

*In the Matter of*

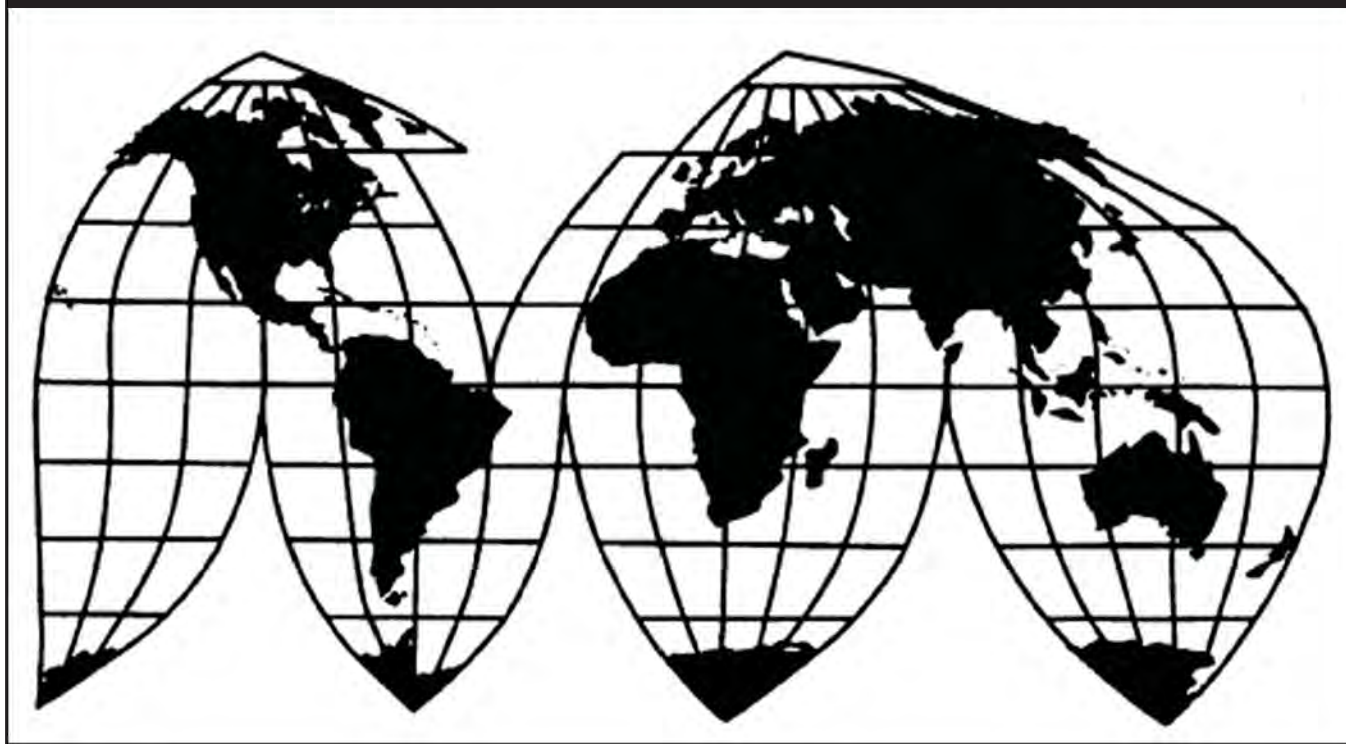
**CERTAIN PRODUCTS CONTAINING  
INTERACTIVE PROGRAM GUIDE AND  
PARENTAL CONTROL TECHNOLOGY**

337-TA-845

Publication 4815

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**U.S. International Trade Commission**



Washington, DC 20436

# **U.S. International Trade Commission**

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**Washington, DC 20436**

# U.S. International Trade Commission

Washington, DC 20436  
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*In the Matter of*

## **CERTAIN PRODUCTS CONTAINING INTERACTIVE PROGRAM GUIDE AND PARENTAL CONTROL TECHNOLOGY**

337-TA-845



**UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.**

**In the Matter of**

**CERTAIN PRODUCTS CONTAINING  
INTERACTIVE PROGRAM GUIDE  
AND PARENTAL CONTROL  
TECHNOLOGY**

**Investigation No. 337-TA-845**

**NOTICE OF THE COMMISSION'S FINAL DETERMINATION FINDING NO  
VIOLATION OF SECTION 337; TERMINATION OF THE INVESTIGATION**

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Notice.

**SUMMARY:** Notice is hereby given that the U.S. International Trade Commission has found no violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, in this investigation. The investigation is terminated.

**FOR FURTHER INFORMATION CONTACT:** Robert Needham, Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 708-5468. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

**SUPPLEMENTARY INFORMATION:** The Commission instituted this investigation on June 6, 2012, based on a complaint filed by Rovi Corporation; Rovi Guides, Inc.; Rovi Technologies Corporation; Starsight Telecast, Inc.; United Video Properties, Inc.; and Index Systems, Inc. (collectively, "Complainants"). 77 Fed. Reg. 33487-88. The notice of investigation named LG Electronics, Inc.; LG Electronics U.S.A., Inc. (collectively, "LGE"); Mitsubishi Electric Corp.; Mitsubishi Electric US Holdings, Inc.; Mitsubishi Electric and Electronics USA, Inc.; Mitsubishi Electric Visual Solutions America, Inc.; Mitsubishi Digital Electronics America, Inc. (collectively, "Mitsubishi"); Netflix Inc. ("Netflix"); Roku, Inc. ("Roku"); and Vizio, Inc. ("Vizio") as respondents. *Id.* The Office of Unfair Import Investigations did not participate in this investigation.



Originally, Complainants asserted numerous claims from seven patents against various respondents. Complainants later moved to terminate the investigation as to three of the seven patents, as to certain claims of one of the remaining four patents, and as to respondents LGE, Mitsubishi, and Vizio. Order No. 9 (Sept. 4, 2012), *not reviewed*, Oct. 2, 2012; Order No 16 (Nov. 6, 2012), *not reviewed*, December 7, 2012; Order Nos. 17 (Dec. 19, 2012) and 19 (Dec. 20, 2012), *not reviewed*, January 18, 2013; Order No. 21 (Jan. 22, 2013), *not reviewed* Feb. 13, 2013; Order Nos. 34 (Feb. 27, 2013) and 36 (Mar. 1, 2013), *not reviewed* (Mar. 22, 2013). Netflix and Roku (“Respondents”) remain in the investigation, as well as claims 1, 6, 13, and 17 of U.S. Patent No. 6,898,762 (“the ‘762 patent”), claims 13-20 of U.S. Patent No. 7,065,709 (“the ‘709 patent”); claims 1-3, 10, and 11 of U.S. Patent No. 7,103,906 (“the ‘906 patent”); and claims 1, 2, 4, 6, 14, 15, 17, and 19 of U.S. Patent No. 8,112,776 (“the ‘776 patent”).

On June 7, 2013, the presiding ALJ issued his final initial determination (“ID”), finding no violation of section 337. Specifically, the ALJ found that none of the accused products met the importation requirement of section 337. While the ALJ found that his importation finding was dispositive, he made additional findings in the event that the Commission determined that the importation requirement was met. The ALJ found that no party infringed any of the four asserted patents. He also found that the ‘776 patent is invalid as anticipated and obvious, but that Respondents had failed to show that the other three asserted patents were invalid. The ALJ found a domestic industry for articles protected by each of the patents-in-suit, but no domestic industry based on substantial investment in licensing the asserted patents. The ALJ also rejected Respondents’ patent misuse, implied license, and patent exhaustion defenses.

On June 24, 2013, Complainants filed a petition for review challenging the ALJ’s findings that the importation requirement is not met, that Netflix does not induce infringement, and that the economic prong of the domestic industry is not met by Complainants’ licensing activity. That same day, Respondents filed a joint contingent petition for review arguing additional bases for finding no violation. On July 2, 2013, the parties filed oppositions to each other’s petitions.

On August 9, 2013, the Commission determined to review the ID in its entirety. 78 *Fed. Reg.* 49766-67 (Aug. 15, 2013). The Commission requested written submissions from the parties on seven issues. It also requested submissions on remedy, bonding, and the public interest from the parties and the public. The Commission only received submissions from the Complainants and Respondents.

Having examined the record of this investigation, including the ALJ’s final ID and the submissions from the parties, the Commission has determined that Complainants have not proven a violation of section 337. The Commission affirms with modified reasoning the ALJ’s finding that the importation requirement is not met for all of the asserted patents. The Commission affirms with modified reasoning the ALJ’s finding that the ‘762, ‘709, and ‘906 patents are valid but not infringed, and that the ‘776 patent is invalid and not infringed. The Commission also determines to modify the ALJ’s claim construction regarding the order of steps of the asserted claims of the ‘709 patent, and,

under the modified construction, reverses the ALJ's finding that Complainants have shown that the technical prong of the domestic industry requirement has been met for the '709 patent. The Commission also affirms the ALJ's findings that Complainants have shown that a domestic industry exists for the '762, '906, and '776 patents with respect to articles protected by the patents based on their investments in plant and equipment, labor and capital, research and development, and exploitation of engineering, as set forth in the ID. Accordingly, the Commission need not reach the issue of whether Complainants have also shown that a domestic industry exists based on substantial investments in licensing, and the Commission takes no position on the issue. The Commission also corrects a typographical error on page 49 of the ID. The citation CX-4481C at .10 is corrected to be CX-4145C at .9. All other findings in the ID that are consistent with the Commission's determinations are affirmed. A Commission Opinion will issue shortly.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), and in sections 210.45, .49, and .50 of the Commission's Rules of Practice and Procedure (19 C.F.R. §§ 210.45, .49, and .50).

By order of the Commission.

A handwritten signature in black ink, appearing to read "Lisa R. Barton", with a stylized flourish at the end.

Lisa R. Barton  
Acting Secretary to the Commission

Issued: November 1, 2013

**CERTAIN PRODUCTS CONTAINING  
INTERACTIVE PROGRAM GUIDE AND  
PARENTAL CONTROL TECHNOLOGY**

**Inv. No. 337-TA-845**

**CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **NOTICE** has been served by hand upon the Office of Unfair Import Investigations and the following parties as indicated, on **November 1, 2013**.



Lisa R. Barton, Acting Secretary  
U.S. International Trade Commission  
500 E Street, SW  
Washington, DC 20436

**On Behalf of Complainants Rovi Corporation, Rovi  
Guides, Inc., Rovi Technologies Corporation, Starsight  
Telecast, Inc., United Video Properties, Inc. and Index  
Systems, Inc.:**

Yar R. Chaikovsky, Esq.  
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275 Middlefield Road, Suite 100  
Menlo Park, CA 94025

( ) Via Hand Delivery  
( ) Via Express Delivery  
(  ) Via First Class Mail  
( ) Other: \_\_\_\_\_

**On Behalf of Respondents Netflix, Inc. and Roku, Inc.:**

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**PERKINS COIE LLP**  
700 Thirteenth Street, NW, Suite 600  
Washington DC 20005

( ) Via Hand Delivery  
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( ) Other: \_\_\_\_\_

PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

**In the Matter of**

**CERTAIN PRODUCTS CONTAINING  
INTERACTIVE PROGRAM GUIDE  
AND PARENTAL CONTROL  
TECHNOLOGY**

**Investigation No. 337-TA-845**

**COMMISSION OPINION**

On June 7, 2013, the presiding administrative law judge (“ALJ”) issued a final Initial Determination (“ID”) finding no violation of 19 U.S.C. § 1337 (2012) (“section 337”) in the above-identified investigation. Specifically, the ALJ found that none of the accused products satisfy the importation requirement of 19 U.S.C. § 1337(a)(1)(B), that U.S. Patent Nos. 6,898,762 (“the ’762 patent”), 7,065,709 (“the ’709 patent”), and 7,130,906 (“the ’906 patent”) are valid but not infringed, and that U.S. Patent No. 8,112,776 (“the ’776 patent”) is invalid and not infringed.

On August 9, 2013, the Commission determined to review the ID in its entirety. *78 Fed. Reg.* 49766 (Aug. 15, 2013). The Commission solicited briefing from the parties on seven issues, and solicited briefing on remedy, bonding, and the public interest from the parties and the public. *Id.*

Having considered the ID, the parties’ petitions and responses, the parties’ submissions, and the record in this investigation, the Commission has determined that the complainants have not proven a violation of section 337. The Commission affirms, modifies, reverses, and sets aside the ID as explained below.

PUBLIC VERSION

I. BACKGROUND

A. Procedural History

The Commission instituted this investigation on June 6, 2012, based on a complaint filed by Rovi Corporation; Rovi Guides, Inc.; Rovi Technologies Corporation; Starsight Telecast, Inc.; United Video Properties, Inc.; and Index Systems, Inc. (collectively, “Complainants”), under section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337 (2012) (“section 337”). 77 *Fed. Reg.* 33487-88. The notice of institution of this investigation named as respondents LG Electronics, Inc.; LG Electronics U.S.A., Inc. (collectively, “LGE”); Mitsubishi Electric Corp.; Mitsubishi Electric US Holdings, Inc.; Mitsubishi Electric and Electronics USA, Inc.; Mitsubishi Electric Visual Solutions America, Inc.; Mitsubishi Digital Electronics America, Inc. (collectively, “Mitsubishi”); Netflix Inc. (“Netflix”); Roku, Inc. (“Roku”); and Vizio, Inc. (“Vizio”). The complaint alleged violations of section 337 in the importation into the United States, the sale for importation, and the sale within the United States after importation of certain products containing interactive program guide and parental control technology by reason of infringement of claims 1-4, 10, and 11 of the ’523 patent; claims 1, 6, 7, 12, 13, and 17 of the ’762 patent; claims 13-20 of the ’709 patent; claims 1-3, 10, and 11 of the ’906 patent; claims 1-36 of the ’455 patent; claims 1-4, 7-10, and 13-16 of the ’643 patent; and claims 1, 2, 4, 6, 14, 15, 17, and 19 of the ’776 patent.

Throughout the course of the investigation, several IDs terminated the investigation in part with respect to various patents and claims. The Commission also terminated the investigation with respect to LGE and Vizio based on settlement agreements, and terminated the investigation with respect to Mitsubishi based on a settlement agreement and a consent order. By the time of the final ID, only Netflix and Roku (“Respondents”) remained, and only the following claims were asserted: claims 1, 6, 13, and 17 of the ’762 patent; claims 13-20 of

PUBLIC VERSION

the '709 patent; claims 1-3, 10, and 11 of the '906 patent; and claims 1, 2, 4, 6, 14, 15, 17, and 19 of the '776 patent. Complainants accused Netflix of infringing all of these claims, and accused Roku of infringing claims 1 and 6 of the '762 patent.

On June 7, 2013, the ALJ issued his final ID, finding no violation of section 337. The ALJ found that none of the accused products satisfy the importation requirement. Further, for each of the asserted patents, the ALJ found no direct, induced, or contributory infringement by Netflix or Roku. The ALJ also found that the '776 patent is invalid. Additionally, the ALJ found that, although the economic prong of the domestic industry requirement is satisfied through various investments in plant, equipment, labor, capital, research and development, and engineering, the economic prong of the domestic industry requirement is not satisfied by Complainants' investments in licensing the asserted patents. On June 13, 2013, the ALJ issued his Recommended Determination, recommending that, should the Commission find a violation, a limited exclusion order should issue as to Roku and no remedy should issue as to Netflix. The ALJ further recommended setting the bond in the amount of 100 percent of entered value during the period of Presidential review.

On June 24, 2013, Complainants filed a petition for review of the ID, challenging the following findings: (1) the importation requirement is not satisfied for the asserted patents, (2) Netflix does not induce infringement of the '709, '762, and '906 patents, and (3) Complainants have not established that a domestic industry exists based on substantial investment in licensing the '709, '762, '906, and '776 patents ("the asserted patents"). *See* Complainants' Petition for Review of Final Determination ("Complainants' Pet."). That same day, Respondents filed a contingent petition for review of the ID, challenging several of the ALJ's findings, including the following: (1) Netflix made a "sale for importation" of its software development kit ("SDK,"



PUBLIC VERSION

also referred to as the Netflix Ready Device Platform, or “NRDP”) under section 337(a)(1)(B), and (2) the asserted claims of the ’709 patent do not require a specific order of steps. *See* Respondents Netflix, Inc. and Roku, Inc.’s Contingent Petition for Review (“Respondents’ Pet.”).

On August 9, 2013, the Commission determined to review the ID in its entirety. 78 *Fed. Reg.* 49766 (Aug. 15, 2013). In connection with the Commission’s review of the ID, the parties were invited to brief seven issues. The parties, interested government agencies, and the public were invited to provide written submissions on issues related to remedy, bonding, and the public interest. The Commission received responses and submissions from Complainants and Respondents only.

On November 1, 2013, the Commission issued a notice of its final determination finding no violation of section 337. Notice of the Commission’s Final Determination Finding No Violation of Section 337; Termination of Investigation, 78 *Fed. Reg.* 66951-52 (Nov. 7, 2013) (“Notice of Final Determination”). The Commission determined to affirm, under modified reasoning, the ALJ’s findings that the importation requirement is not met for all of the asserted patents, that the ’762, ’709, and ’906 patents are valid but not infringed, and that the ’776 patent is invalid but not infringed. *Id.* at 66952. The Commission also determined to modify the ALJ’s claim construction of the order of steps of the asserted claims of the ’709 patent, and, under the modified construction, determined that the technical prong of the domestic industry requirement was not met for the ’709 patent. *Id.* The Commission determined to affirm the ALJ’s findings that Complainants have shown that a domestic industry exists for the ’762, ’906, and ’776 patents with respect to articles protected by the patents based on their investments in plant and equipment, labor and capital, research and development, and engineering, as set forth in the ID,

## PUBLIC VERSION

and took no position on whether Complainants had additionally established a domestic industry based on substantial investments in licensing. *Id.*

### **B. The Accused Products**

Complainants accuse Netflix of inducing infringement through sales for importation of the combination of versions of the Netflix SDK (*i.e.*, NRDP) with the Netflix user interface (“UI”):[

] ID at 35-36, 40 n. 15, 99, 102 n. 24, 147, 150 n. 32, 232, 235 n. 38 (quoting Complainants’ Post-Hearing Br. at 9-10 and citing CX-5750C (Shamos WS) at Q54 and CX-5751C (Griffin WS) at Q47). Complainants contend that Netflix provides its SDK and UI for download from its United States servers to LGE and Vizio, which then in turn use the Netflix SDK and UI to create hardware (*e.g.*, televisions) that can receive the Netflix streaming video service. *Id.* at 40-41, 102-04, 150-52, 235-36. Complainants alleged that LGE and Vizio incorporate the accused SDK and UI into their hardware, called “Netflix Ready Devices” (“NRDs”), and import the NRDs into the United States. *Id.* Complainants assert that the use of these NRDs after importation to access the Netflix streaming video service causes Netflix’s United States-based servers to infringe the asserted patents. *Id.*

Complainants accuse Roku of infringing the ’762 patent claims through its “Roku 2XS streaming media player, Roku LT streaming media player, Roku HD streaming media player, Roku 2XD streaming media player, and Roku streaming stick.” *Id.* at 99. Complainants, however, do not seek review of the ID’s finding that Roku committed no section 337 violation.

## **II. ANALYSIS**

As stated above, the Commission determined to review the final ID in its entirety. On review, the Commission determines to make the findings, conclusions, and supporting analysis



PUBLIC VERSION

set forth below. Any findings, conclusions, and supporting analysis by the ALJ that are not inconsistent with our analysis and conclusions below are adopted by the Commission.

**A. Importation**

The ALJ found that Complainants failed to establish that the accused products infringe any of the asserted patents at the time of importation. ID at 39-42, 102-105, 150-153, 234-237. With the modifications set forth below, the Commission affirms the ALJ's finding that the importation requirement was not established for any of the asserted patents.

**1. Inducing Infringement at the Time of Importation**

Section 337 prohibits “importation into the United States, the sale for importation, or the sale within the United States after importation . . . of articles that—(i) infringe a valid and enforceable United States patent.” 19 U.S.C. § 1337(a)(1)(B). The Commission has interpreted the phrase “articles that—infringe” to “reference the status of the articles at the time of importation.” *Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software*, Inv. No. 337-TA-724, USITC Pub. No. 4374 Vol. 1, Comm’n Op, at 13-14 (Feb. 2013) (hereinafter, “*Electronic Devices*”). Accordingly, “infringement, direct or indirect, must be based on the articles as imported to satisfy the requirements of section 337.” *Id.* at 14. *Electronic Devices* cites *Chemiluminescent Compositions* as an example of how an accused article may indirectly infringe at the time of importation. *See Certain Chemiluminescent Compositions, and Components Thereof and Methods of Using, and Products Incorporating the Same*, Inv. No. 337-TA-285, USITC Pub. 2370, Initial Determination, at 38 n.12 (March 1991) (hereinafter, “*Chemiluminescent Compositions*”).

Here, the ALJ concluded that Complainants failed to establish the importation requirement because Respondents did not import articles that infringe at the time of importation. ID at 39, 102, 150, 234. As a part of his reasoning, the ALJ distinguished this investigation from

## PUBLIC VERSION

*Chemiluminescent Compositions* by stating “in *Chemiluminescent Compositions*, the accused product (necklace) as imported was a product that need not be combined with any other product in order to be used in an infringing manner.” ID at 38, 101, 149, 234 (citing *Chemiluminescent Compositions* at 7-8).

Complainants argue that the ALJ erred by finding that an imported article can only induce infringement in violation of section 337 if it “need not be combined” with other non-imported products to produce direct infringement. Complainants’ Pet. at 9-10. We agree. While *Chemiluminescent Compositions* is an example of indirect infringement, the Commission did not hold that the importation of an article that induces infringement can only violate section 337 if that article also produces direct infringement without being combined with other articles. Rather, all that is required concerning infringement and importation is that “infringement, direct or indirect, must be based on the articles as imported.” *Electronic Devices* at 14. Thus, to the extent that the ALJ found that an imported article can only induce infringement in violation of section 337 if the article produces direct infringement on its own, and to the extent that the ALJ relied upon that finding to conclude that Respondents did not violate section 337, we set aside that finding and reasoning.

### **2. Settlement Agreements**

The ALJ also reasoned that the importation requirement is not satisfied here because “inasmuch as LGE and Vizio are no longer respondents in this investigation, Netflix cannot be liable for indirect infringement based on the now licensed importation of Netflix Ready Devices such as LGE and Vizio televisions.” ID at 42, 105, 153, 237. Complainants argue that the ALJ erred by finding that these settlement agreements prevent a finding that Netflix induces infringement, because the agreements expressly do not cover the allegedly inducing Netflix software present on LGE’s and Vizio’s Netflix Ready Devices. Complainants’ Pet. at 11-12.

PUBLIC VERSION

We agree that the settlement agreements do not encompass the accused Netflix software. In fact, the settlement agreements expressly state that they do not cover the accused Netflix software. RX-1332C.0005 (Rovi-LGE License) (“[ ]”); RX-1331C.0003-4 (Rovi-Vizio License) (“[ ]”);

[ ]”). Even Netflix admits that the settlement agreements do not cover the accused Netflix software. Respondent Netflix, Inc.’s Response to Complainants’ Petition for Review at 22 (“[ ]”)

(emphasis in original). Additionally, the ALJ recognizes elsewhere in the ID that the agreements do not cover the accused Netflix software. ID at 360 (“[ ]”); *id.* at 358 n. 77

([ ]). Thus, while the settlement agreements do license portions of the Netflix Ready Devices and the use of those devices by end-users, they do not license the Netflix software accused of inducing infringement here. RX-1332C.0005 (Rovi-LGE License); RX-1331C.0003-4 (Rovi-Vizio License). The settlement agreements also provide no license for the Netflix servers and end-users accused of carrying out the underlying direct infringement utilizing those servers. *Id.* Accordingly, we reverse the ALJ’s finding that the LGE and Vizio settlement agreements preclude a finding that the Netflix software induces infringement at the time of importation.

**3. Sale for Importation**

A violation of section 337 for patent infringement requires “[t]he importation into the United States, the sale for importation, or the sale within the United States after importation” of

PUBLIC VERSION

an infringing article. 19 U.S.C. § 1337(a)(1)(B). Here, Complainants have continually alleged that Netflix violates section 337 through a “sale for importation” of certain software, the Netflix SDK with the Netflix UI, to LGE and Vizio, who then use that software to create and import allegedly infringing products. Complainants’ Pre-Hearing Statement II at 4; Complainants’ Post-Hearing Br. at 18. Thus, in order to prove their allegation that there has been a “sale for importation,” Complainants must establish that Netflix sold the accused software combination to LGE and Vizio for importation into the United States.

The ALJ concluded in one sentence that complainants satisfied this burden, but provided no reasoning or evidence in support of his conclusion, other than merely referring to Complainants’ argument. ID at 43 n. 16 (“Netflix’s argument that its SDKs are not ‘sold’ is rejected for the reasons discussed by Complainants.”). Respondents argue that the ALJ erred by finding that the Netflix SDK is sold to LGE and Vizio. They contend that the SDK is not sold, because [ ] Respondents’ Pet. at 8.

**a. “Sale” of the Accused Products**

Complainants have failed to prove that the terms of the Netflix-LGE and Netflix–Vizio license agreements support Complainants’ allegation that Netflix has made sales for importation of the accused Netflix SDK and UI into the United States. Complainants have not shown that the accused products, as defined by Complainants, are sold for importation. Complainants’ Pre-Hearing Brief defined the “Accused Netflix Products” as the combination of the Netflix SDK and Netflix UI. Complainants’ Pre-Hearing Br. I at 11. Under the facts presented by Complainants, we do not find that Complainants established that Netflix sold the Accused Netflix Products.

PUBLIC VERSION

The Federal Circuit has held that, for section 337, the term “sale” should be given its ordinary meaning. *Enercon GmbH v. Int’l Trade Comm’n*, 151 F.3d 1376, 1381 (Fed. Cir. 1998) (concluding that Congress intended to give the term “sale” its ordinary meaning because the term is not defined in section 337 or its legislative history). There, the Federal Circuit analyzed two dictionary definitions of the term “sale,”<sup>1</sup> and concluded that “[p]lainly, the common, or usual meaning of the term sale includes those situations in which a contract has been made between two parties who agree to transfer **title** and possession of specific property for a price.” *Id.* at 1382 (emphasis added). This definition is in accord with the Federal Circuit’s interpretation of the term “sale” in other statutes. *See, e.g., NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1319 (Fed Cir. 2005) (“The definition of ‘sale’ is ‘1. The transfer of property or title for a price.’”) (quoting BLACK’S LAW DICTIONARY 1337 (7th ed. 1999)). Accordingly, we find that a sale “includes those situations in which a contract has been made between two parties who agree to transfer title and possession of specific property for a price.” *Enercon*, 151 F.3d at 1382.

We find under the facts presented here that the Netflix-LGE and Netflix-Vizio license agreements are not sales [ ] The agreements [ ] RX-1218C (Netflix-LG License Agreement) at § 4.1 (“[ ]”); RX-1227C.0004 (Netflix-

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<sup>1</sup> BLACK’S LAW DICTIONARY (6th ed. 1990) (defining the term “sale” as “[a] contract between two parties, called, respectively, the ‘seller’ (or vendor), and the ‘buyer,’ (or purchaser) by which the former, in consideration of the **payment or promise of payment of a certain price in money, transfers** to the latter the **title** and possession of the property.”)(emphasis added); WEBSTER’S THIRD NEW INT’L DICTIONARY 2003 (1986) (defining the term “sale” as “the act of selling: a contract transferring the absolute or general **ownership** of property from one person . . . to another **for a price**”)(emphasis added).

PUBLIC VERSION

Vizio License Agreement) at § 4.1 (same).<sup>2</sup> Moreover, the Ninth Circuit has held that software is considered to be licensed and not sold when the software maker “(1) specifies that the user is granted a license; (2) significantly restricts the user’s ability to transfer the software; and (3) imposes notable use restrictions.” *Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1111 (9th Cir. 2010). Here, the agreements state that [

] RX-1218C (Netflix-LG License Agreement) at § 2.1; RX-1227C (Netflix-Vizio License Agreement) at § 2.1. Therefore, Complainants have not proved that, under the terms of the agreements, [ ]

Nor have Complainants established that the terms of the LGE and Vizio licenses include payment of a price or other consideration in exchange for the Accused Netflix Products or the Netflix SDK. Under both the Netflix-LGE and Netflix-Vizio license agreements, [

] <sup>4</sup> to [ ] <sup>5</sup> and to [ ]

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<sup>2</sup> The “Licensed Technology” is defined to include [

]

<sup>3</sup> RX-1218C.0005 (Netflix-LG License Agreement) at §§ 2.1-2.2; RX-1227C.0003 (Netflix-Vizio License Agreement) at § 2.1.

<sup>4</sup> RX-1218C.0012 (Netflix-LG License Agreement) at § 6.1; RX-1227C.0006-7 (Netflix-Vizio License Agreement) at § 6.1.

<sup>5</sup> RX-1218C.0012 (Netflix-LG License Agreement) at § 6.2; RX-1227C.0007 (Netflix-Vizio License Agreement) at §§ 6.2-6.3.



]. To the extent that the terms identified by  
Complainants above may be deemed consideration pursuant to the Uniform Commercial Code,  
such consideration is [ ]  
Accordingly, we find that Complainants have failed to show that Netflix sold the accused SDK  
and UI to Vizio or LGE for importation into the United States.

**b. “Importation” of the Accused Products**

Complainants have failed to prove that the NRDs that are imported into the United States  
by LGE and Vizio include any specific portion of the accused Netflix SDK or UI. First, as  
explained in the ID, the Netflix UI is not imported. ID at 40-41, 102-03, 150-51, 235-36.

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<sup>6</sup> RX-1218C.0015, .0043 (Netflix-LG License Agreement) at § 7.7, Ex. 7.7; RX-1227C.0009 (Netflix-Vizio License Agreement) at § 8.1.

<sup>7</sup> RX-1218C.0007-9 (Netflix-LG License Agreement) at §§ 5.1-5.2; RX-1227C.0005 (Netflix-Vizio License Agreement) at §§ 5.1-5.3, 5.5.

<sup>8</sup> RX-1218C.0013-14 (Netflix-LG License Agreement) at §§ 7.2-7.5; RX-1227C.0008-9 (Netflix-Vizio License Agreement) at §§ 7.1-7.4.4.

<sup>9</sup> See RX-1218C.0005 (Netflix-LG License Agreement) at § 2.1 ([ ]); RX-1227C.0005 (Netflix-Vizio License Agreement) at § 2.1 (same). [ ] See RX-1218C.0005-6 (Netflix-LG License Agreement) at §§ 3.1-3.5 ([ ]); RX-1227C.0003-4 (Netflix-Vizio License Agreement) at §§ 3.1-3.5 (same).

PUBLIC VERSION

Complainants do not dispute that the Netflix UI is not imported. *See* Complainants' Pet. at 7 (referring to the Netflix UI as software "downloaded after importation"). Accordingly, the ALJ correctly found that the Accused Netflix Products, as defined by Complainants, are not imported.

Second, we find that Complainants failed to prove that any particular portion, module, or code from the Netflix SDK is actually incorporated in the NRDs. Complainants point to allegedly infringing functionality of the NRDs, but there is insufficient proof to demonstrate that the accused functionality is attributable to the Netflix SDK, rather than functionality that may have been added by Netflix Ready Device manufacturers such as LGE and Vizio, both of which are licensed by Complainants. Complainants admit that LGE and Vizio do not simply copy the SDK onto their devices. *See* Complainants' Post-Hearing Br. at 18 ("partners build upon the Netflix-supplied software to create and distribute device-specific applications . . . that run on Netflix Ready Devices"). Instead, the record reflects that the manufacturers modify the SDK before importing the devices. For example, Complainants' expert admitted that only portions of the SDK are incorporated on the Netflix Ready Devices. Shamos Tr. at 106 (stating that the Netflix Ready Device software is "going to be different from the SDK, but it's going to incorporate components of the SDK").<sup>10</sup> And the expert's conclusion that some portion of the SDK is incorporated in the NRDs as imported is suspect, because the expert admitted that he *never* examined the Netflix SDK and *never* analyzed whether Netflix SDK code is present on the imported Netflix Ready Devices. Shamos Tr. at 104-05.<sup>11</sup>

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<sup>10</sup> *See also* Shamos Tr. at 105 ("[

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<sup>11</sup> When asked "You've never looked at the SDK code that Netflix makes available to its partners; correct?, Complainants' expert responded "I don't recall having done so." Tr. at 104:25-105:3. When asked "You haven't compared the SDK code, for example, to the code that composes an application that a partner uses on its device; correct?, Complainants' expert



PUBLIC VERSION

Complainants' other evidence does not show that the Netflix SDK is actually imported on Netflix Ready Devices. While Complainants have shown that Netflix has guidelines and a certification process for Netflix Ready Devices, Complainants have not shown that the guidelines and certification process require that the SDK be copied onto Netflix Ready Devices. Complainants' Opposition to Respondents' Contingent Petition for Review of Final Initial Determination at 14-15. And while Complainants cite a single line in a Netflix document that suggests that Netflix generally expects that device manufacturers include the SDK,<sup>12</sup> that proposition is contradicted by Complainants' own expert, as discussed above. Thus, as a whole, Complainants' evidence, at best, shows that some unknown portion of the SDK may have been incorporated in the imported Netflix Ready Devices.<sup>13</sup>

Netflix, on the other hand, presented evidence that the Netflix Ready Device manufacturers create their own software for Netflix Ready Devices. RX-1269 at Q59 (“[

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responded “I haven’t done that comparison, no.” Tr. at 105:4-8. When asked “But you’re not in a position to say whether the percentage of incorporation [of the SDK into the final application] is 1 percent or 99 percent. You just never looked. Right?”, Complainants’ expert responded “Oh, I’m not in a position to give you a percentage.”). Tr. at 106:16-21.

<sup>12</sup> CX-2168.27 (“[ ]”).

<sup>13</sup> See Complainants’ Post-Hearing Br. at 19 (quoting RX-1269C (Burke WS) at Q59 ([ ])(emphasis added); *id.* (quoting Peters Tr. 510:23-35 (“[ ]”(emphasis added)); *id.* at 23 (citing Hallenbeck Tr. at 655-56 (“[ ]”(emphasis added)); *id.* at 32-33 (quoting JX-0005C (Peters Dep. Tr.) 173-74 (“[ ]”)).

PUBLIC VERSION

”).<sup>14</sup> Based on the parties’ statements and evidence, we find that the Netflix SDK is not simply copied onto Netflix Ready Devices and imported, but rather is modified in some fashion, and that the NRD manufacturers create software for the NRD before the NRD is imported into the United States.

Therefore, based on the record evidence, it is unclear what portions of the Netflix SDK are in fact imported into the United States on Netflix Ready Devices. Thus, we are unable to conclude that the imported portions of the SDK perform the actions that purportedly induce infringement of the asserted patents. Accordingly, we conclude that Complainants have failed to show that Netflix made a “sale for importation” of an infringing SDK.

**c. Summary**

For the reasons set forth in the ID, as modified in this opinion, we affirm the ALJ’s finding that Complainants failed to establish the importation requirement of section 337.

**B. Induced Infringement**

The ALJ concluded that Netflix did not induce infringement of the asserted claims. ID at 52-56, 111-15, 159-61, 241-45. In reaching that conclusion, the ALJ rejected Complainants’ allegations that Netflix induced itself to infringe. *Id.* at 54-56, 114-15, 244-45. The ALJ found that induced infringement requires the inducement of another party to infringe, and thus concluded that Netflix cannot induce itself to infringe the asserted claims. *Id.* With the modifications set forth below, the Commission affirms the ALJ’s finding that Complainants failed to show that Netflix induces infringement of each of the asserted patents.

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<sup>14</sup> See also RX-1303C (Peters RWS) at Q67 (“[

Q133 (“[ ]”).

]); RX-1270C (Hallenbeck RWS) at

**1. Inducement of End-Users**

Complainants contend that the ALJ erred by failing to consider Complainants' arguments that Netflix also induced end-users to infringe the claims of the '709, '762, and '906 patents. Complainants contend that they showed that Netflix induced end-users to perform method steps and to put infringing systems into service as claimed in these patents. Complainants' Pet. at 25, 33, 39. For the '906 patent, Complainants contend that the ALJ erred by not considering the argument that "Netflix induces users to participate in the claimed step of 'recording a book mark specifying a position in the media' of claims 1 and 10, and the step of 'interrupting said delivery of the media' of claim 10." Complainants' Pet. at 25. For the '709 patent and '762 patent, Complainants contend the ALJ erred by not considering the argument that Netflix induces the infringement of the asserted system claims by "end users who put the invention into service." *Id.* at 33, 39. For the '762 patent, Complainants also contend that the ALJ erred by not considering the argument that "Netflix induces users to participate using their Netflix Ready Device in the claimed 'displaying' steps of claim 1, which takes place at the end user's device." *Id.* at 39.

We find that Complainants are correct with respect to claims 17-20 of the '709 patent. Complainants have continuously asserted that Netflix induces end-users to infringe claims 17-20 of the '709 patent by using the system. Complainants' Pet. at 33; Complainants' Post-Hearing Br. at 230; Complainants' Pre-Hearing Statement V at 13-14. Complainants thus do allege that Netflix induces another to infringe claims 17-20 of the '709 patent. Accordingly, we reverse the ALJ's finding that Netflix's inability to induce itself to infringe is a sufficient ground for finding that Netflix does not induce infringement of claims 17-20 of the '709 patent by end-users.

We reject Complainants' arguments with respect to all other asserted claims. With respect to Complainants' argument regarding an end-user's infringing use of the system claims of the '762 patent, Complainants' Pre-Hearing Statement does not allege that Netflix induces

PUBLIC VERSION

end-users to infringe system claims 13 and 17 of the '762 patent. Complainants' Pre-Hearing Statement IV at 33-34 (alleging that LGE induces end-users to infringe). Accordingly, we find that Complainants waived their contention that Netflix induces end-users to infringe claims 13 and 17 of the '762 patent by not including any such argument in their Pre-Hearing Statement. *See* Order No. 5 (Judge Shaw Ground Rule stating that “[a]ny contentions not set forth in detail as required [in the pre-hearing statement] shall be deemed abandoned or withdrawn.”).

We also reject Complainants' arguments that Netflix induces users to “participate” in steps of the asserted method claims of the '906 and '762 patents. Complainants cite no authority for the proposition that a party may infringe a patent by “participation.” Rather, the Federal Circuit has long held that infringement of a method claim requires performance of the steps of the claimed method. *See, e.g., Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1307 (Fed. Cir. 2012) (for direct infringement “the accused infringer must *perform* all the steps of the claimed method.”) (emphasis added). Because Complainants do not explain how Netflix induces users to perform any limitation of the asserted claims of the '906 or '762 patents, we find that the ALJ correctly rejected Complainants' arguments. Additionally, Complainants waived the argument that end-users perform the “recording,”<sup>15</sup> “interrupting,” and “displaying”<sup>16</sup> steps because Complainants did not make such an argument in their Pre-Hearing Statement. Complainants' Pre-Hearing Statement IV at 17-19; Complainants' Pre-Hearing Statement VI at

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<sup>15</sup> Even if such arguments were not waived, the Commission notes that Complainants later admitted that end-users do not perform the step of “recording.” *See* Complainants' Initial Submission in Response to Commission's Determination to Review the Final Initial Determination (“Complainants' Init. Sub.”) at 20, 22 (accusing the Netflix SDK and/or Netflix server, not the end-user, of performing the “recording” step).

<sup>16</sup> Even if such arguments were not waived, the Commission notes that Complainants later admitted that end-users do not perform the “displaying” limitation. Complainants' Init. Sub. at 34, 37 (accusing the Netflix Application and/or Netflix Ready Device, not the end-user, of performing the “displaying” limitation).

13-17, 23; *see also* CX-5170C (Shamos WS) at Q344, 537, 592, 595 (stating that the accused products and Netflix servers, not end-users, perform the “recording” and “interrupting” steps, and that the Netflix client, not end-users, causes the performance of the “displaying” step ).

## **2. Substantial Non-Infringing Uses**

The ID found that the existence of substantial non-infringing uses for the accused articles supports a finding that Netflix lacked the specific intent to induce infringement. ID at 53, 113, 160, 244. Specifically, the ID found that, because Netflix allegedly infringed only in certain circumstances that occurred only a fraction of the time, Netflix could have reasonably believed that its articles were non-infringing. *Id.* Complainants contend that the ALJ erred by finding that the accused articles have substantial non-infringing uses. Complainants’ Pet. at 27-28, 33-34, 39-40. Complainants argue that, while the accused Netflix functionality infringes only in certain circumstances, the accused Netflix functionality has no substantial non-infringing uses in those specific circumstances.

We agree that the ALJ erred in his application of the “substantial non-infringing uses” doctrine. The ID suggests that specific intent to induce infringement of a patent may be completely negated by the existence of substantial non-infringing uses. We find no basis for such a conclusion. Rather, the cases cited by the ALJ hold that selling products with the knowledge that some customers use the products in an infringing manner is not sufficient to prove the specific intent to induce infringement. *See Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1365 (Fed. Cir. 2003) (holding that the accused infringer’s knowledge of an off-label use of its drug used for 2.1% of prescriptions is not a sufficient basis to infer the intent to infringe); *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1329 (Fed. Cir. 2009) (holding that providing instructions that could lead to both infringing and non-infringing uses of the product was not sufficient evidence to infer the specific intent to infringe). In other words, the



cases hold that the specific intent to induce infringement cannot be inferred if the accused infringer did not provide infringing instructions and its products have substantial non-infringing uses.

Here, however, Complainants allege that Netflix specifically programmed its system to infringe in certain circumstances. We see no authority set forth in the ID or the parties' briefing that stands for the proposition that a party may specifically intend to infringe in certain circumstances, but avoid liability by ensuring that substantial non-infringing circumstances exist as well. We therefore set aside the ALJ's reasoning on substantial non-infringing as a basis for concluding that Netflix does not induce infringement.

### **3. Summary**

For the reasons set forth in the ID as modified in this opinion, we affirm the ALJ's finding that Complainants failed to establish that Netflix induces infringement of the asserted patents.

#### **C. Order of Steps of Claims 13 and 17 of the '709 Patent**

The parties dispute whether claims 13 and 17 of the '709 patent should be construed to require that their steps be performed in a specific order. Claim 13 is a method claim containing several steps, two of which are:

- “determining from a program listing database a set of programs not yet watched” (“Determining Step”)
- “applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation” (“Applying Step”)

Claim 17 is a system claim containing several components, one of which is “processing circuitry operative”:

- “(2) to determine from the second database a set of programs not

PUBLIC VERSION

yet watched by the user at the interactive program guide client” (“Determining Operation”)

- “(3) to apply the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation” (“Applying Operation”)

The ALJ found that “no specific order is required with respect to the above terms from claims 13 and 17.” ID at 26-27. In their petition for review, Respondents contend that the ALJ’s finding is erroneous, and that a proper construction requires that the Determining Step and Determining Operation must occur prior to the Applying Step and Applying Operation, respectively.

**1. Claim 13**

We find that the ALJ incorrectly found that no specific order of steps is required for claim 13. To ascertain whether method steps must be performed in a specific order, “we look to claim language to determine if, as a matter of logic or grammar, they must be performed in the order written.” *Altiris, Inc. v. Symantec Corp.*, 318 F.3d 1309, 1369 (Fed. Cir. 2003). Logically and grammatically, the Applying Step cannot apply criteria to a “set of programs not yet watched” before the Determining Step determines the identity of the “set of programs not yet watched.” *See Mantech Envtl. Corp. v. Hudson Envtl. Servs., Inc.*, 152 F.3d 1368, 1375-76 (Fed. Cir. 1998) (requiring a specific order of steps because the steps logically indicated that the previous step had been performed). Accordingly, we find that the Determining Step must occur prior to the Applying Step for claim 13 and its dependent claims, claims 14-16.

We reject Complainants’ argument that the Determining Step and Applying Step do not have a logical order. ID at 27. Complainants contend that the same result can be achieved by “applying the associated program criteria to all programs in the program listing database,” then “determining which of the programs that satisfies the associated viewing criteria constitute a set

PUBLIC VERSION

of programs not yet watched.” *Id.* (quoting CX-5750C (Shamos WS) at Q118.). We find that such a reverse order is contrary to the claim language, because such “determining” is not “from a program listing database,” and such “applying” is not performed on “the set of programs not yet watched to generate at least one personal viewing recommendation.” Thus, finding that the limitations can be performed in the reverse order is accomplished only by impermissibly rewriting the claim language. *See Helmsderfer v. Bobrick Washroom Equip., Inc.*, 527 F.3d 1379, 1383 (Fed. Cir. 2008) (“Courts cannot rewrite claim language”).

We also reject the ALJ’s analysis that the specification supports finding that the Determining Step and Applying Step need not be performed in a specific order. The ID found that the following specification passage disclosed an embodiment in which the Determining Step occurs after the Applying Step.

*Program guide server 25 may then apply user preference profile criteria to the programs, and generate personal viewing recommendations. In still another suitable approach, program guide server 25 or the program guide client may filter viewing recommendations that are generated by main facility 12 or television distribution facility 16, based on similar expressions, profiles, viewing histories, etc.*

ID at 28-29 (quoting ’709 patent, col. 20, ll. 31-38) (emphasis in ID).

We find that the ALJ erred by finding that the above specification passage describes an embodiment where the Determining Step occurs after the Applying Step. The passage does not describe two sequential steps, but instead describes two entirely different embodiments. First, the recommendations generated by the applying functionality in the first sentence are not the same recommendations that are filtered in the second sentence. *See id.* (generating recommendations by “program guide server **25**” in the first sentence, and generating recommendations by “main facility **12** or television distribution facility **16**” in the second sentence). Thus, the recommendations that are generated by applying “user preference profile



PUBLIC VERSION

criteria” are distinct from the recommendations that are filtered. Second, the passage describes the second embodiment as “another suitable approach,” which shows that the first and second embodiments are different approaches, not sequential steps. *Id.* Accordingly, the ALJ erred by finding an embodiment where an “Applying Step” occurs before a “Determining Step.”

Additionally, the filtering embodiment significantly differs from the Determining Step described in claim 13. The Determining Step involves finding “programs not yet watched by the user,” whereas the filtering embodiment filters based on “similar expressions, profiles, viewing histories, etc.,” *i.e.*, similar expressions, similar profiles, and similar viewing histories. In other words, the Determining Step is based on the user’s viewing history, whereas the filtering embodiment is based on other users’ viewing histories. We find no evidence that claim 13 is directed to the filtering embodiment disclosed above.

**2. Claim 17**

Next, we turn to the system claim 17. Here, we find that the ALJ erred by applying order-of-steps method claim law to a system claim. System claims do not have method steps, and thus cannot perform steps in a specific order. *See IPXL Holdings, LLC v. Amazon.com, Inc.*, 430 F.3d 1377, 1384 (Fed. Cir. 2005) (holding that a system claim may not recite method steps). Therefore, we find that an order-of-steps analysis does not apply to system claims. Accordingly, we set aside the ALJ’s reasoning based on such case law.

**3. Technical Prong of the Domestic Industry Requirement**

In light of the foregoing analysis and as further discussed herein, the Commission reverses the ID’s finding that the technical prong of the domestic industry requirement is satisfied for the ’709 patent. The test for whether the technical prong of the domestic industry requirement is satisfied is “essentially the same as that for infringement, *i.e.*, a comparison of domestic products to the asserted claims.” *Alloc, Inc. v. Int’l Trade Comm’n*, 342 F.3d 1361,

PUBLIC VERSION

1375 (Fed. Cir. 2003). Complainants do not dispute that, if the Determining and Applying Steps of claim 13 must be performed in a specific order, the technical prong of the domestic industry requirement is not literally met. *See* Complainants' Pet. Reply Br. at 24 (stating that its domestic industry articles apply criteria "before any determination of what was not yet watched").

Because we find that claim 13 and its dependent claims 14-16 require a specific order, we find that the technical prong of the domestic industry requirement is not satisfied for those claims.

We also find that Complainants failed to show that the technical prong of the domestic industry requirement is satisfied for claim 13 under the doctrine of equivalents. The doctrine of equivalents must be shown on a limitation-by-limitation basis. *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 30 (1997) ("the doctrine of equivalents must be applied to individual elements of the claim, not to the invention as a whole"); *Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1311 (Fed. Cir. 1998) ("Our case law clearly provides that equivalence under the doctrine of equivalents requires that each claim limitation be met by an equivalent claim limitation in the accused device."); *Abbott Labs v. Sandoz, Inc.*, 566 F.3d 1282, 1297 (Fed. Cir. 2009) ("In no case, however, may the doctrine of equivalents ignore the individual claim elements"). Complainants failed to show that their alleged domestic industry articles, Rovi TotalGuide and Apple iTunes, meet the '709 patent claims under the doctrine of equivalents on a limitation-by-limitation basis.

The primary test for equivalency is showing that the product "performs substantially the same function, in substantially the same way, to achieve substantially the same result, as disclosed in the claim." *Abbott Labs*, 566 F.3d at 1296-97. Instead of showing how TotalGuide and iTunes perform the equivalent of each of the Determining Step and the Applying Step of claim 13, Complainants attempt to show that TotalGuide and iTunes perform the equivalent of

## PUBLIC VERSION

the end result of the combination of the Determining and Applying Steps. *See* CX-5175C (Shamos Witness Statement) at Q667 (“These two methods are equivalent under the Doctrine of Equivalents because reversing the order of steps performs the exact same function in the exact same way (applying associated criteria to the set of programs not yet watched) and produces the exact same result (generating at least one personal viewing recommendation).”); *see id.* at Q723 (same). Complainants make no attempt to show that TotalGuide or iTunes performs the equivalent of the Determining Step, and their analysis of whether TotalGuide or iTunes performs the equivalent of the Applying Step simply concludes that it does so without explanation or proof. Thus, we reverse the ID’s finding that the technical prong of the domestic industry requirement is met, and find that Complainants have failed to demonstrate that the technical prong of the domestic industry requirement is satisfied for claims 13-16 of the ’709 patent.

Turning to claim 17, Complainants argue that the Determining Operation and Applying Operation of claim 17 are met by TotalGuide and iTunes for the same reasons that the Determining Step and Applying Step are met for claim 13. *See* Complainants’ Post-Hearing Br. at 273 (“The Rovi Cloud Services server performs the claimed steps for the reasons discussed above in relation to the corresponding method claim element of claim 13.”); *id.* at 282 (“The Apple server performs the claimed steps for the reasons discussed above in relation to the corresponding method claim elements of claim 13”). As discussed above, claim 17 is a system claim that has no steps (or order of steps). Under the plain text of claim 17, however, the Determining Operation requires that the processor be operative “to determine . . . a set of programs not yet watched,” and the Applying Operation requires that the processor be operative to “apply the at least one associated program criteria to the set of programs not yet watched.” And, as discussed above, Complainants admit that the processor in their alleged domestic

PUBLIC VERSION

industry articles is operative to apply criteria to all programs, and is then operative to remove the programs that the user has already watched after that application. *See* Complainants' Pet. Reply Br. at 24 (stating that Rovi TotalGuide and Apple iTunes apply criteria "before any determination of what was not yet watched"). Therefore, claim 17 does not cover the alleged domestic industry articles because the articles are not operative to achieve the Determining Operation or Applying Operation. Accordingly, we find that the technical prong of the domestic industry requirement is not met for claim 17 and its dependent claims 18-20.

Complainants also argue that its asserted domestic articles are operative to achieve the equivalent of the Applying Operation and Determining Operation under the doctrine of equivalents. Complainants, however, simply reiterate the same failed doctrine of equivalents analysis for claim 13. *See id.* at 254 ("this element would be met under the doctrine of equivalents for the reasons discussed above in relation to the Netflix's allegations of a required order for the claim 13 steps"); *id.* at 281 (same). Therefore, because Complainants fail to show that the asserted domestic industry articles meet claim 17 under the doctrine of equivalents on a limitation-by-limitation basis, Complainants fail to show that the asserted domestic articles meet the technical prong of the domestic industry requirement for the Applying Operation and Determining Operation under the doctrine of equivalents.

**4. Summary**

For the reasons set forth above, we reverse the ALJ's finding that no order of steps is required for claim 13 of the '709 patent, and we set aside the ALJ's finding that no order of steps is required for claim 17 of the '709 patent. We find that the Determining Step must occur prior to the Applying Step for claim 13. Based on these findings and the reasoning set forth above, we find that Complainants failed to establish the technical prong of the domestic industry requirement is satisfied for claims 13-20 of the '709 patent.

PUBLIC VERSION

**III. CONCLUSION**

For the reasons set forth by this opinion, the Commission has determined to modify, reverse, and set aside portions of the final ID and to adopt the findings in the ID that are not inconsistent with this opinion or with the Notice of Final Determination. Accordingly, we determine that Complainants have failed to prove a violation of section 337. The Commission takes no position on the issue of whether Complainants have shown that a domestic industry exists based on substantial investments in licensing.

By order of the Commission.



Lisa R. Barton  
Acting Secretary to the Commission

Issued:

**DEC 11 2013**

**CERTAIN PRODUCTS CONTAINING  
INTERACTIVE PROGRAM GUIDE AND  
PARENTAL CONTROL TECHNOLOGY**

**Inv. No. 337-TA-845**

**CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **OPINION** has been served by hand upon the Office of Unfair Import Investigations and the following parties as indicated, on **December 11, 2013**.



\_\_\_\_\_  
Lisa R. Barton, Acting Secretary  
U.S. International Trade Commission  
500 E Street, SW  
Washington, DC 20436

**On Behalf of Complainants Rovi Corporation, Rovi  
Guides, Inc., Rovi Technologies Corporation, Starsight  
Telecast, Inc., United Video Properties, Inc. and Index  
Systems, Inc.:**

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( ) Via Hand Delivery  
(  ) Via Express Delivery  
( ) Via First Class Mail  
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**On Behalf of Respondents Netflix, Inc. and Roku, Inc.:**

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(  ) Via Express Delivery  
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( ) Other: \_\_\_\_\_



**UNITED STATES INTERNATIONAL TRADE COMMISSION**  
**Washington, D.C.**

**In the Matter of**

**CERTAIN PRODUCTS CONTAINING  
INTERACTIVE PROGRAM GUIDE  
AND PARENTAL CONTROL  
TECHNOLOGY**

**Investigation No. 337-TA-845**

**NOTICE OF COMMISSION DETERMINATION TO REVIEW  
IN ITS ENTIRETY A FINAL INITIAL DETERMINATION  
FINDING NO VIOLATION OF SECTION 337**

**AGENCY:** U.S. International Trade Commission.

**ACTION:** Notice.

**SUMMARY:** Notice is hereby given that the U.S. International Trade Commission has determined to review in its entirety a final initial determination (“ID”) issued by the presiding administrative law judge (“ALJ”), finding no violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, in this investigation.

**FOR FURTHER INFORMATION CONTACT:** Robert Needham, Office of the General Counsel, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 708-5468. Copies of non-confidential documents filed in connection with this investigation are or will be available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, S.W., Washington, D.C. 20436, telephone (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

**SUPPLEMENTARY INFORMATION:** The Commission instituted this investigation on June 6, 2012, based on a complaint filed by Rovi Corporation; Rovi Guides, Inc.; Rovi Technologies Corporation; Starsight Telecast, Inc.; United Video Properties, Inc.; and Index Systems, Inc. (collectively, “Complainants”). *77 Fed. Reg.* 33487-88. The respondents are LG Electronics, Inc.; LG Electronics U.S.A., Inc. (collectively, “LGE”); Mitsubishi Electric Corp.; Mitsubishi Electric US Holdings, Inc.; Mitsubishi Electric and Electronics USA, Inc.; Mitsubishi Electric Visual Solutions America, Inc.; Mitsubishi Digital Electronics America, Inc. (collectively, “Mitsubishi”); Netflix Inc. (“Netflix”);

Roku, Inc. (“Roku”); and Vizio, Inc (“Vizio”). The Office of Unfair Import Investigations is not participating in this investigation.

Originally, Complainants asserted numerous claims from seven patents against various respondents. Complainants later moved to terminate the investigation as to three of the seven patents, as to certain claims of one of the remaining four patents, and as to respondents LGE, Mitsubishi, and Vizio. Order No. 9 (Sept. 4, 2012), *not reviewed*, Oct. 2, 2012; Order No 16 (Nov. 6, 2012), *not reviewed*, December 7, 2012; Order Nos. 17 (Dec. 19, 2012) and 19 (Dec. 20, 2012), *not reviewed*, January 18, 2013; Order No. 21 (Jan. 22, 2013), *not reviewed* Feb. 13, 2013; Order Nos. 34 (Feb. 27, 2013) and 36 (Mar. 1, 2013), *not reviewed* (Mar. 22, 2013). What remains in the investigation are respondents Netflix and Roku, as well as claims 1, 6, 13, and 17 of U.S. Patent No. 6,898,762 (“the ‘762 patent”), claims 13-20 of U.S. Patent No. 7,065,709 (“the ‘709 patent”); claims 1-3, 10, and 11 of U.S. Patent No. 7,103,906 (“the ‘906 patent”); and claims 1, 2, 4, 6, 14, 15, 17, and 19 of U.S. Patent No. 8,112,776 (“the ‘776 patent”).

On June 7, 2013, the presiding ALJ issued his final ID, finding no violation of section 337. Specifically, the ALJ found that none of the accused products met the importation requirement of section 337. While the ALJ found that his importation finding was dispositive, the ALJ made additional findings in the event that the Commission determined that the importation requirement was met. The ALJ found that no party infringed any of the four asserted patents. He also found that the ‘776 patent is invalid as anticipated and obvious, but that the respondents had failed to show that the other three asserted patents were invalid. The ALJ found a domestic industry for articles protected by each of the patents-in-suit, but found that Complainants had not shown a domestic industry based on substantial investment in licensing the asserted patents. The ALJ also rejected Respondents’ patent misuse, implied license, and patent exhaustion defenses.

On June 24, 2013, Complainants filed a petition for review challenging the ALJ’s findings that the importation requirement is not met, that Netflix does not induce infringement, and that the economic prong of the domestic industry is not met by Complainants’ licensing activity. That same day, the respondents Netflix and Roku filed a joint contingent petition for review arguing additional bases for finding no violation. On July 2, 2013, the parties filed oppositions to each other’s petitions.

Having examined the record of this investigation, including the ALJ’s final ID, the petitions for review, and the responses thereto, the Commission has determined to review the final ID in its entirety.

The parties are requested to brief their positions on the issues under review with reference to the applicable law and the evidentiary record. In connection with its review, the Commission is particularly interested in briefing on the following issues:

1. Whether direct infringement being carried out by non-imported Netflix servers and Netflix user interfaces affects whether the Netflix SDK induces infringement



at the time of importation. Additionally, explain how the Commission Opinion in *Certain Electronic Devices with Image Processing Systems, Components Thereof, and Associated Software*, Inv. No. 337-TA-724, applies to the accused Netflix SDK for each of the asserted patents.

2. Whether Complainants' licensing of the Netflix Ready Devices pursuant to the LGE and Vizio licenses affects whether the accused Netflix software infringes.
3. Whether Netflix's provision of its SDK pursuant to its agreements with LGE and Vizio constitutes a "sale" within the meaning of section 337(a)(1)(B).
4. Identify the specific software that allegedly induces infringement of each of the asserted patents, and explain where such software is present in both the Netflix software allegedly "sold for importation" and in the Netflix Ready Devices imported into the United States. Or explain why no such software exists.
5. Explain specifically how the Netflix SDK itself induces infringement of each of the asserted patents. Or explain why the Netflix SDK itself does not induce infringement of each of the asserted patents.
6. Whether Netflix may induce infringement where the direct infringement is carried out by Netflix servers and Netflix user interfaces.
7. For each claim that Netflix is accused of inducing infringement, explain who or what carries out the direct infringement for each claim limitation.

The parties have been invited to brief only the discrete issues described above, with reference to the applicable law and evidentiary record. The parties are not to brief other issues on review, which are adequately presented in the parties' existing filings.

In connection with the final disposition of this investigation, the Commission may (1) issue an order that could result in the exclusion of the subject articles from entry into the United States, and/or (2) issue a cease and desist order that could result in the respondent being required to cease and desist from engaging in unfair acts in the importation and sale of such articles. Accordingly, the Commission is interested in receiving written submissions that address the form of remedy, if any, that should be ordered. If a party seeks exclusion of an article from entry into the United States for purposes other than entry for consumption, the party should so indicate and provide information establishing that activities involving other types of entry either are adversely affecting it or likely to do so. For background, see *Certain Devices for Connecting Computers via Telephone Lines*, Inv. No. 337-TA-360, USITC Pub. No. 2843 (December 1994) (Commission Opinion).

If the Commission contemplates some form of remedy, it must consider the effects of that remedy upon the public interest. The factors the Commission will consider include the effect that an exclusion order and/or a cease and desist order would have on

(1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) U.S. production of articles that are like or directly competitive with those that are subject to investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions that address the aforementioned public interest factors in the context of this investigation.

If the Commission orders some form of remedy, the U.S. Trade Representative, as delegated by the President, has 60 days to approve or disapprove the Commission's action. *See* Presidential Memorandum of July 21, 2005, 70 *Fed. Reg.* 43251 (July 26, 2005). During this period, the subject articles would be entitled to enter the United States under bond, in an amount determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed if a remedy is ordered.

**WRITTEN SUBMISSIONS:** The parties to the investigation are requested to file written submissions on the issues identified in this notice. Parties to the investigation, interested government agencies, and any other interested parties are encouraged to file written submissions on the issues of remedy, the public interest, and bonding. Such submissions should address the recommended determination by the ALJ on remedy and bonding. The written submissions must not exceed 75 pages, and must be filed no later than close of business on August 23, 2013. Reply submissions must not exceed 50 pages, and must be filed no later than the close of business on August 30, 2013. No further submissions on these issues will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must file the original document electronically on or before the deadlines stated above and submit 8 true paper copies to the Office of the Secretary by noon the next day pursuant to section 210.4(f) of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.4(f)). Submissions should refer to the investigation number ("Inv. No. 337-TA-845") in a prominent place on the cover page and/or the first page. (*See Handbook for Electronic Filing Procedures, [http://www.usitc.gov/secretary/fed\\_reg\\_notices/rules/handbook\\_on\\_electronic\\_filing.pdf](http://www.usitc.gov/secretary/fed_reg_notices/rules/handbook_on_electronic_filing.pdf)*). Persons with questions regarding filing should contact the Secretary (202-205-2000).

Any person desiring to submit a document to the Commission in confidence must request confidential treatment. All such requests should be directed to the Secretary to the Commission and must include a full statement of the reasons why the Commission should grant such treatment. *See* 19 C.F.R. § 201.6. Documents for which confidential treatment by the Commission is properly sought will be treated accordingly. A redacted non-confidential version of the document must also be filed simultaneously with the any confidential filing. All non-confidential written submissions will be available for public inspection at the Office of the Secretary and on EDIS.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337), and in sections 210.42-46 of the Commission's Rules of Practice and Procedure (19 C.F.R. §§ 210.42-46).

By order of the Commission.

A handwritten signature in black ink, appearing to read 'Lisa R. Barton', written in a cursive style.

Lisa R. Barton  
Acting Secretary to the Commission

Issued: August 9, 2013

**CERTAIN PRODUCTS CONTAINING  
INTERACTIVE PROGRAM GUIDE AND  
PARENTAL CONTROL TECHNOLOGY**

Inv. No. 337-TA-845

**CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **NOTICE** has been served by hand upon the Office of Unfair Import Investigations and the following parties as indicated, on **August 9, 2013**.



\_\_\_\_\_  
Lisa R. Barton, Acting Secretary  
U.S. International Trade Commission  
500 E Street, SW  
Washington, DC 20436

**On Behalf of Complainants Rovi Corporation, Rovi  
Guides, Inc., Rovi Technologies Corporation, Starsight  
Telecast, Inc., United Video Properties, Inc. and Index  
Systems, Inc.:**

Yar R. Chaikovsky, Esq.  
**McDERMOTT WILL & EMERY LLP**  
275 Middlefield Road, Suite 100  
Menlo Park, CA 94025

( ) Via Hand Delivery  
( ) Via Express Delivery  
(  ) Via First Class Mail  
( ) Other: \_\_\_\_\_

**On Behalf of Respondents Netflix, Inc. and Roku, Inc.:**

James B. Coughlan, Esq.  
**PERKINS COIE LLP**  
700 Thirteenth Street, NW, Suite 600  
Washington DC 20005

( ) Via Hand Delivery  
( ) Via Express Delivery  
(  ) Via First Class Mail  
( ) Other: \_\_\_\_\_

## PUBLIC VERSION

and knowingly aiding and abetting ***another's direct infringement.***" *C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*, 911 F.2d 670, 675 (Fed. Cir. 1990) (citing *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 669 (Fed. Cir. 1988) (emphasis added). That one must induce another to infringe is no anomaly because "the goal of secondary liability is to give patent owners effective protection in circumstances in which the actual infringer either is not the truly responsible party or is impractical to sue." M. Lemley, *Inducing Patent Infringement*, 39 U.C.D. L. Rev. 225, 228 (2005). Thus, "for over a century, patent courts have extended liability to one who does not himself infringe, but who actively induces infringement by another." *Id.* at 226. Accordingly, secondary liability is not imposed on an entity that may also be liable as the principal.

It is well-settled that liability for indirect infringement is premised on the conduct of another. *See Global-Tech Appliances*, 131 S. Ct. at 2067 (explaining that induced infringement, originally a subspecies of contributory infringement, was premised on "the aiding and abetting of direct infringement by another party.") (citation omitted) (emphasis added); Federal Circuit Bar Association Model Jury Instructions 3.2 Indirect Infringement—Active Inducement ("[Patent holder] alleges that [alleged infringer] is liable for infringement by actively inducing [someone else] [some other company] to directly infringe the [ ] patent . . .") (emphasis added) (Feb. 2012); see also H.R. REP. No. 82-1923, at 9 (1952) ("The doctrine of contributory infringement . . . has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. . . . Paragraph (b) [of 35 U.S.C. § 271] recites in broad terms that one who aids and abets an infringement is likewise an infringer.").

## PUBLIC VERSION

Accordingly, inasmuch as Netflix cannot induce itself, the administrative law judge finds that “the licensed Netflix Applications and the integrated and licensed Netflix software” do not “actively encourage practice of the asserted claims of the ‘709 patent with access to the Netflix service from imported devices including Netflix Ready Devices.” Rovi has not shown that Netflix’s accused products infringe the asserted claims of the ‘709 patent by inducement.

### **C. Validity of the ‘709 Patent**

Respondents bear the burden of showing invalidity by clear and convincing evidence. *See Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2242 (2011).

For the reasons set forth below, respondents have not shown by clear and convincing evidence that the asserted claims of the ‘709 patent are invalid.

#### **1. Unpatentable Subject Matter Under 35 U.S.C. § 101**

Respondents argue that “[a]pplying the legal principles that govern patentable subject matter, [ ] all of the asserted claims of the ‘709 patent are invalid under section 101.” Resps. Br. at 329-331. Complainants disagree. Compl. Br. at 282-284.

None of the asserted claims covers unpatentable abstract ideas. The claims are all directed to particular applications for interactive program guides that deal with video programming, such as movies and television programs. Moreover, the particular devices claimed are integral to the inventions, and not merely used “to accelerate an ineligible mental process.” *Bancorp Servs., LLC v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266, 1279 (Fed. Cir. 2012).

The ‘709 patent claims are specifically directed to client-server systems wherein



## PUBLIC VERSION

an interactive program guide client device works in tandem with a remote interactive program guide server. *See, e.g.*, CX-1295 ('709 patent) at claim 13 (“method for use in an interactive program guide system for providing a customized viewing experience to a user”). In the client-server interactive program guide system, recited elements play an integral role in the claimed invention “in a way that a person making calculations or computations could not.” *See Bancorp*, 687 F.3d at 1278.

Respondents are unable to articulate any mathematical algorithm or other idea preempted by any of the asserted claims. Instead, they resort to an improper element-by-element analysis that violates the Supreme Court’s mandate that “[i]n determining the eligibility of . . . [a] claimed process for patent protection under § 101, the[] claims must be considered as a whole.”). *Diamond v. Diehr*, 450 U.S. 175, 188 (1981). They cannot prevail by “dissecting a claim and evaluating patent-eligibility on the basis of individual limitations.” *See In re Bilski*, 545 F.3d 943, 959 (Fed. Cir. 2008) (citing *Parker v. Flook*, 437 U.S. 584, 594 (1978)).

### **a. The Method Claims of the ‘709 Patent**

Netflix argues that claim 13 of the ‘709 patent is invalid under 35 U.S.C. § 101 because the steps can be performed by a person with nothing more than their minds and perhaps a pen and paper. As with the other patents, Netflix’s arguments are legally and factually flawed.<sup>21</sup> The claims are properly directed to a particular application, an “interactive program guide system.” They do not preempt any abstract idea.

Netflix is unable to articulate any specific abstract idea that is allegedly

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<sup>21</sup> Because the independent claims are patent eligible, so too are the dependent claims.

## PUBLIC VERSION

preempted by the claim. They rely on the discredited dissection approach and ignore the claim as a whole, *Diehr*, 450 U.S. at 188 (1981); *see also In re Bilski*, 545 F.3d at 959.

The supposed mental process described by Netflix is not the same as the claim steps. Specifically, “[p]arents track what their kids have watched (or read, or listened to) and criteria associated with that material” is not “generating a viewing history database comprising program listings and associated program criteria.” If parents have done or can do the latter, there has been no clear, convincing, and undisputed evidence of it.

Netflix argues that “[n]othing in the claim requires any particular type of database.” However, they do require a database. Whether it is a particular database is not material. What is material is that a database in the interactive program guide system is a particular type of machine. Netflix has not shown otherwise by clear, convincing, and undisputed evidence.

### **b. The System Claims of the ‘709 Patent**

For the reasons discussed in connection with the method claims, the system claims of the ‘709 patent are also patent eligible. The particular devices recited in the independent system claim 17 further confirm that. In particular, claim 17 calls for “user equipment on which an interactive program guide client is implemented” and “a communications path over which the user preference profile is provided by the interactive program guide client to a program guide server.” Claim 17 is thus tied to particular devices, which are integral to the claimed “interactive program guide system for providing a customized viewing experience to a user.”

## PUBLIC VERSION

### 2. Obviousness Under 35 U.S.C. § 103

Netflix argues that the asserted claims of the '709 patent are rendered obvious by International Patent Application Publication No. WO 94/14284 (CX-0137, the Hendricks '4284 application), alone or in combination with RX-0561, a book titled "UNIX Communications and the Internet" written by Bart Anderson (the Anderson reference). For the system claims, Netflix adds to the combination U.S. Patent No. 6,201,536 (RX-0160, the Hendricks '536 patent). Resps. Br. at 324-329.

