patent Owner’s position requires importation of a single embodiment (Fig. 2a) while excluding the three alternate embodiments (Figs. 1, 7, and 8).” Pet. Supp. 6. Petitioner’s assertion is misplaced, as this is not a situation where there are many embodiments including “processing circuitry.” and it is impermissible to limit the construction of “processing circuitry” such that it is only consistent with one of those embodiments. Here, one embodiment clearly discloses “processing circuitry;” and to find such corresponding “processing circuitry” in other embodiments requires mental gymnastics, an exercise in which we decline to partake for the reasons set forth above. Under these

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circumstances, construing “microprocessor” and “processing circuitry,” primarily in view of the one disclosed embodiment that clearly discloses “processing circuitry,” i.e., Figure 2a, is appropriate.

For these reasons, we construe the “microprocessor” and “processing circuitry” limitations of independent claim 1 as being physically separate, in that the recited “processing circuitry” cannot be a physical subset of the recited “microprocessor.”¹⁴

Additionally, for “processing circuitry,” Dr. Kesan asserts the following:

One particularly novel aspect of claim 1 is the operation of the processing circuitry. It performs three functions. It (1) processes data from the receiver, (2) stores the processed data in the storage device of the memory circuitry, and (3) receives programming functions from the user interface.

Ex. 2001 ¶ 23 (cited at Prelim. Resp. 36); *see also* Ex. 2001 ¶ 28 (indicating the same). Petitioner proposes adopting Patent Owner’s position as the proper construction for “processing circuitry.” PO Supp. 6. We agree that it is consistent with the claim language, and, thus, adopt it as our own.

3. Analysis

Patent Owner asserts that Petitioner does not account adequately for the “processing circuitry” and the “microprocessor having software programming to control the operation of the processing circuitry” recited in independent claim 1. In particular, Patent Owner asserts that Petitioner impermissibly maps two distinct claim terms, “processing circuitry” and

¹⁴ This is to distinguish from the situation where the recited “microprocessor” and “processing circuitry” are permitted to be physically connected on the same motherboard.

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“microprocessor,” to the same CPU 654 of Ginter. Prelim. Resp. 39–44. Petitioner responds that the Petition makes clear that while CPU 654 of Ginter does correspond to the recited “microprocessor,” that it is actually a combination of CPU 654 and I/O controller 660 correspond to the recited “processing circuitry.” Pet. Supp. 6–8 (citing Ex. 1002, 125:20–23, 186:21–187:2, 227:3–5; Ex. 1004 ¶ 58; Ex. 1021, 138:17–23; Ex. 2001 ¶ 28). As an initial matter, we agree with Petitioner that combination of CPU 654 and I/O controller 660 performs the functions required of the recited “processing circuitry.” We agree with Patent Owner, however, that the mapping is inadequate for the reasons it has identified. As set forth above, we construe the “microprocessor” and “processing circuitry” limitations of independent claim 1 as being physically separate, in that the recited “processing circuitry” cannot be a physical subset of the recited “microprocessor.” While Petitioner’s mapping does present some difficulties in application, in that CPU 654 is cited as only a part of the recited “processing circuitry,” it, nevertheless, is cited for at least portions of both the recited “microprocessor” and “processing circuitry,” and, thus, cannot meet the above construction, which does not allow for such overlap.

In the alternative, Petitioner asserts that I/O controller 660 of Ginter alone corresponds properly the recited “processing circuitry,” because it is (a) separate from CPU 654 (i.e., the purported “microprocessor”), and (b) performs all three functions set forth in the adopted construction of “processing circuitry.” Pet. Supp. 8–10 (citing Ex. 1002, Fig. 8; Ex. 1021, 156:22–157:3; Ex. 1022 ¶¶ 56, 58; Ex. 1023, 131:21–132:17; Ex. 2001 ¶ 28). This assertion hinges on whether I/O controller 660 processes data from a receiver, as Petitioner asserts, and we agree, that Dr. Kesan

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acknowledges that I/O controller 660 performs the other functions required of the recited “processing circuitry.” Ex. 2001 ¶ 28 (“I/O controller 660 of *Ginter* permits CPU 654 and SPU 500 to read and write to secondary storage 652 and keyboard/display 612, 614. Therefore, I/O controller 660, arguably, performs functions (2) and (3).”).

