

UNITED STATES PATENT AND TRADEMARK OFFICE

OFFICE OF THE DIRECTOR

PATENT TRIAL AND APPEAL BOARD

IN RE INTER PARTES REVIEW OF

U.S. PATENT NO. 7,574,725

CASE NO. IPR2024-00736

**PETITION FOR DIRECTOR REVIEW
OF FINAL PATENT TRIAL AND APPEAL BOARD DECISION**

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I. ISSUES

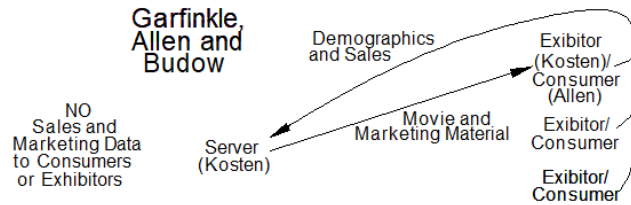
The invention provides a method for electronically implementing the distribution of movies and associated advertising in the film distribution business. The heart of the insufficiency of the Decision (Doc 40) is its resting on a hindsight attempt to cobble together the invention from selected parts of disparate prior art. Moreover, alone or in combination, the art neither meets the claim limitations nor even provides the capabilities of the present invention. Moreover, such inadequacy exists despite a relatively liberal approach to claim construction – mixing consumers with exhibitors, mixing sales and the concrete marketing actions taken to get those sales, and more.

Confusingly, Petitioner illustrated its cobbling together of the inventive *method* with a *hardware* diagram, which the Board put in its Decision and helps to understand the absence of the Board’s treatment of certain claim limitations. The method step diagram below presents claim limitations missing from the Board’s analysis, clearly showing the Board’s error in not recognizing material aspects of the claimed invention.

(a) Missing Claim Elements

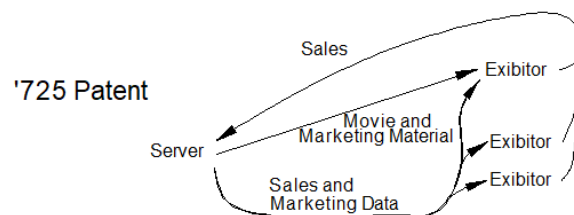
Putting aside the impropriety of combining a video-on-demand (“VOD”) system with a combination satellite file transport/standalone billboard system and with a remote videocassette and associated manufacturing system, in applicable

part, the Decision presented in relied upon and alleged combination of method steps of Kosten and Allen, which we can visualize in method diagram form:



Petitioner argued Allen suggested transfer of a movie file to an exhibitor and the reporting of box office receipts to the central server. But what Allen actually does is provide a movie file to an end-user consumer, and report back charge card information and incidental “demographic” information. Thus, the asserted suggestion is unfounded.

But, more seriously, Claim 11 also recites “providing sales *and marketing* data, *specific* to said *items* of multimedia material, to *exhibitors* based upon information from said *exhibitors*.” Thus, the combination is missing critical claim limitations, as is apparent below:



(b) Multiple Details Missing

First in the asserted combination, glaringly, there is no feedback of *marketing* data, i.e. the steps taken to market the film. Marketing data is illustrated

in the specification of the '725 Patent as information on use of advertising products such as trailers ordered by exhibitors. The specification also speaks of use of this information for future advertising ("marketing"), as appears more fully below. The Decision's characterization of credit card and "demographic" data as marketing data is inconsistent with the data on marketing actions taken by exhibitors described in the specification. This issue was raised PO Response, Doc 18, p. 4-6.

Second, the recited "marketing" data contrasts to Allen's credit card charge information (which includes name, card number, etc., typical consumer product purchases, apparently for transaction verification) and associated "demographics."

Third, (even putting aside the fact that Allen has retailers (as opposed to exhibitors) making sales of in-store manufactured cassettes) while data does go to the central server, it is never *provided* to *multiple* "exhibitors" after that, as recited in Claim 11, and the limitation is not met by the asserted combination. Surreply Doc 28, p. 3-4 pg. 15.,

Fourth, Claim 11 recites the collection of sales and marketing data, specific to a *plurality* of "items of multimedia [movie] material... based upon information from said [plurality of] *exhibitors*." This enables the recited provision of information specific to multiple movies to multiple "exhibitors." This compares with Allen's simple provision of credit card information to the central server that provided the movie to a single consumer. There is no teaching of the specific

recitations of Claim 11 relating to marketing of a movie by *collecting information from multiple exhibitors* and providing that collected information to a plurality of exhibitors.

(c) Prior Art Provides Access Only to Retailer's/Exhibitor's Own Data

The closest the Board decision comes to looking at this issue is when it says that “Allen explains that ‘[w]ith this facility, studios can monitor *their individual financial* data, sales results and promotion results from the retail level on a real time basis. In addition, the retail outlets shall be able to monitor *their own financials* on a real time basis.’” Emphasis added. Citing Ex. 1006, 11:17–20. Doc 40, page 24. In other words, there is no information originating from multiple sources being gathered together and shared with multiple parties, as required by Claim 11. This enables efficiency in the use of marketing resources.