As an initial matter, the Hendricks '4284 application was already considered by the patent examiner during prosecution of the application that led to the '709 patent. Thus, the clear and convincing evidence burden on the party challenging the validity becomes particularly difficult to sustain. *Impax Labs v. Aventis Pharms*, 545 F.3d 1312, 1314 (Fed. Cir. 2008) (citing *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1467 (Fed. Cir. 1990)).

Complainants' expert Dr. Shamos opined that the Hendricks '4284 application does not teach or disclose the step of "determining at least one of the associated program criteria from the viewing history database that meets a user preference profile." Dr. Shamos also explained that the Hendricks '4284 application does not teach or disclose "determining from a program listing database a set of programs not yet watched," a deficiency that Netflix's expert Dr. Terveen readily admits. As explained by Dr. Shamos, Hendricks actively teaches away from including "not yet watched" programs. Furthermore, one of ordinary skill in the art would not have modified Hendricks '4284 to include this element or combined Hendricks '4284 with the reference that Dr. Terveen relies on to find this element. CX-5860C (Shamos RWS) at Q71. These points are

## PUBLIC VERSION

discussed in detail below.

### a. Hendricks '4284 Application

The Hendricks '4284 application does not teach or disclose the step of “determining at least one of the associated program criteria from the viewing history database that meets a user preference profile” from independent claims 13 and 17 of the '709 patent. To show this limitation in the Hendricks '4284 application, Netflix's expert Dr. Terveen's focuses on a portion of the application as showing that information on “often watched programs” and “personal profiles” are combined to provide recommendations. RX-1139C (Terveen WS) at Q78 (citing CX-0137 ('4284 application) at 76, ln. 29 – 77, ln. 26). As Dr. Shamos explained, that passage only teaches shifting “often watched” programs higher in the suggestions list, not combining criteria. CX-5860C (Shamos RWS) at Q73.

### b. Hendricks Alone or in Combination with Anderson

The Hendricks '4284 application does not teach or disclose the step of “determining from a program listing database a set of programs not yet watched” from independent claims 13 and 17 of the '709 patent. Indeed, as explained by Dr. Shamos, nowhere in its 121 pages does the Hendricks '4284 application teach or suggest using “not yet watched” as a criterion or having the fact that a program had not been watched play any role at all in suggestions except that programs not watched are *less* likely to be recommended. CX-5860C (Shamos RWS) at Q74. Netflix's expert Dr. Terveen admits that this element is not present in Hendricks '4284. RX-1139C (Terveen WS) at Q81.

As explained by Dr. Shamos, Hendricks '4284 goes in the directly opposite

## PUBLIC VERSION

direction by weighting “most watched” programs more highly. *See* CX-0137 (‘4284 application) at CX-0137.60, lns. 19-23; *id.* at CX-01370.68, lns. 14-18; *id.* at CX-0137.69, lns. 3-6; *id.* at CX-0137.76, lns. 11-13; *id.* at CX-0137.76, ln 32 – 77, ln. 26; *id.* Fig. 12a-b. Programs not watched are less likely to be recommended by the Hendricks ‘4284 application. Thus, Hendricks ‘4284 actively teaches away from including the “not watched” programs.

Dr. Terveen proposes a combination of the Hendricks ‘4284 application with a description of Usenet newsreaders in the Anderson reference (RX-0561). RX-1139C (Terveen WS) at Q81-89. During cross-examination, however, Dr. Terveen admitted that the Usenet newsreader also lacks the “determining” step. Terveen Tr. 939:1-16. Thus, Dr. Terveen’s proposed combination would combine two references that both lack the “determining” step, yet somehow end up with the missing step.

Moreover, one of ordinary skill in the art would not have combined the Hendricks ‘4284 with the Usenet newsreader from the Anderson reference, because the Usenet newsreaders are not “analogous art.” To qualify as prior art for an obviousness analysis, a reference must qualify as “analogous art.” To do so, the reference “must satisfy one of the following conditions: (1) the reference must be from the same field of endeavor; or (2) the reference must be reasonably pertinent to the particular problem with which the inventor is involved.” *K-Tec, Inc. v. Vita-Mix Corp.*, 696 F.3d 1364, 1375 (Fed. Cir. 2012). During cross-examination, Dr. Terveen admitted that his direct testimony never even included the word “analogous” or mention the test for “analogous art.” Terveen Tr. 931:13-21. Dr. Terveen’s testimony also establishes that the Usenet newsreader of Anderson is *not* “analogous art.” As to the first condition of “same field of endeavor,”

## PUBLIC VERSION

Dr. Terveen described the Hendricks '4284 application as a "program guide system," but then admitted that the Usenet newsreader of Anderson is *not* a program guide system.

Terveen Tr. 937. As to the second condition of reasonably pertinent to the "particular problem" with which the inventor is involved, Dr. Terveen agreed that Usenet newsreaders do not address the particular problem addressed by the Hendricks '4284 application:

Q. Could we display RX-0548, and the specific page number is dot 0005. This is page 3 of the Hendricks '4284 publication. On Line 12 do you see there's a sentence that says, "The problem is that TV programming is not being presented to consumers in a user-friendly manner"? Do you see that?

A. I do see that.

Q. Is it fair to say that **the problem that the inventors of the Hendricks '4284 publication were trying to solve was this problem, that TV programming is not being presented in a user-friendly manner?**

A. **I think that absolutely is probably the crucial problem they were trying to solve.**

Q. **And the Usenet news reader of the Anderson reference does not address the problem, this problem, that TV programming is not presented to consumers in a user-friendly manner.** Correct?

A. **No, again, it does not address that direct problem.** It's more about user-friendly presentation in general.

Q. Thank you. But it's not directed towards user -- TV programming and whether that's user-friendly. Correct?

A. That's correct.

Terveen Tr. 937-938 (emphasis added).

Dr. Terveen never explained why one would look to the art of newsreaders in



## PUBLIC VERSION

particular (which do not provide suggestions) to provide insight into suggesting television programs. What Dr. Terveen has done is to locate a limitation that was missing from Hendricks '4284 and then assert that some other field of prior art taught it. However, he has not shown that Hendricks '4284 ever used programs *not* watched for suggestion purposes. Thus even combining Hendricks '4284 with newsreaders would not provide the necessary data that one could then use to create a visual distinction. In addition, Dr. Shamos points out that Hendricks '4284 had already solved the particular form of this problem that it was addressing, but in a completely different way; that is, by weighting "most watched" programs more highly. There being no problem left to solve, there would be no reason to make the combination relied on by Dr. Terveen.

Moreover, as explained by Dr. Shamos, there are technical reasons why one of ordinary skill in the art would not have combined the Hendricks '4284 application with techniques from Usenet newsreaders described in the Anderson reference to meet this step. First, because the Hendricks '4284 application teaches away from using programs not yet watched and in fact goes in the opposite direction by weighting "most watched" programs more highly. Inasmuch as there is no teaching of "not watched" as a factor in Hendricks '4284, combining it with the Usenet newsreader techniques of Anderson would be unavailing because it is unlikely that a program not yet watched would even be suggested. As explained by Dr. Shamos, Usenet newsreaders are not comparable to the inventions claimed in the '709 patent. A newsreader deals with a limited set of messages. By contrast, the '709 patent must take into account all offered video programs, not just the ones the user had previously chosen to view. Usenet newsreaders did not employ selection criteria to suggest messages a user might want to view. They merely reported

## PUBLIC VERSION

from a local set of descriptive titles which messages had actually be read by a given user on a given computer.

The Anderson reference has nothing to do with video or recommender systems at all. It simply discloses an email client called Elm that differentiates messages a user has read from those that he has not read. However, if the user runs Elm on two different computers it will not produce correct results. The reason is apparent from the Anderson reference at page 333:

But how does the news-reading program know what we've read or haven't read? The answer is the .newsrc file. The Netnews software creates for each user a .newsrc and is normally keep [sic] in the user's home directory. Among other things, the .newsrc file keeps a list of the individual newsgroups to which you have subscribed (as well as those you have rejected) and the number of articles that you have read in each group. This list is updated each time you run an interface program (unless you specifically say not to).

RX-0561 (Anderson) at RX-0561.0366. Inasmuch as the .newsrc file is maintained in the user's home directory, which is on the hard disk of the computer he happens to be using, if the user runs Elm from a different computer it will not visually distinguish messages that have been read from those that have not been read. An artisan familiar with both electronic program guides and Anderson, even with reason to combine them, would not develop the inventions of the '709 patent because such a combination would produce incorrect results.

Further, contrary to Dr. Terveen's assertions, one of ordinary skill in the art would not have had reason to combine these techniques from unrelated fields because the art of program guides was focused on the opposite goal of recommending "favorite" *already-watched* programs to users. Hendricks '4284 in particular taught recommending most

## PUBLIC VERSION

watched programs. There is no teaching in Hendricks '4284 to suggest programs not watched based on programs that have been watched. Instead, Hendricks '4284 teaches the reverse. At the time of the '709 invention, e-mail, newsgroups, and Web browsing belonged in different fields of endeavor than program guides. Therefore, one of skill in the art would not have had a reason to look to these non-analogous fields to meet the element of "determining from a program listings database a set of programs not yet watched.

Also, Dr. Shamos points out that it would not have been trivial at all to implement the Usenet newsreader techniques in the system of Hendricks '4284, given the architecture of Hendricks '4284. Hendricks '4284 teaches a locally stored database for each user. Dr. Terveen admits that the viewing history database in Hendricks '4284 is not implemented on a program guide server. RX-1139C (Terveen WS) at Q111. The chore of comparing that small database to a huge assemblage of available programming stored elsewhere is not at all trivial. Second, the issue is not whether it would have been trivial to implement, but whether it is disclosed or suggested by Hendricks '4284, which it is not.

Finally, combining the Hendricks '4284 application with the Anderson reference would in fact lead to unexpected results. Dr. Shamos points out that the result would be entirely unexpected. The Hendricks '4284 application did not rely on the unwatched status of a program while making a recommendation. Combining Hendricks '4284 with Anderson would suddenly and unexpectedly start doing the opposite of what it previously did, which was to weigh "most watched" programs more highly. Even if one had reason to make combine the Hendricks '4284 application with the techniques from the Anderson

## PUBLIC VERSION

reference the combination would not render obvious any asserted claim of the '709 patent. As the '709 patent employs a central, not a local, viewing history database, it is able to distinguish programs viewed from those not viewed regardless of which device the user employs. This result would not only be unexpected from the combination suggested by Dr. Terveen, it would be impossible.

### **D. Domestic Industry (Technical Prong)**

For the reasons set forth below, Rovi has satisfied the technical prong of the domestic industry requirement with respect to the '709 patent.

Complainants have shown that the technical prong of domestic industry for the '709 patent exists from the practice of Rovi's TotalGuide System and Apple's iTunes Application on Apple iPads by way of the testimony of Dr. Shamos (CX-5750C (Shamos WS) at Q643-757) and, for Rovi's Total Guide System, by the testimony of Rovi's former Director of Innovation Michael Papish (CX-5747C (Papish WS); Papish Tr. 275-309). Netflix's rebuttal expert testimony regarding the technical prong of domestic industry for the '709 patent was provided by Netflix's expert Mr. Roop. However, Netflix chose not to call Mr. Roop or enter his witness statement into evidence.

#### **1. Rovi's TotalGuide System**

Rovi's TotalGuide products using Rovi Cloud Services ("the Rovi TotalGuide System" or "TotalGuide") practice claims 13, 15-16, 17, and 19-20 of the '709 patent. As explained by complainants' expert, Dr. Shamos and the former Director of Innovation at Rovi who helped develop TotalGuide, Michael Papish, the Rovi Search and Recommendations Demo ("S&R Demo"), a publically accessible website located at

## PUBLIC VERSION

<http://sr-demo.rovicom.com> demonstrates the functionality of the TotalGuide search and recommendation features by interacting with the TotalGuide servers the same way Rovi's TotalGuide commercial products do. Rovi's S&R Demo is the testbed for the features offered in the Rovi TotalGuide System, which may then be incorporated into various TotalGuide consumer products, including TotalGuide CE (Consumer Electronics), TotalGuide STB (Set Top Boxes) and TotalGuide xD (Portable Devices). *See* CX-5750C (Shamos WS) at Q641-706; CX-5747C (Papish WS) at Q13-74.

### a. Method Claim 13 of the '709 Patent

The Rovi TotalGuide System practices independent method claim 13 of the '709 patent.

*Preamble: A method for use in an interactive program guide system for providing a customized viewing experience to a user, comprising*

The preamble language of claim 13 is met. The preamble language is met because TotalGuide uses user feedback to provide personal viewing recommendations. For example, the image shown in CDX-0079 (CX-5750C (Shamos WS) at Q645) is a screenshot of Rovi's TotalGuide S&R Demo, which illustrates that the Rovi TotalGuide System is a "program guide system for providing a customized viewing experience to a user," because, for example, the user can select movies, e.g., "Armageddon" and then choose whether he likes or dislikes a movie. The user experience is then customized because recommendations are provided to the user. CX-5750C (Shamos WS) at Q653. Mr. Papish also explained this process at the hearing by walking through the S&R Demo—one example of a client used to interact with the search and recommendation features of TotalGuide. *See* Papish Tr. 288-304; CDX-0779.



## PUBLIC VERSION

### *Element 13a: generating a viewing history database comprising program listings and associated program criteria*

TotalGuide literally meets this claim element. TotalGuide literally meets this claim element because a viewing history database is generated that is used to make individualized “Personal” recommendations to users based on their specific viewing histories and program criteria. Without the claimed viewing history database, this would be impossible. CX-5750C (Shamos WS) at Q657.

For example, TotalGuide tracks whether a user has previously assigned a rating to a program or not. The screenshots shown in demonstratives CDX-0079 and CDX-0080 show that while the movie “Deep Impact” is initially listed in a user’s “Personal Recommendations,” when a user assigns a rating to the movie “Deep Impact,” that movie is no longer shown in the recommendations. CDX-0079 and CDX-0080 (CX-5750C (Shamos WS) at Q657). As explained by Mr. Shamos, in order to remove the movie “Deep Impact” from the recommendation, TotalGuide must maintain a viewing history database containing program listings. Moreover, CDX-0079 shows that each program listing has associated program criteria, identified as “Item Taste Profile.” This was further demonstrated at hearing when Mr. Papish demonstrated TotalGuide through the S&R Demo. Mr. Papish assigned a rating to the movie The Fifth Element by clicking on a thumbs-up icon. Thereafter, the user’s personal recommendations updated and The Fifth Element was no longer recommended. Mr. Papish explained that because the thumbs-up selection indicates to TotalGuide that the user has watched The Fifth Element, it no longer is recommended. Papish Tr. 298-300; CDX-0779 at 4-5.

Netflix argues that TotalGuide does not meet this step under its construction of



## PUBLIC VERSION

the term “program listing” as “information about a scheduled television program,” but Netflix’s construction has been rejected.

***Element 13b: determining at least one of the associated program criteria from the viewing history database that meets a user preference profile***

TotalGuide literally meets this claim element. TotalGuide literally meets this step because individualized programs are recommended to the user based on user ratings of programs, which constitute a user preference profile. For example, a user who assigns high ratings to the movie “Armageddon” will receive a recommendation of other “Sci-Fi Disaster Films.” *See* Papish Tr. 291-293; CDX-0779 at 2. This would not be possible in the Rovi TotalGuide System without determining such criteria from a viewing history database that meet a user preference profile. CX-5750C (Shamos WS) at Q661; CX-5747C (Papish WS) at Q29-Q33.

TotalGuide allows users to save their preferences by inputting a user rating—in the case of the S&R Demo client, by assigning thumbs up or down to programs, as illustrated in CDX-0081, a screenshot from the TotalGuide S&R Demo. CDX-0081 (CX-5750C (Shamos WS) at Q661). When a user clicks the thumbs up button, their “Personal Taste Profile” is modified according to the “Item Taste Profile” of the rated program, as depicted in CDX-0082 and CDX-0083. CDX-0082–CDX-0083 (CX-5750C (Shamos WS) at Q661). The associated program criteria of the “Personal Taste Profile” is used to create the “Personal Recommendations.” Mr. Papish’s testimony confirmed this as an example of how a user’s Personal Taste Profiles changes based on new information of user, and how Personal Recommendations changed based on the changing Personal Taste Profile. CX-5747C (Papish WS) at Q23-34. Mr. Papish, using a User

## PUBLIC VERSION

Guide for TotalGuide, further explained that TotalGuide's commercial products provide personal recommendations in the same way, but just through different client user-interfaces. Mr. Papish explained that in TotalGuide, the personal recommendations are called "For You" recommendations. CX-5747C (Papish WS) at Q36-39; CX-2153C (TotalGuide User Experience Manual); Papish Tr. 300-301.

Netflix argues that TotalGuide does not meet this step under its construction of the term "user preference profile" as "one or more program criteria chosen by the user with the interactive program guide client," but Netflix's construction has been rejected. Moreover, TotalGuide would still meet this step under Netflix's construction because individualized programs are recommended to the user based on ratings of what Dr. Burke refers to as program "attribute[s] of being in the series." See RX-1269C (Burke RWS) at Q214.

Netflix argues that TotalGuide does not meet this step under its construction of the term "interactive program guide client," but Netflix's construction has been rejected.

***Element 13c: determining from a program listing database a set of programs not yet watched***

TotalGuide literally meets this claim element. TotalGuide literally meets this step because the TotalGuide System recommends programs not yet watched. Unless the TotalGuide System could determine which programs had been watched, then it could not perform the step. As shown above in relation to the "generating" step, TotalGuide removes programs that have been assigned a rating from the recommendations. In doing so, TotalGuide determines a set of programs not yet watched. As explained by Dr. Shamos, while it is physically possible for a user of TotalGuide to rate a program without

## PUBLIC VERSION

having watched it, one of skill in the art would interpret the fact that a user rated a program as indicating that the user has at least some knowledge of the program from having watched at least a portion of it. CX-5750C (Shamos WS) at Q665.

Mr. Papish also explained how the TotalGuide System recommends programs not yet watched through his demonstration at hearing. After Mr. Papish indicated that the movie *The Fifth Element* had been watched by selecting a thumbs-up icon, TotalGuide updated his Personal Recommendations with movies not yet watched, that were also based on his updated Personal Taste Profile. *The Fifth Element*, a movie now watched, was no longer recommended. See Papish Tr. 298-300; CDX-0779 at 4-5; see CX-5747C (Papish WS) at Q34.

Netflix argues that TotalGuide does not meet this step under its construction of the term “program listing” as “information about a scheduled television program,” but Netflix’s construction has been rejected.

Netflix also argues that TotalGuide does not meet this step due to its position that the “determining from a program listing database a set of programs not yet watched” step must occur before the step of “applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation.” As discussed above, Netflix’s position is incorrect. As explained by Dr. Shamos, Netflix’s position is also illogical because the universe of programs not yet watched is likely quite large, potentially in the hundreds of thousands or millions, and it would thus be preferable to apply criteria to narrow that universe before determining which programs have not been watched for particular users.

Even if Netflix’s position on a required order of steps is adopted, TotalGuide

## PUBLIC VERSION

meets this claim element under the doctrine of equivalents. As explained by Dr. Shamos, reversing the order of the steps performs the exact same function in the exact same way (applying associated program criteria to the set of programs not yet watched) and produces the exact same result (generating at least one personal viewing recommendation).

***Element 13d: applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation***

TotalGuide literally meets this claim element. TotalGuide literally meets this step because it applies the associated program criteria to programs not yet watched to generate its “Personal Recommendations,” as depicted in CDX-0084, a screenshot from the TotalGuide S&R Demo. CDX-0084 (CX-5750C (Shamos WS) at Q671). Mr. Papish also demonstrated how programs have associated program criteria (*i.e.*, the Item Taste Profile) and how those criteria are used to generate a personal viewing recommendation (*i.e.*, the Personal Recommendation in the S&R Demo and the “For You” Recommendation in TotalGuide’s commercial products). CX-5747C (Papish WS) at Q28-39; CX-2153C (TotalGuide User Experience Manual); Papish Tr. 294-302; CDX-0779 at 1-5.

Netflix argues that TotalGuide does not meet this step under its position that the “determining from a program listing database a set of programs not yet watched” step must occur before the step of “applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation.” As discussed above, Netflix’s position is incorrect. In addition, for the same reasons discussed above in relation to the “determining from a program listing

## PUBLIC VERSION

database a set of programs not yet watched” step, even if Netflix’s position on a required order of steps is adopted, TotalGuide meets this claim element under the doctrine of equivalents.

### *Element 13e: providing the personal viewing recommendation to a user*

TotalGuide literally meets this claim element. TotalGuide literally meets this step because the recommended program is presented on the user’s display screen, as depicted in CDX-0684, a screenshot from the TotalGuide S&R Demo. CDX-0084 (CX-5750C (Shamos WS) at Q674). Mr. Papish also confirmed that TotalGuide provides a personal viewing recommendation to a user (*i.e.*, the Personal Recommendations shown in the S&R Demo and the “For You” Recommendations in TotalGuide’s commercial products. CX-5747C (Papish WS) at Q34, Q39; CX-4105C; CX-2153C (TotalGuide User Experience Manual); Papish Tr. 300-301.

### **b. Method Claims 15 and 16 of the ‘709 Patent**

The Rovi TotalGuide System practices dependent method claims 15-16 of the ‘709 patent.

***Claim 15. The method defined in claim 13 wherein the associated program criteria comprises at least one of program categories, ratings, casting, and languages.***

The Rovi TotalGuide System literally meets this claim. TotalGuide literally meets this claim because the program criteria comprise at least program categories, as depicted in CDX-0084, a screenshot from the TotalGuide S&R Demo. CDX-0084 (CX-5750C (Shamos WS) at Q676). Mr. Papish’s testimony confirmed this when demonstrating TotalGuide through the S&R Demo. Papish Tr. 294 (“One of the main ways that we make recommendations for TotalGuide is what we call an attribute-based

## PUBLIC VERSION

recommendation system... The ones style, theme, mood, many of these are created by human editors, who basically watch or learn about the content and then enter information about that.”); CX-5747C (Papish WS) at Q31-32.

***Claim 16. The method defined in claim 13 wherein the at least one of the associated program criteria is the same as at least one criteria defined in the user preference profile.***

The Rovi TotalGuide System literally meets this claim. TotalGuide literally meets this claim because the user selects a criterion by assigning a thumbs up or down to a program with the criterion, as discussed above, and such assigning is done with the program guide client that is presenting the information to the user. CX-5750C (Shamos WS) at Q678. Mr. Papish’s testimony further confirms that TotalGuide meets this limitation. *See* CX-5747C (Papish WS) at Q32-34.

Netflix argues that TotalGuide does not meet this step under its construction of the term “user preference profile” as “one or more program criteria chosen by the user with the interactive program guide client” but Netflix’s proposed construction has been rejected. Moreover, TotalGuide would still meet this step under Netflix’s construction because, as explained by Dr. Shamos, individualized programs are recommended to the user based on ratings of what Dr. Burke refers to as program “attribute[s] of being in the series.” *See* RX-1269C (Burke RWS) at Q214.

Netflix argues that TotalGuide does not meet this step under its construction of the term “interactive program guide client” but Netflix’s proposed construction has been rejected.



## PUBLIC VERSION

### c. System Claim 17 of the '709 Patent

The Rovi TotalGuide System practices independent system claim 17 of the '709 patent.

***Preamble: An interactive program guide system for providing a customized viewing experience to a user, comprising***

The preamble language of claim 17 is met. The preamble language is met for the same reason the Rovi TotalGuide System meets the preamble to method claim 14. CX-5750C (Shamos WS) Q680. Moreover, Mr. Papish's testimony that confirmed TotalGuide meeting the preamble in claim 14 confirms meeting the preamble in claim 17 for the same reason. *See* Papish Tr. 288-304; CDX-0779 at 1-5 (demonstrating TotalGuide through the S&R Demo client).

***Element 17a: user equipment on which an interactive program guide client is implemented, wherein the interactive program guide client is operative to provide the user with an opportunity to create a user preference profile***

TotalGuide literally meets this claim element. TotalGuide literally meets this element because it allows the creation of criteria relating to user interest in programs or program attributes, *e.g.*, by allowing the user to assign thumbs up or down ratings to programs as discussed above. CX-5750C (Shamos WS) at Q683. This was further demonstrated at hearing when Mr. Papish demonstrated TotalGuide through the S&R Demo. Mr. Papish began creating his user preference profile by searching for the movie Armageddon and clicking a thumbs-up icon, which also represented him watching the movie. TotalGuide then created a Personal Taste Profile based the user's input. Papish Tr. 295-298; CDX-0779.

Netflix argues that TotalGuide does not meet this step under its construction of

## PUBLIC VERSION

the term “interactive program guide client” as “software installed on user equipment that displays information about scheduled television programming,” but Netflix’s proposed construction has been rejected.

Netflix also argues that TotalGuide does not meet this step under its construction of the term “user preference profile” as “one or more program criteria chosen by the user with the interactive program guide client,” but Netflix’s proposed construction has been rejected. Moreover, TotalGuide would still meet this step under Netflix’s construction because, as explained by Dr. Shamos, individualized programs are recommended to the user based on ratings of what Dr. Burke refers to as program “attribute[s] of being in the series.” *See* RX-1269C (Burke RWS) at Q214.

***Element 17b: a communications path over which the user preference profile is provided by the interactive program guide client to a program guide server, wherein the program guide server comprises:***

TotalGuide literally meets this claim element. TotalGuide literally meets this element because TotalGuide makes use of a communications path over which the preference profile relating to user interest is provided by the application. This communications path leads from the processor on which the program guide client executes through network interface hardware. The network interface hardware provides an Internet connection. CX-5750C (Shamos WS) at Q686.

Netflix argues that TotalGuide does not meet this step under its construction of the term “user preference profile” as “one or more program criteria chosen by the user with the interactive program guide client” but Netflix’s proposed construction has been rejected. Moreover, TotalGuide would still meet this step under Netflix’s construction because individualized programs are recommended to the user based on ratings of what

## PUBLIC VERSION

Dr. Burke refers to as program “attribute[s] of being in the series.” *See* RX-1269C (Burke RWS) at Q214.

Netflix argues that TotalGuide does not meet this step under its construction of the term “interactive program guide client” as “software installed on user equipment that displays information about scheduled television programming,” but Netflix’s proposed construction has been rejected.

Netflix also argues that TotalGuide does not meet this step under its construction of the term “interactive program guide client” as “software installed on user equipment that displays information about scheduled television programming,” and its construction of the term “program guide server” as “a server computer that delivers information about scheduled television programs to user equipment.” However, Netflix’s proposed constructions were rejected.

Netflix also argues that the “a program guide server” language requires a “single” server, but Netflix’s proposed construction has been rejected. Moreover, even if a “single server” limitation was imposed and not literally met, it would still be met under the doctrine of equivalents. As explained by Dr. Shamos, a multi-computer server would operate in a virtually identical manner to a single computer server with respect to the claimed invention, which is entirely agnostic as to the physical server implementation. It would perform the same function – making available the computational facilities and the databases; in the same way – by supporting a communication path and providing processing circuitry; to achieve the same result – providing a customized viewing experience to the user in conjunction with the interactive program guide client. CX-5750C (Shamos WS) at Q287.

## PUBLIC VERSION

***Element 17b1: a first database comprising program listings and associated program criteria based on the user's viewing history at the interactive program guide client***

The program guide server for TotalGuide literally meets this claim element. The claimed “first database” is part of the “program guide server,” and is not recited as an element of the claimed system. Rather, it is a limitation on the system that the claimed system communicates with via the communications path. This element is literally met because one or more server-side databases are maintained by Rovi Cloud Services with a history of the user's viewing at the client. *See* CX-5750C (Shamos WS) at Q689.

Netflix argues that TotalGuide does not meet this step under its construction of the term “program listing” as “information about a scheduled television program,” but Netflix's proposed construction has been rejected.

***Element 17b2: a second database comprising program listings available from the program guide server***

The program guide server for TotalGuide literally meets this claim element. The claimed “second database” is part of the “program guide server,” and is not recited as an element of the claimed system. CX-5750C (Shamos WS) at Q692. Rather, it is a limitation on the system that the claimed system communicates with via the communications path. This element is literally met because program guide server that TotalGuide connects to has a database of available programs, as discussed above in connection with claim 13. CX-5750C (Shamos WS) at Q692.

Netflix argues that TotalGuide does not meet this step under its construction of the term “program listing” as “information about a scheduled television program,” but Netflix's proposed construction has been rejected.

## PUBLIC VERSION

Netflix also argues that TotalGuide does not meet this step under its construction of the term “program guide server” as “a server computer that delivers information about scheduled television programs to user equipment,” but Netflix’s proposed construction has been rejected.

Netflix also argues that the “a program guide server” language requires a “single” server, but Netflix’s proposed construction has been rejected. Even if a “single server” limitation was imposed and not literally met, it would still be met under the doctrine of equivalents. As explained by Dr. Shamos, a multi-computer server would operate in a virtually identical manner to a single computer server with respect to the claimed invention, which is entirely agnostic as to the physical server implementation. It would perform the same function – making available the computational facilities and the databases; in the same way – by supporting a communication path and providing processing circuitry; to achieve the same result – providing a customized viewing experience to the user in conjunction with the interactive program guide client. CX-5750C (Shamos WS) at Q287.

***Element 17c: processing circuitry operative (1) to determine at least one of the associated program criteria from the first database that meets the user preference profile, (2) to determine from the second database a set of programs not yet watched by the user at the interactive program guide client, (3) to apply the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation, and (4) to provide the personal viewing recommendation to the user at the interactive program guide client over the communications path***

The program guide server for TotalGuide literally meets this claim element. The claimed “processing circuitry” is part of the “program guide server,” and is not recited as an element of the claimed system. CX-5750C (Shamos WS) at Q695. Rather, it is a



## PUBLIC VERSION

limitation on the system that the claimed system communicates with via the communications path. This element is literally met because TotalGuide communicates with a Rovi Cloud Services server that has processing circuitry that performs the listed steps. CX-5750C (Shamos WS) at Q695. The Rovi Cloud Services server performs the claimed steps for the reasons discussed above in relation to the corresponding method claim elements of claim 13. In addition, even if Netflix's claim construction position that step (2) must occur before step (3) were adopted, this element would be met under the doctrine of equivalents for the reasons discussed above in relation to the Netflix's allegations of a required order for the claim 13 steps of "determining from a program listing database a set of programs not yet watched" and "applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation."

### **d. System Claims 19 and 20 of the '709 Patent**

TotalGuide practices dependent system claims 19 and 20 of the '709 patent. These claims are met for the reasons discussed for independent system claim 17 and for the same reasons discussed above in relation to the corresponding dependent method claims 15 and 16.

### **2. Apple's iTunes Application on Apple iPads**

Apple's iTunes application running on Apple iPads and Apple's servers practice claims 13-14 and 17-18 of the '709 patent. Apple's iTunes Application is present on all Apple iPads and, as they relate to the invention claimed in the '709 patent, all Apple iPads running the iTunes Application version included with the Apple iOS 6 operating



## PUBLIC VERSION

system (released on September 19, 2012) operate the same in relation to the recommendations provided. CX-5750C (Shamos WS) at Q707-757. This includes all the fourth generation iPads, the iPad Mini, as well as all previous versions of the iPad that have been updated to iOS 6. CX-5750C (Shamos WS) at Q707-757.

### a. Method Claim 13 of the '709 Patent

The iTunes application on Apple iPads and Apple's servers ("the iTunes application") practice independent method claim 13 of the '709 patent.

***Preamble: A method for use in an interactive program guide system for providing a customized viewing experience to a user, comprising***

The preamble language of claim 13 is met. The iTunes application provides a customized viewing experience to a user because programs are proposed to a user based on that user's individual viewing history. CX-5750C (Shamos WS) at Q710. For example, by way of illustration, CDX-0085 shows a screenshot of the iTunes application on an Apple iPad. CDX-0085 (CX-5750C (Shamos WS) at Q710). The "Genius" section of that screen shows the customized viewing experience as programs are proposed to a user based on that user's individual viewing history. CX-5750C (Shamos WS) at Q710.

***Element 13a: generating a viewing history database comprising program listings and associated program criteria***

The iTunes application literally meets this claim element. The iTunes application literally meets this claim element because a viewing history database is generated that is used to make individualized recommendations to users based on their specific viewing histories and program criteria. CX-5750C (Shamos WS) at Q714. Without the claimed viewing history database, this would be impossible. *Id.* For example, the iTunes application tracks whether a user has previously watched a program or not. For example,

## PUBLIC VERSION

as shown in CDX-0086, the iTunes application's "Genius Movie Recommendations" are based on programs bought by the user. CDX-0086 (showing screenshot of CPX-0053) (CX-5750C (Shamos WS) at Q714).

Netflix argues that the iTunes application does not meet this step under its construction of the term "program listing" as "information about a scheduled television program," but Netflix's proposed construction has been rejected.

***Element 13b: determining at least one of the associated program criteria from the viewing history database that meets a user preference profile***

The iTunes application literally meets this claim element. The iTunes application literally meets this step because individualized programs are recommended to the user based on user ratings of programs. CX-5750C (Shamos WS) at Q718. For example, as shown in CDX-0086, a user who bought "Tower Heist" will receive recommendation of other amusing buddy films, such as "The Big Year." CDX-0086 (showing screenshot of CPX-0053) (CX-5750C (Shamos WS) at Q718). This would not be possible without determining such criteria from a viewing history database that meet a user preference profile. CX-5750C (Shamos WS) at Q718.

The iTunes application allows users to save their preferences by assigning thumbs up or down to programs, as depicted in a screenshot from the iTunes application in CDX-0086. When a user clicks the thumbs down button, the program is no longer recommended to the user, as depicted in CDX-0087, a screenshot from the iTunes application. CDX-0087 (screenshot of CPX-0053) (CX-5750C (Shamos WS) at Q718).

Netflix argues that the iTunes application does not meet this step under its construction of the term "user preference profile" as "one or more program criteria

## PUBLIC VERSION

chosen by the user with the interactive program guide client” but Netflix’s proposed construction has been rejected. Moreover, iTunes would still meet this step under Netflix’s construction because, as explained by Dr. Shamos, individualized programs are recommended to the user based on ratings of what Dr. Burke refers to as program “attribute[s] of being in the series.” See RX-1269C (Burke RWS) at Q214.

Netflix argues that the iTunes application does not meet this step under its construction of the term “interactive program guide client,” but Netflix’s proposed construction has been rejected.

### ***Element 13c: determining from a program listing database a set of programs not yet watched***

The iTunes application literally meets this claim element. The iTunes application literally meets this step because the iTunes application’s “Genius Movie Recommendations” are based on programs bought by the user, as depicted in CDX-0086, a screenshot from the iTunes application. CDX-0086 (screenshot of CPX-0053) (CX-5750C (Shamos WS) at Q722).

Netflix argues that the iTunes application does not meet this step under its construction of the term “program listing” as “information about a scheduled television program,” but Netflix’s proposed construction has been rejected.

Netflix also argues that the iTunes application does not meet this step due to its position that the “determining from a program listing database a set of programs not yet watched” step must occur before the step of “applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation.” As discussed above, Netflix’s position is incorrect. As

## PUBLIC VERSION

explained by Dr. Shamos, Netflix's position is also illogical because the universe of programs not yet watched is likely quite large, potentially in the hundreds of thousands or millions, and it would thus be preferable to apply criteria to narrow that universe before determining which programs have not been watched for particular users. Even if Netflix's position on a required order of steps is adopted, the iTunes application meets this claim element under the doctrine of equivalents. As explained by Dr. Shamos, reversing the order of the steps performs the exact same function in the exact same way (applying associated program criteria to the set of programs not yet watched) and produces the exact same result (generating at least one personal viewing recommendation).

***Element 13d: applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation***

The iTunes application literally meets this claim element. The iTunes application literally meets this step because applies the iTunes application applies the associated program criteria to programs not yet watched to generate its "Genius Movie Recommendations." CX-5750C (Shamos WS) at Q726.

Netflix also argues that the iTunes application does not meet this step under its position that the "determining from a program listing database a set of programs not yet watched" step must occur before the step of "applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation." As discussed above, Netflix's position is incorrect. In addition, for the same reasons discussed above in relation to the "determining from a program listing database a set of programs not yet watched" step, even if Netflix's

## PUBLIC VERSION

position on a required order of steps is adopted, the iTunes application meets this claim element under the doctrine of equivalents.

### *Element 13e: providing the personal viewing recommendation to a user*

The iTunes application literally meets this claim element. The iTunes application literally meets this step because the recommended program is presented on the user's display screen, as depicted in CDX-0087, a screenshot from the iTunes application.

CDX-0087 (screenshot of CPX-0053) (CX-5750C (Shamos WS) at Q729).

### **b. Method Claim 14 of the '709 Patent**

The iTunes application practices dependent method claim 14 of the '709 patent.

*Claim 14. The method defined in claim 13 wherein generating a viewing history database comprises storing the program listings and the associated program criteria for at least one of: programs that the user has watched; programs for which the user has scheduled reminders; programs for which the user has scheduled for recording; programs for which the user has searched; and programs for which the user has ordered.*

The iTunes application literally meets this claim. The iTunes application literally meets this claim because the relevant databases store information about the programs the user has ordered and their associated program criteria. (CX-5750C (Shamos WS) at Q731). For example, as shown in CDX-0086, the iTunes application's "Genius Movie Recommendations" are based on programs bought by the user. CDX-0086 (screenshot of CPX-0053) (CX-5750C (Shamos WS) at Q731).

Netflix argues that the iTunes application does not meet this step under its construction of the term "program listing" as "information about scheduled television programs," but Netflix's proposed construction has been rejected.



## PUBLIC VERSION

### c. System Claim 17 of the '709 Patent

The Apple iPads running the iTunes application practice independent system claim 17 of the '709 patent.

***Preamble: An interactive program guide system for providing a customized viewing experience to a user, comprising***

The preamble language of claim 17 is met for the same reasons discussed above in relation to the preamble of independent method claim 13.

***Element 17a: user equipment on which an interactive program guide client is implemented, wherein the interactive program guide client is operative to provide the user with an opportunity to create a user preference profile***

Apple iPads running the iTunes application literally meet this claim element.

Apple iPads running the iTunes application literally meet this element because they allows the creation of criteria relating to user interest in programs or program attributes, *e.g.*, by allowing the user to assign thumbs up or down ratings to programs as discussed above. CX-5750C (Shamos WS) at Q737.

Netflix argues that Apple iPads running the iTunes application do not meet this step under its construction of the term “interactive program guide client” as “software installed on user equipment that displays information about scheduled television programming,” but Netflix’s proposed construction has been rejected.

Netflix also argues that Apple iPads running the iTunes application do not meet this step under its construction of the term “user preference profile” as “one or more program criteria chosen by the user with the interactive program guide client,” but Netflix’s proposed construction has been rejected. Moreover, Apple iPads running the iTunes application would still meet this step under Netflix’s construction because, as



## PUBLIC VERSION

explained by Dr. Shamos, individualized programs are recommended to the user based on ratings of what Dr. Burke refers to as program “attribute[s] of being in the series.” See RX-1269C (Burke RWS) at Q214.

***Element 17b: a communications path over which the user preference profile is provided by the interactive program guide client to a program guide server, wherein the program guide server comprises:***

Apple iPads running the iTunes application literally meet this claim element.

Apple iPads running the iTunes application literally meet this element because they make use of a communications path over which the preference profile relating to user interest is provided by the application. CX-5750C (Shamos WS) at Q740. This communications path leads from the processor on which the program guide client executes through network interface hardware. The network interface hardware provides an Internet connection. *Id.*

Netflix also argues that Apple iPads running the iTunes application do not meet this step under its construction of the term “user preference profile” as “one or more program criteria chosen by the user with the interactive program guide client” but Netflix’s proposed construction has been rejected. Moreover, Apple iPads running the iTunes application would still meet this step under Netflix’s construction because, as explained by Dr. Shamos, individualized programs are recommended to the user based on ratings of what Dr. Burke refers to as program “attribute[s] of being in the series.” See RX-1269C (Burke RWS) at Q214.

Netflix argues that Apple iPads running the iTunes application do not meet this step under its construction of the term “interactive program guide client” as “software installed on user equipment that displays information about scheduled television

## PUBLIC VERSION

programming,” but Netflix’s proposed construction has been rejected.

Netflix also argues that Apple iPads running the iTunes application do not meet this step under its construction of the term “interactive program guide client” as “software installed on user equipment that displays information about scheduled television programming,” and its construction of the term “program guide server” as “a server computer that delivers information about scheduled television programs to user equipment.” However, Netflix’s proposed constructions were rejected.

Netflix also argues that the “a program guide server” language requires a “single” server, but Netflix’s proposed construction has been rejected. Moreover, even if a “single server” limitation was imposed and not literally met, it would still be met under the doctrine of equivalents. As explained by Dr. Shamos, a multi-computer server would operate in a virtually identical manner to a single computer server with respect to the claimed invention, which is entirely agnostic as to the physical server implementation. It would perform the same function – making available the computational facilities and the databases; in the same way – by supporting a communication path and providing processing circuitry; to achieve the same result – providing a customized viewing experience to the user in conjunction with the interactive program guide client. *See* CX-5750C (Shamos WS) at Q287.

***Element 17b1: a first database comprising program listings and associated program criteria based on the user’s viewing history at the interactive program guide client***

The Apple program guide server for Apple iPads running the iTunes application literally meets this claim element. CX-5750C (Shamos WS) at Q743. The claimed “first database” is part of the “program guide server,” and is not recited as an element of the

## PUBLIC VERSION

claimed system. Rather, it is a limitation on the system that the claimed system communicates with via the communications path. This element is literally met because one or more server-side databases are maintained by Apple with a history of the user's viewing at the client. CX-5750C (Shamos WS) at Q743.

Netflix argues that Apple iPads running the iTunes application do not meet this step under its construction of the term "program listing" as "information about a scheduled television program," but Netflix's proposed construction has been rejected.

***Element 17b2: a second database comprising program listings available from the program guide server***

The program guide server for Apple iPads running the iTunes application literally meets this claim element. The claimed "second database" is part of the "program guide server," and is not recited as an element of the claimed system. Rather, it is a limitation on the system that the claimed system communicates with via the communications path. CX-5750C (Shamos WS) at Q746. This element is literally met because the program guide server that Apple iPads running the iTunes application connect to has a database of available programs, as discussed above in connection with claim 13. *Id.*

Netflix argues that Apple iPads running the iTunes application do not meet this step under its construction of the term "program listing" as "information about a scheduled television program," but Netflix's proposed construction has been rejected.

Netflix also argues that Apple iPads running the iTunes application do not meet this step under its construction of the term "program guide server" as "a server computer that delivers information about scheduled television programs to user equipment," but Netflix's proposed construction has been rejected.

## PUBLIC VERSION

Netflix also argues that the “a program guide server” language requires a “single” server, but Netflix’s proposed construction has been rejected. Moreover, even if a “single server” limitation was imposed and not literally met, it would still be met under the doctrine of equivalents. As explained by Dr. Shamos, a multi-computer server would operate in a virtually identical manner to a single computer server with respect to the claimed invention, which is entirely agnostic as to the physical server implementation. It would perform the same function – making available the computational facilities and the databases; in the same way – by supporting a communication path and providing processing circuitry; to achieve the same result – providing a customized viewing experience to the user in conjunction with the interactive program guide client. *See* CX-5750C (Shamos WS) at Q287.

***Element 17c: processing circuitry operative (1) to determine at least one of the associated program criteria from the first database that meets the user preference profile, (2) to determine from the second database a set of programs not yet watched by the user at the interactive program guide client, (3) to apply the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation, and (4) to provide the personal viewing recommendation to the user at the interactive program guide client over the communications path***

The program guide server for Apple iPads running the iTunes application literally meets this claim element. The claimed “processing circuitry” is part of the “program guide server,” and is not recited as an element of the claimed system. CX-5750C (Shamos WS) at Q749. Rather, it is a limitation on the system that the claimed system communicates with via the communications path. This element is literally met because Apple iPads running the iTunes application communicate with an Apple server that has processing circuitry that performs the listed steps. CX-5750C (Shamos WS) at Q749.

## PUBLIC VERSION

The Apple server performs the claimed steps for the reasons discussed above in relation to the corresponding method claim elements of claim 13. In addition, even if Netflix's claim construction position that step (2) must occur before step (3) were adopted, this element would be met under the doctrine of equivalents for the reasons discussed above in relation to the Netflix's allegations of a required order for the claim 13 steps of "determining from a program listing database a set of programs not yet watched" and "applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation."

### **d. System Claim 18 of the '709 Patent**

The iTunes application practices dependent system claim 18 of the '709 patent. This claim is met for the reasons discussed in relation to independent system claim 17 and for the same reasons discussed above in relation to corresponding dependent method claims 14.

## **VI. U.S. Patent No. 6,898,762**

U.S. Patent No. 6,898,762 ("the '762 patent"), entitled "Client-server electronic program guide," was filed on August 13, 1999 (Appl. No. 09/374,043 ("the '043 application")) and issued on May 24, 2005. CX-1294 ('762 patent). It claims priority to a provisional application (U.S. Prov. App. No. 60/097,538) filed on August 21, 1998. *See id.* The priority date for the '762 patent is August 21, 1998. *See id.* The named inventors are Michael D. Ellis, Thomas R. Lemmon, and William L. Thomas. The '762 patent "relates to interactive television program guide systems, and more particularly, to



## PUBLIC VERSION

interactive television program guide systems based on client-server arrangements.” CX-1294 at col. 1, Ins. 8-11.

Rovi asserts method claims 1 and 6 and system claims 13 and 17 against Netflix, and method claims 1 and 6 against Roku. Compls. Br. at 150. Claims 1 and 13 are independent claims, with claim 6 depending from claim 1 and claim 17 depending from claim 15 (which in turn depends from claim 13). Rovi does not assert dependent claim 15, but asserted claim 17 depends from claim 15. The asserted claims and dependent claim 15 read as follows:

1. A method for use in a client-server interactive television program guide system for tracking a user’s viewing history, comprising:
  - tracking a user’s viewing history;
  - storing the user’s viewing history on a program guide server;
  - finding programs with the program guide server that are consistent with the user’s viewing history;
  - determining, with the program guide server, whether the programs found by the program guide server were not previously viewed on user television equipment; and
  - displaying, with a program guide client implemented on the user television equipment, a display of program titles, wherein the display:
    - includes the programs found by the program guide server, wherein some of the programs have been previously viewed on the user television equipment and some of the programs have not been previously viewed on the user television equipment; and
    - visually distinguishes the programs determined by the program guide server to have been previously viewed from the programs that have not been previously viewed.
6. The method defined in claim 1 further comprising collecting program ratings information with the program guide server based on the user’s viewing history.



## PUBLIC VERSION

**13.** A client-server interactive television program guide system for tracking a user's viewing history, comprising:

user television equipment on which an interactive television program guide client is implemented, wherein the interactive television program guide client is programmed to provide an individual user's viewing history information to a program guide server over a communications path, wherein:

the program guide server is programmed to find programs based on the individual user's viewing history information, determine whether the programs found by the program guide server have been previously viewed on user television equipment, and to indicate the programs to the interactive television program guide client over the communications path; and

the interactive television program guide client is further programmed to display, on the user television equipment, a display of program titles, wherein the display:

includes the programs found by the program guide server, wherein some of the programs have been previously viewed on the user television equipment and some of the programs have not been previously viewed on the user television equipment; and

visually distinguishes the programs determined by the program guide server to have been previously viewed from the programs that have not been previously viewed.

**15.** The system defined in claim **13** wherein:

the interactive television program guide client is further programmed to provide user preference information to the program guide server over the communications path; and

the program guide server is further programmed to obtain programs based on the user preference information and to indicate the programs to the interactive television program guide client.

**17.** The system defined in claim **15** wherein the program guide server is further programmed to collect program ratings information based on the viewing history information.

PUBLIC VERSION

CX-1294 ('762 patent) at col. 24, lns. 11-32, 54-56; col. 25, ln. 44 – col. 26, ln. 22; col. 26, lns. 26-35, 45-48.

**A. Claim Construction<sup>22</sup>**

**1. “program guide client”**

Below is a chart showing the parties’ proposed claim constructions.

<b>Claim Term</b>	<b>Complainants’ Construction</b>	<b>Respondents’ Construction</b>
program guide client	application that allows a user to retrieve program guide data from and store user data on a program guide server using a client-server based approach	software installed on user television equipment that displays information about scheduled television programming

As proposed by Rovi, the claim term “program guide client” is construed to mean “application that allows a user to retrieve program guide data from and store user data on a program guide server using a client-server based approach.”

As discussed above with respect to the ‘709 patent,<sup>23</sup> “program guide client” is properly construed as “application that allows a user to retrieve program guide data from and store user data on a program guide server using a client-server based approach.”

Respondents’ proposed construction of “software installed on user television equipment that displays information about scheduled television programming” is unduly limiting.

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<sup>22</sup> A person of ordinary skill in the art of the ‘762 patent at the time of the invention would have a bachelor’s degree in electrical or computer engineering or computer science, or equivalent experience, and two to four years of experience relating to television or video media technology, computer programming, user interfaces, or any equivalent knowledge, training and/or experience. CX-5750C (Shamos WS) at Q29.

<sup>23</sup> As noted, asserted ‘709 patent is a divisional of the ‘762 patent. The two patents share a common specification.

PUBLIC VERSION

2. “program guide server”

Claim Term	Complainants’ Construction	Respondents’ Construction
program guide server	any combination of server hardware and software that communicates with the program guide client	a single server computer that delivers information about scheduled television programming to user television equipment

As proposed by Rovi, the claim term “program guide server” is construed to mean “any combination of server hardware and software that communicates with the program guide client.”

As discussed above with respect to the ‘709 patent, “program guide client” is properly construed as “application that allows a user to retrieve program guide data from and store user data on a program guide server using a client-server based approach.” Respondents’ proposed construction of “a single server computer that delivers information about scheduled television programming to user television equipment” is unduly limiting.

3. “user television equipment”

Claim Term	Complainants’ Construction	Respondents’ Construction
user television equipment	Plain and ordinary meaning or, if a definition is needed, equipment for receiving and displaying program guide data and programming	“user television equipment” refers to the same equipment throughout each claim

As proposed by Rovi, the claim term “user television equipment” is construed to mean “equipment for receiving and displaying program guide data and programming.”

## PUBLIC VERSION

The primary dispute is whether “user television equipment” is any “equipment for receiving and displaying program guide data and programming,” as proposed by Rovi. CX-5750C (Shamos WS) at Q176.

The term “user television equipment” is a term that has a plain and ordinary meaning to one of ordinary skill in the art. CX-5750C (Shamos WS) at Q179. It is the same as its meaning to a layperson. *Id.* It is also the plain and ordinary meaning of the term in the specific context of the ‘762 patent – “equipment for receiving and displaying program guide data and programming.” *Id.*

The ‘762 specification states “[u]ser television equipment 22 of FIG. 3 receives analog video or a digital video stream and data, program guide data, or any suitable combination thereof, from television distribution facility 16 (FIG. 1) at input 26.” CX-1294 (‘762 patent) at col. 7, lns. 50-55. The specification discloses: “During normal television viewing, a user tunes set-top box 28 to a desired television channel. The signal for that television channel is then provided at video output 30.” CX-1294 (‘762 patent) at col. 7, lns. 56-57. This description shows that the user television equipment is equipment for receiving and displaying programming data and programming. CX-5750C (Shamos WS) at Q179.

On the other hand, respondents’ proposed construction (that “user television equipment” refers to the same equipment throughout each claim) is not a construction of the term “user television equipment” but rather an attempt to impose a specific equipment limitation that, regardless of where or how “user television equipment” is used in the claims, it is referring to the very same piece of equipment. CX-5750C (Shamos WS) at Q180. That proposed construction is not supported by any teaching in the specification.

PUBLIC VERSION

*Id.* The '762 patent discloses a method of recommending programs to a viewer that the viewer has not yet seen. For example, it is not restricted to programs that the user has not viewed on the very TV that the user is currently using. *Id.*

**4. “the display includes the programs found by the program guide server”**

<b>Claim Term</b>	<b>Complainants' Construction</b>	<b>Respondents' Construction</b>
[a display of program titles, wherein] the display includes the programs found by the program guide server	Plain and ordinary meaning or, if a definition is needed, a display of program titles includes the titles of programs found by the program guide server	the viewing area on the user television equipment includes the programs found by the program guide server

As proposed by Rovi, the claim term “a display of program titles, wherein the display includes the programs found by the program guide server” is construed to mean “a display of program titles includes the titles of programs found by the program guide server.”

The claim term “the display includes the programs found by the program guide server” has a plain and ordinary meaning. CX-5750C (Shamos WS) at Q171. This term should be construed based on preceding language from the claim, which states “a display of program titles, wherein the display includes the programs found by the program guide server.” The complete language (“a display of program titles, wherein the display includes the programs found by the program guide server”) could be construed as “the display of program titles includes the titles of programs found by the program guide server.” CX-5750C (Shamos WS) at Q172.

## PUBLIC VERSION

Yet respondents' proposed construction of this claim term would improperly rewrite "display" as "viewing area on the user television equipment." Yet, the claim requires the program guide client, which is software, to display program titles. It does not call for a viewing area on the physical display screen. CX-5750C (Shamos WS) at Q173.

Respondents' construction is incorrect because the claim calls for displaying both programs that have been previously viewed and those not previously viewed. *Id.* If the list of programs viewed is lengthy, it would be physically impossible to list both programs that were previously viewed and those that were not previously viewed in the same viewing area. *Id.* The program listing display shown in Fig. 7 of the '762 patent allows a user to "scroll up and down to view program listings for additional time slots." CX-1294 ('762 patent) at col. 11, Ins. 48-50.

Respondents' expert, Dr. Burke, stated that the program listing display of Fig. 7 is limited to only the program listings shown when the user takes an action, which precludes the user from scrolling. RX-1269C (Burke RWS) at Q237. Dr. Burke's interpretation is too limiting because the very purpose of the program listing display of Fig. 7 is to allow the user to scroll within the listing. *Vitronics Corp. v. Conceptronic*, 90 F.3d 1576, 1583 (Fed. Cir. 1996) (a claim construction that reads out the preferred embodiment is "rarely, if ever, correct"). Furthermore, there is no teaching in the specification that would support respondents' strained construction.

### **B. Infringement Analysis of the '762 Patent**

As noted, Rovi asserts method claims 1 and 6 and system claims 13 and 17 against Netflix, and method claims 1 and 6 against Roku.



## PUBLIC VERSION

For the reasons set forth below, Rovi has not shown that Netflix's accused products or Roku's accused products infringe the asserted claims of the '762 patent.

### 1. Accused Products

Rovi argues that "[t]here is a sale for importation under Section 337 based on various agreements whereby Netflix supplies [ ] for importation and integration into respective partner devices, including the Partners [ ] to create and distribute device-specific applications ('Netflix Applications') that run on Netflix Ready Devices (NRDs) to communicate with Netflix servers." Compl. Br. at 9. It is argued that "[t]he Accused Netflix Products include Netflix Applications available on televisions, blu-ray players, digital media receivers, tablets, streaming players available from, for example, LGE, VIZIO, and Roku, in connection with at least the following: [ ] with [ ] with [ ] with [ ] with [ ] with [ ] and any other Netflix products containing interactive program guide technology that are the same as or not colorably different from any product listed above or will be released during this investigation." *Id.* at 9-10.

Rovi argues that "[t]he Accused Roku Products include the Roku 2XS streaming media player, Roku LT streaming media player, Roku HD streaming media player, Roku 2XD streaming media player, and Roku streaming stick. The Accused Roku Products are imported [ ]." Compl. Br. at 180. Rovi argues that "[t]he pre-installed Netflix software provides low-level security and video streaming functionality," and that "the Accused Roku Products include Netflix security keys at the time of importation." *Id.* It is argued that [a]fter importation and initial setup of the

## PUBLIC VERSION

Accused Roku Products, the Netflix channel is installed by default,” and that “[a]ll of the Accused Roku Products use the same Netflix application software, thus the ‘762 infringement analysis for the Accused Roku Products is the same.” *Id.*

### 2. Importation Under *Electronic Devices*

As discussed above, the Commission’s opinion in *Electronic Devices* holds that the practice of an asserted method claim within the United States after importation cannot serve as the basis for an exclusion order. *Electronic Devices*, Comm’n Op. at 17. As discussed in *Electronic Devices*, section 337 prohibits:

- (B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that –
  - (i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17; or
  - (ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

19 U.S.C. § 1337(a)(1)(B).

The Commission stated:

[S]ection 337(a)(1)(B)(i) covers imported articles that directly or indirectly infringe when it refers to “articles that – infringe.” We also interpret the phrase “articles that – infringe” to reference the status of the articles at the time of importation. Thus, infringement, direct or indirect, must be based on the articles as imported to satisfy the requirements of section 337.

*Electronic Devices*, Comm’n Op. at 13-14. The Commission determined that the importation requirement was not met in that case by the respondent’s post-importation performance of a claimed method. *Id.* at 18. Nevertheless, the Commission stated that

## PUBLIC VERSION

the complainant “might have proved a violation of section 337 if it had proved indirect infringement” of the method claim. *Id.* The Commission cited, as an example, *Certain Chemiluminescent Compositions, and Components Thereof and Methods of Using, and Products Incorporating the Same*, Inv. No. 337-TA-285, USITC Pub. 2370, Order No. 25 (Initial Determination) at 38 n.12 (March 1991), in which “the ALJ found that the ‘importation and sale’ of the accused articles constituted contributory and induced infringement of the method claim at issue in that investigation.” *Electronic Devices*, Comm’n Op. at 18 n.11.

The facts of this investigation are different from those of *Chemiluminescent Compositions*. As discussed below, the Netflix user interfaces (which are part of the accused Netflix Applications) are neither imported nor included on Netflix Ready Devices that are imported. Additionally, as discussed below, in order to use an accused Netflix Application in an allegedly infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. Yet, in *Chemiluminescent Compositions*, the accused product (necklace) as imported was a product that need not be combined with any other product in order to be used in an infringing manner. *Chemiluminescent Compositions*, Order No. 25 (Initial Determination) at 7-8; see *Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof*, Inv. No. 337-TA-752, Final Initial Remand Determination at 10-33 (Public Version) (Apr. 2, 2013), *aff’d*, Notice of Commission Determination Not to Review a Final Initial Remand Determination Finding No Violation of Section 337; Affirmance of Original Initial

## PUBLIC VERSION

Determination As to Remaining Patent As Modified by the Remand Initial

Determination; Termination of the Investigation (May 23, 2013).

The same analysis applies to the asserted system claims. As noted above, the Commission stated: “We also interpret the phrase ‘articles that – infringe’ to reference the status of the articles at the time of importation.” *Electronic Devices*, Comm’n Op. at 13-14. As discussed below, it is undisputed that the Netflix user interfaces are neither imported nor included on Netflix Ready Devices that are imported. Rather, only after a consumer in America has bought a device that has already been imported, and accesses the Netflix service over the Internet, is the user interface loaded. Additionally, as noted above, Rovi argues that “[t]he Accused Netflix Products include Netflix Applications available on televisions, blu-ray players, digital media receivers, tablets, streaming players available from, for example, LGE, VIZIO, and Roku.” Compl. Br. at 9. Thus, the Accused Netflix Products includes a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. As indicated above, LGE and Vizio are no longer respondents in this investigation, having entered into settlement agreements with Rovi. Accordingly, Netflix does not import articles that infringe the asserted system claims at the time of importation.

### a. Netflix User Interfaces

The evidence shows that the Netflix user interfaces that Rovi identifies as part of the “Netflix Applications” are not imported.<sup>24</sup> The Netflix user interfaces are neither

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<sup>24</sup> Rovi defines the accused Netflix products in this investigation as combinations of Netflix’s software development kit (“SDK”) (which is referred to synonymously as the

PUBLIC VERSION

imported nor included on Netflix Ready Devices that are imported. Rather, only after a consumer in America has bought a device that has already been imported, and accesses the Netflix service over the Internet, is the user interface loaded. RX-1269C (Burke RWS) at Q67-71 (discussing also RDX-0145 [

]; RX-1193C

[ ] at .0005-.0006; RDX-0146C [

]; RX-1192C [

] at .0111[

].

The Netflix user interfaces delivered to client devices [

]. Peters Tr. 546-548; JX-0003C (Marenghi

Dep. Tr.) 62; RX-0840 at ¶¶ 2-3; JX-0004C (Makinkurve Dep. Tr.) 37. The [

] the [ ] to a [ ] along

with the [ ]. Peters Tr. 544-548 (discussing CX-

2169C at 6). Inasmuch as the user interfaces do not reside on any device that is actually

imported, Rovi has identified no “article” that has a “status” at the time of importation, as

required for any section 337 analysis. *Electronic Devices*, 2012 WL 3246515, at \*9. In

summary, the user interface for devices is never imported and is not a part of the device

as imported.

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[ ] or [ ] along with versions of the Netflix user interface (“UI”). Specifically, Rovi identifies the following as “Accused Netflix Instrumentalities”: [ ] with [ ] with [ ] with [ ] with [ ] and [ ]. CX-5750C (Shamos WS) at Q54; CX-5751C (Griffin WS) at Q47.

## PUBLIC VERSION

### **b. Netflix Ready Devices**

Rovi argues that “the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the ‘762 patent with access to the Netflix service from imported devices including Netflix Ready Devices (including those imported and sold by LGE and Vizio). There have been acts of direct infringement of claims 1, 6, 13, and 17, and Netflix both had knowledge of the ‘762 Patent and knew or was willfully blind that its action of selling for importation the licensed Netflix Application with and the integrated and licensed Netflix software would cause the direct infringement.” Compl. Br. at 158. Rovi argues that “[i]nfringement of the asserted ‘762 claims occurs after importation when the Netflix service is accessed by end-users on partner products,” and that “[t]he use of Netflix by the users causes performance of the method steps of claims 1 and 6 and permits users to obtain beneficial use of the system of claims 13 and 17.” *Id.*

In the complaint, Rovi alleged that the asserted claims of the ‘762 patent are applicable to certain LGE, Vizio and Netflix products. Complaint (Apr. 30, 2012), ¶ 115. As indicated above, LGE and Vizio are no longer respondents in this investigation, having entered into settlement agreements with Rovi. Rovi’s current infringement allegation with respect to the ‘762 patent is applicable only to Netflix products, and not to LGE and Vizio products. *See* Joint Outline at 4.

In order to use an accused Netflix Application in an allegedly infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. This cannot occur at the time of importation.



\* \* \*

Consequently, in view of the Commission's opinion in *Electronic Devices*, the administrative law judge finds that Netflix does not directly infringe the asserted method claims or system claims of the '762 patent at the time of importation. As noted above, the user interface for devices is never imported and is not a part of the device as imported. Moreover, inasmuch as LGE and Vizio are no longer respondents in this investigation, Netflix cannot be liable for indirect infringement based on the now licensed importation of Netflix Ready Devices such as LGE and Vizio televisions.

Accordingly, the undersigned finds that there is no need for further analysis concerning direct or indirect infringement. Nonetheless, in the event the Commission disagrees with the administrative law judge's findings on this issue, the undersigned provides the following analysis.

### **3. Infringement – Netflix**

As noted, Rovi asserts method claims 1 and 6 and system claims 13 and 17 against Netflix.

As noted above, Rovi argues that "the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the '762 patent with access to the Netflix service from imported devices including Netflix Ready Devices (including those imported and sold by LGE and Vizio). There have been acts of direct infringement of claims 1, 6, 13, and 17, and Netflix both had knowledge of the '762 Patent and knew or was willfully blind that its action of

## PUBLIC VERSION

selling for importation the licensed Netflix Application with and the integrated and licensed Netflix software would cause the direct infringement.” Compl. Br. at 158.

For the reasons set forth below, Rovi has not shown that Netflix’s accused products infringe the asserted claims of the ‘762 patent.

### a. Direct Infringement

Rovi argues that “[i]nfringement of the asserted ‘762 claims occurs after importation when the Netflix service is accessed by end-users on partner products,” and that “[t]he use of Netflix by the users causes performance of the method steps of claims 1 and 6 and permits users to obtain beneficial use of the system of claims 13 and 17.” Compl. Br. at 158. It is argued that “[t]o the extent any of the method steps are not carried out exclusively by Netflix (*i.e.*, to the extent a user or Netflix partner is involved), inducement of infringement can exist in the absence of a single, directly infringing entity.” *Id.* Rovi argues that “Netflix’s partners, such as LGE and Vizio, directly infringe claims 13 and 17 by sales of the claimed system – sales actively encouraged by Netflix’s licensing.” *Id.*

For the reasons set forth below, Rovi has not shown that Netflix’s accused products directly infringe the asserted claims of the ‘762 patent.

### Independent Method Claim 1

Rovi argues that “Netflix, alone and with others, carries out all of the method steps of claim 1. Netflix performs all of the steps involving the program guide server, which corresponds to the Netflix servers, and the device (*e.g.*, television) on which the licensed and approved Netflix Application resides also performs and/or participates in

## PUBLIC VERSION

steps involving the program guide client, which corresponds to that licensed Netflix Application whose deployment is subject to approval control by Netflix.” Compl. Br. at 158-59. It is argued that “in the Netflix system, the Netflix Application is a client application resident on a Netflix Ready Device and it is configured to communicate with Netflix servers to provide the Netflix streaming service to end users.” *Id.* Netflix disagrees.

The administrative law judge finds that the accused Netflix systems (including Netflix Ready Devices) do not infringe claim 1 for two independent reasons. In order to use an accused Netflix system in an infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as LGE and Vizio televisions. The imported LGE and Vizio products that contain the accused Netflix Applications are now licensed. Further, as discussed above, the Netflix user interfaces (which are part of the accused Netflix Applications) are neither imported nor included on Netflix Ready Devices that are imported.

### **Dependent Method Claim 6**

Rovi argues that “[t]he method steps of claim 6 are performed by Netflix at the direction of a user. The Netflix system collects program ratings information based on the user’s viewing history. Netflix [ ].” Compl. Br. at 170. Netflix disagrees.

Asserted method claim 6 depends from independent claim 1. The administrative law judge finds that the accused Netflix systems do not infringe dependent claim 6 for the same reasons that the accused Netflix systems do not infringe independent claim 1.

**Independent System Claim 13**

Rovi argues that “the user directly infringes claim 13 of the ‘762 by putting the claimed system into service, *i.e.*, the user controls the system and obtains benefit from it.” Compls. Br. at 171. Rovi argues that the preamble is met by “the Netflix system, including the Netflix servers and the Netflix Applications implemented on a Netflix Ready Device.” *Id.*

The administrative law judge finds that the accused Netflix systems do not infringe independent system claim 13 for the same reasons that the accused Netflix systems do not infringe independent method claim 1.

**Dependent System Claim 17**

Rovi argues that “[d]irect infringement of claim 17 of the ‘762 occurs by putting the claimed system into service,” and that “the Netflix system collects program ratings information based on the viewing history information, including, for example, [ ].” Compls. Br. at 174.

Asserted system claim 17 depends from non-asserted claim 15, which in turn depends from independent claim 13. The administrative law judge finds that the accused Netflix systems do not infringe dependent system claim 17 for the same reasons that the accused Netflix systems do not infringe independent system claim 13.

**b. Indirect Infringement – Contributory**

Section 271(c) of the Patent Act provides: “Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing

## PUBLIC VERSION

a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.” 35 U.S.C. § 271(c).

Section 271(c) “covers both contributory infringement of system claims and method claims.”<sup>25</sup> *Arris*, 639 F.3d at 1376 (footnotes omitted). To hold a component supplier liable for contributory infringement, a patent holder must show, *inter alia*, that (a) the supplier’s product was used to commit acts of direct infringement; (b) the product’s use constituted a material part of the invention; (c) the supplier knew its product was especially made or especially adapted for use in an infringement” of the patent; and (d) the product is not a staple article or commodity of commerce suitable for substantial noninfringing use. *Id.*

For the reasons set forth below, Rovi has not shown that Netflix’s accused products contributorily infringe the asserted claims of the ‘762 patent.

### **“knowing the same to be especially made....”**

Rovi’s has not shown that Netflix possesses the requisite knowledge for contributory infringement. Rovi relies on Netflix’s knowledge of the ‘762 patent, and on the presentations Rovi provided to Netflix that allegedly showed infringement.

Mere knowledge of a patent is not enough. Knowledge of a patent imposes no duty to investigate whether one is infringing. *See In re Seagate*, 497 F.3d 1360, 1371

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<sup>25</sup> “Claims which recite a ‘system,’ ‘apparatus,’ ‘combination,’ or the like are all analytically similar in the sense that their claim limitations include elements rather than method steps. All such claims can be contributorily infringed by a component supplier.” *Arris*, 639 F.3d at 1376 n.8.

## PUBLIC VERSION

(Fed. Cir. 2007) (en banc) (overruling *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (1983)).

Rovi relies a slide file that Clay Gaetje sent to David Hyman on or about August 10, 2011, which includes a single slide about the '762 patent, which recites the language of claim 1 and includes a pair of small Netflix screenshots—neither of which are the episode selection screen Rovi accuses of infringement here. *See* CX-1964C (Netflix Supp. Info Slide File) at 8. This is no more notice than notice of the patent itself, and thus cannot establish the requisite knowledge for contributory infringement. *See In re Seagate*, 497 F.3d at 1371. Moreover, there is no evidence that anyone at Netflix actually reviewed this slide deck. *See* JX-0002C (Hyman Depo. Tr.) 31-32 (“I don’t have any specific recollection of that.”).

Rovi further relies on claim charts that Mr. Gaetje attached to his August 10, 2011 email to Mr. Hyman. Again, there is no evidence that anyone at Netflix actually reviewed these claim charts. *See id.* at 33 (“I don’t recognize it as a further attachment, but I’m happy to presume it was the attachment.”). The claim charts include a claim chart for the '762 patent and various screenshots, which again do not include an episode selection screen. CX-1965C (Netflix Supp. Materials) at .5-.6, .17-.20. In contrast to the positions asserted in the investigation, Rovi argued in the claim chart that the “visually distinguishes” limitation was met by the star ratings users can assign to programs. *Id.* at .6. Given that Rovi has not argued infringement on this basis in the investigation, the claim charts cannot support a claim that Netflix knew that its service was specially adapted to infringe.



