

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

DISNEY MEDIA & ENTERTAINMENT DISTRIBUTION LLC,
Petitioner

v.

DIGITAL MEDIA TECHNOLOGY HOLDINGS, LLC,
Patent Owner.

Case No. IPR2024-00736
U.S. Patent No. 7,574,725

**PETITIONER'S REPLY TO
PATENT OWNER'S RESPONSE**

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LIST OF EXHIBITS¹

Ex-1001	U.S. Patent No. 7,574,725 (“the ’725 Patent”)
Ex-1002	Declaration of Dr. Henry H. Houh
Ex-1003	Curriculum Vitae of Dr. Henry H. Houh
Ex-1004	Prosecution History of U.S. Patent No. 7,574,725 (App. No. 09/840,283)
Ex-1005	U.S. Patent No. 5,530,754 (“Garfinkle”)
Ex-1006	U.S. Patent No. 5,909,638 (“Allen”)
Ex-1007	Michael Kosten, <i>Digital Distribution: A Coming Attraction</i> , 102 Film Journal International 52 (Sept. 1999)
Ex-1008	U.S. Patent No. 5,521,631 (“Budow”)
Ex-1009	Thomas Kim Hixson, <i>The Effects of Movie Trailers as an Advertising Medium on Moviegoers’ Expected Gratifications</i> , Southern Illinois University (Feb. 17, 2000)
Ex-1010	Hal Stern, <i>Managing NFS and NIS</i> (1991)
Ex-1011	Robert Sklar & David A. Cook, <i>History of Film</i> , Encyclopedia Britannica (last updated Jan. 8, 2024), https://www.britannica.com/art/history-of-the-motion-picture
Ex-1012	Paul McFedries et al., <i>Microsoft Office 97 Unleashed</i> , SAMS Publishing (2d Ed. 1996)
Ex-1013	Lisa Devereux Kernan, <i>A Cinema of (Coming) Attractions: American Movie Trailer Rhetoric</i> , University of California, Los Angeles (2000)
Ex-1014	Declaration of June Munford
Ex-1015	ITU-T Recommendation H.262; ISO/IEC 13818-2
Ex-1016	“ARPANET – The First Internet,” LIVINGINTERNET.COM, https://www.livinginternet.com/i/ii_arpanet.htm (last visited Mar. 18, 2024)
Ex-1017	U.S. District Courts–Combined Civil and Criminal Federal Court Management Statistics (Dec. 31, 2023), available at: https://www.uscourts.gov/statistics-reports/federal-court-management-statistics-december-2023
Ex-1018	<i>Growing Vulnerability of the Public Switched Networks:</i>

¹ Four-digit pin citations that begin with 0 are the page stamps added by Petitioner in the bottom right corner of the exhibits. All other pin citations are to original page, column, paragraph, or line numbers.

	<i>Implications for National Security Emergency Preparedness</i> , National Research Council (1989)
Ex-1019	First Amended Complaint, <i>Digital Media Technology Holdings, LLC v. Disney Media & Entertainment Distribution LLC</i> , No. 2:22-cv-1642-CJB (D. Del. Sept. 8, 2023)
Ex-1020	Joint Claim Construction Chart, <i>Digital Media Technology Holdings, LLC v. Disney Media & Entertainment Distribution LLC</i> , No. 2:22cv-1642-CJB, D.I. 52 (D. Del. May 22, 2024)
Ex-1021	Matt Cheplic, <i>Celluloid-Less Heroes</i> , Millimeter (Jan. 1999)
Ex-1022	Supplemental Declaration of Dr. Henry H. Houh
Ex-1023	Deposition Transcript of John Daniels
Ex-1024	Robert Jablon, <i>Star Wars goes digital in first commercial test of new cinema technology</i> , Assoc. Press (June 18, 1999)
Ex-1025	Ken Yamada, <i>PAC Bell Casts Big Role for 'Cinema of Future,'</i> Comput. Reseller News (Jan. 23, 1995)
Ex-1026	Alex Ben Block & Kirk Honeycutt, <i>Exhibs Now Able to Take 'Longer View' of Business: Rides, Coffee Bars, Arcades in Theaters' Future</i> , Hollywood Reporter (Mar. 10, 1995)
Ex-1027	Deposition Transcript of Nick Stiliadis
Ex-1028	Deposition Transcript of Harris Tulchin
Ex-1029	Updated Curriculum Vitae of Dr. Henry H. Houh

I. INTRODUCTION

At the outset, PO mischaracterizes the '725 Patent as being “of a different genre from the technology” of the prior art. Paper 18 (“POR”) at 1. However, PO’s Response depends on viewing the '725 Patent not from the perspective of a POSITA, but instead from the narrow view of someone focused only on the movie industry. PO then construes the limitations in a narrow manner wholly unsupported in the intrinsic record. However, there is no light between the prior art and the '725 Patent. The '725 Patent merely claims a file distribution mechanism that may have applicability to (but is not limited to) the movie industry, the teachings of which were well known in the art. PO’s criticisms of the prior art ignore the level of skill in the art by 2000 and, instead, depend almost entirely on unsupported constructions, narrow views of the prior art, and purported business applications. None of PO’s arguments have merit.

II. LEVEL OF ORDINARY SKILL IN THE ART

In its Response, PO claims it is applying a level of skill that is “substantially the same as that previously adopted by the Board.” POR at 11; Paper 15 (“DI”) at 9. However, there appears to be a dispute regarding the level of skill because PO repeatedly strays from its proposal, instead viewing the prior art and '725 Patent “as understood in the entertainment field,” “field of film distribution,” “film industry,” “multimedia film business,” or the “film business.” *See* POR at 52-54, 18, 20-21.

PO appears to argue, in fact, for the level of skill it proposed in its Preliminary Response, which the Board rejected for failing to account for the technical aspects of the patent. DI at 8-9 (quoting Paper 8 ("POPR") at 13; Ex-1001, 1:20-25).

