

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

CONTENTGUARD HOLDINGS, INC.,
Patent Owner.

Case IPR2015-00445
Patent 7,523,072 B2

Before MICHAEL R. ZECHER, JENNIFER S. BISK, and
KERRY BEGLEY, *Administrative Patent Judges*.

BISK, *Administrative Patent Judge*.

DECISION

Denying Institution of *Inter Partes* Review
35 U.S.C. § 314(a) and 37 C.F.R. § 42.108

INTRODUCTION

A. Background

Petitioner, Apple Inc., filed a Petition requesting an *inter partes* review of claims 1, 8, 10, 16, 18, and 24 (the “challenged claims”) of U.S. Patent No. 7,523,072 B2 (Ex. 1003, “the ’072 patent”). Paper 1 (“Pet.”). Patent Owner, ContentGuard Holdings, Inc., filed a Preliminary Response. Paper 8 (“Prelim. Resp.”).

We have authority to determine whether to institute an *inter partes* review. 35 U.S.C. § 314(b); 37 C.F.R. § 42.4(a). Pursuant to 35 U.S.C. § 314(a), an *inter partes* review may not be instituted unless “the information presented in the petition . . . and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”

For the reasons that follow, we deny the Petition.

B. Related Matters

The parties indicate that the ’072 patent is the subject of several proceedings in various United States district courts. Pet. 2; Paper 7, 3.

Petitioner filed two other petitions seeking *inter partes* review of the ’072 patent—IPR2015-00443 and IPR2015-00444. In addition, another party filed a petition seeking *inter partes* review of the ’072 patent, which resulted in a final decision that the petitioner in that case had not demonstrated by a preponderance of evidence that claims 1–25 of the ’072 patent are unpatentable. *ZTE Corp. v. ContentGuard Holdings, Inc.*, Case No. IPR2013-00133, 2014 WL 3052687 (PTAB July 1, 2014) (Paper 61) (“ZTE Final Dec.”).

Petitioner also filed petitions in IPR2015-00351–358, 399, 400, 440–444, and 446–458, challenging related U.S. Patent Nos. 6,963,859; 7,225,160; 7,269,576; 7,774,280; 8,001,053; 8,370,956; 8,393,007; and 8,583,556.

C. The Asserted Ground of Unpatentability

Petitioner contends that claims 1, 8, 10, 16, 18, and 24 of the '072 patent are unpatentable under 35 U.S.C. § 103 based on the combination of U.S. Patent No. 5,557,518 (Ex. 1020, “Rosen”) and EP0567 800 A1 (Ex. 1021, “Hartrick”). Petitioner also provides a declaration from Dr. Alan Sherman. Ex. 1013 (“Sherman Declaration”).

D. The '072 Patent

The '072 patent relates to controlling the distribution and use of digitally encoded audio, video, text, or multimedia works. Ex. 1003, 4:7–8, 6:3–7. According to the '072 patent, an issue facing the publishing and information industries is how to prevent the unauthorized and unaccounted distribution or usage of such electronically published materials. *Id.* at 1:32–35. In particular, a major concern is the ease with which electronically published works can be “perfectly” reproduced and distributed over the Internet. *Id.* at 1:45–46. One way to curb unaccounted distribution is to prevent unauthorized copying and transmission. *Id.* at 1:64–65. Another way is to distribute software with the digital works that requires a purchasable “key” to enable its use. *Id.* at 2:14–15.

Because these available distribution and protection schemes may sacrifice the potential for subsequent revenue bearing uses, the '072 patent describes the need for a system with: (1) flexibility in how the owner of a digital work may allow it to be distributed, and (2) a means for billing that is always transported with

the work. *Id.* at 3:8–10, 3:15–17; 4:1–3. To achieve these objectives, the '072 patent discloses permanently attaching usage rights to digital works and placing the works in repositories that enforce these usage rights. *Id.* at 4:26–27, 6:16–26.