## PUBLIC VERSION

Finally, Rovi relies on various communications about proposed deal terms for a portfolio license. Those communications establish only that Rovi wanted money, and that Netflix believed Rovi's proposals were "outrageous." *See* CX-1966C.1 (email string from Armaly to Hyman). A disagreement over monetary terms cannot prove the requisite knowledge for contributory infringement.

### **"substantial noninfringing use"**

Rovi has accused only a narrow aspect of the Netflix service of infringing the '762 patent—the episode selection screen that appears when a user chooses the "more episodes" option after first selecting a television show. *See, e.g.*, CX-5750C (Shamos WS) at Q344 (for claim 1, relying on a display of "program titles for episodes"), Q368 (for claim 13, relying on testimony for claim 1). Thus, the Netflix SDK has the substantial non-infringing use of enabling users to watch non-episodic content—*i.e.*, movies, which are the heart of the Netflix service.

Moreover, the individual elements of the Netflix service that are accused of infringement have substantial non-infringing uses. For example, Netflix [

Similarly, Netflix uses progress bars to indicate the point at which a user last stopped viewing a program through the service, not just for episodic content.

### **c. Indirect Infringement – Inducement**

Section 271(b) of the Patent Act provides: "Whoever actively induces infringement of a patent shall be liable as an infringer." 35 U.S.C. § 271(b).

## PUBLIC VERSION

“To prevail on a claim of induced infringement, in addition to inducement by the defendant, the patentee must also show that the asserted patent was directly infringed.” *Epcon Gas Sys. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1033 (Fed. Cir. 2002). Further, “[s]ection 271(b) covers active inducement of infringement, which typically includes acts that intentionally cause, urge, encourage, or aid another to directly infringe a patent.” *Arris Group v. British Telecomm. PLC*, 639 F.3d 1368, 1379 n.13 (Fed. Cir. 2011). The Supreme Court recently held that “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2068 (2011). The Court further held: “[g]iven the long history of willful blindness<sup>26</sup> and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for induced patent infringement under 35 U.S.C. § 271(b).” 131 S.Ct. at 2060 (footnote omitted).

For the reasons set forth below, Rovi has not shown that Netflix’s accused products infringe the asserted claims of the ‘762 patent by inducement.

### **a. Specific Intent**

As discussed above, the evidence does not show that Netflix has the requisite knowledge for contributory infringement. It follows that the evidence does not show that Netflix has the specific intent to infringe the ‘762 patent, as required to prove

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<sup>26</sup> “While the Courts of Appeals articulate the doctrine of willful blindness in slightly different ways, all appear to agree on two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact. We think these requirements give willful blindness an appropriately limited scope that surpasses recklessness and negligence.” *Global-Tech*, 131 S.Ct. at 2070-71.

## PUBLIC VERSION

inducement. *Global-Tech Appls., Inc. v. SEB SA*, 131 S. Ct. 2060, 2068 (2011); *Akamai Techs., Inc. v. Limelight Networks*, 692 F.3d 1301, 1308 (Fed. Cir. 2012) (en banc) (the intent necessary for inducement liability requires “that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.”) (quoting *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (en banc)).

Furthermore, there can be no induced infringement if the alleged act of inducement merely teaches an action that one “could have reasonably believed was non-infringing.” *Vita-Mix Corp. v. Basic Holding*, 581 F.3d 1317, 1329 (Fed. Cir. 2009). “[T]hat defendants have knowledge of the acts alleged to constitute infringement is not enough.” *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363 (Fed. Cir. 2003) (quotation marks omitted). “Especially where a product has substantial noninfringing uses, intent to induce infringement cannot be inferred even when the defendant has actual knowledge that some users of its product may be infringing the patent.” *Id.* at 1365. “The question is not . . . whether a user following the [allegedly inducing] instructions may end up using the device in an infringing way.” *Vita-Mix Corp.*, 581 F.3d at 1329 n.2. “Rather, it is whether [the allegedly inducing] instructions teach an infringing use of the device such that [a court may] infer from those instructions an affirmative intent to infringe the patent.” *Id.*

### **b. Active Inducement**

Rovi argues that “the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the ‘762 patent with access to the Netflix service from imported devices including Netflix Ready

## PUBLIC VERSION

Devices (including those imported and sold by LGE and Vizio).” Compls. Br. at 158. Rovi failed to adduce evidence that Netflix actively induced infringement of the ‘762 patent.

Rovi’s conclusion is incorrect. “The addition of the adverb ‘actively’ [in section 271(b)] suggests that the inducement must involve the taking of affirmative steps to bring about the desired result.” *Global-Tech*, 131 S.Ct. at 2065. Inducing LGE (who is now licensed) to sell products that allegedly contain the Netflix application at most amounts to inducing use of the Netflix system, not actively inducing the specific steps required to infringe.

### c. “actively and knowingly aiding and abetting another’s direct infringement”

Netflix does not induce infringement because it does not induce the infringement of another person. Secondary liability requires another person to perform the predicate wrongful act. “A person induces infringement under [35 U.S.C.] § 271(b) by actively and knowingly aiding and abetting *another’s direct infringement*.” *C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*, 911 F.2d 670, 675 (Fed. Cir. 1990) (citing *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 669 (Fed. Cir. 1988) (emphasis added). That one must induce another to infringe is no anomaly because “the goal of secondary liability is to give patent owners effective protection in circumstances in which the actual infringer either is not the truly responsible party or is impractical to sue.” Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. Davis L. Rev. 225, 228 (2005). Thus, “for over a century, patent courts have extended liability to one who does not himself

## PUBLIC VERSION

infringe, but who actively induces infringement by another.” *Id.* at 226. Accordingly, secondary liability is not imposed on an entity that may also be liable as the principal.

It is well-settled that liability for indirect infringement is premised on the conduct of another. *See Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2067 (2011) (explaining that induced infringement, originally a subspecies of contributory infringement, was premised on “the aiding and abetting of direct infringement by another party.”) (citation omitted) (emphasis added); Federal Circuit Bar Association Model Jury Instructions 3.2 Indirect Infringement—Active Inducement (“[Patent holder] alleges that [alleged infringer] is liable for infringement by actively inducing [someone else] [some other company] to directly infringe the [ ] patent . . . .”) (emphasis added) (Feb. 2012); see also H.R. REP. NO. 82-1923, at 9 (1952) (“The doctrine of contributory infringement . . . has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. . . . Paragraph (b) [of 35 U.S.C. § 271] recites in broad terms that one who aids and abets an infringement is likewise an infringer.”).

Accordingly, inasmuch as Netflix cannot induce itself, the administrative law judge finds that Rovi has not shown that Netflix’s accused products infringe the asserted claims of the ‘762 patent by inducement.

#### **4. Infringement – Roku, Netflix, and Amazon**

As noted, Rovi asserts method claims 1 and 6 against Roku. For the reasons set forth below, Rovi has not shown that Roku’s accused products directly infringe the asserted claims of the ‘762 patent.

## PUBLIC VERSION

The Roku player, as imported, is not an “infringing article” within the meaning of section 337. The imported player is a general purpose video streaming computer, with an operating system, video and communications drivers, but no video streaming applications. It is undisputed that only after the player is imported does the user activate the player. It is only during the activation process that the user chooses what video streaming applications—or “channels” as Roku calls them<sup>27</sup>—to install on the Roku player. Indeed, the Roku player does not include the software necessary for that activation process. Instead, the customer must use an entirely separate computer to activate the player, and during that activation process on a separate computer, the customer can choose to install the accused Netflix and Amazon functionality—or choose not to install those channels.

Rovi asserts that the accused Roku products indirectly infringe method claims 1 and 6 of the ‘762 patent, based on their ability to run the Netflix and Amazon Instant Video channels. *See* CX-5750C (Shamos WS) at Q511-515 (alleging indirect infringement based on Netflix and Amazon channels). Rovi also accuses Roku of indirect infringement by offering the Netflix and Amazon Instant Video applications as pre-selected options for channels to download during the activation of the Roku device. *See* CX-5750C (Shamos WS) at 513-514. Rovi further alleges that Roku induces infringement through the Netflix channel by having included a dedicated Netflix button on the remote controls for certain non-accused Roku devices in the past. *See* CX-5750C

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<sup>27</sup> RX-1299C (Funk RWS) at 34; *see also* RX-1269C (Burke RWS) at Q109 (client applications are “called ‘channels’ in the Roku ecosystem”), JX-0008C (Funk Dep. Tr.) 55 (“We refer to the different content services and applications available on the box as ‘channels.’”).



## PUBLIC VERSION

(Shamos WS) at Q68, Q511. Finally, Rovi alleges that Roku contributes to infringement by Netflix by [

]. See CX-5750C (Shamos WS) at Q513.

Under the Commission's opinion in *Certain Electronic Devices*, as imported, the Roku players contain no channel applications, no software for performing the selection of channel applications, and no Netflix button. While the Roku firmware does include [ ], the imported version of [ ] is not used, because the firmware installed on the device as imported is immediately replaced upon being connected to the Internet.

Rovi has not accused Roku of violating section 337 based on direct infringement. Roku imports neither the Netflix nor the Amazon Instant Video channel. Instead, the Roku player, as imported, includes no channels:

30. Q: Please explain the process by which channels get installed on a user's Roku player.

A: **When a user buys a new Roku player, it comes with no channels installed.**

RX-1299C (Funk RWS) at Q30, *id.* at Q73 (“[T]here are no channels installed on a new Roku player.”); Funk Tr. 918-919 (before the activation process “[t]here are no third-party channels available on the Roku player”); RX-1269C (Burke RWS) at Q97, Q109 (“Roku devices are not shipped with any client applications—called ‘channels’ in the Roku ecosystem—pre-installed.”); Burke Tr. 788 (no channels are “available on the player until you ask them to be downloaded”); Shamos Tr. 137 (“The complete [Netflix and Amazon] software was not on the box” as imported).

## PUBLIC VERSION

The fact that, during the activation process, the Netflix and Amazon Instant Video channels appear as pre-selected options cannot support a finding that the Roku player, as imported, is an infringing article. “[I]nfringement, direct or indirect, must be based on the articles as imported to satisfy the requirements of section 337.” *Certain Electronic Devices*, 2012 WL 3246515, at \*9. But for the relevant part of the activation process, the customer connects to the Roku website not from the Roku player, but *from a non-accused computer*. The Roku player does nothing except display a login code and a website address, and can do nothing further until the user goes to a separate Internet-connected computer, goes to the Roku website, enters the activation code, creates an account, and only then selects the channels she desires Roku download to her still-empty player. *See* Shamos Tr. 113-114; Burke Tr. 787-788; CX-1299C (Funk RWS) at Q30. The player, as imported, neither contributes to nor induces infringement.

The Netflix and Amazon Instant Video channels are downloaded only after importation during an activation process, which users complete on the Roku website:

30. Q: Please explain the process by which channels get installed on a user's Roku player.

**A: When a user buys a new Roku player, it comes with no channels installed. The user has to first connect their Roku device to their home network. The user then goes to the Roku website where they complete an online activation process. During the activation process, the user is given the option to select some channels to be installed on the player.**

**After the activation process is completed, the Roku player will, among other things, download and install the channels the user selected during the activation process.**

**After activation, the user can, from the player interface, go to what we call the “channel store” and can install any channel that is available. The user can also uninstall channels.**

PUBLIC VERSION

RX-1299C (Funk RWS) at Q30; *see also id.* at Q29, Q31-32; Funk Tr. 914-919; JX-0008C (Funk Dep. Tr.) 118-119, RX-1269C (Burke RWS) at Q59, Q109; Shamos Tr. at 113-114.

This activation process is not performed on the imported Roku player itself, but the user's own computer, such as a PC or Mac:

8 Q. Mr. Funk, we ran through a bunch of  
9 the steps required to activate a Roku player  
10 there, and they happened kind of quick, so I  
11 wanted to ask you a question just about one of  
12 those steps.

13 You were asked and testified confirmed  
14 that when a user starts up a brand-new Roku  
15 player, they get a linking code, and then  
16 they're instructed to go to the Roku website.

17 A. Yes.

18 Q. And you were asked whether they do  
19 that on the Internet browser. Do you remember  
20 that?

21 A. I believe that that question was the  
22 question, yes.

23 Q. So the Internet browser that we're  
24 talking about, is that something on the Roku  
25 player?

1 A. No, that's not.

2 Q. Is there an Internet browser on the  
3 Roku player?

4 A. Not one that is accessible to the  
5 user, no.

6 Q. So to go to the Internet browser, the  
7 user has to go to a separate computer?

8 A. Typically their PC or Mac.

9 Q. And that activation process, you also  
10 discussed the process of selecting or  
11 deselecting channels to be installed on the  
12 Roku player.

13 A. Yes.

14 Q. That happens also on the Internet  
15 browser?

16 A. That happens on the PC -- the browser  
17 on the PC, yes.

18 Q. So again, not on the Roku player?

19 A. That's correct.

Funk Tr. 916-917; *see also* RX-1299C (Funk RWS) at Q31 (“During the activation process, when the user is connected to the Roku website from a computer . . . .”) (emphasis added); Burke Tr. 787 (“[I]n order to get the [Roku] box operational when you

## PUBLIC VERSION

first purchase it, you have to do a separate operation and go to an Internet-connected computer . . . .”), 788 (cannot perform activation process on Roku player itself); RX-1269C (Burke RWS) at Q109 (“[T]he user must go through an initial setup process, which is performed on a separate computer connected to the Roku website.”)

The imported Roku player itself plays no role in this activation process:

- 1 Q. When you go to the Internet browser
- 2 and you go to the Roku website, the computer is
- 3 communicating with another computer. Is that
- 4 correct?
- 5 A. Yes, that's correct.
- 6 Q. What is that other computer?
- 7 A. So the computer communicates with the
- 8 Roku Web server. To be clear, restate the
- 9 question again. I'm sorry.
- 10 Q. So what computer does the user connect
- 11 to when they go to the Roku website?
- 12 A. It is a Roku-operated server.
- 13 Q. So during this portion of the
- 14 activation process, where you're on the
- 15 separate computer, is the Roku player part of
- 16 that communication?
- 17 A. No, it's not.

Funk Tr. 918. The Roku player itself merely provides the user with a login code and a website address. *See id.* at 913. Thus, it is the non-accused, domestic Roku server that offers the user choices about what channels to install during the activation process, and it is that non-accused, domestic Roku server that pre-selects the Netflix and Amazon Instant Video channels during that process. It is via non-accused, domestic personal computer that the user conveys his or her choices to the non-accused, domestic Roku server.

If the user chooses, on the separate computer, to install the Netflix or Amazon Instant Video channels (or both) onto the Roku player, Roku servers within the United States then download those applications to the player. JX-0008C (Funk Dep. Tr.) 123-124 (after the user selects the channels to download, “[T]here is a communication

## PUBLIC VERSION

between [Roku] servers and the box, and the channels are then downloaded and stored in Flash memory on the box.”); *see also* Funk Tr. 915 (channels loaded from Roku servers to the Roku player).

Accordingly, even assuming the presentation of pre-selected channels on the Roku website constitutes indirect infringement, it is irrelevant for the purposes of establishing a section 337 violation. The accused Roku player does not indirectly infringe at the time of importation.

Rovi has accused Roku of indirect infringement of claims 1 and 6 of the ‘762 patent.<sup>28</sup> As an initial matter, Roku cannot be liable for indirect infringement, because, as explained above, the accused Netflix and Amazon Instant Video channels do not directly infringe the ‘762 patent. Without an underlying act of direct infringement, there can be no indirect infringement. *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1274 (Fed. Cir. 2004) (“A defendant’s liability for indirect infringement must relate to the identified instances of direct infringement.”).

Rovi’s indirect infringement claims fail because Rovi has not demonstrated that Roku players as imported meet the additional requirements for proving inducement and contributory infringement. *Certain Electronic Devices*, 2012 WL 3246515, at \*9 (“infringement, direct or indirect, must be based on the articles as imported to satisfy the requirements of section 337”). The accused instrumentalities for which Roku allegedly induces or contributes to infringement (*i.e.*, the Netflix and Amazon Instant Video

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<sup>28</sup> Rovi does not accuse Roku of direct infringement of the ‘762 patent. CX-5750C (Shamos WS) at Q495-497. Moreover, Roku is not accused of direct or indirect infringement of any other patent in this Investigation. *See* CX-5750C (Shamos WS) at Q316-317, Q511-515.

## PUBLIC VERSION

channels, the channel selection process, the Netflix-branded button on remote controls, etc.) are not imported. When the Roku device crosses the border, there is no software on it other than operational firmware on which users may choose to install application software, *i.e.* channels. RX-1299C (Funk RWS) at Q28-30. In other words, it is a general purpose video streaming computer capable of being used with more than 700 software applications, only two of which are actually accused of infringement.

Accordingly, the undersigned finds that there is no need for further analysis concerning direct or indirect infringement. Nonetheless, in the event the Commission disagrees with the administrative law judge's findings on this issue, the undersigned provides the following analysis.

### **a. Direct Infringement**

With respect to alleged infringement by Roku based on Netflix functionality, Rovi argues that “[a]ll of the Accused Roku Products use the same Netflix application software, thus the ‘762 infringement analysis for the Accused Roku Products is the same.” Compl. Br. at 180. Rovi argues that “[t]he direct infringement analysis for the asserted ‘762 claims is the same as set forth above, except the Netflix implementation is limited to Roku channel.” *Id.* at 181.

As to to alleged infringement by Roku based on Amazon functionality, Rovi argues that “the Roku Players perform all of the steps of method claims 1 and 6 of the ‘762 patent when operated with the Amazon Instant Video application after the Roku Player devices are imported.” Compl. Br. at 197-198. Rovi argues that “both Amazon and the users are direct infringers of claims 1 and 6.” *Id.* at 198.

The administrative law judge finds that the accused Roku products do not infringe



the asserted claims of the '762 patent. As discussed above, the Netflix user interfaces (which are part of the accused Netflix Applications) are neither imported nor included on Netflix Ready Devices that are imported. Further, as discussed above, in order to use an accused Roku product in an infringing manner, one must download the Netflix and Amazon Instant Video channels. There is no direct infringement at the time of importation under *Electronic Devices* inasmuch as the Netflix and Amazon Instant Video channels are downloaded only after importation during an activation process, which users complete on the Roku website.

**b. Indirect Infringement – Contributory**

Section 271(c) of the Patent Act provides: “Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.” 35 U.S.C. § 271(c).

Section 271(c) “covers both contributory infringement of system claims and method claims.”<sup>29</sup> *Arris*, 639 F.3d at 1376 (footnotes omitted). To hold a component supplier liable for contributory infringement, a patent holder must show, *inter alia*, that (a) the supplier’s product was used to commit acts of direct infringement; (b) the

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<sup>29</sup> “Claims which recite a ‘system,’ ‘apparatus,’ ‘combination,’ or the like are all analytically similar in the sense that their claim limitations include elements rather than method steps. All such claims can be contributorily infringed by a component supplier.” *Arris*, 639 F.3d at 1376 n.8.

## PUBLIC VERSION

product's use constituted a material part of the invention; (c) the supplier knew its product was especially made or especially adapted for use in an infringement" of the patent; and (d) the product is not a staple article or commodity of commerce suitable for substantial noninfringing use. *Id.*

For the reasons set forth below, Rovi has not shown that Roku's accused products contributorily infringe the asserted claims of the '762 patent.

### **"knowing the same to be especially made...."**

The Roku player is a general purpose video streaming player. More than 700 channel applications can be downloaded to the Roku player, including but not limited to the Netflix and Amazon Instant Video channels. RX-1299C (Funk RWS) at Q36-38; RX-1269C (Burke RWS) at Q62. The Roku firmware works like operating system for a PC, interfacing between the Roku hardware and any channel applications the user chooses to install onto the device.

The accused aspects of the Roku player at best help enable the use of the Netflix and Amazon channels on Roku players—channels that are not installed on the players at the time of importation. Rovi asserts infringement only based on additional steps taken by the Netflix or Amazon servers. No infringement would occur absent those additional steps, and Rovi has adduced no evidence that anything on the Roku player at the time of infringement is especially adapted to infringe. *See* RX-1269C (Burke RWS) at Q283-284.

Moreover, Roku could not have any knowledge of whether the Netflix or Amazon Instant Video channels infringe because Netflix and Amazon entirely control the information that is displayed on the Roku device through the user interface on the Netflix

## PUBLIC VERSION

and Amazon Instant Video channels. RX-1299C (Funk RWS) at Q52; JX-0008C (Funk Dep. Tr.) at 129. Netflix and Amazon could change the operation of their respective services without Roku’s knowing anything about it. Burke Tr. 768-769; *see also* RX-1269C (Burke RWS) at Q278. Accordingly, Roku cannot possess the requisite level of knowledge under section 271(c).

### **“substantial noninfringing use”**

The Netflix-specific code that is part of the Roku firmware when it is imported has substantial noninfringing uses—namely all uses of Netflix that do not infringe. Rovi’s ‘762 infringement theory depends on the episode selection screen, which means that any user who accesses the Netflix service purely for non-episodic content (e.g. movies) will not infringe. Those uses require [

]—the only [ ] enabled by the [ ] on the Roku player at the time of importation. RX-1299C (Funk RWS) at Q53-54.

Similarly, pre-selection of the Netflix and Amazon channels during the activation process has substantial noninfringing uses because it leads only to installation of the channels, not to use allegedly infringing features of the channels.

### **c. Indirect Infringement – Inducement**

Section 271(b) of the Patent Act provides: “Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b).

“To prevail on a claim of induced infringement, in addition to inducement by the defendant, the patentee must also show that the asserted patent was directly infringed.”

*Epcon Gas Sys. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1033 (Fed. Cir. 2002).

## PUBLIC VERSION

Further, “[s]ection 271(b) covers active inducement of infringement, which typically includes acts that intentionally cause, urge, encourage, or aid another to directly infringe a patent.” *Arris Group v. British Telecomm. PLC*, 639 F.3d 1368, 1379 n.13 (Fed. Cir. 2011). The Supreme Court recently held that “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2068 (2011). The Court further held: “[g]iven the long history of willful blindness<sup>30</sup> and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for induced patent infringement under 35 U.S.C. § 271(b).” 131 S.Ct. at 2060 (footnote omitted).

Rovi has not shown that Netflix’s accused products infringe by inducement the asserted claims of the ‘762 patent.

Rovi has not introduced any evidence that Roku provides labels, advertising, method, instructions or directions to use the episode selection screen in a manner that allegedly infringes the ‘762 patent. Indeed, Roku does not provide any instructions on how to use the Netflix or Amazon Instant Video services. RX-1299C (Funk RWS) at Q58 (Roku provides no instructions for using the Netflix channel), Q75 (Roku provides no instructions for using the Amazon Instant Video channel); *see also* JX-0008C (Funk Dep. Tr.) at 56 (“there is [sic] no specific instructions on how to use the Netflix service”).

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<sup>30</sup> “While the Courts of Appeals articulate the doctrine of willful blindness in slightly different ways, all appear to agree on two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact. We think these requirements give willful blindness an appropriately limited scope that surpasses recklessness and negligence.” *Global-Tech*, 131 S.Ct. at 2070-71.

## PUBLIC VERSION

To the extent Rovi relies on evidence relating to a branded button previously available on remote controls for non-accused Roku devices in the past, such evidence is irrelevant. The accused Roku 2 XS never included a Netflix or Amazon-branded button, and there are no other currently shipping Roku players with a remote control that has an Amazon or Netflix button. Funk Tr. 922-923; RX-1299C (Funk RWS) at Q61-62, Q76-77.

Moreover, “[t]he specific intent necessary to induce infringement ‘requires more than just intent to cause the acts that produce direct infringement[;] the inducer must have an affirmative intent to cause direct infringement.’” *Kyocera Wireless Corp. v. Int’l Trade Comm’n*, 545 F.3d 1340, 1354 (Fed. Cir. 2008) (quoting *DSU Med. Corp.*, 471 F.3d at 1306) (quotations omitted). Rovi has not met its burden to show that Roku satisfies the intent element of induced infringement. As discussed above in the context of contributory infringement, Roku does not have knowledge of Netflix or Amazon purportedly infringing activities. See Burke Tr. 768-769; RX-1269C (Burke RWS) at Q278; RX-1299C (Funk RWS) at Q52.

### **C. Validity of the ‘762 Patent**

Respondents bear the burden of showing invalidity by clear and convincing evidence. See *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2242 (2011).

For the reasons set forth below, respondents have not shown by clear and convincing evidence that the asserted claims of the ‘762 patent are invalid.

## PUBLIC VERSION

### 1. Unpatentable Subject Matter Under 35 U.S.C. § 101

None of the asserted claims covers unpatentable abstract ideas. The claims are all directed to particular applications for interactive program guides that deal with video programming, such as movies and television programs. Moreover, the particular devices claimed are integral to the inventions, and not merely used “to accelerate an ineligible mental process.” *Bancorp Servs., LLC v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266, 1279 (Fed. Cir. 2012).

The ‘762 patent claims are specifically directed to client-server systems wherein an interactive program guide client device works in tandem with a remote interactive program guide server. In the client-server interactive program guide system, recited elements play an integral role in the claimed invention “in a way that a person making calculations or computations could not.” *See Bancorp*, 687 F.3d at 1278.

“In determining the eligibility of ... [a] claimed process for patent protection under § 101, the[] claims must be considered as a whole.”). *Diamond v. Diehr*, 450 U.S. 175, 188 (1981). Respondents cannot prevail by “dissecting a claim and evaluating patent-eligibility on the basis of individual limitations.” *See In re Bilski*, 545 F.3d 943, 959 (Fed. Cir. 2008) (citing *Parker v. Flook*, 437 U.S. 584, 594 (1978)).

The steps of claims 1 and 6 of the ‘762 patent cannot be performed entirely with the human mind. The claims are properly directed to a particular application, a “client-server interactive television program guide system.” For example, “storing the user’s viewing history on a program guide server” cannot be met with the human mind. A person’s mind is not a “program guide server.” Nor is a person’s mind capable of the kind of retrievable storage that takes place in a program guide server.” The displaying of



## PUBLIC VERSION

claim 1 of the '762 patent is not mere post-solution activity, but is a part of the process to create the particular display.

The elements of claims 13 and 17 of the '762 patent are directed towards a "particular machine." A program guide server is a particular machine under either party's construction.

In all of the asserted claims, the claimed program guide client is implemented on the user television equipment. User television equipment implementing a program guide client is a "particular machine" integral to the client-server system of the '762 patent.

### **2. Obviousness Under 35 U.S.C. § 103**

Respondents argue that claims 1, 6, 13, and 17 of the '762 patent are invalid under 35 U.S.C. § 103(a) as being obvious from the combination of Hendricks et al. U.S. Patent No. 6,201,536 ("Hendricks '536" or "Hendricks") with B. Anderson et al., "UNIX Communications and the Internet" ("Anderson"). Resps. Br. at 115-125; RX-0160 (Hendricks '536), RX-0561 (Anderson). In addition, respondents argue that, under respondents' proposed construction of "determining, with the program guide server, whether the programs found by the program guide server were not previously viewed on user television equipment," claims 1, 6, 13, and 17 of the '762 patent are invalid under 35 U.S.C. § 103(a) as being obvious from the combination of Hendricks '536 with Anderson and either of W3C Recommendations for Cascading Style Sheets (December 17, 1996) or M. Pazzani et al., "Learning and Revising User Profiles: The Identification of Interesting Web Sites" (1997). *Id.*; RX-0111 (W3C Recommendations); RX-0563 (Pazzani).

## PUBLIC VERSION

### a. Hendricks

As Dr. Terveen concedes, Hendricks '536 does not disclose "determining, with the program guide server, whether the programs found by the program guide server were not previously viewed on user television equipment," as required by claim 1 of the '762 patent. RX-1139C (Terveen WS) at Q144; CX-5860C (Shamos RWS) at Q31-32.

Similarly, Hendricks '536 does not disclose "the program guide server is programmed to . . . determine whether the programs found by the program guide server have been previously viewed on the user television equipment," as required by claim 13 of the '762 patent. RX-1139C (Terveen WS) at Q177; CX-5860C (Shamos RWS) at Q36, 37.

Hendricks '536 does not disclose "visually distinguishes the programs determined by the program guide server to have been previously viewed from the programs that have not been previously viewed," as required by claims 1 and 13 of the '762 patent. RX-1139C (Terveen WS) at Q164, 179; CX-5860C (Shamos RWS) at Q31-32 and Q36-37.

Dr. Shamos further opined that Hendricks '536 does not disclose "displaying . . . a display of program titles, wherein . . . some of the programs have been previously viewed on the user television equipment and some of the programs have not been previously viewed on the user television equipment" and "the interactive television program guide client is further programmed to display . . . a display of program titles, . . . wherein some of the programs have been previously viewed on the user television equipment and some of the programs have not been previously viewed on the user television equipment," as required by claims 1 and 13 of the '762 patent, respectively. CX-5860C (Shamos RWS) at Q31 and Q36. Hendricks '536 also does not disclose the elements of claims 6 and 17

## PUBLIC VERSION

of the '762 patent. CX-5860C (Shamos RWS) at Q34-35 and Q39. Counting the number of times a user has viewed a program is not “collecting program ratings.” *Id.*

In order to fill these gaps in the disclosure of Hendricks '536, respondents perform improper hindsight analysis. The Federal Circuit has rejected this approach. *See Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372, 1377 (Fed. Cir. 2012) (reversing a district court's finding of obviousness because the district court used forbidden hindsight analysis by “us[ing] the invention to define the problem that the invention solves”).

Respondents' improper use of hindsight, however, fails to fill in any gaps missing from Hendricks '536. Anderson (including the disclosed Elm e-mail client) does not meet any element of claims 1, 6, 13, and 17 of the '762 patent. Terveen Tr. 933. W3C Recommendations and Pazzani relate to web browsing and do not have anything to do with program guides. Terveen Tr. 935-936. Like Anderson, W3C Recommendations and Pazzani also do not disclose any elements of claims 1, 6, 13, and 17 of the '762 patent. Thus, the secondary references cannot, by themselves, fill in any gaps of disclosure missing from Hendricks '536.

Moreover, there is no reason to combine Hendricks '536 with Anderson because it is not analogous prior art to the '762 patent. To qualify as prior art for an obviousness analysis, a reference must qualify as “analogous art.” The reference must be either (1) from the same field of endeavor as the claimed invention; or (2) reasonably pertinent to the particular problem faced by the inventor. *K-Tec, Inc. v. Vita-Mix Corp.*, 696 F.3d 1364, 1375 (Fed. Cir. 2012). Dr. Terveen did not perform this required analysis in his witness statement. Terveen Tr. 931; *see e.g.*, RX-1139C (Terveen WS) at Q148-155.

## PUBLIC VERSION

Dr. Shamos opined that Anderson is not analogous prior art to the claimed invention of the '762 patent. The Elm e-mail client disclosed in Anderson has nothing to do with program guides or program guide systems. Terveen Tr. 932-933. At the time of the '762 invention, e-mail belonged in different fields of endeavor than program guides. CX-5860C (Shamos RWS) at Q43. Anderson is not pertinent to the problems the inventors of the '762 patent were trying to solve. An e-mail client deals with a limited set of messages, namely those that have already been stored in a particular user's mailbox. *Id.* By contrast, the '762 patent must take into account all offered video programs, not just the ones the user had previously chosen to view. *Id.* One of skill in the art would not have had a reason to look to this non-analogous field to make the cited combinations. *Id.*

Additionally, there is no reason one of ordinary art would combine Hendricks '536 with Anderson to arrive at the claimed '762 invention. Dr. Terveen testified that "Hendricks '536 is explicitly directed at the problem of information overload in the context of a television distribution system; that is, the existence of too many channels, and thus choices, for a viewer to keep track of by him or herself." RX-1139C (Terveen WS) at Q133. Hendricks' '536 has already provided a complete solution to the problem of information overload – providing the user with a very limited number of recommendations, but in a very different way than Anderson. CX-5860C (Shamos RWS) at Q44. There being no problem left to solve, one of ordinary skill in the art would find no reason to combine Hendricks '536 with these other references. *Id.*

Moreover, one of ordinary skill in the art would not have found it advantageous to further modify Hendricks' '536 to visually distinguish the limited number of recommended programs using the technique to distinguish read and unread e-mails in

## PUBLIC VERSION

Anderson. CX-5860C (Shamos RWS) at Q45. Any benefit of doing so would have been outweighed by the need for added processing overhead. *Id.* If this were done, every request for recommendations would necessarily be followed by several determinations of whether recommended programs were previously viewed or not, and further rendering of user interfaces that reflect the results of such determinations. *Id.* Repeating this process several times a day for each subscriber over a subscriber base of thousands would result in a significantly increased demand for processing power. *Id.* The difficulty of making this modification is compounded when a large portion of the processing must be offloaded to a program guide server, which is already responsible for finding programs based on the user's viewing history, as required by the '762 claims. *Id.*

Indeed, Hendricks '536 teaches away from adopting the technique disclosed in Anderson. CX-5860C (Shamos RWS) at Q46. Hendricks '536 sought to reduce the number of programs shown to the users by applying intelligence to predict what the user might be interested in watching. *Id.* As a result, the user might be shown four or five recommendations out of hundreds of available programs. *Id.* This is different from displaying the hundreds of available programs and visually distinguishing the programs that have/have not been previously viewed using the techniques disclosed in Anderson. *Id.* In fact, Hendricks '536 sought to reduce the number of programs presented to users, and would have taught away from using the techniques disclosed in Anderson to help users navigate through a massive number of items. *Id.*

Finally, the Elm e-mail client disclosed by Anderson maintains a file in the user's home directory to keep track of what has and has not been read. CX-5860C (Shamos RWS) at Q47. The home directory is on the hard disk of the computer the user happens



## PUBLIC VERSION

to be using. *Id.* If the user runs Elm from a different computer it will not visually distinguish messages that have been read from those that have not been read. *Id.* An artisan familiar with both electronic program guides and Anderson, even with reason to combine them, would not develop the inventions of the '762 patent because such a combination would produce incorrect results. *Id.*

### **b. Hendricks and Anderson with W3C Recommendations or Pazzani**

Respondents' further proposed combination of Hendricks '536 and Anderson with either of W3C Recommendations or Pazzani is misguided. Like Anderson, W3C Recommendations and Pazzani are also non-analogous art to the claimed invention of the '762 patent because they are directed towards Web browsing. *Terveen Tr. 935-936.* Web browsing is not relevant to the problems the '762 inventors were trying to solve. At the time of the '762 invention, one of ordinary skill in the art would not have looked to this field of art to make the cited combination. *CX-5860C (Shamos RWS) at Q53.*

Moreover, W3C Recommendations and Pazzani, at best, disclose storing web browsing history locally. *CX-5860C (Shamos RWS) at Q54.* Yet the asserted claims of the '762 patent require storing a user's viewing history on a program guide server. *Id.* W3C Recommendations and Pazzani teach away from storing web browsing history on a server. *Id.* Modifying W3C Recommendations and Pazzani to implement server-based storage for all users of the world wide web would have required more overhead than was available at the time of the '762 invention. *Id.* Every link that a user clicked would have to be communicated to a server and stored there. *Id.* It would not have been feasible to implement. *Id.*



## PUBLIC VERSION

### **D. Domestic Industry (Technical Prong)**

For the reasons set forth below, Rovi has satisfied the technical prong of the domestic industry requirement with respect to the '762 patent.

#### **1. Apple's iTunes Application on Apple iPads**

Dr. Shamos experimented with the Apple iPad running iOS version 6 (CPX-0053) and testified that the Apple iPad and the related iTunes server practices at least claims 1 and 13 of the '762 patent. CX-5750C (Shamos WS) at Q758-818. Indeed, respondents have not offered any expert to rebut Dr. Shamos' opinions that the Apple iPad and iTunes server practice the '762 patent.

##### **a. Method Claim 1**

***Preamble: A method for use in a client-server interactive television program guide system for tracking a user's viewing history, comprising:***

The Apple iPad running the iTunes Application meets the preamble of claim 1 of the '762 patent. CX-5750C (Shamos WS) at Q763. The iTunes client application on the iPad communicates with the iTunes server to provide users with movie and program content. *Id.* The following screenshot shows that seasons of TV shows are sent to the iPad from the iTunes server:

## PUBLIC VERSION



CDX-0088 (showing screenshot of CPX-0053).

### ***Element 1a: tracking a user's viewing history***

The Apple iPad running the iTunes Application meets element 1a of claim 1 of the '762 patent. The Apple iPad running the iPad application tracks a user's viewing history both by keeping track of the TV shows the user has purchased, and also the amount of each episode the user has viewed. CX-5750C (Shamos WS) at Q766.

### ***Element 1b: storing the user's viewing history on a program guide server***

The Apple iPad running the iTunes Application practices element 1b of the '762 patent. The user's viewing history is stored by the iTunes server because the viewing history is updated regardless of how users access their iTunes content, whether on the iPad or on another device. CX-5750C (Shamos WS) at Q769. Element 1b is satisfied under the administrative law judge's claim construction. *Id.* at Q770. The undersigned construed "program guide server" as "application any combination of server hardware

## PUBLIC VERSION

and software that communicates with the program guide client.” The iTunes server meets this construction because it necessarily must include server hardware and software that communicates with the program guide client (*i.e.*, the Apple iPad running the iTunes Application). *Id.*

### ***Element 1c: finding programs with the program guide server that are consistent with the user’s viewing history***

The Apple iPad running the iTunes Application practices element 1c of claim 1 of the ‘762 patent. Selecting one of the purchased TV shows causes an episode display screen to be displayed, as depicted in the following screenshot from an Apple iPad running the iTunes application. CX-5750C (Shamos WS) at Q774.



CDX-0090 (showing screenshot of CPX-0053).

In displaying the episode display screen, for example the screen above, the Apple iPad running the iTunes application and/or iTunes server finds programs that are

## PUBLIC VERSION

consistent with the user's viewing history. For example, as shown above, the episodes corresponding to "Deadwood" are found and displayed. *Id.*

***Element 1d: determining, with the program guide server, whether the programs found by the program guide server were not previously viewed on user television equipment***

The Apple iPad running the iTunes Application meets element 1d of claim 1 of the '762 patent. In generating the viewing progress indicators, the iTunes Application determines whether a program was previously viewed. CX-5750C (Shamos WS) at Q777. Element 1d is satisfied under the administrative law judge's claim construction. The undersigned has construed "user television equipment" as "equipment for receiving and displaying program guide data and programming." The Apple iPad running the iTunes Application meets this construction because it receives and displays movie and television episode data and programming. *Id.* at Q778.

***Element 1e: displaying, with a program guide client implemented on the user television equipment, a display of program titles***

The Apple iPad running the iTunes Application meets element 1e of claim 1 of the '762 patent. As shown above on the title screen for "Deadwood," the iTunes application on the iPad displays program titles. CX-5750C (Shamos WS) at Q782. Element 1e is satisfied under the administrative law judge's claim constructions. The undersigned construed "a display of program titles, wherein the display includes the programs found by the program guide server" as "a display of program titles includes the titles of programs found by the program guide server." The Apple iPad running the iTunes Application meets this construction because it displays the programs found by the iTunes server. *Id.* at Q783. Respondents construed "[a display of program titles,

## PUBLIC VERSION

wherein] the display includes the programs found by the program guide server” as “the viewing area on the user television equipment includes the programs found by the program guide server.” The Apple iPad running the iTunes Application meets this construction because it includes programs found by the iTunes server. *Id.* at Q784.

The administrative law judge construed “program guide client” as “application that allows a user to retrieve program guide data from and store user data on a program guide server using a client-server based approach.” The Apple iPad running the iTunes Application meets this construction because it allows a user to retrieve program guide data from and store user data, such as viewing history, on the iTunes server via client-server communication between the iTunes Application and the iTunes server. *Id.* at Q785.

***Element 1f: wherein the display: includes the programs found by the program guide server, wherein some of the programs have been previously viewed on the user television equipment and some of the programs have not been previously viewed on the user television equipment***

The Apple iPad running the iTunes Application practices element 1f of claim 1 of the ‘762 patent. In most cases, some programs will not have been previously viewed and some will have been previously viewed. CX-5750C (Shamos WS) at Q789. In any event, this is a condition that can be met easily to satisfy element 1f. *Id.*

***Element 1g: visually distinguishes the programs determined by the program guide server to have been previously viewed from the programs that have not been previously viewed***

The Apple iPad running the iTunes Application practices element 1g of claim 1 of the ‘762 patent. The progress indicator also serves to visually distinguish between programs that have been previously viewed from programs that have not. CX-5750C

## PUBLIC VERSION

(Shamos WS) at Q792. The partial circle indicates that a program has been partially viewed, a black circle indicates that a program has never been viewed, and no circle or the removal of a circle indicates that a program been viewed. *Id.* This satisfies element 1g of claim 1.

### b. System Claim 13 of the '709 Patent

***Preamble: A client-server interactive television program guide system for tracking a user's viewing history***

For the same reasons provided above for the preamble of '762 patent, claim 1, the Apple iPad running the iTunes Application meets the preamble of claim 13 of the '762 patent. The iTunes Application on the iPad communicates with the iTunes server to provide users with movie and program content. CX-5750C (Shamos WS) at Q795.

***Element 13a: user television equipment on which an interactive television program guide client is implemented, wherein the interactive television program guide client is programmed to provide an individual user's viewing history information to a program guide server over a communications path***

The Apple iPad running the iTunes Application meets element 13a of claim 13 of the '762 patent. In particular, the iPad is a user equipment on which the iTunes Application is implemented. CX-5750C (Shamos WS) at Q798. The iTunes Application communicates with the iTunes server to keep the server apprised of the viewing history. *Id.* The Apple iPad running the iTunes Application meets this element because the iTunes Application provides the user's viewing history (the programs ordered by the user) to the iTunes server over the Internet. *Id.* at Q799.



## PUBLIC VERSION

***Element 13(b1): wherein: the program guide server is programmed to find programs based on the individual user's viewing history information***

The Apple iPad running the iTunes Application meets element 13(b1) of claim 13 of the '762 patent. In displaying the episode display screen, the iPad and/or iTunes server finds programs that are consistent with the user's viewing history. For example, as shown above in CDX-0090, the episodes corresponding to "Deadwood" are found and displayed. CX-5750C (Shamos WS) at Q803.

***Element 13(b2): determine whether the programs found by the program guide server have been previously viewed on user television equipment***

The Apple iPad running the iTunes Application meets element 13(b2) of claim 13 of the '762 patent. In generating the viewing progress indicators as discussed above in element 1d, the iTunes application on the iPad determines whether a program was previously viewed. CX-5750C (Shamos WS) at Q806.

***Element 13(b3): indicate the programs to the interactive television program client over the communications path***

The Apple iPad running the iTunes Application meets element 13(b3) of claim 13 of the '762 patent. At a minimum, the episodes must be downloaded, therefore the iTunes server must indicate the programs to the application on the iPad, which satisfies element 13(b3) of claim 13. CX-5750C (Shamos WS) at Q809.

***Element 13(b4): the interactive television program guide client is further programmed to display, on the user television equipment, a display of program titles***

The Apple iPad running the iTunes Application meets element 13(b4) of claim 13 of the '762 patent. The application on the iPad displays program titles. CX-5750C (Shamos WS) at Q812.

## PUBLIC VERSION

***Element 13c: wherein the display: includes the programs found by the program guide server, wherein some of the programs have been previously viewed on the user television equipment and some of the programs have not been previously viewed on the user television equipment***

The Apple iPad running the iTunes Application meets element 13c of claim 13 of the '762 patent. In most cases, some programs will not have been previously viewed and some will have been previously viewed. CX-5750C (Shamos WS) at Q815.

***Element 13d: visually distinguishes the programs determined by the program guide server to have been previously viewed from the programs that have not been previously viewed***

The Apple iPad running the iTunes Application meets element 13d of claim 13 of the '762 patent. The progress indicator also serves to visually distinguish between programs that have been previously viewed from programs that have not. CX-5750C (Shamos WS) at Q818. The partial circle indicates that a program has been partially viewed, a black circle indicates that a program has never been viewed, no circle or the removal of a circle indicates that a program has been viewed. *Id.*

### **VII. U.S. Patent No. 8,112,776**

United States Patent No. 8,112,776 (the '776 patent), entitled "Interactive Computer System for Providing Television Schedule Information," issued on February 7, 2012. *See* CX-1299 ('776 patent). The '776 patent was based on U.S. Patent Application No. 08/837,025. *See id.* The named inventors are Steven M. Schein, Sean A. O'Brien, Brian L. Klosterman, and Kenneth A. Milnes. The '776 patent "generally relates to systems and methods for providing information to television viewers, and more particularly to systems and methods for allowing the viewer to retrieve, initiate a subscription to, search, select and interact with television schedule and/or listing

## PUBLIC VERSION

information located in a remote database, computer network or on-line service, e.g., a network server on the Internet or World Wide Web.” CX-1299 at col. 1, lns. 23-30.

Rovi asserts method claims 1, 2, 4, and 6, and system claims 14, 15, 17, and 19 of the ‘776 patent against Netflix. Compls. Br. at 296. The asserted claims read as follows:

**1.** A method for searching for program listings using a media guidance application implemented at least partially on control circuitry configured for:

receiving, with the media guidance application, a user selection of a program;

in response to receiving the user selection of the program, determining, with the media guidance application, at least one attribute specifically related to the selected program;

identifying, with the media guidance application, a list of programs based on the at least one attribute; and

displaying the identified list of programs.

**2.** The method defined in claim **1**, wherein receiving the user selection of a program comprises receiving a user selection of a program listing for the program from an on-screen display of program listings.

**4.** The method of claim **1**, further comprising:

receiving, with the media guidance application, a selection of an identified program; and

at least one of recording, viewing and storing the identified program in response to receiving the selection of the identified program.

**6.** The method of claim **1**, wherein the identified program is available from a digital archive.

**14.** A system for searching for program listings, comprising:

a processor configured to:

receive a user selection of a program;

in response to receiving the user selection of the program, determine at least one attribute specifically related to the selected program; and

PUBLIC VERSION

identify a list of programs based on the at least one attribute; and

a display processor configured to display the identified list of programs.

15. The system defined in claim 14, wherein the processor is further configured to receive the user selection of a program listing for the program from an on-screen display of program listings.

17. The system of claim 14, wherein the processor is further configured to:

receive a selection of an identified program; and

perform at least one of scheduling for recording, directing the display processor to display, and storing the identified program in response to receiving the selection of the identified program.

19. The system of claim 14, wherein the identified program is available from a digital archive.

CX-1299 ('776 patent) at col. 20, lns. 30-58; col. 21, ln. 26 – col. 22, ln. 11.

A. Claim Construction<sup>31</sup>

1. “in response to receiving the user selection of the program”

Below is a chart showing the parties’ proposed claim constructions.

Claim Term	Complainants’ Construction	Respondents’ Construction
in response to receiving the user selection of the program	Plain and ordinary meaning	performing after and as a consequence of receiving the user selection of the program

As proposed by Rovi, the claim term “in response to receiving the user selection

<sup>31</sup> A person of ordinary skill in the art of the ‘776 patent at the time of the filing date would have a bachelor’s degree in electrical or computer engineering or computer science, or equivalent experience, and two to four years of experience relating to television or video media technology, computer programming, user interfaces, or any equivalent knowledge, training and/or experience. See CX-5751C (Griffin WS) at Q50-51.

**PUBLIC VERSION**

of the program” need not be construed.

Netflix’s proposed construction replaces the claim language “in response to” with the words “performing after and as a consequence of.” However, the claim language “in response to,” is already clear and understandable.

**2. “attribute specifically related to the selected program”**

<b>Claim Term</b>	<b>Complainants’ Construction</b>	<b>Respondents’ Construction</b>
attribute specifically related to the selected program	Plain and ordinary meaning	a characteristic of the selected program

As proposed by Rovi, the claim term “attribute specifically related to the selected program” need not be construed.

Netflix’s proposed construction replaces the claim language “attribute specifically related to” with the words “characteristic of.” However, the claim language itself is clear and understandable. To the extent Netflix’s construction is meant to mean something other than “attribute specifically related to,” the construction be rejected as improper.

**3. “the at least one attribute”**

<b>Claim Term</b>	<b>Complainants’ Construction</b>	<b>Respondents’ Construction</b>
the at least one attribute	“the at least one attribute” is the previously recited “at least one attribute specifically related to the selected program”	“the at least one attribute” in the “identifying” step must be at least one of the “at least one attribute[s] specifically related to the selected program” in the determining step

As proposed by Rovi, the claim term “the at least one attribute” is the previously recited “at least one attribute specifically related to the selected program.”

## PUBLIC VERSION

Claim 1 of the '776 patent requires determining “at least one attribute specifically related to the selected program.” In the next step, claim 1 requires identifying a list of programs based on “the at least one attribute.” It is apparent that “the at least one attribute” recited in the identifying step refers back to the “at least one attribute specifically related to the selected program” recited in the determining step.

### **B. Infringement Analysis of the '776 Patent**

Rovi argues that “the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the '776 patent with access to the Netflix service from imported devices including Netflix Ready Devices (including those imported and sold by LGE). There have been acts of direct infringement of claims 1, 2, 4, 6, 14, 15, 17, and 19 of the '776 patent, and Netflix both had knowledge of the '776 Patent and knew or was willfully blind that its action of selling the Netflix Application and the integrated and licensed Netflix software for importation would cause the direct infringement.” Compl. Br. at 295.

Rovi argues that “Netflix has specifically designed the Netflix Application on Netflix Ready Devices (*e.g.*, imported LGE televisions with the Netflix Application) to indirectly infringe the asserted claims of the '776 patent by empowering users to select programs such that personalized recommendations can be generated based on those selections.” Compl. Br. at 295-96. It is argued that “the use of the Netflix Application in this manner causes all of the steps of the method claims 1, 2, 4, and 6 of the '776 patent to be performed.” *Id.* at 296. Rovi asserts that “[t]he direct infringement of the method claims occurs when the claimed steps are carried out by Netflix on its servers and by Netflix Ready Devices (devices containing the infringing Netflix Application).” *Id.*



## PUBLIC VERSION

Rovi argues that “Netflix Ready Devices and Netflix’s servers together meet all the elements of system claims 14, 15, 17, and 19 of the ‘776 patent,” and that “[t]he direct infringement of the system claims occurs when end users put the infringing system into operation through their use of the Netflix Ready Devices.” *Id.*

For the reasons set forth below, Rovi has not shown that Netflix’s accused products infringe the asserted claims of the ‘776 patent.

### 1. Accused Products

Rovi argues that “[t]here is a sale for importation under Section 337 based on various agreements whereby Netflix supplies [ ] for importation and integration into respective partner devices, including the Partners [ ]

[ ] to create and distribute device-specific applications (‘Netflix Applications’) that run on Netflix Ready Devices (NRDs) to communicate with Netflix servers.” Compl. Br. at 9. It is argued that “[t]he Accused Netflix Products include Netflix Applications available on televisions, blu-ray players, digital media receivers, tablets, streaming players available from, for example, LGE, VIZIO, and Roku, in connection with at least the following: [ ] with [ ] with [ ] with [ ] with [ ] with [ ] and any other Netflix products containing interactive program guide technology that are the same as or not colorably different from any product listed above or will be released during this investigation.” *Id.* at 9-10.

### 2. Importation Under *Electronic Devices*

As discussed above, the Commission’s opinion in *Electronic Devices* holds that

## PUBLIC VERSION

the practice of an asserted method claim within the United States after importation cannot serve as the basis for an exclusion order. *Electronic Devices*, Comm'n Op. at 17. As discussed in *Electronic Devices*, section 337 prohibits:

- (B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that –
  - (i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17; or
  - (ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

19 U.S.C. § 1337(a)(1)(B).

The Commission stated:

[S]ection 337(a)(1)(B)(i) covers imported articles that directly or indirectly infringe when it refers to “articles that – infringe.” We also interpret the phrase “articles that – infringe” to reference the status of the articles at the time of importation. Thus, infringement, direct or indirect, must be based on the articles as imported to satisfy the requirements of section 337.

*Electronic Devices*, Comm'n Op. at 13-14. The Commission determined that the importation requirement was not met in that case by the respondent's post-importation performance of a claimed method. *Id.* at 18. Nevertheless, the Commission stated that the complainant “might have proved a violation of section 337 if it had proved indirect infringement” of the method claim. *Id.* The Commission cited, as an example, *Certain Chemiluminescent Compositions, and Components Thereof and Methods of Using, and Products Incorporating the Same*, Inv. No. 337-TA-285, USITC Pub. 2370, Order No. 25 (Initial Determination) at 38 n.12 (March 1991), in which “the ALJ found that the

## PUBLIC VERSION

‘importation and sale’ of the accused articles constituted contributory and induced infringement of the method claim at issue in that investigation.” *Electronic Devices, Comm’n Op.* at 18 n.11.

The facts of this investigation are different from those of *Chemiluminescent Compositions*. As discussed below, the Netflix user interfaces (which are part of the accused Netflix Applications) are neither imported nor included on Netflix Ready Devices that are imported. Additionally, as discussed below, in order to use an accused Netflix Application in an allegedly infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. Yet, in *Chemiluminescent Compositions*, the accused product (necklace) as imported was a product that need not be combined with any other product in order to be used in an infringing manner. *Chemiluminescent Compositions*, Order No. 25 (Initial Determination) at 7-8; see *Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof*, Inv. No. 337-TA-752, Final Initial Remand Determination at 10-33 (Public Version) (Apr. 2, 2013), *aff’d*, Notice of Commission Determination Not to Review a Final Initial Remand Determination Finding No Violation of Section 337; Affirmance of Original Initial Determination As to Remaining Patent As Modified by the Remand Initial Determination; Termination of the Investigation (May 23, 2013).

The same analysis applies to the asserted system claims. As noted above, the Commission stated: “We also interpret the phrase ‘articles that – infringe’ to reference the status of the articles at the time of importation.” *Electronic Devices, Comm’n Op.* at 13-14. As discussed below, it is undisputed that the Netflix user interfaces are neither

## PUBLIC VERSION

imported nor included on Netflix Ready Devices that are imported. Rather, only after a consumer in America has bought a device that has already been imported, and accesses the Netflix service over the Internet, is the user interface loaded. Additionally, as noted above, Rovi argues that “[t]he Accused Netflix Products include Netflix Applications available on televisions, blu-ray players, digital media receivers, tablets, streaming players available from, for example, LGE, VIZIO, and Roku.” Compl. Br. at 9. Thus, the Accused Netflix Products includes a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. As indicated above, LGE and Vizio are no longer respondents in this investigation, having entered into settlement agreements with Rovi. Accordingly, Netflix does not import articles that infringe the asserted system claims at the time of importation.

### a. Netflix User Interfaces

The evidence shows that the Netflix user interfaces that Rovi identifies as part of the “Netflix Applications” are not imported.<sup>32</sup> The Netflix user interfaces are neither imported nor included on Netflix Ready Devices that are imported. Rather, only after a consumer in America has bought a device that has already been imported, and accesses the Netflix service over the Internet, is the user interface loaded. RX-1269C (Burke

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<sup>32</sup> Rovi defines the accused Netflix products in this investigation as combinations of Netflix’s software development kit (“SDK”) (which is referred to synonymously as the [ ] or [ ]) along with versions of the Netflix user interface (“UI”). Specifically, Rovi identifies the following as “Accused Netflix Instrumentalities”: [ ] with [ ] with [ ] with [ ] with [ ] and [ ]. CX-5750C (Shamos WS) at Q54; CX-5751C (Griffin WS) at Q47.

PUBLIC VERSION

RWS) at Q67-71 (discussing also RDX-0145 [

]; RX-1193C

[ ] at .0005-.0006; RDX-0146C [

]; RX-1192C [

] at .0111[

].

The Netflix user interfaces delivered to client devices [

]. Peters Tr. 546-548; JX-0003C (Marenghi

Dep. Tr.) 62; RX-0840 at ¶¶ 2-3; JX-0004C (Makinkurve Dep. Tr.) 37. The [

] to a [ ] along

with the [ ]. Peters Tr. 544-548 (discussing CX-

2169C at 6). Inasmuch as the user interfaces do not reside on any device that is actually

imported, Rovi has identified no “article” that has a “status” at the time of importation, as

required for any section 337 analysis. *Electronic Devices*, 2012 WL 3246515, at \*9. In

summary, the user interface for devices is never imported and is not a part of the device

as imported.

**b. Netflix Ready Devices**

As noted above, Rovi argues that “Netflix has specifically designed the Netflix Application on Netflix Ready Devices (e.g., imported LGE televisions with the Netflix Application) to indirectly infringe the asserted claims of the ‘776 patent by empowering users to select programs such that personalized recommendations can be generated based on those selections.” Compls. Br. at 295-96. It is argued that “the use of the Netflix

## PUBLIC VERSION

Application in this manner causes all of the steps of the method claims 1, 2, 4, and 6 of the '776 patent to be performed.” *Id.* at 296. Rovi asserts that “[t]he direct infringement of the method claims occurs when the claimed steps are carried out by Netflix on its servers and by Netflix Ready Devices (devices containing the infringing Netflix Application).” *Id.* Rovi argues that “Netflix Ready Devices and Netflix’s servers together meet all the elements of system claims 14, 15, 17, and 19 of the ‘776 patent,” and “[t]he direct infringement of the system claims occurs when end users put the infringing system into operation through their use of the Netflix Ready Devices.” *Id.*

In the complaint, Rovi alleged that method claims 1, 2, 4, and 6, and system claims 14, 15, 17, and 19 of the ‘776 patent are applicable to certain LGE, Vizio and Netflix products. Complaint (Apr. 30, 2012), ¶ 120. As indicated above, LGE and Vizio are no longer respondents in this investigation, having entered into settlement agreements with Rovi. Rovi’s current infringement allegation with respect to the ‘776 patent is applicable only to Netflix products, and not to LGE and Vizio products. *See Joint Outline at 4.*

In order to use an accused Netflix Application in an allegedly infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. This cannot occur at the time of importation.

\* \* \*



## PUBLIC VERSION

Consequently, in view of the Commission's opinion in *Electronic Devices*, the administrative law judge finds that Netflix does not directly infringe the asserted method claims or system claims of the '776 patent at the time of importation. As noted above, the user interface for devices is never imported and is not a part of the device as imported. Moreover, inasmuch as LGE and Vizio are no longer respondents in this investigation, Netflix cannot be liable for indirect infringement based on the now licensed importation of Netflix Ready Devices such as LGE and Vizio televisions.

Accordingly, the undersigned finds that there is no need for further analysis concerning direct or indirect infringement. Nonetheless, in the event the Commission disagrees with the administrative law judge's findings on this issue, the undersigned provides the following analysis.

### **2. Direct Infringement**

As noted, Rovi asserts method claims 1, 2, 4, and 6, and system claims 14, 15, 17, and 19 of the '776 patent against Netflix.

Rovi argues that "Netflix has specifically designed the Netflix Application on Netflix Ready Devices (*e.g.*, imported LGE televisions with the Netflix Application) to indirectly infringe the asserted claims of the '776 patent by empowering users to select programs such that personalized recommendations can be generated based on those selections." Compl. Br. at 295-96. It is argued that "the use of the Netflix Application in this manner causes all of the steps of the method claims 1, 2, 4, and 6 of the '776 patent to be performed." *Id.* at 296. Rovi asserts that "[t]he direct infringement of the method claims occurs when the claimed steps are carried out by Netflix on its servers and by Netflix Ready Devices (devices containing the infringing Netflix Application)." *Id.*

## PUBLIC VERSION

Rovi argues that “Netflix Ready Devices and Netflix’s servers together meet all the elements of system claims 14, 15, 17, and 19 of the ‘776 patent,” and that “[t]he direct infringement of the system claims occurs when end users put the infringing system into operation through their use of the Netflix Ready Devices.” *Id.*

For the reasons set forth below, Rovi has not shown that Netflix’s accused products directly infringe the asserted claims of the ‘776 patent.

### **a. Independent Method Claim 1**

Rovi argues that Netflix infringes method claim 1 because “[i]n the Netflix system, the Netflix Application is a client application resident on a Netflix Ready Device and it is configured to communicate with Netflix servers to provide the Netflix streaming service to end user.” Compl. Br. at 296. It is argued that “[t]he Netflix system infringes independent method claim 1 of the ‘776 patent due to the ‘Top 10,’ ‘[ ] and ‘Because you watched’ recommendations that are displayed to the users of the Netflix Application on Netflix Ready Devices such as the imported LGE products.” *Id.*

The administrative law judge finds that the accused Netflix systems do not infringe method claim 1 for two independent reasons. In order to use an accused Netflix system in an infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as LGE and Vizio televisions. The Netflix Ready Devices such as the imported LGE and Vizio products that contain the accused Netflix Applications are now licensed. Further, as discussed above, the Netflix user interfaces (which are part of the accused Netflix Applications) are neither imported nor included on Netflix Ready Devices that are imported.

## PUBLIC VERSION

### **b. Dependent Method Claims 2, 4, and 6**

Rovi argues that “[t]he Netflix system also infringes dependent method claims 2, 4, and 6 of the ‘776 patent due to the ‘Top 10,’ [ ] and ‘Because you watched’ recommendations that are displayed to the users of the Netflix Application on Netflix Ready Devices such as the imported LGE products.” Compls. Br. at 308.

Asserted method claims 2, 4, and 6 depend from independent claim 1. The administrative law judge finds that the accused Netflix systems do not infringe claims 2, 4, and 6 for the same reasons that the accused Netflix systems do not infringe claim 1.

### **c. Independent System Claim 14**

Rovi argues that “Netflix Ready Devices, including the imported LGE products containing the Netflix Application, and Netflix’s servers responding to user activity on the Netflix Ready Devices infringe independent system claim 14 of the ‘776 patent due to the ‘Top 10,’ [ ] and ‘Because you watched’ recommendations.” Compls. Br. at 310.

The administrative law judge finds that the accused Netflix systems (including Netflix Ready Devices) do not infringe system claim 14 for the same reasons that the accused Netflix systems do not infringe method claim 1.

### **d. Dependent System Claims 15, 17, and 19**

Rovi argues that “[t]he Netflix’s system infringes dependent system claims 15, 17, and 19 of the ‘776 patent due to the ‘Top 10,’ [ ] and ‘Because you watched’ recommendations.” Compls. Br. at 311. It is argued that “[t]hese claims are met for the reasons discussed in relation to independent system claim 14 and for the same

reasons discussed above in relation to the corresponding dependent method claims 2, 4, and 6.” *Id.*

Asserted system claims 15, 17, and 19 depend from independent claim 14. The administrative law judge finds that the accused Netflix systems do not infringe claims 15, 17, and 19 for the same reasons that the accused Netflix systems do not infringe claim 14.

#### 4. Indirect Infringement – Contributory

Section 271(c) of the Patent Act provides: “Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.” 35 U.S.C. § 271(c).

Section 271(c) “covers both contributory infringement of system claims and method claims.”<sup>33</sup> *Arris*, 639 F.3d at 1376 (footnotes omitted). To hold a component supplier liable for contributory infringement, a patent holder must show, *inter alia*, that (a) the supplier’s product was used to commit acts of direct infringement; (b) the product’s use constituted a material part of the invention; (c) the supplier knew its product was especially made or especially adapted for use in an infringement” of the

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<sup>33</sup> “Claims which recite a ‘system,’ ‘apparatus,’ ‘combination,’ or the like are all analytically similar in the sense that their claim limitations include elements rather than method steps. All such claims can be contributorily infringed by a component supplier.” *Arris*, 639 F.3d at 1376 n.8.

PUBLIC VERSION

patent; and (d) the product is not a staple article or commodity of commerce suitable for substantial noninfringing use. *Id.*

For the reasons set forth below, Rovi has not shown that Netflix’s accused products contributorily infringe the asserted claims of the ‘776 patent.

The Netflix streaming service has many substantial, non-infringing uses. For instance, Rovi does not claim that streaming movies—the primary function of the Netflix service—infringes the ‘776 patent.

In addition, even the features Rovi accuses—the “Top 10,” “Because you watched,” and [ ] features—have substantial non-infringing uses. Rovi only accuses the “Top 10” and “Because you watched” recommendations of infringing when they display recommendation [ ]. However, over [ ]% of displayed recommendations using the feature result not from [ ]—which does not infringe the ‘776 patent. RX-1300C (Gomez-Uribe RWS) at Q69. As explained above, Netflix made a decision [ ] because it leads to [ ]

[ ]. *Id.* at Q78.

The [ ] feature also has substantial non-infringing uses. Rovi only accuses the [ ] feature of infringing the ‘776 patent when [ ]

[ ]. See CX-5751C (Griffin WS) at Q610 (“The [ ]

[ ] However, [ ]

[ ] only constitute one of [ ]

[ ]. [ ] also [ ]

[ ]—none of which Rovi





## PUBLIC VERSION

of another. *See Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2067 (2011) (explaining that induced infringement, originally a subspecies of contributory infringement, was premised on “the aiding and abetting of direct infringement by another party.”) (citation omitted); Federal Circuit Bar Association Model Jury Instructions 3.2 Indirect Infringement—Active Inducement (“[Patent holder] alleges that [alleged infringer] is liable for infringement by actively inducing [someone else] [some other company] to directly infringe the [ ] patent . . . .”) (Feb. 2012); *see also* H.R. REP. NO. 82-1923, at 9 (1952) (“The doctrine of contributory infringement... has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent.... Paragraph (b) [of 35 U.S.C. § 271] recites in broad terms that one who aids and abets an infringement is likewise an infringer.”).

### 5. Indirect Infringement – Inducement

Section 271(b) of the Patent Act provides: “Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b).

“To prevail on a claim of induced infringement, in addition to inducement by the defendant, the patentee must also show that the asserted patent was directly infringed.” *Epcon Gas Sys. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1033 (Fed. Cir. 2002). Further, “[s]ection 271(b) covers active inducement of infringement, which typically includes acts that intentionally cause, urge, encourage, or aid another to directly infringe a patent.” *Arris Group v. British Telecomm. PLC*, 639 F.3d 1368, 1379 n.13 (Fed. Cir. 2011). The Supreme Court recently held that “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2068 (2011). The Court further held:

## PUBLIC VERSION

“[g]iven the long history of willful blindness<sup>34</sup> and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for induced patent infringement under 35 U.S.C. § 271(b).” 131 S.Ct. at 2060 (footnote omitted).

For the reasons set forth below, Rovi has not shown that Netflix’s accused products infringe by inducement the asserted claims of the ’776 patent.

There can be no induced infringement if the alleged act of inducement merely teaches an action that a Respondent “could have reasonably believed was non-infringing.” *Id.* at 1329. “[T]hat defendants have knowledge of the acts alleged to constitute infringement is not enough.” *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363 (Fed. Cir. 2003) (internal quotation marks omitted). “Especially where a product has substantial noninfringing uses, intent to induce infringement cannot be inferred even when the defendant has actual knowledge that some users of its product may be infringing the patent.” *Id.* at 1365. “The question is not . . . whether a user following the [allegedly inducing] instructions may end up using the device in an infringing way.” *Vita-Mix Corp.*, 581 F.3d at 1329 n.2. “Rather, it is whether [the allegedly inducing] instructions teach an infringing use of the device such that [a court may] infer from those instructions an affirmative intent to infringe the patent.” *Id.*

Here, Rovi alleges that Netflix induces end users to infringe the ’776 patent. Rovi

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<sup>34</sup> “While the Courts of Appeals articulate the doctrine of willful blindness in slightly different ways, all appear to agree on two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact. We think these requirements give willful blindness an appropriately limited scope that surpasses recklessness and negligence.” *Global-Tech*, 131 S.Ct. at 2070-71.

## PUBLIC VERSION

contends that Netflix induces infringement by “actively encouraging end users to use the Netflix . . . Application.” This contention fails because Rovi has failed to introduce any evidence of this alleged encouragement. Rovi has not introduced any evidence that respondents provide labels, advertising, method, instructions or directions to use the “Top 10,” “Because you watched,” or [ ] features. Netflix does not issue such instructions and [ ]. RX-1303C (Peters RWS) at Q93-97.

Moreover, even if Rovi had introduced such evidence, it would be insufficient to prove inducement of infringement of the ’776 patent. The “Top 10,” “Because you watched,” and [ ] features all have substantial non-infringing uses. And, just as in *Vita-Mix*, the performance of those substantial non-infringing uses depends entirely on user conduct. For instance, when a user [ ]—*i.e.*, movies that [ ]—all of his “Top 10” and “Because you watched” recommendations will be driven by the non-accused [ ]. RX-1300C (Gomez-Uribe WS) at Q60. Likewise, where a user has [ ]—none of his [ ] recommendations will be driven by [ ]. *Id.* at Q80. There is no evidence that Netflix instructs the end users to only use these features in an infringing fashion.

### C. Validity of the ‘776 Patent

#### 1. Unpatentable Subject Matter Under 35 U.S.C. § 101

None of the asserted claims covers unpatentable abstract ideas. The claims are all directed to particular applications for interactive program guides that deal with video

## PUBLIC VERSION

programming, such as movies and television programs. Moreover, the particular devices claimed are integral to the inventions, and not merely used “to accelerate an ineligible mental process.” *Bancorp Servs., LLC v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266, 1279 (Fed. Cir. 2012).

The asserted claims of the ‘776 patent are directed to an interactive program guide computer system. See CX-1299 (‘776 patent) at claim 1 (“method for searching for program listings using a media guidance application”). Indeed, they were amended during prosecution and successfully overcame a § 101 rejection by clarifying that the claimed receipt of a “user selection” is the receiving of user input into a device that includes control circuitry that runs a “media guidance application.” CDX-0770 (August 16, 2010 Amendment and Reply to Office Action) at CDX-0770.2-.4 (CX-0656 (Prosecution History for ‘776 Patent) at CDX-0656.840-.851). Netflix has not presented clear and convincing evidence that the PTO was wrong in dropping the section 101 rejection.

Netflix is unable to articulate any mathematical algorithm or other idea preempted by any of the asserted claims. Instead, they resort to an improper element-by-element analysis that violates the Supreme Court’s mandate that “[i]n determining the eligibility of . . . [a] claimed process for patent protection under § 101, the[] claims must be considered as a whole.” *Diamond v. Diehr*, 450 U.S. 175, 188 (1981). They cannot prevail by “dissecting a claim and evaluating patent-eligibility on the basis of individual limitations.” See *In re Bilski*, 545 F.3d 943, 959 (Fed. Cir. 2008) (citing *Parker v. Flook*, 437 U.S. 584, 594 (1978)).

## PUBLIC VERSION

### a. Independent Method Claim 1

Netflix argues that claim 1 of the '776 patent is invalid under 35 U.S.C. § 101 based on its allegation that the claimed steps “can be performed entirely with the human mind.” Not so. Rather, the claims are plainly directed to a particular application, a “media guidance application” for “program listings.” They do not preempt any abstract idea. The control circuitry implementing the media guidance application is integral to the claims.