PO's arguments hinge on constructions of numerous claim terms as understood from this narrow perspective. *See* POR at 53, 19, 28-29, 54, 58-59. Indeed, PO's only "technical" expert does not offer any proposed constructions for these terms. Ex-1023, 11:13-12:8. PO instead relies on the biased testimony of the inventor's personal entertainment lawyer to construe these technical claim terms. *See, e.g.*, Ex-1028 at 5:24-25, 7:18-9:6, 11:19-14:3 ("Q: Can you estimate how much you were compensated over the 20-or-so period during which you represented Mr. Stiliadis? A: Hundreds of thousands of dollars."), 20:13-18, 25:18-26:4, 27:23-28:5, 41:20-24, 43:20-24 ("I have no technical knowledge...."), 47:21-24, 50:5-8 ("I don't know about the technical. I'm talking about business terms...."). PO's analysis thus applies a much narrower level of skill from the one it purports to adopt, and many of the errors discussed below stem from applying this erroneous level of skill.

III. CLAIM CONSTRUCTION

Despite the Board's direction that "[f]uture briefing should contain detailed support...for any claim construction proposed," DI at 12 n.2, PO presents six terms for construction without any meaningful analysis or supporting intrinsic evidence. POR at 10.

The Board preliminarily found that PO's proposals for the terms "distribution"/"distributing" and "exhibition"/"exhibiting"—which are substantively similar to PO's constructions of "distribution" and "exhibition" presented in its Response—were unsupported. DI at 10-13; POPR at 9-10. PO similarly fails to identify any intrinsic or extrinsic support in its "Claim Construction" section. Instead, PO scatters some tangential discussions of these terms throughout its Response and declarations of Mr. Daniels and Mr. Tulchin.² See POR at 10; Ex-2121; Ex-2131.

Petitioner does not believe that any term requires explicit construction to resolve the grounds presented herein, and PO's proposed constructions should not be adopted for at least the reasons presented below.

A. "Marketing"

"Marketing" should not be limited to "actions taken to interest individuals in *seeing a film*." Claim 1's preamble discloses, "[a] method of marketing and distributing *multimedia*," which includes "film, video, graphics and audio, and analogues [sic] traditional media." Ex-1001, 16:19-20, 1:20-25, Abstract. PO's

² To the extent that PO relies on Mr. Daniels's or Mr. Tulchin's declaration to support its constructions (and it is not clear that they do so), neither Mr. Daniels's nor Mr. Tulchin's opinions on these terms satisfy the *Phillips* standard because neither is a POSITA under PO's proposed level of skill. See *supra* §II; *Phillips*, 415 F.3d at 1313. Thus, the Board should not credit PO's extrinsic evidence purporting to construe the terms.

narrow construction of “marketing” excludes numerous categories of multimedia disclosed in the specification. *Id.*, 2:48-51.

PO also advances an even narrower construction of “marketing” as “promotional activities which have as their object the generation of sales,” which is also misguided. POR at 40-41, 60. While movie ticket “sales” may be one object of the claims, it is not the only reason to conduct marketing. Claim 1’s purchasers are “exhibitors,” and the specification describes several “exhibitors,” which may not sell tickets to see a movie, yet may still market it. Ex-1001, 4:20-27, 12:38-44, 16:58, Fig. 1. For example, the specification discloses the availability of “[o]lder films and ‘B’ movies...to some users, such as schools, libraries, and other non-profit organizations,” who may advertise a free public showing, generating no sales at all. *See id.*, 12:38-41. Thus, “marketing” should be construed—if at all—broad enough to encompass generally creating interest in a public showing or broadcast of some multimedia content. Ex-1022 ¶¶14-15.

B. “Distribution”

“Distribution” should not be limited to “the *business of marketing films* and providing copies to *venues*.” As the Board noted, “distribution” is not a term in the challenged claim. DI at 11. Claim 1’s preamble discloses, “[a] method of marketing and *distributing multimedia*.” Ex-1001, 16:19-20. But PO’s unnecessarily narrow construction of “distribution” again excludes numerous categories of multimedia

disclosed in the specification. *Id.*, 2:48-51, 16:19-20, 1:20-25, Abstract. Further, the '725 Patent is not limited to distributing motion pictures to venues such as movie theaters. The specification acknowledges that its alleged invention is broadly directed to "distribution...to exhibitors and broadcasters." *Id.*, 1:20-25.

PO's construction improperly melds marketing and distribution, which describe separate concepts relating to different claim elements. *See* Paper 11 at 1-2. Claim 1 requires distribution of multimedia and advertising materials from a server to *purchasers*, and then emphasizes that it is the *purchasers* who may "locally market and sell said multimedia." *See* Ex-1001, 16:19-17:2 (emphasis added). PO's attempt to meld these terms improperly blurs the line between these different aspects of the claim. *Bd. of Regents of the Univ. of Tex. Sys. V. BENQ Am. Corp.*, 533 F.3d 1362, 1371 (Fed. Cir. 2008) ("Different claim terms are presumed to have different meanings.").

Finally, as the Board preliminarily found, "the term 'distributing'...encompasses the technical steps required to supply copies to exhibition venues." DI at 11-12 (quoting Ex-1001, 16:29-34). PO's construction fails to account for such technical steps and is, instead, focused only on business issues. Mr. Tulchin conceded this point. Ex-1028, 11:16-18, 22:25-23:5, 28:1-7, 50:5-8 ("I don't know about the technical. I'm talking about business terms...."). Mr. Tulchin's narrow construction, which includes a negative limitation, Ex-2031

¶12 (“[D]istribution’...would not have been understood to refer to file downloading....”), is contradicted by the specification. Ex-1001, 3:17-19 (“The distribution of the multimedia includes downloading digital material from the server system....”). Thus, “distribution” should be construed—if at all—broad enough to encompass the disclosed embodiments, which include the distribution of other types of multimedia to any type of exhibitor contemplated in the specification and the technical steps required for distribution as recited in the claims and specification. The construction should also not be limited to a particular business context and cannot be understood to exclude “downloading.”

C. “Storing”

The recited “storing” should not be limited to “a non-volatile storage element.” Nothing in Claim 1 requires storing for any particular time frame nor distinguishes between volatile and non-volatile memory. Instead, limitation 1[b] recites, “storing...on a computer readable storage medium...in a digital format” by the central server and limitations 1[e]-[f] later recite “storing [the] downloaded correlated information in a digital format” by the exhibitor’s system. Ex-1001, 16:26-28, 16:43-46, 16:55-57, Figs. 1, 9.

