

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

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

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I. THE INVENTION IN THE '725 PATENT

The '725 Patent teaches an apparatus and method for the communication of multimedia feature film files and associated advertising elements, structured to enable functionalities which feel like traditional film distribution, but which provides additional different and advantageous functionalities. The feature film and correlated advertising is transmitted from a movie producer, through a central website to movie theater operators, who, in turn, store the feature film and advertising. The advertising is used by the theater operator to market the film, for example, at their option, by the display of advertising at the movie theater and by transmitting the advertising to third parties who, in turn, show the advertising to potential moviegoers. In accordance with Claim 11, marketing information, including the particular advertising selected by the theaters, is collected and stored by the system, and is then combined with sales information transmitted back by multiple theaters, to assemble marketing information which is transmitted back forward to the multiple theaters in a back-and-forth informational augmentation.

None of the systems cited by Petitioner provide such functionality, a point which is essentially conceded by Petitioner. Given that, and the absence of the inventive functionalities in the prior art, no contention of motivation to combine can be credibly made.

More particularly, per Claim 1, in pertinent part, the inventive method comprises, the system operator providing samples (1d) to a “purchaser”- “exhibitor” (1g), in response to requests from purchaser-exhibitors storing the feature film (1e) and associated advertising (1f), thus empowering the “purchasers to locally market and sell” the feature film (1f), by “storing” the associated advertising material (1f) and showing it “to the public at a time or in a place” different from that associated with the showing of the feature film (1g).

The cited Garfinkle patent is a simple one-tier VOD system streaming a movie to an end user customer who is neither storing the feature film to enable exhibiting the same, nor storing any associated advertising, and thus does not enable use of advertising for marketing (which would be nonsensical anyway because streaming end-consumers do not market films or use advertising material). Thus, *inter alia*, unlike the claimed invention, there is no “exhibitor,” no storage of advertising, no marketing by the purchaser, and no use of advertising by the purchaser. Petitioner points to the initial portion of a movie being stored on the subscriber’s computer to allow playback after feature film selection, thus masking download time, but this is irrelevant to the claim recitations.

The Kosten magazine article shows a one tier system for direct satellite transmission of a film file by a website operator to a movie theater. Additionally, a standalone advertising system is operated by the website operator. No structure is

shown for allowing marketing of the feature film *by the exhibitor*. Rather, advertising materials are stored on the server of the website operator who controls the standalone advertising system displays. The theater has no access to the advertising materials for marketing purposes.

Allen shows two embodiments. The first is a one-tier VOD streaming system, and the second is a one-tier vending system for manufacturing cassettes using the same technology. There is no “exhibitor,” no storage of advertising, no marketing done by the purchaser, and no use of advertising by the purchaser. Allen does show cassette labels being manufactured at the kiosk (contended illogically to be advertising material, but not made or seen until after the sale is made), but these are not controlled by the purchaser, and the purchaser is not enabled to do any marketing to second-tier customers (which don’t exist anyway).

The reference to Budow shows another one-tier VOD system, this time for a hotel, again without storage of advertising material allowing marketing.

The Invention in Claim 11

Claim 11 clearly recites the collecting of sales information from multiple exhibitor recipients of various items of multimedia material. This collected information and marketing data specific to those items of multimedia material is then provided to a plurality of exhibitors, in a back-and-forth marketing

information augmentation. The development of that marketing information is supported by the disclosure, in the specification, of the collection of marketing information in the form of the identity of trailers and/or other advertising material provided to exhibitors at the time that the material is ordered by the exhibitors, and the collection of sales information after transmission and exhibition of the movie.

II. THE ISSUES

At its essence, the contention made by Petitioner is a) that because 1) the four references it relies upon share common elements and 2) involve transfer of a digital film file, there exists sufficient motivation to combine their constituent elements in any and every way or, alternatively, b) that the existence of correlated advertising and feature film files amounts to a disclosure which makes obvious the other elements claimed in claim 1 (Petitioner's Reply, page 23). However, even putting aside the impropriety of the combinations, Petitioner's position impermissibly further includes adding functions, for example control of advertising by the exhibitor, which are not shown or suggested by the references. It further does this by mixing up the functions of the satellite distribution operator and the exhibitor, while further mixing the treatment of advertising and feature films in its argument.