Netflix has not articulated any specific abstract idea that is allegedly preempted by the claim. In arguing that certain limitations of claim 1 claim the “idea” of recommending programs based on an attribute of a selected program and another limitation claims the “idea” of displaying the results, they ignore Supreme Court precedent that “[i]n determining the eligibility of respondents’ claimed process for patent protection under § 101, their claims must be considered as a whole.” *Diehr*, 450 U.S. at 188. Their dissection of the claim into individual limitations for patent eligibility analysis is improper. *See In re Bilski*, 545 F.3d at 959.<sup>35</sup>

Moreover, their analysis after the improper dissection is faulty. Netflix says the “receiving” step can be performed entirely with the human mind because “[i]f a person is told by an acquaintance that the acquaintance likes the show *Seinfeld*, that person has received ‘a user selection of a program.’” This assertion conflicts with the plain and ordinary meaning of the term “user selection.” It also conflicts with the opinion of Netflix’s own technical expert, Mr. Hallenbeck, who opined that “user selection” is a

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<sup>35</sup> The Supreme Court did not in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010) disturb this aspect of the Federal Circuit’s *Bilski* decision.



## PUBLIC VERSION

method “by which users got more information about a show, used the guide to select a show and have the system tune in the service on which the show was broadcast, and other functionality that could only be activated after a show has been selected.” RX-1136C (Hallenbeck WS) at Q261.

The asserted mental process where “a person is told by an acquaintance that the acquaintance likes the show” is not a “user selection” because it does not involve a user use of a “media guidance application” to select a show. Claim 1 of the ‘776 patent calls for “receiving, with the media guidance application, a user selection of a program.” That requirement is not satisfied by the mental activity on which Netflix relies.

Furthermore, Netflix’s misinterpretation of “user selection” is contradicted by the intrinsic record. During prosecution of the application that became the ‘776 patent, the PTO examiner set forth a rejection of the method claims under § 101, to which the patent applicants responded by amending claim 1 to specify that the method for searching for program listings is “using a media guidance application implemented at least partially on control circuitry” and further tied the “receiving,” determining,” and “identifying” steps to being carried out “with the media guidance application.” CDX-0770 (August 16, 2010 Amendment and Reply to Office Action) at CDX-0770.2-.4 (CX-0656 (Prosecution History for ‘776 Patent) at .840-.851). These amendments explicitly tie the claims to a media guidance application device—rather than the original language’s implicit tie—and also clarifies that the claimed “user selection” is a “use[ of] the guide to select a show” as opined by Netflix’s technical expert. RX-1136C (Hallenbeck WS) at Q261. After receiving that amendment, the examiner withdrew the § 101 rejection. CDX-0771 (November 8, 2010 Office Action) at CDX-0771.2 (CX-0656 (Prosecution History for



## PUBLIC VERSION

'776 Patent) at CDX-0656.856-.860). Thus, the examiner specifically addressed the very argument now raised by Netflix and concluded that the claims were patent eligible.

Netflix has not produced any clear and convincing evidence to the contrary.

The “media guidance application” and its configured recited “control circuitry” called for by the claim are plainly “integral to the claimed invention, facilitating the process in a way that a person making calculations or computations could not.” *See Bancorp Servs., LLC v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266, 1278 (Fed. Cir. 2012). Netflix ignores that, but Netflix’s own technical expert has implicitly acknowledged it by stating the following as part of his testimony based on a purportedly anticipating device:

SuperGuide was an interactive Electronic Programming Guide (EPG) with [a] locally stored listings database. **In order to work at all, it had to have software (media guidance application) running on a hardware platform (control circuitry) that searched for program listings.**

RX-1136C (Hallenbeck WS) at Q283 (emphasis added).

Netflix argues that the “displaying” step can be performed entirely with the human mind, asserting that “[i]f she writes that list down and passes it to her acquaintance, she has displayed ‘the identified list of programs.’” This argument is a misapplication of the cases which address unpatentability where calculations that “can be performed in the human mind, or by a human using a pen and paper.” *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372 (Fed. Cir. 2011; *Parker v. Flook*, 437 U.S. 584, 586 (1978) (“the computations can be made by pencil and paper calculations”)) (emphasis added). The “displaying” step is not a mathematical calculation. It is the visual presentation of the recommended programming that the media guidance

## PUBLIC VERSION

application identifies in its role “integral to the claimed invention, facilitating the process in a way that a person making calculations or computations could not.” *Bancorp* 687 F.3d at 1278. The displayed programming recommendations are akin to the output of a “half-toned digital image” in *Research Corp. Techs.*, which the Federal Circuit held “could not, as a practical matter, be performed entirely in a human’s mind.” 654 F.3d at 1376.

Netflix argues that “adding a ‘displaying’ step to an otherwise unpatentable abstract idea does not render a claim unpatentable.” There are at least two deficiencies with this argument. First, Netflix focuses on a single step in isolation from the other steps, rather than looking at the claim “as a whole.” *See Diehr*, 450 U.S. at 188 (“In determining the eligibility of respondents’ claimed process for patent protection under § 101, their claims must be considered as a whole.”). Second, Netflix has incorrectly relied on the fact that claims with “displaying” steps were found to be unpatentable in *In re Abele*, 684 F.2d 902 (C.C.P.A. 1982).

In the case *In re Bilski*, the Federal Circuit disapproved of the test applied in *In re Abele* as overly restrictive, 545 F.3d 943, 959 (Fed. Cir. 2008), *aff’d Bilski v. Kappos*, 130 S. Ct. 3218 (2010).<sup>36</sup> Moreover, *In re Abele* does not stand for the proposition for which Netflix cites it. Rather, *In re Abele* held that “we view the production, detection, and display steps as manifestly statutory subject matter and are not swayed from this conclusion by the presence of an algorithm in the claimed method.” 684 F.2d at 902, 908

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<sup>36</sup> Indeed, the Federal Circuit noted that one problem with the test in *In re Abele* was that it “appears to conflict with the Supreme Court’s proscription against dissecting a claim and evaluating patent-eligibility on the basis of individual limitations.” 545 F.3d at 959. This is the same error that Netflix makes here.

## PUBLIC VERSION

(C.C.P.A. 1982) (emphasis added). This portion of *In re Abele* was not disapproved by the Federal Circuit in *Bilski*, which stated “the electronic transformation of the data itself into a visual depiction in *Abele* was sufficient; the claim was not required to involve any transformation of the underlying physical object that the data represented.” 545 F.3d at 963.

The basis for the holding of *In re Abele*, as framed by the Federal Circuit in *In re Bilski*, is instructive here and does not support Netflix’s position. The *In re Abele* court found some claims patent eligible and others not. The patent eligible claims were drawn to a process covering “X-ray attenuation data produced in a two dimensional field by a computed tomography scanner” and thus, per *Bilski*, “limited to a practical application.” *In re Bilski*, 545 F.3d at 963. In contrast, the claims held unpatentable “did not specify any particular type or nature of data; nor did it specify how or from where the data was obtained or what the data represented.” *Id.* Here, the claims of the ‘776 patent are limited to the practical application of searching for program listings using a media guidance application. CX-1299 (‘776 patent) at claim 1. The claims specify the use of an “attribute specifically related” to a selected program, where the selected program is obtained by receiving user input to the media guidance application. *Id.* This is not the preemption of an abstract idea. It is “facilitating the process in a way that a person making calculations or computations could not.” *Bancorp*, 687 F.3d at 1278.

### **b. Dependent Method Claims**

Netflix asserts that dependent claims 2, 4, and 6 merely add insignificant post-solution activity. The dependent claims further show the tie to a recited device that “facilitate[es] the process in a way that a person making calculations or computations

## PUBLIC VERSION

could not.” *Bancorp*, 687 F.3d at 1278. For example, claim 2 specifies that the user selection is made from “an on-screen display of program listings.” CX-1299 (‘776 patent) at claim 2. This is not addressed by Netflix’s earlier proffered example where “a person is told by an acquaintance that the acquaintance likes the show *Seinfeld*.”

Claim 4 includes the additional step of “receiving, with the media guidance application, a selection of an identified program.” CX-1299 (‘776 patent) at claim 4. Netflix does not discuss this element, and does not explain what supposed abstract idea it preempts. Claim 4 also includes the additional step of “at least one of recording, viewing and storing the identified program in response to receiving the selection of the identified program,” which further shows the device integration into asserted process. Likewise with claim 6, which specifies that “the identified program is available from a digital archive.” CX-1299 (‘776 patent) at claim 6.

### c. System Claims

For the same reasons already discussed in connection with the method claims, independent system claim 14 also does not claim an abstract idea. Inasmuch as claim 14 is patent eligible, dependent system claims 15, 17, and 19 are also patent eligible. Moreover, the reasons discussed above in relation to dependent method claims 2, 4, and 6 also apply to dependent system claims 15, 17, and 19, which are the method versions of the dependent system claims 15, 17, and 19, respectively.

## 2. Anticipation and Obviousness

Netflix argues that the asserted claims of the ‘776 patent are anticipated under 35 U.S.C. § 102 by U.S. Patent No. 5,616,876 (CX-3699, the Cluts patent), the SuperGuide

## PUBLIC VERSION

Electronic Program Guide System (SuperGuide), U.S. Patent No. 6,005,561 (CX-2203, the Hawkins patent), or U.S. Patent No. 5,553,221 (CX-3696, the Reimer patent). Resps. Br. at 140-171. Complainants disagree. Compls. Br. at 348-372.

### a. Cluts Patent

For the reasons set forth below, Netflix has shown that U.S. Patent No. 5,616,876 (“the Cluts patent” or “Cluts”) (RX-0273) anticipates and renders obvious each of the asserted claims of the 776 patent.

#### Anticipation

The invention claimed in the ’776 patent is a recommendation feature through which a user may select a program (such as a movie), and then see a list of other programs that share an attribute with the selected program. During prosecution, the applicants explained it as follows:

- “[A] viewer may select the program ‘Casablanca;’”
- The viewer then “obtain[s] a list of other related programs, such as other Humphrey Bogart movies, other Lauren Bacall movies, or other movies released in the same era.”

RX-0010 (’776 Prosecution History) at 0817-0848.

Cluts describes an identical process. Cluts disclosed a “‘more like’ function” for use in an “interactive media distribution system,” in which a user selects a “seed” program (*e.g.*, a song or a movie), and then obtains a list of similar programs that share with the seed program the same artist or “style criteria,” such as “1960s,” “1970s,” etc.

Rovi accuses Netflix of infringing claims 1, 2, 4, 6, 14, 15, 17, and 19 of the ’776 patent (“the asserted claims”). See RX-2195 (Verified Complaint) at ¶ 95. Claims 1 and 14 are independent, and the other asserted claims depend from them. Claim 1, a method

## PUBLIC VERSION

claim, recites:

A method for searching for program listings using a media guidance application implemented at least partially on control circuitry configured for:

[a] **receiving**, with the media guidance application, a user selection of a program;

[b] in response to receiving the user selection of the program, **determining**, with the media guidance application, at least one attribute specifically related to the selected program;

[c] **identifying**, with the media guidance application, a list of programs based on the at least one attribute; and

[d] **displaying** the identified list of programs.

CX-1299 ('776 patent) at col. 20, lns. 30-41 (emphasis added).

During prosecution of the '776 patent, the applicants explained this invention, referring to an example in the specification in which a viewer has selected the movie "Casablanca":

Applicant's invention relates to identifying programs based on an attribute of another program. In the example described in the application, a viewer may select the program "Casablanca" and obtain a list of other related programs, such as other **Humphrey Bogart movies**, other **Lauren Bacall movies**, or other **movies released in the same era**. (Application, page 21, line 17- page 23, line 21.) Using this approach, a user can identify programming that has an attribute in common with a previously selected program.

RX-0010 ('776 Prosecution History) at .0847-.0848 (emphasis added); *see* CX-1299 ('776 Patent) at col. 11, ln.12 – col. 12, ln. 13 (reciting the "Casablanca" example in the specification).

Claims 2, 4, and 6 add limitations such as "receiving a user selection of a program listing for the program from an on-screen display of program listings," *id.* at col. 20, lns. 42-45 (claim 2); "recording, viewing [or] storing the identified program," *id.* at col. 20,



## PUBLIC VERSION

lns. 52-53 (claim 4); and making “the identified program . . . available from a digital archive,” *id.* at col. 20, lns. 57-58 (claim 6). Claims 14, 15, 17, and 19 are systems claims that correspond to the foregoing method claims.

The '776 patent claims priority to an application filed on Oct. 2, 1995, which is the date that “Rovi is relying on . . . as the date of the inventions of the '776 patent.” RX-0845.0004 (Compls. 1<sup>st</sup> Supp Rsp. to Netflix’s 1<sup>st</sup> RFAs).

The '776 patent claims priority to an application filed on Oct. 2, 1995, which is the date that “Rovi is relying on . . . as the date of the inventions of the '776 patent.” RX-0845.0004 (Compls. 1<sup>st</sup> Supp Rsp. to Netflix’s 1<sup>st</sup> RFAs).

U.S. Patent No. 5,616,876 issued to Jonathan C. Cluts from an application filed on April 19, 1995—five months before the earliest asserted priority date of the '776 patent. The Cluts patent was assigned to Microsoft Corporation. *See* RX-0273 (Cluts patent). Cluts was not before the USPTO when it granted the '776 patent. *See* CX-1299 ('776 patent) at .3-.6.

Cluts disclosed everything that the '776 patent claims. In particular, Cluts disclosed an “invention to identify other movies that are similar to a movie a viewer is watching.” RX-0273 (Cluts Patent) at col. 3, lns. 56-58 (emphasis added). Describing this invention in the context of songs, Cluts describes and claims a “‘more like’ function [that] allows a subscriber to use a seed song to identify other songs that are similar to the seed song, and to add the new songs to the current playlist.” *Id.* at Abstract. The specification lists at list three different embodiments of the “more like” function: the “more artist,” “more album,” and “more style” functions. *Id.* at col. 16, lns. 29, 33, 37, 40. The “more artist” function displays a list of “songs by the artist that performed the

## PUBLIC VERSION

current song;” the “more album” function displays a list of “songs from the album that includes the current song;” and the “more style” function displays a list of “songs that have a style similar to the seed song.” *Id.* at col. 16, lns. 30-34; col. 17, lns. 26-27. Each of these embodiments independently anticipates the asserted claims of the ’776 patent.

Rovi concedes that Cluts discloses all but two limitations of the ’776 patent. Rovi claims that Cluts does not disclose “programs” within the meaning of the ’776 patent because it teaches only recommending songs, which are not “programs.” Rovi also argues that Cluts does not disclose attributes specifically related to a selected program as required by the independent claims.

Claim 1 recites the term “program” in each of its limitations. Rovi has defined “program” to mean “video programming, *e.g.*, movies or television shows.”

The Cluts patent is described in the context of a “cable television system.” RX-0273 (Cluts patent) at col. 1, lns. 14-15; Griffin Tr. 380. As of April 19, 1995, cable television systems were transmitting cable television shows to their users. *Id.* at col. 1, lns. 18-20. However, “the expansion and improvement of cable television systems” also “made it possible to provide music channels” over cable television. *Id.* col. 1, lns. 14-22. In Cluts, the television shows, movies, and songs described in the patent can all be distributed over cable television systems. *Id.* col. 1, lns. 40-47. (“Potential subscriber services supported by this interactive network include Movies on Demand (MOD) or Video on Demand (VOD), interactive music channels, interactive computing, shopping, entertainment, and other related services.”); Griffin Tr. 381.

Consistent with the background, the “preferred embodiment [of Cluts is] generally described in the context of an interactive television system for delivering

## PUBLIC VERSION

*broadcast television programs*, music, and related information.” RX-0273 (Cluts patent) at col. 4, lns. 55-58 (emphasis added). One of the objects of the Cluts invention is to “identify other movies that are similar to a movie a viewer is watching.” *Id.* at col. 3, lns. 56-58.

Cluts claims a method applicable to movies and television shows. The independent claims in Cluts are generally to “programming information,” which Cluts defines to include movies and television shows. Specifically, Cluts explained that “the present invention can be used to support the delivery of other forms of programming information,” including numerous types of listed media, and “[a]ccordingly, it will be understood that the terms ‘programming information’ and ‘programming information items’ generally include information transmitted electronically to entertain, instruct, educate, or inform the recipient, as well as program modules for supporting these services.” *Id.* at col. 4, ln. 55 – col. 5, ln. 2.

The dependent claims show that the independent claims of Cluts include music, movies, and television programming. Cluts has numerous dependent claims directed only to music, clearly indicating that the independent claims are not limited to music. *Compare, e.g., id.*, claims 1, 19, 24, 30 (reciting “programming information items”) with claim 11 (reciting “musical selections”). Claims 9, 23, 29, and 36 of Cluts are specifically directed to using the invention with “*movies*,” and the specification recites as one object of the invention to “identify other *movies* that are similar to a *movie* a viewer is watching.” *See id.* at claims 9, 23, 29, and 36, and col. 3, lns. 56-58 (emphasis added); *see, e.g., id.* at claims 39 and 45 (reciting that selected items are played on a “*video output device* [that] is a *television monitor*”) (emphasis added); *see* claim 5 (directed to

## PUBLIC VERSION

an “*interactive television system*”).

Finally, Cluts explicitly discloses that the “more like” feature can be implemented using movies. As discussed above, the more like feature identifies “other movies that are similar to a movie a viewer is watching.” Cluts describes three embodiments of the more like feature in the context of songs. In each of these embodiments, the Cluts system receives a user selection of a song, determines an attribute of the song (*e.g.*, “artist,” “album”, or “style), identifies more songs based on the determined attribute, and displays a list of the identified songs. *See, e.g., id.* at col. 16, ln. 25 – col. 17, ln. 12. The “more like” function is described in the context of a playlist: the user selects a song from the playlist, and, after the more like function has displayed a list of similar songs, the user may add them to the playlist. *See, e.g., id.* at col. 14, lns. 13-16; col. 16, lns. 57-59; col. 17, lns. 6-8. Cluts explicitly discloses that the more like “playlists ***need not be limited to songs.***” *Id.* at col. 13, lns. 2-3 (emphasis added). To the contrary, “[p]laylists can include collections of news stories, ***movies, and other types of programming information.***” *Id.* at col. 13, lns. 3-5 (emphasis added).

Complainants’ expert Mr. Griffin’s opinion that “the only system described in Cluts is a music searching system that deals with songs, not programs as claimed in the ’776 patent” is the result of his incomplete reading of the Cluts patent. At the time of his deposition, Mr. Griffin was unaware that the playlists in Cluts included movies. *See* Griffin Tr. 385. Mr. Griffin’s misunderstanding was apparent during cross-examination. *Id.* at 385-386. Inasmuch as Cluts repeatedly describes and claims both movies and television show, it discloses the “programs” required by the ’776 patent.

Complainants’ second basis for their argument that Cluts does not anticipate the

## PUBLIC VERSION

'776 patent is their expert's opinion that Cluts does not disclose the "attribute[s] specifically related to the selected program." Mr. Griffin repeatedly admitted on the stand that Cluts makes use of attributes. Griffin Tr. 374, 392, 397-398, 399. So, although Rovi admits that Cluts uses attributes, it argues that Cluts does not disclose attributes "specifically related to the selected program." Rovi bases its position on the fact that—in one embodiment of the more style function—Cluts creates style tables at the artist level. *See id.* at 407. Rovi's position ignores the other disclosed embodiments that rely on attributes specifically related to a program. Specifically, Mr. Griffin's opinion that Cluts does not disclose specifically related attributes is incorrect for three independent reasons:

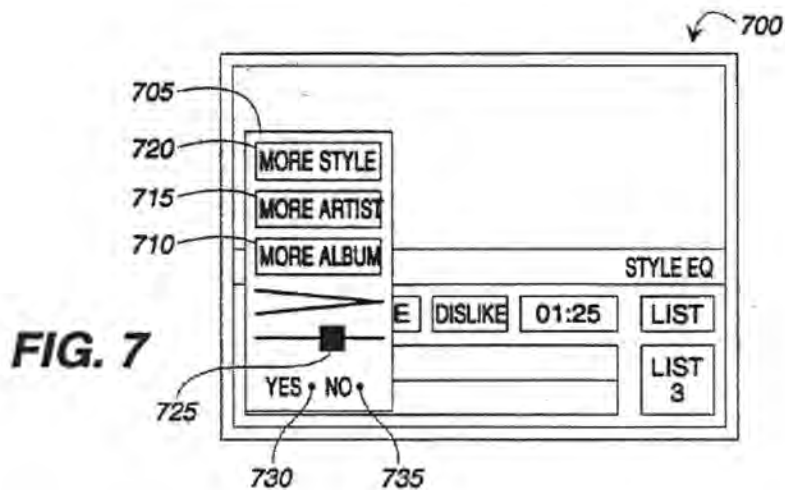
- First, the style tables have nothing to do with the "more artist" and "more album" features, both of which make use of specifically-related attributes;
- Second, Cluts explicitly discloses that the style-criteria attributes are specifically related to the selected song—regardless of whether or not the style table is constructed at the artist level;
- Third, even if "specifically related" requires a style table constructed at the song level, Cluts still satisfies this limitation because it repeatedly discloses style tables constructed at the song level.

First, the "more artist" and "more album" features—which do not make use of the style tables—independently anticipate the asserted claims of the '776 patent. As noted, Cluts describes three different embodiments of the "more like" feature: the "more artist" button, the "more album" button, and the "more style" button. Each of these recommendation buttons determines an attribute related to the selected program. Each of these recommendations can be selected from the "more like screen." From the "more like screen," the user may select a more artist button to obtain a list of other programs by

## PUBLIC VERSION

the “artist” of the currently playing program, a more album button to obtain programs that come from the same “album” as the currently playing program, or a more style button to obtain a list of programs that share the same “style” as the currently playing program:

“FIG. 7 illustrates the more like screen display 700,” RX-0273 (Cluts patent) at col. 16, Ins. 26-27.



A more like panel 705 appears when the subscriber activates the more button 540 on the playlist screen display 500 (FIG. 5). The more like panel 705 includes several control objects. A *more album* button 710 instructs the audio on demand system to list the other songs from the album that includes the current song. A *more artist* button 715 instructs the system to list more songs by the artist that performed the current song . . . . A *more style* button 720 allows the subscriber to locate more music that is like the current song.

*Id.* at col. 16, Ins. 27-41 (emphasis added). Determining “more artist” and “more album” thus returns other programs based on the artist and album specifically related to the current song.

That is, unlike the “more style” feature, the “more album” and “more artist” features do not make use of a style table. Instead, The Cluts patent repeatedly discloses



## PUBLIC VERSION

that “album” and “artist” are make use of attributes specifically related to the selected program without resorting to tables. *See, e.g., id.* at col. 14, lns. 31-32 (“For example, songs are easily classified and identified by their ***title and artist.***”) (emphasis added). In particular, the artist and album attributes are directly associated with “each song” on an “administrative server.”

In the preferred system, the each song has a song identification (ID) number that uniquely identifies that song. . . . The digital audio data is stored on a continuous media server by song ID number. *The associated administrative information is stored on an administrative server.* The administrative information includes the style tables, ***information for each song (title, artist, album, etc.)***, and all of the other databases, graphics, text, etc. that are required by the audio on demand system.”

*Id.* at col. 15, lns. 14-23 (emphasis added.)

Recognizing that the style tables are irrelevant to the “more album” and “more artist” features, Mr. Griffin testified that the “more album” and “more artist” buttons do not “lead to any steps carried out ‘in response to receiving the user selection of a program’” because—prior to pressing the “more album” or “more artist” button, the Cluts system may have displayed a list of songs by the same artist or from the same album sometime in the past. CX-5859C (Griffin RWS) at Q183-184. This argument conflates two separate features in the Cluts patent. The portion of the patent cited by Mr. Griffin in support of his argument has nothing to do with the “more album” or “more artist” features. *See id.* at Q184 (citing RX-0273 (Cluts patent) at col. 12, lines 41-49). Instead, the cited portion describes a separate “find” feature of the Cluts patent. When the “find” feature is selected, the Cluts patent system displays a list of artists. *Id.* at col. 12, lns. 44-46. If the user selects an artist from the presented list, the Cluts system then lists the albums by that artist, and the list of songs in each album. *Id.* at col. 12, lns. 46-49.

## PUBLIC VERSION

The find feature is a different feature from the more like feature: it is selected from a different screen using a different button and describes a different process. *Compare id.* at col. 12, lns. 41-49 & Fig. 4 (screen showing “Find” button), with *id.* at col. 16, lns. 25-39 & Figs. 7 & 8 (screens showing “more artist” and “more album” buttons). Pressing the more “more artist” or “more album” button does not yield the output of the find function. Instead, the “more album button 710 instructs the audio on demand system to list the other songs from the album that includes the current song.” *Id.* at col. 16, lns. 30-32. Pressing the “more artist button 715 instructs the system to list more songs by the artist that performed the current song.” It is immaterial that—in addition to offering “more like” and “more album” features, Cluts also offers a separate “find” feature. *See, e.g., Mossman v. Broderbund Software, Inc.*, 1999 U.S. Dist. LEXIS 8014, \*22-\*23 (E.D. Mich. 1999) (“[T]o be covered by the . . . patent claims, the prior art reference must simply include all the elements listed above. If these elements are included, it does not matter if the method includes other additional elements. . . . Therefore, if all of the elements discussed above are included in the prior art reference, the claim is anticipated even if additional elements are used in the reference.”). The “more artist” and “more album” features of the Cluts patent anticipate the asserted claims of the ’776 patent.

Second, the “more style” feature makes use of specifically-related attributes even in the embodiment that incorporates artist-level style tables. It does not matter whether the style table is constructed at the artist level, album level, or at the song level. In each case, Cluts unequivocally states that attribute (style criteria) is specifically related to the selected song. In each embodiment, Cluts states that the “system uses the style tables to

## PUBLIC VERSION

identify the style categories and weightings that are *associated with the seed song*.” RX-0273 (Cluts patent) at col. 17, lns. 53-57 (emphasis added); *see id.* at col. 17, lns. 9-12 (Those skilled in the art will appreciate that the ‘more like’ function uses the current song as a ‘seed song’ and selects other songs that match the style criteria *associated with the seed song*. (emphasis added)); RX-1136C (Hallenbeck WS) at Q136. In fact, Rovi’s own expert admitted that—regardless of the style table used—the style criteria of Cluts as “associated with the seed song.” Griffin Tr. 390.

Third, Cluts discloses style tables constructed at the song level. As Rovi’s own expert admitted (Griffin Tr. 409), Cluts discloses that the style criteria can be directly linked to songs in a style table constructed at the song level:

- “Although the preferred system only implements artist level style tables, the system could also implement album level style tables and song level style tables,” RX-0273 (Cluts patent) at col. 19, lns. 11-13;

“[M]usic [may] be classified by various levels (e.g., artist, album, song). The editor is responsible for choosing the particular level or levels that will be used in the system. This decision depends on the amount of editorial time the editor is willing to spend and the specificity required for the desired outcome of the ‘more like’ function,” *Id.* at col. 14, lns. 64-col. 15, ln.2;

- “[T]he database takes the form of style tables that classify the style of each song,” *Id.* at col. 14, lns. 54-55.

Rovi argues that song-level tables are not enabled because the Cluts patent “doesn’t tell you how” to implement them. Griffin Tr. 409; CX-5859C (Griffin RWS) at Q185-186. To the contrary, Cluts describes how song-level style tables are implemented. As Cluts explains, an editor who chooses to implement the song-level style tables may do so by hand-coding the styles associated with each song:

## PUBLIC VERSION

The editor is responsible for choosing the particular level or levels that will be used in the system. This decision depends on the amount of editorial time the editor is willing to spend and the specificity required for the desired outcome of the “more like” function. Although they require more editorial work, higher level style tables (e.g., album or song) allow the style tables to more accurately reflect the styles associated with each song or album. This is especially useful in the case of artists whose styles have varied over their career or from album to album.

RX-0273 (Cluts patent) at col. 14, ln. 65- col. 15, ln. 8.

Rovi argues that Cluts teaches away from constructing tables at the song level. The doctrine of teaching away from is not relevant to anticipation. “[A] reference is no less anticipatory if, after disclosing the invention, the reference then disparages it. Thus, the question whether a reference ‘teaches away’ from the invention is inapplicable to an anticipation analysis.” *Rasmusson v. SmithKline Beecham Corp.*, 413 F.3d 1318, 1326 (Fed. Cir. 2005) (citation omitted).

Instead, the doctrine of teaching away only applies to rebut a presumption of obviousness where “a claimed range overlaps with a range disclosed in the prior art.” *Ricoh Co.*, 550 F.3d 1325 at 1331. Yet, the asserted claims of the ’776 patent are anticipated by Cluts. The claims are anticipated not because Cluts discloses a range from which the missing embodiment must be inferred, but because Cluts specifically discloses the embodiment that Rovi claims is missing: style tables constructed at the song level.

In any event, Cluts does not teach away from constructing tables at the song level. Instead, Cluts specifically teaches a benefit of doing so. A prior art does not teach away from a combination merely because it teaches “simultaneous advantages and disadvantages” of the combination. *Medichem, S.A. v. Rolabo, S.L.*, 437 F.3d 1157, 1165 (Fed. Cir. 2006). In fact, it is reversible error to conclude that a reference teaches away

## PUBLIC VERSION

from a claim limitation where the reference specifically recites a benefit of implementing that limitation. *See In re Brimonidine Patent Litig.*, 643 F.3d 1366, 1382 (Fed. Cir. 2011). Cluts not only teaches the use of style tables constructed at the song level, it actually teaches that constructing style tables at the song level can be beneficial:

While requiring more editorial work, higher level style tables (eg. album or song) allow the style tables to more accurately reflect the styles associated with songs or albums. *This is advantageous* because it can be used to take into account artists whose styles have varied over their career or from album to album.

RX-0273 (Cluts patent) at col. 19, lns.16-21 (emphasis added). Cluts both anticipates and enables styles tables constructed at the song level. Therefore, Cluts teaches “in response to receiving the user selection of the program, determining, with the media guidance application, at least one attribute specifically related to the selected program.”

### **Enablement**

Rovi argues that the Cluts patent does not enable a method applicable to movies and television shows. Compl. Br. at 352-54. As explained below, Rovi is incorrect.

As discussed above, Cluts explicitly discloses an invention to “identify other *movies* that are similar to a *movie* a viewer is watching.” RX-0273 (Cluts Patent) at col. 3, lns. 56-58 (emphasis added). Moreover, “prior art patents are presumed enabled.” *Amgen Inc. v. Hoechst Marion Roussel*, 314 F.3d 1313, 1354 (Fed. Cir. 2003). “[A] presumption arises that both the claimed and unclaimed disclosures in a prior art patent are enabled.” *Id.* at 1355. Rovi bears the burden of proof to show that Cluts is not enabled. *See id.* at 1355.

“An anticipatory reference need only enable subject matter that falls within the scope of the claims at issue, nothing more.” *Schering Corp.* 339 F.3d at 1381. It is not



## PUBLIC VERSION

necessary that a prior art reference disclose how to “make and use” every limitation of the asserted claims. *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994). A reference “need not . . . explain every detail since it is speaking to those skilled in the art.” *Id.* (internal brackets omitted).

The only evidence that Rovi has supplied in support of its non-enablement argument is the opinion of its expert, Mr. Griffin. However, as shown during his cross-examination, discussed below, Mr. Griffin did not consider the relevant portions of the Cluts patent. Both the claims and the specification of the Cluts patent describe methods and systems applicable to movies and television shows, as discussed below.

Mr. Griffin has no opinion regarding whether claim 1 of the Cluts patent is enabled. Griffin Tr. 413. Claim 1 of the Cluts patent discloses a “method for selecting programming information items from a media server.” The specification and dependent claims of Cluts show that the “programming information” of claim 1 includes television shows and movies. RX-0273 (Cluts patent) at col. 4, ln. 55 - col. 5 ln. 2. Claim 1 extends to movies and is presumed enabled. Rovi has offered no evidence rebutting that presumption.

Mr. Griffin did not determine whether the dependent claims specifically directed to television and movies were enabled. Mr. Griffin does not know whether claim 5—which is directed to an interactive television system—is enabled. Griffin Tr. 415-416. Mr. Griffin had no opinion one way or another regarding whether the Cluts invention is enabled for use with an interactive television system. Griffin Tr. 416.

Mr. Griffin similarly ignored the dependent claims directed to movies. Mr. Griffin didn’t undertake any analysis to determine whether dependent claims 9 and 23—



## PUBLIC VERSION

both directed to movies—were enabled. Griffin Tr. 418, 419. Moreover, at the time of his deposition, Mr. Griffin wasn't aware that the playlists in Cluts can include movies. *Id.* 385. As a result, he “didn't do the enablement work” to determine whether the playlists in Cluts are enabled for use with movies Griffin Tr. 424.

The Cluts disclosure is sufficient to enable a method directed to movies and television shows. As respondents' expert explained, “the preferred embodiment [of Cluts] would work exactly the same way if movies—for example Beatles documentaries—were used as programming information—instead of songs.” RX-1136C (Hallenbeck WS) at Q141. Furthermore, the preferred embodiment in Cluts is “an interactive television system for delivering **broadcast television programs**, music, and related information.” RX-0273 (Cluts patent) at col. 4, lns. 55-58 (emphasis added). Cluts repeatedly discloses and claims “more like” recommendations of movies. Cluts set forth a detailed description of how to make and use an interactive television system that displays movies and television shows. RX-0273 (Cluts patent) at col. 5, ln. 61-col. 11, ln. 30.

In essence, Rovi argues that—based on the attributes disclosed in Cluts—one skilled in the art as of October 2, 1995 couldn't figure out a set of attributes applicable to movies. *See* CX-5859C (Griffin RWS) at Q176 (“[T]he only embodiment described in Cluts relies on the hierarchical artist based structure particular to songs an inapplicable to movies”). However, as Rovi's own expert admitted on the stand, Cluts discloses numerous attributes that are directly applicable to movies, including 1960s and 1970s. Griffin Tr. 394, 400-401. Every single one of the remaining attributes in Cluts—album artist, style, British Invasion, Rock, Pop, Innovators—is applicable to a musical

## PUBLIC VERSION

documentary about the Beatles. RX-1136C (Hallenbeck WS) at Q141.

Rovi argues that in order for Cluts to enable programs one must analogize a hierarchy similar to the artist-song structure that is applicable to movies or television shows. As explained above, no such analogy is required because Cluts discloses style tables constructed directly at the program level and discloses attributes directly applicable to movies. However, even if such an analogy were required, Rovi's own expert has admitted that it is one a child could make. As Mr. Griffin admitted, as of October 2, 1995, a sixteen-year-old child—and certainly one skilled in the art—would understand that a television show could be classified by director and series. Griffin Tr. 404, 406. There is sufficient evidence in the prior art that numerous such systems did in fact exist years before the '776 patent was filed. *See e.g.*, RX-1136C (Hallenbeck WS) at Q62, Q160-161, Q259, Q 277, Q254-258, Q280-282, Q286, RX-0730 (Popular Science Article); JX-0020C (Milnes Dep. Tr.) 90-92; 93-101. Cluts enables programs and attributes specifically related to those programs.

### **Obviousness**

In addition to anticipating the '776 patent, Cluts also renders it obvious. The Supreme Court has set forth the modern obviousness standard in *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007). In *KSR*, the Supreme Court rejected the Federal Circuit's rigid application of the teaching, suggestion, or motivation test for obviousness in favor of an expansive and flexible approach using common sense. The Supreme Court specifically cautioned against granting patents or upholding the validity of patents that claim nothing more than combination of known elements driven by non-innovative factors such as market demands. The Supreme Court observed that if a person of

## PUBLIC VERSION

ordinary skill in the art can implement the claimed invention as a predictable variation of a known product, it is obvious.

The Supreme Court pointed to other factors that may show obviousness. These factors included the following:

- A combination that only unites old elements with no change in their respective functions is unpatentable. As a result, the combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.
- An invention is obvious if it entailed the simple substitution of one known element for another to obtain predictable results.
- A predictable variation of work in the same or a different field of endeavor is likely obvious if a person of ordinary skill would be able to implement the variation.
- An invention is obvious if it is the use of a known technique to improve a similar device in the same way, unless the actual application of the technique would have been beyond the skill of the person of ordinary skill in the art. In this case, a key inquiry is whether the improvement is more than the predictable use of prior art elements according to their established functions.
- An invention is obvious if there existed at the time of the alleged invention a known problem for which there was an obvious solution encompassed by the patent's claims.
- Inventions that were "obvious to try"—chosen from a finite number of identified, predictable solutions, with a reasonable expectation of success—are likely obvious.

An explicit teaching, suggestion or motivation in the art to combine references, while not a requirement for a finding of obviousness, remains a "helpful insight" upon which a finding of obviousness may be based.

Cluts satisfies every factor for obviousness set forth in *KSR*. Cluts discloses each of the elements of the '776 patent. Even if Cluts did not disclose movies, substituting in movies for songs is the simple substitution of one known element for another to obtain predictable results. RX-1136 (Hallenbeck WS) at Q140. Attributes specifically related

## PUBLIC VERSION

to programs and movies existed in the prior art as of Oct. 2, 1995. Implementing Cluts on movies was obvious to try given that Cluts contains an explicit teaching to one skilled in the art to do so.

Non-enablement is no barrier to an obviousness finding. *Amgen Inc.* 314 F.3d at 1357 (“Under § 103, . . . a reference need not be enabled; it qualifies as a prior art, regardless, for whatever is disclosed therein.”). Accordingly, the ’776 patent is obvious over Cluts.

### **b. SuperGuide**

The SuperGuide Electronic Program Guide System (SuperGuide) does not anticipate or render obvious any asserted claim of the ’776 patent. *See CX-5859C* (Griffin RWS) at Q200. As explained by complainants’ expert Mr. Griffin, SuperGuide is a video guide system referenced in the ’776 patent as a potential system that would benefit from incorporating the claimed inventions. *CX-1299* (’776 patent) at col. 4, lns. 9-12. Moreover, Netflix’s expert Mr. Hallenbeck has made certain allegations that he attributes to all SuperGuide systems and are apparently based on his present recollection of what was available before the priority date of the ’776 patent. Respondents have not presented sufficient evidence to corroborate Mr. Hallenbeck’s alleged recollection or show that the materials relied on actually show the operation of SuperGuide before the priority date of the ’776 patent.

SuperGuide did not use an attribute of a selected program claimed in claims 1 and 14 of the ’776 patent. For his anticipation position regarding SuperGuide, Netflix’s expert relies on a feature that uses the program’s title to identify other broadcast times. Hallenbeck Tr. 652 (“Q. When it comes to invalidity for your SuperGuide opinions, you

## PUBLIC VERSION

rely on a feature that uses the program's title to identify other broadcast times; is that true? A. That's true."). As explained by Mr. Griffin, the selected program's title is not an "attribute" of the program. CX-5859C (Griffin RWS) at Q202. The attribute is additional information related to the program title and thus is not the program title itself. Mr. Hallenbeck cites to a portion of the '776 patent that states:

In the preferred embodiment, a user of an electronic program guide (e.g., as described above) can conduct a search for information about a particular program/television show or for information relating to the show, the actors, the actresses, the show's theme, other broadcast times or sources, and other related information through selection via a user interface.

CX-1299 ('776 patent) at col. 11, lns. 19-25. This passage does not show that the title is an attribute. Notably, Mr. Hallenbeck does not cite to the next sentence, which states that "[t]his linking of program title and/or program content to additional related information could be operable whenever a program title is accessible in a[n] electronic program guide." CX-1299 ('776 patent) at col. 11, lns. 25-28. As explained by Mr. Griffin, the "additional related information" is linked to the "program title and/or program content" and it is incorrect to conclude that the specification is saying that the program title can be linked to itself as "additional related information."

Moreover, as Mr. Hallenbeck notes, SuperGuide was shown to Starsight Telecast four years before the '776 patent's priority date and is in fact referenced in the '776 patent itself. *See* CX-1299 ('776 patent) at col. 4, lns. 9-12. Mr. Hallenbeck's incorrect reading of the specification would lead to the conclusion that the inventors intended to include the SuperGuide system within the scope of their claims, despite identifying the SuperGuide system as a prior art system that would benefit from being modified to



## PUBLIC VERSION

include their claimed invention. This is not the case, and certainly not shown by clear and convincing evidence.

Finally, Netflix's invalidity position that a program's title can be an attribute conflicts with his non-infringement position that "an attribute must be a characteristic of the selected program that can be 'in common' with *another* program." RX-1270C (Hallenbeck RWS) at Q123 (emphasis added). For non-infringement, Mr. Hallenbeck states:

Thus, *an attribute cannot be data that is entirely unique to the selected program*. Instead, it must be "a characteristic of the selected program" *that can be shared by another program*. The Casablanca example indicates that an actor in a movie may be an attribute of that movie. However, *a unique movie ID may not be an attribute of a movie because it cannot be "an attribute of another program."*

RX-1270C (Hallenbeck RWS) at Q124 (emphasis added).

As Mr. Hallenbeck admitted at his deposition, SuperGuide's use of a program's title leads to a display of different broadcast times for the "same" program. Hallenbeck Tr. 652-653. Mr. Hallenbeck's reliance on this feature for invalidity directly conflicts with his non-infringement opinion that an attribute must be a characteristic that can be shared by "another" program.

SuperGuide did not use an attribute of a selected program claimed in claims 1 and 14 of the '776 patent. The display relied on by Mr. Hallenbeck as the displayed list of programs is a listing of other times that the selected movie is broadcast. Other broadcast times are not a "list of programs." CX-5859C (Griffin RWS) at Q203. Mr. Hallenbeck's incorrect position that a program's title is an "attribute" of the program leads to his equally incorrect positions for the "identifying" and "displaying" step—namely that



## PUBLIC VERSION

SuperGuide searched for and displayed other programs with the *same* title. This position is self-contradictory, *i.e.*, SuperGuide searched for other programs that are the same program. This is not the claimed identifying of “a list of programs” based on the attribute of the selected program. Moreover, other broadcast times and channels of the selected program are not a “list of programs” identified based on the attribute of the selected program.

SuperGuide did not use programs from a digital archive as claimed in claims 6 and 19 of the '776 patent. Mr. Hallenbeck admits that, for SuperGuide, “the TV shows where stored in an analog fashion.” RX-1136C (Hallenbeck WS) at Q303. While Mr. Hallenbeck opines that an identified program in the list could have been available from a digital archive, this is hindsight reconstruction on the part of Mr. Hallenbeck. *See* CX-5859C (Griffin RWS) at Q204.

Accordingly, SuperGuide does not meet the claim 1 elements of “in response to receiving the user selection of the program, determining, with the media guidance application, at least one attribute specifically related to the selected program” or “identifying, with the media guidance application, a list of programs based on the at least one attribute.” Similarly, SuperGuide fails to meet these claim 14 requirements of “in response to receiving the user selection of a program, determine at least one attribute specifically related to the selected program” or “identify a list of programs based on the at least one attribute.” SuperGuide failed to satisfy the claim 1 elements of “identifying, with the media guidance application, a list of programs based on the at least one attribute” or “displaying the identified list of programs.” Likewise, SuperGuide failed to satisfy the claim 14 elements of “identify a list of programs based on the at least one

## PUBLIC VERSION

attribute” or “a display processor configured to display the identified list of programs.” Moreover, SuperGuide did not use programs from a digital archive and thus cannot anticipate or render obvious claims 6 and 19 which recite “wherein the identified program is available from a digital archive.”

### **c. Hawkins Patent**

For the reasons set forth below, Netflix has shown that U.S. Patent No. 6,005,561 to Hawkins (“Hawkins or “the Hawkins patent”) (RX-0288) anticipates and renders obvious each of the asserted claims of the ’776 patent.

As an initial matter, Rovi agrees that Hawkins discloses all the limitations of the ’776 patent except for the “attribute specifically related” limitation of the independent claims and the “selecting an identified program” limitation in dependent claims 4 and 17. *See* CX-5859C (Griffin RWS) at Q44.

Hawkins was filed on Dec. 14, 1994, before the earliest asserted ’776 priority date of Oct. 2, 1995. RX-0288 (Hawkins patent).

#### **“attribute specifically related to the selected program”**

Rovi’s argument that Hawkins does not determine “an attribute specifically” to a selected program is a misreading of Hawkins. Rovi argues that “Hawkins does not describe or teach using an attribute at all.” *See* CX-5859C (Griffin RWS) at Q192. In doing so, Rovi ignores that Hawkins discloses attributes specifically related to movies and television shows:

The electronic program guide and video on demand data include the following information: start time; duration; title; channel; description; subtitle, part sequence; actors and directors; genre; year; rating; warning; category; short movie description; and long movie description.

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RX-0288 (Hawkins patent) at col. 19, lns. 27-31. The attributes are identical to those listed in the Casablanca embodiment of the '776 patent.

Hawkins discloses that the “media valet” or “smart service navigator” determines one or more of these attributes in response to receipt of a user selection, and then identifies a list of movies to recommend to the user based on the determined attribute. After a user selection is made, the media valet or smart service navigator of Hawkins determines at least one attribute specifically related to the selected program as described in *id.* at col. 10, ln. 46 to col. 11, ln. 25.

Hawkins discloses the service navigator determining an attribute of a user-selected program:

For example, the service navigator may note that the viewer tends to view movies in a particular genre with a particular movie star.

*Id.* at col. 10, lns. 54-56; *see* RX-1136C (Hallenbeck WS) at Q163. Hawkins discloses that the process of determining occurs in response to receipt of the user selection of a program. *Id.* at Q164. In particular, RX-0288 (Hawkins patent) at col. 10, lns. 61-64 states:

[A] unique aspect of the invention is that the navigator make such interpretations without any more user input than that required by the user in selecting programming.

Mr. Griffin concedes that Hawkins uses attributes in the determining step, admitting that “the service navigator . . . note[s] the viewing of movies from a particular genre with a particular movie star.” CX-5859C (Griffin RWS) at Q195. However, according to Mr. Griffin, Hawkins does not disclose that “the ‘particular genre’ or ‘particular movie star’ are then used to identify other programs.” *Id.* Mr. Griffin is only

## PUBLIC VERSION

able to make this statement by ignoring the following passage from Hawkins:

The media valet acts to record viewer preferences based upon any number of algorithms which can not only record preferences, but make suggestions to the user for programs which the user may find similar or interesting, based upon the viewers recorded viewing habits. For example, the service navigator may note that the viewer tends to view movies in a particular genre with a particular movie star. When a new listing of a movie which fits a similarity profile becomes available, the valet may suggest this option to the user.

RX-0288 (Hawkins Patent) col. 10, Ins. 49-59.

Hawkins explicitly states that the media valet “makes suggestions to the user for programs which the user may find similar or interesting, based upon the viewer’s recording habits.” In order to suggest the “similar or interesting” programs, Hawkins must identify them. Hawkins then gives an example of how it does so. The service navigator notes that the user has viewed movies with a certain combination of attributes: “a particular genre with a particular movie star.” When a listing of a new movie becomes available that fits the similarity profile—i.e., a movies with the same genre and movie star, “the valet may suggest this option to the user.”

Hawkins discloses that the smart service navigator can “make suggestions to the user for programs which the user may find similar or interesting” based on “any number of algorithms.” RX-1136C (Hallenbeck WS) at Q166-168; *see* RX-0288 (Hawkins patent) at col. 10, Ins. 49-54. Hawkins then describes a specific embodiment of one of the algorithms, a “vector analysis technique.” Mr. Griffin opines that the algorithm does not rely on user selections. That opinion requires Mr. Griffin to ignore the two explicit instances—highlighted below—in which Hawkins discloses that the vector map algorithm consumes as inputs user selections:

## PUBLIC VERSION

The navigator may be implemented in a manner currently similar to conventional ‘agency’ software. For example, certain types of searching tools currently available for the internet utilize a vector analysis technique wherein a vector map is calculated for ***each item which a particular user selects as part of a search***. Thereafter, when a search for similar items is desired, the software calculates a vector map of the search items and compares this map with the map representing the average of the user’s past selected preferences. Only those search items which fall within a certain limited variance from the user preference map are then presented to the user. Applying this technique to the present invention, the service navigator would read and calculate a vector map for ***each of the selected items which a user views over a given period of time***. Thereafter, each time the selection guide is loaded into the “smart” terminal, the navigator can perform an automatic or user-prompted search for similar items, and provide those items to the user.

*Id.* at col. 11, lns. 1-18 (emphasis added).

Mr. Griffin opines that the service navigator algorithms do not “describe any use of attributes.” Mr. Griffin obfuscates the Hawkins disclosure. Yet, the only algorithm that Hawkins discloses in any detail determines the attributes genre and actor, and then makes recommendations based on those attributes:

**The media valet acts to record viewer preferences based upon any number of algorithms which can not only record preferences, but make suggestions to the user for programs which the user may find similar or interesting**, based upon the viewers recorded viewing habits. For example, the **service navigator may note that the viewer tends to view movies in a particular genre with a particular movie star**. When a new listing of a movie which fits a similarity profile becomes available, the valet may suggest this option to the user.

*Id.* at col. 10, lns. 49-59 (emphasis added).

Accordingly, Hawkins teaches the determination of attributes specifically related to a user-selected program and the use of those attributes to identify and display similar movies.

**“selection of an identified program”**

## PUBLIC VERSION

Hawkins discloses that the smart service navigator is integrated into an “electronic program guide.” *Id.* at col. 11, lns. 19-21. The electronic program guide provides “interactive programming accessibility,” *i.e.*, the ability to select and view programs recommended by the smart service navigator. *Id.*; *see* RX-1136C (Hallenbeck WS) at Q181. For example, “[t]he electronic program guide can be made to show . . . video on demand, as regular broadcast channels in the television line-up.” RX-0288 (Hawkins patent) at col. 11, lns. 21-24. Hawkins explicitly discloses that the electronic program guide can search program listings:

The navigation system includes an electronic program guide, the electronic program guide comprising a listing of programming available on the information delivery system. The navigation system also includes a user interface having a plurality of object representations (such as icons) of various functions of the system, and including a broadcast television interface. The navigation system also includes a smart service navigator which interacts with the user interface and the electronic program guide to provide an output to the user.

*Id.* at col. 7, lns. 8-17.

Moreover, it is undisputed that one skilled in the art of the '776 patent understands that user selection of programs is an inherent feature of all electronic programs guides as of the time of the filing of the Hawkins patent. *See* RX-1136C (Hallenbeck WS) at Q159. Therefore, by integrating the media valet service into an electronic program guide, Hawkins expressly and inherently discloses selection of an identified program as required by dependent claims 4 and 17 of the '776 patent.

Rovi argues that Hawkins does not describe selecting an identified program because “the portion of the specification relied on by Mr. Hallenbeck . . . is completely



## PUBLIC VERSION

unrelated to the passage he references for identifying programs.” Compls. Br. at 367. That argument is incorrect. As described above, the “service navigator” performs the identifying step of the independent claims. Hawkins discloses that the very same “service navigator” is integrated into an “electronic program guide.” *Id.* at col. 11, lns. 19-21. That electronic program guide provides “interactive programming accessibility,” *i.e.*, the ability to select and view programs recommended by the smart service navigator. *Id.*; *see* RX-1136C (Hallenbeck WS) at Q181. Moreover, as noted, one skilled in the art of the ’776 patent understands that user selection of programs is an inherent feature of all electronic programs guides as of the time of the filing of the Hawkins patent. *See* RX-1136C (Hallenbeck WS) at Q159.

Accordingly, Netflix has shown that Hawkins anticipates and renders obvious each of the asserted claims of the 776 patent.

### **d. Reimer Patent**

For the reasons set forth below, Netflix has not shown that U.S. Patent No. 5,553,221 (the “221 patent” or “Reimer”) anticipates or renders obvious any asserted claim of the ’776 patent.

Reimer describes a system and method for providing data related to a movie while it is being presented by receiving and responding to user queries. The Reimer patent states that:

By pressing the “Pause” button, the user indicates that he has a question regarding the movie, scene, cut, and/or frame that is currently being displayed. The question may be, for example, “Who is this person?,” “What other movies has this director done?,” “Why is the street in this street wet when it appears to be a clear day?,” or “What other movies have script lines similar to what was just

## PUBLIC VERSION

said?”

CX-3696 (‘221 patent) at col. 16, lns. 32-39.

One example described in Reimer is “Query Type: Who is This?” Reimer states that the system “stores at least three index tables to support the processing of this query type: an Actor In Take table 1002, a Character In Scene Table 1012, and an Actor Play Character table 1013.” CX-3696 (‘221 patent) at col. 18, lns. 3-7. When a user invokes the query while watching a program, the system “retrieves from the Actor In Take table 1002 rows that relate to the current frame.” CX-3696 (‘221 patent) at col. 18, lns. 47-48. Reimer then states that the names of the actors are then presented to the user “in a well known manner.” CX-3696 (‘221 patent) at col. 19, lns. 2-3. Reimer also describes the “What other movies has this director done?” query example and a context-specific “Why” query example. CX-3696 (‘221 patent) at col. 19, ln. 50 – col. 20, ln. 37; *id.* at col. 21, ln. 36 – col. 22, ln. 39.

The sections of the Reimer patent relied on by Netflix were already considered by the patent examiner during prosecution of the application that led to the ‘776 patent. Thus, the clear and convincing evidence burden on the party challenging the validity becomes particularly difficult to sustain. *Impax Labs v. Aventis Pharms*, 545 F.3d 1312, 1314 (Fed. Cir. 2008) (citing *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1467 (Fed. Cir. 1990)).

As Mr. Griffin points out, Reimer does not anticipate or render obvious the asserted claims of the ‘776 patent. Reimer merely discusses a query system that presents data to users while watching a program. This method does not involve media guidance functionality or a method of searching for program listings. Reimer does not describe

## PUBLIC VERSION

identifying programs or selecting identified programs. Thus, Reimer does not describe a “method for searching for program listings” or satisfy the claim 1 elements of a “media guidance application”; “identifying, with the media guidance application, a list of programs based on the at least one attribute”; or “displaying the identified list of programs.” Likewise, Reimer fails to satisfy the claim 14 elements of “identify a list of programs based on the at least one attribute” or “a display processor configured to display the identified list of programs.” Finally, because Reimer does not describe a media guidance application that searches for program listings, and so does not identify or display programs as claimed, Reimer likewise does not describe receiving a selection of an identified program and thus fails to satisfy the elements “receiving, with the media guidance application, a selection of an identified program” or “receive a selection of an identified program” of claims 4 and 17, respectively.

The Reimer patent that Mr. Hallenbeck bases his opinions on shares specification sections in common with another “Reimer” patent, U.S. Patent No. 5,696,905, which was considered by the examiner during prosecution. The only material from the asserted prior art Reimer patent (U.S. Patent No. 5,553,221, CX-3696) that was not also present in the Reimer patent considered by the patent examiner (U.S. Patent No. 5,696,905, CX-0901)—is in columns 23-30 of the asserted prior art Reimer ‘221 patent. Mr. Hallenbeck makes only a single minor reference to that material in his claim chart for dependent claim 4. Other than that single reference, all of the material relied on by Mr. Hallenbeck was already before the examiner during prosecution and not found by the examiner to be sufficient to reject the asserted claims. In such circumstances, the clear and convincing evidence burden on the party challenging the validity becomes particularly difficult to

## PUBLIC VERSION

sustain. *Impax Labs*, 545 F.3d at 1314 (citing *Hewlett-Packard Co.*, 909 F.2d at 1467.

The Reimer patent does not identify “programs” as claimed in claims 1 and 14 of the ‘776 patent. As explained by Mr. Griffin, Reimer is a data query system, and thus does not describe a “method for searching for program listings” or a “media guidance application.” Thus, it does not identify or display programs. CX-5859C (Griffin RWS) at Q212. The method of Reimer involves creating index tables tailored for the query system. See CX-3696 (‘221 patent) at col. 18, lns. 3-9; col. 19, lns. 58-65; col. 21, lns. 48-52. While the “What Other Films Has This Director Worked On?” query results in data related to other programs, this is merely textual data from an “All Movies Credit Table” created for the query, as illustrated in Fig. 12B. The text displayed by Reimer is not selectable and does not lead to viewable programming. Nor is there any discussion about linking the textual data presented to actual program listings. Reimer is thus not a “media guidance application” because it does not “guide” the user to any available media.

Furthermore, the Reimer patent does not receive a selection of an identified program as claimed in claims 4 and 17 of the ‘776 patent. As explained by Mr. Griffin, Reimer does not describe a media guidance application that searches for program listings and so does not identify or display programs that can be selected. CX-5859C (Griffin RWS) at Q213. Mr. Hallenbeck relies on language in the Reimer patent where it identifies various lists that can be generated, including “the names of the actors, other credited roles, or scene technical detail,” “other movies, TV shows, or other scenes,” and “scenes including a specific product tie-in” and identifies the function of “[s]ave any of these lists for viewing selection.” CX-3696 (‘221 patent) at col. 5, lns. 33-52. Mr. Hallenbeck reads this language as saying that a user can “view items from the saved list.”

## PUBLIC VERSION

This is incorrect. This language merely states that the lists can be saved and later selected to re-view the lists. This is evident from the context, as the lists include “the names of actors” and “scene technical detail.” CX-3696 (‘221 patent) at col. 5, lns. 43-44. While these lists can be reviewed, in Mr. Hallenbeck’s mistaken reading, the specification would be saying that the actor can be selected and “viewed.” Moreover, inasmuch as Reimer does not display program listings, there is no disclosure of viewing listed programs. The lists include merely text to be viewed and nothing more.

### **D. Domestic Industry (Technical Prong)**

For the reasons set forth below, Rovi has satisfied the technical prong of the domestic industry requirement with respect to the ‘776 patent.

Complainants have shown that the technical prong of domestic industry for the ‘776 patent exists from the practice of Rovi’s TotalGuide System, Rovi’s CinemaNow Application on Samsung Smart Televisions, Apple’s iTunes Application on Apple iPads, and Apple’s iTunes Application on Apple TV devices by way of the testimony of Mr. Griffin and, for Rovi’s Total Guide System, by the testimony of Rovi’s former Director of Innovation, who helped develop TotalGuide, Michael Papish.

#### **1. Rovi’s TotalGuide System Practices the ‘776 Patent**

As discussed below, Rovi has shown that its TotalGuide products using Rovi Cloud Services (“the Rovi TotalGuide System” or “TotalGuide”) practice claims 1, 2, 14, and 15 of the ‘776 patent. As explained by Michael Papish, the former Director of Innovation at Rovi who helped develop TotalGuide, Rovi’s Search and Recommendations Demo (“S&R Demo”), a publically accessible website located at <http://sr-demo.rovicom.com> demonstrates the functionality of the TotalGuide search and



## PUBLIC VERSION

recommendation features by interacting with the TotalGuide servers the same way Rovi's TotalGuide commercial products do. Rovi's S&R Demo, is the testbed for the features offered in the Rovi TotalGuide System, which may then be incorporated into various TotalGuide consumer products, including TotalGuide CE (Consumer Electronics), TotalGuide STB (Set Top Boxes) and TotalGuide xD (Portable Devices). *See* CX-5751C (Griffin WS) Q722-765; CX-5747C (Papish WS) Q13-74.

### a. Method Claim 1 of the '776 Patent

The Rovi TotalGuide System practices independent method claim 1 of the '776 patent.

***Preamble: A method for searching for program listings using a media guidance application implemented at least partially on control circuitry configured for***

The preamble language of claim 1 is met. TotalGuide includes a method for searching for program listings because it carries out the claimed steps, which explain what such a method comprises. Total Guide includes the ability to search for program listings, as shown in CDX-0169 (CX-5751C (Griffin WS) at Q724), a screenshot from the Rovi TotalGuide System search and recommendation demonstration web site. CX-5751C (Griffin WS) at Q724. Mr. Papish also explained this process at the hearing by walking through the S&R Demo—one example of a client used to interact with the search and recommendation features of TotalGuide. *See* Papish Tr. 288-304; CDX-0779 (screenshots of Rovi's TotalGuide S&R Demo) (Papish Tr. 288-304).

***Element 1a: receiving, with the media guidance application, a user selection of a program***

TotalGuide literally meets this claim step. TotalGuide literally meets this claim step because a program can be selected by a user using the search functions, as shown in



**PUBLIC VERSION**

the screenshots of CDX-0169 (CX-5751C (Griffin WS) at Q726) and CDX-0170 (CX-5751C (Griffin WS) at Q726). CX-5751C (Griffin WS) at Q726. Mr. Papish's testimony also confirmed that TotalGuide meets this claim limitation in his example of selecting the program "Armageddon" through the S&R Demo. Papish Tr. 291; CDX-0779.1-.2 (screenshots of Rovi's TotalGuide S&R Demo); CX-5747C (Papish WS) at Q32.

***Element 1b: in response to receiving the user selection of the program, determining, with the media guidance application, at least one attribute specifically related to the selected program***

As proposed by Rovi, the administrative law judge found that the claim term "in response to receiving the user selection of the program" need not be construed. TotalGuide literally meets this claim step. When the movie "Armageddon" is selected for the "receiving" step, Total Guide also displays attributes specifically related to "Armageddon," including "Sci-Fi Disaster Film," "Sci-Fi Action," "Heroic Mission," "Space Travel," and "Hotshots," as shown in CDX-0171 (CX-5751C (Griffin WS) at Q728). CX-5751C (Griffin WS) at Q728. Mr. Papish confirmed this through demonstrating TotalGuide at the hearing. Papish Tr. 291-293; CDX-0779 at 2-3 (screenshots of Rovi's TotalGuide S&R Demo) (Papish Tr. 291-293); *see* CX-5747C (Papish WS) at Q29 and Q31-32.

This is also the case under Netflix's construction of the term "at least one attribute specifically related to the selected program" as "a characteristic of the selected program." As opined by Mr. Griffin, the attributes determined by Total Guide are characteristics of the selected program.

Netflix argues that the Netflix application does not meet this step under its construction of the term "in response to receiving the user selection of the program" as

## PUBLIC VERSION

“performing after and as a consequence of receiving the user selection of the program.”

However, as explained by Mr. Griffin, this step would still be literally met under Netflix’s construction. CX-5751C (Griffin WS) at Q730. TotalGuide’s determination of the attribute must be performed “after and as a consequence” of receiving the user selection of the program because the identified programs are presented after the user selects the program, and are thus performed after the selection and as a consequence of the selection.

However, as with infringement by the Netflix application, Netflix argues that, even though attributes are identified “after and as a consequence” of a user selection, the actions required to meet the “determining” language must encompass any and all calculations at all related to identifying similar programs. For the same reasons described above for this claim step in relation to the Netflix application, this is improper and incorrect. Moreover, for the same reasons described above, even if Netflix’s implicit claim construction of the “determining” language were adopted such that it required a complete computation, starting from scratch with no previous choice of specifically-related attributes for the selected program, there would still be practice under the doctrine of equivalents. As explained by Mr. Griffin, whether or not the computation of the attribute was carried out before or after the user selection of a program is an insubstantial difference. CX-5751C (Griffin WS) at Q733 and Q735. Notably, whether the computation is carried out completely before or after the selection, the exact same devices will carry out the exact same function (making use of an attribute) in exactly the same way (processing the attribute on other programs) to end up with the exact same result (a list of programs based on the attribute). The timing has no impact on the final

## PUBLIC VERSION

results or the way they are obtained.

*Element 1c: identifying, with the media guidance application, a list of programs based on the at least one attribute*

As proposed by Rovi, the administrative law judge construed the claim term “the at least one attribute” is the previously recited “at least one attribute specifically related to the selected program.” TotalGuide literally meets this claim step. TotalGuide literally meets this claim step because it identifies a list of programs based upon the at least one attribute, which are listed as “Item Recommendations” next to the “Item Taste Profile,” as shown in the screenshot of CDX-0171 (CX-5751C (Griffin WS) at Q739). CX-5751C (Griffin WS) at Q739. Mr. Papish confirmed that TotalGuide performs this step in his demonstration of TotalGuide at the hearing by explaining how TotalGuide’s servers will return to a user a list of Item Recommendations based on the Item Taste Profile associated with the program—in this instance, the movie Armageddon. Papish Tr. 291-293; CDX-0779 at 2-3 (screenshot of Rovi’s TotalGuide S&R Demo); *see* CX-5747C (Papish WS) at Q29 and Q31-32. Mr. Papish also explained that the TotalGuide commercial products, such as TotalGuide for STB, perform TotalGuide’s search and recommendation features the same way. In a TotalGuide User Guide, the recommendations are titled as “Similar Programs” (as opposed to “Item Recommendations in the S&R Demo). CX-5747C (Papish WS) at Q37-38; CX-2153C (TotalGuide User Experience Manual). Mr. Papish further confirmed that the underlining source code used in the S&R Demo and the TotalGuide commercial products is the same. CX-5747C (Papish WS) at Q41-74.

This is also the case under Netflix’s construction that the “the at least one

attribute” in the “identifying” step must be at least one of the “at least one attribute[s] specifically related to the selected program” in the determining step. As explained by Mr. Griffin, the attribute used in the identifying step are the attributes from the determining step, shown under the header “Item Taste Profile.”

***Element 1d: displaying the identified list of programs***

TotalGuide literally meets this claim step. TotalGuide literally meets this claim step because it displays the identified list of programs, shown in CDX-0171 (CX-5751C (Griffin WS) at Q743) as the list of programs under the header “Item Recommendations.” CX-5751C (Griffin WS) at Q743. Mr. Papish demonstrated the display of the identified list of programs at the hearing through the S&R Demo. After the user selected the movie Armageddon, TotalGuide displayed a list of recommended programs, including “Sunshine,” “Deep Impact,” and “The Right Stuff.” Papish Tr. 291-293; CDX-0779 at 2-3 (screenshot of Rovi’s TotalGuide S&R Demo); see CX-5747C (Papish WS) at Q29 and Q31-32. Mr. Papish also explained that the display of programs is illustrated in the TotalGuide User Guide, under “Similar Programs.” CX-5747C (Papish WS) at Q37-38; CX-2153C (TotalGuide User Manual).

**b. Method Claim 2 of the ‘776 Patent**

Rovi’s TotalGuide System practices dependent method claim 2 of the ‘776 patent.

***Claim 2. The method defined in claim 1, wherein receiving the user selection of a program comprises receiving a user selection of a program listing for the program from an on-screen display of program listings.***

TotalGuide literally meets this claim. In TotalGuide, the selection of a program is made from an on-screen display of program listings. When a user enters a search for a program, the resulting program listings are displayed on-screen as shown in CDX-0169

## PUBLIC VERSION

(CX-5751C (Griffin WS) at Q745). The user selects a program listing from the display of program listings and is sent to the page for the selected program, shown in CDX-0170 (CX-5751C (Griffin WS) at Q745). CX-5751C (Griffin WS) at Q745. Mr. Papish confirmed that TotalGuide performs this step at the hearing when he began his search for the movie Armageddon. Papish Tr. 290-291; CDX-779.1 (showing screenshot of Rovi's TotalGuide S&R Demo).

### **c. System Claim 14 of the '776 Patent**

The Rovi TotalGuide system practices independent system claim 14 of the '776 patent.

#### ***Preamble: A system for searching for program listings, comprising***

The preamble language of claim 14 is met for the same reasons the preamble language to method claim 1 is met.

***Element 14a: a processor configured to: receive a user selection of a program; in response to receiving the user selection of the program, determine at least one attribute specifically related to the selected program; and identify a list of programs based on the at least one attribute***

TotalGuide literally meets this claim element. There are many processors involved in implementing the Rovi TotalGuide System, including on both the user's device and on Rovi's Cloud Services servers. Mr. Papish explained the client-server architecture implemented by TotalGuide through both the S&R Demo and the commercial products under the TotalGuide umbrella. Papish Tr. 285-288; CX-5747C (Papish WS) at Q20-23. As another example, as discussed above in relation to the imported LGE products, televisions with sophisticated user interface functionality all inherently include a processor. It is also inherent that Rovi's servers use one or more



## PUBLIC VERSION

processors to carry out the computer-implemented recommendation algorithms discussed above. CX-5751C (Griffin WS) at Q749.

As explained by Mr. Griffin, the processor in the user's device is configured to receive a user selection of a program when a user inputs a selection as discussed above in relation to the "receiving" step of claim 1. CX-5751C (Griffin WS) at Q751-752.

Also, the one or more processors in Rovi's servers determine at least one attribute specifically related to the selected program in response to receiving the user selection of the program and identify a list of programs based on the at least one attribute as discussed above in relation to the corresponding method steps of claim 1. CX-5751C (Griffin WS) at Q754-755, Q757-758.

***Element 14b: a display processor configured to display the identified list of programs***

TotalGuide literally meets this claim element. This step is carried out by the display processor in the user's device to display the screen containing the "Item Recommendations," as discussed above. CX-5751C (Griffin WS) at Q760-761. Mr. Papish further demonstrated the display of the identified list of programs when they were displayed through the S&R Demo at the hearing. Papish Tr. 291-293; CDX-0779 at 2-3 (screenshot of Rovi's TotalGuide S&R Demo); *see* CX-5747C (Papish WS) at Q29, and Q31-32. Mr. Papish also explained that the display of programs is illustrated in the TotalGuide User Guide, under "Similar Programs." CX-5747C (Papish WS) at Q37-38; CX-2153C (TotalGuide User Manual). Moreover, for his invalidity opinions, Netflix's expert Mr. Hallenbeck has taken the position that a display processor is inherent in televisions. RX-1136C (Hallenbeck WS) at Q121.



## PUBLIC VERSION

### **d. System Claim 15 of the '776 Patent**

The Rovi TotalGuide System practices dependent system claim 15 of the '776 patent. Dependent system claim 15 is met for the reasons discussed in relation to independent system claim 14 and for the same reasons discussed above in relation to the corresponding dependent method claim 2. The step of claim 15 is carried out by the processor on the user's device when the user selects a program listing from the on-screen display of program listing results as discussed above in relation to dependent method claim 2. CX-5751C (Griffin WS) at Q763-764.

### **2. Samsung Smart Televisions Running Rovi's CinemaNow Application Practice the '776 Patent**

Samsung Smart Televisions running Rovi's CinemaNow application and using Rovi's Rovi Entertainment Store servers (collectively, the "CinemaNow System" or "CinemaNow") practice claims 1, 2, 4, 6, 14, 15, 17, and 19 of the '776 patent. *See* CX-5751C (Griffin WS) at Q766-821. Complainants' expert Mr. Griffin demonstrated this practice by a Samsung UN46D7000LF television (CPX-0047), but explained that this analysis applies to all Samsung televisions running the Rovi's CinemaNow application. CX-5751C (Griffin WS) at Q768.

### **a. Method Claim 1 of the '776 Patent**

The CinemaNow System practices independent method claim 1 of the '776 patent.