Although the ’725 Patent explains that the *central server’s* “computer readable storage media 28” may include “a hard drive with high-speed access and large capacity,” *id.*, 4:42-52, *exhibitors* are described only as “using their own

central processor units 206 and its associated memory” or “appropriate data storage media depending upon the size of the media to be downloaded.” *Id.*, 14:54-15:3, Fig. 9. Notably missing is a specific requirement to use only non-volatile storage. Ex-1022 ¶¶19-20. Thus, “storing” should be construed—if at all—broad enough to encompass appropriate data storage media regardless of whether it is volatile or non-volatile.

D. “Exhibitor”

“Exhibitor” need not be limited only to “one in the exhibition *business*.” Limitation 1[g] recites, “wherein *said purchaser is an exhibitor* exhibiting said multimedia material...in a public theater to a number of individuals in exchange for a paid admission or a broadcast exhibitor.” Ex-1001, 16:58-63 (emphasis added). And Claim 5 recites, “wherein the *exhibition* of multimedia material is the public showing of a motion picture.” *Id.*, 17:14-15. Thus, Claim 1, under the doctrine of claim differentiation, is broader and focused on the *purchaser* being an *exhibitor*, not the exhibition itself.

Moreover, the '725 Patent discloses that “exhibitors” may include “schools, libraries, and other non-profit organizations,” which are not specifically “in the exhibition business.” *Id.*, 4:20-27, 12:38-44, Fig. 1; Ex-1022 ¶¶21-23. Thus, the term “exhibitor” must be construed—if at all—broad enough to cover entities not specifically “in the exhibition *business*.”

Notably, PO's construction appears based entirely on the testimony of Mr. Stiliadis's personal entertainment lawyer, Mr. Tulchin. But when asked about the specific disclosures in the specification, Mr. Tulchin explained that he did not even consider the applicable figures and descriptions. Ex-1028, 37:2-39:2 (conceding he "didn't consider and...didn't really think about" relevant disclosures "in this patent"), 40:2-42:6. And Mr. Stiliadis was even more evasive, with PO's counsel specifically instructing him not to answer these basic questions about his own patent. Ex-1027, 52:17-54:21, 93:1-96:6.

E. "Broadcast Exhibitor"

"Broadcast Exhibitor" should not be limited to "one in the business of over-the-air broadcasting." The term appears only in limitation 1[g]: "said purchaser is...a broadcast exhibitor." Ex-1001, 16:58-63. And the specification does not limit "broadcast exhibitor" to a certain transmission medium nor to a certain business, instead describing "a plurality of exhibitors, including...a television station 18b, a satellite television operator 18c, a cable television operator 18d...." *Id.*, 4:20-23, Fig. 1.

Again, PO's construction appears based entirely on the testimony of Mr. Tulchin. But Mr. Tulchin provided his opinion based only on business issues in the industry, not the applicable figures and descriptions in the specification. *See* Ex-1028, 51:23-53:9, 54:9-56:2. "Broadcast exhibitor" should be construed—if at all—

broad enough to encompass the disclosed embodiments, including various exhibitors that may not conduct “over-the-air” broadcasting (e.g., satellite and cable television operators), and not limited to a particular business context.

F. “Exhibition”

Claim 1 does not include an “exhibition” step, but dependent Claim 5 recites “the exhibition of multimedia is the public showing of a motion picture.” Ex-1001, 17:14-15. Under the doctrine of claim differentiation, broader independent Claim 1 is not so limited. *Id.*, 16:58-63; *see InterDigital Commc’ns, LLC v. Int’l Trade Comm’n*, 690 F.3d 1318, 1324 (Fed. Cir. 2012). And this makes sense because Claim 1’s “broadcast exhibitor” enables both public showings (e.g., in a school or library) and private showings (e.g., in a home or hotel room), whereas Claim 5’s exhibition is specific to a “public showing.” *See* Ex-1001, 16:58-63, 17:14-15, Abstract, 1:20-25, 2:64-65, 3:23-26, 4:20-27, 6:8-10, 15:46-60, 11:64-12:4, 12:38-44, Fig. 1; Ex-1022 ¶26.

G. PO’s Arguments Depend on Its Narrow Constructions and Narrow view of the Art

If the Board rejects PO’s unsupported constructions, many of PO’s arguments fall away. For example, PO argues that neither Garfinkle, Allen, Budow, nor Kosten discloses limitation 1[pre]’s “method of marketing and distributing multimedia” and 1[f]’s “allowing purchasers to locally market and sell,” as PO construes “marketing”

and “distributing.” *See* POR at 1-8, 12-14, 17-21, 23, 25-28, 33-36, 39-41, 48-50, 52-56, 60-61, 64, 67-68. PO’s constructions of these terms lead it to characterize the ’725 Patent as being “of a different genre from the technology” than the prior art, which colors its analysis of every claim limitation. *See id.* If the Board rejects PO’s narrow positions, then PO’s arguments related to “marketing” and “distribution”/“distributing” under limitations 1[pre] and 1[f] and its general characterization of the prior art fail.

Similarly, PO argues that neither Garfinkle, Allen, nor Budow disclose limitation 1[g]’s requirement that “said purchaser is an exhibitor exhibiting said multimedia material...in a public theater...or a broadcast exhibitor” and Claim 5’s requirement that “the exhibition...is the public showing of a motion picture” because PO construes “exhibitor”/“exhibition” and “broadcast exhibitor” in the narrow manner described above. *See* POR at 1-2, 13, 18-19, 22-23, 27-28, 31-33, 45, 49, 58-59, 63-64, 68-69. Further, PO argues that neither Garfinkle, Allen, nor Budow discloses limitation 1[g]’s and Claim 11’s “exhibitors” being “in the exhibition business.” *Id.* at 1, 5, 7-8, 16, 18-20, 27-28, 44-45, 48-49. Finally, PO contends that Allen and Kosten do not disclose storing using non-volatile memory, that Garfinkle does not enable later playback of multimedia, and that Kosten and Allen do not enable storage for later use of advertising. *Id.* at 3, 24, 22-23, 25, 27, 35, 54-55, 63-64. Not only are PO’s arguments about the prior art wrong as a factual matter (as

explained below), but they are also similarly based on PO's erroneously narrow view of the claims. Again, if the Board agrees that these positions are too narrow, then each of PO's arguments fail.

