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Covered Business Method Review of the '854 Patent

In a recent patent infringement action before the Patent Trial and Appeal Board (PTAB), Hulu, LLC; Netflix, Inc.; Spotify USA Inc.; and Vimeo, LLC petitioned for Covered Business Method review of US Patent No. 7,269,854 (the '854 patent) titled "Transaction System for Transporting Media Files from Content Provider Sources to Home Entertainment Devices." [*Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147, at *2 (November 30, 2015).] The PTAB held the '854 patent's claims are not directed to a non-patent-eligible judicial exception, and denied review regarding the patent subject-matter eligibility of the '854 patent's claims.

Summary of the Claims at Issue

Claim 1 of the '854 patent, is illustrative of the claims at issue:

1. A system for executing user transaction requests for delivering digital media files *via* the Internet for driving a user site television set and/or audio equipment, said system comprising:

- a plurality of user sites, each user site including a player/receiver, a television set and/or audio equipment, and a connectivity device for connecting said player/receiver to the Internet;
- a plurality of provider sites, each provider site including a media server comprising a media file storage device and a media file encryptor, and a connectivity

device for connecting said provider site media server to the Internet;

- a transaction server and a connectivity device for connecting said transaction server to the Internet;
- each said player/receiver including a user interface for sending a media file request via the Internet to said transaction server requesting delivery of an identified media file;
- said transaction server being responsive to a received media file request for sending an authorization to the provider site storing the requested media file authorizing delivery of the requested media file from said provider site to the requesting player/receiver directly *via* the Internet;
- said authorized provider site being responsive to said transaction server authorization for uniquely encrypting the identified media file and for downloading the encrypted media file directly *via* the Internet to said requesting player/receiver;
- each said player/receiver including a media file decryptor; and wherein
- only said requesting player/receiver decryptor is capable of decrypting said encrypted media file downloaded thereto for playback on the television set and/or audio equipment at the same user site. [*Id.* at *4-5.]

Media Content Transportation Patent Survives *Alice* Challenge

The PTAB determined the claims are markedly different from

the claims at issue in *Alice* and *Ultramercial*, and held the claims are not directed to a patent-ineligible judicial exception. [*Id.* at *13 (stating "the claims do not involve mathematical algorithms, fundamental economic or conventional business practices" and that "[t]he claims do more than simply instruct the practitioner to implement an abstract idea on the Internet").] In support of its conclusion, the PTAB referred to *DDR Holdings, LLC v. Hotels.com, L.P.* [773 F.3d 1245 (Fed. Cir. 2014)] and stated the claims at issue, like the claims in *DDR*, are rooted in specific computer technology. [*Id.* at *13-14 ("[L]ike the claims in *DDR*, [the claims of the '854 patent] are 'rooted' in non-abstract computer network technology. ... [T]he '854 patent describes a media server... and a transaction server... that are not 'generic computers.'").]

Based on the above, the PTAB also concluded the risk of preemption due to the claims of the '854 patent is minimized by the technical limitations of the claims. [*Id.* at *14.] Moreover, based on the technicality of the claims, the PTAB also concluded the '854 patent's claims satisfy the second prong of the *Alice* framework, regardless of how the abstract idea is characterized. [*Id.*]

Takeaways

Tribunals are finding claims to be patent-subject matter eligible when the claims have significant technical and structural limitations. Claims focused on subject matter that did not exist pre-Internet/computer are likely to be held subject-matter eligible. Conversely, computer-implemented claims (regardless of their length or detail) that merely implement business processes and incorporate pre-Internet/computer practices within the computer context will undoubtedly be held subject-matter ineligible.

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