***Preamble: A method for searching for program listings using a media guidance application implemented at least partially on control circuitry configured for***

The preamble language of claim 1 is met. The CinemaNow System includes a method for searching for program listings because it carries out the claimed steps, which

## PUBLIC VERSION

explain what such a method comprises. The CinemaNow application, like the Netflix application, is a media guidance application that allows users to browse for, select, and view media programs, such as movies and television shows, including the movie “Zoolander” shown in CDX-0172 (screenshot of CPX-0047) (CX-5751C (Griffin WS) at Q771). CX-5751C (Griffin WS) at Q771. Mr. Griffin also explained that there are many processors involved in implementing the CinemaNow application, including on both the Samsung Smart Televisions and on Rovi’s servers. The Samsung televisions all inherently include a processor due to the sophistication of the user interface and general functionality. It is also inherent that Rovi uses one or more processors in their servers in order to respond to the requests of the CinemaNow client application. CX-5751C (Griffin WS) at Q799.

***Element 1a: receiving, with the media guidance application, a user selection of a program***

The CinemaNow System literally meets this claim step. Use of the CinemaNow System literally meets this claim step because program can be selected via the CinemaNow application, as shown in the screenshots of CDX-0172 and CDX-0173 (screenshots of CPX-0047) (CX-5751C (Griffin WS) at Q773). CX-5751C (Griffin WS) at Q773.

***Element 1b: in response to receiving the user selection of the program, determining, with the media guidance application, at least one attribute specifically related to the selected program***

The CinemaNow System literally meets this claim step. Use of the CinemaNow System literally meets this claim step because the user selects a program as described for the receiving step, which leads to a screen that includes a “Similar” button, which leads

## PUBLIC VERSION

to a screen that allows the user to browse for similar programs based on attributes of the selected program, such as “Cast and Crew” and “Similar Genre” as shown in CDX-0174 (screenshot of CPX-0047) (CX-5751C (Griffin WS) at Q775). CX-5751C (Griffin WS) at Q775.

This is also the case under Netflix’s construction of the term “at least one attribute specifically related to the selected program” as “a characteristic of the selected program.” As explained by Mr. Griffin, the genre attribute used by the CinemaNow System is clearly a characteristic of the selected program. CX-5751C (Griffin WS) at Q781.

Netflix argues that the CinemaNow System does not meet this step under its construction of the term “in response to receiving the user selection of the program” as “performing after and as a consequence of receiving the user selection of the program.” However, as explained by Mr. Griffin, this step would still be literally met under Netflix’s construction. CX-5751C (Griffin WS) at Q777. The determination of the attribute must be performed “after and as a consequence” of receiving the user selection of the program because the identified programs are presented after the user selects the program, and are thus performed after the selection and as a consequence of the selection.

Netflix argues that even though attributes are identified “after and as a consequence” of a user selection, the actions required to meet the “determining” language must encompass any and all calculations at all related to identifying similar programs. For the same reasons described above for this claim step in relation to the Netflix application, this is improper and incorrect. Moreover, for the same reasons described above, even if Netflix’s implicit claim construction of the “determining” language were adopted such that it required a complete computation, starting from scratch with no

## PUBLIC VERSION

previous choice of specifically-related attributes for the selected program, there would still be practice under the doctrine of equivalents. As explained by Mr. Griffin, whether or not the computation of the attribute was carried out before or after the user selection of a program is an insubstantial difference. CX-5751C (Griffin WS) at Q779. Notably, whether the computation is carried out completely before or after the selection, the exact same devices will carry out the exact same function (making use of an attribute) in exactly the same way (processing the attribute on other programs) to end up with the exact same result (a list of programs based on the attribute). The timing has no impact on the final results or the way they are obtained.

***Element 1c: identifying, with the media guidance application, a list of programs based on the at least one attribute***

The CinemaNow System literally meets this claim step. The CinemaNow System literally meets this claim step because it identifies a list of programs based upon the genre attribute. For example, when “Similar Genre” is selected, the CinemaNow application displays a list of programs based on the genre attribute of the selected program, as shown in the screenshot of CDX-0174 (screenshot of CPX-0047) (CX-5751C (Griffin WS) at Q783). CX-5751C (Griffin WS) at Q783.

This is also the case under Netflix’s construction that the “the at least one attribute” in the “identifying” step must be at least one of the “at least one attribute[s] specifically related to the selected program” in the determining step. As explained by Mr. Griffin, the genre attribute in the identifying step is the same genre attribute from the determining step.

*Element 1d: displaying the identified list of programs*

The CinemaNow System literally meets this claim step. The CinemaNow System literally meets this claim step because they display the identified list of programs, as shown in CDX-0174 (screenshot of CPX-0047) (CX-5751C (Griffin WS) at Q787). See CX-5751C (Griffin WS) at Q787.

**b. Dependent Method Claims 2, 4, and 6 of the '776 Patent**

The CinemaNow System practices dependent method claims 2, 4, and 6 of the '776 patent.

*Claim 2. The method defined in claim 1, wherein receiving the user selection of a program comprises receiving a user selection of a program listing for the program from an on-screen display of program listings.*

The CinemaNow System literally meets this claim. Use of the CinemaNow System literally meets this claim because in the CinemaNow application, the selection of a program is made from an on-screen display of program listings, as shown in the images in CDX-0172 and CDX-0173 (screenshots of CPX-0047) (CX-5751C (Griffin WS) at Q789). CX-5751C (Griffin WS) at Q789.

*Claim 4. The method of claim 1, further comprising: receiving, with the media guidance application, a selection of an identified program; and at least one of recording, viewing and storing the identified program in response to receiving the selection of the identified program.*

The CinemaNow System literally meets this claim. Use of the CinemaNow System literally meets the step of “receiving, with the media guidance application, a selection of an identified program” because in the CinemaNow application, from the “Similar Genre” screen shown in CDX-0174 (screenshot of CPX-0047) (CX-5751C (Griffin WS) at Q791), the user can select one of the programs listed. Mr. Griffin further explains that use of the CinemaNow System literally meets the step of “at least one of

## PUBLIC VERSION

recording, viewing and storing the identified program in response to receiving the selection of the identified program” because once the program is selected on the screen shown in CDX-0174 the user can order and view the program by choosing the “Rent or Buy” button. CX-5751C (Griffin WS) at Q793.

***Claim 6. The method of claim 1, wherein the identified program is available from a digital archive.***

The CinemaNow System literally meets this claim. Use of the CinemaNow System literally meets this claim, because the CinemaNow application is an internet-based media streaming service, and thus the programs are inherently available from a digital archive. CX-5751C (Griffin WS) at Q795.

### **c. System Claim 14 of the ‘776 Patent**

The CinemaNow System practices independent system claim 14 of the ‘776 patent.

***Preamble: A system for searching for program listings, comprising***

The preamble language of claim 14 is met for the same reasons the preamble language to method claim 1 is met.

***Element 14a: a processor configured to: receive a user selection of a program; in response to receiving the user selection of the program, determine at least one attribute specifically related to the selected program; and identify a list of programs based on the at least one attribute***

The CinemaNow System literally meets this claim element. There are many processors involved in implementing the CinemaNow System, including on both the Samsung Smart Television and on Rovi’s Rovi Entertainment Store servers. The Samsung televisions all inherently include a processor due to the sophistication of the user interface and general functionality. It is also inherent that Rovi uses one or more



**PUBLIC VERSION**

processors in their servers in order to respond to the requests of the CinemaNow client application. CX-5751C (Griffin WS) at Q799.

As explained by Mr. Griffin, the processor in the Samsung Smart Televisions is configured to receive a user selection of a program when a user inputs a selection as discussed above in relation to the “receiving” step of claim 1. CX-5751C (Griffin WS) at Q801-802.

Also, the one or more processors in Rovi’s Rovi Entertainment Store servers receive a user selection of a program, determine at least one attribute specifically related to the selected program in response to receiving the user selection of the program, and identify a list of programs based on the at least one attribute as discussed above in relation to the corresponding method steps of claim 1. CX-5751C (Griffin WS) at Q801-802, Q804-805, Q807-808.

***Element 14b: a display processor configured to display the identified list of programs***

The CinemaNow System literally meets this claim element. This step is carried out by the display processor in the Samsung Smart Televisions to display the screens discussed above in relation to the method claim 1 step of “displaying the identified list of programs.” CX-5751C (Griffin WS) at Q810-811. Moreover, for his invalidity opinions, Netflix’s expert Mr. Hallenbeck has taken the position that a display processor is inherent in televisions. RX-1136C (Hallenbeck WS) at Q121.

**d. Dependent System Claims 15, 17, and 19 of the ‘776 Patent**

The CinemaNow System practices dependent system claims 15, 17, and 19 of the ‘776 patent. These claims are met for the reasons discussed in relation to independent

## PUBLIC VERSION

system claim 14 and for the same reasons discussed above in relation to the corresponding dependent method claims 2, 4, and 6. As complainants' expert Mr. Griffin opined, the step of claim 15 is carried out by the processor of the Samsung Smart Television when a user inputs a selection of a program listing from an on-screen display of program listings while running the CinemaNow application as discussed above in relation to dependent method claim 2. Mr. Griffin further explains that the steps of claim 17 are carried out by the processor of the Samsung Smart Television when a user inputs a selection of an identified program and directs a display processor to display the selected, identified program while running the CinemaNow application, as discussed above in relation to dependent method claim 4. CX-5751C (Griffin WS) at Q813-814, Q816, Q818-819, Q821.

### **3. Apple's iTunes Application on Apple iPads Practices the '776 Patent**

Apple's iTunes application running on Apple iPads and using Apple's servers practice claims 1, 2, 4, 6, 14, 15, 17, and 19 of the '776 patent. Apple's iTunes Application is present on all Apple iPads and shown below on an Apple iPad 2 (CPX-0053). As they relate to the invention claimed in the '776 patent, all Apple iPads running the iTunes Application version included with the Apple iOS 6 operating system (released on September 19, 2012) operate the same in relation to the recommendations provided. CX-5751C (Griffin WS) at Q824. This includes all the fourth generation iPads, the iPad Mini, as well as all previous versions of the iPad that have been updated to iOS 6. CX-5751C (Griffin WS) at Q822-880.

## PUBLIC VERSION

### a. Method Claim 1 of the '776 Patent

The iTunes application on Apple iPads and Apple's servers practices (referred to below as "the iTunes application") independent method claim 1 of the '776 patent.

***Preamble: A method for searching for program listings using a media guidance application implemented at least partially on control circuitry configured for***

The preamble language of claim 1 is met. As explained by Complainants' expert Mr. Griffin, the iTunes application includes a method for searching for program listings because it carries out the claimed steps, which explain what such a method comprises. The iTunes application, like the Netflix application, is a media guidance application that allows users to browse for, select, and view media programs, such as movies and television shows, including the movie "The Avengers," shown in CDX-0175 and CDX-0176 (screenshots of CPX-0053) (CX-5751C (Griffin WS) at Q827). CX-5751C (Griffin WS) at Q827. Mr. Griffin also explained that there are many processors involved in implementing the iTunes application, including on both the iPad and on Apple's servers. Apple iPads all inherently include a processor due to the sophistication of the user interface and general functionality. It is also inherent that Apple uses one or more processors in their servers in order to respond to the requests of the iTunes client application. CX-5751C (Griffin WS) at Q858.

***Element 1a: receiving, with the media guidance application, a user selection of a program***

The iTunes application literally meets this claim step. Use of the iTunes application literally meets this claim step because a program can be selected via the iTunes application, as shown in the screenshots of CDX-0175 and CDX-0176 (screenshots of CPX-0053) (CX-5751C (Griffin WS) at Q827). CX-5751C (Griffin WS)

PUBLIC VERSION

at Q829.

*Element 1b: in response to receiving the user selection of the program, determining, with the media guidance application, at least one attribute specifically related to the selected program*

The iTunes application literally meets this claim step. The user selects a program as described for the receiving step. In response to the user selection, the iTunes application displays a screen with a list of the cast and crew of the selected program. As shown in CDX-0176 and CDX-0177 (screenshots of CPX-0053) (CX-5751C (Griffin WS) at Q831), the user can select one of the cast or crew members. CX-5751C (Griffin WS) at Q831.

This is also the case under Netflix's construction of the term "at least one attribute specifically related to the selected program" as "a characteristic of the selected program." As explained by Mr. Griffin, the cast and crew attributes used by the iTunes Application are clearly characteristics of the selected program. CX-5751C (Griffin WS) at Q840.

Netflix argues that the iTunes application does not meet this step under their construction of the term "in response to receiving the user selection of the program" as "performing after and as a consequence of receiving the user selection of the program." However, as explained by Mr. Griffin, this step would still be literally met under Netflix's construction. CX-5751C (Griffin WS) at Q833. The determination of the attribute must be performed "after and as a consequence" of receiving the user selection of the program because the identified programs are presented after the user selects the program, and are thus performed after the selection and as a consequence of the selection.

Netflix argues that even though attributes are identified "after and as a consequence" of a user selection, the actions required to meet the "determining" language

## PUBLIC VERSION

must encompass any and all calculations at all related to identifying similar programs. For the same reasons described above for this claim step in relation to the Netflix application, this is improper and incorrect. CX-5751C (Griffin WS) at Q836. Moreover, for the same reasons described above, even if Netflix's implicit claim construction of the "determining" language were adopted such that it required a complete computation, starting from scratch with no previous choice of specifically-related attributes for the selected program, there would still be practice under the doctrine of equivalents. As explained by Mr. Griffin, whether or not the computation of the attribute was carried out before or after the user selection of a program is an insubstantial difference. CX-5751C (Griffin WS) at Q838. Notably, whether the computation is carried out completely before or after the selection, the exact same devices will carry out the exact same function (making use of an attribute) in exactly the same way (processing the attribute on other programs) to end up with the exact same result (a list of programs based on the attribute). The timing has no impact on the final results or the way they are obtained.

***Element 1c: identifying, with the media guidance application, a list of programs based on the at least one attribute***

The iTunes application literally meets this claim step. Use of the iTunes application literally meets this claim step because it determines the program's cast and crew, which is used to identify a list of other programs that a cast member appears in, or that a crew member worked on, as shown in the screenshot of CDX-0178 (screenshot of CPX-0053) (CX-5751C (Griffin WS) at Q842). CX-5751C (Griffin WS) at Q842.

This is also the case under Netflix's construction that the "the at least one attribute" in the "identifying" step must be at least one of the "at least one attribute[s]"



## PUBLIC VERSION

specifically related to the selected program” in the determining step. As explained by Mr. Griffin, the attribute used in the identifying step, the cast member “Samuel L. Jackson” is one of the attributes from the determining step, which were all cast and crew members listed, including “Samuel L. Jackson.” CX-5751C (Griffin WS) at Q844.

### ***Element 1d: displaying the identified list of programs***

Use of the iTunes application literally meets this claim step. The iTunes application literally meets this claim step because they display the identified list of programs, as shown in CDX-0178 (screenshot of CPX-0053) (CX-5751C (Griffin WS) at Q846). CX-5751C (Griffin WS) at Q846.

### **b. Dependent Method Claims 2, 4, and 6 of the ‘776 Patent**

The iTunes application practices dependent method claims 2, 4, and 6 of the ‘776 patent.

***Claim 2. The method defined in claim 1, wherein receiving the user selection of a program comprises receiving a user selection of a program listing for the program from an on-screen display of program listings.***

The iTunes application literally meets this claim. Use of the iTunes application literally meets this claim because in the iTunes application, the selection of a program is made from an on-screen display of program listings, as shown in the images in CDX-0175 and CDX-0176 (screenshots of CPX-0053) (CX-5751C (Griffin WS) at Q848). CX-5751C (Griffin WS) at Q848.

***Claim 4. The method of claim 1, further comprising: receiving, with the media guidance application, a selection of an identified program; and at least one of recording, viewing and storing the identified program in response to receiving the selection of the identified program.***

The iTunes application literally meets this claim. Use of the iTunes application literally meets the step of “receiving, with the media guidance application, a selection of



## PUBLIC VERSION

an identified program” because in the iTunes application, from the identified list of programs that have “Samuel L. Jackson” as a cast member attribute shown in CDX-0178 (screenshots of CPX-0053) (CX-5751C (Griffin WS) at Q850), a user can select one of the identified programs, such as the movie “Unthinkable.” Mr. Griffin further explains that use of the iTunes application literally meets the step of “at least one of recording, viewing and storing the identified program in response to receiving the selection of the identified program” because once the program is selected the user can then order and view the program selected from the identified list of programs that have “Samuel L. Jackson” as a cast member attribute, such as the movie “Unthinkable.” CX-5751C (Griffin WS) at Q852.

***Claim 6. The method of claim 1, wherein the identified program is available from a digital archive.***

The iTunes application literally meets this claim. Use of the iTunes application literally meets this claim, because the iTunes application is an internet-based media streaming service, and thus the programs are inherently available from a digital archive. CX-5751C (Griffin WS) at Q854.

### **c. System Claim 14 of the ‘776 Patent**

The Apple iPads running the iTunes application and Apple’s servers practice independent system claim 14 of the ‘776 patent.

***Preamble: A system for searching for program listings, comprising***

The preamble language of claim 14 is met for the same reasons the preamble language to method claim 1 is met.

## PUBLIC VERSION

***Element 14a: a processor configured to: receive a user selection of a program; in response to receiving the user selection of the program, determine at least one attribute specifically related to the selected program; and identify a list of programs based on the at least one attribute***

The Apple iPads running the iTunes application and Apple's servers literally meet this claim element. There are many processors involved in implementing the iTunes application, including on both the Apple iPads and on Apple's servers. CX-5751C (Griffin WS) at Q858. Apple iPads all inherently include a processor due to the sophistication of the user interface and general functionality. It is also inherent that Apple uses one or more processors in their servers in order to respond to the requests of the iTunes client application. CX-5751C (Griffin WS) at Q858.

As explained by Mr. Griffin, the processor in the Apple iPad is configured to receive a user selection of a program when a user inputs a selection as discussed above in relation to the "receiving" step of claim 1. CX-5751C (Griffin WS) at Q860-861.

Also, the one or more processors in Apple's servers receive a user selection of a program, determine at least one attribute specifically related to the selected program in response to receiving the user selection of the program, and identify a list of programs based on the at least one attribute as discussed above in relation to the corresponding method steps of claim 1. CX-5751C (Griffin WS) at Q860-861, Q863-864, Q866-867.

***Element 14b: a display processor configured to display the identified list of programs***

The Apple iPads literally meet this claim element. This step is carried out by the display processor in the Apple iPads to display the screens discussed above in relation to the method claim 1 step of "displaying the identified list of programs." CX-5751C (Griffin WS) at Q869-870. Moreover, for his invalidity opinions, Netflix's expert Mr.

## PUBLIC VERSION

Hallenbeck has taken the position that a display processor is inherent in televisions. RX-1136C (Hallenbeck WS) at Q121.

### **d. Dependent System Claims 15, 17, and 19 of the '776 Patent**

The Apple iPads running the iTunes application and Apple's servers practice dependent system claims 15, 17, and 19 of the '776 patent. These claims are met for the reasons discussed in relation to independent system claim 14 and for the same reasons discussed above in relation to the corresponding dependent method claims 2, 4, and 6. CX-5751C (Griffin WS) at Q872, Q875, Q877-878, Q880. The step of claim 15 is carried out by the processor of the Apple iPads when a user inputs a selection of a program listing from an on-screen display of program listings while running the iTunes application as discussed above in relation to dependent method claim 2. Mr. Griffin further explains that the steps of claim 17 are carried out by the processor of the Apple iPads when a user inputs a selection of an identified program and directs a display processor to display the selected, identified program while running the iTunes application, as discussed above in relation to dependent method claim 4. CX-5751C (Griffin WS) at Q872, Q875, Q877-878, Q880.

### **4. Apple's iTunes Application on Apple TV Devices Practices the '776 Patent**

Apple's iTunes application running on second and third generation Apple TV devices and using Apple's servers practice claims 1, 2, 4, 6, 14, 15, 17, and 19 of the '776 patent. CX-5751C (Griffin WS) at Q880-936. Apple's iTunes Application is present on all Apple TV devices and shown below on a third generation Apple TV device (CPX-0052). As they relate to the invention claimed in the '776 patent, the second and third

## PUBLIC VERSION

generation Apple TVs operate the same in relation to the recommendations provided. CX-5751C (Griffin WS) at Q884.

### a. Method Claim 1 of the '776 Patent

The Apple iTunes application on Apple TV devices and Apple's servers practice independent method claim 1 of the '776 patent.

***Preamble: A method for searching for program listings using a media guidance application implemented at least partially on control circuitry configured for***

The preamble language of claim 1 is met. Apple TV devices and Apple's servers include a method for searching for program listings because they carry out the claimed steps, which explain what such a method comprises. CX-5751C (Griffin WS) at Q886. Apple's iTunes Application on Apple TV devices, like the Netflix application, is a media guidance application that allows users to browse for, select, and view media programs, such as movies and television shows, including the movie "The Avengers," as shown in CDX-0179 and CDX-0180 (screenshots of CPX-0052) (CX-5751C (Griffin WS) at Q886). CX-5751C (Griffin WS) at Q886. Mr. Griffin also explained that there are many processors involved in implementing the iTunes application on Apple TV devices, including processors on both the Apple TV devices and on Apple's servers. The Apple TVs all inherently include a processor due to the sophistication of the user interface and general functionality. It is also inherent that Apple uses one or more processors in their servers in order to respond to the requests of the iTunes client application. CX-5751C (Griffin WS) at Q914.

***Element 1a: receiving, with the media guidance application, a user selection of a program***

The Apple iTunes application on Apple TV devices and Apple's servers literally

## PUBLIC VERSION

meet this claim step. Use of the iTunes application literally meets this claim step because program can be selected via the iTunes application, as shown in the screenshots of CDX-0179 and CDX-0180 (screenshots of CPX-0052) (CX-5751C (Griffin WS) at Q886). CX-5751C (Griffin WS) at Q888.

***Element 1b: in response to receiving the user selection of the program, determining, with the media guidance application, at least one attribute specifically related to the selected program***

The Apple iTunes application on Apple TV devices and Apple's servers literally meet this claim step. Use of the iTunes application literally meets this claim step because the user selects a program as described for the receiving step, which leads to a screen that includes a "More" button, which leads to a screen with a list of actors from the selected program as shown in CDX-0180 and CDX-0181 (screenshots of CPX-0052) (CX-5751C (Griffin WS) at Q890). CX-5751C (Griffin WS) at Q890.

This is also the case under Netflix's construction of the term "at least one attribute specifically related to the selected program" as "a characteristic of the selected program." The actor attributes used by the iTunes Application are clearly characteristics of the selected program. CX-5751C (Griffin WS) at Q896.

Netflix argues that the Apple iTunes application on Apple TV devices and Apple's servers do not meet this step under their construction of the term "in response to receiving the user selection of the program" as "performing after and as a consequence of receiving the user selection of the program." However, this step would still be literally met under Netflix's construction. CX-5751C (Griffin WS) at Q892. The determination of the attribute must be performed "after and as a consequence" of receiving the user selection of the program because the identified programs are presented after the user



## PUBLIC VERSION

selects the program, and are thus performed after the selection and as a consequence of the selection.

Netflix argues that even though attributes are identified “after and as a consequence” of a user selection, the actions required to meet the “determining” language must encompass any and all calculations at all related to identifying similar programs. For the same reasons described above for this claim step in relation to the Netflix application, this is improper and incorrect. Moreover, for the same reasons described above, even if Netflix’s implicit claim construction of the “determining” language were adopted such that it required a complete computation, starting from scratch with no previous choice of specifically-related attributes for the selected program, there would still be practice under the doctrine of equivalents. As explained by Mr. Griffin, whether or not the computation of the attribute was carried out before or after the user selection of a program is an insubstantial difference. CX-5751C (Griffin WS) at Q894. Notably, whether the computation is carried out completely before or after the selection, the exact same devices will carry out the exact same function (making use of an attribute) in exactly the same way (processing the attribute on other programs) to end up with the exact same result (a list of programs based on the attribute). The timing has no impact on the final results or the way they are obtained.

***Element 1c: identifying, with the media guidance application, a list of programs based on the at least one attribute***

The Apple iTunes application on Apple TV devices and Apple’s servers literally meet this claim step. Use of the iTunes application literally meets this claim step because iTunes determines actors, and uses an actor attribute to identify a list of other programs



that actor appears in, as shown in the screenshot of CDX-0181 (screenshot of CPX-0052). CX-5751C (Griffin WS) at Q898.

This is also the case under Netflix's construction that the "the at least one attribute" in the "identifying" step must be at least one of the "at least one attribute[s] specifically related to the selected program" in the determining step. As explained by Mr. Griffin, the attribute used in the identifying step, for example, the actor "Robert Downey Jr.," is one of the attributes from the determining step, which were all cast and crew members listed, including "Robert Downey Jr."

***Element 1d: displaying the identified list of programs***

The Apple iTunes application on Apple TV devices and Apple's servers literally meet this claim step. The iTunes application literally meets this claim step because it displays the identified list of programs, as shown in CDX-0181 (screenshot of CPX-0052). CX-5751C (Griffin WS) at Q902.

**b. Dependent Method Claims 2, 4, and 6 of the '776 Patent**

The Apple iTunes application on Apple TV devices and Apple's servers practice dependent method claims 2, 4, and 6 of the '776 patent.

***Claim 2. The method defined in claim 1, wherein receiving the user selection of a program comprises receiving a user selection of a program listing for the program from an on-screen display of program listings.***

The Apple iTunes application on Apple TV devices and Apple's servers literally meet this claim. Use of the iTunes application literally meets this claim because in the iTunes application, the selection of a program is made from an on-screen display of program listings, as shown in the images in CDX-0181 (screenshot of CPX-0052). CX-5751C (Griffin WS) at Q904.

## PUBLIC VERSION

***Claim 4. The method of claim 1, further comprising: receiving, with the media guidance application, a selection of an identified program; and at least one of recording, viewing and storing the identified program in response to receiving the selection of the identified program.***

The Apple iTunes application on Apple TV devices and Apple's servers literally meet this claim. Use of the iTunes application literally meets the step of "receiving, with the media guidance application, a selection of an identified program" because in the iTunes application, from the identified list of programs that have "Robert Downey Jr." as a cast member attribute shown in CDX-0181 (CX-5751C (Griffin WS) at Q907), a user can select one of the identified programs, such as the movie "Iron Man." CX-5751C (Griffin WS) at Q907. Mr. Griffin further explains that use of the iTunes application literally meets the step of "at least one of recording, viewing and storing the identified program in response to receiving the selection of the identified program" because once the program is selected on the screen shown in CDX-0181 (CX-5751C (Griffin WS) at Q906) the user can order and view the program. CX-5751C (Griffin WS) at Q908.

***Claim 6. The method of claim 1, wherein the identified program is available from a digital archive.***

The Apple iTunes application on Apple TV devices and Apple's servers literally meet this claim. Use of the iTunes application literally meets this claim, because the iTunes application is an internet-based media streaming service, and thus the programs are inherently available from a digital archive. CX-5751C (Griffin WS) at Q910.

### **c. System Claim 14 of the '776 Patent**

The Apple TV devices, running Apple's iTunes application, and Apple's servers practice independent system claim 14 of the '776 patent.

## PUBLIC VERSION

***Preamble: A system for searching for program listings, comprising***

The preamble language of claim 14 is met for the same reasons the preamble language to method claim 1 is met. CX-5751C (Griffin WS) at Q912.

***Element 14a: a processor configured to: receive a user selection of a program; in response to receiving the user selection of the program, determine at least one attribute specifically related to the selected program; and identify a list of programs based on the at least one attribute***

The Apple TV devices, running Apple's iTunes application, and Apple's servers literally meet this claim element. There are many processors involved in implementing the iTunes application on Apple TV devices, including processors on both the Apple TV devices and on Apple's servers. The Apple TVs all inherently include a processor due to the sophistication of the user interface and general functionality. It is also inherent that Apple uses one or more processors in their servers in order to respond to the requests of the iTunes client application. CX-5751C (Griffin WS) at Q914.

As explained by Mr. Griffin, the processor in the Apple TV devices is configured to receive a user selection of a program when a user inputs a selection as discussed above in relation to the "receiving" step of claim 1. CX-5751C (Griffin WS) at Q916-Q917.

Also, the one or more processors in Apple's servers receive a user selection of a program, determine at least one attribute specifically related to the selected program in response to receiving the user selection of the program, and identify a list of programs based on the at least one attribute as discussed above in relation to the corresponding method steps of claim 1. CX-5751C (Griffin WS) at Q916-917, Q919-920, Q922-923.

***Element 14b: a display processor configured to display the identified list of programs***

The Apple TV devices, running Apple's iTunes application, and Apple's servers

literally meet this claim element. This step is carried out by the display processor in the Apple TV devices to display the screens discussed above in relation to the method claim 1 step of “displaying the identified list of programs.” CX-5751C (Griffin WS) at Q925-926. Moreover, for his invalidity opinions, Netflix’s expert Mr. Hallenbeck has taken the position that a display processor is inherent in televisions. RX-1136C (Hallenbeck WS) at Q121.

**d. Dependent System Claims 15, 17, and 19 of the ‘776 Patent**

The Apple TV devices, running Apple’s iTunes application, and Apple’s servers practice dependent system claims 15, 17, and 19 of the ‘776 patent. These claims are met for the reasons discussed in relation to independent system claim 14 and for the same reasons discussed above in relation to the corresponding dependent method claims 2, 4, and 6. CX-5751C (Griffin WS) at Q928-929, Q931, Q933-934, Q936. The step of claim 15 is carried out by the processor of the Apple TV devices when a user inputs a selection of a program listing from an on-screen display of program listings while running the iTunes application as discussed above in relation to dependent method claim 2. The steps of claim 17 are carried out by the processor of the Apple TV devices when a user inputs a selection of an identified program and directs a display processor to display the selected, identified program while running the iTunes application, as discussed above in relation to dependent method claim 4. CX-5751C (Griffin WS) at Q928-929, Q931, Q933-934, Q936.

## PUBLIC VERSION

### VIII. U.S. Patent No. 7,103,906

United States Patent No. 7,103,906 (the “‘906 Patent”), entitled “User Controlled Multi-Device Media-On-Demand System”, issued on September 5, 2006. *See* Exhibit CX-1296 (‘906 patent). The ‘906 Patent was based on U.S. Patent Application No. 09/676,545. *See id.* The named inventors are Neil Katz, Bruce P. Semple, Edith H. Stern, and Barry E. Wilner. The ‘906 patent relates to “the field of multimedia transfer and control,” and more particularly to “a method and apparatus for dynamically controlling and referencing digital media independent of the point of access.” CX-1296 at col. 1, lns. 17-21.

Rovi asserts method claims 1-3 and 10-11 of the ‘906 patent against Netflix.

Compls. Br. at 71. The asserted claims read as follows:

1. A method for providing configurable access to media in a media-on-demand system comprising the steps of:
  - delivering the media to a first client device through a first communications link, wherein the media is configured in a format compatible with identified device properties of said first client device and said first client device is associated with a first user;
  - recording a bookmark specifying a position in the media; and
  - delivering the media to a second client device through a second communications link, said delivery to said second client device beginning at said position specified by said recorded bookmark, wherein the media is configured in a format compatible with identified device properties of said second client device and said second client device also is associated with said first user.
2. The method according to claim 1, further comprising the steps of:
  - identifying device properties for each of said first and second client devices, device properties of said first client device being identified prior to commencing delivery of the media to said

## PUBLIC VERSION

first client device and device properties of said second client device being identified prior to commencing delivery of the media to said second client device.

**3.** The method according to claim **2**, wherein the media is stored in a media-on-demand server (MODS) and delivered to said first and said second client devices via said first and said second communications link respectively.

**10.** A method for providing configurable access to media in a media-on-demand system comprising:

delivering the media to a first client device in a first format compatible with said first client device, wherein said first client device is associated with a first user;

interrupting said delivery of said media;

recording a bookmark specifying a position in the media when said interruption occurred; and

resuming delivery of the media to a second client device in a second format compatible with said second client device, said resumed delivery beginning at a position in the media specified by said recorded bookmark, wherein said second client device also is associated with said first user.

**11.** The method according to claim **10**, further comprising the steps of:

identifying a device type for each of said first and second client devices;

delivering the media to said first client device in said first format, said first format selected based upon said identified device type for said first client device; and,

delivering the media to said second client device in said second format, said second format selected based upon said identified device type for said second client device.

CX-1296 at col. 12, ln. 45 – col. 13, ln. 7; col. 14, lns. 26-50.



## PUBLIC VERSION

### A. Claim Construction<sup>37</sup>

The parties agree that there are no disputed claim terms with respect to the '906 patent. Joint Outline at 3; Compls. Br. at 62; Resps. Br. at 212.

### B. Infringement Analysis of the '906 Patent

Rovi argues that “the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the '906 patent with access to the Netflix service from imported devices including Netflix Ready Devices (including those imported and sold by LGE and Vizio). There have been acts of direct infringement of claims 1-3 and 10-11 of the '906 patent and Netflix both had knowledge of the '906 Patent and knew or was willfully blind that its action of selling for importation the licensed Netflix Application and the integrated and licensed Netflix software would cause the direct infringement.” Compls. Br. at 71.

Rovi argues that “Netflix has specifically designed the Netflix Application on imported devices (*e.g.*, VIZIO or LGE Televisions) to infringe the asserted claims of the '906 patent – namely to allow users to pause and resume viewing across two or more devices, and even tracks the number of times that users use the Netflix Application in such a manner.” Compls. Br. at 71. It is argued that “the use of the Netflix Application in this manner causes all of the steps of the '906 claims 1-3 and 10-11 to be performed.” *Id.* Rovi asserts that “[t]he direct infringement occurs when the claimed steps are carried

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<sup>37</sup> A person of ordinary skill in the art of the '906 patent at the time of the invention is a person with a bachelor's degree in electrical or computer engineering or computer science, or equivalent experience, and two to four years of experience relating to television or video media technology, computer programming, user interfaces, or any equivalent knowledge, training, or experience. *See* CX-5750C (Shamos WS) at Q29.

**PUBLIC VERSION**

out by Netflix and users of the Netflix Application.” *Id.* Rovi argues that “[d]irect infringement also occurs when Netflix by itself carries out each of the claimed steps.” *Id.* at 71-72.

Netflix disagrees. Resps. Br. at 241-271.

For the reasons set forth below, Rovi has not shown that Netflix’s accused products infringe asserted claims of the ‘906 patent.

**I. Accused Products**

Rovi argues that “[t]here is a sale for importation under Section 337 based on various agreements whereby Netflix supplies [ ] for importation and integration into respective partner devices, including the Partners [ ] to create and distribute device-specific applications (‘Netflix Applications’) that run on Netflix Ready Devices (NRDs) to communicate with Netflix servers.” Compl. Br. at 9. It is argued that “[t]he Accused Netflix Products include Netflix Applications available on televisions, blu-ray players, digital media receivers, tablets, streaming players available from, for example, LGE, VIZIO, and Roku, in connection with at least the following: [ ] with [ ] with [ ] with [ ] with [ ] and any other Netflix products containing interactive program guide technology that are the same as or not colorably different from any product listed above or will be released during this investigation.” *Id.* at 9-10.

**2. Importation Under *Electronic Devices***

As discussed above, the Commission’s opinion in *Electronic Devices* holds that the practice of an asserted method claim within the United States after importation cannot serve as the basis for an exclusion order. *Electronic Devices*, Comm’n Op. at 17. As discussed in *Electronic Devices*, section 337 prohibits:

- (B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that –
  - (i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17; or
  - (ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

19 U.S.C. § 1337(a)(1)(B).

The Commission stated:

[S]ection 337(a)(1)(B)(i) covers imported articles that directly or indirectly infringe when it refers to “articles that – infringe.” We also interpret the phrase “articles that – infringe” to reference the status of the articles at the time of importation. Thus, infringement, direct or indirect, must be based on the articles as imported to satisfy the requirements of section 337.

*Electronic Devices*, Comm’n Op. at 13-14. The Commission determined that the importation requirement was not met in that case by the respondent’s post-importation performance of a claimed method. *Id.* at 18. Nevertheless, the Commission stated that the complainant “might have proved a violation of section 337 if it had proved indirect infringement” of the method claim. *Id.* The Commission cited, as an example, *Certain Chemiluminescent Compositions, and Components Thereof and Methods of Using, and*

## PUBLIC VERSION

*Products Incorporating the Same*, Inv. No. 337-TA-285, USITC Pub. 2370, Order No. 25 (Initial Determination) at 38 n.12 (March 1991), in which “the ALJ found that the ‘importation and sale’ of the accused articles constituted contributory and induced infringement of the method claim at issue in that investigation.” *Electronic Devices*, Comm’n Op. at 18 n.11.

The facts of this investigation are different from those of *Chemiluminescent Compositions*. As discussed below, the Netflix user interfaces (which are part of the accused Netflix Applications) are neither imported nor included on Netflix Ready Devices that are imported. Additionally, as discussed below, in order to use an accused Netflix Application in an allegedly infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. Yet, in *Chemiluminescent Compositions*, the accused product (necklace) as imported was a product that need not be combined with any other product in order to be used in an infringing manner. *Chemiluminescent Compositions*, Order No. 25 (Initial Determination) at 7-8; see *Certain Gaming and Entertainment Consoles, Related Software, and Components Thereof*, Inv. No. 337-TA-752, Final Initial Remand Determination at 10-33 (Public Version) (Apr. 2, 2013), *aff’d*, Notice of Commission Determination Not to Review a Final Initial Remand Determination Finding No Violation of Section 337; Affirmance of Original Initial Determination As to Remaining Patent As Modified by the Remand Initial Determination; Termination of the Investigation (May 23, 2013).

PUBLIC VERSION

a. Netflix User Interfaces

The evidence shows that the Netflix user interfaces that Rovi identifies as part of the “Netflix Applications” are not imported.<sup>38</sup> The Netflix user interfaces are neither imported nor included on Netflix Ready Devices that are imported. Rather, only after a consumer in America has bought a device that has already been imported, and accesses the Netflix service over the Internet, is the user interface loaded. RX-1269C (Burke RWS) at Q67-71 (discussing also RDX-0145 [ ]; RX-1193C [ ] at .0005-.0006; RDX-0146C ([ ]); RX-1192C [ ] at .0111[ ]).

The Netflix user interfaces delivered to client devices [ ], Peters Tr. 546-548; JX-0003C (Marenghi Dep. Tr.) 62; RX-0840 at ¶¶ 2-3; JX-0004C (Makinkurve Dep. Tr.) 37. The [ ] the [ ] to a [ ] along with the [ ]. Peters Tr. 544-548 (discussing CX-2169C at 6). Inasmuch as the user interfaces do not reside on any device that is actually

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<sup>38</sup> Rovi defines the accused Netflix products in this investigation as combinations of Netflix’s software development kit (“SDK”) (which is referred to synonymously as the [ ] or [“NRDP”]) along with versions of the Netflix user interface (“UI”). Specifically, Rovi identifies the following as “Accused Netflix Instrumentalities”: [ ] with [ ] with [ ] with [ ] with [ ] and [ ]. CX-5750C (Shamos WS) at Q54; CX-5751C (Griffin WS) at Q47.

## PUBLIC VERSION

imported, Rovi has identified no “article” that has a “status” at the time of importation, as required for any section 337 analysis. *Electronic Devices*, 2012 WL 3246515, at \*9. In summary, the user interface for devices is never imported and is not a part of the device as imported.

### **b. Netflix Ready Devices**

Rovi argues that “the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the ‘906 patent with access to the Netflix service from imported devices including Netflix Ready Devices (including those imported and sold by LGE and Vizio).” Compl. Br. at 71.

In the complaint, Rovi alleged that claims 1-3 and 10-11 of the ‘906 patent are applicable to certain Vizio and Netflix products. Complaint (Apr. 30, 2012), ¶ 117. As indicated above, LGE and Vizio are no longer respondents in this investigation, having entered into settlement agreements with Rovi. Rovi’s current infringement allegation with respect to the ‘906 patent is applicable only to Netflix products, and not to LGE and Vizio products. *See* Joint Outline at 4.

In order to use an accused Netflix Application in an allegedly infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. This cannot occur at the time of importation.

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## PUBLIC VERSION

Consequently, in view of the Commission's opinion in *Electronic Devices*, discussed above, the administrative law judge finds that Netflix does not directly infringe asserted method claims 1-3 and 10-11 of the '906 patent at the time of importation. As noted above, the user interface for devices is never imported and is not a part of the device as imported. Moreover, inasmuch as LGE and Vizio are no longer respondents in this investigation, Netflix cannot be liable for indirect infringement based on the now licensed importation of Netflix Ready Devices such as LGE and Vizio televisions.

Accordingly, the undersigned finds that there is no need for further analysis concerning direct or indirect infringement. Nonetheless, in the event the Commission disagrees with the administrative law judge's findings on this issue, the undersigned provides the following analysis.

### **3. Direct Infringement**

As noted, Rovi asserts method claims 1-3 and 10-11 of the '906 patent against Netflix.

Rovi argues that "Netflix has specifically designed the Netflix Application on imported devices (*e.g.*, VIZIO or LGE Televisions) to infringe the asserted claims of the '906 patent – namely to allow users to pause and resume viewing across two or more devices, and even tracks the number of times that users use the Netflix Application in such a manner." Compl. Br. at 71. It is argued that "the use of the Netflix Application in this manner causes all of the steps of the '906 claims 1-3 and 10-11 to be performed." *Id.* Rovi asserts that "[t]he direct infringement occurs when the claimed steps are carried out by Netflix and users of the Netflix Application." *Id.* Rovi argues that "[d]irect infringement also occurs when Netflix by itself carries out each of the claimed steps." *Id.*

at 71-72.

Rovi has not shown that Netflix's accused products directly infringe claims 1-3 and 10-11 of the '906 patent.

The administrative law judge finds that the accused Netflix Applications do not infringe method claims 1-3 and 10-11 for two independent reasons. In order to use an accused Netflix system in an infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) "such as" an LGE or a Vizio television. The Netflix Ready Devices such as the imported LGE and Vizio products that contain the accused Netflix Applications are now licensed. Further, as discussed above, the Netflix user interfaces (which are part of the accused Netflix Applications) are neither imported nor included on Netflix Ready Devices that are imported.

#### **4. Indirect Infringement – Contributory**

Section 271(c) of the Patent Act provides: "Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer." 35 U.S.C. § 271(c).

## PUBLIC VERSION

Section 271(c) “covers both contributory infringement of system claims and method claims.”<sup>39</sup> *Arris*, 639 F.3d at 1376 (footnotes omitted). To hold a component supplier liable for contributory infringement, a patent holder must show, *inter alia*, that (a) the supplier’s product was used to commit acts of direct infringement; (b) the product’s use constituted a material part of the invention; (c) the supplier knew its product was especially made or especially adapted for use in an infringement” of the patent; and (d) the product is not a staple article or commodity of commerce suitable for substantial noninfringing use. *Id.*

For the reasons set forth below, Rovi has not shown that Netflix’s accused products contributorily infringe asserted claims 1-3 and 10-11 of the ‘906 patent.

The complainant bears the burden of showing that the accused product lacks substantial non-infringing uses. *Spansion, Inc. v. Int’l Trade Comm’n*, 629 F.3d at 1354-55. Only after the complainant makes a prima facie showing as to the absence of any substantial non-infringing uses does the burden of production shift to the accused infringer to introduce evidence of non-infringing uses. *Id.* (citing *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1363-64 (Fed. Cir. 2006)). “[N]on-infringing uses are substantial when they are not unusual, far-fetched, illusory, impractical, occasional, aberrant, or experimental.” *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1327 (Fed. Cir. 2009). “In assessing whether a use is substantial, the fact-finder may consider the use’s frequency. . . , the use’s practicality, the invention’s intended

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<sup>39</sup> “Claims which recite a ‘system,’ ‘apparatus,’ ‘combination,’ or the like are all analytically similar in the sense that their claim limitations include elements rather than method steps. All such claims can be contributorily infringed by a component supplier.” *Arris*, 639 F.3d at 1376 n.8.

PUBLIC VERSION

purpose, and the intended market.” *Toshiba Corp. v. Imation Corp.*, 681 F.3d 1358, 1362 (Fed. Cir. 2012) (citation omitted).

Rovi has not shown that the Netflix service’s pause functionality lacks substantial noninfringing uses. Rather, it asserts without support that the multi-device viewing functionality is incapable of substantial non-infringing uses. Yet, the very same servers that allegedly support multi-device viewing support [ ] in the same way with the same set of functionality. Thus, Netflix’s servers treat [ ] the same way regardless of whether a user (i) is [ ]

[ ] (ii) is [ ] or (iii) is [ ]

[ ]. RX-1302C (Mavinkurve WS) at Q37-49. There is no distinct or separable “feature”—the very same [ ] is used in indisputably non-infringing ways (e.g., (i) and (ii), or (i) without ever reaching (ii) or (iii)) and in allegedly infringing ways (e.g., (i) and (iii)). *Id.*

The Netflix servers function the exact same way [ ]

[ ] whether the user [ ]

[ ]. In anywhere from [ ]% to [ ]% of the use cases, the use is noninfringing, and thus as a matter of law defeats Rovi’s contributory-infringement claim.<sup>40</sup> RX-1302C

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<sup>40</sup> In *Ricoh*, the Federal Circuit also held that an accused infringer could not avoid liability for contributory infringement by embedding separate and distinct hardware and software components into a larger device with separable, non-infringing uses, 550 F.3d at 1328, 1336—a situation that is not before this Court. See *i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. 2010), *aff’d on other grounds*, 131 S. Ct. 2238 (2011) (holding that the XML editor was a separate and distinct feature of Word (the larger software package with separable components)); *Lucent Techs. v. Gateway, Inc.*, 580 F.3d 1301, 1320-21 (Fed. Cir. 2009) (holding that the date-picker tool used to fill out forms was a separate and distinct tool of Outlook (the larger software package with

## PUBLIC VERSION

(Mavinkurve RWS) at Q59-67, Q72-76; RX-1336C (Errata to Mavinkurve RWS) at .0002. This comprises the overwhelming majority of multi-session viewing instances and is not “unusual, far-fetched, illusory, impractical, occasional, aberrant, or experimental.” *Vita-Mix*, 581 F.3d at 1327.

### 5. Indirect Infringement – Inducement

Section 271(b) of the Patent Act provides: “Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b).

“To prevail on a claim of induced infringement, in addition to inducement by the defendant, the patentee must also show that the asserted patent was directly infringed.”

*Epcon Gas Sys. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1033 (Fed. Cir. 2002).

Further, “[s]ection 271(b) covers active inducement of infringement, which typically includes acts that intentionally cause, urge, encourage, or aid another to directly infringe a patent.” *Arris Group v. British Telecomm. PLC*, 639 F.3d 1368, 1379 n.13 (Fed. Cir. 2011).

The Supreme Court recently held that “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2068 (2011). The Court further held:

“[g]iven the long history of willful blindness<sup>41</sup> and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for

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separable components). Here, unlike in *i4i* and *Lucent*, there are no separate and distinct components used to support the pause-and-resume functionality that Netflix provides.

<sup>41</sup> “While the Courts of Appeals articulate the doctrine of willful blindness in slightly different ways, all appear to agree on two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact. We think these requirements give willful blindness an appropriately limited scope that surpasses recklessness and negligence.” *Global-Tech*, 131 S.Ct. at 2070-71.

## PUBLIC VERSION

induced patent infringement under 35 U.S.C. § 271(b).” 131 S.Ct. at 2060 (footnote omitted).

For the reasons set forth below, Rovi has not shown that Netflix’s accused products infringe by inducement the asserted claims of the ‘906 patent.

### a. Specific Intent

“[T]he intent requirement for inducement requires more than just intent to cause the acts that produce direct infringement.” *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (en banc). “[I]nducement requires evidence of culpable conduct, directed to encouraging another’s infringement, not merely that the inducer had knowledge of the direct infringer’s activities.” *Id.*

There is no evidence in the record to support a finding of specific intent by Netflix that its users pause-and-resume watching a program on two different devices. There are no instructions, manuals, or testimony suggesting that Netflix encourages or instructs its users to start watching on one device, stop, then resume watching the content in another place. Rovi’s expert Dr. Shamos testified that he has identified no such evidence. Shamos Tr. 147.

Rovi argues that Netflix (i) knows of the ‘906 patent and did not act to prevent infringement, (ii) that Netflix knows of its infringement and is the designer of the allegedly infringing system, (iii) that the “Netflix Application” is provided on different types of devices; and (iv) that Netflix knows that its users watch programs on multiple devices. Each fails to satisfy Rovi’s high burden to show that Netflix *specifically intended* that another infringe.



## PUBLIC VERSION

As to the first argument, to the extent Rovi wants to rely on any “failure to act” to support an inference of intent, such evidence “must be accompanied by other evidence of affirmative acts.” *Ricoh Co.*, 550 F.3d 1325 at 1343 (citation omitted); see *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 939 n.12 (“[I]n the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses. Such a holding would tread too close to the *Sony* safer harbor.”). For example, in *Tegal Corp. v. Tokyo Electron Co., Ltd.*, the Federal Circuit noted that liability under Section 271(b) requires some type of affirmative action inducing infringement and does not extend to the failure to take legal or other steps to prevent infringement by another entity. 248 F.3d 1376, 1378-79 (Fed. Cir. 2001). In the absence of a showing of control over another party, merely permitting that party to commit infringing acts does not constitute infringement, and it likewise cannot constitute “facilitating infringing acts.” *Id.*

Rovi’s second argument amounts to the proposition that Netflix specifically intends itself to infringe by designing a system that it uses to infringe. However, in cases where a designer of a system has been found to induce infringement, the induced acts of direct infringement have been committed by another party (or parties). See *MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1370 (Fed. Cir. 2005) (finding a genuine issue of fact as to whether company induced infringement by its U.S. affiliate). Netflix cannot induce itself.

As to Rovi’s third and fourth arguments, these are both insufficient to give rise to the specific intent required for induced infringement. “[I]nducement requires evidence of

## PUBLIC VERSION

culpable conduct, directed to encouraging another's infringement, not merely that the inducer had knowledge of the direct infringer's activities." *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (en banc). To the extent a user's pausing-and-resuming viewing on different devices is necessary, Netflix has not encouraged its users to do so by, for example, providing instructions or otherwise.

Moreover, as discussed above, the Netflix service has substantial non-infringing uses. It operates in the exact same way whether a user chooses to [

]. Especially where a product has substantial noninfringing uses, intent to induce infringement cannot be inferred even when the defendant has actual knowledge that some users of its products may be infringing the patent. *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317 (Fed. Cir. 2009), *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348 (Fed. Cir. 2003); *Allergan Inc. v. Alcon Labs. Inc.*, 324 F.3d 1322 (Fed. Cir. 2003).

### **b. "actively and knowingly aiding and abetting another's direct infringement"**

Netflix does not induce infringement because it does not induce the infringement of another person. Secondary liability requires another person to perform the predicate wrongful act. "A person induces infringement under [35 U.S.C.] § 271(b) by actively and knowingly aiding and abetting *another's direct infringement*." *C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*, 911 F.2d 670, 675 (Fed. Cir. 1990) (citing *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 669 (Fed. Cir. 1988) (emphasis added)). That one must induce another to infringe is no anomaly because "the goal of secondary liability is to give patent owners effective protection in circumstances in which the actual

## PUBLIC VERSION

infringer either is not the truly responsible party or is impractical to sue.” M. Lemley, *Inducing Patent Infringement*, 39 U.C.D. L. Rev. 225, 228 (2005). Thus, “for over a century, patent courts have extended liability to one who does not himself infringe, but who actively induces infringement by another.” *Id.* at 226. Accordingly, secondary liability is not imposed on an entity that may also be liable as the principal.

It is well-settled that liability for indirect infringement is premised on the conduct of another. *See Global-Tech Appliances*, 131 S. Ct. at 2067 (explaining that induced infringement, originally a subspecies of contributory infringement, was premised on “the aiding and abetting of direct infringement by another party.”) (citation omitted) (emphasis added); Federal Circuit Bar Association Model Jury Instructions 3.2 Indirect Infringement—Active Inducement (“[Patent holder] alleges that [alleged infringer] is liable for infringement by actively inducing [someone else] [some other company] to directly infringe the [ ] patent . . . .”) (emphasis added) (Feb. 2012); see also H.R. REP. No. 82-1923, at 9 (1952) (“The doctrine of contributory infringement . . . has been applied to enjoin those who sought to cause infringement by supplying someone else with the means and directions for infringing a patent. . . . Paragraph (b) [of 35 U.S.C. § 271] recites in broad terms that one who aids and abets an infringement is likewise an infringer.”).

Accordingly, inasmuch as Netflix cannot induce itself, the administrative law judge finds that Rovi has not shown that Netflix’s accused products infringe the asserted claims of the ‘906 patent by inducement.

## PUBLIC VERSION

### C. Validity of the '906 Patent

Netflix argues that the asserted claims of the '906 patent are anticipated and rendered obvious by an article by Choong Seon Hong entitled "A Networking Architecture For Mobility Services Using Mobile Agent Approach, Global Convergence Of Telecommunication And Distributed Object Computing" ("Hong") (RX-0534). Resps. Br. at 224-235. Netflix also argues that the asserted claims of the '906 patent are rendered obvious by U.S. Patent 6,760,758 to Lund ("Lund") (RX-0541), and U.S. Patent No. 6,166,730 to Goode ("Goode") (RX-0539). *Id.* at 213-224, 235-238. Complainants disagree. Compls. Br. at 103-150; Compls. Reply at 36-45.

For the reasons set forth below, respondents have not shown by clear and convincing evidence that the asserted claims of the '906 patent are invalid.

#### 1. Hong Article

Netflix argues that the asserted claims of the '906 patent are anticipated and rendered obvious by an article by Choong Seon Hong entitled "A Networking Architecture For Mobility Services Using Mobile Agent Approach, Global Convergence Of Telecommunication And Distributed Object Computing" ("Hong") (RX-0534). Resps. Br. at 224-235

The system disclosed in Hong is different than that claimed in the '906 Patent. Accordingly, Hong neither anticipates nor renders obvious any of the asserted claims of the '906 patent. Specifically, Hong does not teach (i) suspending and resuming access to media for a specific user on multiple devices using bookmarks and (ii) transcoding. *See* CX-5860C (Shamos RWS) at Q227.

## PUBLIC VERSION

Each of the asserted claims of the '906 patent calls for “recording a bookmark specifying a position in the media” being delivered to the client. CX-1296 ('906 patent) at claim 1 and 10. The specification is also clear that the bookmarks at issue in the '906 patent are bookmarks that specify a position *in* a multi-media file. *See* CX-1296 ('906 patent) at col. 2, ln. 45. This is an explicit requirement of the asserted claims. The bookmark allows delivery of media to be suspended and resumed for a specific user across multiple devices. Hong fails to disclose this requirement. *See* CX-5860C (Shamos RWS) at Q227.

Hong generally describes a proposed mobility services architecture that would support both TINA-like environments and the Internet. *See* RX-0534 (Hong), at RX-0534.0001 (Abstract). Hong discusses four types of sessions: (i) access session; (ii) service session; (iii) communication session; and, (iv) user session. The first three are defined in the Telecommunications, Information, Networking, Architecture, and Consortium, Service Architecture, Version 5.0 (June 16, 1997) (“TINA” or “TINA specification”). Hong does not provide definitions of any of these three sessions, but instead refers to the TINA specification. *See* RX-0534 (Hong), at RX-0534.0002-.0003 (§3). Hong gives no definition of a “user session.” *See* CX-5860C (Shamos RWS) at Q228-230. Additionally, unlike Dr. Shamos, Dr. Mayer-Patel did not analyze the TINA specification in forming his opinions. Mayer-Patel Tr. 874.

TINA distinguishes critically between access session and user sessions. In TINA, “an access session is established when two Domain Access Sessions (“D\_AS”) are bound together in a secure relationship (*i.e.*, in a domain session binding). The early stage of the access session is the agreement of terms between domains to continue interaction and



## PUBLIC VERSION

authentication of the principals represented in the D\_AS.” See CX-4023 (TINA), at CX-4023.36-.38 (§3.5.2.1). Basically an access session is established to allow the user’s credentials to be validated. Once that is done, the access session is able to invoke multiple service sessions. See CX-4023 (TINA), at CX-4023.36-.38 (§3.5.2.1), at 35; see CX-5860C (Shamos RWS) at Q231.

A “service session” is defined in TINA as one that “represents information and functionality related to capabilities to execute, control and manage services. Such services include primary services (e.g., a multi-media conference) and ancillary services (e.g., on-line subscription). The capabilities include service specific control (not TINA defined), generic session controls, and management capabilities. A service session is an instance of a service type and includes information necessary to negotiate QoS, security context, use of service and communication resources, and to control relationships among participating members of the service session.” See CX-4023 (TINA), at CX-4023.38 (§3.5.3); see CX-5860C (Shamos RWS) at Q232.

To use TINA terminology, assuming that it could be applied to video-on-demand, when a user wants to watch a video, one must authenticate oneself, either by logging in, or using a preregistered device. Otherwise, unauthorized users could get free video. Once authenticated, a service session begins in which video is delivered to the user’s device. When the user stops the video and resumes it on the same device (by hitting “pause” and then “play”) one might regard that as suspending a user session and resuming it. See CX-5860C (Shamos RWS) at Q233.

However, suspended sessions cannot be resumed on different devices. When the user goes to a different device and connects to the server, a new access session must



## PUBLIC VERSION

begin because authentication is required. TINA makes it clear that “[s]uspended sessions cannot be resumed in a different access session.” *See* CX-4023 (TINA), at CX-4023.111-.112 (§7.2.5.6). Therefore, even if the viewer’s first session is regarded as “suspended,” when the user goes to another device, the session cannot be resumed. As a result, Hong, to the extent it has any relevant teachings, teaches against the concept of bookmarking as used in the claims of the ‘906 patent because it does not allow a user to pause media on one device and resume playback of that media on a second device using a bookmark. *See* CX-5860C (Shamos RWS) at Q234.

In short, there is a fundamental difference between Hong and the ‘906 patent. In the ‘906 Patent there are no “sessions” as that term is used in Hong. While the ‘906 specification uses the term “viewing session” and “device session,” this refers to the period of time within which a user is viewing a video. In the ‘906 patent, no “session” is ever resumed. Instead, a new “session” is initiated and delivery is resumed: “Notably, the delivery can resume in a new client device session in a different client device, or in a new client device session in the same client device as the initial client device session.” *See* CX-1296 (‘906 patent) at col. 5, Ins. 33-36. As a result, “delivery” is resumed in the ‘906 patent, but no session is resumed. Thus, there is no need to store session state. Instead, a bookmark has to be stored so that delivery can be resumed at the point that media was interrupted, but nothing else need be stored.<sup>42</sup> *See* CX-5860C (Shamos RWS) at Q235.

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<sup>42</sup> Nor would it have been obvious to suspend and resume delivery of media to different devices requiring different formats using the “session” environment disclosed in Hong. Even if a session can be “resumed,” the format of the media delivered cannot be changed. *See* CX-5860C (Shamos RWS) at Q236.

## PUBLIC VERSION

All of the asserted claims of the '906 patent also require delivering media to a first device in a first format and after bookmarking, delivering the media to a second device in a second format beginning at the position specified by the bookmark. *See* CX-1296 ('906 patent) claims 1 and 10. Hong does not disclose this element either. *See* CX-5860C (Shamos RWS) at Q236.

Hong refers to a TSM (Terminal Services Manager), which “defined to model the minimal set of capabilities as an end-point of service session control and as an access session. A UAP interacts with a user agent (UA) via a TSM for making access to services. The TSM also coordinates with a MMCM to transfer user requirements for reserving and using terminal resources. However, there is no teaching or suggestion in Hong that the TSM reformats video based on the capabilities of the device. While it may take into account certain device characteristics, there is no evidence that one of ordinary skill in the art would recognize that a different stream or different format might be sent depending on the device. Hong discloses that the Communications Session Manager “performs the establishment, modification and release of connections that are requested by a UA or an SSM. It converts logical address to physical address in order to control networks resources for end-to-end connections.” RX-0534 (Hong), at RX-5034.0003 (§3.2). There is no disclosure of changing formats, changing media streams or transcoding. This differs from the '906 patent, which requires that different formats of media be sent to various devices having different properties. *See* CX-5860C (Shamos RWS) at Q236.

To support its position, Netflix relies on steps 8-10 in § 8.4 of Hong as describing “delivery of media to a second device in a format compatible with the second client

## PUBLIC VERSION

device starting at the position indicated by the bookmark.” However, this analysis is incomplete, because it ignores steps 5-7, which indicates that media is not reformatted based on device properties. Steps 5-10 are set forth below:

5. After the negotiation, the OpeMgr sends a suspension request for the session on progress to a UA.
6. The UA sends suspension the request to the appropriate SSM, modifies the session profile, and sends the change request of the TE-A profile.
7. The OpeMgr creates an IMO, and the IMO moves to the user terminal to gather the necessary information of the user’s terminal environment and then returns to the OpeMgr.
8. After the user makes access (login) at the destination, a new UA issues an OPE service request to the OpeMgr. Service negotiation between the user’s OPE application and the OpeMgr is performed.
9. The new UA sends a request to modify the terminal profile information to a UCxt.
10. Finally, an OpeMgr sends a UA a resume request for the suspended session in a SSM. The suspended session is resumed by the re-establishment of the connections. The IMO in step 7 constructs the user’s terminal environment in case that a mobile user knows the destination address in advance.

An analysis of steps 5-10 indicates that this discussion refers to a “terminal profile,” not reformatting content based on device properties. Terminals in Hong are represented by Terminal Equipment Agents (TE-As). *See* RX-0534 (Hong), at RX-0534.0002-.0003 (§3). The only terminal resources disclosed in Hong are “the IP address” “temporarily allocated to the user terminal,” (Hong, §6.1), “bandwidth” (Hong, §6.1), “information for access points such as terminal access points and network access points” (Hong, §6.4). None of these provides sufficient information to determine which media format to send to the terminal. *See* CX-5860C (Shamos RWS) at Q238-239.

## PUBLIC VERSION

The TINA specification further supports the notion that Hong does not reformat media based on device properties. Even in TINA, the only terminal characteristics that are disclosed are “terminals and their access points being used by or available for the user.” CX-4023 (TINA), at CX-4023.109-.110 (§7.2.5.4). TINA also discloses that “the ability for a user to use services from any terminal may be restricted according to the capabilities of the terminal and network access point. This limitation shall not apply to the access session, but may apply to the service session. If a terminal and network access point do not have all capabilities required for a service, the service may be offered with a restricted service profile and QoS.” CX-4023 (TINA), at CX-4023.137-.138 (§8.2.2). A “restricted service profile” does not include changing media formats. TINA specifies: “Upon a user’s request to start a service session from a certain terminal, the UA will check the user profile to find out whether this service session is allowed from that terminal.” CX-4023 (TINA), at CX-4023.140-.141 (§8.2.3.2).

Whether a session is allowed from a particular terminal does not implicate changing media formats. This is confirmed by the disclosure that “[t]he terminal identity may coincide with a network access point.” CX-4023 (TINA), at CX-4023.140-.141 (§8.2.3.5). An access point can serve many devices, and knowing the characteristics of the access point would not be sufficient to send different formats to different devices. In TINA, §8.2.3.6, three “ways to tackle the problem of uniform access to services” are discussed. None involves a change of format. *See* CX-5860C (Shamos RWS) at Q240.

Netflix focuses on Hong’s reference to Video-on-Demand in § 9.1 and interprets this reference to mean Hong discloses pausing and resuming playback across multiple types of devices with different formats. However, while Hong makes specific reference

## PUBLIC VERSION

to a VoD service in §9.1: “A mobile agent operation environment is represented in Figure 10. As for the session mobility, the sessions’ suspending/resuming for a TV conferencing service and a VoD service are realized,” Figure 10 does not contain any disclosure of suspension or resumption of media. Instead, Hong says that the proposed system is “TINA-like.” *See* RX-0534 (Hong), at RX-0534,0008-.0009 (§9.1). The TINA Specification at §8.2.2 states, “the ability for a user to use services from any terminal may be restricted according to the capabilities of the terminal and network access point. This limitation shall not apply to the access session, but may apply to the service session. If a terminal and a network access point do not have all capabilities required for a service, the service may be offered with a restricted service profile and QoS [Quality of Service]. Nevertheless, the terminal should at least contain a PA. . . . The user should be able to ‘access the system’ according to the retailer’s and user’s own preferences, as much as possible, independent of the terminal used. The delivery of a service is subject to terminal and network capabilities.”

Thus, if a terminal cannot handle the service, one does not get such service. Additionally, if a terminal can only handle low bandwidth, one does not get high QoS. Moreover, TINA does not discuss reformatting streams to suit terminal characteristics (*i.e.*, identified properties of the device), as required by the asserted claims. *See* CX-5860C (Shamos RWS) at Q241-248.

Netflix argues that other sections of TINA indicate that user service sessions can be suspended and resumed on a different terminal. Resps. Br. at 233. Netflix provides no context for such citations. Inasmuch as Dr. Mayer-Patel failed to analyze the TINA specification when forming his opinions, Netflix provides only attorney argument, not



evidence, about the “user service session” described in TINA. Thus, to the extent Hong has any relevant teachings, it teaches against the concept of bookmarking as used in the claims of the ‘906 patent because the apparatus disclosed in Hong does not allow a user to pause media on one device and resume playback of that media on a second device using a bookmark. *See* CX-5860C (Shamos RWS) at Q234.<sup>43</sup>

## 2. Goode Patent

Netflix argues that the asserted claims of the ‘906 patent are rendered obvious by U.S. Patent No. 6,166,730 to Goode (“Goode”) (RX-0539). *Id.* at 213-224.

In general, Goode is aimed a conventional cable operator. *See e.g.* RX-0539 (Goode) at col. 3, ln. 64 – col. 4, ln. 15 (“the system provides for communication of conventional cable television signals .... The cable transport network is a conventional bi-directional hybrid fiber-coax cable network; col. 7, lns. 37-46 (describing more “conventional” cable provider set-up). Goode explains that a relevant media file can be sent to each of two *set-top boxes* within a given customer’s home. *See* RX-0539 (Goode) at col. 14, lns. 29-71 (“It is also desirable for *a user having multiple set top terminals* to migrate or share the use of an open session from one terminal to another.... Specifically, apparatus and methods allowing multiple set top terminals linked to a single account (*e.g., in a user’s home*) to share the same program and to interact in an appropriate manner will now be described.”) (emphasis added).

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<sup>43</sup> Moreover, even if a session can be “resumed,” the format of the media delivered cannot be changed, and the system in Hong is not capable of resuming delivery of media to a second device in a different format. *See* CX-5860C (Shamos RWS) at Q235-236.



## PUBLIC VERSION

Netflix asserts that it would have been obvious to combine Goode with Giammaressi to arrive at the claimed invention. Resps. Br. at 218-222. Netflix looks to Giammaressi, urging that the “closed system” of Goode should be discounted because the “Goode patent was a cited reference during the Giammaressi patent’s prosecution, cited by the patent examiner.” Resps. Br. at 219. Citation of Giammaressi in Goode’s prosecution (even if to reject Goode’s claims)<sup>44</sup> in no way evidences obviousness to combine the teachings of Goode and Giammaressi to defeat the ‘906 claims. Netflix cites no authority for its contrary suggestion.

Netflix provides no motivation or reason to combine Goode and Giammaressi into the method described in the ‘906 patent, other than to say that the references are directed to providing users access to media.

First, Goode teaches away from using different devices that require different formats. In the conventional cable environment discussed by Goode, all of a user’s devices are set-top boxes that are: (a) provided by the cable company; and (b) designed to receive information in the same format, so that (c) the cable provider need only provide one format over the single co-axial cable that runs into a given consumers’ home. Indeed, Goode even represents (in FIG. 1) not just the set-top boxes within a given customer’s residence as identical, but *all* of the set top boxes for different customers of the cable system as identical. *See* RX-0539 (Goode) at Fig. 1 (labeling multiple instances of subscriber equipment with the same designation – 124). Thus, a person of ordinary skill in the art at the time of the invention would have understood Goode to be discussing

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<sup>44</sup> Moreover, Netflix has not provided any evidence that Goode was ever used to reject any claims during the prosecution of Giammaressi.

## PUBLIC VERSION

a conventional cable system in which the set top boxes within a given customer's residence receive information in the *same* format. *See* CX-5860C (Shamos RWS) at Q224.

Second, the fact that Goode teaches a conventional closed cable system means that the consumer must use a set-top box to access the provider's services. Therefore, the idea of modifying Goode to allow for different devices making use of different formats is contrary to the very nature of the system Goode describes – *i.e.* a closed system for use by cable operators. At the time of the '906 patent's invention, cable operators and their set-top box providers were trying to drive traffic towards set-top boxes by aggressively expanding their capabilities. Cable operators did not want to open up their systems to allow other hardware makers to impinge on their structural monopoly. *See* CX-5860C (Shamos RWS) at Q224.

Third, as noted above one of the principal advantages of a closed system is that it allows for greater security and that concern is reflected in Goode by teaching a number of security strategies to protect the cable broadcast by relying on the fact that the cable box is provided by and under the control of the cable company. *See e.g.* RX-0539 (Goode) at col. 8, lns. 33-46; Fig 3; col. 4, lns. 47-54. Thus, insofar as it teaches towards a security system based on a closed system, Goode teaches *away* from an open system with multiple end-user supplied devices operating on media files in different formats. *See* CX-5860C (Shamos RWS) at Q224.

Fourth, as noted above, it makes no sense for cable companies to drive up their operating costs by adding different devices that required multiple formats and/or multiple different transmission links. One of the most profitable aspects of the cable business is

## PUBLIC VERSION

use of a closed because it allows cable companies to (by and large) dictate how consumers receive cable programming. Thus it would have been inconceivable for a cable operator to have been motivated to try to take the system disclosed in Goode and graft onto it different devices, formats and links. Doing so would effectively break the most attractive feature of the cable business. *See* CX-5860C (Shamos RWS) at Q224.

Finally, a person of ordinary skill in the art would not have been motivated to try to add the numerous missing pieces to the bookmarking system described in Goode. The system disclosed in Goode requires a fully operating cable system as a base. Thus, there was no reasonable prospect of moving Goode from a cable based system to an internet based one. At the time of the '906 invention (*i.e.*, circa 1999), the limited bandwidth available over the internet made the entire prospect of setting up an alternative media delivery system to compete with the cable companies virtually unthinkable, particularly with the old-fashioned cable hardware disclosed in Goode.<sup>45</sup> *See* CX-5860C (Shamos RWS) at Q224. This is consistent with the *Hulu* court's finding that one of ordinary skill in the art would not modify the system in Goode in the manner suggested by Netflix due to the "closed nature" of the system in Goode. *See* CX-5867 (Hulu Opinion) at CX-4867 at 36-43.