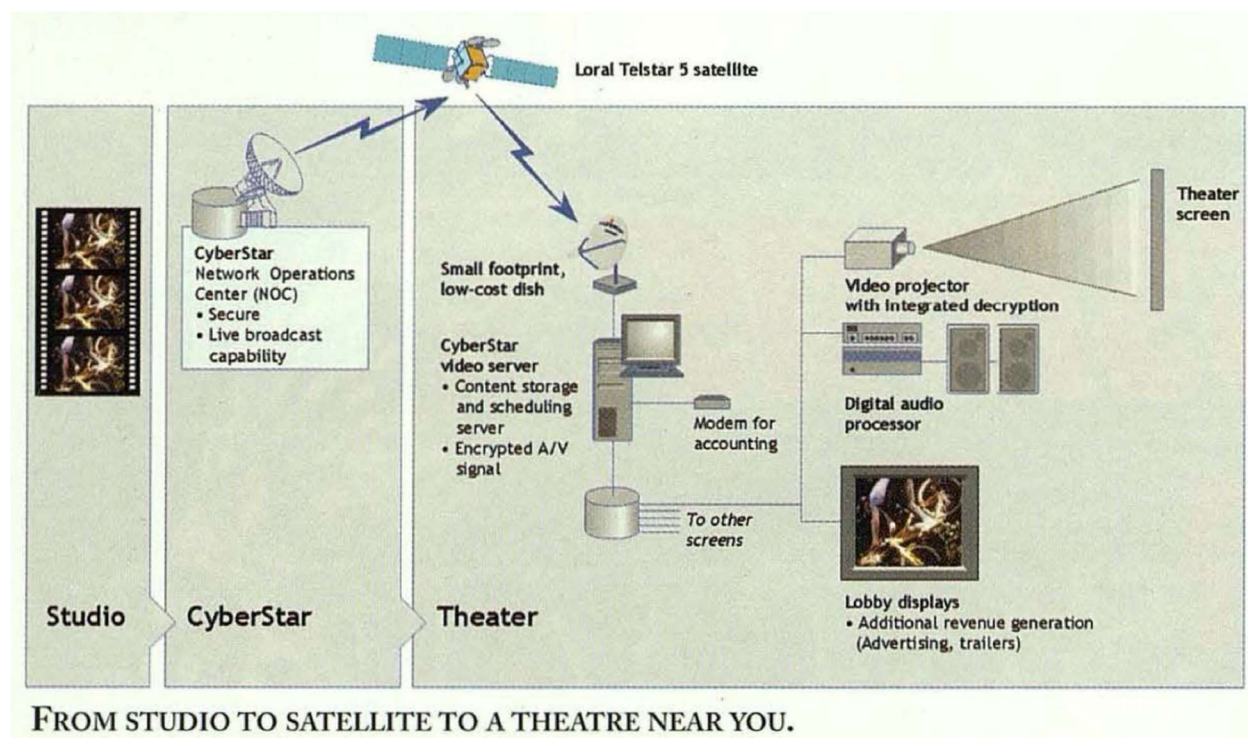
IV. GROUNDS 1-2: GARFINKLE IN VIEW OF KOSTEN AND ALLEN

PO concedes that Garfinkle "disclos[es] the bare transfer of multimedia film and related advertising files," and does not dispute that Petitioner's combinations disclose limitations 1[a]-1[d] nor Claims 6-7 or 9 in its Response. *See* POR at 12-51. PO's arguments regarding limitations 1[pre], 1[e]-1[g] and Claims 4-5 and 11 depend on its incorrect understanding of the references, its unsupported constructions, and its viewing these references in isolation.

A. PO Misconstrues the Prior Art and the Claims

PO misconstrues Kosten—as well as the other references—in trying to distinguish it from the '725 Patent. Rather than focusing on the actual claim language, PO considers whether the prior art discloses a "structure or method[]" with a first-tier middleman enabled to implement marketing actions toward second-tier exhibition customers." POR at 1. PO concedes that Kosten discloses file transfer to an exhibitor, includes advertising in its transfers, and deals with exhibition in a movie theater. *Id.* at 38-39, 24-25, 34-35. But PO argues that Kosten is a "one-tier system," and asserts that Kosten's disclosure is "jumbled" and "confused on the location of actions and advertisements." *Id.* at 1-2, 68. PO is wrong.

As Kosten explains, “[w]ith a digital film ‘file’ in hand, *studios*,” i.e., producer or owner, may transfer “[a] digital film file...to and *store*[] [it] in the *secure server system of a satellite distribution company*,” described as CyberStar’s Network Operations Center (NOC). Ex-1007 at 54. (emphasis added). The NOC “then ‘beams’ the film to *theaters* [i.e., purchasers/exhibitors] across the U.S. or around the world, who then *store it on their servers* for later digital projection,” including on a “Theater screen,” shown below. *Id.* (emphasis added).



Id.

PO argues, in essence, that Kosten’s express disclosures are wrong and “confused on the location of actions and advertisements.” POR at 68, 2, 24. Not so. Kosten explicitly teaches that “*theaters* across the U.S. or around the world...*store*

[digital film files] *on their servers for later digital projection.*” This means that storage occurs at the theater, not “on the server in the cloud” as PO incorrectly argues. Ex-1007 at 54. Further, Kosten describes that “[e]xhibitors...project the file, which is *received on their network server, stored*, and routed to individual screens of their choice.” *Id.* This applies equally for the advertising material. Kosten states that “[i]mproved feature film distribution is only one of the many benefits ushered in by this distribution process. *Exhibitors could turn theatre lobbies into smart advertising networks*, targeting digital trailers and ad spots based on the demographic of their community and the film itself.” *Id.* (emphasis added). Thus, as explained and illustrated by Kosten, the purchaser/exhibitor stores both digital films and advertising material on its local video server to be routed to “Theater screen[s]” and/or “Lobby displays” of its choice. Ex-1022 ¶¶31-32.