It does this by taking advantage of inconsistencies and omissions in the Kosten article, which it now relies on for both of its grounds. However, the article's inadequacies are a fatal problem for Petitioner, not an opportunity to fill in the blanks with claim limitations cherry-picked from patents. While Kosten may fairly be viewed as a carelessly drafted general circulation magazine article, and Petitioner might wonder about what Kosten knew and long for what he might wish Kosten to have written, publications are viable as references only for what they describe, and anything else is an unfair and unsupportable view of their effect. No amount of wishful editing of the content of Kosten's magazine article can change that.

Facing those obstacles, Petitioner resorts to attacking Patent Owner's summarization of one aspect of the inadequacy of Petitioner's position, namely that none of the art discloses a two-tier marketing system. That attack is framed as an argument that the approach attempts to avoid claim language. Nothing could be further from the truth, and Patent Owner's summarization is fair and concise, as detailed below.

Finally, Petitioner attacks expert witness Daniels because in the course of pointing out the ambiguities and inconsistencies of the Kosten magazine article, and its inadequacy on the points at issue, Daniels states (after detailed and expert testimony respecting his understanding of other aspects of the article), he correctly

states that he cannot fully understand what Kosten was saying ***because of those inadequacies***. Petitioner casts the statement as proof that Daniels is not a POSITA. In point of fact, however, he was involved (at the time of the filing of the application which matured into the ‘725 Patent) in making inventions, that dealt with interactive television, video pause buttons and video file provision over the Internet (Ex-2121, ¶3, Ex-1023, pages 99), which was licensed to a major player, an aspect of the Board’s own definition of a POSITA in the institution decision. This is in contrast to Petitioner’s expert Houh, who had only largely irrelevant experience sending other types of information over the Internet.

Petitioner Has Apparently Recast Its Grounds

While Petitioner has, without explanation, recast its four original grounds as a pair of alleged bases, each consisting of three references, the inadequacies of the prior art are not cured, and its position respecting motivation to combine (based on common elements) appears unchanged, still suffering from the same fallacious thinking. Plenty of systems share common elements, and far from being obvious to combine, may even be impossible to combine. Nevertheless, even this hindsight construction fails to include fundamental structural elements of the claims which are necessary to achieve even the most forgiving view of the functionality of the claimed invention.

Put Simply, The Limitations Of The Claims Are Not Met.

Moreover, the position taken by Petitioner is fatally flawed because it depends upon claim constructions which 1) deviate from the plain and ordinary meaning of the words, 2) do not read on the disclosed embodiment, and 3) defeat the functionalities disclosed in the specification of the '725 Patent.

Petitioner's numerous and meritless attempts to redefine the plain ordinary meaning of the claim language creates an issue where there should be none.

Petitioner futilely tries stretching the language of the claims to pull them away from the specification of the '725 Patent toward the direction the alleged art.

III. CLAIM CONSTRUCTION AND INSUFFICIENCIES OF THE PRIOR ART

Marketing and Sales/Distribution-No Two-Tier Structure

Petitioner attempts, despite the absence of a single two-tier structure in any of the cited references which it relies upon, to argue that Allen (which Petitioner combines with Kosten to bring in the general ideas of movie theaters and advertising) discloses a "two-tier" system. In particular, Petitioner argues that the single connection of a host data center 10 linked only to kiosks in retail outlets which dispense cassette tapes is a two-tiered marketing system. Petitioner's Reply Brief, page 18. The contention is not logical.

Petitioner also appears to be integrating the disclosure by Allen of VOD customers into this argument. However, this is a separate movie delivery embodiment. Allen merely discusses direct VOD customers, but no contention is made that as VOD system reads on the claims. Finally, without anything of substance to back it up, or even an allegedly “reasoned” argument, Petitioner urges that Regional Bell Operating Companies (“RBOC”) are exhibitors, perhaps casting them as middleman, defying the plain meaning of exhibition and ignoring the fact that the customers to know marketing.

Petitioner Concedes No Collection and Distribution of Sales and Marketing Data

Petitioner, at page 19, argues that the mere collection of sales data, divorced from information respecting the marketing materials used to generate those sales, constitutes the collection of marketing information. That is inconsistent with the teaching specification of the ‘ 725 Patent.

Besides this fatal defect, Petitioner makes no argument at all respecting the limitation in the claims that collected marketing data is communicated to exhibitors. Indeed, in Allen, exhibitors get no information except their own sales, which is the only thing which Petitioner argues on this point. See claim 11 of the ‘725 Patent. Petitioner’s contention that the straight through collection of sales

information constitutes the collection and dissemination of sales and marketing data is completely unsound.