E. Illustrative Claim

Claims 1, 10, and 18 of the '072 patent are independent. Claim 1 is illustrative of the challenged claims and recites:

1. A method for securely rendering digital documents, comprising:
retrieving, by a document platform, a digital document and at least one usage right associated with the digital document from a document repository, the at least one usage right specifying a manner of use indicating the manner in which the digital document can be rendered;
storing the digital document and the at least one usage right in separate files in the document platform;
determining, by the document platform, whether the digital document may be rendered based on the at least one usage right; and
if the at least one usage right allows the digital document to be rendered on the document platform, rendering the digital document by the document platform.

Ex. 1003, 52:8–22.

ANALYSIS

A. Procedural Defects

As a threshold matter, we note that the Petition has several significant procedural defects. For instance, a petition for *inter partes* review must “identif[y], 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.” 35 U.S.C. § 312(a)(3). According to

37 C.F.R. § 42.104(b)(4), a petition for *inter partes* review “must identify how the construed claim is unpatentable under the statutory grounds on which the petitioner challenges the claims, and must specify where each element of the claim is found in the prior art patents or printed publications relied upon.” 37 C.F.R.

§ 42.104(b)(5) adds that the Petition must “identify[] specific portions of the evidence that support the challenge.” Similarly, 37 C.F.R. § 42.22(a)(2) states that each petition must include “[a] full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence including material facts, and the governing law, rules, and precedent.” The Office Patent Trial Practice Guide suggests that parties requesting *inter partes* review should “avoid submitting a repository of all the information that a judge could possibly consider, and instead focus on concise, well-organized, easy-to-follow arguments supported by readily identifiable evidence of record.” 77 Fed. Reg. 48,756, 48,763 (Aug. 14, 2012).

We agree with the Patent Owner that the Petition fails to satisfy each of these requirements. *See* Prelim. Resp. 4–10. The entire Petition is riddled with vague, nested string citations to broad swaths of the references, the Sherman Declaration, and internal cross-references to whole sections of the Petition. *See, e.g.,* Pet. 52 (discussing the first “element” of claim 1 and citing, *inter alia*, “*See* § IV.A5, B.3, C; Ex. 1020 at 4:4–39, 17:49–60; Ex. 1021 at 16:10–21, 16:26–32, 18:46–19:16; Ex. 1013 at ¶ E53–65, E184” and “*See* § IV.C; Ex. 1020 at 6:12–13; Ex. 1021 at 9:11–14, 5:42–45; Ex. 1013 at ¶ E104–114”). For example, the analysis of what the Petition identifies as the first of seven elements of claim 1 is 10 lines of the Petition, but cites to 24 paragraphs of the Sherman Declaration and at least 12 pages of internal sections of the Petition. Our count does not include the

further internal citations and cross references contained in the cross-cited portions of Petition. The same problem continues for the remaining elements. For example, although the unpatentability analysis of the second element is less than one page in the Petition (*see* Pet. 53), it cites over 25 paragraphs of the Sherman Declaration and 5 other pages of the Petition, which themselves cite to many other paragraphs of the Sherman Declaration and other sections of the Petition. These nested citations to vast portions of the record obscure what exactly Petitioner is relying on as teaching or suggesting these elements. In another example, in its approximately four-page argument that Rosen and Hartrick teach a repository (Pet. 48–50), Petitioner collectively cites to paragraphs E23–25, E38–52, E106, E112, E117–121, E136–145 of the Sherman Declaration, which, in turn, cite to at least paragraphs A62–90, B88, E1–19, E22–26, E28–37, E57–59, E95–103, and E116, corresponding to approximately 40 pages of testimony.