Netflix argues that "claim 1 only requires that the media be delivered 'in a format compatible with identified device properties'" whereas "claim 10 requires that the delivered media be in a 'first format' and a 'second format.'" Resps. Br. at 217. While it

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<sup>45</sup> In addition, the court in *Rovi Technologies Corp. et al. v. Hulu, LLC*, 12-cv-4756-MRP, C.D. Cal. (Feb. 5, 2013) found that one of ordinary skill in the art would not modify the system in Goode in the manner suggested by Respondents due to the "closed nature" of the system in Goode. *See* CX-5867 (Hulu Opinion) at 36-43.

## PUBLIC VERSION

is true that claim 1 does not require that a different media format actually be delivered to the two different devices, Netflix concedes that all of the asserted claims of the '906 patent (including claim 1) "require the *ability* to deliver a media file to different devices in different formats." Resps. Br. at 217 (emphasis added). That ability is neither disclosed nor taught by Goode, which discloses a "conventional closed cable system" as discussed above.

Netflix argues that the "closed system" of Goode should be discounted because the "Goode patent was a cited reference during the Giammaressi patent's prosecution, cited by the patent examiner." Resps. Br. at 219. Citation of Giammaressi in Goode's prosecution (even if to reject Goode's claims) does not show obviousness to combine the teachings of Goode and Giammaressi to defeat the '906 claims.

Netflix's reliance on a preliminary rejection in the on-going prosecution of a currently pending application (U.S. App. No. 11/458,930) is deficient. *See* Resps. Br. at 219-221. First, the claims in that application are not the claims of the '906 before this court. Second, examination of the other application is conducted with no presumption of validity using a preponderance of evidence standard. In this investigation, there is presumption of validity and a requirement for clear and convincing evidence of obviousness. *In re Swanson*, 540 F.3d 1368, 1377 (Fed Cir. 2008) ("In civil litigation, a challenger who attacks the validity of patent claims must overcome the presumption of validity with clear and convincing evidence that the patent is invalid" whereas "[i]n PTO examinations and reexaminations, the standard of proof—a preponderance of evidence—is substantially lower than in a civil case" and "there is no presumption of validity") (internal citations omitted).

## PUBLIC VERSION

Third, an Examiner's position during on-going prosecution does not constitute an agency action of the PTO and is of little probative value. *See Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1342-43 (Fed. Cir. 2009); *Mikkilineni v. Stoll*, 410 Fed.Appx. 311, 313 (Fed. Cir. 2010) (finding the non-final rejection by the examiner is not an action from which legal consequences will flow because the patentee could still overcome the non-final rejection and receive a patent.) (unpublished).

Fourth, the only evidence on this issue submitted by Netflix lacks any indication of the examiner's reasoning regarding the combination of Goode and Giammaressi. Resps. Br. at 221-222. *See* MPEP at § 2143 ("The key to supporting any rejection under 35 U.S.C. 103 is the clear articulation of the reason(s) why the claimed invention would have been obvious."). Netflix's evidence cannot constitute clear and convincing evidence of obviousness.

Indeed, there is no evidence on this record that the Examiner even considered the fact that Goode actually teaches away from using different devices that require different formats. In Goode, all of the set-top boxes for different customers are identical and receive information in the same formats. *See* CX-5860C (Shamos RWS) at Q224. The consumer must use that set-top box to access the services. Accommodating different formats is contrary to the very nature of cable operators and would effectively negate the most attractive feature (closed system) of the cable business. *Id.* Similarly, Goode's reliance on security strategies based on the "closed system" teaches away from an open system with multiple end-user supplied devices operating with different formats. *Id.*

Netflix seeks to characterize its position as one that the *Hulu* court said would render the '906 patent "likely obvious." Resps. Br. at 221 ("She acknowledged that one



## PUBLIC VERSION

of ordinary skill in the art would have known of delivering media in different formats based on device capabilities. But the key question to her ruling was “would the artisan have acknowledged the same problem attaching to proprietary cable content of the sort disclosed in Goode? If the answer to this question is yes, the ‘906 patent *is likely obvious.*”) (citations omitted). Netflix’s arguments are identical to the arguments advanced by Hulu that were rejected by Judge Pfaelzer – namely, it would have been obvious to modify the system of Goode to allow for different media formats delivered to different devices. Specifically, Judge Pfaelzer stated that if problems of providing different formats to different devices were applicable to the system disclosed in Goode, then the ‘906 is likely obvious. CX-5867 (Hulu Opinion) at CX-5867 at 39. However, Judge Pfaelzer went on to identify several reasons why the problems of different formats were not applicable to the system disclosed in Goode, including that there is no incentive for cable companies to “liberate their customers from the shackles of cable-company-provided terminals,” to “undertake capital investments to undercut their own revenue sources by allowing customers to consume content on generic devices,” or to “drop their lucrative business model premised on controlling content and switch to the opposite business model of liberating content to the internet.” *Id.* at 39-40. Giammaressi does not show otherwise.

Netflix points to the prosecution of a continuation application as evidence that Goode teaches separate communication links. Resps. Br. at 222-223. Reliance on that prosecution is misplaced for reasons discussed above. In any event, while Goode does teach separate communication links, Goode does not teach the different communication links as called for by the asserted claims. In Goode, there is only one communication



## PUBLIC VERSION

link (labeled 105<sub>1</sub>) over which a user of multiple set top boxes in a subscriber's home can pause and resume. *See* CX-5860C (Shamos RWS) at Q208-215; RX-0539 (Goode) at col. 5, Ins. 25-30. To the extent the Examiner discusses pausing and resuming between the various devices labeled 1241-124n (RX-0527A (1/22/2010 Office Action) at .4), those devices are in different subscribers' houses and there is no disclosure or teaching in Goode of pausing in one subscriber's home and resuming in another subscriber's home. CX-5860C (Shamos RWS) at Q214.

### 3. Lund Patent

Netflix argues that the asserted claims of the '906 patent are rendered obvious by U.S. Patent 6,760,758 to Lund ("Lund") (RX-0541). *Id.* at 235-238.

Netflix argues that Lund discloses the bookmark claimed in the '906 patent because it describes a system and method for coordinating network access that allows a user to mark information with a "placeholder" using one type of device, establish the placeholder on a server, and then later retrieve or act on the information in the placeholder using a different device. *Id.* Netflix is incorrect.

Contrary to Netflix's assertion, the use of "placeholders" in Lund does not teach the concept of recording a bookmark specifying a position in the media, as required by the claims of the '906 patent. As previously noted, the '906 patent teaches bookmarking as a way to identify a position within a file (such as an audio or video file) – not as a way to identify the entire file itself. This is made clear, for example, by the claims of the '906 patent which call for "recording a bookmark specifying a position in the media" and the specification which describes the same. CX-1296 ('906 Patent), at Abstract and col. 2, ln. 45; *see* CX-5860C (Shamos RWS) at Q131.

## PUBLIC VERSION

Moreover, the “placeholders” in Lund serve a purpose very different from, and are not, the “bookmarks” of the ‘906 Patent. Lund discloses that “[a]s the user scans the information available over the network, the application ... provides a way for the user to mark pieces of information with placeholders.” RX-0541 (Lund) at col. 7, lns. 29-32. Lund explains that the placeholders specify the location of a file *on a network* (as opposed to a specific locations within a media file). Specifically, Lund explained that “the general concept of the invention is the ability for a user of a device like a PCS phone to mark information (establish placeholders) so that full content can be accessed later from a workstation”. RX-0541 (Lund) at col. 6, lns. 15-18. Lund also explains that “a user may mark information with a placeholder ... and later retrieve or act on the information using a second device.” RX-0541 (Lund) at col. 1, lns. 56-60 and that “As the user scans the information available over the network the application ... provides a way for the user to mark pieces of information with placeholders. RX-0541 (Lund) at col. 7, lns. 29-32. These portions of Lund clearly indicate that the placeholders specify the location of a file on a network, as opposed to a specific locations within a media file as required by the bookmark claimed in the ‘906 patent. In short, there is no disclosure or suggestion in Lund to specify by bookmark a position in a file. *See* CX-5860C (Shamos RWS) at Q132.

Dr. Shamos’ interpretation that the placeholders in Lund are not bookmarks was confirmed by Judge Mariana R. Pfaelzer of the Central District of California in *Rovi Corp. v. Hulu, LLC*, 12-cv-4756-MRP, C.D. Cal, where Rovi sued Hulu for infringement of the ‘906 patent. Hulu moved for summary judgment of invalidity based on, among other references, Lund. That motion was denied. *See* CX-5867 (Order Denying Motion

## PUBLIC VERSION

for Summary Judgment of Invalidity of '906 patent). In denying Hulu's motion, the Court rejected the same exact argument urged by Netflix finding that the placeholders in Lund are not the same as the bookmarks of the '906 patent claims. *See* CX-5867, at CX-5847.6-8 ("Lund fails to disclose bookmarking").

Moreover, Lund's teaching of selecting and displaying a "subset" of information designated by the placeholder means that the placeholder marks a set of information rather than a position within a media file, as required by the '906 patent claims. Specifically, Lund teaches that, after a placeholder has been established, the system in Lund is capable of selecting a "subset" of the information designated by the placeholder for display by a second device with a different sized screen. RX-0541 (Lund) at col. 1, lns. 48-55 ("The control logic is configured to retrieve the information indicated by the placeholder and to display a subset of the retrieved information."); col. 1, lns. 60-64 ("A small subset of information may be displayed on a browser on the phone, while all of the information (a subset that is the full set) may be displayed when later accessing the information from a workstation or personal computer."); RX-0541 (Lund) at col. 1, lns. 19-33 (need for invention caused by the fact that mobile devices have smaller screens).

The fact that Lund selects a subset of the information designated by the placeholder means that the placeholder marks a set of information rather than a position within a media file, as required by the '906 patent claims. For example, Lund gives the example of using the "placeholder" to designate a news story (RX-0541 (Lund) at col. 5, ln. 66 – col. 6, ln. 14) and of an application "that takes the placeholder information and embeds links into an email message sent to an address specified by the user" (RX-0541 (Lund) at col. 8, lns. 45-48). This shows that the "placeholder" described in Lund does

## PUBLIC VERSION

not mark a position within a file. There is no teaching in Lund of determining, capturing, storing or using position within a file for retrieval, nor how that is to be done. *See* CX-5860C (Shamos RWS) at Q133-134.

Moreover, it would not be obvious to add information that specifies a position within that file – such as, a time elapsed, time remaining, frame count, or similar – to the placeholder disclosed in Lund. Lund teaches that the first time a user encounters an information item of interest (such as a news story) the user receives a portion of the story such as the headline. RX-0541 (Lund) at col. 1, lns. 18-27 and col. 5, lns. 53-6: 14. The user can then create a placeholder to designate the story as being of interest, and return to it later from a different device to access the whole thing. RX-0541 (Lund) at col. 1, lns. 18-27; col. 5, ln. 53 – col. 6, ln. 14. In such a system, there would be no reason to identify a position within the story because the whole point of Lund is to reduce the set of information to a small size that can fit on the smaller screen of a mobile device. In other words, the very nature of the solution disclosed in Lund teaches away from creating a bookmark defining a position within a piece of media – because it teaches towards reducing the information presented to the user in a way unrelated identifying a particular position within a story. *See* CX-5860C (Shamos RWS) at Q135-136.

### **D. Domestic Industry (Technical Prong)**

Rovi argues that “CinemaNow and the Rovi Entertainment Store (RES) practice claims 1-3 and 10 of the ‘906 patent, such that there is a domestic industry for the ‘906 patent. Rovi’s expert, Dr. Shamos, tested a Samsung UN46D6500 TV running the CinemaNow application and a MacBook personal computer to access the CinemaNow/RES website at <http://www.cinemanow.com> to confirm that CinemaNow

## PUBLIC VERSION

and RES practice claims 1-3 and 10 of the '906 patent.” Compl. Br. at 96. Netflix argues that Rovi did not demonstrate the technical prong. Resp. Br. at 272-274.

For the reasons set forth below, Rovi has satisfied the technical prong of the domestic industry requirement with respect to the '906 patent.

### **1. Samsung, RES/CinemaNow on Samsung**

CinemaNow and the Rovi Entertainment Store (RES) practice claims 1-3 and 10 of the '906 patent. Rovi's expert, Dr. Shamos, tested a Samsung UN46D6500 TV running the CinemaNow application and a MacBook personal computer to access the CinemaNow/RES website at <http://www.cinemanow.com> to confirm that CinemaNow and RES practice claims 1-3 and 10 of the '906 patent. Exhibit CX-3322 contains a list all of the Samsung TVs compatible with the CinemaNow application.

Jesse Keane, a Rovi employee knowledgeable about the functionality (including the source code) of the CinemaNow/RES System also testified. Mr. Keane testified that client-side applications (*e.g.*, version 2 of the CinemaNow TV application and the Cinemanow.com website) in communication with RES servers and related RES server software application (the “CinemaNow/RES System”) performs the following steps: (i) allows delivery of media to a first type device, (ii) allows the movie to be paused causing a bookmark to be created and stored, and then (iii) allows delivery of the media to a second type of device starting at the location specified in the bookmark. *See* CX-5746C (Keane WS) at Q37-120; *see* CX-5750C (Shamos WS) at Q819-861.

#### **e. Claims 1-3**

##### ***Independent Claim 1***



## PUBLIC VERSION

***Preamble: A method for providing configurable access to media in a media-on-demand system comprising the steps of:***

The CinemaNow application and RES system satisfies the preamble because it provides configurable access to on-demand movies, which are media in an on-demand system, as discussed below.

***Element 1a: delivering the media to a first client device through a first communications link, wherein the media is configured in a format compatible with identified device properties of said first client device and said first client device is associated with a first user;***

The CinemaNow application and RES system satisfy element 1a of the '906 patent. Dr. Shamos performed testing to determine how a user using the Samsung CinemaNow App practices element 1a. *See* CDX-0704 (showing a "SmartHub" screen on a CPX-0050 (Samsung UN46D6500TV) (the "first client device")). The CinemaNow Application icon is visible at right under "Samsung Apps" as a right arrow surrounded by a stylized "C." The user would have previously associated the device with his CinemaNow account on the CinemaNow website, as Dr. Shamos did in his tests involving the CinemaNow App on the Samsung UN46D6500TV. CX-5750C (Shamos WS) at Q831.

When selected, the CinemaNow application begins to run. *See* CDX-0705 (showing screenshot of CPX-0050). Then, the CinemaNow "Store" is displayed. A user may request to see available Fox television programming. *See* CDX-0706 (showing screenshot of CPX-0050). The user may then, for example navigate to "Family Guy" and select Season 7, Episode 6 of "Family Guy." *See* CDX-0707 (showing screenshot of CPX-0050). After purchasing the episode (*see* CDX-0708 (showing screenshot of CPX-0050)), the user may then select to "play" the episode. *See* CDX-0709 (showing



## PUBLIC VERSION

screenshots of CPX-0050). Finally, upon selection, the media is delivered to the first client device over the Internet through a first communications link and begins to play. The media is configured in a format compatible with the device, or it would not play properly. *See* CDX-0710 (showing screenshot of CPX-0050). Thus, as demonstrated by Dr. Shamos' testing, the CinemaNow/RES System meets element 1a of the '906 patent.

Mr. Keane also testified that the CinemaNow/RES System [

]. *See* CX-

5746C (Keane WS) at Q61.]

***Element 1b: recording a bookmark specifying a position in the media;***

The CinemaNow application and RES system satisfy element 1b of the '906 patent. Dr. Shamos performed testing to determine that a user using the Samsung CinemaNow App practices element 1b. Using the Samsung CinemaNow/RES TV App, the user interrupts the media, for example, after approximately 4:54 of play. *See* CDX-0711 (showing screenshot of CPX-0050). A bookmark is recorded specifying this position in the media. *See* CX-5750C (Shamos WS) at Q838. Mr. Keane testified that the CinemaNow/RES System allows the movie to be paused causing a bookmark to be created and stored. *See* CX-5746C (Keane WS) at Q66.

***Element 1c: delivering the media to a second client device through a second communications link.***

## PUBLIC VERSION

The CinemaNow application and RES system satisfy element 1c of the '906 patent. Dr. Shamos performed testing to determine how a user using a second device (a MacBook Pro computer accessing CinemaNow) practices element 1c. When the media has been interrupted as described above in the prior claim 1 limitations, a user can first activate a second client device, in this case a MacBook personal computer, by visiting the CinemaNow website with a full screen browser. *See* CDX-0712 (showing screenshot of CinemaNow website). To do so, the user must log in so that the CinemaNow/RES System will be able to identify the user and retrieve his or her bookmarks when requested. *See* CDX-0713 (showing screenshot of CinemaNow website). Once logged in, a user may then navigate to the "My Library" portion of the CinemaNow webpage, which shows the movies or programs available for the user to watch and which movies or programs have been previously paused. *See* CDX-0714 (showing that two programs are available to watch that have been previously paused on CPX-0050). Thus, as demonstrated by Dr. Shamos' testing, the CinemaNow/RES System meets element 1c of the '906 patent. *See* CX-5750C (Shamos WS) at Q841. Jesse Keane testified that the CinemaNow/RES System [

J. *See* CX-5746C (Keane WS) Q61.

## PUBLIC VERSION

Netflix argues that Rovi fails to demonstrate technical domestic industry using the Rovi Entertainment Store as to the '906 patent because it fails to demonstrate two distinct "communications links." Resps. Br. at 272.

Rovi's Entertainment Store (RES)/ CinemaNow system practices the pause/resume features of the '906 patent, and uses two distinct "communication links" by necessity to facilitate communication between the two unique devices. The RES servers of the CinemaNow/RES system communicate with unique devices (*e.g.*, Samsung Television running the CinemaNow TV Application (App) and MacBook running CinemaNow on a web browser accessing the CinemaNow webpage), each having its own unique IP address for communication. Thus, as Mr. Keane testified, each device must have its own unique "communication link" to the RES server or communication would not occur. CX-5746C (Keane WS) at Q61 (testifying that one example of a communication link is between the RES servers in communication with a Samsung CinemaNow TV Application).

Moreover, Dr. Shamos also performed his own testing of the '906 patent features, which required the use of different communication paths. *See* CX-5750C (Shamos WS) at Q63 ("For the '906 patent, the following test procedure was used: ... the user powered up a second device, connected to the Internet via a *different communication path* and then invoked the same application that had been used to access the paused program") (emphasis added). *See id.* at Q831 (testifying that the RES/CinemaNow system practices the '906 patent features because, *inter alia*, "when the user selects "Play," the media is delivered to the first client device over the Internet through a first communications link and begins to play."); Q841 (testifying that his testing confirms that "the above screen

## PUBLIC VERSION

shots show the functionality of the CinemaNow/RES System to deliver the media to a second client device (MacBook personal computer) through a second communications link (the internet)"). This testimony is also consistent with test procedure described above showing the use of multiple communication links to different devices by virtue of using a router. CX-5750C (Shamos WS) at Q58-59.

***Element 1d: said delivery to said second client device beginning at said position specified by said recorded bookmark, wherein the media is configured in a format compatible with identified device properties of said second client device and said second client device also is associated with said first user.***

The CinemaNow application and RES system satisfy element 1d of the '906 patent. Dr. Shamos performed testing to demonstrate that when a user selects to resuming playing a program paused on another device (Samsung TV) CinemaNow begins to deliver the media to the second client device (the MacBook personal computer) at the position from which it was interrupted. As discussed above with respect to element 1c, when a user selects "Family Guy," CinemaNow begins to deliver the media to the second client device (the MacBook personal computer) at the position from which it was interrupted. The media is configured in a format compatible with the second device (the MacBook personal computer), or it would not play properly (*see, e.g., CDX-0715*) (showing resumption of the "Family Guy" episode at the same position on the MacBook personal computer from where it was stopped on the Samsung CinemaNow TV App). Thus, as demonstrated by Dr. Shamos' testing, the CinemaNow/RES System meets element 1d of the '906 patent. *See* CX-5750C (Shamos WS) at Q844.

Mr. Keane testified that the CinemaNow/RES System [

J. See CX-5746C (Keane

WS) at Q61.]

Accordingly, Rovi has satisfied the technical prong of the domestic industry requirement with respect to claim 1 of the '906 patent.

***Dependent Claim 2***

***Claim 2: The method according to claim 1, further comprising the steps of: identifying device properties for each of said first and second client devices, device properties of said first client device being identified prior to commencing delivery of the media to said first client device and device properties of said second client device being identified prior to commencing delivery of the media to said second client device.***

The CinemaNow application and RES system meet claim 2 of the '906 patent.

The properties of the devices must be known prior to commencing delivery to them or delivery would not be successful. CX-5750C (Shamos WS) at Q845.

***Dependent Claim 3***

***Claim 3: The method according to claim 2, wherein the media is stored in a media-on-demand server (MODS) and delivered to said first and said second client devices via said first and said second communications link respectively.***

The CinemaNow application and RES system satisfy claim 3 of the '906 patent.

As explained above, Mr. Keane testified how media is delivered to devices from an Akamai CDM server (*i.e.*, the “media-on-demand server (MODS)”). See CX-5746C (Keane WS) at Q61. Further, Dr. Shamos explained that the CinemaNow/RES System delivers media to a first type device associated with a first user; allows the movie to be

## PUBLIC VERSION

paused causing a bookmark to be created and stored; allows delivery of the media to a second type of device, also associated with the first user, starting at the location specified in the bookmark; and explained how media is delivered to a device in a format that is configured with the identified properties of the device, including media is delivered based on the file format the device can support, the Digital Rights Management (DRM) type the device can support, the audio type the device can support. *See* CX-5750C (Shamos WS) at Q846.

### f. Claim 10

#### *Independent Claim 10*

***Preamble: A method for providing configurable access to media in a media-on-demand system comprising the steps of:***

The preamble of claim 1 preamble is virtually identical to the preamble of claim 10. The CinemaNow application and RES system satisfy the preamble because it provides configurable access to on-demand movies, which are media in an on-demand system, as discussed below.

***Element 10a: delivering the media to a first client device in a first format compatible with said first client device, wherein said first client device is associated with a first user;***

This limitation is similar to that of '906 patent, claim 1, element 1a as discussed above. However, it specifies that the first client device is "associated with a first user." Such association is established when the user logs in, as discussed above for claim 1.

***Element 10b: interrupting said delivery of said media;***

Interruption of the delivery is shown in CDX-0711, as discussed for '906 patent, claim 1, Limitation 1b, above. CDX-0711 illustrates that the delivery of the media is interrupted because the pause button was selected using CPX-0050.



## PUBLIC VERSION

***Element 10c: recording a bookmark specifying a position in the media when said interruption occurred, and;***

This limitation is satisfied like that of '906 patent, claim 1, element 1b, discussed above.

***Element 10d: resuming delivery of the media to a second client device in a second format compatible with said second client device, said resumed delivery beginning at a position in the media specified by said recorded bookmark, wherein said second client device is also associated with said first user;***

This limitation is similar to that of '906 Patent, claim 1, element 1d, as discussed above. However, it specifies that the second client device “also is associated with said first user.” When a user accesses CinemaNow from the second client device (a MacBook personal computer), the user logs in to provide an identity. Therefore, the second client device is associated with the same identity as the first user. *See* CDX-0713 (showing the “association” of the MacBook personal computer with the first user).

Netflix argues that Rovi fails to demonstrate technical domestic industry using the Rovi Entertainment Store as to the '906 patent because it fails to identify two distinct formats used by testing devices, as required of claim 10. Resps. Br. at 272. Yet, Mr. Keane's testimony provides facts regarding a first format and second format. *See* CX-5746C (Keane WS) at Q58-60 (testifying that CinemaNow/RES must distinguish between device types because “[t]here is no common denominator of file type that is supported across all the devices, and so *multiple formats are needed to accommodate different kinds of devices*. To solve this problem, *CinemaNow/RES stores video content in multiple file formats to be compatible with the different device types*”) (emphasis added).

## PUBLIC VERSION

Through the testimony of Mr. Keane and Dr. Shamos, Rovi has established that there are at least two different formats provided by RES/CinemaNow system to its various devices (*e.g.*, one format compatible with the Samsung Television running the CinemaNow TV Application (App) and a second different format compatible with a MacBook running CinemaNow on a web browser). *See* CX-5750C (Shamos WS) at Q831 (“My opinion is also consistent with the deposition testimony of Jesse Keane. For example, Jesse Keane testified that the CinemaNow/RES System [

]. In addition, Dr.

Shamos performed his own testing using a Samsung UN46D6500 TV running a CinemaNow TV Application and a MacBook personal computer running the CinemaNow/RES website at <http://www.cinemanow.com>. *See id.* at Q821-822; *see id.* at Q831 (“Finally, when the user selects “Play,” the media is delivered to the first client device over the Internet through a first communications link and begins to play. *The media is configured in a format compatible with the device, or it would not play properly*”) (emphasis added).

Accordingly, Rovi has satisfied the technical prong of the domestic industry requirement with respect to claim 10 of the ‘906 patent.

**IX. Standing**

Each of the complainants has standing. Complainant United Video Properties owns the '709 and '762 patents. *See* Exhibits CX-1295 ('709 patent) and CX-4140 ('709 assignment); Exhibits CX-1294 ('762 patent) and CX-4303 - CX-4304 ('762 assignment documents). Complainant Rovi Technologies Corporation owns the '906 patent. *See* Exhibits CX-4136 ('906 patent) and CX-4142 – CX-4143 ('906 assignment documents). Complainant Starsight Telecast, Inc. owns the '776 patent. *See* Exhibits CX-4177 ('776 patent) and CX-4138 ('776 assignment documents).

Respondents argue that complainants Rovi Corporation and Rovi Guides, Inc. lack standing in this investigation.<sup>46</sup> *See* Resps. Br. at 387-389. Contrary to respondents' argument, both of these complainants are properly-named parties to the pending investigation because they are parent companies of the complainants that own the asserted patents.<sup>47</sup> Specifically, Rovi Corporation is the parent company of the wholly-owned Rovi subsidiaries that own the asserted patents. *See* CX-5741C (Armaly WS) at Q143. Similarly, Rovi Guides, Inc. is a wholly-owned subsidiary of Rovi Corporation, and is the parent company of Starsight Telecast, Inc. and United Video Properties, Inc. *Id.* at Q145. Rovi's Executive Vice President of Worldwide Licensing and Intellectual

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<sup>46</sup> Index Systems, Inc. is the owner of the '523 patent which was previously asserted in this investigation, but was withdrawn when certain respondents were terminated. Although respondents have not alleged that Index Systems, Inc. lacks standing, to the extent that respondents so allege, the arguments as to Rovi Corporation and Rovi Guides, Inc. also extend to Index Systems, Inc. Index Systems, Inc., is a wholly-owned subsidiary of Rovi Guides, Inc.

<sup>47</sup> *See Certain Diltiazem Hydrochloride and Diltiazem Preparations*, Inv. No. 337-TA-349, Order No. 35, 1994 WL 930265, at \*2 (Sept. 2, 1994) ("The Commission has not precluded those who have no legally cognizable rights in the patent from appearing as a coparty complainant.").

## PUBLIC VERSION

Property testified that Rovi Guides Inc. “is the licensing entity we use for the guidance portfolio.” *See* Armaly Tr. 251.

Although neither of these entities holds legal title to the asserted patents, legal title to an asserted patent is not a requirement of the Commission for standing. The Commission requires only that at least one complainant is the owner or exclusive licensee of the patent rights asserted in the complaint. *See, e.g., Certain Catalyst Components and Catalysts for the Polymerization of Olefins*, Inv. No. 337-TA-307, Comm’n Op., 1990 ITC LEXIS 224 (holding that a non-exclusive licensee is a proper complainant if “at least one complainant [is] the owner or exclusive licensee of the patent rights asserted in [the] complaint.”). Here, Rovi Technologies Corporation, StarSight Telecast, Inc., and United Video Properties, Inc. are all complainants who own the patent rights asserted in the complaint.

Respondents cite three non-binding Federal Circuit decisions – none of which is relevant to the Commission’s standing requirements. First, in *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1366 (Fed. Cir. 2010), the Federal Circuit held that a *nunc pro tunc* assignment of a patent under Article III standing rules did not retroactively assign ownership to a related corporate entity. Unlike in *Abraxis*, here there is no question of when the assignments occurred or which entity holds ownership of the patents.

In *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1318 (Fed. Cir. 2010), the Federal Circuit held that a subsidiary’s “understanding” with a parent corporation that it was to be an exclusive licensee was insufficient to establish standing. Again, in this investigation there is no question as to who owns the patents, and

## PUBLIC VERSION

there is no issue of any licensee trying to establish standing to assert infringement. Under Commission rules, which were not at issue in *Spine Solutions*, these companies are proper complainants so long as the patent owners are also named complainants, which they are. *See, e.g., Certain Catalyst Components*, Comm'n Op., at 11-13.

Likewise, *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1203 (Fed. Cir. 2005) is not relevant because it involved Article III standing in federal court. Notably, contrary to respondents' representation in their brief, in *Schreiber*, the Federal Circuit found that the parent corporation did have standing in that case. *See id.* at 1204 ("Schreiber [parent corporation] reacquired its stake in the litigation by reacquiring the '860 patent (and causes of action thereunder) before the entry of judgment. The jurisdictional defect that had existed was cured before the entry of judgment and thus the judgment was not void. The district court's holding to the contrary under Rule 60(b)(4) was erroneous.").

Thus, none of the three cases cited by respondents is relevant here because none concern an ITC investigation where there are related corporate entities named as co-complainants in addition to the parties who own the asserted patents-in-suit; naming these co-complainants is entirely permissible under *Certain Catalyst Components*, as discussed above.

Moreover, the activities of Rovi Corporation and Rovi Guides, Inc. are relevant in establishing a domestic industry in the asserted patents. Section 337(a)(3) requires that a domestic industry be established, but it does not specify which corporate entity must demonstrate investments in that domestic industry. Under Commission precedent, a complainant may rely upon investments by related corporate entities (or even unrelated

**PUBLIC VERSION**

licensees) to prove the existence of a domestic industry requirement. *See, e.g., Certain Liquid Crystal Display Devices and Products Containing the Same*, Inv. No. 337-TA-631, Order No. 18, at 7 (Sept. 2008) (granting summary determination that investments by wholly owned subsidiaries satisfied economic prong of domestic industry requirement) (unreviewed); *Certain Electronic Imaging Devices*, Inv. No. 337-TA-726, Order No. 18, at 8-19 (Feb. 7, 2011) (granting summary determination that complainant satisfied the domestic industry requirement based on licensees' investments), *aff'd*, Notice of Commission Determination Not to Review an Initial Determination Granting Complainant's Motion for Summary Determination That It Satisfies the Economic Prong of the Domestic Industry (Mar. 8, 2011).

Rovi Corporation, the ultimate parent corporation (and direct parent of one of the entities that owns the patents), and Rovi Guides, Inc., the parent company of entities that own the other three asserted patents, contribute to Rovi's investments that satisfy section 337(a)(3). Complainants' corporate witness, Mr. Armaly, testified that Rovi Corp. and Rovi Guides, Inc. operate as a single entity, including their investment in the asserted patents. As Mr. Armaly testified:

Q. And who administers the licensing program of those patents and the rest of the portfolio?

A. So Rovi Guides is the entity that administers the licensing.

Q. And Rovi Corp., what do they do?

A. Rovi Corp. is the parent of Rovi Guides and is the parent company of all the subsidiaries.

Q. So when there's expenditures that have been counted up, whose books are they on, the expenditures?



## PUBLIC VERSION

A. Ultimately on the books of Rovi Corp.

*See* Armaly Tr. 267; *see id.* at 252 (“We certainly invest in the portfolio from Rovi as a whole, but we don’t manage, or at least I’m not aware of how it’s managed on an individual-entity basis.”).

Rovi Corporation, including its subsidiaries, invests in plant and equipment, labor, capital, and exploitation of the asserted patents. *See* Kaplan Tr., 439 (“Q. And the expenditures you’ve relied on to support your opinion are from Rovi Corporation’s records; correct? A. Yes, that is correct. Q. And you did not receive any expenditures or information regarding expenditures from Rovi Guides; correct? A. It’s my understanding that the information I received on expenditures was from Rovi Corporation.”). Thus, Rovi Corporation and Rovi Guides, Inc. all properly have standing as well, since at least one of the complainants has standing.

Accordingly, the administrative law judge finds that each of the complainants has standing.

### **X. Economic Prong**

Rovi argues that it “has established a domestic industry in each of the asserted patents through its substantial and extensive licensing efforts under subsection (a)(3)(C).” Compls. Br. at 375. Rovi argues that it “has shown the existence of a domestic industry for those patents by showing an appropriate ‘nexus between the asserted patents and complainant’s licensing activities and investments’” and that it “has shown licensing activities ‘particularly focused’ on the asserted patents.” *Id.* It is argued that “Rovi has established significant value contributed by the asserted patents to its portfolio, their prominence in licensing negotiations, and any resulting licenses.” *Id.* at 375-376.

## PUBLIC VERSION

Additionally, Rovi argues that “Rovi and its licensees also have invested significantly in plant and equipment, and have significantly employed labor and capital, to develop, market, and sell products protected by the patents. Thus, Rovi also has established the existence of a domestic industry in the asserted patents under subsections (a)(3)(A) and (a)(3)(B) of Section 337.”

Respondents argue that “Rovi has not met its burden with respect to the economic prong of the domestic industry requirement and, therefore, there is no violation of section 337.” Resps. Reply Br. at 153.

With respect to licensing under subsection (a)(3)(C), respondents argue that “[t]he issue is whether there is a nexus between that investment and the asserted patents.” *Id.* at 157. It is argued that “the evidence demonstrates that the nexus is relatively weak, so that the whole of Rovi’s investment in the Guidance Portfolio should be discounted when considering whether the investment is substantial.” *Id.* at 158. Respondents argue that “[d]espite Rovi’s arguments to the contrary, Rovi has not established that the asserted patents are an integral part of the Guidance Portfolio,” and that “[t]he asserted patents do not relate to an industry standard, nor are they base patents or pioneering patents.” *Id.* at 158-159.

For the reasons set forth below, complainants have not satisfied the economic prong of the domestic industry requirement with respect to any of the four asserted patents under subsection (a)(3)(C) through licensing. Complainants have, however, satisfied the economic prong of the domestic industry requirement with respect to each of the four asserted patents under subsections (a)(3)(A), (B), and (C) through investments in plant and equipment, labor and capital, engineering, and research and development.

## PUBLIC VERSION

### A. Legal Principles Applicable to Domestic Industry

A violation of section 337(a)(1)(B), (C), (D) or (E) can be found “only if an industry in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned, exists or is in the process of being established.” 19 U.S.C. § 1337(a)(2). Section 337(a) further provides:

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned—

(A) significant investment in plant and equipment;

(B) significant employment of labor or capital; or

(C) substantial investment in its exploitation, including engineering, research and development.

19 U.S.C. § 1337(a)(3).

These statutory requirements consist of an economic prong (which requires certain activities)<sup>48</sup> and a technical prong (which requires that these activities relate to the intellectual property being protected). *Certain Stringed Musical Instruments and Components Thereof*, Inv. No. 337-TA-586, Comm’n Op. at 13 (May 16, 2008)

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<sup>48</sup> The Commission practice is usually to assess the facts relating to the economic prong at the time that the complaint was filed. *See Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same*, Inv. No. 337-TA-560, Comm’n Op. at 39 n.17 (Apr. 14, 2010) (“We note that only activities that occurred before the filing of a complaint with the Commission are relevant to whether a domestic industry exists or is in the process of being established under sections 337(a)(2)-(3).”) (citing *Bally/Midway Mfg. Co. v. U.S. Int’l Trade Comm’n*, 714 F.2d 1117, 1121 (Fed. Cir. 1983)). In some cases, however, the Commission will consider later developments in the alleged industry, such as “when a significant and unusual development occurred after the complaint has been filed.” *See Certain Video Game Systems and Controllers*, Inv. No. 337-TA-743, Comm’n Op., at 5-6 (Jan. 20, 2012) (“[I]n appropriate situations based on the specific facts and circumstances of an investigation, the Commission may consider activities and investments beyond the filing of the complaint.”).

## PUBLIC VERSION

(“*Stringed Musical Instruments*”). The burden is on the complainant to show by a preponderance of the evidence that the domestic industry requirement is satisfied. *Certain Multimedia Display and Navigation Devices and Systems, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-694, Comm’n Op. at 5 (July 22, 2011) (“*Navigation Devices*”).

With respect to the economic prong, and whether or not section 337(a)(3)(A) or (B) is satisfied, the Commission has held that “whether a complainant has established that its investment and/or employment activities are significant with respect to the articles protected by the intellectual property right concerned is not evaluated according to any rigid mathematical formula.” *Certain Printing and Imaging Devices and Components Thereof*, Inv. No. 337-TA-690, Comm’n Op. at 27 (Feb. 17, 2011) (“*Printing and Imaging Devices*”) (citing *Certain Male Prophylactic Devices*, Inv. No. 337 TA-546, Comm’n Op. at 39 (Aug. 1, 2007)). Rather, the Commission examines “the facts in each investigation, the article of commerce, and the realities of the marketplace. *Id.* “The determination takes into account the nature of the investment and/or employment activities, ‘the industry in question, and the complainant’s relative size.’” *Id.* (citing *Stringed Musical Instruments* at 26).

With respect to section 337(a)(3)(C), whether an investment in domestic industry is “substantial” is a fact-dependent inquiry for which the complainant bears the burden of proof. *Stringed Musical Instruments* at 14. There is no minimum monetary expenditure that a complainant must demonstrate to qualify as a domestic industry under the “substantial investment” requirement of this section. *Id.* at 25. There is no need to define or quantify an industry in absolute mathematical terms. *Id.* at 26. Rather, “the

## PUBLIC VERSION

requirement for showing the existence of a domestic industry will depend on the industry in question, and the complainant's relative size." *Id.* at 25-26.

When a complainant relies on licensing to demonstrate the existence of a domestic industry pursuant to section 337(a)(3)(C), the Commission has explained the showing required of the complainant as follows:

Complainants who seek to satisfy the domestic industry requirement by their investments in patent licensing must establish that their asserted investment activities satisfy three requirements of section 337(a)(3)(C). First, the statute requires that the investment in licensing relate to "its exploitation," meaning an investment in the exploitation of the asserted patent. 19 U.S.C. § 1337(a)(3)(C) . . . . Second, the statute requires that the investment relate to "licensing." 19 U.S.C. § 1337(a)(3)(C) . . . . Third, any alleged investment must be domestic, i.e., it must occur in the United States. 19 U.S.C. § 1337(a)(2), (a)(3). Investments meeting these requirements merit consideration in our evaluation of whether a complainant has satisfied the domestic industry requirement. Only after determining the extent to which the complainant's investments fall within these statutory parameters can we evaluate whether complainant's qualifying investments are "substantial," as required by the statute. 19 U.S.C. § 1337(a)(3)(C). If a complainant's activity is only partially related to licensing the asserted patent in the United States, the Commission examines the strength of the nexus between the activity and licensing the asserted patent in the United States.

*Navigation Devices* at 7-8 (footnotes omitted).

For the purposes of satisfying the domestic industry requirement a patentee can rely on the activities of a licensee. *See, e.g., Certain Electronic Devices, Including Handheld Wireless Communications Devices*, Inv. Nos. 337-TA-673, 337-TA-667, Order No. 49C at 4-5 (Oct. 15, 2009).

### **B. Licensing**

For the reasons set forth below, complainants have not satisfied the economic prong of the domestic industry requirement with respect to each of the four asserted



patents under subsection (a)(3)(C) through licensing.

### 1. Background

Complainants have a licensing program for its portfolio of patents related to interactive program guides (IPGs). Complainants call this portfolio the “guidance portfolio,” which includes approximately 1100 U.S. patents and patent applications,<sup>49</sup> constituting [ ] of all of complainants’ U.S. patents. See Exhibit CX-4141 (Complainants’ 2011 10-K); CX-5741C (Armaly WS) at Q12, Q37-38, and Q45-46.

Complainants’ licensees to this guidance portfolio include the largest service providers in the United States, including [ ] See Exhibit CX-5741C (Armaly WS) at Q55. In addition, Rovi licenses its guidance portfolio to set top manufacturers such as [ ] and to TV manufacturers such as Sony, Sharp, Vizio and LGE. See CX-4129C (list of Rovi licensees).

### 2. Nexus Between Asserted Patents and Licensing Activities

Rovi argues that “[a]ll four patents-in-suit are integral to Rovi’s guidance portfolio. Each of the patents involves the use of interactive program guides, which is the scope of the portfolio.” Compl. Br. at 390. It is argued that “[b]y comparing the scope of the asserted patents to the scope of the technology covered by the portfolio – a relevant factor to consider under *Navigation Devices*, Comm’n Op. at 10 – it is clear that these four patents relate directly to, and are an integral part of, Rovi’s guidance portfolio.” Id.

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<sup>49</sup> “Overall, Rovi owns and manages approximately [ ] patents and patent applications worldwide.” CX-5741C (Armaly WS) at Q12.



## PUBLIC VERSION

at 391. Rovi argues that additional factors that are identified in *Navigation Devices* “show[ ] the strong nexus between the patents and the portfolio.” *Id.*

As noted, respondents argue that “the evidence demonstrates that the nexus is relatively weak, so that the whole of Rovi’s investment in the Guidance Portfolio should be discounted when considering whether the investment is substantial.” Resps. Reply Br. at 158. Respondents argue that “[d]espite Rovi’s arguments to the contrary, Rovi has not established that the asserted patents are an integral part of the Guidance Portfolio,” and that “[t]he asserted patents do not relate to an industry standard, nor are they base patents or pioneering patents.” *Id.* at 158-159.

In *Navigation Devices*, the Commission determined that when performing a domestic industry analysis on licensing activities involving a patent portfolio first one must look to see whether there is a nexus between the licensing investment and the asserted patents. *Navigation Devices Comm’n op.* at 8. “Only after determining the extent to which the complainant’s investments fall within these statutory parameters can we evaluate whether complainant’s qualifying investments are ‘substantial.’” *Id.*

In its initial brief, Rovi argues that its investments are substantial prior to analyzing the nexus. Compls. Br. at 377. Yet, the Commission explained in *Navigation Devices* that one cannot determine whether the investment is substantial if one does not understand the extent to which the complainant’s investments fall within the statutory parameters for consideration. *Navigation Devices Comm’n Op.* at 8.

Rovi has not established that the asserted patents are an integral part of the guidance portfolio. Compls. Br. at 390-391. The asserted patents do not relate to an industry standard, nor are they base patents or pioneering patents. JX-0012C (Armaly

## PUBLIC VERSION

Dep. Tr.) 269-270 and 274. Rovi licenses the four asserted patents as part of the guidance portfolio, which consists of over 1100 U.S. patents and patent applications. CX-5752C (Kaplan WS) at Q52; CX-5741C (Armaly WS) Q12.

The evidence shows that in licensing negotiations, Rovi's goal is to license the entire guidance portfolio and not just one or two patents or even a subgroup of the patents. RX-2477C (Reed WS) at Q26. Rovi may identify the asserted patents to potential targets, but it does so along with numerous other patents in an attempt to entice the target to take a license to the entire guidance portfolio. RX-2477C (Reed WS) at Q32. As Rovi's CEO has stated, if those patents do not result in a license than Rovi simply identifies other patents. *Id.*; RX-2274C (Rovi Earnings Call Transcript) at .0007. Mr. Armaly could not say whether the four asserted patents are more valuable than others in the guidance portfolio; rather, he testified that it all depends on the context. JX-0012C (Armaly Dep. Tr.) 119-120. Rovi determines which patents it will to call out based on what Rovi determines is relevant to influence the licensing target to license the entire guidance portfolio. Armaly Tr. at 237.

Mr. Armaly identified negotiations with [ ] licensing targets as examples of Rovi calling out patents in the Guidance Portfolio. RX 5741C (Armaly WS) at Q17. Of these [ ] targets, Rovi called-out the asserted patents to only [ ] of them. Armaly Tr. 239-240; RX 5741C (Armaly WS) at Q17. In addition, Mr. Armaly testified that since 2008, Rovi has negotiated with around [ ] entities for a license to the Guidance Portfolio. Armaly Tr. 241-262. Rovi prepared numerous presentations and had numerous conversations over the course of negotiating the Guidance Portfolio with these [ ] entities. Armaly Tr. 242-243. During these meeting, conversations and presentations

## PUBLIC VERSION

additional patents may have been called out in addition to the initial list of patents called-out. Armaly Tr. 243-244.

The evidence shows that during all of the negotiations with the approximately [ ] entities, Rovi only called-out the asserted patents to [ ] entities (or approximately [ ] percent). Thus, in approximately [ ] percent of the negotiations, Rovi did not call-out the asserted patents when licensing the guidance portfolio.

The strength of the alleged nexus for each of the asserted patents is discussed below.

### a. **The '906 Patent**

Rovi relies on claim charts provided to Netflix for the '906 patent. CX-4481C (August 2011 Presentation to Netflix). Relying on call outs to Netflix does not necessarily create a strong nexus between investments in the guidance portfolio and the '906 patent. If this alone was the standard for demonstrating a strong nexus, the need for a nexus between the investments in a large patent portfolio and the asserted patents would be eliminated.<sup>50</sup>

In addition to Netflix, Rovi called-out the '906 patent to LG, Mitsubishi and Vudu. According to Rovi, it called out the '906 patent in a claim chart. Compl. Br. 394. In November 2011, Rovi made a second presentation to LG and identified the '906 patent among the twelve patents presented. CX-1265C (Rovi presentation to LG). In this

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<sup>50</sup> In *Liquid Crystal Display Devices*, the Commission stated that “underlying section 337 investigations and parallel, stayed district court actions should not be considered in our domestic analysis,” because to do so would “essentially eliminate the domestic industry requirement.” *Liquid Crystal Display Devices*, Comm’n Op. at 113. Similarly, a call out to a respondent in the underlying section 337 investigation should be given less weight in the nexus analysis than call outs to other entities, because the call out is not necessarily probative of how important a particular patent is in relation to the entire portfolio.

## PUBLIC VERSION

presentation, on the slide for the '906 patent, Rovi only sets out the claim language. CX-1265C at 21. This slide is not a comprehensive claim chart, especially in light of the presentation provided for other patents in the same presentation. *See* CX-1265C at 12. In an earlier presentation to LG, Rovi identified the '906 patent along with 14 other patents, but did not provide anything more than a claim language. RX- 2209C (Rovi presentation to LG) at 19.

Rovi asserts that it presented "claim charts" to Mitsubishi when it called out the '906 patent. Compls. Br. at 394. The '906 was one of 15 patents presented to Mitsubishi in this presentation. CX-4132C (Rovi presentation to Mitsubishi). The slide pertaining to the '906 patent contains claim language and a statement: "yes this works." CX-4132C at 21. This slide is not a comprehensive claim chart. This was one of four presentations made to Mitsubishi. In the other presentations, Rovi identified additional patents and provided actual claim charts for other Rovi patents but not for the '906 patent. RX-2212C (Rovi presentation to Mitsubishi); RX-2213C (Rovi Presentation to Mitsubishi including claim charts); and RX-2214C (Rovi presentation to Mitsubishi). Thus, it does not appear that the '906 patent was important to the Mitsubishi negotiations as evidenced when Rovi filed this ITC investigation in which it did not assert the '906 patent against Mitsubishi. Kaplan Tr. 463-464.

Rovi claims that it presented claim charts regarding the '906 patent to Vudu. Compls. Br. at 394. In its presentation to Vudu, the '906 patent was called out with 14 other patents. CX-4149C (Rovi presentation to Vudu). As to the '906 patent, Rovi presented claim language and two screen shots but no description of how those screen shots relate to the claim language as Rovi did with other patents it called out to Vudu.

## PUBLIC VERSION

*Compare CX-4149C at 13 with CX-4149C at 4-5.* Thus, while Rovi called out the '906 patent to four companies, including three respondents in the pending investigation, Rovi did not call out the '906 patent with claim charts to any but one of these targets – Netflix. Moreover, Rovi did not call out the '906 patent to [ ] percent ([ ] out of 100) of its licensing targets.

Accordingly, the administrative law judge finds that, taken as a whole, the evidence shows that the nexus is weak with respect to licensing for the '906 patent.

### **b. The '762 Patent**

Rovi relies on claim charts provided to Netflix for the '762 patent. CX-4481C (August 2011 Presentation to Netflix). As discussed above with respect to the '906 patent, relying on call outs to Netflix does not necessarily create a strong nexus between investments in the guidance portfolio and the '906 patent. With respect to Netflix, as addressed above, the call outs to Netflix should be accorded lesser weight than call outs to non-respondents.

In addition to Netflix, Rovi called-out the '762 patent to EchoStar. Rovi mentioned the '762 patent to EchoStar in an email. CX-4154C (email to EchoStar). In this email, Rovi mentions the '762 as part of a larger list of 25 U.S. patents that are currently or have been in litigation. *Id.* In that regard, this email mentions all of the asserted patents. *Id.* More importantly, the patents that are actually being called out in this email are U.S. Patent Nos. 7,100,185, 6,305,016 and 6,020,921. *Id.* The email states, “of the patents that we are discussing. . .” and then goes on to identify these three patents. *Id.* The remaining patents are mentioned as “the lists of US and EP patents that are or have been in suit. . .” *Id.* Thus, the identification of any of the asserted patents to



## PUBLIC VERSION

EchoStar, much less the identification of the '762 patent, shows a comparatively weak nexus between the investments in licensing the guidance portfolio and the asserted patents. Moreover Rovi did not call out the '762 patent to 98 percent of its licensing targets.

Accordingly, the administrative law judge finds that, taken as a whole, the evidence shows that the nexus is weak with respect to licensing for the '762 patent.

### **c. The '709 Patent**

Rovi identifies four entities to which it called-out the '709 patent: Netflix, EchoStar, Boxee and Sony. Compl. Br. at 398. Rovi relies on the same email as the example of the call out to EchoStar in connection with the '762 patent, discussed above.

*Id.* As discussed above, this email is not really a true call out.

Rovi argues that it presented claim charts to Netflix, Boxee and Sony. *Id.* The claim chart in the Netflix presentation was merely a slide with the claim language and a screen shot with no additional description of how the two are related. CX-4133C (Rovi Presentation to Netflix) at 10. This slide is not a comprehensive claim chart.

Rovi identified the '709 patent among 17 other patents called out to Sony. CX-4150C (Rovi presentation to Sony). Moreover, in the presentation, Rovi did not provide a comprehensive claim chart. It provided some claim language and then a screen shot of what appears to be a Rovi product. CX-4150C at 23. It is not clear that this product appears on the Sony TV.

Rovi identified the '709 patent as one of 9 patents presented to Boxee. CX-3508C (Rovi presentation to Boxee). Again, Rovi provides a slide with claim language and a screen shot with no additional description of how the claim language is relevant to



## PUBLIC VERSION

the screen shot. CX-3508C at 11. The type and number of call outs of the '709 patent do not show a strong nexus between the investments of guidance portfolio and the '709 patent. Moreover, the evidence shows that Rovi did not call out the '709 patent to [ ] percent of its licensing targets.

Accordingly, the administrative law judge finds that, taken as a whole, the evidence shows that the nexus is weak with respect to licensing for the '709 patent.

### **d. The '776 Patent**

Rovi identifies four entities to which it called-out the '776 patent: Netflix, EchoStar, Haier and Vudu. Compl. Br. at 399. Rovi relies on the same email as the example of the call out to EchoStar. *Id.* As discussed above, this email is not a true call out with respect to the asserted patents.

Rovi also argues that it presented claim charts to Netflix, Haier and Vudu. *Id.* Rovi cites to a presentation to Netflix in which there is allegedly claim charts calling out the '776 patent. CX-4133C (Rovi presentation to Netflix). However, there does not appear to be any mention in presentation of either '776 patent nor the application leading to the '776 patent. *Id.*

Rovi did call out the '776 patent along with 15 other patents to Haier in a series of presentations. CX-4131C (Rovi presentation to Haier); RX-2205C (Rovi presentation to Haier); RX-2206C (Rovi presentation to Haier). In its presentation, Rovi did not provide a claim chart of the '776 patent to Haier. Rovi provided some claim language and then a screen shot with no additional information. CX-4131C at 5.

Rovi also identified the '776 patent in its presentation to Vudu. CX-4149C (Rovi presentation to Vudu). Again, Rovi provides a slide with claim language and a screen

## PUBLIC VERSION

shot with no additional description of how the claim language is relevant to the screen shot. CX-4149C at 9.

Moreover, the evidence shows that Rovi did not call out the '776 patent to [ ] percent of its licensing targets. To those targets that it did call out the '776 patent, the '776 patent was one of many patents presented and there was no comprehensive claim chart associated with the patent.

Accordingly, the administrative law judge finds that, taken as a whole, the evidence shows that the nexus is weak with respect to licensing for the '776 patent.

### **3. Licensing Investment**

#### **a. Labor**

Assuming that the nexus requirement has been met, the administrative law judge finds that Rovi has invested in licensing the guidance portfolio through labor costs in the U.S. for its licensing team, for overhead expenditures for these employees, and for outside counsel expenses related to licensing. *See, e.g.,* CX-5741C (Armaly WS) at Q88. These labor costs include the salaries of Rovi's employees whose jobs involve negotiating with potential licensees, researching products, analyzing patents, as well as expenses for outside counsel who work with these employees to analyze patents in connection with ongoing licensing negotiations. *Id.* Rovi's intellectual property (IP) "licensing group" in Rovi's California offices focuses principally on licensing efforts and on supporting litigation efforts involving licensing of the guidance portfolio. *Id.* Of the [ ] licensing and litigation support employees in the California offices, [ ] have been primarily devoted to the licensing efforts related to the guidance portfolio [ ] for the entire period,

**PUBLIC VERSION**

and [ ] starting in 2011). *See, e.g.*, CX-5741C (Armaly WS) at Q32 and Q81-89.

The specific U.S. IP licensing labor and overhead expenses for 2008-2010 are set forth in CX-3597C (Rovi's labor compensation in tab marked "Compensation earned per year"); CX-4170C (Rovi U.S. IP licensing overhead expenses for 2008-2010 in tab marked "7170 expenses," the Rovi internal number for its IP licensing group); CX-3616C (Rovi U.S. IP group<sup>51</sup> overhead expenses for 2011 in tab marked "Sum NA"<sup>52</sup>); and CX-4171C (Rovi U.S. IP group overhead expenses through June 2012 in tab marked "Sum NA"). Rovi employs some non-U.S. based licensing employees, but Rovi has not relied on expenses related to its overseas employees, and has not included such expenses in its financial data.

Rovi tracks expenses on a portfolio-wide basis. *See, e.g.*, CX-5741C (Armaly WS) at Q90. Rovi's U.S. licensing team focuses on licensing the guidance portfolio,<sup>53</sup> and the compensation data in the exhibits cited above are for licensing the U.S. guidance portfolio (the portion of the guidance portfolio containing Rovi's approximately 1100 U.S. patents and patent applications). *See id.* at Q49 and Q90. Rovi allocated its portfolio-wide expenses to investments in licensing the U.S. guidance portfolio only, and for each patent in suit included only investments during the time that Rovi owned the

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<sup>51</sup> Rovi's 2011-2012 overhead expense spreadsheets included the entire IP group (licensing, litigation, and prosecution). Rovi included only expenses that related to licensing the U.S. guidance portfolio.

<sup>52</sup> "NA" refers to North America, but [ ].

<sup>53</sup> As Dr. Kaplan testified, complainants included only the portion of its employees' time spent on licensing the U.S. guidance portfolio. Dr. Kaplan confined his analysis to licensing-related expenditures. *See Kaplan Tr.* 441-443, 473-474.

**PUBLIC VERSION**

patent. *See* Armaly Tr. 268-271 (Rovi made the allocation of each employee’s time based on the personal knowledge of each employee of time spent licensing the U.S. guidance portfolio). Mr. Armaly testified that this allocation of portfolio-wide expenses to the licensing the U.S. guidance portfolio is [ ].”  
*See* Armaly Tr. 245.

Specifically, in order to allocate Rovi’s expenses to licensing the U.S. guidance portfolio, Rovi’s licensing group employees (listed above) and other Rovi executives who are frequently involved in licensing negotiations [

] estimated the proportion of their hours spent on licensing the U.S. guidance portfolio, including offensive patent litigation related to patents in this portfolio. *See, e.g.,* CX-5741C (Armaly WS) at Q90-92 (testimony and chart showing allocations for each Rovi employee of time devoted to licensing the U.S. guidance portfolio). Rovi included [ ] in-house attorneys who focus on patent litigation, [

] because, as Mr. Armaly testified, “for us litigation’s an integral part of our licensing business. We’ve got a team that’s specifically focused on the patent litigation that goes along with our licensing business . . . we believe litigation is a step in the licensing negotiations that hopefully still gets us to the place we want to be.” *See* Armaly Tr. 258-260.

The administrative law judge finds that the evidence, based on the methodology described above, shows that Rovi’s investment in labor related to the licensing of the guidance portfolio during the relevant times for each of the patents-in-suit is as follows: [ ] (for the ‘762 patent), [ ] (for the ‘709 patent), [ ] (for the

## PUBLIC VERSION

'906 patent), and [ ] (for the '776 patent). *See* CX-5741C (Armaly WS) at Q105-107 and Q109.

### **b. Overhead Expenses**

Rovi also has shown and properly allocated overhead expenses directly in support of licensing the U.S. guidance portfolio. As of the date of the complaint, Rovi had invested approximately [ ] since 2008 in overhead expenses for its IP group (which includes functions relating to licensing, litigation and prosecution) for travel, entertainment, and department "cross-charges," the latter of which includes facilities charges, IT services, and other typical office expenses. *See* CX-3616C (Rovi U.S. IP group overhead expenses for 2011); CX-4170C (Rovi U.S. IP licensing overhead expenses for 2008-2010); CX-4171C (Rovi U.S. IP group overhead expenses through June 2012). These overhead expenses are incurred by Rovi in the ordinary course of business to support its IP work in the United States. *See* CX-5741C (Armaly WS) at Q111-115.

In its calculations, Rovi included only overhead expenses related to licensing the U.S. guidance portfolio. First, Rovi counted overhead expenses for the licensing team, but did not count any overhead expenses for other Rovi executives who are frequently involved in licensing negotiations. Second, Rovi counted overhead expenses for the licensing team as a percentage of the overhead expenses of the entire IP group. Rovi calculated the number of full time equivalents ("FTEs") working on the U.S. guidance portfolio from 2008 to 2012 based on the percentages of time spent provided by the [ ] employees in the licensing group at any time, and then performed the following calculation:

PUBLIC VERSION

FTE				
	X	Total Overhead Expenses	=	Expenses for Licensing U.S. Guidance Portfolio
Total Employees				

See CX-5741C (Armaly WS) at Q119. Third, Rovi counted travel expenses (airfare, meals, and related expenses spent in conducting licensing negotiations), as well as the typical office charges for the employees who work to license the U.S. guidance portfolio. See CX-5741C (Armaly WS) at Q116-120.

The administrative law judge finds that Rovi’s investment in overhead expenses related to the licensing of the guidance portfolio during the relevant times that Rovi has owned each of the patents-in-suit is as follows: [ ] (for the ‘906 patent), [ ] (for the ‘762 patent), [ ] (for the ‘709 patent), and [ ] (for the ‘776 patent). See CX-5741C (Armaly WS) at Q121-123, 125.

**c. Outside Counsel Expenses**

Rovi argues that it “has shown and properly allocated expenditures for patent analysis, claim charts, and other services performed by outside counsel in support of Rovi’s licensing negotiations for the U.S. guidance portfolio. These expenses are not for litigation activities but rather for analysis and advice with respect to Rovi’s licensing program. Rovi has not relied on any investments in concurrent litigations.” Compl. Br. at 383.

The evidence shows that Rovi submitted detailed reports that it maintains in the ordinary course of business. These expenses are shown under the “Licensing” tab of the expense spreadsheet that includes a “line item” for “Legal.” See CX-3616C (Rovi U.S.



**PUBLIC VERSION**

IP group expenses for 2011 in tab marked “Licensing,” showing legal expenses at row 110); CX-4171C (Rovi U.S. IP group expenses for 2011 in tab marked “Licensing,” showing legal expenses at row 110); CX-5741C (Armaly WS) at Q127-130 (showing legal expenses associated with Rovi’s licensing program as they are kept in the ordinary course of business). The line item at row 110, column O shows investment in licensing from expenses of outside counsel of [ ] in 2011, and of [ ] in 2012.

The administrative law judge finds that Rovi’s investment in outside counsel expenses related to the licensing of the guidance portfolio during the relevant times that Rovi has owned each of the patents-in-suit is as follows: [ ] (for the ‘906 patent), [ ] (for the ‘762 patent), [ ] (for the ‘709 patent), and [ ] (for the ‘776 patent). *See* CX-5741C (Armaly WS) at Q131-133, 135.

**d. Allocation to Each of the Asserted Patents**

For each of the patents-in-suit, Rovi has calculated and set forth the guidance portfolio licensing expenditures during the time that the patents have been owned by Rovi through the date of the complaint. Rovi’s allocation methodology was to divide Rovi’s investment in licensing the U.S. guidance portfolio (raw expenses for individual divided by time spent on U.S. guidance portfolio) and to include the investment over the time that Rovi has owned the asserted patent. *See* CX-5741C (Armaly WS) at Q104 (labor), Q119 (overhead expenses), Q130 (outside counsel).

The administrative law judge finds that the evidence shows that the totals with respect to each of the patents are as follows: [ ] (‘906 patent); [ ] (‘762 patent); [ ] (‘709 patent); and [ ] (‘776 patent). CX-

## PUBLIC VERSION

5741C (Armaly WS) at Q138-140, 142.<sup>54</sup>

### 4. Substantiality of Licensing Investment

In assessing substantiality of a licensing investment, the Commission considers: (1) the nature of the industry and the resources of the complainant; (2) the existence of other types of exploitation activities; (3) the existence of license-related “ancillary” activities; (4) whether complainant’s licensing activities are continuing; (5) whether complainant’s licensing activities are the type of activities that are referenced favorably in the legislative history of section 337(a)(3)(C); and (6) the complainant’s return on its licensing investment. *See Navigation Devices*, Comm’n Op. at 15-16. There is no minimum monetary expenditure that a complainant must demonstrate to qualify as a domestic industry under the ‘substantial investment’ requirement” of section 337(a)(3)(C). *See Stringed Musical Instruments*, Comm2008 WL 2139143 at \*14.

#### a. Nature of Industry and Resources of Complainant

In *Liquid Crystal Display Devices*, the administrative law judge found the complainant’s investments were significant in part because they had successfully licensed the portfolio at issue to “a large portion of the industry.” *Liquid Crystal Display Devices*, Comm’n Op. at 123. Here, approximately 87 million U.S. customers receive a licensed or Rovi-provided internet program guide, as do 97 percent of digital TV households. *See* CX-4141 (2011 Rovi 10-K). Rovi has licensed approximately [ ] companies in the industry, including the largest service providers in the United States including [

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<sup>54</sup> Rovi has owned the ‘762 and ‘709 patents from May 2, 2008, when Macrovision and Gemstar/TV Guide merged to become Rovi. Rovi was assigned the ‘906 patent on March 29, 2011, and the ‘776 patent issued on February 7, 2012. *See* CX-5741C (Armaly WS) at Q142-175, and Q184-192.

**PUBLIC VERSION**

J. *See* CX-4129C (Identification of Current Licensees Pursuant to 19 C.F.R. §210.12(a)(9)(iii)).

This factor favors finding that Rovi's investment is substantial.

**b. The Existence of Other Types of Exploitation Activities**

In addition to Rovi's expenditures on compensation and overhead related to licensing the guidance portfolio, described above, Rovi makes investments in plant and equipment and employs labor and capital to exploit the asserted patents through research and development for various products, including the Rovi Entertainment Store product and the TotalGuide products.

This factor favors finding that Rovi's investment is substantial.

**c. The Existence of License-Related Ancillary Activities**

Rovi argues that it "engages in the ancillary activities of auditing and other post-licensing activities," and that "[t]he ongoing program monitors licensees and approaches them if problems are detected." Compl. Br. at 387. The administrative law judge is not persuaded that these activities are substantial.

This factor favors finding that Rovi's investment is not substantial.

**d. Continuing Licensing Activities**

Rovi has continued to engage in U.S. licensing activities since the filing of the complaint. For each patent, as shown above, Rovi has invested in compensation and overhead for its licensing group employees and other executives who license the U.S. guidance portfolio both before and after the complaint was filed through June 30, 2012. *See* CX-3597C (Rovi's labor compensation in tab marked "Compensation earned per

**PUBLIC VERSION**

year”); CX-4170C (Rovi U.S. IP licensing overhead expenses for 2008-2010 in tab marked “7170 expenses”, Rovi internal number for its IP licensing group); CX-3616C (Rovi U.S. IP group overhead expenses for 2011 in tab marked “Sum NA”); CX-4171C (Rovi U.S. IP group overhead expenses through June 2012 in tab marked “Sum NA”). Rovi has continued to make licensing-related expenditures throughout the third and fourth quarters of 2012 and will continue to do so for the foreseeable future. See CX-5752C (Kaplan WS) at Q120.

This factor favors finding that Rovi’s investment is substantial.

**e. Referenced Favorably in the Legislative History**

The Commission has held that Congress, in enacting Section 337(a)(3)(C), intended to encourage “production-driven licensing activity” over a “revenue-driven licensing model targeting existing production.” *Certain Multimedia Display and Navigation Devices and Systems*, 2011 WL 3813121 Comm’n Determination (Jul. 22, 2011) at \*12, n. 20 (citing *Certain Video Game Systems and Controllers*, 337-TA-743, Comm’n Op. at 9 (Apr. 14, 2011) and citing *Certain Coaxial Cable Connectors*, Inv. No. 337-TA-650, USITC Pub. No. 4283, Comm’n Op. at 51 (Apr. 14, 2010) (“we give . . . revenue-driven licensing activities less weight”)).

Rovi argues that it “is a production-oriented firm with a production-driven licensing program.” Compl. Br. at 388. It is argued that “Rovi and its subsidiaries provide a wide array of products and services, including guidance software, entertainment data, and content protection in addition to licensing its intellectual property,” and that it “is also using its patents to enhance the capabilities of its own offerings, such as TotalGuide and RES.” *Id.*

**PUBLIC VERSION**

The administrative law judge finds that while Rovi is engaged in “production-driven” licensing activities, Rovi is also a “revenue-driven company. *See* Resps. Br. at 402-403.

The administrative law judge finds that this factor is neutral.

**f. Domestic Nature of the Licensing Expenditures**

Rovi’s licensing operations are headquartered in the United States and a significant portion of staff efforts are directed toward licensing its guidance portfolio for use in the United States. *See* CX-5741C (Armaly WS) at Q83-85. From 2008 to 2010, [ ] individuals from Rovi’s licensing group in the United States were devoted to the guidance portfolio. *See* CX-3597C (Rovi Legal Compensation 2008-2011). In 2011 and 2012, [ ] additional employees were added to the team focused on guidance portfolio. *Id.* [ ] other U.S.-based executives at the director level or above from other groups at Rovi are also involved in licensing the guidance portfolio. CX-5741C (Armaly WS) at Q81-92.

U.S. expenditures on Rovi’s relevant licensing spending and its research and development spending – the broadest measures of current expenditures in the areas considered by the Commission for establishing a domestic industry - significantly exceed Rovi’s non-U.S. expenditures in the past few years. *See* CX-5752C (Kaplan WS) at Q55 (Rovi’s U.S. licensing spending is approximately [ ]% of worldwide spending in 2011-2012), citing CX-3616C (Rovi U.S. IP group overhead expenses for 2011) and CX-4171C (Rovi U.S. IP group overhead expenses through June 2012); CX-5752C (Kaplan WS) at Q121 (Rovi’s U.S. research and development spending is approximately [ ]% of

## PUBLIC VERSION

worldwide spending over 2009-2011) citing CX-5749C (Rovi R&D Expenses (2009-2012)).

This factor favors finding that Rovi's investment is substantial.

### **g. Return on Licensing Investment**

U.S. employees in the licensing group continue to seek new licensees, renew current licensees, and, when necessary, pursue offensive patent litigation in support of licensing. The returns on these investments are substantial. Rovi's licensing program yielded more than [ ] million in 2011 alone. *See* CX-4168C (Rovi licensing revenue spreadsheet). Although the royalties received under a license "do not constitute the investment itself," they do constitute circumstantial evidence that a substantial investment was made. *Navigation Devices*, Comm'n Op. at 24.

This factor favors finding that Rovi's investment is substantial.

### **h. Conclusion**

Assuming that the nexus requirement is met, the administrative law judge finds that, taken as a whole, Rovi's investment in licensing the asserted patents is substantial.

### **C. Plant and Equipment, Labor and Capital, Engineering, and R&D**

Rovi offers a variety of IPG-related products and solutions to a range of different customers, including consumer electronics manufacturers, service providers, retailers and other similar companies. *See* CX-5741C (Armaly WS) at Q25. These IPG-related products and services help user navigate, find and discover video programming across a number of different devices. Rovi's primary IPG-related products and solutions include Passport, iGuide, Total Guide and Rovi Entertainment Service ("RES"). *Id.*



## PUBLIC VERSION

For each of the asserted patents, at least tens of millions of dollars was spent by Rovi and/or its licensees, Apple and Samsung, to exploit the products that practice the invention. *See* CX-5742C (Huang WS) at Q19-21, Q31-32, and Q55-57 (Rovi's Total Guide); CX-5742C (Huang WS) at Q19-21, Q31-32, Q69-70 (Rovi's RES); CX-1945C (RES FY10-FY12); CX-1950C (RCS\_Web Services and S&R FY10-FY12); CX-3592C (Total Guide SP FY10-FY12) and CX-3594C (Total Guide SP FY10-FY12); CX-5752C (Kaplan WS) at Q134-143 (Samsung's CinemaNow application); CX-3328C (spreadsheet of Service Model); CX-3329C (spreadsheet of Net Sales); CX-3232C (Compatible Devices with CinemaNow), CX-3380C (Call Center Cost Summary); CX-3638C (spreadsheet of T-INFOLINK), CX-5367C (Samsung's sales, warranty, and service documents); CX-5924C (Kaplan Supp. WS) at Q16-35 (Apple's iPad and Apple TV products); CX-5922C (Apple research and development document).

Based on these investments, there is a domestic industry for the '906 patent based on significant expenditures on research and development for the Rovi Entertainment Store (RES) and in labor and capital expenditures and the exploitation through engineering for Samsung's CinemaNow application.