II. THE PRIOR ART

Garfinkle is a simple one-tier video-on-demand (“VOD”) system where a movie is streamed to an end user customer, who does not market or sell, and neither stores nor exhibits the movie. Significantly, Garfinkle has nothing to do with the distribution business.

Kosten is another one-tier file transport system with the server sending movies to a theater. Kosten’s disclosure is vague and general in several respects,

failing to meet the limitations of claim 1. The server also transmits advertising to billboards which may be located in a theater lobby, in what is a second standalone system.

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. Neither has an “exhibitor” or marketing done by the purchaser, or use of advertising by the purchaser. The printing of cassette labels by the manufacturing embodiment is irrelevant.

Budow shows another one-tier VOD system, this time for a hotel, for hotel patrons who are not exhibitors.

III. DISCUSSION

(a) Issue 1: Data from Multiple Sources Distributed to Multiple Sources

This Petition focuses on parts of Claim 1 and dependent Claim 11, a method where a movie (multimedia) and correlated advertising are stored on a server for download by an exhibitor, e.g. a movie theater (§ 1a-e). Purchasers download advertising (§ 1f), and “stor[e]... the advertising,” enabling them “to locally market and sell said multimedia,” and take advantage of their knowledge of the local market.

Selling and marketing takes the form of “exhibiting said multimedia” (§ 1g), in a public theater (or broadcast); and the “advertising material... being shown to the public at a time or in a place different from... [the] multimedia.” The object is to attract moviegoers into the theater.

Collection and Dissemination of Marketing Data

Claim 11 recites the collection of sales information from multiple exhibitors and “**providing** [exhibitors] with sales and **marketing** data,” which results in growing the amount of information available to exhibitors. Surreply Doc 28 pg. 15, Argued at Transcript, 35:8-20.

This collection of data into a statistics database, which is “useful as a sales tool” (Ex. 1001, 15:6-10), is supported, *inter alia*, by the disclosure that 1) “when [box office receipts] information is received, the system... record[s]... box office receipts... to statistics database 438” (Ex. 1001, 15:46-54), i.e. financial **sales** data is recorded. Different treatment is given to non-financial **marketing** data, which includes the particular advertising used, 2) “statistics... data [is] collected by the system during... a customer’s signing up... and... using the inventive system” (Ex. 1001, 15:22-27); 3) there is “storage of statistics on... *other products* [such as which advertising was used to market the film, e.g. marketing data] combined with the subject [movie] product” (Ex. 1001, 15:31-35). The storage and provision of marketing data is described at Ex. 1001, 10:23-27, as “stor[ing] in its database all

information respecting... other products,... [and] box office... *for later use in targeted advertising.*” *Other products include “advertising material”* (Fig. 7) which is one of “various products” (Ex. 1001, 3:54-55) shown in the Fig. 7 dashboard illustration. The inventive method provides for the storage of a user’s downloading of, *inter alia*, a “movie,” “advertising,” “marketing materials,” “trailers” and “audio segments” (e.g. radio spots) which “*enables a record to be kept*... [and] enables the collection of... statistical data.” Ex. 1001, 13:26-47.

(b) Issue 2: Failure to Differentiate between Sales and Marketing Data.

Claim 11 recites collecting “sales” and very separate nonfinancial “marketing” data respecting marketing materials. This issue was raised in the PO Response, Doc 18, p. 41-42. Moreover, it is clear from the above passages that marketing data is limited to data on the steps taken to market the product, not sales, and not information on customers and not what is apparently only credit card charging/security information as detailed in Allen. Exhibit 1006, 10:33-53

The Decision Writes “Marketing Data” Out of Claim 11.

The Decision relies on Allen’s vague disclosure (Exhibit 1006, 11:17-19) that “studios can monitor their... promotion results from the retail level,” (Doc 40, p. 42) for what the specification discloses as the collection of data on advertising material. However, fairly viewed, promotion results are nothing more than sales information – very different from data on the particular advertising used to market

the film as recorded in the statistics database. The Board erred by equating what are clearly sales “results” with data on the marketing steps implemented, disclosed in the specification as the nature and identity of the advertising materials used for marketing. The Board has thus, improperly, written “marketing data” out of Claim 11, and is relying only on sales information. But that claim recites both types of information, and the spec clearly describes financial sales information and nonfinancial information respecting marketing materials used by exhibitors and recorded in the system, allowing the judgment of, e.g., the effectiveness of particular radio spots or trailers. Regardless, that information isn’t even sent to multiple parties who are limited to looking at their own data.

Allen Is Limited to Financials, Not Marketing.