Despite PO’s and its expert’s³ belief that Kosten describes a system that was and “[i]ncapable of [f]unctioning,” POR at 14-15; Ex-1023, 56:10-12, Kosten describes a system that was implemented across the U.S. *See* Ex-1021. PO’s and its expert’s confusion does not change Kosten’s disclosures or how the system was used

³ It is no surprise that PO’s expert is “confused” about Kosten’s operation because he does not qualify as a POSITA under PO’s own definition. Ex-2121 ¶12; Ex-1023, 51:22-52:21 (“I don’t have an understanding of what the CyberStar system is....”), 53:11-20.

in practice. Fundamentally, Kosten describes a working system that operates like the '725 claims.

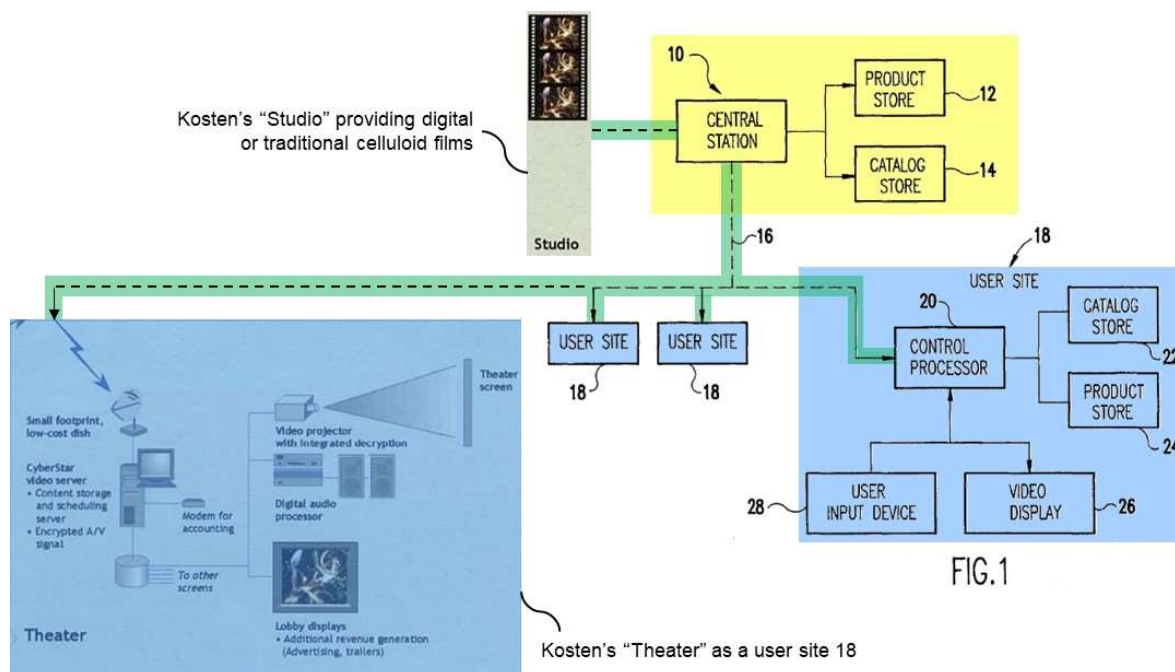
PO also points to Kosten's "live broadcast" functionality to argue that (1) there is no storage by the purchaser/exhibitor of advertising materials and (2) the central server, not the purchasers/exhibitors, controls marketing activities. POR at 3, 14, 23-26. Putting aside that PO ignores Kosten's disclosures relating to digital file transfer and storage by theaters, PO's technical expert could not point to any Kosten disclosure limiting "live broadcast" in this way. Ex-1023, 51:6-21. Instead, Kosten describes the "live broadcast" as useful for "hosting events like corporate videoconferencing sessions or training seminars," and "[l]ive concert events or sports matches." Ex-1007 at 54. PO also argues that Kosten teaches "control by the studios" but concludes that such control is "impractical if not impossible." POR at 14-15. Kosten teaches control by studios merely as a way to address fears of piracy, not as the only way the system can operate. *See* Ex-1007 at 54. Indeed, PO's arguments support control by *theaters* as the practical option. Ex-1022 ¶34. Thus, PO's arguments that there is no storage of advertising materials and no control over marketing by purchasers/exhibitors are meritless.

B. PO's Arguments Improperly View Garfinkle in Isolation

After mischaracterizing Kosten, PO pivots to a discussion of limitations 1[pre] and 1[e] and Claims 4 and 5 based on Garfinkle alone. Nearly all of PO's arguments

about Garfinkle are based on its improperly narrow constructions, as described in Section III. For example, regarding Claim 1's preamble, PO relies on a narrow view of "distribution" to argue that Garfinkle's video-on-demand system does not teach "downloading," in limitation 1[e]. POR at 17-19; Paper 1 ("Petition") §VII.A.7. Further, PO argues that Garfinkle's video-on-demand system does not enable "marketing" because its purchasers are viewers, not exhibitors. *See* POR at 19-21. Neither of these arguments have merit because they are based on PO's improper constructions. Regardless, they are not meaningfully responsive to the Petition because they do not address the proposed combination.

Specifically, a POSITA would have found limitation 1[e] obvious over Garfinkle in view of Kosten, which PO concedes "shows an exhibitor." POR at 1. As explained in the Petition, it is the combined system (shown below) that teaches a purchaser/exhibitor exhibiting on its theater screens and advertising using lobby displays. Petition §§VII.A.1-2, VII.A.7-9; Ex-1022 ¶36.



PO's argument that "Garfinkle does not enable the recipient to later playback the same to an exhibition audience," POR at 22, is incorrect,⁴ and it is also irrelevant. In the combination, Kosten provides these teachings and it would have been obvious that the stored files would be later played back for an audience, e.g., in Kosten's "theater." Petition §§VII.A.7-9; Ex-1022 ¶36. Indeed, PO concedes that "storage of the multimedia films by sending the same to 'theaters,' which 'store it on their servers for later digital projection' is explicitly taught by Kosten." POR at 35.