There is a domestic industry for the '762 patent based on significant investments in research and development expenditures for the Apple iPad products. There is a domestic industry for the '709 patent based on significant investments in labor, plant and equipment, and research and development expenditures for the Rovi Total Guide products and in research and development expenditures for the Apple iPad products.

Finally, there is a domestic industry for the '776 patent based on significant investments in labor, plant and equipment, and research and development expenditures

## PUBLIC VERSION

for Rovi's practicing products, Total Guide and RES and Samsung's CinemaNow application, and based on significant investments in research and development expenditures for the Apple iPad products and Apple TV products.

### 1. "Specific Features" of the Asserted Patents

Respondents argue that "Rovi should demonstrate that the investments relate to the particular patented technology." Resps. Br. at 404.

The Commission evaluates whether the complainant has made investments in particular products, rather than evaluating whether the investment relates to the specific features of an asserted patent. *See Certain Electronic Digital Media Devices and Components Thereof*, Inv. No. 337-TA-769, Comm'n Op. at 453-454 ("the Commission has rejected requiring complainants to 'tie' investments in engineering, R&D, or licensing to 'specific product features' implicated by the asserted patents"); *see Certain Ground Fault Circuit Interrupters and Products Containing Same*, Inv. No. 337-TA-739, Comm'n Op. 2012 WL 2394435 (June 2012) at \* 51 (finding that "it was acceptable for [complainant] to present its proof of a domestic industry under 19 U.S.C. § 1337(a)(3)(A) and (B) on a product-by-product basis").

### 2. RES Products

Rovi Entertainment Store (RES) is a white-label solution provided to retailers and other companies to deliver video programming through over-the-top (OTT) storefronts. *See CX-5741C (Armaly WS)* at Q29. CinemaNow is an example of an RES-powered solution that is offered by Samsung, which practices the '906 patent and '776 patent. *See CX-5752C (Kaplan WS)* at Q134.

## PUBLIC VERSION

Rovi has made significant investments in plant and equipment and in the employment of labor or capital for the RES product practicing the '906 patent and '776 patent. *See* CX-1945C (RES FY10-FY12). The amounts are different for each patent because, as discussed above, Rovi has owned the '906 patent since March 29, 2011 and the '776 patent (and application) since May 4, 2008, although Rovi only counting its investments since Rovi purchased RES as part of its acquisition of Sonic Solutions on February 17, 2011. Rovi's investment in plant and equipment and labor and capital for the RES product totals over [ ] million from the March 29, 2011 date that Rovi was assigned the '906 patent to the April 30, 2012 date of the complaint and over [ ] million from the February 17, 2011 acquisition of Sonic Solutions to April 30, 2012. *See* CDX-0432C (citing CX-1945C).

Rovi maintains information showing how much is invested in these products in the ordinary course of business in terms of plant and equipment, and labor and capital. *See* CX-5742C (Huang WS) at Q19-21, Q31-32, Q69-70; CX-1945C (RES FY10-FY12). Rovi properly tracks how much it invests in Total Guide and RES in the ordinary course of business. *See id.*; CX-5742C (Huang WS) at Q31-32. Rovi has included only engineering and research and development centers as expenses to be included in Rovi's domestic industries. For RES, Rovi tracks all of the expenses by product-specific "cost centers", which contain all expenses for RES. CX-5742C (Huang WS) at Q69-70.

### **3. Total Guide Products**

According to Rovi, TotalGuide, which practices the '709 patent and '776 patent, is an advanced interactive program guide solution developed by Rovi. *See* CX-5741C (Armaly WS) at Q28. TotalGuide can be integrated across other devices such as tablets

## PUBLIC VERSION

and smartphones to extend the video experience to these devices. *Id.* Furthermore, a version of TotalGuide is available to consumer electronics companies for incorporation into connected devices such as smart TVs. *Id.*

Rovi has made significant investments in plant and equipment and in the employment of labor or capital for the TotalGuide CE, TotalGuide SP, and RCS products practicing the '709 patent and '776 patent. The amounts are the same since Rovi has owned these patents for the same amount of time. From the beginning of the fourth quarter of 2010 until the filing of the complaint Rovi invested over [ ] million in the Total Guide product. TotalGuide CE, TotalGuide SP, and RCS are part of the platform that makes up the Total Guide product. *See* CDX-0429C (TotalGuide CE Allocations,) (citing CX-3594C (Total Guide CE P&L)), CDX-0430C (Total Guide SP Allocations) (citing CX-3592C (Total Guide SP P&L)), and CDX-0431C (RCS Allocations) (citing CX-1950C (RCS Web Service and S&R)). As explained above, in the ordinary course of business Rovi maintains information showing how much is invested in these products in terms of plant and equipment, and labor and capital, including the amount allocated to Total Guide in the ordinary course of business. *See* CX-5742C (Huang WS) at Q19-21, Q31-32, Q55-57.

#### **4. Licensee Samsung**

At least 132 Samsung TV models practice the '906 patent and the '776 patent. Samsung televisions that practice the '906 patent and the '776 patent are those that can run Best Buy's CinemaNow application ("app") that is built on the RES platform. *See* CX-5752C (Kaplan WS) at Q133-134. The CinemaNow app is part of Samsung's apps

## PUBLIC VERSION

platform for televisions and is used by consumers of Samsung televisions who access this “app.” *Id.*

Samsung’s domestic industry expenditures include expenditures for warranty support and repair and for call center support for these 132 television models. *See* CX-5752C (Kaplan WS) at Q135. Warranty support and repair occurs both on-site, at “Central Repair Center” facilities located in Los Angeles, California and Riverdale, New Jersey, and off-site by field engineers (“FEs”), authorized service centers (“ASCs”), and dealer service centers (“DSCs”) located throughout the United States. JX-0001C (On Dep. Tr.) 48-50, 62-64; *see* CX-3328C (Samsung investments in warranty support and repair). Samsung also operates a call center in Greenville, South Carolina. *See* CX-3328C (spreadsheet showing Samsung’s warranty support and repair expenses for the Samsung TV’s that practice the ‘906 and ‘776 patents). The call center opened on May 1, 2009, and manages customer support and service for U.S. customers of Samsung products, including televisions at its call center. *See* CX-3380C (spreadsheet showing Samsung call center expenses for 2010 through 2011).

The CinemaNow application must be installed on the Samsung Smart TVs for the TVs to practice the ‘776 patent and installed and activated to practice the ‘906 patent. CX-5750C (Shamos WS) at Q821-860 (testifying regarding Samsung’s practice of the ‘906 patent); CX-5751C (Griffin WS) at Q765-821 (testifying regarding Samsung’s practice of the ‘776 patent). As such, Samsung’s support, repair, and call center expenditures on all Samsung Smart TVs must be allocated between televisions that have CinemaNow installed, and televisions that do not. *See* CX-5752C (Kaplan WS) at Q140 (explaining allocations); CX-3329C (spreadsheet showing sales quantity and amount of



## PUBLIC VERSION

Samsung television products), CX-3232 (list of compatible devices with CinemaNow), CX-3638C (installation data for the practicing models of Samsung Smart TVs), CX-5367C (Activation counts of CinemaNow US app on Samsung TVs). The allocation percentages calculated were equal to the monthly average installations and monthly average activations, respectively, divided by averages sales for the months for which reliable data were available. *See* CX-5752C (Kaplan WS) at Q140.

Based on the investments provided by Samsung and allocations of installations and activations, Samsung's total expenditures for TVs that practice the '906 patent from March 29, 2011 to the date of the complaint (the time Rovi owned the patent) was [ ] based on an allocation percentage based on CinemaNow activations as described above. *See* CX-5752C (Kaplan WS) at Q157. Based on the same allocation percentage, Samsung invested [ ] in parts from the beginning of 2010 to April 30, 2012 based on the CinemaNow activation allocation. *Id.* Data for Samsung's Greenville Call Center has been provided from January 2010 through June 2011, which gives a conservative estimate of [ ] in total expenditures for all Samsung TVs practicing the '906 patent based on the CinemaNow activation allocation. *Id.* at Q159. Samsung therefore has made a total investment of [ ] in Samsung TVs practicing the '906 patent as of the date of the complaint. *Id.* at Q160.

Based on the investments provided by Samsung and allocations of installations of the practicing Samsung TVs, Samsung invested a total of [ ] in labor on TVs practicing the '776 patent from February 17, 2011 through April 30, 2012. *Id.* at Q180. Based on the same allocation percentage, SEA invested [ ] in parts from the beginning of 2010 to April 30, 2012 based on the CinemaNow installation allocation. *Id.*



## PUBLIC VERSION

SEA data for the [ ] Call Center was provided from January 2010 through June 2011, which shows [ ] in total expenditures for all Samsung TVs practicing the '776 patent based on the CinemaNow installation allocation. *Id.* at Q183. Samsung therefore has made a total investment of [ ] in Samsung TVs practicing the '906 patent as of the date of the complaint. *Id.* at Q184.

### 5. Licensee Apple

Domestic industries exist for each of the '762 patent, the '709 patent, and the '776 patent based on Apple's practice of these patents through their iPad and Apple TV products. Apple iPad2 and later versions that run Apple's iOS 6 practice the '762 patent and '709 patent, and, for the '776 patent, Apple iPad2 and later versions that run Apple's iOS 6 and Apple TVs (gen 2 or later) that run Apple's iOS 6 all practice the '776 patent. *See* CX-5750C (Shamos WS) at Q642, Q707-757, Q758-818 and CX-5751C (Griffin WS) at Q822-936. The evidence shows that because iOS 6 was not released commercially until September 2012, Rovi included only the research and development expenses incurred until the date of the complaint. *See* Kaplan Tr. 466-469.

Rovi's domestic industry is therefore based only on Apple's expenditures on hardware and software development of the practicing Apple products between September 2010 and April 30, 2012. *See* CX-5923C, ¶¶ 11-15 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) Q16-20 and Q23. Apple's expenditures on hardware development for the practicing Apple iPads and TVs began on [ ], and for the Apple TV gen 2 on [ ]. *See* CX-5923C, ¶¶ 11 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) Q17-18. Apple's expenditures on the software

## PUBLIC VERSION

development of iOS 6 began during the [ ]. *See* CX-5923C, ¶¶ 11-12 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) 19-20. Rovi allocated quarterly U.S. software development expenditures for iOS 6 reported by Apple to the iPad and Apple TV based on their shares of revenues among the mobile products using iOS 6: the iPhone, iPod Touch, iPad, and Apple TV (*e.g.*, iPad sales revenues / all iOS products sales revenues). *See* CX-5923C, ¶¶ 16-17 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) Q21.

Apple invested [ ] million in the hardware development and [ ] million related to the development of iOS 6 for the iPad during the relevant time periods. *See* CX-5923C, ¶¶ 11-15 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q23. Thus Apple's total domestic industry R&D investment for the iPad in the pre-filing period totaled [ ] million. *See* CX-5923C, ¶¶ 11-15 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q23. Apple invested [ ] million in hardware development and [ ] million in software development. *See* CX-5923C, ¶¶ 11-15 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q25. Thus, Apple's total domestic industry expenditures related to the practicing Apple TV products were [ ] million. *See* CX-5923C, ¶¶ 11-15 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q25.

Apple's exploitation of the '762 patent, the '709 patent, and the '776 patent is substantial. As shown above, Apple's R&D-based domestic industries under each

## PUBLIC VERSION

individual patent are associated with nearly [ ] million of expenditures. *See* CX-5923C, ¶¶ 11-15 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q31. Apple performs the vast majority of its R&D activities in the United States, and the year-on-year growth of Apple's expenditures on the products practicing the three patents in-suit. *See* CX-5923C, ¶¶ 5-6 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q30. Apple spent over [ ] million on development of iOS 6 and later versions in just FY2012 as well as nearly [ ] million on iPad hardware development in FY2012. *See* CX-5923C, ¶¶ 11-15 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q32. Sales of iPads have accounted for over [ ] percent of total iOS product revenue over the FY2011- FY2012 period and a greater percentage during the allocation period. *See* CX-5923C, ¶¶ 11-15 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q32. The research and development efforts were very successful, resulting in billions of dollars of sales and high profits. *See* CX-5923C, ¶¶ 16-17 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q32. Similarly, the investments in Apple TV have resulted in sales totaling [ ] of dollars. *See* CX-5923C, ¶¶ 16-17 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q32.

The market success of the practicing products produced by Rovi's licensee Apple is also relevant to the question of substantiality. *See id.* at 35. In FY2011 and FY2012, Apple sold approximately [ ] Apple TV units worldwide, including [ ]

## PUBLIC VERSION

units in the United States, providing the company with over [ ] dollars of revenue. *See* CX-5923C, ¶¶ 16-17 (Buckley Declaration); CX-5922C (Summary of Apple Investments); *see* CX-5924C (Kaplan Supp. WS) at Q35. The iPad has become one of Apple's most successful product lines in history with more than [ ] units sold in the United States and approximately [ ] worldwide during FY2011 and FY2012. CX-5922C (Summary of Apple Investments). The iPad alone was responsible [ ] in revenues, approximately [ ] percent of Apple's revenues reported during the period. CX-5922C (Summary of Apple Investments).

A domestic industry thus exists under the economic prong of Section 337 for the '762 patent, '709 patent, and '776 patent based on Apple's expenditures on research and development for products practicing the patent.

Apple's significant domestic investments, including with respect to its iPad products, have also been found to satisfy the domestic industry requirement in prior investigations. *See, e.g., Certain Electronic Digital Media Devices and Components Thereof*, Inv. No. 337-TA-796, Initial Determination at 450-458 (Oct. 24, 2012).

### **D. Conclusion**

Complainants have not satisfied the economic prong of the domestic industry requirement with respect to any of the four asserted patents under subsection (a)(3)(C) through licensing. Complainants have, however, shown that the economic prong of the domestic industry requirement is satisfied with respect to each of the four asserted patents under subsections (a)(3)(A), (B) and (C), through investments in plant and equipment, labor and capital, engineering, and research and development.

**XI. Patent Misuse**

Respondents argue that “Rovi dominates the market for IPG technology so completely that every U.S. service provider must take a patent license from Rovi to operate. They have no alternative. Such monopoly power is not, by itself, illegal. Rovi, however, has leveraged this power to impose anticompetitive license terms that stifle competition and discourage innovation—activities that threaten to topple Rovi from power if left unchecked. In doing so, Rovi has misused the asserted patents.” Resps. Br. at 338. Complainants disagree. Compls. Br. at 410-457.

For the reasons set forth below, respondents have not shown that complainants misused the asserted patents.

**A. Background**

“[T]he defense of patent misuse is not available to a presumptive infringer simply because a patentee engages in some kind of wrongful commercial conduct, even conduct that may have anticompetitive effects.” *Princo Corp. v. Int’l Trade Comm’n*, 616 F.3d 1318, 1329 (Fed. Cir. 2010). For there to be misuse, the “*patent in suit* must itself significantly contribute to the practice under attack.” *Id.* at 1331 (emphasis added). In this investigation, respondents have not shown sufficient evidence that any of the patents-in-suit contributed “significantly” to any of the practices under attack.

Moreover, patent misuse occurs only when “the patentee has impermissibly broadened the physical or temporal scope of the patent grant with anticompetitive effect.” *Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 868 (Fed. Cir. 1997). There was no evidence in this investigation that Rovi impermissibly broadened the physical or temporal scope of the patent grant.

## PUBLIC VERSION

Rovi and its subsidiaries and predecessor companies have been leading innovators in interactive program guide (“IPG”)<sup>55</sup> technology and products for the last twenty years. CX-5741C (Armaly WS) at Q10. IPGs allow end-users of televisions, cable and satellite set-top boxes, digital video recorders, mobile devices and other devices to interactively access program information for broadcast and on demand video programming and related services. *See* CX-5861C (Gilbert RWS) at Q26-29; CX-5741C (Armaly WS) at Q13. An example is the typical “grid” a cable user sees when looking for programming. Rovi has sought and received patent protection for its valuable intellectual property. CX-5741C (Armaly WS) at Q12. “Rovi has a substantial IPG-related patent portfolio that includes approximately 1,100 U.S. patents and U.S. patent applications.” CX-5741C (Armaly WS) at Q12. Since 2003, Rovi’s business strategy has been to widely license its IPG patent portfolio to users and suppliers of IPG products, including its competitors for the sale of IPG products. Armaly Tr. 1051-52. Furthermore, the marketplace for IPGs has grown. In the last ten years, numerous new suppliers of IPG products have made more competitive the relevant market involving IPGs. Rovi has licensed over [ ] companies to its IPG patents, including [

[ ]). Armaly Tr. 955; CX-4129C (List of current Rovi licensees); *see, e.g.*, CX-1165C (Agreement with [ ]); CX-1167C (Agreement with [ ]); CX-1172C (Agreement with [ ]); CX-1210C (Agreement with [ ]); CX-1218C

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<sup>55</sup> IPGs are also sometimes referred to as “EPGs” or electronic program guides.



PUBLIC VERSION

(Agreement with [            ]); CX-1233C (Agreement with [            ]); CX-1250C  
(Agreement with [            ]); CX-4130C (Agreement with [            ]).

**B. Patent Misuse Doctrine**

Patent misuse occurs only when “the patentee has impermissibly broadened the physical or temporal scope of the patent grant with anticompetitive effect.” *Virginia Panel Corp.*, 133 F.3d at 868. “The key inquiry is whether, by imposing conditions that derive their force from the patent, the patentee has impermissibly broadened the scope of the patent grant with anticompetitive effect.” *C.R. Bard, Inc. v. M3 Sys. Inc.*, 157 F.3d 1340, 1372 (Fed. Cir. 1998). “Where the patentee has not leveraged its patent beyond the scope of rights granted by the Patent Act, misuse has not been found.” *Princo*, 616 F.3d at 1328. Moreover, there is no misuse unless “*the patent in suit... significantly contribute[d]* to the practice under attack.” *Id.* at 1331 (emphasis added).

The doctrine of patent misuse is very narrowly construed. See Geoffrey D. Oliver, *Princo v. International Trade Commission: Antitrust Law and the Patent Misuse Doctrine Part Company*, 25 SPG ANTITR 62, 62-64 (2011); Thomas Cotter, *Misuse*, 44 HOUS. L. REV. 901, 911-22 (2007). Recognizing that patent misuse “is a judge-made doctrine that is in derogation of statutory patent rights against infringement,” and that Congress enacted 35 U.S.C. § 271(d) in 1988 “not to broaden the doctrine of patent misuse, but to cabin it,” the Federal Circuit has continued to constrain the scope of patent misuse over the last 25 years. *Princo*, 616 F.3d at 1321, 1329-30; Geoffrey D. Oliver, *Princo v. International Trade Commission: Antitrust Law and the Patent Misuse Doctrine Part Company*, 25 SPG ANTITR 62, 62-64 (2011).

## PUBLIC VERSION

The Federal Circuit has observed that “the defense of patent misuse is not available to a presumptive infringer simply because a patentee engages in some kind of wrongful commercial conduct, even conduct that may have anticompetitive effects.” *Princo*, 616 F.3d at 1329; see *Certain Handheld Electronic Computing Devices, Related Software, and Components Thereof*, 2012 WL 504367, at \*5 (dismissing Barnes & Noble’s claims of patent misuse because although Microsoft’s tactics were “hard bargaining . . . there is absolutely nothing about such tactics that expand the scope of any patent.”); Phillip W. Goter, *Princo, Patent Pools, and the Risk of Foreclosure: A Framework for Assessing Misuse*, 96 IOWA L. REV. 699, 708 (2011).

As the first step in assessing any claim of patent misuse, the Commission must determine if the challenged practice is “reasonably within the patent grant, i.e., that it relates to subject matter within the scope of the patent claims.” *U.S. Philips Corp. v. United States Int’l Trade Comm’n (Philips I)*, 424 F.3d 1179, 1197 (Fed. Cir. 2005) (quoting *Virginia Panel*, 133 F.3d at 869). If the practice is reasonably within the scope of the patent, the alleged practice does not have the effect of broadening the scope of the patent claims and thus cannot constitute patent misuse. *Id.*; see *Certain Polyimide Films, Products Containing Same, and Related Methods*, Inv. No. 337-TA-772, 2012 WL 2131128, at \*119 (May 10, 2012) (“The fact that [Complainant] had the strategy of asserting its patents against [Respondent] to try to either eliminate [Respondent] from the market or reduce [Respondent’s] market share does not equate to patent misuse. [Respondent] has not shown that [Complainant’s] strategy in any way involved impermissibly broadening the scope of the asserted patents.”).

## PUBLIC VERSION

Along with an extension of the patent scope, “patent misuse requires a showing that the patentee’s conduct had anti-competitive effects.” *Princo*, 616 F.3d at 1334. Respondents are “required to show that the challenged contracts had an *actual* adverse effect on competition.” *Monsanto Co. v. Scruggs*, 459 F.3d 1328, 1341 (Fed. Cir. 2006) (emphasis added); see *Philips I*, 424 F.3d at 1185. Furthermore, when a practice alleged to constitute patent misuse does have “the effect of extending the patentee’s statutory rights and does so with an anticompetitive effect, that practice must then be analyzed in accordance with the ‘rule of reason.’” *Virginia Panel*, 133 F.3d at 869 (citing *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 708 (Fed. Cir. 1992)); see *Philips I*, 424 F.3d at 1185; *Certain Handheld Electronic Computing Devices, Related Software, and Components Thereof*, 2012 WL 504367, at \*7 (“[T]he purpose of patent misuse is to balance patent rights with competitive concerns . . .”).

Even when all other requisite tests are satisfied, a practice is not impermissible unless “its effect is to restrain competition in a relevant market.” *Philips I*, 424 F.3d at 1185 (citing *Monsanto Co. v. McFarling*, 363 F.3d 1336, 11341 (Fed. Cir. 2004) and *Windsurfing Int’l v. AMF, Inc.*, 782 F.2d 995, 1001-02 (Fed. Cir. 1986)). Indeed, every claim of patent misuse alleged here must be analyzed either under § 271(d)(5) of the Patent Act or in accordance with the rule of reason, which necessitates that respondents present detailed factual support regarding the relevant product market, relevant geographic market, market power, and barriers to entry.<sup>56</sup> 35 U.S.C. 271(d)(5); *Virginia*

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<sup>56</sup> Beyond the “conventional, rather stereotyped boundaries” of the patent misuse doctrine, there is a “convergence of patent-misuse analysis with standard antitrust analysis.” *USM Corp. v. SPS Technologies*, 694 F.2d 505, 511-13 (7th Cir. 1982) (noting that the court had “found no cases where standards different from those of antitrust law

## PUBLIC VERSION

*Panel*, 133 F.3d at 869. By enacting, § 271(d)(5), Congress has specifically mandated that even a defense of patent misuse based on a tying arrangement requires a showing of the patentee's market power in a relevant market. *Virginia Panel*, 133 F.3d at 869 (explaining 35 U.S.C. § 271(d)(5), the Patent Act).

### C. Analysis

Respondents' arguments are the following:

1. Rovi's misuses its IPG portfolio in violation of Section 2 of the Sherman Act;
2. Rovi is a monopolist in the market for IPG technology;
3. Rovi's licenses contain anticompetitive covenants not to sue;
4. Rovi's discount bundling deters entry and innovation in the IPG market;
5. Rovi pays for exclusivity via its market penetration provision;
6. Rovi seeks a royalty on all IPGs, not just those that infringe its patents;
7. Rovi illegally ties its essential IPG patents to its non-essential IPG patents and to its advertising products;
8. Rovi's licensing practices broaden the physical and temporal scope of Rovi's monopoly; and
9. Rovi has misused the patents asserted in this investigation.

Resps. Br. at 344-386.

For the reasons set forth below, respondents have not shown that complainants misused the asserted patents.

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were actually applied to yield different results" when analyzing patent misuse) (Posner, J.); see *Philips I*, 424 F.3d at 1185 ("[T]he analysis of tying arrangements in the context of patent misuse is closely related to the analysis of tying arrangements in antitrust law.") (citing *Virginia Panel*, 133 F.3d at 868-69).

## PUBLIC VERSION

### 1. Sherman Act

A patentee's conduct constitutes patent misuse if it has created an illegal monopoly in violation of § 2 of the Sherman Act. *See Hoffman-La Roche Inc. v. Genpharm Inc.*, 50 F. Supp. 2d 367, 379 (D.N.J. 1999). Monopolization has two elements: "(1) the possession of monopoly power in the relevant market and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident." *Grinnell Corp.*, 384 U.S. at 570-571. "If these two elements are shown, the offense of actual monopolization is complete; it is well established that there is no additional requirement that the power actually be exercised." *United States v. Am. Airlines, Inc.*, 743 F.2d 1114, 1117 (5th Cir. Tex. 1984). A showing of monopoly power satisfies the intent requirement of Section 2. *See Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 602-603 & n.28 (1985) ("[N]o monopolist monopolizes unconscious of what he is doing.").

For the reasons set forth below in the administrative law judge's analysis of whether Rovi is a monopolist, the undersigned finds that Rovi did not create an illegal monopoly in violation of § 2 of the Sherman Act.

### 2. Monopoly

#### Market Power

Respondents did not meet their burden of showing that Rovi is a monopolist in the alleged market for the licensing of patented IPG-related technology in the United States.

"The first requirement in every suit based on the Rule of Reason is market power, without which the practice cannot cause those injuries (lower output and the associated

## PUBLIC VERSION

welfare losses) that matter . . . .” *Menasha Corp. v. News Am. Mktg. In-Store*, 354 F.3d 661, 663 (7th Cir. 2004). Market power, also referred to as monopoly power, is the “ability to raise prices above those that would be charged in a competitive market,” or the power to control prices and exclude competition. *NCAA*, 468 U.S. at 109 n.38 (citing *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 27, n. 46 (1984)); *United States v. E.I. du Pont de Nemours & Co.*, 351 U.S. 377, 391 (1956); see *Roy B. Taylor Sales, Inc. v. Hollymatic Corp.*, 28 F.3d 1379, 1386 (5th Cir. 1994); *Spectrofuge Corp.*, 575 F.2d at 276. Respondents have not shown that Rovi has market power in any properly defined relevant market—a required element of each of respondents misuse claims.

In the absence of direct evidence of supracompetitive prices and restricted output, to demonstrate market power, respondents must show that Rovi has a dominant share of a properly defined relevant market, and that there are significant barriers to entry that prevent the entrance or expansion of competitors in the relevant market.<sup>57</sup> See *Spectrofuge Corp.*, 575 F.2d at 276-77; see *E.I. du Pont de Nemours & Co.*, 351 U.S. at 391-92. Respondents have not met that burden.

Respondents did not meet their burden of showing that Rovi has market power in the alleged market for the “licensing of patented IPG-related technology in the United States.”<sup>58</sup> RX-1137C (Leonard WS) at Q31.<sup>59</sup> In his witness statement, Dr. Leonard

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<sup>57</sup> Generally market shares less than 70 percent are insufficient to establish monopoly power. *Pepsico, Inc. v. Coca-Cola Co.*, 315 F.3d 101, 109 (2d Cir. 2002). In *Orion Elec. Co., Ltd. v. Funai Elec. Co., Ltd.*, the court dismissed patent misuse claims where the plaintiffs alleged the defendant had 33.33 percent and 50 percent of each of two relevant markets. No. 01-CV-3501, 2002 WL 377541, at \*6 (S.D.N.Y. Mar. 11, 2002).

<sup>58</sup> See generally, CX-5861C (Gilbert RWS) at Q55-62.



## PUBLIC VERSION

states, “[a] firm has market power if it is able profitably to increase price (or decrease quantity or quality below) the competitive level for a non-transitory period of time.” RX-1137C (Leonard WS) at Q48; Leonard Tr. 1257. Nonetheless, Dr. Leonard did not name one person who testified that Rovi either increased price above or decreased quantity or quality below the competitive level. Leonard Tr. 1258. Nor did Dr. Leonard compare Rovi’s licensing fees to any purported competitive price. Leonard Tr. 1258-60. Dr. Leonard did not address any such supracompetitive prices. Leonard Tr. 1258-60. Respondents asked no questions at depositions or trial to determine what competitive prices should be and how that compares with actual prices. Nor have respondents identified any documents that establish that Rovi is able to raise prices above the competitive level. Thus, respondents failed to analyze whether Rovi had market power under the test that Dr. Leonard proposed.

In addition, Dr. Gilbert, who has experience in the field of economic analysis pertaining to antitrust and intellectual property, supports the conclusion that respondents have not shown that Rovi has market power in any of their alleged relevant markets.<sup>60</sup> CX-5861C (Gilbert RWS) at Q41-62. Mr. Armaly testified that Rovi faces significant competition for IPG products and that there are numerous other companies that own,

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<sup>59</sup> Respondents assert that the relevant geographic market is the United States based on the scope of Rovi’s patents in suit and the location of the customers at issue. RX-1137C (Leonard WS) at Q46-47. Geographic market definition properly concerns the locations of *supply*, not demand. A foreign provider of IPGs can nevertheless license U.S. patents if necessary and can supply IPGs to U.S. multichannel video programming distributors (MVPDs), or service providers, for deployment to benefit U.S. subscribers. Thus, there is no reason to exclude a non-U.S. provider of IPG products or technology from the relevant geographic market. CX-5861C (Gilbert RWS) at Q86.

<sup>60</sup> Respondents’ economic expert dropped his alleged relevant market for IPG products from his witness statement. Leonard Tr. 1244.

**PUBLIC VERSION**

license and/or assert IPG-related patents. CX-5763C (Armaly RWS) at Q7-22; Armaly Tr. 969. Similarly, Mr. Shallow testified that there are numerous other IPG products available to consumers and customers. CX-5764C (Shallow RWS) at Q19-27.

Instead of analyzing his relevant market according to his own definition, Dr. Leonard opines, in essence, that Rovi has market power because it has many desirable patents related to IPGs. This approach has been rejected by the courts. “The mere accumulation of patents, no matter how many, is not in and of itself illegal.” *Cole v. Hughes Tool Co.*, 215 F.2d 924, 934 (10th Cir. 1954) citing *Automatic Radio Co. v. Hazeltine*, 339 U.S. 827, 834 (1950)). The Supreme Court has held that no presumption of market power arises from the existence of patents or patented products. *Illinois Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 31, 45 (2006); see *Philips I*, 424 F.3d at 1186; *Orion Elec.*, 2002 WL 377541, at \*6 (“A patent does not, by itself, create any presumption of market power.”) (citing *In re Indep. Serv. Orgs. Antitrust Litig.*, 203 F.3d 1322, 1325 (Fed.Cir.2000)).

Moreover, complainants have shown that others are capable of, and in fact are, innovating and asserting their own patents in the IPG space. Despite respondents’ claim that Rovi’s patents are “commercially essential,” none of Rovi’s patents are essential under any promulgated industry standard. CX-5763C (Armaly RWS) at Q24; Armaly Tr. 1046; CX-5861C (Gilbert RWS) at Q89. There are no government or industry standards for IPG products. CX-5763C (Armaly RWS) at Q24. Thus, even though Rovi has patents that may be important to commercially available IPGs, Rovi is not the only one with such patents and the lack of any standards in this area allows firms to attempt to

## PUBLIC VERSION

design around any existing IPG patents. CX-5861C (Gilbert RWS) at Q89; CX-5763C (Armaly RWS) at Q24; *see* CX-5764C (Shallow RWS) at Q19-20 and Q27.

The record shows that other companies license their IPG patents and develop their own IPG products. CX-5763C (Armaly RWS) at Q5, Q13, Q16-19; CX-5861C (Gilbert RWS) at Q57-59, Q80-89; CX-5764C (Shallow RWS) at Q20, Q23-24, Q27; Armaly Tr. 1048-50; JX-0019C (Macrae Dep. Tr.) 85. At least 32 companies other than Rovi have been issued U.S. IPG patents during the period 1995-1Q2007, and since then they have expanded their IPG patent portfolios. CX-5861C (Gilbert RWS) at Q57-59; CX-3729C (2007 patent landscape); *see* Armaly Tr. 1048-50; CX-5763C (Armaly RWS) at Q10-12; CDX-0200C (Demonstrative of 2012 patent landscape). Companies that have patents in the IPG space include: Sony, Microsoft, Thomson, TiVo, EchoStar, Verizon, Philips, Matsushita, Scientific-Atlanta, DirecTV, Samsung, LG, Toshiba, Motorola, Hitachi, Gateway, Sharp, Discovery Communications, Comcast, Arris, Pioneer, Intel and Time Warner, among others. CX-3729C (2007 patent landscape); CX-5763C (Armaly RWS) at Q7-13; CX-5861C (Gilbert RWS) at Q58; *see* CDX-0200C (Demonstrative of 2012 patent landscape).

There are many examples of patentees asserting their own IPG-related patents against others, which is further evidence that other companies have IPG-related patents. Armaly Tr. 1049-50; CX-5763C (Armaly RWS) at Q63; CX-5861C (Gilbert RWS) at Q58, Q94; Gilbert Tr. 1397-98, 1414-15; *see ActiveVideo Networks, Inc. v. Verizon Commc'ns., Inc.*, 694 F.3d 1312 (Fed. Cir. 2012); *TiVo, Inc. v. AT&T Inc.*, Case No. 2:09-cv-259, Complaint (E.D. Tex. 2009); *TiVo, Inc. v. EchoStar Commc'ns.*, Case No. 2:04-cv-01, Complaint (E.D. Tex. 2004); *Verizon Commc'ns., Inc. v. Cablevision Sys.*

**PUBLIC VERSION**

*Corp.*, 1:10-cv-00216-SLR, Complaint (D. Del. 2010); *TiVo, Inc. v. Verizon Commc'ns, Inc.*, Case No. 2:09-cv-257, Complaint (E.D. Tex. 2009); *OpenTV, Inc. v. Netflix, Inc.*, Case No. 1:12-cv-01733-UNA, Complaint (D. Del. 2012); *Apple, Inc. v. Motorola, Inc.*, Case No 1:10cv023580-Civ-UU, Complaint (S.D. Fla. 2010).

Respondents argue that simply because Rovi has license agreements (for some variation of patents and/or products) with many service providers and consumer electronics manufacturers, Rovi therefore has a large market share. RX-1137C (Leonard RWS) at Q48-56; Armaly Tr. 969-73. They ignore that other IPG patent licensors and/or product providers could license those very same entities and have done so. As Mr. Armaly testified, “TiVo can license all of the people that we have licensed, not only their patents but also their products. And in fact, Tivo has done just that....They’ve got license agreements with DirecTV, with Comcast, with Verizon, with AT&T, with Dish, many of the same folks.” Armaly Tr. 1049. If respondents applied the same test to all competitors, their total market shares add up not to 100 percent, but to several hundred percent. CX-5861C (Gilbert RWS) at Q59-60. For example, even if Rovi had licensed 80 percent of the total pay TV market in the United States, another IPG technology or product provider could license that same 80 percent.<sup>61</sup> CX-5861C (Gilbert RWS) at Q59-60; Armaly Tr. 1047-50.

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<sup>61</sup> TiVo has announced deals or license agreements with some of the same licensees as Rovi for IPG-related products, including [ ]. See, e.g. CX-5861C (Gilbert RWS) at Q60; CX-3861 (TiVo Press Release on Cable One); CX-3862 (TiVo Press Release on Mediacom); CX-3863 (TiVo Press Release on settlement of patent litigation with Verizon); CX-3864 (TiVo Press Release on settlement of patent litigation with AT&T); CX-3734 (U.S. Cable Operators – TiVo). TiVo has also partnered with several companies who are also licensees of Rovi, including [ ]. CX-3734 (U.S. Cable Operators

## PUBLIC VERSION

Moreover, inasmuch as Dr. Leonard failed to define the IPG technology market properly, it cannot be proven that Rovi has market power. As Mr. Armaly and Dr. Gilbert testified, IPGs consist of many different features, and therefore different technologies. Armaly Tr. 1046-47; Gilbert Tr. 1410-11. There is no overall IPG technology; rather, an IPG is made up of a series of technologies. Gilbert Tr. 1410; Leonard Tr. 1341-42. Accordingly, Dr. Leonard should have analyzed the market for each of the different IPG-related technologies. Specifically, “the way technology market definitions should proceed is to identify the individual technologies and not group technologies together that are not close substitutes for each other.... Because IP – interactive programming guides are collections of technologies ... it would be appropriate to analyze the individual technology markets corresponding to the different technologies or features that make up an IPG.” Gilbert Tr. 1410-11; *see* Gilbert Tr. 1413-14. Dr. Leonard did not do this analysis and therefore his conclusion that Rovi has market power in IPG technology is unsupported. Gilbert Tr. 1411.

Respondents had also alleged a relevant market for the “provision of interactive programming guides (IPGs) for use in providing digital cable and satellite TV services in the United States.” Netflix Amended Response at ¶ 179. Respondents’ expert had analyzed this market in his expert report, but dropped it from his witness statement. Leonard Tr. 1244-45. Regardless, there is no evidence that Rovi has power to exclude or

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– TiVo). As of September 2012, this means that TiVo has licensed companies representing 83 percent of digital subscribers of the top multichannel video service providers out of the same universe that Rovi has licenses with. CX-5814C (September 2012 Subscriber Report).



## PUBLIC VERSION

has excluded competitors from the IPG product market.<sup>62</sup> See CX-5861C (Gilbert RWS) at Q34-54. To the contrary, the number of competitors with IPG products has increased exponentially. CX-5814C (September 2012 Subscriber Report); CX-5763C (Armaly RWS) at Q5-13, Q16; CX-5764C (Shallow RWS) at Q20, Q22-27. Since at least 2003, Rovi has broadly licensed its IPG patents. CX-5763C (Armaly RWS) at Q4-5; Armaly Tr. 987-88; 1051-52. This licensing approach has spurred development and deployment of non-Rovi IPGs licensed under Rovi and other patents, including IPG products developed by Cisco, Comcast, DirecTV, NDS, Arris, Motorola, TiVo, Microsoft, Toshiba, Funai, Philips, Time Warner Cable, and Verizon. CX-5763C (Armaly RWS) at Q5, Q13; CX-5861C (Gilbert RWS) at Q34-40, Q46-49; CX-5764C (Shallow RWS) at Q27; CX-5814C (September 2012 Subscriber Report); see CX-3742 (Nagra.com web page); CX-3817 (Microsoft Mediaroom – For Business web page); CX-3818 (Microsoft Mediaroom – For You web page); CX-3829 (Press Release: Arris to Acquire Motorola Home Business); CX-3860 (Article: Microsoft’s IPG to run on more Motorola set-tops); CX-3836 (Article: Google selling off Motorola set-top box unit). The increase in competition for IPG products has left Rovi with approximately 14 percent of IPG product deployments among MVPDs. CX-5814C (September 2012 Subscriber Report); CX-5763C (Armaly RWS) at Q19; CX-5861C (Gilbert RWS) at Q48; CX-5764C (Shallow RWS) at Q24.

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<sup>62</sup> In addition, in his report, Dr. Leonard left out telephone companies from his definition of service providers, ignoring what the Federal Communication Commission has characterized as “the most significant change in the status of competition” among MVPDs. CX-3807 (FCC annual assessment of competition in the market for delivery of video programming); CX-5861C (Gilbert RWS) at Q46-47.



## PUBLIC VERSION

### Competitive Harm

Respondents have not shown that the challenged conduct has caused actual competitive harm. Respondents bear the burden to show that the challenged conduct increased prices, reduced output, reduced quality, and/or reduced innovation. *See, e.g., NCAA v. Bd. of Regents*, 468 U.S. 85, 109 n.38 (1984); *Spectrofuge Corp. v. Beckman Instruments, Inc.*, 575 F.2d 256, 276 (5th Cir. 1978). They have not presented supporting evidence.

Since 2003, competition in the IPG space has increased and companies have been and are innovating to improve IPG technology. Samir Armaly, Rovi's head of licensing, testified that since 2003 Rovi "broadly license[d] our IPG patent portfolio to third parties to develop their own solutions." Armaly Tr. 1052. When Rovi licenses its IPG patents, "we allow them to do what they want to do." Armaly Tr. 994. This freedom allows licensees to develop their own guides, either on their own or with the help of third-party suppliers, which are then deployed to the licensees' customers. Rovi's licensing approach also gives third-party suppliers the freedom to innovate and sell their technology to service providers or consumer electronics manufacturers who are Rovi licensees. CX-5861C (Gilbert RWS) at Q54; CX-5764C (Shallow RWS) at Q11; Armaly Tr. 1053. This freedom has led to significant innovation—there are numerous companies that have been issued U.S. patents related to IPG technology, including Rovi licensees and non-licensees. Armaly Tr. 1047-49; CX-5861C (Gilbert RWS) at Q58, Q79-81; CX-3729C (2007 patent landscape); *see* CDX-0200C (Demonstrative of 2012 patent landscape).

## PUBLIC VERSION

Companies are innovating on different features and technology in IPGs. For example, Comcast, the nation's largest multichannel video programming distributor ("MVPD") service provider, launched its new Xfinity X1 platform that has improved search and recommendations features and integrates with social-media sites. CX-5861C (Gilbert RWS) at Q84. Cox Communications recently launched an upgraded version of their Trio Program Guide, with help from ThinkAnalytics, that has an innovative personalized recommendation feature that allows for separate personalized recommendations for up to eight people in the household. CX-5861C (Gilbert RWS) at Q85-86. ThinkAnalytics is not a Rovi licensee. CX-5861C (Gilbert RWS) at Q86. Cablevision engaged Zodiac Interactive to help develop its Onyx guide that has improved search capabilities among other features. CX-5861C (Gilbert RWS) at Q87. Zodiac Interactive is not a Rovi licensee. CX-5861C (Gilbert RWS) at Q87. Similarly, Jinni, who is not a Rovi licensee, has licensed its content-discovery technology to Microsoft, a competitor of Rovi in the IPG space. CX-5861C (Gilbert RWS) at Q39 and Q88. Companies like itaas, Inc. are taking over the development of enhancements to established competing IPG products like Cisco's SARA guide, originally developed and deployed by Scientific-Atlanta. CX-3819 (Article: itaas Takes Wheel of Cisco's SARA Guide); CX-3830 (Article: Cisco Teams with itaas for Enhancements to SARA EPG); CX-3851 (Article: Cisco won't drop video).

Furthermore, testimony from Mr. Armaly, and Robert Shallow, Rovi's head of sales and marketing to service providers, supports the conclusion that Rovi's licensing practices involve bilateral negotiations as opposed to a monopolist imposing its will and causing harm to competition. CX-5763C (Armaly RWS) at Q25-34; CX-5764C (Shallow

PUBLIC VERSION

RWS) at Q28-37; Armaly Tr. 1012, 1054-55; *see* Adams Tr. 1131-32, 1135-36.<sup>63</sup> For example, [

] Shallow

Tr. 1372-73. As a result, [

] Shallow Tr. 1374-75; CX-1165 (Agreement

with [ ] at CX-1165.6.

No witness testified that Rovi's licensing practices reduced his/her incentives to innovate. Leonard Tr. 1250-51, 1268, 1271. No witness testified that he/she was excluded from competing in the marketplace. Leonard Tr. 1268, 1289. No witness testified that he/she was forced to accept unwanted terms or products. Leonard Tr. 1255-56, 1268, 1276. There is no evidence that Rovi's licensing practices increased prices above the competitive level. Leonard Tr. 1258-59. In sum, respondents have not shown that Rovi's licensing practices have decreased innovation, foreclosed competition, raised prices, reduced output, or otherwise led to actual anticompetitive effects. *See generally*, CX-5861C (Gilbert RWS) at Q63-119.

As indicated, for there to be misuse, the "*patent in suit* must itself significantly contribute to the practice under attack." *Princo*, 616 F.3d at 1331 (emphasis added); *see Riker Labs., Inc. v. Gist-Brocades N. V.*, 636 F.2d 772, 777 (D.C. Cir. 1980) ("conduct must relate to the patent being litigated") (quoting *McCullough Tool Co. v. Well Surveys, Inc.*, 395 F.2d 230, 238 (10th Cir. 1968)). Respondents presented no credible evidence

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<sup>63</sup> It is often the case that the companies Rovi is negotiating with are much larger, with significant buyer power, which belies respondents' assertion that Rovi forces its licensee to accept unwanted provisions. Armaly Tr. 1050-51; CX-5861C (Gilbert RWS) at Q67-68.

for any of their claims that the patents-in-suit significantly contributed to the alleged misconduct. Respondents' expert did not have any analysis that the patents-in-suit significantly contributed to his alleged anticompetitive effects. Leonard Tr. 1241-43 (“Q...[I]sn’t it a fact that nowhere in your witness statement do you point to any of the patents in suit and say that that patent or those patents contributed significantly to the anticompetitive effects that you discuss in your witness statement? A. It’s correct that I do not have an asserted-patent-by-asserted-patent analysis.”). Thus, the requirement that “at minimum . . . the patent in suit must itself significantly contribute to the practice under attack” is not met. *Princo*, 616 F.3d at 1331.

### 3. Anticompetitive Covenants Not to Sue

As discussed above, respondents' failure to establish that Rovi has market power or that it has misused the asserted patents in such a way that has harmed competition is sufficient to reject respondents' patent misuse defense.

Respondents argue that Rovi's licenses contain anticompetitive covenants not to sue. Resps. Br. at 361-372.

Non-assertion clauses, *i.e.*, covenants not to sue, are not unlawful per se and must be evaluated under the rule of reason because of their procompetitive benefits.<sup>64</sup> See U.S.

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<sup>64</sup> Covenants not to sue “typically provide that a contracting party will not assert patents or other IP rights against the other contracting party, even if that party were to engage in an infringing use.” ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS: PROMOTING INNOVATION AND COMPETITION 88. As the court in *Minebea* stated:

“A covenant not to sue . . . conveys a ‘bare’ or ‘non-exclusive’ license, meaning that the license holder has not affirmatively conveyed any patent rights. A bare license agreement is in essence nothing more than a promise by the licensor not to sue the licensee. In and of itself, a ‘bare’

## PUBLIC VERSION

DEP'T OF JUSTICE & FED. TRADE COMM'N, ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS: PROMOTING INNOVATION AND COMPETITION 88-90 (2007). Respondents have not identified any case where a covenant not to sue has been found to be the basis of a finding of patent misuse or an antitrust violation.

Respondents must provide evidence that the various covenants not to sue found in some Rovi licenses have unreasonably restrained trade. *See* 15 U.S.C. § 1; *CDC Techs., Inc. v. Idexx Labs., Inc.*, 186 F.3d 74, 80 (2d Cir. 1999). Respondents have not shown that Rovi has market power in any relevant market, a necessary element for respondents' claim. Even if Rovi had market power in a properly defined relevant market, respondents have presented no evidence that Rovi's covenants not to sue, under any interpretation, have actually harmed competition.<sup>65</sup> *See United States v. Grinnell Corp.*, 384 U.S. 563, 570-71 (1966); *Menasha Corp.*, 354 F.3d at 663.<sup>66</sup>

As discussed above, there is insufficient evidence that Rovi has market power in IPG products or IPG technology. The presence of such market power is a necessary element in any rule of reason analysis. *See Menasha Corp.*, 354 F.3d at 663 (“The first requirement in every suit based on the Rule of Reason is market power . . .”). Without market power, the covenants not to sue in Rovi's licenses cannot have an anticompetitive effect, and thus no patent misuse.

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license cannot be construed to convey any further rights because a non-exclusive patent license is always personal in nature and confers no right to sub-license others.”

*Minebea*, 444 F. Supp. 2d at 208 (internal citations omitted).

<sup>65</sup> *See generally*, CX-5861C (Gilbert RWS) at Q63-94.

<sup>66</sup> Respondents have no evidence of misuse of the patents in suit by virtue of covenants not to sue in certain licenses.



## PUBLIC VERSION

Even if Rovi had the requisite market power, respondents have presented no evidence that the covenants not to sue in some of Rovi's licenses have had an anticompetitive effect. Respondents argue that Rovi's "standard" covenants not to sue reduce incentives to innovate and prevent other IPG patent holders from enforcing their own patents, which in turn will lead to a further reduction in innovation. Respondents' position is unsupported. Furthermore, respondents' focus on a reduction of incentives to innovate implicates an incipency standard not found in the case law dealing with patent misuse (nor the Sherman Act for that matter). Patent misuse requires actual harm to competition; meaning, in this case, an actual reduction in innovation.

Rovi seeks to enter into a covenant that is similar in scope to the patent rights it is granting. Samovar Tr. 1157-58; Armaly Tr. 1012. When Rovi gives a patent license, Rovi gives up its ability to sue that licensee for patent infringement. Samovar Tr. 1153; Armaly Tr. 1010. In return, Rovi asks that the licensee agree not to assert patents against Rovi's IPG products, which by their very nature are deployed to Rovi's product licensees. Samovar Tr. 1153-54; Adams Tr. 1136; Armaly Tr. 1010, 1012. Simon Adams, Rovi's Senior Vice President of Sales and Marketing to Consumer Electronics Manufacturers, testified that "when we provide a product license, which runs for a number of years, we expect—it's a reciprocal agreement with that licensee not to sue us with their patents against ... those products for a similar term." Adams Tr. 1136.

At the hearing, Rovi's employees consistently testified that Rovi's covenants not to sue are intended to be limited to Rovi's products that are deployed during the term. Mr. Armaly testified that the "covenant protects Rovi's products from a third-party suit by the person who's giving us the covenant...." Armaly Tr. 1056-57; *see* Armaly Tr.



## PUBLIC VERSION

1006-07, 1012, 1015-16. Similarly, Kerry Samovar, Rovi's Senior Vice President and Associate General Counsel, Commercial Legal Affairs, testified the covenants mean Rovi licensees "will not assert patents against our products, which means it would be against each other to the extent that they're product licenses." Samovar Tr. 1154; *see* Samovar Tr. 1153. Mr. Adams testified that his understanding of the covenants "is that it's aimed at our products" and that he was not aware of any covenants protecting Rovi's patent licensees for third-party products. Adams Tr. 1135-36; *see* Armaly Tr. 1006-07, 1012, 1015-16, 1056-57; Adams Tr. 1129-30, 1135-36; Samovar Tr. 1153-54. This testimony is unrebutted by any witness. Dr. Leonard's conclusions about the covenant not to sue are dependent upon the interpretation that the covenants apply to patent-only licenses. Given that the fact witnesses rejected this notion, the undersigned finds that Dr. Leonard's conclusions pertaining to the covenant are unsupported. Armaly Tr. 1006-07, 1012, 1015-16, 1056-57; Adams Tr. 1129-30, 1135-36; Samovar Tr. 1153-54. For the reasons discussed below, Rovi's covenants would not be anticompetitive even if they were interpreted broadly, but under the unrebutted interpretation of Rovi's employees, no further analysis is necessary. Respondents' expert agrees that if the covenants applied just to Rovi and its products, "that would be perfectly fine." Leonard Tr. 1309.

Furthermore, contrary to respondents' assertions, the covenant not to sue extend to only those products deployed during the term. If the IPG product continues to exist after the expiration of the term of the agreement, such as when an IPG is on a television that is then shipped to a customer, then the covenant protects that particular IPG product on that television for the life of the television, just as the patent license protects the products for as long as the television exists. Armaly Tr. 1062-63; Adams Tr. 1129, 1136.

## PUBLIC VERSION

Rovi's employees consistently testified that the covenants were limited only to those actual products that were deployed during the term. Armaly Tr. 1062-63; Adams Tr. 1136-37. Products that are created by Rovi but not yet deployed, or that are deployed after the term of the license agreement expires, are not covered by the covenants. Armaly Tr. 1062-63; Adams Tr. 1136. Dr. Leonard agrees that having a covenant that survives the term of the agreement that is symmetrical with the length of the patent grant is not an issue. Leonard Tr. 1310 ("I don't think it's wrong as long as there's symmetry going in other direction, in that Rovi can't, after the term, sue somebody for somebody that's already been deployed."). The testimony of Rovi's employees on this issue is unrebutted and, thus, respondents have no evidence supporting their theory that the covenants survive indefinitely on any product or patent Rovi owns at the time the license agreement is entered into regardless of when that product was deployed. Given that the fact witnesses rejected this notion, the undersigned finds that Dr. Leonard's conclusions pertaining to the survivability aspect of the covenant are unsupported.

The covenants not to sue in Rovi's licenses are not unreasonable restraints of trade. They are merely a way to achieve patent peace and certainty for Rovi and the licensees of its IPG product. CX-5763C (Armaly RWS) at Q58. Rovi employees testified that while covenants not to sue are negotiating points, typically the potential product licensee also wants the peace and security that comes with knowing they are also protected from certain infringement actions as a product licensee of Rovi. Armaly Tr. 1012; CX-5763C (Armaly RWS) at Q58-59; Samovar Tr. 1153-54. There is no testimony from any licensee or potential licensee that it did not want a covenant not to sue. Leonard Tr. 1255-56.

## PUBLIC VERSION

Even if the covenants are interpreted broadly, respondents have presented no evidence from any licensee, or any other company, that any covenant not to sue has had an anticompetitive effect on their IPG innovation or patent enforcement. Respondents' economic expert has no evidence of any actual reduction in innovation—he merely offers speculation that licensees will be disincentivized from innovating. Leonard Tr. 1271-73. Regardless, neither respondents nor Dr. Leonard have provided an example of even a single licensee whose incentive to innovate has been reduced by a non-assertion agreement. Leonard Tr. 1271-73; CX-5861C (Gilbert RWS) at Q78.

In contrast, there is sufficient evidence that Rovi licensees are continuing to innovate, proving that the covenants have not deterred others from developing and licensing their own IPG-related technology. *See, e.g.*, CX-5861C (Gilbert RWS) at Q79-81, Q84-88; CX-5763C (Armaly RWS) at Q60-62. There are thousands of IPG patents and they are increasing in number every year. CX-5763C (Armaly RWS) at Q6-12, Q62. These include patents held by major industry players like Sony, Microsoft, Thomson, TiVo, EchoStar, Verizon, Philips, Matsushita, Scientific-Atlanta, DirecTV, Samsung, LG, Toshiba, Motorola, Hitachi, Gateway, Sharp, Discovery Communications, Comcast, Arris, Pioneer, Intel and Time Warner, among others. CX-3729C (2007 patent landscape); Armaly Tr. 1047-48; CX-5763C (Armaly RWS) at Q6-12; *see* CDX-0200C (Demonstrative of 2012 patent landscape). Currently, Sony holds the most IPG related patents, with Microsoft holding the second most. Armaly Tr. 1048, 1065-67; *see* CX-5763C (Armaly RWS) at Q10-12; CDX-0200C (Demonstrative of 2012 patent landscape). Rovi licensees such as [

] not

## PUBLIC VERSION

to mention [ ]; ] are further examples of companies innovating in the IPG space. CX-5861C (Gilbert RWS) at Q84-87; RX-0021C (Agreement with [ ]; CX-1172C (Agreement with [ ]; CX-1165C (Agreement with [ ]; CX-4130C (Agreement with [ ]). Furthermore, respondents ignore that there are IPG innovators who are not Rovi licensees whose incentives to innovate could not be diminished even under respondents' interpretation of the covenants in certain Rovi license agreements such as Jinni, ThinkAnalytics, Zodiac Interactive and Red Bee Media. CX-5861C (Gilbert RWS) at Q88, Q90-92; *see, e.g.*, CX-3835 (Press Release on Jinni recommendation feature).

Additionally, there has been significant patent litigation in the IPG space. CX-5861C (Gilbert RWS) at Q93-94; CX-5763C (Armaly RWS) at Q63-65; *see ActiveVideo Networks, Inc. v. Verizon Commc'ns., Inc.*, 694 F.3d 1312 (Fed. Cir. 2012); *TiVo, Inc. v. AT&T Inc.*, Case No. 2:09-cv-259, Complaint (E.D. Tex. 2009); *TiVo, Inc. v. EchoStar Commc'ns.*, Case No. 2:04-cv-01, Complaint (E.D. Tex. 2004); *Verizon Commc'ns., Inc. v. Cablevision Sys. Corp.*, 1:10-cv-00216-SLR, Complaint (D. Del. 2010); *TiVo, Inc. v. Verizon Commc'ns., Inc.*, Case No. 2:09-cv-257, Complaint (E.D. Tex. 2009); *OpenTV, Inc. v. Netflix, Inc.*, Case No. 1:12-cv-01733-UNA, Complaint (D. Del. 2012); *Apple, Inc. v. Motorola, Inc.*, Case No 1:10cv023580-Civ-UU, Complaint (S.D. Fla. 2010). This shows that firms are obtaining patents on their IPG technologies and protecting their innovation and/or agreeing to license their patents through resulting settlements. In addition, some of the parties to these lawsuits are Rovi licensees who have entered into covenants not to sue. Armaly Tr. 1058-59.

## PUBLIC VERSION

Moreover, the covenants only apply to those suppliers and licensees of Rovi “[ ].” CX-1165C (Agreement with [ ] at CX-1165.11-.12. Thus, the deterrent effect of any covenant not to sue in a Rovi license can only be assessed by examining its interaction with covenants not to sue in other Rovi licenses. CX-5861C (Gilbert RWS) at Q70-72. Furthermore, some license agreements do not have covenants not to sue at all as a result of negotiations with the licensee. CX-5763C (Armaly RWS) at Q66; CX-5861C (Gilbert RWS) at Q91. Respondents have not acknowledged the variety of covenants in Rovi’s many licenses, and did not address them in any anticompetitive effects analysis. Respondents’ suggestion that there is a “standard” Rovi covenant not to sue that is somehow anticompetitive runs counter to the record evidence that shows that there is no such standard covenant or uniform effect. Like any other commercial term, it is a heavily negotiated provision between sophisticated parties.

Contrary to respondents’ theory, courts have found no issue with covenants like those in any of Rovi’s licenses. In *Wuxi Multimedia, Ltd. v. Koninklijke Philips Elecs. N.V.*, the court held an agreement that licensees would not sue the patent holder related to DVD technology was not a restraint of trade because it did not “prohibit the licensee from instituting any patent litigation against Defendants,” but rather, it was limited to the DVD technology at issue. No. 04-cv-1136, 2006 U.S. Dist. LEXIS 9160, at \*25-26 (S.D. Cal. Jan. 5, 2006). Rovi’s covenants are similarly limited to Rovi’s IPG products. *See, e.g.*, CX-1165C (Agreement with [ ] at CX-1165.11-.12. Covenants such as those in Rovi’s licenses are common. Courts have enforced covenants not to sue by dismissing litigation against a licensee’s customer who was covered under the covenant.



## PUBLIC VERSION

*See Jacobs v. Nintendo of America, Inc.*, 370 F.3d 1097, 1098-1101 (Fed. Cir. 2004) (patentee could not sue a licensee's customer where the covenant not to sue between the patentee and licensee extended to the licensee's customers).

Further, in a recent decision, the Federal Circuit limited the applicability of a Rovi covenant not to sue. In *ActiveVideo Networks, Inc. v. Verizon Commc'ns., Inc.*, Verizon claimed that it could not be sued because ActiveVideo and TV Guide (a Rovi predecessor) had entered into a covenant not to sue as part of a joint development agreement between TV Guide and ICTV (ActiveVideo's predecessor).<sup>67</sup> 694 F.3d 1312, 1336 (Fed. Cir. 2012). Verizon argued that the covenant not to sue extended to TV Guide's patent licensees, like itself. *Id.* The court held that "[i]t would be reasonable for the parties making such an agreement to seek protection for the potential licensees of the anticipated product from claims of patent infringement," but since Verizon's relationship with TV Guide had nothing to do with the joint product to be developed by TV Guide and ICTV (a product that was ultimately abandoned) and because Verizon did not become a TV Guide licensee until after the TV Guide/ICTV agreement, the covenant not to sue did not extend to protect Verizon from suit. *Id.* Thus, ICTV was able to successfully assert its IPG-related patents against Verizon, despite Verizon's argument that a covenant not to sue in a license agreement between it and Rovi applied broadly.

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<sup>67</sup> Although the agreement between TV Guide and ICTV was a joint development agreement and not a patent license, the covenant that was in the joint development agreement had the same language as the covenants Respondents complaint about in this investigation. *ActiveVideo Networks, Inc. v. Verizon Commc'ns., Inc.*, 2:10-cv-00248-RAJ-DEM, Doc. 945 at 6 n.2 (Aug. 9, 2011). The nature of the agreement does not affect the analysis of the covenant because what is relevant is what the other party is giving up. In *ActiveVideo* there is a covenant not to sue specifying what ICTV was giving up, which has the same language as the covenants respondents take issue with here.



## PUBLIC VERSION

This is additional evidence that there is healthy innovation, and that incentives to innovate remain, in the IPG-related space.

Even putting aside all of the above arguments on the merits and interpreting the covenants not to sue broadly, there would still be no harm to innovation because there are a sufficient number of independent innovators who possess the required “specialized assets or characteristics and the incentive” to fall within the safety zone defined by the DOJ and FTC. In their ANTITRUST GUIDELINES FOR LICENSING INTELLECTUAL PROPERTY, the DOJ and FTC define an antitrust “safety zone” for licensing arrangements that may affect innovation. The antitrust safety zone is defined as:

Absent extraordinary circumstances, the Agencies will not challenge a restraint in an intellectual property licensing arrangement that may affect competition in an innovation market if (1) the restraint is not facially anticompetitive and (2) four or more independently controlled entities in addition to the parties to the licensing arrangement possess the required specialized assets or characteristics and the incentive to engage in research and development that is a close substitute of the research and development activities of the parties to the licensing agreement.

RX-1161 (DOJ/FTC Antitrust Guidelines) at RX-1161.0024-25.

This safety zone is met here. As has been noted previously, there are more than four “independently controlled entities in addition to the parties to the licensing arrangement” that clearly possess the “specialized assets or characteristics” to innovate in the IPG space. All of the 32 entities in addition to Rovi shown on the patent landscape charts are independent from Rovi and all have been issued U.S. patents related to IPG technology. CX-3729C (2007 patent landscape); CX-5861C (Gilbert RWS) at Q90-91; *see* CDX-0200C (Demonstrative of 2012 patent landscape); CX-5763C (Armaly RWS) at Q10-12. This is true regardless of how Rovi’s covenants not to sue are interpreted. In

## PUBLIC VERSION

addition, there are independently controlled companies who are working to develop and deploy IPG products that have new or improved features, such as Comcast, CoxCom, Cablevision, and TiVo, to name a few. CX-5861C (Gilbert RWS) at Q84-87; CX-3853 (Article: Software in Set-top Boxes) at CX-3853.56. Again, these companies are pursuing these new or improved features regardless of how the covenants are interpreted. There are also companies that are not Rovi licensees, and therefore not subject to a covenant not to sue, but are nevertheless active innovators with respect to IPGs, including NDS (owned by Cisco), OpenTV (owned by Nagra), ThinkAnalytics, Zodiac Interactive, Jinni and Red Bee Media. CX-5861C (Gilbert RWS) at Q88, Q90-91; CX-3853 (Article: Software in Set-top Boxes) at CX-3853.34-.37, CX-3853.67-71; CX-3742 (Nagra.com web page); CX-3743 (NDS Mediahighway brochure). Thus, even if the covenants not to sue applied to patent only licensees, there would still be no harm to competition. Gilbert Tr. 1416; CX-5861C (Gilbert RWS) at Q73-74.

Covenants not to sue provide freedom to operate and innovate without the fear and expense of litigation by providing that Rovi's IPG product licensees not sue each other over Rovi IPG products. Condemning the covenants not to sue as patent misuse here has the potential to increase litigation and cast a shadow over this common license practice.

#### **4. Discount Bundling**

Respondents argue that Rovi's discount bundling deters entry and innovation in the IPG market. Resps. Br. at 372-375.

Respondents claim that Rovi has "bundled" its IPG products with its IPG patents at a near zero price. RX-1137C (Leonard WS) at Q104-108. Respondents argue that for

## PUBLIC VERSION

the few licenses that license both IPG products and IPG patents, “the incremental royalty that Rovi charged for the IPG product is zero or near zero....” RX-1137C (Leonard WS) at Q104-106. Respondents’ expert hypothesizes that bundling could make it difficult for others to compete and could reduce the incentive of other firms to innovate. RX-1137C (Leonard WS) at Q104-106. Respondents have no evidence of either.<sup>68</sup>

First, respondents’ expert does not connect these bundled discounts to the particular patents at issue, which is an essential requirement for a successful patent misuse claim. Leonard Tr. 1241-43.

Even if Rovi’s IPG product had been included in a few licenses at an incremental price near zero, respondents have not shown that there have been any anticompetitive effects, a necessary element under a rule of reason analysis. *See U.S. Healthcare, Inc. v. Healthsource, Inc.*, 986 F.2d 589, 596 (1st Cir. 1993) (absent showing of anticompetitive effect, it was unnecessary to analyze motives or procompetitive benefits); *Schachar v. Am. Acad. of Ophthalmology*, 870 F.2d 397, 400 (7th Cir. 1989) (if defendants’ conduct has no adverse effect, there is no need to investigate further). Indeed, “[b]undled discounts generally benefit buyers because the discounts allow the buyer to get more for less.” *Cascade Health, Solutions v. PeaceHealth*, 515 F.3d 883, 895 (9th Cir. 2008). “Bundling can also result in savings to the seller because it usually costs a firm less to sell multiple products to one customer at the same time than it does to sell the products individually.” *Id.* Respondents did not elicit any testimony or provide any evidence that consumers or licensees have been harmed by these bundled discounts, and respondents’ expert could not identify a single example of a competitor that was dissuaded from

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<sup>68</sup> *See generally*, CX-5861C (Gilbert RWS) at Q100-105.

## PUBLIC VERSION

innovating due to the bundling. *See, e.g.*, Leonard Tr. 1271 (“Q...Did you give a specific, not theoretical, example of somebody that you know was actually dissuaded from innovating because of Rovi’s conduct? A...I don’t have an example like that.”).

Unlike the bundles involved in antitrust cases, Rovi does not provide discounts based on the purchase of multiple products (or even patents and products). Rather, in the few instances in which Rovi has licensed its patents and products it merely gives the licensee the option to use Rovi’s patents or Rovi’s product. When Rovi approaches a licensee, it evaluates a variety of metrics including for example the number of subscribers the cable or satellite operator has. CX-5764C (Shallow RWS) at Q11, Q30, Q36. Rovi then develops an appropriate royalty rate based on those metrics, which is negotiated further with the licensee. CX-5764C (Shallow RWS) at Q36. Rovi derives value for its patents and products through its relationship with the licensee regardless of whether the licensee uses Rovi’s patents or products. CX-5763C (Armaly RWS) at Q42; CX-5764C (Shallow RWS) at Q36. For instance, Rovi derives revenue through advertising displayed on its IPG products that are deployed by Rovi’s customers. Armaly Tr. 1029-33; CX-5763 (Armaly RWS) at Q34; CX-5764 (Shallow RWS) at Q32-33. Thus, merely because the license pays the same rate to Rovi whether it uses Rovi’s patents or its products, does not mean that Rovi’s products are free. Armaly Tr. 1029-33; CX-5763C (Armaly RWS) at Q42; CX-5764C (Shallow RWS) at Q36; CX-5861C (Gilbert RWS) at Q104.

Finally, there is no testimony, or any other evidence, that a significant portion of the market was foreclosed as a result of Rovi’s bundling. *See LePage’s Inc. v. 3M*, 324 F.3d 141, 155 (3rd Cir. 2003) (noting that the “principal” anticompetitive concern of

## PUBLIC VERSION

bundled rebates is that they “may foreclose portions of the market to a potential competitor....”). Rovi’s IPG products are deployed to less than 14 percent of all U.S. subscribers of MVPD services, meaning actual entrants have already successfully competed for more than 85 percent of the IPG market opportunity. Gilbert Tr. 1412-13; CX-5861C (Gilbert RWS) at Q98-99; CX-5764C (Shallow RWS) at Q23-24; CX-5814C (September 2012 Subscriber Report). Thus, respondents’ hypothesis that Rovi’s “bundling” somehow makes it difficult for others to compete and reduces innovation is not supported by any evidence.

### 5. Whether Rovi Pays for Exclusivity

Respondents argue that Rovi pays for exclusivity via its market penetration provision. Resps. Br. at 375-377.

Respondents assert that discount provisions in a handful of Rovi licenses are anticompetitive “exclusivity and market penetration discount schemes.” Specifically, respondents argue that Rovi entered into so-called market penetration provisions, which are really discount provisions, in certain of its license agreements in order to “deter[] entry and preserv[e] existing market power.”<sup>69</sup> RX-1137C (Leonard WS) at Q90-101.

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<sup>69</sup> Respondents raised one additional argument regarding discount clauses. See Resps. P.H. Br. at 734. They alleged that Rovi’s license with [ ] excluded [ ] from the market. However, this argument does not appear in their response to the Complaint or in Dr. Leonard’s witness statement. Thus, the undersigned finds that respondents have abandoned this allegation. Nonetheless, this allegation fails. [ ] requested this provision because it had planned on its own to switch its set top boxes from [ ] CX-5763C (Armaly RWS) at Q106; see CX-5861C (Gilbert RWS) at Q116. Rovi was not licensing its products to [ ] and [ ] under the agreement could use any third party IPG, except [ ] to reach the applicable discount thresholds. CX-1165C (Agreement with [ ]) at CX-1165C.4-6. Additionally, respondents could not show that this agreement foreclosed a significant portion of the market from [ ] because [ ] represents



## PUBLIC VERSION

Respondents point to Rovi's licenses with [ ] as examples of exclusionary market penetration discount provisions that constitute misuse. RX-1137C (Leonard WS) at Q92.

Respondents, however, did not connect the license provisions to the particular patents at issue, or to state how the provisions allegedly would result in an unlawful broadening of Rovi's rights under those patents.<sup>70</sup> Leonard Tr. 1241-43 ("Q...[I]sn't it a fact that nowhere in your witness statement do you point to any of the patents in suit and say that that patent or those patents contributed significantly to the anticompetitive effects that you discuss in your witness statement? A. It's correct that I do not have an asserted-patent-by-asserted-patent analysis."). Respondents assert an affirmative defense of patent misuse, not a counterclaim for a violation of the antitrust laws. Not every form of conduct that might be a basis for an antitrust claim constitutes patent misuse—the doctrine is confined to a limited set of practices, and respondents have not pointed to a case where price discounting has never been recognized as one of them. Accordingly, respondents' argument concerning discount provisions in three Rovi licenses does not support its patent misuse defense.

Moreover, respondents have not shown that the challenged license provisions have had any anticompetitive or exclusionary effect. This claim must be analyzed under the rule of reason.<sup>71</sup> As a rule of reason claim, respondents needed to show that Rovi has

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only approximately 3.5 percent of the total number of digital subscribers in the U.S. CX-5814C (September 2012 Subscriber Report); CX-5861C (Gilbert RWS) at Q119.