To that end, Petitioner asserts that Dr. Kesan “moving data bit-from-bit from the receiver to the storage device” meets the required function of processing data from the receiver. PO Supp. 8–9. Factually, we agree with Petitioner that *Ginter* discloses I/O controller 660 “moving data bit-from-bit from the receiver to the storage device.” We are unpersuaded, however, that this is sufficient to constitute the required processing of data from the receiver. While Petitioner does cite a portion of Dr. Kesan’s testimony in support of that position (Ex. 1021, 156:22–157:3), Dr. Kesan’s later testimony does not support that assertion, as follows:

Q. Okay. Let’s go back, then, to claim 1. If a processing circuitry performs moving data from the receiver bit by bit to the built-in storage device, does it at least satisfy claim 1, element processing circuitry?

A. No, it doesn’t. And that’s what I was indicating, that a person of ordinary skill in the art would understand here, that claim 1 recites the microprocessor and then it separately recites another circuit element processing circuitry. And that processing circuitry processes the received audio or video data and should be capable of doing a whole variety of kinds of processing and data manipulation to the received audio or video data.

Ex. 1021, 161:5–20.¹⁵ Moreover, we are unpersuaded that “moving data bit-from-bit from the receiver to the storage device” is not subsumed within the

¹⁵ The factual underpinnings of Mr. Wechselberger’s cited testimony specific to this issue relies on Dr. Kesan’s testimony. Ex. 1022 ¶ 56 (“Even

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function of “stor[ing] the processed data in the storage device of the memory circuitry,” which is separate from the processing function at issue. Indeed, in construing “microprocessor” and “processing circuitry,” Petitioner indicates, “the data is processed by the microprocessor and not the microcontroller. Instead, the microcontroller would appear to a POSITA to be used solely to offload control functions from the microprocessor.” Pet. Supp. 5 (citing Ex. 1001, Fig. 7; Ex. 1022 ¶ 21). This is inconsistent with an assertion that I/O controller 660 of Ginter performs data processing functions, at least without further explanation as to how I/O controller 660 differs from microcontroller 31 of the ’437 patent, which Petitioner did not provide.

For these reasons, we are unpersuaded that Petitioner has met its burden of showing that Ginter discloses “processing circuitry,” as recited in independent claim 1. Accordingly, we are unpersuaded that Petitioner has met its burden of showing, by a preponderance of the evidence, that Ginter anticipates independent claim 1, or claims 9, 10, and 13–16, each of which depend ultimately from independent claim 1.

*D. Claims 1, 9, 10, and 13–16 as Obvious Over
Ginter and Stefik*

Petitioner asserts that a combination of Ginter and Stefik renders obvious claims 1, 9, 10, and 13–16. Pet. 54–67 (citing Exs. 1002–1004). Patent Owner disagrees. PO Supp. 1 (referring to Prelim. Resp. 20–24, 45–

apart from the text of the Ginter specification, a POSITA would understand that the Fig. 8 ‘I/O controller 660 processes data received by a receiver,’ under Dr. Kesan’s testimony that that ‘processing data’ is met simply by moving received data to storage.”). It is unpersuasive for the same reason.

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51 (citing Exs. 1002–1004, 2001, 2003) and Dec. 22–26). In particular, Patent Owner asserts that Petitioner does not account adequately for the “processing circuitry” and the “microprocessor” recited in independent claim 1, and also that the ASIC chip of processing means 1200 of *Stefik* cannot correspond to the recited “microprocessor.” We agree with Patent Owner.

Petitioner asserts that the following disclosures in *Stefik* account for the recited “processing circuitry”:

Stefik teaches that the hardware of a repository includes “processing means 1200 . . . comprised of a processor element 1201 and processor memory 1202.” Ex. 1003 at 14:13–15. “The processing means 1201 provides controller, repository transaction and usage rights transaction functions for the repository.” *Id.* at 14:15–17. *Stefik* explicitly teaches that “repositories are used to store digital works.” *Id.* at 6:57–58. Claim 1 of *Stefik* includes the element of a “storage means for storing digital works having attached usage rights and fees.” *Id.* at 54:5–6. Moreover, Claim 8 of *Stefik* also recites the step of “storing said digital work and said attached one or more usage rights in a server repository.” *Id.* at 55:25–26. A person of ordinary skill in the art would understand that repository transactions include processing and storing digital data. Ex. 1004 at ¶ 216.

Pet. 55–56.

Petitioner further asserts that the following disclosures in *Stefik* account for the recited “microprocessor”:

As discussed above, *Stefik* teaches that the hardware of a repository may comprise a processing means. Ex. 1003 at 14:13–15. *Stefik* teaches that the functional component of a repository “is typically software executing on the hardware embodiment.” *Id.* at 14:1–3. This functional software “may be embedded in the hardware embodiment such as an Application Specific Integrated Circuit (ASIC) chip.” *Id.* at 14:3–6. A person of ordinary skill

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in the art would know that an ASIC chip is a microprocessor. Ex. 1004 at ¶ 223. The functional embodiment comprises “an operating system 1301, core repository services 1302, usage transaction handlers 1303, repository specific functions, 1304 and a user interface 1305.” Ex. 1003 at 14:53–55. *Stefik* further teaches that the operating system “provide[s] the basic services for controlling and interfacing between the basic components of the repository.” *Id.* at 14:59-61. As discussed above, the basic components of the repository include processing circuitry and playback circuitry. *See supra* at VI.C.1.d, VI.C.1.f. Therefore, *Stefik* discloses software to control the processing circuitry and playback circuitry.