The clarity problems caused by the pervasive use of internal cross-references and nested citations are exacerbated by the way Petitioner has structured the Petition. A brief description of the structure of the Petition will illustrate this problem. The Petition’s unpatentability analysis begins with a general discussion of each reference. Pet. 23–38. Although this section quotes heavily from each reference, it also includes extensive citations to the Sherman Declaration and various characterizations of the references. *See id.* Next, the Petition describes a hypothetical, integrated system that purports to combine Rosen’s “scheme” using Hartrick’s “techniques” (“the hypothetical Rosen-Hartrick System”). *Id.* at 38–44. The Petition then explains that a person of ordinary skill would have recognized that the hypothetical Rosen-Hartrick System would suggest the claim terms “usage rights,” “repositories,” and “digital documents.” *Id.* at 44–51. Finally, the Petition

maps this hypothetical combination system onto the claims. *See Id.* at 51–60. This mapping relies on all the previous summaries and descriptions. *Id.* Thus, the unpatentability analysis relies on the description of the hypothetical operation of a hypothetical implementation of a system relying, in part, on Petitioner’s description and characterization of the disclosed system. The result of all these layers of abstraction is that the final unpatentability analysis is at least two or three levels removed from the actual disclosure of the references. Petitioner’s approach completely blurs the line between the actual teachings, Petitioner’s modifications to the teachings, and Petitioner’s characterizations of those teachings. This approach improperly shifts the burden of deciphering Petitioner’s arguments onto Patent Owner and the Board, which, as we discussed above, is contrary to the statutory and regulatory provisions governing *inter partes* review proceedings, as well as the best practices outlined in the Office Patent Trial Practice Guide.

The lack of clarity in the Petition is further compounded by the improper incorporation by reference of the Sherman Declaration. The Petition is full of conclusory statements that cite to broad swaths of the lengthy Sherman Declaration. Indeed, without referring entirely to the Sherman Declaration many sections of the Petition would be unintelligible. The Petition’s practice of citing multiple pages of the Sherman Declaration to support conclusory statements and, more generally, using the Sherman Declaration to vastly expand its thin analysis and reasoning violates our rules in two respects.

First, this practice amounts to incorporation by reference—which is impermissible under our rules. *See* 37 C.F.R. § 42.6(a)(3) (“Arguments must not be incorporated by reference from one document into another document.”); *Cisco Sys., Inc. v. C-Cation Techs., LLC*, Case IPR2014-00454, slip op. at 7–10 (PTAB

Aug. 29, 2014) (Paper 12) (informative). This incorporation by reference from the 474-page Declaration into the Petition “serves to circumvent the [60-]page limit[] imposed on petitions for *inter partes* review, while imposing on our time by asking us to sift through [hundreds of] pages of [the] Declaration (including numerous pages of claim charts) to locate the specific [relevant] arguments.” *Cisco Sys., Inc.*, IPR2014-00454, at 10 (Paper 12) (informative); *see* 37 C.F.R.

§ 42.24(a)(1)(i). We will not consider arguments and information that are not presented and developed in the Petition, and instead are incorporated by reference to the Sherman Declaration.

Second, the Petition’s consistent citation to voluminous portions of the Sherman Declaration, which generally include additional internal cross-references, runs afoul of the particularity and specificity required of supporting evidence under our governing statute and rules. *See* 35 U.S.C. § 312(a)(3); 37 C.F.R. §§ 42.22(a)(2), 42.104(b)(4)–(5).

Based on the deficiencies addressed above, the Petition fails: (1) to specify sufficiently where the limitations of the challenged claims are taught or suggested by Rosen or Hartrick, and (2) to provide a sufficiently detailed explanation of the significance of the citations to these references and the Sherman Declaration—as required under 35 U.S.C. § 312(a)(3), 37 C.F.R. § 42.22(a)(2), and 37 C.F.R. § 42.104(b)(4)–(5).

B. Defects in the Proffered Obviousness Analysis

Even considering the merits of the Petition, Petitioner’s analysis of the asserted ground of obviousness over Rosen and Hartrick is deficient. As a caveat, we decline to consider any arguments beyond those presented and developed in the Petition. Given this constraint, we determine that the Petition’s obviousness

analysis does not provide sufficient information to enable us to perform a proper *Graham* analysis, is driven by improper hindsight, and lacks sufficient articulated reasons with rational underpinning to support the modifications it proposes.