PO's arguments related to Claims 4 and 5 again rely on PO's incorrect constructions and its analysis of Garfinkle in isolation. Specifically, PO appears to

⁴ Garfinkle discloses storing the file—enabling later playback—at least for the particular user site. *See, e.g.*, Ex-1005, 3:11-15.

understand Claim 4's "public communication system" to exclude any form of communication network other than the Internet, but there is no basis to understand this term so narrowly. POR at 29-31. And PO's arguments for Claim 5 rely on its narrow view of "exhibitor"/"exhibition," but fail to acknowledge Kosten's express disclosure of movie theater exhibitors. *Id.* at 31-32. These arguments thus fail.

C. PO's Remaining Arguments Depend on Its Misunderstandings and Unsupported Constructions

PO continues to apply its misunderstandings and unsupported constructions to challenge the remaining claims under Grounds 1 and 2. For example, PO contends that Garfinkle fails to enable purchasers to locally market and sell under limitation 1[f]. POR at 22. But this feature is plainly taught by Kosten. Petition §VII.A.8. As to limitation 1[g], PO contends that Garfinkle does not relate to "exhibition," as construed by PO to "necessarily involve[] a publicly accessible space." POR at 27-29. But, again, this feature is taught by Kosten. Petition §§VII.A.1, VII.A.9. PO further contends that neither Garfinkle nor Kosten show advertising material at a time or in a place different from the associated multimedia material, while ignoring the express disclosures in Kosten that "[e]xhibitors could turn theatre lobbies into smart advertising networks, targeting digital trailers and ad spots" while showing multimedia on a theater screen, which is consistent with PO and Mr. Tulchin's own explanations. *See* Ex-1007, 54; POR at 28-29; Ex-2131 ¶27.

Finally, for Claim 11, PO attempts to distinguish Allen as not disclosing “a two-tier system with advertising moving through a middleman (such as the Patent’s theater owner who performs marketing)” and not providing “marketing data” to exhibitors. POR at 49. PO is wrong on both counts.

First, to the extent that this “two-tier” feature is even a requirement of the claims, PO and its technical expert again misconstrue and ignore key parts of Allen. Allen discloses a “two-tier” system with a “host data center 10,” which is linked through a communication network to a number of retail outlets 20, including CATV and RBOC providers (i.e., exhibitors), which then service subscribers 2107 and 2108. Ex-1006, 27:50-55, Fig. 21; Petition, §§V.B, VII.B. And PO’s technical expert conceded that he did not address the CATV and RBOC embodiments of Allen in his declaration. Ex-1023, 69:8-70:10 (“**Q:** You did not address in your declaration the embodiments of Allen that disclose the cable television headend or Regional Bell Operating Company. Correct? **A:** I don't believe that I did.”).

Second, PO does not contest that Allen *collects* sales data, but instead contends that Allen does not collect *and provide* its exhibitors with sales and marketing data. POR at 5, 40; Ex-1023, 78:7-78:19. But Allen discloses that host data center 10 includes a “transaction engine 109,” which communicates with the retail outlets to monitor the number of sales, rentals, and other marketing data. Ex-1006, 6:50-57, Figs. 1, 21; Petition, §VII.B. “With this facility, studios can monitor

their individual financial data, *sales results and promotion results* from the retail level on a real time basis” and “the *retail outlets* shall be able to monitor their own financials on a real time basis.” Ex-1006, 11:15-20 (emphasis added).

Indeed, Allen discloses collecting and providing “marketing data” consistent with PO’s technical expert’s explanation that “marketing data is...what advertisements were used, what trailers were used, and how those trailers were deployed. And...what has been successful by other exhibitors.” Ex-1023, 76:23-77:5. Allen teaches collecting “statistics based on local tastes of what the most frequently requested movies are in terms of statistical demand,” which parallels PO’s own example that “[m]arketing information...such as which advertising materials (e.g. ‘trailers’) they selected.” Ex-1006, 7:46-52, 7:64-67, 9:24-30 (“gather[ing] information regarding customer requests, preview and general customer interest in...products”), 10:43-50 (collecting “demographic data” including “historical use profile information,” such as “product type, use, frequency”); POR at 43. Thus, a POSITA would have understood that Allen teaches collecting sales and marketing data to be provided to its retail outlet exhibitors. Ex-1022 ¶¶39-42.

D. A POSITA would have been motivated to combine the teachings of Garfinkle, Kosten, and Allen and would have had a reasonable expectation of success

A POSITA would have been motivated to combine the teachings of Garfinkle, Kosten, and Allen. Petition, §VII.B.1; Ex-1022 ¶43. PO concedes that Garfinkle and

Kosten disclose substantially the same distribution process, “with Garfinkle even alluding to the possibility of satellite transmission employed by Kosten.” POR at 39. Still, PO contends that there is no motivation to combine Garfinkle and Kosten because Garfinkle is a video-on-demand system not focused on marketing to third parties. *Id.* at 26-27, 32-33. PO is wrong. A POSITA would have understood that Garfinkle teaches an improved video distribution system using a centralized library, *see* Ex-1005, 1:54-2:12, and that Kosten teaches a centralized server aggregating films and related advertising materials for distributing to movie theaters. *See* Ex-1007, 54; Petition, §VII.A.1. Both references sought to—*inter alia*—address issues with conventional multimedia distribution processes resulting in lower shipping and handling costs and labor intensity. Petition, §VII.A.1. And Kosten filled the need for improved distribution processes directly to theaters. Accordingly, a POSITA would have recognized that Kosten provides a promising business application of Garfinkle’s technical implementation by expanding from video-on-demand customers to other exhibitors. Ex-1022 ¶43.

PO further argues that the combination of Garfinkle and Kosten “mixes two different business models” because advertising would be “under the control of the satellite company, not the theater owner.” POR at 27. But this argument is based on PO’s “confused” view of Kosten. The same is true of PO’s arguments that neither reference offers a “two-tier” system and that Kosten’s theaters are not involved in

marketing. POR at 34-35. As explained above in Sections IV.A-C, these arguments are wrong.