Declaration of Dr. Houh Is Conclusory, Off-Point and Incomplete

The Board has, for the purpose of the decision on institution, adopted the definition of a POSITA to include one year of experience related to marketing and distribution of multimedia material over a computer network. Dr. Houh has no such experience and thus is incompetent to testify on numerous aspects of his declaration and supplemental declaration. In contrast, Mr. Daniels, having made inventions involving interactive television, video pause buttons and video file provision over the Internet (Ex-2121, ¶3, Ex-1023, pages 99), meets the Board's definition of a POSITA.

Moreover, Dr. Houh has no knowledge, let alone expert knowledge of the movie business, unlike Patent Owner's expert Mr. Tulchin.

Exhibitors Are Not Empowered to Perform Marketing in the Alleged Art

As discussed in detail in the briefing, the structure of the inventive system allows exhibitors to perform marketing activities with respect to advertising material. Absolutely nothing of the sort is shown in any of the prior art. Standalone advertising billboard systems, kiosks showing offerings and VOD equivalents of the same, and the activities of RBOC's have nothing to do with the method which

the invention of the '725 patent enables theaters to market feature films, which is recited in Claim 1 includes the storage of advertising material and the consequent enablement of local marketing.

Cited One-Tier Systems without Marketing Data Provision Are Irrelevant

For example, comparing the alleged art the Petitioner relies upon to the disclosed invention, such alleged art does not remotely show or suggest the collection of data specifying which advertising material is being sent to exhibitors, or the collection of sales data from those exhibitors. These steps are critical to allowing the gauging of the success of that advertising material, and the dissemination of that information to all exhibitors, as recited in claim 11. Dr. Houh does not even address this, only pointing to the collection of sales accounting data.

At paragraph 42 of his supplemental declaration, Dr. Houh points to Allen's collection of statistics based on local tastes, again based on sales. However, Dr. Houh stops short of any contention that data is provided to multiple exhibitors, let alone exhibitors based upon information collected from multiple exhibitors.

The suggestion at paragraph 43 of the Houh declaration that the combination is obvious because theaters would obviously be suitable for streaming, besides being completely conclusory, fails to even recognize the numerous other features

of the invention, including storage, enabling the use of advertising for second-tier marketing, and so forth.

The suggestion at paragraph 45 of the Houh declaration that a POSITA would have been motivated to combine Allen's ability to track and monitor sales with Garfinkle and Kosten is besides the point, because that combination has nothing to do with tracking, collecting and disseminating information with respect to what marketing steps have exhibited success. Quite simply nothing in any of those references even has the ability to generate such data, let alone from multiple exhibitors, or to distribute it to multiple exhibitors. The statements made by Dr. Houh are completely conclusory and unsupported.

End-User Viewers of CATV and RBOC Systems Do No Marketing

Dr. Houh's contention at ¶50 that CATV and RBOC providers constitute a multitier marketing structure are fanciful. These are merely network channels connecting providers to end-users, and no marketing is done by their end-user viewers.

Finally, the bare statement at ¶53 that Allen's collection of *sales* data would have made obvious the collection and communication of *marketing* data is even more transparently conclusory and should be dismissed out of hand.

Additional Evidence Introduced by Petitioner

Petitioner has introduced, largely without argument, numerous items of additional alleged evidence in its reply. Respectfully, there is no reason why all of these documents could not have been produced earlier. While it appears clear that the same have no additional probative significance compared to the contents of the Petition, Patent Owner has not had a fair opportunity to explore the same and it is believed that the same are properly disregarded as untimely. Moreover, the apparent purpose is to introduce the same for the truth of what is reported, and they should additionally be disregarded as hearsay.

In short, lately introduced alleged evidence, including that respecting CyberStar implementation is hearsay and not entitled to any weight or credence.

Argued Combinations Don't Enable Local Marketing or Collection and Dissemination of Marketing Information

Petitioner's attempt at justifying the combination of Garfinkle and Kosten, at page 19 of its brief, is unavailing. While Kosten does show a theater and what is not disclosed as anything other than a freestanding billboard system, the combination would entail nothing more than using a video-on-demand cable to feed the theater of Kosten's article. Moreover, such a combination does not address

the enablement of local marketing activities as recited in Claim 1 or the collection and dissemination of marketing information.