1. Insufficient Information for Graham Analysis

A patent claim is unpatentable as obvious under 35 U.S.C. § 103(a)¹ if “the differences between” the claimed subject matter and the prior art “are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.” 35 U.S.C. § 103(a); *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The legal conclusion of obviousness is resolved on the basis of underlying factual determinations, including: (1) “the scope and content of the prior art,” (2) “differences between the prior art and the claims at issue,” (3) “the level of ordinary skill in the pertinent art,” and (4) any “secondary considerations,” or objective indicia, of nonobviousness. *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 17–18 (1966). These underlying factual determinations “must be considered by the trier of fact” in an obviousness analysis. *ATD Corp. v. Lydall, Inc.*, 159 F.3d 534, 546 (Fed. Cir. 1998).

Here, as Patent Owner points out, the Petition fails to identify sufficiently the differences between any claim of the ’072 patent and the asserted prior art references, Rosen and Hartrick. *See* Pet. 22–60; Prelim. Resp. 6–7, 41. Rather than address these differences, the Petition creates a hypothetical Rosen-Hartrick

¹ The Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (2011), revised 35 U.S.C. § 103, effective March 16, 2013. Because the ’072 patent was filed before March 16, 2013, our references and citations to § 103 in this decision are to the pre-AIA version.

System—based on how a person of ordinary skill in the art allegedly “would” or “could” combine the two references into an integrated system—in an analysis that is divorced entirely from the language of the ’072 patent claims. *See* Pet. 38–44. The Petition then argues, in conclusory fashion, that this hypothetical system “would” meet each of the limitations of the claims. *See id.* at 51–60. This analysis—which compares the challenged claims to a hypothetical integrated system that allegedly implements elements of both Rosen and Hartrick as well as the knowledge of one of ordinary skill in the art—obscures any comparison of the individual prior art references to the claim limitations. It does not explain with any particularity which claim limitations are absent from Rosen or Hartrick. *See* Prelim. Resp. 6, 41. Therefore, the Petition fails to provide sufficient information regarding its proffered ground of unpatentability.

Accordingly, we determine that the Petition does not show a reasonable likelihood that Petitioner would prevail in showing that the challenged claims would have been obvious over Rosen and Hartrick. *See Apple Inc. v. SmartFlash LLC*, Case CBM2015-00029, slip op. at 16–18 (PTAB May 28, 2015) (Paper 11) (denying institution of an asserted obviousness ground based on Petitioner’s failure to explain adequately any differences between the asserted prior art and the claimed invention); *Liberty Mut. Ins. Co. v. Progressive Casualty Ins. Co.*, Case CBM2012-00003, slip op. at 3 (PTAB Oct. 25, 2012) (Paper 7) (representative) (“A petitioner who does not state the differences between a challenged claim and the prior art, and relies instead on the Patent Owner and the Board to determine those differences . . . risks having the corresponding ground of obviousness not included for trial for failing to adequately state a claim for relief.”).

2. *Lack of Rationale to Combine and Improper Hindsight*

“[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.” *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006). The reason for this is that “[w]hile the Supreme Court made clear that a mechanical application of the teaching-suggestion-motivation test, requiring an explicit teaching in the prior art, is inappropriate, ‘[w]e must still be careful not to allow hindsight reconstruction of references to reach the claimed invention without any explanation as to how or why the references would be combined to produce the claimed invention.’” *Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1343, 1368 (Fed. Cir. 2012) (quoting *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1374 n.3 (Fed. Cir. 2008)); *see also KSR*, 550 U.S. at 421 (“A factfinder should be aware, of course, of the distortion caused by hindsight bias and must be cautious of arguments reliant upon *ex post* reasoning.”); *Graham*, 383 U.S. at 36 (warning against a “temptation to read into the prior art the teachings of the invention in issue” and instructing courts to “‘guard against slipping into use of hindsight’” (citation omitted)). Thus, “[c]are must be taken to avoid hindsight reconstruction by using ‘the patent in suit as a guide through the maze of prior art references, combining the right references in the right way so as to achieve the result of the claims in suit.’” *Grain Processing Corp. v. Am.–Maize Prods. Co.*, 840 F.2d 902, 907 (Fed. Cir. 1988) (quoting *Orthopedic Equip. Co. v. United States*, 702 F.2d 1005, 1012 (Fed. Cir. 1983)).