Similarly, PO contends that there is no motivation to combine the teachings of Garfinkle, Kosten, and Allen because Allen does not discuss marketing data. POR at 50-51. PO is wrong. For example, Kosten enables “automat[ing] the heretofore-cumbersome accounting process among the studios, theatre owners and distribution agents” and “[t]he ability to scale up...or scale down distribution for films” based on their success. Ex-1007 at 54. Thus, a POSITA would have been motivated to combine the teachings of Allen’s accounting and transaction engine to the teachings of Garfinkle and Kosten. *See* Petition, §VII.B.1; Ex-1022, ¶45.

PO then contends that Kosten and Garfinkle are complete solutions with no identified problem. POR at 33, 65-66. Yet, a problem need not exist in a reference for a combination to be obvious. The Federal Circuit has held that (1) a known technique can provide motivation to combine and (2) a known technique does not need to improve upon the primary reference—it just must be a “suitable option.” *Intel Corp. v. PACT XPP Schweiz AG*, 61 F.4th 1373, 1380-81 (Fed. Cir. 2023).

PO’s remaining arguments purport to address just some of the provided reasons for combining these references (i.e., access to a large number of video products and advertising materials, improved distribution processes), but not others (e.g., improved advertising capabilities, security against piracy, flexible distribution

capabilities, cost reductions for theaters, ability to scale distribution based on success in theaters, ability to track and monitor sales and marketing data), which stand unrebutted. *Compare* POR at 36-39, *with* Petition, §VII.A.1.

V. GROUNDS 3-4: ALLEN IN VIEW OF BUDOW AND KOSTEN

PO does not dispute that Allen, Budow, and Kosten disclose the limitations 1[a]-1[e] nor Claims 6-7 or 9 in its Response. *See* POR at 51-65.

A. PO's Arguments Are Unsupported

PO's arguments regarding limitations 1[pre] and 1[f]-[g] and Claims 4-5, and 11 depend on its incorrect understanding of the references and Petition's arguments, its blurring of lines between limitations, its unsupported constructions, and its view of these references in isolation rather than as proposed combinations.

Regarding Claim 1's preamble, PO construes "marketing" and "distribution"/"distributing" to try to distinguish Allen's electronic file transfer to its retail manufacturing kiosk. POR at 52-54, 10. But Allen discloses a number of retail outlets, including CATV and RBOC providers (i.e., exhibitors), which exhibit multimedia to subscribers, and which PO ignores. *See supra* §IV.C; Ex-1006, 27:50-55, Fig. 21; Ex-1023, 69:11-70:10; Ex-1022 ¶49.

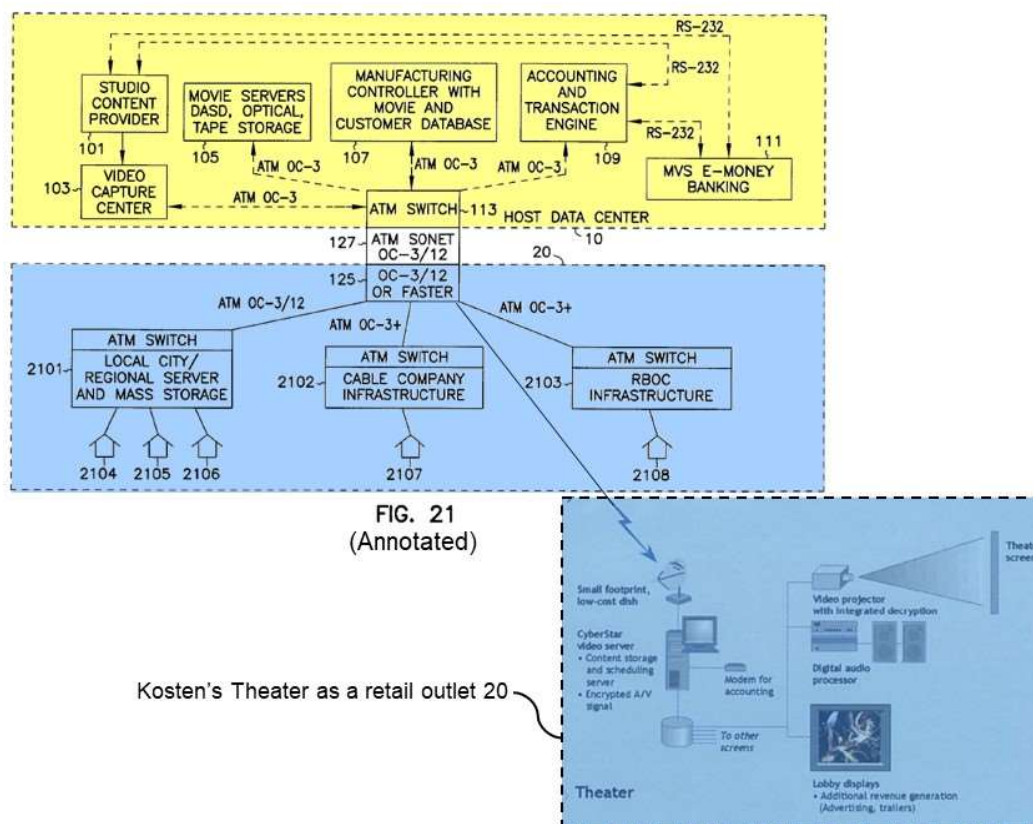
Regarding limitation 1[f], PO misconstrues Allen and ignores the CATV and RBOC embodiments forming a "two-tier" system relied on in the Petition. Ex-1023, 69:11-70:10; Ex-1006, 27:50-55, Fig. 21; Petition, §§V.B, VII.B-D. PO further

reaches incorrect conclusions about Allen and Budow in isolation, ignoring the obviousness arguments advanced in the Petition. Petition, §§VII.C.1, VII.C.8. For example, PO contends that “advertisements are not correlated to the feature films.” POR at 58. But Allen and Budow teach sending advertising materials along with the multimedia material and showing advertisements related to the available multimedia material to customers. *See* Petition §§VII.C.1-2, VII.C.4, VII.C.8. Further, PO argues that only Budow’s hotel controls advertisements but ignores that a POSITA would have been motivated to implement Allen’s retail outlets, including its CATV and RBOC providers, to market and sell multimedia material to its viewers using the associated advertising materials. *Id.*, §§VII.C.1, VII.C.8; Ex-1002 ¶50.