Nevertheless, while the Board erroneously equated promotion results to promotional material information, it found another problem. Allen’s “own financials” was ambiguous as not specific to “promotion results from the retail level.” Regardless, Allen is limited to financials, not marketing.

Kosten Relies On General Community Demographics Not Data

To address the deficiency which it did recognize, the Board relied on Kosten for disclosing “smart advertising networks” which target advertisements based on community demographics. But, Kosten’s system 1) does not perform the recited provision of marketing data to exhibitors. Moreover, 2) Kosten relies on

general community demographics not data, and certainly 3) not data collected when exhibitors order marketing materials, or anything of the sort. That interpretation of Claim 11 is the only possible interpretation of the separate presentation of sales data and marketing data in the claim.

Indeed, Allen generates nothing about the marketing steps taken, and Kosten generates no information, and only has presumably human operators selecting materials the old-fashioned way.

The Claimed Method Empowers Exhibitors to Market the Film

In contrast, the claimed method collects 1) marketing data in the form of the identity of advertising/marketing materials used, as well as 2) sales data; and provides the sales data and marketing data to exhibitors to empower them to market the film as recited in Claim 1.

(c) Related Points

Admitted Allen Deficiency.

A further problem with the Board's finding of unpatentability is conceded by Petitioner, saying "Allen doesn't say that [demographic information in an "accounting and transaction engine" coupled only to banking] gets provided to the exhibitors." Tr. 17:12–14; Ex. 1006, 10:39–43.

Finally, the information collected by Allen is not "*specific to said items of multimedia material*," as required by Claim 11, and is not "based upon

information from said exhibitors,” because there are no exhibitors. All that Allen shows is the end user customer providing his personal information, in other words, information that would translate to personal information of a moviegoer in the present invention.

Board Troubled by Absence of Exhibitors from Three Items of Prior Art

Only Kosten discloses exhibitors or even relates to the distribution business. Accordingly, combining Garfinkle, Kosten and Allen strongly suggests hindsight. Moreover, the ‘725 Patent’s teaching the collection of data on advertising materials used to market particular films, and Claim 11’s recitation of collecting sales and providing sales and **marketing** data makes clear that marketing data relates to steps taken to market films (e.g. the particular advertising), and not just any information that might possibly be argued to be somehow useful in marketing a film. The specification should be taken into account in interpreting the claim language, and interpretations, such as those found by the Board, which go against the teaching of the specification, should be rejected as error.

Significantly, the Board seemed to recognize the problematic nature of the absence of an exhibitor in three of the four references. Transcript 8:13-16; 9:5-10:17 (JUDGE LEE: So isn’t that the – isn’t the purchaser also the exhibitor then?); 11:5-23. While Kosten does have an exhibitor, there is no collection and dissemination of information, and the combination of what is effectively a

standalone billboard system and a standalone file transport system cannot be fairly found to anticipate the system implementing distribution by collecting information from multiple exhibitors and sending that collected information to multiple exhibitors.

Back-And-Forth Information Sharing Not Disclosed in Allen

Such collection of information from multiple sources and providing the collected data to each of a plurality of exhibitors is not even treated in the Decision, where the treatment of the issue is limited to an assertion that Allen provides sales data to retail outlets selling videocassettes. More importantly, Allen only discloses that the “retail outlets shall be able to monitor *their own* financials.” Ex. 1006, 27: 19-20; Doc 18 p. 44. In other words, they do not get information collected from multiple retailers, but only *their own* information. Transcript, page 42. This doesn’t meet Claim 11. The Board’s conclusion that Allen collects information and Kosten uses information, even putting aside the fact that the information isn’t sales and marketing data, is error because the claim recites the collection of information from multiple sources and *returning the collected information to each of those sources*.

IV. CONCLUSION

The invention of the '725 Patent with its provision of movie files, advertising files, collection of sales information and information on marketing relating to multiple exhibitors, specific to movies being marketed, and provision of the collected information to multiple exhibitors (with its inherent augmentation of the information) is completely unrelated to the prior art VOD, remote cassette manufacturing, and simple file transport systems relied upon by the Board. The unsoundness of the Decision is graphically illustrated by its reliance on a simple credit card charging system connected to a bank to provide the elements of collection of marketing data relating to multiple sources, collection of sales from multiple sources, and the return of the consolidated collected sales and marketing data to the multiple party sources, which results in each party having an augmented informational picture. Nothing in Allen remotely suggests anything of the sort.

The expert statements urging this hindsight combination are worthy of little weight. Apparently due to a faulty analytic process driven by Petitioner's proposed hindsight reconstruction of hardware from prior art systems, instead of the proper focus on the method recited in the claims, the Board did not reach all the method limitations, making this case stand out from the mill run and clearly

justifying the Director's exercise of discretion and the granting of review of the Board's final decision.

Respectfully submitted,

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