Similarly, the contention at page 21 of Petitioner's brief that Kosten enables automation of the accounting process is irrelevant to the alleged combination because it does not address the collection and dissemination of information enabled by the invention of the '725 Patent, as recited in Claim 11.

Bare File Transfer Is Not Distribution

Petitioner seems to argue (brief, page 15) that Garfinkle's video-on-demand system constitutes "distribution," despite what it contends to be Patent Owner's too narrow definition that "distribution" comprises getting a film from the producer, to the theater owner and then to the moviegoer. Respectfully, while largely incoherent, Petitioner's argument appears to be that Garfinkle meets the limitation of downloading to a theater, if one accepts a broader definition of distribution. But Petitioner offers no such definition. Moreover, not only does the definition in the Tulchin declaration support the Patent Owner, but the definition is identical to that given in the substantially contemporary Digital Cinema Forum article filed by Petitioner (Ex-1007, page 52) which states "fixed cost of film prints today is an enormous burden in distribution."

Petitioner's References: Like Tulchin, Distribution is More Than File Transfer

Additionally, the Kosten article further defines distribution. "Distribution- it's not only the vital link between the studios and the exhibitors and, by extension, the audience." The Kosten article also enumerates various distribution tasks. "Add to [the cost of the celluloid print] the shipping and handling costs..., and total distribution costs can run up to the millions of dollars for every film." Ex-1007, page 52. None of these tasks are performed in Garfinkle, which discloses only bare file transfer.

Quite simply Garfinkle does not involve distribution. Ex-1007, page 52.

Petitioner's Position Respecting Storage or Feature Film Contradicted by Garfinkle

Petitioner references Garfinkle Ex-1005, 3:11-15 for the proposition that later playback by the exhibitor is enabled by the downloading from the product store 12. However, product store 12 is connected to the central station, which would correspond to the center website operator and not to the user site which Petitioner claims is the equivalent of the theater of Kosten. Accordingly, the disclosure merely shows that product can come to the central server of the website operator and be transmitted to a user site, but the same does not prove downloading and storage of a feature film by a theater. Moreover, the combination of the two

references is nonsensical, as both systems are complete, and the proposed rearranging of parts is simply hindsight.

Neither Garfinkle nor Kosten Define Storage Which Enables Local Marketing

Claim 1 specifically includes limitations relating to storage which enable local marketing. Kosten fails to do this, because all advertising material, and for that matter the feature films, are controlled by the website operator, not by the theater.

None of the Citations of Petitioner in Involve An Exhibitor, except for Kosten

The claims are limited to a purchaser that is an exhibitor or a broadcast exhibitor. Both of these limitations involve structural features of the disclosed system, and are reflected in the method recitations of the claims at issue.

That method is not shown in the art of record. Petitioner ignores this and apparently doubles down on its position that display to a VOD customer is an exhibition. While Kosten does show a theater, as well as electronic file transfer, he has nothing of the invention's enablement of the recited local marketing, the communication of marketing information by storage and treatment of the feature film and its associated advertising material, not to mention the collection of marketing data from exhibitors and its subsequent dissemination to exhibitors. Petitioner's contention that a movie theater is a retail outlet like a kiosk at a

department store is meaningless. Being outside the context of distribution and exhibition, the relied upon references fail to anticipate or render the invention obvious, as is amply illustrated by the numerous elements and overall structure missing from the proffered citations, either alone or in combination.

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

Patent Owner Use of Shorthand Characterization, “Two-Tiered,” is Fair and Clear, Capturing Fundamental Difference between Alleged Art and Claimed Invention

Petitioner attempts to avoid the cold cutting impact of the simply stated fact, that the technology disclosed the ‘725 Patent, unlike any of the supposed art which Petitioner relies upon, comprises structure and method steps enabling communications across a two-tiered network with multiple levels of advertising file transfer.

Petitioner tries to avoid this important difference by diverting attention from the very clear claim language and criticizing the “two-tiered” characterization as an attempt to avoid the actual claim language. But, tellingly, in this respect it makes no argument based on the claim language, leaving the Board with vaguely stated conclusory fireworks.