As discussed above, Petitioner proposes the hypothetical Rosen-Hartrick System, which Petitioner then reads onto the claims of the '072 patent. Pet. 38–60.

Petitioner appears to suggest making four primary changes to Rosen to achieve this hypothetical implementation. *Id.* at 38–44. Although Petitioner provides some rationale and basis for at least one of these proposed modifications, the third modification is justified only as being “an inconsequential variation” of the disclosed process. *Id.* at 43. Specifically, the Petition states that “a person of skill would have adjusted Rosen’s cryptographic protocols to accommodate any particular implementation that was desired,” without a sufficient explanation of why a person of skill would desire the modification proposed—configuring Rosen’s “purchase protocol such that the MTA initiated the Establish Session protocol by sending the CTA its digital certificate.” *Id.* (citing Ex. 1013 (Sherman Declaration) ¶¶ 122, 123 (largely restating, word for word, the statements of the brief)).

Moreover, although Petitioner frames the hypothetical Rosen-Hartrick System as created by four primary modifications, each of these modifications include what appear to be additional modifications that are supported with only the most threadbare reasoning. For example, in the first modification Petitioner proposes, i.e., storing security and royalty markup statements of Hartrick in the “Usage” field of Rosen (Pet. 39), Petitioner asserts that a person of ordinary skill also “would have considered it an obvious implementation choice to have the security tags [of Hartrick] . . . grant affirmative rights—e.g., a ‘Display’ tag (instead of ‘Do Not Copy’), or a ‘Print’ tag and ‘Display’ tag (instead of ‘Do Not Distribute’)” (Pet. 40). Further, a person of ordinary skill would have recognized that Hartrick could be applied beyond the context of softcopy books and “the person would simply modify the tags accordingly to reflect the actions associated with other types of content.” *Id.* at 41. Beyond explaining that each of these many

changes to Hartrick (made in the process of modifying Rosen) would be a routine change, Petitioner does not provide an adequate rationale as to why a person of ordinary skill would actually make such changes.

Similarly deficient are the modifications contained in the following section of the Petition—“Rosen in View of Hartrick Suggest a System Using ‘Usage Rights,’ ‘Trusted’ ‘Repositories’ and ‘Digital Documents.’” Pet. 44–51. To begin with, it is unclear whether the alterations described here are additional changes over and above the changes described in the previous section—“A Person of Ordinary Skill Would Have Found It Obvious to Implement Rosen’s Scheme Using Hartrick’s Techniques”—or if they are simply the same modifications of the previous section described in more detail. In fact, it is unclear what, precisely, are the modifications that need to be made to Rosen and/or Hartrick to result in the hypothetical Rosen-Hartrick system.

For example, the subsection “Rosen in View of Hartrick Suggests Use of Repositories” begins with the following:

All of the challenged claims recite a “recipient computing device” or a “recipient apparatus” that is trusted and enforces usage rights. This means the recipient device or apparatus is a “repository”

Pet. 47. These sentences appear to have made their way into this Petition by accident. *None* of the challenged claims use the term “recipient computing device” or “recipient apparatus.” Further, neither Rosen nor Hartrick discusses recipient devices. Thus, it is unclear whether a recipient apparatus is a new element created by some combination of Rosen or Hartrick or, alternatively, if it is simply an error that should be ignored. The language that follows this in the Petition appears to use Rosen’s transaction device and Rosen’s trusted agent interchangeably as representing the claimed repository. *Id.* at 47–49. For example, the Petition

explains that a *trusted agent* is a physically secure module of a transaction device and, thus, “each *transaction device* in a combined Rosen/Hartrick scheme would have physical integrity.” *Id.* at 48 (emphasis added). Rosen, however, describes trusted agents and trusted devices as distinct devices. Ex. 1020, 2:50, 7:65–8:3, Fig. 3 (describing the components of transaction device 122, which includes host processor 124, trusted agent 120, and money module 6 connected by bus 126). Petitioner, thus, never explains clearly what modifications, if any, should be made to Rosen in order to suggest the claimed repositories.