Pet. 58–59.

Patent Owner asserts that Petitioner impermissibly maps two distinct claim terms, “processing circuitry” and “microprocessor,” to the same processing means 1200 of *Stefik*. We agree. *See Unique Concepts, Inc. v. Brown*, 939 F.2d 1558, 1563 (Fed. Cir. 1991) (two distinct claim elements should each be given full effect). Indeed, to determine otherwise would impermissibly read one of “processing circuitry” and “microprocessor” out of the claim. *See Tex. Instruments Inc. v. U. S. Int’l Trade Comm’n*, 988 F.2d 1165, 1171 (Fed. Cir. 1993) (explaining that claim language cannot be mere surplusage, an express limitation cannot be read out of the claim). Mapping both claim terms to processing means 1200 of *Stefik* is especially problematic for the “microprocessor” limitation, which reads, in context, “a *microprocessor* having software programming to control the operation of the *processing circuitry*” (Claim 1 (emphasis added)).

In making our determination, we acknowledge that it is perhaps plausible that Petitioner is mapping “processing circuitry” and “microprocessor” to processing means 1200 and processor element 1201, respectively, where processor element 1201 is a component of processing

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means 1200. We are unpersuaded, however, that Petitioner has articulated that mapping with sufficient particularity in the aforementioned portions of the Petition. *See* 35 U.S.C. § 312(a)(2) (“A petition filed under section 311 may be considered only if . . . the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim . . .”). Moreover, as each of “processing circuitry” and “microprocessor” are recited as performing functions, if anything, it would appear that both “processing circuitry” and “microprocessor” should be mapped to processor element 1201, which would still be deficient for the reasons set forth above concerning processing means 1200.

Patent Owner also asserts that Petitioner maps the ASIC chip of processing means 1200, which appears to be the same as processor element 1201, of Stefik to the recited “microprocessor,” but that an ASIC chip cannot correspond properly to a “microprocessor.” We agree. Patent Owner cites to a link to a webpage which defines ASIC as follows:

(Application Specific Integrated Circuit) Pronounced “a-sick.” A chip that is custom designed for a specific application rather than a general-purpose chip such as a microprocessor. The use of ASICs improve performance over general-purpose CPUs, because ASICs are “hardwired” to do a specific job and do not incur the overhead of fetching and interpreting stored instructions.

Ex. 2003; *see also Dictionary.com Unabridged*, Random House, Inc. <http://www.dictionary.com/browse/microprocessor> (accessed: June 12, 2017) (Ex. 3001) (microprocessor is “an integrated circuit that performs all the functions of a CPU”). Based on the above, we find that an ASIC is not a microprocessor. Against this objective evidence, Petitioner only provides a

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citation to paragraph 223 of Mr. Wechselberger’s Declaration, and the relevant portion of that paragraph merely repeats the same line in the Petition, “[a] person of ordinary skill in the art would know that an ASIC chip is a microprocessor,” without further relevant explanation or analysis.

For these reasons, we are unpersuaded that Petitioner has met its burden of showing that a combination of Ginter and Stefik accounts for both “microprocessor” and “processing circuitry,” as recited in independent claim 1. Accordingly, we are unpersuaded that Petitioner has met its burden of showing, by a preponderance of the evidence, that a combination of Ginter and Stefik renders obvious independent claim 1, or claims 9, 10, and 13–16, each of which depend ultimately from independent claim 1.

E. Conclusion

Petitioner has met its burden of (1) demonstrating that the ’437 patent is covered business method patent eligible for review, and (2) showing, by a preponderance of the evidence claims 1, 9, 10, and 13–16 of the ’437 patent are unpatentable under 35 U.S.C. § 101. Petitioner has not, however, met its burden of showing that claims 1, 9, 10, and 13–16 are either (1) anticipated by Ginter or (2) obvious in view of Ginter and Stefik.

III. ORDER

After due consideration of the record before us, and for the foregoing reasons, it is:

ORDERED that claims 1, 9, 10, and 13–16 of the ’437 patent are held unpatentable; and

FURTHER ORDERED that, because this is a Final Written Decision, parties to the proceeding seeking judicial review of the Decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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