Of course, Patent Owner's shorthand description of this principal aspect of the invention is firmly grounded in 1) the disclosed structure of the inventive system, 2) the method steps explicitly detailed in the specification, and 3) the issued claim language. Even Kosten, the only cited reference dealing with theaters and mentioning the use of advertising material, meets none of these elements. However, it is noted that Kosten's mentioning of theaters and advertising does not remotely show or suggest the recitations of claim 1 in this respect. Indeed, Kosten's exhibitors are not provided with storage they control. Rather, storage and display systems are under the control of the website operator and thus exhibitors are incapable of the recited second-tier local marketing as claimed in claim 1. Accordingly, Petitioner has not met its burden.

Control of Marketing by Theater Is Essential Feature of the Invention

Nowhere does Petitioner cite any language in Kosten that discloses, to use the words of claim 1(f), "purchasers storing downloaded correlated information in a digital format corresponding to said multimedia material" to enable "purchasers to locally market and sell said multimedia material." Instead, Petitioner focuses on other structures in Kosten, and then, in multiple significant places, tries to plug elements disclosed only by the '725 Patent into Kosten, as more fully appears below.

Even more glaringly, Petitioner seeks to make a case for such disclosure by mischaracterizing statements relating to the treatment of feature film in Kosten as relating to the treatment of advertising.

First-Tier: Marketing from Website Operator **to** Middleman/Purchaser/Exhibitors

Turning first to the claim language, method steps constituting and enabling the two-tiered marketing structure of the invention are clearly recited.

Unsurprisingly, the language is more detailed and more explicit as compared to its shorthand moniker. Claim 1(a) clearly recites the operator of the inventive method “receiving, by a server, [correlated] multimedia material and advertising from a producer,” which sets up the structure for the operator of the website to implement first-tier marketing **to** a middleman/purchaser/exhibitor.

This marketing **to** the middleman/purchaser/exhibitor is recited as “providing samples of the correlated information... to... [exhibitor-]purchasers” (claim 1(d)). In response to this first-tier marketing, the middleman/purchaser/exhibitors purchase the feature film.

Second-Tier: Purchaser Controlled Marketing **from** Middleman/Purchaser/Exhibitors to Theatergoers

The next recited steps comprise the second-tier marketing **from** the middleman/purchaser/exhibitors in the direction of the general public. These steps

begin with the recitation of the “***purchasers*** storing downloaded correlated information in a digital format corresponding to said multimedia material.” This enables the middleman purchaser to implement second-tier marketing communications to theatergoers. Such second-tier communications are recited explicitly as enabling “***purchasers*** to locally market and sell said multimedia material.” This is done through the showing of the advertising to the public, more particularly, “said stored associated advertising material, being shown to the public at a time or in a place different from the time or place at which said associated multimedia material is displayed,” which is something put within the control of the exhibitor-purchaser.

Conflated Treatment of Disclosure Relating to Advertising and Feature Films

More injurious to Petitioner's position, than this petty bickering assertion respecting the existence of multiple tiers, is Petitioner's failure to positively identify any structure in its citations for performing the two recited marketing communication steps, and, in particular, control of advertising by the exhibitor. Instead of identifying disclosure that matches the claim language, Petitioner protests that Kosten teaches ***feature film*** storage and projection, the choosing by the exhibitor of the ***display screen*** for the ***feature film***, jumbles all this together to suggest, meritlessly, that the exhibitor is controlling the showing of the feature film (as opposed to just picking the screen).

Next, without support, Petitioner boldly goes even further, adding more of its own words to what Kosten shows, contending lamely that “this applies equally for the advertising material.” Petitioner’s Reply Brief, page 13. Rather, this does not apply at all. Worse than hindsight combination, it is a completely wishful fabrication of disclosure found in none of the cited references, but which Petitioner took from the specification of *Patent Owner’s* ‘725 Patent. Indeed, at numerous points, the content of Kosten article is explicitly to the contrary, as detailed below.

Claims Recite Purchaser Control over Second-Tier Marketing Advertising Activity

Petitioner’s bare and unsupported assertion, that Kosten teaches exhibitor control of marketing to theatergoers, only underscores the fact that the structure of Kosten and the method steps actually disclosed by Kosten have nothing to do with the most explicit recitations of claim 1 of “allowing purchasers to locally market and sell said multimedia material, said purchasers downloading said correlated information in a digital format corresponding to said advertising material.” Quite simply, in Kosten there is neither structure nor method involving the *exhibitor-purchaser* executing the communications function of locally marketing and selling the feature film.