For limitation 1[g], PO contends that neither Allen nor Budow involve “exhibition” under PO’s unsupported construction. POR at 58-59. But PO ignores the Petition’s arguments that public exhibition is obvious over Allen, Budow, and Kosten (which plainly teaches public exhibitions in movie theaters). *See supra* §§III.D, III.F; *see also* Petition, §§VII.C.1, VII.C.9, VII.D; Ex-1002 ¶51.

PO’s arguments regarding Claim 4 hinge on its unsupported argument that simply because communication systems “can also function privately,” they are not “public communications systems.” POR at 59-60; Ex-1023, 90:8-16. This argument fails for the same reasons discussed above in Section IV.B. Similarly, PO’s arguments for Claim 5 fail to address the obviousness of implementing Allen’s host

data center system, which services a variety of retail outlets, with Kosten's movie theater serving as a retail outlet, as shown below. POR at 63-64.



Petition, §§VII.D.1-2. PO does not meaningfully respond to the Petition's arguments, and instead continues to advance its unsupported conclusions about the art.

Finally, for the same reasons discussed above regarding Claim 11, a POSITA would have found it obvious that Allen discloses collecting sales and marketing data and providing it to exhibitors. *See supra* §IV.C; Ex-1022 ¶¶53, 39-42.

B. A POSITA would have been motivated to combine the teachings of Allen, Budow, and Kosten and would have had a reasonable expectation of success

A POSITA would have been motivated to combine the teachings of Allen, Budow, and Kosten. Petition, §VII.D.1; Ex-1022 ¶¶54. PO's arguments that these references would not be combined miss the mark and are based on misreading the references. For example, PO again contends that there is no motivation to combine the teachings of Allen, Budow, and Kosten because Allen does not discuss marketing data. POR at 62-63. As discussed above, that is not only inaccurate, but also irrelevant to the motivation to combine. *See supra* §IV.D; Petition, §VII.B.1; Ex-1022 ¶¶54-55.

PO then contends that Budow's "insertion of apparently unrelated commercial advertisements during the viewing of the multimedia by the guest...has nothing to do with activities marketing the multimedia by advertising the future screening of the film at the exhibitor's theater." POR at 62. But this too misses the mark. The Petition demonstrates that Budow discloses, among other things, a method of locally marketing and selling multimedia at a different time or place. To be sure, a theater setting may not be the same as a video-on-demand setting, but Petitioner never argued for bodily incorporations of these two different settings. PO fails to address any of the motivations to combine that were actually provided in the Petition. Petition, §VII.C.1; *see* POR at 63-65.

VI. SECONDARY CONSIDERATIONS

PO appears to sprinkle arguments that may be tangential to secondary considerations of non-obviousness throughout its Response. PO also submits a declaration from the named inventor (Ex-2109) attesting that his personal friends, who happened to be executives at a single film production laboratory, thought that the '725 Patent was impractical. POR at 9-10, 15-16, 31, 69-70. However, this is not evidence of skepticism by experts—or evidence of any other secondary consideration. Rather, the inventor's declaration merely states that two executives, (not technical experts) told him (in a friendly conversation) that they did not believe his patent was practical or would be commercially successful.⁵ Ex-2109, ¶¶5, 7-8; Ex-1027, 86:14-87:1, 87:11-21 ("They didn't have confidence in it."). Meanwhile, other industry leaders *were* investing in digital cinema and having success. *See, e.g.*, Ex-1021; Ex-1024; Ex-1025; Ex-1026. But even to the extent that others had success with digital projection and electronic delivery of movies, Mr. Stiliadis conceded that he did not invent such technology. Ex-1027, 90:1-2, 84:11-13. And neither Mr. Stiliadis nor PO has offered any evidence to tie the alleged "skepticism" of these

⁵ And they were right. The inventor never implemented his patent, licensed his "technology," nor sold or commercialized any product or service that practiced his patent. The only evidence in the record ascribing any "value" to his "invention" was a zero-dollar sale of the patent to a patent holding company, which is also owned by the inventor. The only activity of this holding company, the current Patent Owner in this IPR, appears to be filing lawsuits. Ex-1027, 44:4-20, 73:21-74:15, 109:3-110:8.

two personal friends of the inventor and later success of digital film distribution, such as the movie “Avatar,” to the claims of the '725 Patent. The inventor has never even asserted that any of the companies or entities in his declaration practiced his alleged invention.

VII. CONCLUSION

For the reasons given in the Petition and this Reply, Petitioner requests cancellation of Claims 1, 4-7, 9, 11 of the '725 Patent.

Respectfully Submitted,

/s/ Benjamin Haber

Benjamin Haber (Reg. No. 67,129)

CERTIFICATE OF WORD COUNT

Under 37 C.F.R. §42.24(d), Petitioner certifies that Petitioner's Reply to Patent Owner's Response includes 5,581 words, as measured by Microsoft Word, exclusive of the table of contents, mandatory notices under §42.8, certificates of service, word count, and exhibits.

CERTIFICATE OF SERVICE (37 C.F.R. §42.6(e)(1))

The undersigned certifies pursuant to 37 C.F.R. § 42.6(e) that on May 20, 2025, a true and correct copy of PETITIONER'S REPLY TO PATENT OWNER'S RESPONSE, together with all exhibits filed therewith was served in its entirety by filing these documents through the PTAB P-TACTS System, as well as by email, on the counsel of record for the Patent Owner:

Anthony H. Handal
Monami Roy
HANDAL & MOROFSKY LLC
docket@handalglobal.com
handal@handalglobal.com
mroy@handalglobal.com

Jared Doster
CAREY RODRIGUEZ LLP
jdoster@careyrodriquez.com

Dated: May 20, 2025

Respectfully submitted,

/s/ Benjamin Haber

Benjamin Haber (Reg. No. 67,129)
O'Melveny & Myers LLP
400 South Hope Street, 19th Floor
Los Angeles, CA 90071
Telephone: (213) 430-6000
Fax: (213) 430-6407
E-Mail: bhaber@omm.com
Attorney for Petitioner