Even assuming the modifications described by the Petition can be understood adequately, the Petition lacks adequate reasoning, with rational underpinning, to show sufficiently that a person of ordinary skill would have had reason to combine the teachings of Rosen and Hartrick and the knowledge in the art to reach the hypothetical Rosen-Hartrick System, which the Petition alleges would account for each feature of the challenged claims. In other words, we are not persuaded that the Petition sufficiently explains why a person of ordinary skill would simultaneously make all of the many particular proposed changes and implementation choices to combine Rosen and Hartrick. We see no difference between conclusory statements that each of these modifications is a “design choice” and stating that these changes are “common sense,” which, without more, is insufficient to support an obviousness analysis. *See Mintz v. Dietz & Watson*, 679 F.3d 1372, 1377 (Fed. Cir. 2012) (“The mere recitation of the words ‘common sense’ without any support adds nothing to the obviousness equation.”). Moreover, the mere fact that individual changes might have been obvious does not make doing all of the changes at once obvious. *See In re Irani*, 427 F.2d 806, 809

(CCPA 1970) (“Obviousness, however, must not be judged by hindsight, and a ‘little modification’ can be a most unobvious one.”).

Rather, given the extent of the proposed modifications as well as the thin reasoning proffered for each modification, we conclude that the Petition improperly uses the challenged claims of the ’072 patent as a guide in constructing a system loosely based on Rosen and Hartrick that resembles the claimed invention. *See Plantronics v. Aliph, Inc.*, 724 F.3d 1343, 1355 (Fed. Cir. 2013) (“Where, as here, the necessary reasoning is absent, we cannot simply assume that ‘an ordinary artisan would be awakened to modify prior art in such a way as to lead to an obviousness rejection.’ It is in such circumstances, moreover, that it is especially important to guard against the dangers of hindsight bias.” (citation omitted)); *see also W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1552 (Fed. Cir. 1983) (“The result is that the claims were used as a frame, and individual, naked parts of separate prior art references were employed as a mosaic to recreate a facsimile of the claimed invention. At no point did the district court, nor does Garlock, explain why that mosaic would have been obvious to one skilled in the art”). This analysis infected with impermissible hindsight cannot form the basis of an obviousness finding. *See KSR*, 550 U.S. at 421 (“A factfinder should be aware, of course, of the distortion caused by hindsight bias and must be cautious of arguments reliant upon *ex post* reasoning.”); *Graham*, 383 U.S. at 36 (warning against a “temptation to read into the prior art the teachings of the invention in issue” and instructing courts to “‘guard against slipping into use of hindsight’” (citation omitted)).

In sum, we are not persuaded that the Petition shows sufficiently why one of ordinary skill in the art—without improper hindsight—would have combined

Rosen and Hartrick to account for all the features of the challenged claims. Therefore, we determine that the Petition does not establish a reasonable likelihood that Petitioner would prevail in showing that any of the challenged claims would have been obvious over Rosen and Hartrick.

CONCLUSION

For all the reasons discussed above, we determine that the Petition fails to show there is a reasonable likelihood that Petitioner would prevail with respect to at least one of the claims challenged in the Petition. *See* 35 U.S.C. § 314(a); 37 C.F.R. § 42.8(b)(2).

ORDER

Accordingly, it is

ORDERED that pursuant to 35 U.S.C. § 314 (a), the Petition is *denied*.

Case IPR2015-00445
Patent 7,523,072 B2

PETITIONER:

Jeffrey Kushan
Michael Franzinger
SIDLEY AUSTIN LLP
IPRNotices@sidley.com

PATENT OWNER:

Nicholas T. Peters
Timothy P. Maloney
FITCH EVEN TABIN & FLANNERY LLP
ntpete@fitcheven.com
tpmalo@fitcheven.com

Robert A. Cote
McKOOL SMITH, P.C.
rcote@mckoolsmith.com