Petitioner’s Interpretation of Kosten’s Article Fails for Multiple Reasons

Petitioner tries to make something of Kosten's transmission of feature film files to theaters. But this has never been the issue. Petitioner, at page 12 of its brief, selectively quotes one phrase, suggesting that the film is stored under the control of the theater. However, considering the entire phrase in Kosten's article, the reference is to "a satellite distribution company, which then 'beams' the film to theaters across the U.S. or around the world, who then store it on their servers for later digital projection."

Phrase Relates to Satellite Distribution Company's Control, Not Exhibitor

Petitioner takes the position that the reference to "their," means "the theater's." Even if one only looks at that phrase alone, its meaning is, at best, arguably, ambiguous. Nevertheless, in context, for several reasons it is clear that the reference is to the servers of the central website operator. First, the subject of the sentence is the "satellite distribution company," which fairly suggests only that the server is that of the satellite distribution company. While the subject of the dependent phrase "who then store" does appear to relate to the theaters, the entire sentence still suffers from lack of clarity. Second, however, that lack of clarity is then resolved, against Petitioner, because the Kosten article characterizes the servers associated with the storage as a "CyberStar video server" in the illustration on page 54 of Kosten. Third, that same sentence refers to "the secure server system of a satellite distribution company," clearly ruling out any argument that the server

is controlled by the theater owner. Indeed, fourth, the only choice given to the theaters which is disclosed by Kosten is the “rout[ing] to individual screens of their choice.”

Other aspects are left to the satellite distribution company, with, fifth, “[t]he studio, or a distributor-partner of the studio, then control[ing] an online “film management system,” selecting the time and locations to which each movie should be sent,” consistent with the illustration which speaks, sixth, about a “[l]ive broadcast capability.” Id., 54.

For this reason alone, the Petition must fail.

Contention Respecting Advertising Storage Fails for an Additional Seventh Reason

Petitioner’s assertion seems of marginal relevance, except that Petitioner, in house of cards style, seems to be using this baseless assertion as a steppingstone, to a yet further contention that the theater controls advertising, something not remotely suggested by anything in the Kosten article. See, for example, the assertion that the six times infirmity-plagued contention respecting purchaser/exhibitor control “applies equally for the advertising material.” Brief, page 13.

Kosten Teaches Control Only by Satellite Distribution Company

Petitioner's contentions fall apart in the face of what Kosten actually says. Kosten states that "[a] film that takes off like The Blair Witch Project could be placed on thousands more screens around the world with a few simple mouse clicks." Contrasting the "thousands more screens" language to the "few simple mouse clicks" which implement it, the reference is clearly to central control, not control by individual theaters. Kosten, page 54. See also: "[a]n unsuccessful film could be pulled from screens in the same manner." Id., 54.

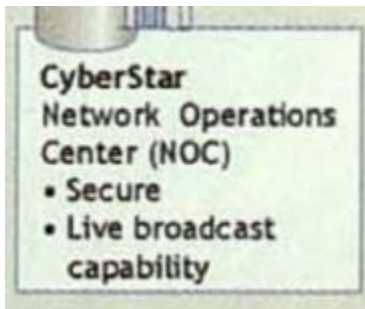
Moreover, while Petitioner asserts that Patent Owner does not contest its contentions respecting claim 1(e), it is clear that in Kosten the movie is downloaded to a "CyberStar video server" (not the theater's server) to enable "data storage and scheduling" by that server, as discussed more fully herein. Ex-1007 at 54.

Illustration Shows Content and Scheduling in CyberStar Server

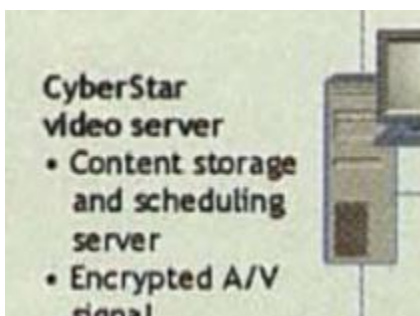
While exhibitors are given the option of "turn[ing] theater lobbies into smart advertising networks," the only thing which is disclosed which possibly relates to who controls advertising network content is in the illustration, which puts the live broadcast capability in the CyberStar box, and an illustration of a CyberStar video server with "content storage" and a "scheduling" function. Moreover, this content includes general "ad spots," apparently unrelated to the movie business. This is

obviously an independent cash source for the theater owners, as the illustration makes clear, calling the lobby displays “[a]dditional revenue generation.”

That “additional revenue” can only be the rent which the theater owner is being paid to provide lobby space to the satellite distribution company. It does not imply marketing control and the theater is not disclosed as controlling content on the lobby displays. Rather, this is done by the satellite distribution company, through its “live broadcast capability”:



and the CyberStar “content storage and scheduling server.” Illustration, page 54:



Petitioner’s wholly unsupported contention that the theater owner is controlling content is frivolous. Petitioner’s attempt to rewrite the Kosten article

using unreasoned and conclusory statements in the supplemental declaration of Dr. Houh (Ex-1022, ¶¶31-32) cannot create prior art.

While Kosten does state that “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,” that targeting is being done by the operator of the advertising network, not by the theater owner who has only made space available to the advertising network, as discussed above.

The Kosten Article’s Description Is Cursory and Incomplete

As noted in the response to the Petition, Kosten’s article has a melange of various ideas, but at crucial points the description is ambiguous, missing, or just simply does not meet the recitations of the claims at issue.

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

Budow is nothing to the combination of Kosten Allen which is not already shown in the combination of Garfinkle, Kosten and Allen. Accordingly, Petitioner’s contentions are properly rejected.

VI. SECONDARY CONSIDERATIONS

At the end of its brief, Petitioner attacks the Stiliadis declaration, claiming that the individuals were “personal friends,” that they were not experts, that the patent was not licensed by them and that they were right to reject the technology because the ‘725 Patent has not been licensed. This is wrong on all counts.

In his deposition, Mr. Stiliadis made the point that they were business colleagues and he was a substantial customer. Ex-1027, Page 71. Mr. Stiliadis also made the point that these executives, the leaders of the second largest film reproduction lab in the country (id., page 58-60), said they had access to technical experts (id., page 85-86) and nevertheless rejected the technology. However, time proved them wrong resulting in the untimely loss of a \$30 million investment (id., page 81) after only a quarter of his expected lifespan.

Clearly, the rejection of the feasibility of electronic file transfer was a prejudice in the art which prevented others from running with the idea and developing technologies which rested on it, including the multiple tier marketing system, recording, collection and dissemination of information, and so forth as recited in the claims at issue.

VI. CONCLUSION

The Petition relies upon four references, none of which show multiple tier communications structures for marketing films. None of the references show structure for storage of advertising and enablement of use of the same by an exhibitor. The alleged motivation to combine is completely conclusory on the part of Petitioner's expert, except for a nonsensical allegation that because they share elements in common there exists a motivation to combine. That contention is further compromised by the absence of any teaching of the references showing any way to enable the functionalities of the invention, including multitier marketing communications, storage of advertising under the control of the purchaser, saving of information with respect to advertising material used, and the correlation of that to marketing success followed by dissemination of the resulting information to exhibitors.

Respectfully, the Petition is properly denied with respect to all claims at issue.

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Respectfully submitted,

/s/Anthony H. Handal
Anthony H. Handal
Registration No. 26,275
Mona Roy
Registration No. 40,982
Handal & Morofsky LLC
308 East Avenue
Norwalk, CT 06851
617 880-0811
handal@handalglobal.com

Of Counsel
Jared Doster
Registration No. 72,684
Carey Rodriguez LLP
1395 Brickell Avenue, Suite
700, Miami, FL 33131
305-356-5455
Jdoster@careyrodriquez.com

CERTIFICATE OF WORD COUNT

Patent Owner certifies under 37 C.F.R. §42.24(d) that this preliminary response to the petition includes 5,404 words, as measured by Microsoft Word, exclusive of the table of contents, certificates of service, word count, and exhibits.

CERTIFICATE OF SERVICE

A copy of the foregoing Patent Owner's Surreply to Petitioner's Reply to Patent Owner's Response has been served via Electronic Mail on Petitioner's counsel of record as follows:

Xin-Yi Zhou
William M. Fink
Ben Haber
Patric Reinbold

At the following email addresses

vzhou@omm.com
tfink@omm.com
bhaber@omm.com
preinbold@omm.com

A courtesy copy was sent to the below counsel via electronic mail:

Neal C. Belgam
Daniel A. Taylor

At the following email addresses

nbelgam@skjlaw.com
dtaylor@skjlaw.com

Dated: May 30, 2025

/s/Anthony H. Handal