<sup>70</sup> See generally, CX-5861C (Gilbert RWS) at Q95-99.

<sup>71</sup> A rule of reason analysis is the presumptive, and appropriate, method of analysis. See *Continental T.V., Inc. v. GTE Sylvania, Inc.*, 433 U.S. 36, 49 (1977); *Total Benefits*



PUBLIC VERSION

market power in the relevant market and that there has been competitive harm. While these agreements do give the licensee a reduced rate the more IPGs it deploys, respondents are incorrect that these discount provisions amount to patent misuse because, as discussed above, Rovi does not have market power in the relevant market for IPG products. As Dr. Leonard acknowledged, “[n]on-linear pricing strategies such as volume discounts or market penetration discounts are commonly used” by firms without significant market power, indicating that such strategies have procompetitive benefits. RX-1137C (Leonard WS) at Q93.

Moreover, there can be no finding of misuse with respect to Rovi’s discount provisions unless such provisions resulted in any anticompetitive effects. *Princo*, 616 F.3d at 1330. With regard to the [ ] license, although Dr. Leonard tried to explain why the discount provision in Rovi’s license agreement with [ ] is exclusionary, his calculations did not show that Rovi’s provisions have resulted in anticompetitive effects. Specifically, Dr. Leonard’s calculations simply show that under the terms of the license to which Rovi and [ ] freely agreed, [ ]  
]. RX-1137C (Leonard WS) at Q96-99; RX-1083C (Product license agreement with [ ] at RX-1083C.0017-.0019. Discounts and lower prices are presumptively procompetitive. *See State Oil Co. v. Khan*, 522 U.S. 3, 15 (1997); *Atl. Richfield Co. v. USA Petroleum Co.*, 495 U.S. 328, 340 (1990); *Interface Grp. v. Mass. Port Auth.*, 816 F.2d 9, 10 (1st Cir. 1987) (anticompetitive actions are not those “that merely injure individual competitors,

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*Planning Agency v. Anthem Blue Cross & Blue Shield*, 552 F.3d at 435 (6th Cir. 2008) (“[A]ll vertical price restraints are to be judged under the rule-of-reason standard.”).

## PUBLIC VERSION

but [are] actions that harm the competitive process, a process that aims to bring consumers the benefits of lower prices, better products and more efficient production methods”) (citations omitted). As such, respondents were unable to identify any licensee that considered itself penalized by any alleged market penetration discount in a Rovi agreement. Leonard Tr. 1289-90.

Dr. Leonard constructed a hypothetical scenario in which Rovi’s procompetitive discounts might deter “entry” of a competitor. The antitrust laws protect competition, not competitors or potential competitors. *See Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477, 488 (1977) (“The antitrust laws, however, were enacted for “the protection of competition not competitors.”) (quoting *Brown Shoe Co. v. United States*, 370 U.S. 294, 320 (1962)). Respondents have not shown that there has been any increase in licensing rates to [ ] specifically or overall, or any reduction in output or innovation and, hence, no anticompetitive effects. [ ] license with Rovi has not prevented [ ] from using Rovi competitors, like [ ] and [ ]. Leonard Tr. 1293-94; CX-5814C (September 2012 Subscriber Report); CX-3734 (U.S. Cable Operators – TiVo). Rovi’s discount clauses have not foreclosed market opportunities for entry. As noted, Rovi’s IPG products are deployed to less than 14 percent of all U.S. subscribers of MVPD services. Gilbert Tr. 1412-13; CX-5861C (Gilbert RWS) at Q98-99; CX-5764C (Shallow RWS) at Q23-24; CX-5814C (September 2012 Subscriber Report). Thus, actual entrants have already successfully competed for more than 85 percent of the IPG market opportunity. CX-5861C (Gilbert RWS) at Q99; CX-5764C (Shallow RWS) at Q23-24; CX-5814C (September 2012 Subscriber Report).

PUBLIC VERSION

The discount provisions in Rovi’s license agreements with [ ] referenced by Dr. Leonard, are volume discounts in which [ ] obtain lower prices as they increase the number of licensed IPGs they deploy. CX-5763C (Armaly RWS) at Q82-93; *see Concord Boat Corp. v. Brunswick Corp.*, 207 F.3d 1039, 1062-63 (8th Cir. 2000) (explaining that the defendant’s volume discount program was a “normal competitive tool” that did not constitute anticompetitive conduct); *see Virgin Atl. Airways v. British Airways*, 257 F.3d 256, 270 (2d Cir. 2001) (stating that there was no evidence that British Airways’ incentive agreements were coercive in relation to the transatlantic routes identified by Virgin); *W. Parcel Express v. UPS*, 190 F.3d 974, 976 (9th Cir. 1999) (volume discounts “are legal under antitrust law”).

These license agreements are limited to Rovi’s IPG patents—there is no requirement to use Rovi’s IPG product under either agreement. CX-1167C (Agreement with [ ] at CX1167.5-.7; CX-1250C (Agreement with [ ] at CX-1250C.10, CX-1250C.16-.17. In other words, whatever IPG product [ ] decide to deploy—be it their own product or a third party’s product—they pay a certain rate per subscriber as part of the license agreement with Rovi. As [ ] business grows, regardless of whose IPG they deploy, their rates decrease. CX-5763C (Armaly RWS) at Q88-89, Q92-93; CX-1167C (Agreement with [ ] at CX-1167C.7; CX-1250C (Agreement with [ ] at CX-1250C.17. That is, no “competitor” is excluded or foreclosed by these agreements with Rovi because [ ] can use any IPG product and still have the same licensing terms with Rovi. CX-5763C (Armaly RWS) at Q88-89 and Q92-93. Respondents did not present any testimony or documents to support

## PUBLIC VERSION

their theory that somehow Rovi's discount clauses excluded competitors. Consequently, there is no harm to competition.

### **6. Whether Rovi Seeks a Royalty on All IPGs**

Respondents argue that Rovi seeks a royalty on all IPGs, not just those that infringe its patents. Resps. Br. at 377-378.

This is a new claim. This theory was not in their Amended Responses, nor in their responses to contention interrogatories, nor in their expert report or expert witness statement. It was also not in their prehearing brief. The administrative law judge finds that the issue has been waived. *See* Ground Rule 7.c.

### **7. Illegal Tying**

Respondents argue that Rovi illegally ties its essential IPG patents to its non-essential IPG patents and to its advertising products. Resps. Br. at 378-384.

#### **a. Legal Standards for Tying Claims**

##### **i. Market Power**

As described above, being a patent holder does not create a presumption of market power in the tying product. *See Illinois Tool Works Inc.*, 547 U.S. at 45; *Philips I*, 424 F.3d at 1186. Respondents must show that Rovi has the "ability to raise prices above those that would be charged in a competitive market" or has the ability to exclude competitors. *NCAA*, 468 U.S. at 109 n.38; *E.I. du Pont de Nemours & Co.*, 351 U.S. at 391; *see Roy B. Taylor Sales, Inc.*, 28 F.3d at 1386. They did not meet that burden.

## PUBLIC VERSION

### ii. Separate Products

There can be no successful tying claim without proof that two separate products with separate demand have been tied together. *Philips I*, 424 F.3d at 1193-94; *United Farmers Agents Ass'n.*, 89 F.3d at 236 n.2; see *Fortner Enters., Inc. v. U.S. Steel Corp.*, 394 U.S. 495, 507 (1969). When all that is shown is that the allegedly “tied product” is “just one of the many services provided” by the product, that is not sufficient. See *Collins v. Assoc. Pathologists, Ltd.*, 844 F.2d 473, 477 (7th Cir. 1988).

### iii. Conditioning

“A tying arrangement is ‘the sale or lease of one item (the tying product) on the condition that the buyer or lessee purchase a second item (the tied product) from the same source.’” *Marts v. Xerox Corp.*, 77 F.3d 1109, 1112 (8th Cir. 1996) (quoting *Amerinet, Inc. v. Xerox Corp.*, 972 F.2d 1483, 1498 (8th Cir. 1992)). “So long as the buyer is free to take either product by itself, there is no tying problem.” *Monsanto Co. v. Scruggs Family Farm Supply*, 342 F. Supp. 2d 568, 578 (N.D. Miss. 2004 (quoting *N. Pac. Ry. v. United States*, 356 U.S. 1,6 n. 4 (1958))).

### iv. Coercion

The Federal Circuit has found no tying when the license does not “compel the licensees to use any particular technology covered by any of the licensed patents.” *Philips I*, 424 F.3d at 1189-90; see *Minebea Co. Ltd. v. Papst*, 444 F. Supp. 2d 68, 215-16 (D.D.C. 2006) (licensees were not forced to take anything that they did not want). There must be proof of “the *unwilling* purchase of the tied product from the supplier . . . .” *Data Gen. Corp. v. Grumman Sys. Support Corp.*, 36 F.3d 1147, 1180 (1st Cir. 1994) (emphasis added). That proof must come from “admissible evidence, not mere

speculation,” that Rovi coerced customers. *Paladin Assoc. Inc. v. Montana Power Co.*, 328 F.3d 1145, 1161 (9th Cir. 2003).

For example, in *Minebea*, the defendants relied on a letter from a potential licensee stating it was “considering” purchasing individual patents from the licensor in an attempt to show the plaintiff/licensor tried to coerce it into taking a license to all of the patents. 444 F. Supp. 2d at 215. Defendants presented nothing more. Testimony from the licensor established that this letter was merely part of the business negotiations and the defendants wanted a release from liability as to all patents but only wanted to pay for a few. *Id.* The court found the evidence insufficient to prove coercion. *Id.*

**b. Tying “Essential” Patents to “Non-Essential” Patents**

Respondents have not adduced evidence that Rovi has essential patents or non-essential patents, nor that Rovi ties any so-called essential patents to non-essential patents. Respondents claim that Rovi tied non-essential patents to “essential” patents by licensing its entire portfolio of IPG-related patents, and that this practice constitutes patent misuse.<sup>72</sup> RX-1137C (Leonard RWS) at Q109-116. This theory fails for several reasons.<sup>73</sup>

First, under the Patent Act, there can be no patent misuse if the patentee “conditioned the license of any rights to the patent...on the acquisition of a license to rights in another patent... unless, in view of the circumstances, the patent owner has

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<sup>72</sup> Respondents’ expert did not identify any patents in Rovi’s IPG patent portfolio that are “essential” and as a result he did not properly define a market for “essential” IPG patents. Similarly, he failed to identify any patents that were “non-essential” and as a result he did not properly define a market for “non-essential” IPG patents.

<sup>73</sup> See generally, CX-5861C (Gilbert RWS) at Q106-114; see *supra* § X.C.6.a for elements of a tying claim.



## PUBLIC VERSION

market power in the relevant market for the patent...on which the license or sale is conditioned.” 35 U.S.C. § 271(d)(5). As discussed above, respondents have failed to establish, for a number of reasons, that Rovi has market power in the alleged IPG technology market.

There are no promulgated government or industry standards for IPG products. CX-5763C (Armaly RWS) at Q22-24; CX-5861C (Gilbert RWS) at Q89; Armaly Tr. 1046. As Mr. Armaly testified, “[i]n the area of interactive program guides and video guidance, there aren’t any technical specifications. There aren’t any industry standards. People can design and develop [IPGs] however they want to.” Armaly Tr. 1046. Therefore, none of Rovi’s patents are technically essential to the development or supply of IPG products in the sense that “essential” patents are discussed in cases relating to established industry standards. *See, e.g., Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 876 (9th Cir. 2012) (characterizing standard-essential patents as the patented technology necessary in order to practice an industry standard); *Philips*, 424 F.3d at 1191 (“a license to the essential patent is, by definition, a prerequisite to practice the technology in question....”).

Respondents’ argument is based on a concept of commercial essentiality. RX-1137C (Leonard WS) at Q42-45, Q54; CX-5861C (Gilbert RWS) at Q108-110. Yet, respondents have offered no analysis to show that any particular patents in Rovi’s portfolio are “essential,” even in this broader commercial use of the term, even though they had access to technical experts. Leonard Tr. 1340-42. In particular, respondents have not claimed, nor proven, that any of the patents in suit in this investigation are

## PUBLIC VERSION

“essential.”<sup>74</sup> IPG suppliers are free to attempt to develop and innovate other technologies for their IPG products without a license to any of Rovi’s patents. Armaly Tr. 1046. As a result, respondents have not shown that Rovi has market power in the tying product. *See Philips I*, 424 F.3d at 1186 (“To establish the defense of patent misuse, the accused infringer must show that the patentee has power in the market for the tying product.”) (citation omitted).

Furthermore, respondents offered no evidence that Rovi conditioned a license to “essential” patents upon the licensee accepting a license to “non-essential” patents—another requirement for a tying claim.<sup>75</sup> *See CX-5861C* (Gilbert RWS) at Q111. Rather, the evidence shows that Rovi offered to provide narrower patent licenses if that is what the licensee preferred. Armaly Tr. 1055 (“So usually we’d be happy to have a narrower agreement if that’s something that worked for them, but usually the request for the breadth of the agreement comes from the licensee.”); *CX-5763C* (Armaly RWS) at Q31. For example, Mr. Armaly testified that Rovi offered [ ] a license to a subset of its IPG patent portfolio at [ ] request. Armaly Tr. 1055-56, 1073-75 (“[ ] gave us some parameters, and so we gave them a new proposal during the course of the negotiations that was a subset of the portfolio, based on what they said they would be potentially interested in licensing upfront.”). Other examples include Rovi’s license

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<sup>74</sup> The Respondents claim that Rovi’s IPG patent portfolio contains “essential” patents. Respondents also claim that Rovi has engaged in patent misuse. However, patent misuse applies to the patents in suit. Under their argument, Respondents would be admitting that the patents in suit here are essential and that they would thus need to take a license to at least the patents in suit in order to develop an IPG product.

<sup>75</sup> Respondents cannot show conditioning, and they cannot show coercion. Respondents’ employees testified that they did not ask to license a subset of Rovi’s patents. *See, e.g., JX-0002C* (Hyman Dep. Tr.) 62, 80-81; *CX-5931C* (Choi Dep. Tr.) 46-47, 51-53.

## PUBLIC VERSION

agreement with [ ] where the [

[ ]]. CX-1233C (Retail license agreement with [ ] at CX-1233C.3-4. Similarly, Rovi's license agreements with [ ] excludes Rovi's IPG advertising patents. CX-4130C (Agreement with [ ]) at CX-4130C.6-7; RX-0035C (Agreement with [ ]) at RX-0035C.0003.

Respondents have failed to adduce evidence that offering to license patents that Dr. Leonard asserts are "non-essential" for a small or zero incremental royalty is actually anticompetitive or constitutes misuse. RX-1137C (Leonard WS) at Q111. Even if some "non-essential patents" are already licensed at no incremental royalty, this does not imply that there is no incentive for someone to innovate a non-infringing alternative way to accomplish the same goal. CX-5861C (Gilbert RWS) at Q111. Moreover, including non-essential patents in a package along with essential patents does not increase a licensee's total costs if the value of the package is largely determined by the value of the essential patents to the licensee.<sup>76</sup> CX-5861C (Gilbert RWS) at Q113-114.

Similarly, respondents failed to elicit any testimony that Rovi forced or coerced anyone to unwillingly license any particular Rovi IPG patents. *See, e.g.*, Leonard Tr. 1254-56, 1267-68, 1276; Armaly Tr. 1053. It is difficult to know whether and when a patent may be essential for a commercial IPG because consumer desires for features in an IPG may change. Licensing a broad portfolio offers the licensee protection from subsequent assertions of alleged essential patents. Armaly Tr. 1054; CX-5861C (Gilbert

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<sup>76</sup> Dr. Leonard failed to consider that the royalty for a portfolio is likely to be determined primarily from the alleged "essential" patents without regard to the inclusion of non-essential patents. CX-5861C (Gilbert RWS) at Q113-114.

## PUBLIC VERSION

RWS) at Q113-114; JX-0002C (Hyman Dep. Tr.) 63. Mr. Armaly testified most licensees prefer to license Rovi's entire IPG patent portfolio. Armaly Tr. 1054-55 (“[Licensees] want to have protection under the whole portfolio...and they are looking essentially to make sure that if they're going to do this type of agreement, they want as broad a license as possible.”).

Moreover, the Federal Circuit has held that it is not misuse to license essential and non-essential patents together in a package if the license agreements “do not compel the licensees to use any particular technology covered by any of the licensed patents . . . .” *Philips I*, 424 F.3d at 1189. This is because such a license “does not bar the licensee from using any alternative technology that may be offered by a competitor of the licensor. Nor does it foreclose the competitor from licensing his alternative technology.” *Id.* at 1190; *see* CX-5861C (Gilbert RWS) at Q111-114. As a result, there is no harm to competition and no misuse. Rovi's patent licenses do not require licensees to practice any of the patents.

### **c. Tying IPG Patents To Advertising Patents**

Within its larger IPG patent portfolio, Rovi has a subset of patents covering various aspects of implementing advertising within an IPG. Armaly Tr. 1035, 1042. When a licensee wants to build its own guide and takes a license to Rovi's IPG patents, it can also take a license to Rovi's IPG advertising patents, but there is no requirement that the licensee place advertising on its guide or use Rovi's advertising patents. *See* CX-5763C (Armaly RWS) at Q30, Q34; CX-5764C (Shallow RWS) at Q32; Armaly Tr. 1035-36, 1038, 1040, 1042; Shallow Tr. 1375-76. Some licenses for Rovi's IPG patents also include the advertising patents as part of the license. Armaly Tr. 1035-36.

## PUBLIC VERSION

Conversely, other licenses exclude the advertising patents. Armaly Tr. 1035-36.

Regardless, respondents have not adduced any evidence that Rovi has conditioned a license to its IPG patents on the licensee's acceptance or use of the Rovi advertising patents.

Here again, Rovi's patents do not create a presumption of market power in the tying product. *See Illinois Tool Works, Inc.*, 547 U.S. at 45; *Philips I*, 424 F.3d at 1186. As discussed above, respondents have not adduced evidence that Rovi has the "ability to raise prices above those that would be charged in a competitive market" or has the requisite ability to exclude competitors for IPG patents or IPG products. *NCAA*, 468 U.S. at 109 n.38; *E.I. du Pont de Nemours & Co.*, 351 U.S. at 391; *see Roy B. Taylor Sales, Inc.*, 28 F.3d at 1386.

Respondents have not presented any evidence that Rovi has ever conditioned a license to IPG patents on the purchase of its advertising patents. Similar to negotiations for its IPG patents, negotiations for advertising-related patents are individualized and based on the licensee's needs. CX-5763C (Armaly RWS) at Q30. Rovi grants rights to its advertising patents that permit licensees to place advertising in their own guides should they choose to do so at some point during the term of the agreement. CX-5763C (Armaly RWS) at Q30, Q34; Armaly Tr. 1035-36, 1038. The licensee only pays a share of its advertising revenue to Rovi if it chooses to include advertising on its guides. Armaly Tr. 1035-36, 1038, 1040; Shallow Tr. 1375-76; CX-1165C (Agreement with [ ] at CX-1165C.9. This completely benign event cannot constitute misuse. *See Monsanto Co. v. Scruggs*, 342 F. Supp. 2d at 578.

## PUBLIC VERSION

Again, respondents did not present any evidence that Rovi forced or coerced anyone to unwillingly license Rovi's advertising within a guide to obtain a license to its IPG patents or IPG products. *See, e.g.,* Leonard Tr. 1254-56, 1267-68. Respondents presented no testimony, either from depositions or at trial, from any licensee or prospective licensee claiming they unwillingly licensed Rovi's advertising within a guide. *See Data Gen. Corp.*, 36 F.3d at 1180; *see* JX-0007C (Butler Dep. Tr.) 72; JX-0002C (Hyman Dep. Tr.) 72-73, 81. *See generally*, CX-5932C (Torayama Dep. Tr.).

### **8. Broadening the Physical and Temporal Scope of Monopoly**

Respondents present a short argument that Rovi has misused the patents asserted in this investigation that builds on their earlier assertions concerning monopoly and tying. Resps. Br. at 384-385.

The administrative law judge found that no illegal monopoly or tying has been established. Thus, Rovi's licensing practices do not broaden the physical and temporal scope of a monopoly in the manner argued by respondents.

### **9. Misusing Asserted Patents in This Investigation**

Respondents argue that Rovi has misused the patents asserted in this investigation. Resps. Br. at 385-386.

For the reasons set forth above, respondents have not shown that complainants misused the asserted patents in this investigation.

### **D. Conclusion**

For the reasons set forth above, respondents have not shown that complainants misused the asserted patents.



**XII. Implied License**

Respondents argue that “[u]nder its settlement and license agreement with [ ], Rovi grants [ ] the right to, among other things, [(a) make, have made or repair Licensee Products in the Territory; (b) import, sell, lease, offer for sale or otherwise Transfer Licensee Products in the Territory at Retail; and (c) use, and permit third party manufacturers, suppliers, distributors, resellers, customers and end-users of Licensee Products to use, Licensee Products in the Territory.” Resps. Br. at 414. Respondents argue that “[

],” and that [u]ses of the Netflix service from such [ ] devices are therefore licensed by Rovi.” *Id.* at 414-415. Respondents assert that “[t]he same is true of Rovi’s other licensees who have similar arrangements. *See, e.g.*, RX-0011C (list of Rovi licensees); RX-1332C.0005 ([ ] license); RX-0013C ([ ]); RX-0061C ([ ]); RX-0036C ([ ]); RX-0068C ([ ]); RX-0056C ([ ]).” *Id.* at 415. Complainants disagree. Compls. Br. at 457-460.

Respondents’ implied license defense focuses on a portion of section 2.1 (“Patent License”) of Rovi’s patent license agreement with Vizio, where respondents cite Vizio’s license to:

- (a) make, have made or repair Licensee Products in the Territory;
- (b) import, sell, lease, offer for sale or otherwise Transfer Licensee Products in the Territory at Retail; and
- (c) use, and permit third party manufacturers, suppliers, distributors, resellers, customers and end-users of Licensee Products to use, Licensee Products in the Territory.

PUBLIC VERSION

RX-1331C ([

]).

Respondents ignore other provisions in the Agreement including a reference to the immediately preceding language describing that section 2.1 is subject to “the conditions set forth in this Agreement.” *Id.* Among those conditions—specifically, section 2.4 (“Reservation of Rights”)—is the express statement that “[e]xcept as expressly set forth in this Agreement, no right or license is granted, by estoppel, implication, exhaustion, other doctrine of law, equity or otherwise, under any patent, trade secret, copyright or other intellectual property right, or to any product or service, of Rovi to Licensee or any third party.” *Id.* at § 2.4. Furthermore, the Rovi-[ ] License Agreement includes section 2.3 (“Third Party Applications”), which expressly negates any license to third-party applications like those of Netflix: “No license or any other similar right is being granted for Third Party Applications under this Agreement.” *Id.* at § 2.3; *see id.* at § 1.1 (defining “Third Party Applications” as “third party software applications that are not made for and/or on behalf of Licensee, including, but not limited to, applications by [ ] or other similar companies, that may be provided on Licensee Products.”).

Accordingly, the remaining respondents in this investigation have no implied license with their former [ ] or other “similar” licensees<sup>77</sup> under Rovi’s

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<sup>77</sup> Other licenses identified by respondents also have similar provisions ignored by respondents. *See* RX-1332C ([ ]) (TERM SHEET at ¶ 3 [“Notwithstanding any other provision in this Agreement, no license or release is granted hereunder to any and all third-party applications (e.g. [ ], etc.)”]); RX-0013C ([ ]) (Section 2.3 [“Reservation of Rights,” stating that “no right or license is granted by ... implication ... to any third party....”]); RX-0061C ([ ]) (Section 3.4

## PUBLIC VERSION

license agreements. The agreement between Rovi and [ ] specifically negate any such implied license.

### XIII. Patent Exhaustion

Respondents argue that “[i]n *Quanta Computer, Inc. v. LG Electronics, Inc.*, the Supreme Court confirmed that “[t]he longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item.” Resps. Br. at 413-414. Respondents argue that “Rovi has licensed its patent portfolio to over [ ] entities, including a large portion of the consumer electronics industry.” It is argued that “[t]hose consumer electronics manufacturers have licenses to the asserted patents,” and that “[t]herefore, so too must their users when they are using their devices.” Respondents contend that “[a]s of Netflix’s internal projections in December of 2011, these manufacturers would [ ] on which consumers access the Netflix service in the 2011-2014 projections.” *Id.*

Respondents argue that “all potentially infringing instances within the scope of this Investigation as accused by Rovi are now licensed and therefore exhausted” because the [ ] license contains an “unconditional covenant” according to which “*all* sales of [ ] products that include a Netflix application—are authorized sales for purposes of the exhaustion doctrine.” Resps. Br. at 414 (emphasis in original). Respondents contend that “[b]y virtue of the [ ] license, Rovi unambiguously waived any right to seek any

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“Reservation of Rights and Other Limitations,” stating that “no right or license is granted by ... implication ... to ... any third party.”); RX-0036C ([ ]) (Section 2.4 “Reservation of Rights,” stating that “no right or license is granted by ... implication ... to ... any third party.”); RX-0068C ([ ]) (Section 2.4 “Reservation of Rights,” stating that “no right or license is granted by ... implication ... to ... any third party.”); RX-0056C ([ ]) (*See* Section 3.3 “No Third Party IPG”).

## PUBLIC VERSION

remedy, at law or equity, from [ ] (as well as its third party manufacturers, suppliers, distributors, resellers, customers and end-users) for [ ] products that include a Netflix application” and that under *TransCore*,<sup>78</sup> “[n]otwithstanding Rovi’s attempt to characterize this term otherwise, *this is a license.*” *Id.* (emphasis in original). As discussed above, respondents have no license (express or implied) because the very licenses on which respondents depend for their licensing argument (and their exhaustion argument) expressly and affirmatively negate any such license to Netflix.

Complainants disagree. Compls. Br. at 460-461.

Respondents’ contention that “Rovi unambiguously waived any right to seek any remedy, at law or equity, from [ ] (as well as its third party manufacturers, suppliers, distributors, resellers, customers and end-users) for [ ] products that include a Netflix application” is incorrect. Resps. Br. at 414. As noted, Paragraph 2.3 of the Rovi-[ ] License Agreement specifically states otherwise. RX-1331C (Rovi-[ ] License Agreement) at RX1331C.0004 (§ 2.3 - “Nothing in this section shall prevent Rovi from seeking additional payment from such third-party entities, or from seeking an injunction, exclusion order, a cease and desist order, or any other remedy in equity in such action against such third-party entity.”).

Respondents’ *TransCore* argument fails to consider “what” was (and was not) authorized in the [ ] agreement. As the *TransCore* court clearly articulated, “the pertinent question” there was “not whether but what the TransCore-Mark IV settlement agreement authorizes.” *TransCore*, 563 F. 3d at 1274-75 (emphasis added). Here, as

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<sup>78</sup> *TransCore v. Electronic Transaction Consultants Corp.*, 563 F. 3d 1271, 1274-75 (Fed. Cir. 2009).

## PUBLIC VERSION

discussed above, the [ ] settlement agreement contains language that expressly negates an authorization of Netflix Applications.

As noted by respondents, in *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008), the Supreme Court confirmed that “[t]he longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item.” Resps. Br. at 413. Respondents’ reliance on *Quanta Computer* for an exhaustion defense is misplaced. *Quanta* is distinguishable from, and inapplicable to this investigation.<sup>79</sup>

In *Quanta*, an agreement between Intel and LGE (the “Intel-LGE License Agreement”) broadly authorized Intel to “make, use, [or] sell” products free of LGE’s patent claims. *Id.* at 636. Nothing in the Intel-LGE License Agreement restricted Intel’s right to sell its licensed products. *Id.* The *Quanta* Court found that “the doctrine of patent exhaustion prevent[ed] LGE from further asserting its patent rights with respect to the patents substantially embodied by those products.” *Id.* at 637. Here, in contrast, and as discussed above, the Rovi licenses specifically negate an initial authorization for third party applications of Netflix and others.

As explained by the Court in *Quanta*, patent exhaustion is triggered only where there is an authorized (licensed) sale of products having the essential features of the patented invention. *See Quanta* at 637. Here, there has not been an authorized (licensed) sale of the Netflix Application.

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<sup>79</sup> Respondents also cite *Zenith Elecs. Corp. v. PDI Commun. Sys.*, 522 F.3d 1348 (Fed. Cir. 2008). *See* Resps. Br. at 413. Exhaustion was not addressed by the *Zenith* court. *See id.* at 1362 (“In light of our ruling in favor of PDI on its implied license defense, we do not reach the issue of exhaustion”). Moreover, the license in *Zenith* did not have the express negation of authorization to third parties that is present here.

## PUBLIC VERSION

Moreover, in this investigation, instead of a downstream sale of licensed products that are then combined with unlicensed products (as in Quanta), there is an upstream “sale” of unlicensed products (*e.g.*, the Netflix Application) that are combined with licensed products (*e.g.*, Vizio televisions). That specifically unauthorized upstream sale does not trigger patent exhaustion.

### **XIV. Conclusions of Law**

1. The Commission has subject matter and personal jurisdiction in this investigation.
2. The importation requirement has not been satisfied.
3. Netflix’s accused products do not infringe asserted claims 13-20 of U.S. Patent No. 7,065,709.
4. Netflix’s accused products do not infringe asserted claims 1, 6, 13, or 17 of U.S. Patent No. 6,898,762.
5. Roku’s accused products do not infringe asserted claims 1 or 6 of U.S. Patent No. 6,898,762.
6. Netflix’s accused products do not infringe asserted claims 1, 2, 4, 6, 14, 15, 17 or 19 of U.S. Patent No. 8,112,776.
7. Netflix’s accused products do not infringe asserted claims 1-3, 10 or 11 of U.S. Patent No. 7,103,906.
8. It has not been shown by clear and convincing evidence that any asserted claim of U.S. Patent No. 7,065,709 is invalid.
9. It has not been shown by clear and convincing evidence that any asserted claim of U.S. Patent No. 6,898,762 is invalid.



**PUBLIC VERSION**

10. It has been shown by clear and convincing evidence that asserted claims 1, 2, 4, 6, 14, 15, 17, and 19 of U.S. Patent No. 8,112,776 are invalid as anticipated and obvious.

11. It has not been shown by clear and convincing evidence that any asserted claim of U.S. Patent No. 7,103,906 is invalid.

12. The domestic industry requirement is satisfied with respect to all asserted patents.

13. Complainants have standing.

14. Respondents have not prevailed on any patent misuse defense.

15. Respondents have not prevailed on any implied license defense.

16. Respondents have not prevailed on any patent exhaustion defense.

**XV. Initial Determination and Order**

Accordingly, it is the INITIAL DETERMINATION of the undersigned that no violation of section 337 (19 U.S.C. § 1337) has occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain products containing interactive program guide and parental control technology, with respect to asserted claims 13-20 of U.S. Patent No. 7,065,709; asserted claims 1, 6, 13, and 17 of U.S. Patent No. 6,898,762; asserted claims 1, 2, 4, 6, 14, 15, 17, and 19 of U.S. Patent No. 8,112,776; and asserted claims 1-3, 10, and 11 of U.S. Patent No. 7,103,906.

Further, this Initial Determination, together with the record of the hearing in this investigation consisting of (1) the transcript of the hearing, with appropriate corrections

## PUBLIC VERSION

as may hereafter be ordered, and (2) the exhibits received into evidence in this investigation, is CERTIFIED to the Commission.

In accordance with 19 C.F.R. § 210.39(c), all material found to be confidential by the undersigned under 19 C.F.R. § 210.5 is to be given *in camera* treatment.

The Secretary shall serve a public version of this ID upon all parties of record and the confidential version upon counsel who are signatories to the Protective Order, as amended, issued in this investigation.

It is ordered that by no later than June 14, 2013, each party shall file with the Commission Secretary a statement as to whether or not it seeks to have any portion of this document redacted from the public version. Any party seeking to have a portion of this document redacted from the public version must submit to this office a copy of this document with red brackets indicating the portion, or portions, asserted to contain confidential business information.<sup>80</sup>

\* \* \*

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<sup>80</sup> Confidential business information (“CBI”) is defined in accordance with 19 C.F.R. § 201.6(a) and § 210.5(a). When redacting CBI or bracketing portions of documents to indicate CBI, a high level of care must be exercised in order to ensure that non-CBI portions are not redacted or indicated. Other than in extremely rare circumstances, block-redaction and block-bracketing are prohibited. In most cases, redaction or bracketing of only discrete CBI words and phrases will be permitted.

**PUBLIC VERSION**

Pursuant to 19 C.F.R. § 210.42(h), this Initial Determination shall become the determination of the Commission unless a party files a petition for review pursuant to § 210.43(a) or the Commission, pursuant to § 210.44, orders on its own motion a review of the ID or certain issues herein.



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David P. Shaw  
Administrative Law Judge

Issued: June 7, 2013

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **Final Initial Determination on Violation** was served upon the following parties as indicated, on Jul - 3 2013.



Lisa R. Barton, Acting Secretary  
U.S. International Trade Commission  
500 E Street, SW, Room 112A  
Washington, DC 20436

**FOR COMPLAINANTS ROVI CORPORATION; ROVI GUIDES, INC.; ROVI TECHNOLOGIES CORPORATION; STARSIGHT TELECAST, INC.; UNITED VIDEO PROPERTIES, INC.; AND INDEX SYSTEMS, INC.:**

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- Via Hand Delivery  
 Express Delivery  
 Via First Class Mail  
 Other: \_\_\_\_\_

**FOR RESPONDENTS NETFLIX INC., AND ROKU, INC.:**

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 Express Delivery  
 Via First Class Mail  
 Other: \_\_\_\_\_

**CERTAIN PRODUCTS CONTAINING  
INTERACTIVE PROGRAM GUIDE AND  
PARENTAL CONTROL TECHNOLOGY**

Inv. No. 337-TA-845

**PUBLIC MAILING LIST**

<p>Lori Hofer, Library Services <b>LEXIS-NEXIS</b> 9473 Springboro Pike Miamisburg, OH 45342</p>	<p><input type="checkbox"/> Via Hand Delivery <input type="checkbox"/> Express Delivery <input checked="" type="checkbox"/> Via First Class Mail <input type="checkbox"/> Other: _____</p>
<p>Kenneth Clair <b>Thomson West</b> 1100 13<sup>th</sup> Street, NW, Suite 200 Washington, DC 20005</p>	<p><input type="checkbox"/> Via Hand Delivery <input type="checkbox"/> Express Delivery <input checked="" type="checkbox"/> Via First Class Mail <input type="checkbox"/> Other: _____</p>

**PUBLIC VERSION**

**UNITED STATES INTERNATIONAL TRADE COMMISSION  
WASHINGTON, D.C. 20436**

**In the Matter of**

**CERTAIN PRODUCTS CONTAINING  
INTERACTIVE PROGRAM GUIDE AND  
PARENTAL CONTROL TECHNOLOGY**

**Inv. No. 337-TA-845**

**FINAL INITIAL DETERMINATION**

**Administrative Law Judge David P. Shaw**

Pursuant to the notice of investigation, 77 Fed. Reg. 33487 (2012), this is the Initial Determination in *Certain Products Containing Interactive Program Guide and Parental Control Technology*, United States International Trade Commission Investigation No. 337-TA-845.

It is held that a violation of section 337 of the Tariff Act, as amended, has not occurred in the importation into the United States, the sale for importation, or the sale within the United States after importation, of certain products containing interactive program guide and parental control technology that are alleged to infringe asserted claims 13-20 of U.S. Patent No. 7,065,709; asserted claims 1, 6, 13, and 17 of U.S. Patent No. 6,898,762; asserted claims 1, 2, 4, 6, 14, 15, 17, and 19 of U.S. Patent No. 8,112,776; and asserted claims 1-3, 10, and 11 of U.S. Patent No. 7,103,906.



**PUBLIC VERSION**

**TABLE OF CONTENTS**

I.	Background .....	1
	A. Institution of the Investigation; Procedural History .....	1
	B. The Parties; Assignment of Patents; Standing .....	4
	C. The Accused Products .....	5
	D. Technological Background .....	6
II.	Jurisdiction .....	7
III.	Importation .....	8
IV.	General Principles of Applicable Law .....	9
	A. Claim Construction .....	9
	B. Infringement .....	11
	C. Validity .....	15
	D. Domestic Industry .....	20
V.	United States Patent No. 7,065,709 .....	23
	A. Claim Construction .....	25
	B. Infringement .....	34
	C. Validity .....	56
	D. Domestic Industry (Technical Prong) .....	66
VI.	United States Patent No. 6,898,762 .....	91
	A. Claim Construction .....	94
	B. Infringement .....	98
	C. Validity .....	127
	D. Domestic Industry (Technical Prong) .....	135

**PUBLIC VERSION**

VII.	United States Patent No. 8,112,776 .....	142
A.	Claim Construction .....	144
B.	Infringement .....	146
C.	Validity .....	161
D.	Domestic Industry (Technical Prong) .....	199
VIII.	United States Patent No. 7,103,906 .....	229
A.	Claim Construction .....	231
B.	Infringement .....	231
C.	Validity .....	246
D.	Domestic Industry (Technical Prong) .....	264
IX.	Standing .....	275
X.	Economic Prong; Determinations on Domestic Industry .....	279
XI.	Patent Misuse .....	313
XII.	Implied License .....	357
XIII.	Patent Exhaustion .....	359
XIV.	Conclusions of Law .....	362
XV.	Initial Determination and Order .....	363

## PUBLIC VERSION

The following abbreviations may be used in this Initial Determination:

ALJ	-	Administrative Law Judge
CDX	-	Complainants' Demonstrative Exhibit
CPX	-	Complainants' Physical Exhibit
CX	-	Complainants' Exhibit
Dep.	-	Deposition
EDIS	-	Electronic Document Imaging System
JPX	-	Joint Physical Exhibit
JX	-	Joint Exhibit
RDX	-	Respondents' Demonstrative Exhibit
RPX	-	Respondents' Physical Exhibit
RWS	-	Rebuttal Witness Statement
RX	-	Respondents' Exhibit
Tr.	-	Transcript
WS	-	Witness Statement

## PUBLIC VERSION

### I. Background

#### A. Institution of the Investigation; Procedural History

By publication of a notice in the *Federal Register* on June 6, 2012, pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, the Commission instituted this investigation to determine:

[W]hether there is a violation of subsection (a)(1)(B) of section 337 in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain products containing interactive program guide and parental control technology that infringe one or more of claim 1–4, 10, and 11 of the ‘523 patent [U.S. Patent No. 6,701,523]; claims 1, 6, 7, 12, 13, and 17 of the ‘762 patent [U.S. Patent No. 6,898,762]; claims 13–20 of the ‘709 patent [U.S. Patent No. 7,065,709]; claims 1–3, 10, and 11 of the ‘906 patent [U.S. Patent No. 7,103,906]; 1–36 of the ‘455 patent [U.S. Patent No. 7,225,455]; claims 1–4, 7–10, and 13–16 of the ‘643 patent [U.S. Patent No. 7,493,643]; and claims 1, 2, 4, 6, 14, 15, 17, and 19 of the ‘776 patent [U.S. Patent No. 8,112,776], and whether an industry in the United States exists as required by subsection (a)(2) of section 337.

77 Fed. Reg. 33487 (2012).

The complainants are Rovi Corporation of Santa Clara, California; Rovi Guides, Inc. of Santa Clara, California; Rovi Technologies Corporation of Santa Clara, California; Starsight Telecast, Inc. of Santa Clara, California; United Video Properties, Inc. of Santa Clara, California; and Index Systems, Inc. of Tortola, British Virgin Islands. The Commission named as the respondents: LG Electronics, Inc. of Seoul, Republic of Korea; LG Electronics U.S.A., Inc. of Englewood Cliffs, New Jersey; Mitsubishi Electric Corp. of Tokyo, Japan; Mitsubishi Electric US Holdings, Inc. of Cypress, California; Mitsubishi Electric and Electronics USA, Inc. of Vernon Hills, Illinois; Mitsubishi Electric Visual Solutions America, Inc. of Irvine, California; Mitsubishi Digital Electronics America, Inc. of Irvine, California; Netflix Inc. of Los Gatos, California;

## PUBLIC VERSION

Roku, Inc. of Saratoga, California; and Vizio, Inc. of Irvine, California. The Office of Unfair Import Investigations is not a party in this investigation. *Id.*

The target date for completion of this investigation was set at 16 months, *i.e.*, October 7, 2013. Order No. 6. Accordingly, the due date for the Initial Determination on violation is June 7, 2013.

Respondents Mitsubishi Electric US Holdings, Inc.; Mitsubishi Electric and Electronics USA, Inc.; and Mitsubishi Digital Electronics America, Inc. filed a motion stating that they should be terminated from the investigation for good cause because they do not design, manufacture, import, sell for importation, or sell in the United States after importation any televisions, media players, or software applications that include interactive program guide or parental control functionality. The motion was granted in an initial determination. Order No. 9 (Sept. 4, 2012), *aff'd*, Notice of Commission Determination Not to Review an Initial Determination Terminating Certain Respondents (Oct. 2, 2012).

Respondents Mitsubishi Electric Visual Solutions America, Inc. and Mitsubishi Electric Corporation filed a motion to terminate themselves from the investigation with regard to U.S. Patent No. 6,701,523 based upon the entry of a consent order. The motion was granted in an initial determination. Order No. 16 (Nov. 6, 2012), *aff'd*, Notice of Commission Determination Not to Review an Initial Determination Granting a Motion to Terminate the Investigation As to Certain Respondents With Regard to U.S. Patent No. 6,701,523 Based Upon a Consent Order Stipulation (Dec. 7, 2012).

On December 19, 2012, the administrative law judge issued an initial determination (Order No. 17) granting complainants' motion for partial termination of the

## PUBLIC VERSION

investigation as to claims 10-18 of U.S. Patent No. 7,225,455 and claims 7 and 12 of U.S. Patent No. 6,898,762. On December 20, 2012, the administrative law judge issued an initial determination (Order No. 19) granting complainants' motion for partial termination of the investigation as to all asserted claims of U.S. Patent No. 7,493,643. Order Nos. 17 and 19 (Dec. 19, 2012; Dec. 20, 2012), *aff'd*, Notice of Commission Determination Not to Review Two Initial Determinations Granting Complainants' Motions for Partial Termination of the Investigation With Respect to Certain Claims of U.S. Patent Nos. 7,225,455 and 6,898,762 and All Asserted Claims of U.S. Patent No. 7,493,643 (Jan. 18, 2013).

Complainants and respondents Vizio, Inc.; Mitsubishi Electric Corp.; Mitsubishi Electric Visual Solutions America, Inc.; LG Electronics, Inc.; and LG Electronics U.S.A., Inc. filed joint motions for partial termination of the investigation based on settlement agreements. The motions were granted in initial determinations. Order No. 21 (Jan. 22, 2013), *aff'd*, Notice of Commission Determination Not to Review an Initial Determination Granting a Motion for Partial Termination of the Investigation as to Vizio, Inc. Based on a Settlement Agreement (Feb. 13, 2013); Order Nos. 34 and 36 (Feb. 27, 2013; Mar. 1, 2013), *aff'd*, Notice of Commission Determination Not to Review Initial Determinations Granting Motions for Partial Termination of the Investigation as to Mitsubishi Electric Visual Solutions America, Inc., Mitsubishi Electric Corp., LG Electronics, Inc., and LG Electronics U.S.A., Inc. Based on Settlement Agreements (Mar. 22, 2013).

Accordingly, only respondents Netflix Inc. ("Netflix") and Roku, Inc. ("Roku") remain in the investigation.



## PUBLIC VERSION

A prehearing conference was held on March 5, 2013, with the evidentiary hearing in this investigation commencing immediately thereafter. The hearing concluded on March 11, 2013. *See* Order Nos. 18 and 20; Tr. 1-1433. The parties were requested to file post-hearing briefs not to exceed 500 pages in length, and to file reply briefs not to exceed 200 pages in length. Tr. 11-13.

### **B. The Parties; Assignment of Patents; Standing**

Complainant Rovi Corporation is incorporated in Delaware and is located in Santa Clara, California. *See* Complaint, ¶ 7; CX-5741C (Armaly WS) at Q11-12, Q20.

Complainant Rovi Guides, Inc. (f/k/a Gemstar-TV Guide International Inc.) is incorporated in Delaware and is located in Santa Clara, California. Rovi Guides, Inc. is a wholly owned subsidiary of Rovi Corporation. *See* Complaint, ¶ 7; CX-5741C (Armaly WS) at Q145.

Complainant Rovi Technologies Corporation is incorporated in Delaware and is located in Santa Clara, California. Rovi Technologies Corporation is a wholly owned subsidiary of Rovi Corporation. *See* Complaint, ¶ 9. Rovi Technologies Corporation is the owner of U.S. Patent No. 7,103,906. *See* CX-5741C (Armaly WS) at Q144.

Complainant Starsight Telecast, Inc. is incorporated in Delaware and is located in Santa Clara, California. *See* Complaint, ¶ 10. Starsight Telecast, Inc. is the owner of U.S. Patent No. 8,112,776. Starsight Telecast, Inc. is a wholly owned subsidiary of Rovi Guides, Inc. *See* CX-5741C (Armaly WS) at Q146.

Complainant United Video Properties, Inc. is incorporated in Delaware and is located in Santa Clara, California. United Video Properties, Inc. is a wholly owned subsidiary of Rovi Guides, Inc. *See* Complaint, ¶ 11. United Video Properties, Inc. is the

## PUBLIC VERSION

owner of U.S. Patent Nos. 6,898,762, 7,065,709, and 7,493,643.<sup>1</sup> *See* CX-5741C (Armaly WS) at Q147.

Complainant Index Systems, Inc. is incorporated in the British Virgin Islands and is located in Tortola, British Virgin Islands. Index Systems, Inc. is a wholly-owned subsidiary of Rovi Guides, Inc. *See* Complaint, ¶ 12. Index Systems, Inc. is the owner of U.S. Patent No. 6,701,523.<sup>2</sup> *See* CX-5741C (Armaly WS) at Q148.

Netflix, Inc. is a corporation organized under the laws of Delaware, and has its principal place of business in Los Gatos, California. Netflix, Inc. is involved in the design and sale of Netflix Applications available on televisions, blu-ray players, digital media receivers, tablets, streaming players. *See* Complaint, ¶ 25; RX-1303C (Peters WS) at Q36.

Roku, Inc. is a corporation organized under the laws of Delaware, and has its principal place of business in Saratoga, California. Roku, Inc. is involved in the design, manufacture, and the sale of streaming media players and sticks. *See* Complaint, ¶ 24; RX-1299C (Funk WS) at 21.

The administrative law judge's findings with respect to standing are discussed in a separate section of this initial determination.

### **C. The Accused Products**

Complainants argue that “[t]he Accused Netflix Products include Netflix Applications available on televisions, blu-ray players, digital media receivers, tablets, streaming players available from, for example, LGE, VIZIO, and Roku, in connection

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<sup>1</sup> Complainants are no longer asserting U.S. Patent No. 7,493,643.

<sup>2</sup> Complainants are no longer asserting this patent.

with at least the following: [

] and any other Netflix

products containing interactive program guide technology that are the same as or not colorably different from any product listed above or will be released during this investigation.” Compls. Br. at 9-10.

Complainants argue that the “Accused Roku Products” include “Roku 2 XS streaming media player, Roku LT streaming media player, Roku HD streaming media player, Roku 2 XD streaming media player, Roku streaming stick, and any other Roku products containing interactive program guide technology that are the same as or not colorably different from any product listed above or will be released during this investigation.” *Id.* at 10.

The administrative law judge’s findings with respect to the “Accused Netflix Products” are discussed in each of the sections for the four asserted patents of this initial determination; the administrative law judge’s findings with respect to the “Accused Roku Products” are discussed in the ‘762 patent section.

#### **D. Technological Background**

In general, complainants’ patents relate to interactive program guide (“IPG”)<sup>3</sup> technology and video-on-demand technology. IPG technology was first developed in the late 1980s and early 1990s and has since continued to evolve to provide users with access to television and movie program information, and in some cases, other features and functionality that facilitate viewers’ use and enjoyment of programming. For example,

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<sup>3</sup> IPGs are also sometimes referred to as “EPGs” or electronic program guides.

## PUBLIC VERSION

an early type of IPG was a full-screen grid guide that displayed program listings by time and channel in a two-dimensional grid. Using a remote control, a user could interact with the guide to quickly see, for example, what was on television at a later time or on a different channel. *See* Complaint, ¶ 14; CX-5741C (Armaly WS) at Q13-14.

As IPG technology continued to advance, additional guide functionalities have been added to IPGs. A user can browse and select a television show or movie from a program listing for instant viewing. *See* CX-5741C (Armaly WS) at Q14-15.

Asserted '709 patent is directed towards providing program recommendations based on a user's preferences, such as the user's ratings of programs. Asserted '762 patent is directed to using an IPG to visually distinguish between programs that have been previously viewed from programs that have not been previously viewed. Other functionalities include customizing the programs displayed based on user data. Asserted '776 patent is directed towards using a user's program selections to display other programs that have similar attributes. Asserted '906 patent is directed to a method that permits a user to have media delivered to a first device, terminate the delivery of a program on that device, and then resume delivery on a different type of device later and in a potentially different location. *See* CX-5750C (Shamos WS) at Q30-52.

## II. Jurisdiction

All parties have appeared and presented evidence and arguments on the merits in this investigation. No party has contested the Commission's jurisdiction over it. *See* Comprehensive Joint Outline of Issues (EDIS Doc. No. 506294) ("Joint Outline"). Accordingly, it is found that the Commission has personal jurisdiction over all parties in this investigation.

## PUBLIC VERSION

Respondents argue that “[i]n a section 337 investigation, the jurisdictional requirements mesh with the factual requirements necessary to prevail on the merits. *Amgen Inc. v. U.S. Int’l Trade Comm’n*, 902 F.2d 1532, 1536 (Fed. Cir. 1990). Thus, the Supreme Court has held that the Commission should assume jurisdiction and, if relief may not be obtained, the Commission should dismiss the case on the merits. *Id.* Because there is no remediable Section 337 violation as pertains to Netflix or Roku (as further explained throughout this brief), the jurisdictional requirements of 19 U.S.C. § 1337 have also not been met. *Id.* This investigation must therefore be dismissed.” Resps. Br. at 57-58.

Respondents’ argument is rejected. As indicated in the Commission’s notice of investigation, discussed above, this investigation involves allegations that products are imported that infringe United States patents in a manner that violates section 337 of the Tariff Act, as amended. It is found that the Commission has subject matter jurisdiction over this investigation.

### **III. Importation**

The administrative law judge finds that the importation requirement is not satisfied with respect to all accused products.

The administrative law judge’s detailed findings with respect to importation are discussed in each of the sections for the four asserted patents of this initial determination.

**IV. General Principles of Applicable Law**

**A. Claim Construction**

Claim construction begins with the plain language of the claim.<sup>4</sup> Claims should be given their ordinary and customary meaning as understood by a person of ordinary skill in the art, viewing the claim terms in the context of the entire patent.<sup>5</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-13 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1170 (2006).

In some instances, claim terms do not have particular meaning in a field of art, and claim construction involves little more than the application of the widely accepted meaning of commonly understood words. *Phillips*, 415 F.3d at 1314. “In such circumstances, general purpose dictionaries may be helpful.” *Id.*

In many cases, claim terms have a specialized meaning, and it is necessary to determine what a person of skill in the art would have understood the disputed claim language to mean. “Because the meaning of a claim term as understood by persons of skill in the art is often not immediately apparent, and because patentees frequently use terms idiosyncratically, the court looks to ‘those sources available to the public that show what a person of skill in the art would have understood disputed claim language to

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<sup>4</sup> Only those claim terms that are in controversy need to be construed, and only to the extent necessary to resolve the controversy. *Vanderlande Indus. Nederland BV v. Int’l Trade Comm.*, 366 F.3d 1311, 1323 (Fed. Cir. 2004); *Vivid Tech., Inc. v. American Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999).

<sup>5</sup> Factors that may be considered when determining the level of ordinary skill in the art include: “(1) the educational level of the inventor; (2) type of problems encountered in the art; (3) prior art solutions to those problems; (4) rapidity with which innovations are made; (5) sophistication of the technology; and (6) educational level of active workers in the field.” *Environmental Designs, Ltd. v. Union Oil Co.*, 713 F.2d 693, 696 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 1043 (1984).



## PUBLIC VERSION

mean.”” *Phillips*, 415 F.3d at 1314 (quoting *Innova/Pure Water, Inc. v. Safari Water Filtration Sys., Inc.*, 381 F.3d 1111, 1116 (Fed. Cir. 2004)). The public sources identified in *Phillips* include “the words of the claims themselves, the remainder of the specification, the prosecution history, and extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art.” *Id.* (quoting *Innova*, 381 F.3d at 1116).

In cases in which the meaning of a claim term is uncertain, the specification usually is the best guide to the meaning of the term. *Phillips*, 415 F.3d at 1315. As a general rule, the particular examples or embodiments discussed in the specification are not to be read into the claims as limitations. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (*en banc*), *aff’d*, 517 U.S. 370 (1996). The specification is, however, always highly relevant to the claim construction analysis, and is usually dispositive. *Phillips*, 415 F.3d at 1315 (quoting *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996)). Moreover, “[t]he construction that stays true to the claim language and most naturally aligns with the patent’s description of the invention will be, in the end, the correct construction.” *Id.* at 1316.

Claims are not necessarily, and are not usually, limited in scope to the preferred embodiment. *RF Delaware, Inc. v. Pacific Keystone Techs., Inc.*, 326 F.3d 1255, 1263 (Fed. Cir. 2003); *Decisioning.com, Inc. v. Federated Dep’t Stores, Inc.*, 527 F.3d 1300, 1314 (Fed. Cir. 2008) (“[The] description of a preferred embodiment, in the absence of a clear intention to limit claim scope, is an insufficient basis on which to narrow the claims.”). Nevertheless, claim constructions that exclude the preferred embodiment are “rarely, if ever, correct and require highly persuasive evidentiary support.” *Vitronics*, 90

## PUBLIC VERSION

F.3d at 1583. Such a conclusion can be mandated in rare instances by clear intrinsic evidence, such as unambiguous claim language or a clear disclaimer by the patentees during patent prosecution. *Elekta Instrument S.A. v. O.U.R. Sci. Int'l, Inc.*, 214 F.3d 1302, 1308 (Fed. Cir. 2000); *Rheox, Inc. v. Entact, Inc.*, 276 F.3d 1319 (Fed. Cir. 2002).

If the intrinsic evidence does not establish the meaning of a claim, then extrinsic evidence may be considered. Extrinsic evidence consists of all evidence external to the patent and the prosecution history, and includes inventor testimony, expert testimony, and learned treatises. *Phillips*, 415 F.3d at 1317. Inventor testimony can be useful to shed light on the relevant art. In evaluating expert testimony, a court should discount any expert testimony that is clearly at odds with the claim construction mandated by the claims themselves, the written description, and the prosecution history, in other words, with the written record of the patent. *Id.* at 1318. Extrinsic evidence may be considered if a court deems it helpful in determining the true meaning of language used in the patent claims. *Id.*

### **B. Infringement**

#### **1. Direct Infringement**

Under 35 U.S.C. §271(a), direct infringement consists of making, using, offering to sell, or selling a patented invention without consent of the patent owner. The complainant in a section 337 investigation bears the burden of proving infringement of the asserted patent claims by a “preponderance of the evidence.” *Certain Flooring Products*, Inv. No. 337-TA-443, Comm’n Notice of Final Determination of No Violation of Section 337, 2002 WL 448690, at \*59, (Mar. 22, 2002); *Enercon GmbH v. Int’l Trade Comm’n*, 151 F.3d 1376 (Fed. Cir. 1998).

## PUBLIC VERSION

Literal infringement of a claim occurs when every limitation recited in the claim appears in the accused device, *i.e.*, when the properly construed claim reads on the accused device exactly.<sup>6</sup> *Amhil Enters., Ltd. v. Wawa, Inc.*, 81 F.3d 1554, 1562 (Fed. Cir. 1996); *Southwall Tech. v. Cardinal IG Co.*, 54 F.3d 1570, 1575 (Fed Cir. 1995).

If the accused product does not literally infringe the patent claim, infringement might be found under the doctrine of equivalents. “Under this doctrine, a product or process that does not literally infringe upon the express terms of a patent claim may nonetheless be found to infringe if there is ‘equivalence’ between the elements of the accused product or process and the claimed elements of the patented invention.” *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 21 (1997) (citing *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 609 (1950)). “The determination of equivalence should be applied as an objective inquiry on an element-by-element basis.”<sup>7</sup> *Id.* at 40.

“An element in the accused product is equivalent to a claim limitation if the differences between the two are insubstantial. The analysis focuses on whether the element in the accused device ‘performs substantially the same function in substantially the same way to obtain the same result’ as the claim limitation.” *AquaTex Indus. v.*

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<sup>6</sup> Each patent claim element or limitation is considered material and essential. *London v. Carson Pirie Scott & Co.*, 946 F.2d 1534, 1538 (Fed. Cir. 1991). If an accused device lacks a limitation of an independent claim, the device cannot infringe a dependent claim. See *Wahpeton Canvas Co. v. Frontier, Inc.*, 870 F.2d 1546, 1552 n.9 (Fed. Cir. 1989).

<sup>7</sup> “Infringement, whether literal or under the doctrine of equivalents, is a question of fact.” *Absolute Software, Inc. v. Stealth Signal, Inc.*, 659 F.3d 1121, 1130 (Fed. Cir. 2011).

## PUBLIC VERSION

*Techniche Solutions*, 419 F.3d 1374, 1382 (Fed. Cir. 2005) (quoting *Graver Tank*, 339 U.S. at 608); accord *Absolute Software*, 659 F.3d at 1139-40.<sup>8</sup>

Prosecution history estoppel can prevent a patentee from relying on the doctrine of equivalents when the patentee relinquished subject matter during the prosecution of the patent, either by amendment or argument. *AquaTex*, 419 F.3d at 1382. In particular, “[t]he doctrine of prosecution history estoppel limits the doctrine of equivalents when an applicant makes a narrowing amendment for purposes of patentability, or clearly and unmistakably surrenders subject matter by arguments made to an examiner.” *Id.* (quoting *Salazar v. Procter & Gamble Co.*, 414 F.3d 1342, 1344 (Fed. Cir. 2005)).

### 2. Indirect Infringement

#### a. Induced Infringement

Section 271(b) of the Patent Act provides: “Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b).

“To prevail on a claim of induced infringement, in addition to inducement by the defendant, the patentee must also show that the asserted patent was directly infringed.” *Epcon Gas Sys. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1033 (Fed. Cir. 2002). Further, “[s]ection 271(b) covers active inducement of infringement, which typically includes acts that intentionally cause, urge, encourage, or aid another to directly infringe a patent.” *Arris Group v. British Telecomm. PLC*, 639 F.3d 1368, 1379 n.13 (Fed. Cir.

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<sup>8</sup> “The known interchangeability of substitutes for an element of a patent is one of the express objective factors noted by *Graver Tank* as bearing upon whether the accused device is substantially the same as the patented invention. Independent experimentation by the alleged infringer would not always reflect upon the objective question whether a person skilled in the art would have known of the interchangeability between two elements, but in many cases it would likely be probative of such knowledge.” *Warner-Jenkinson*, 520 U.S. at 36.

## PUBLIC VERSION

2011). The Supreme Court recently held that “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.” *Global-Tech Appliances, Inc. v. SEB S.A.*, -- U.S. --, 131 S.Ct. 2060, 2068 (May 31, 2011). The Court further held: “[g]iven the long history of willful blindness<sup>9</sup>] and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for induced patent infringement under 35 U.S.C. § 271(b).” 131 S.Ct. at 2060 (footnote omitted).

### **b. Contributory Infringement**

Section 271(c) of the Patent Act provides: “Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer. 35 U.S.C. § 271(c).

Section 271(c) “covers both contributory infringement of system claims and method claims.”<sup>10</sup> *Arris*, 639 F.3d at 1376 (footnotes omitted). To hold a component

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<sup>9</sup> “While the Courts of Appeals articulate the doctrine of willful blindness in slightly different ways, all appear to agree on two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact. We think these requirements give willful blindness an appropriately limited scope that surpasses recklessness and negligence.” *Global-Tech*, 131 S.Ct. 2070-71.

<sup>10</sup> “Claims which recite a ‘system,’ ‘apparatus,’ ‘combination,’ or the like are all analytically similar in the sense that their claim limitations include elements rather than method steps. All such claims can be contributorily infringed by a component supplier.” *Arris*, 639 F.3d at 1376 n.8.



## PUBLIC VERSION

supplier liable for contributory infringement, a patent holder must show, *inter alia*, that (a) the supplier's product was used to commit acts of direct infringement; (b) the product's use constituted a material part of the invention; (c) the supplier knew its product was especially made or especially adapted for use in an infringement" of the patent; and (d) the product is not a staple article or commodity of commerce suitable for substantial noninfringing use. *Id.*

### C. Validity

One cannot be held liable for practicing an invalid patent claim. *See Pandrol USA, LP v. AirBoss Railway Prods., Inc.*, 320 F.3d 1354, 1365 (Fed. Cir. 2003). Nevertheless, each claim of a patent is presumed to be valid, even if it depends from a claim found to be invalid. 35 U.S.C. § 282; *DMI Inc. v. Deere & Co.*, 802 F.2d 421 (Fed. Cir. 1986). A respondent that has raised patent invalidity as an affirmative defense must overcome the presumption by "clear and convincing" evidence of invalidity. *Checkpoint Systems, Inc. v. United States Int'l Trade Comm'n*, 54 F.3d 756, 761 (Fed. Cir. 1995).

In this investigation, respondent raises affirmative defenses based on the following alleged ground of patent claim invalidity: anticipation, obviousness, and patent-eligible subject matter. *See* Joint Outline at 4-5.

#### 1. Anticipation

Anticipation under 35 U.S.C. § 102 is a question of fact. *z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1347 (Fed. Cir. 2007). Section 102 provides that, depending on the circumstances, a claimed invention may be anticipated by variety of prior art, including publications, earlier-sold products, and patents. *See* 35 U.S.C. § 102 (*e.g.*, section 102(b) provides that one is not entitled to a patent if the claimed invention



## PUBLIC VERSION

“was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States”).

The general law of anticipation may be summarized, as follows:

A reference is anticipatory under § 102(b) when it satisfies particular requirements. First, the reference must disclose each and every element of the claimed invention, whether it does so explicitly or inherently. *Eli Lilly & Co. v. Zenith Goldline Pharms., Inc.*, 471 F.3d 1369, 1375 (Fed.Cir.2006). While those elements must be “arranged or combined in the same way as in the claim,” *Net MoneyIN, Inc. v. VeriSign, Inc.*, 545 F.3d 1359, 1370 (Fed.Cir.2008), the reference need not satisfy an *ipsissimis verbis* test, *In re Bond*, 910 F.2d 831, 832-33 (Fed.Cir.1990). Second, the reference must “enable one of ordinary skill in the art to make the invention without undue experimentation.” *Impax Labs., Inc. v. Aventis Pharms. Inc.*, 545 F.3d 1312, 1314 (Fed.Cir.2008); see *In re LeGrice*, 49 C.C.P.A. 1124, 301 F.2d 929, 940-44 (1962). As long as the reference discloses all of the claim limitations and enables the “subject matter that falls within the scope of the claims at issue,” the reference anticipates -- no “actual creation or reduction to practice” is required. *Schering Corp. v. Geneva Pharms., Inc.*, 339 F.3d 1373, 1380-81 (Fed.Cir.2003); see *In re Donohue*, 766 F.2d 531, 533 (Fed.Cir.1985). This is so despite the fact that the description provided in the anticipating reference might not otherwise entitle its author to a patent. See *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1562 (Fed.Cir.1991) (discussing the “distinction between a written description adequate to support a claim under § 112 and a written description sufficient to anticipate its subject matter under § 102(b)”).

*In re Gleave*, 560 F.3d 1331, 1334 (Fed. Cir. 2009).

### 2. Obviousness

Under section 103 of the Patent Act, a patent claim is invalid “if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a

## PUBLIC VERSION

person having ordinary skill in the art to which said subject matter pertains.”<sup>11</sup> 35 U.S.C. § 103. While the ultimate determination of whether an invention would have been obvious is a legal conclusion, it is based on “underlying factual inquiries including: (1) the scope and content of the prior art; (2) the level of ordinary skill in the art; (3) the differences between the claimed invention and the prior art; and (4) objective evidence of nonobviousness.” *Eli Lilly and Co. v. Teva Pharmaceuticals USA, Inc.*, 619 F.3d 1329 (Fed. Cir. 2010).

The objective evidence, also known as “secondary considerations,” includes commercial success, long felt need, and failure of others. *Graham v. John Deere Co.*, 383 U.S. 1, 13-17 (1966); *Dystar Textilfarben GmbH v. C.H. Patrick Co.*, 464 F.3d 1356, 1361 (Fed. Cir. 2006). “[E]vidence arising out of the so-called ‘secondary considerations’ must always when present be considered en route to a determination of obviousness.” *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538 (Fed. Cir. 1983). Secondary considerations, such as commercial success, will not always dislodge a determination of obviousness based on analysis of the prior art. *See KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007) (commercial success did not alter conclusion of obviousness).

“One of the ways in which a patent’s subject matter can be proved obvious is by noting that there existed at the time of invention a known problem for which there was an obvious solution encompassed by the patent’s claims.” *KSR*, 550 U.S. at 419-20. “[A]ny

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<sup>11</sup> The standard for determining whether a patent or publication is prior art under section 103 is the same as under 35 U.S.C. § 102, which is a legal question. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1568 (Fed. Cir. 1987).

## PUBLIC VERSION

need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.” *Id.*

Specific teachings, suggestions, or motivations to combine prior art may provide helpful insights into the state of the art at the time of the alleged invention. *Id.* at 420. Nevertheless, “an obviousness analysis cannot be confined by a formalistic conception of the words teaching, suggestion, and motivation, or by overemphasis on the importance of published articles and the explicit content of issued patents. The diversity of inventive pursuits and of modern technology counsels against limiting the analysis in this way.” *Id.* “Under the correct analysis, any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed.” *Id.* A “person of ordinary skill is also a person of ordinary creativity.” *Id.* at 421.

The “burden falls on the patent challenger to show by clear and convincing evidence that a person of ordinary skill in the art would have had reason to attempt to make the composition or device, or carry out the claimed process, and would have had a reasonable expectation of success in doing so.” *PharmaStem Therapeutics, Inc. v. ViaCell, Inc.*, 491 F.3d 1342, 1360 (Fed. Cir. 2007); *see KSR*, 550 U.S. at 416 (a combination of elements must do more than yield a predictable result; combining elements that work together in an unexpected and fruitful manner would not have been obvious).<sup>12</sup>

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<sup>12</sup> Further, “when the prior art teaches away from combining certain known elements, discovery of a successful means of combining them is more likely to be nonobvious.” *KSR*, 550 U.S. at 416 (citing *United States v. Adams*, 383 U.S. 39, 52 (1966)).

### 3. Inventions Patentable Under § 101

Section 101 of the Patent Act identifies patent-eligible subject matter, providing that “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” 35 U.S.C. § 101.

The Supreme Court has repeatedly stated there are only three specific exceptions to § 101’s broad principles: “laws of nature, physical phenomena, and abstract ideas.” *Bilski v. Kappos*, 130 S.Ct. 3218, 3225 (2010) (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980)). Moreover, the Supreme Court has recently held that the machine-or-transformation test, while a useful and important clue, is not the sole test for deciding whether an invention is a patent-eligible process. *Bilski*, 130 S.Ct. at 3227. Section 101 is “coarse eligibility filter” and not the final arbiter of patentability. *Research Corp. v. Microsoft Corp.*, 627 F.3d 859, 869 (Fed. Cir. 2010). If a challenge to patent eligibility is based on abstractness, “the disqualifying characteristic should exhibit itself so manifestly as to override the broad statutory categories of eligible subject matter . . . .” *Id.* at 868.

“Mental processes – or processes of human thinking – standing alone are not patentable even if they have practical application.” *In re Comiskey*, 554 F.3d 967, 979 (Fed. Cir. 2009). For example, a method claim “that can be performed by human thought alone is merely an abstract idea and is not patent-eligible under § 101.”

*Cybersource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1373 (Fed. Cir. 2011).

However, the “application of an abstract idea to ‘new and useful end’ is the type of invention that the Supreme Court has described as deserving patent protection.”

*Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323, 1327 (Fed. Cir. 2011).

## PUBLIC VERSION

### D. Domestic Industry

A violation of section 337(a)(1)(B), (C), (D) or (E) can be found “only if an industry in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned, exists or is in the process of being established.” 19 U.S.C. § 1337(a)(2). Section 337(a) further provides:

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned—

(A) significant investment in plant and equipment;

(B) significant employment of labor or capital; or

(C) substantial investment in its exploitation, including engineering, research and development.

19 U.S.C. § 1337(a)(3).

These statutory requirements consist of an economic prong (which requires certain activities)<sup>13</sup> and a technical prong (which requires that these activities relate to the intellectual property being protected). *Certain Stringed Musical Instruments and Components Thereof*, Inv. No. 337-TA-586, Comm’n Op. at 13 (May 16, 2008)

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<sup>13</sup> The Commission practice is usually to assess the facts relating to the economic prong at the time that the complaint was filed. *See Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same*, Inv. No. 337-TA-560, Comm’n Op. at 39 n.17 (Apr. 14, 2010) (“We note that only activities that occurred before the filing of a complaint with the Commission are relevant to whether a domestic industry exists or is in the process of being established under sections 337(a)(2)-(3).”) (citing *Bally/Midway Mfg. Co. v. U.S. Int’l Trade Comm’n*, 714 F.2d 1117, 1121 (Fed. Cir. 1983)). In some cases, however, the Commission will consider later developments in the alleged industry, such as “when a significant and unusual development occurred after the complaint has been filed.” *See Certain Video Game Systems and Controllers*, Inv. No. 337-TA-743, Comm’n Op., at 5-6 (Jan. 20, 2012) (“[I]n appropriate situations based on the specific facts and circumstances of an investigation, the Commission may consider activities and investments beyond the filing of the complaint.”).



## PUBLIC VERSION

(“*Stringed Musical Instruments*”). The burden is on the complainant to show by a preponderance of the evidence that the domestic industry requirement is satisfied. *Certain Multimedia Display and Navigation Devices and Systems, Components Thereof, and Products Containing Same*, Inv. No. 337-TA-694, Comm’n Op. at 5 (July 22, 2011) (“*Navigation Devices*”).

“With respect to section 337(a)(3)(A) and (B), the technical prong is the requirement that the investments in plant or equipment and employment in labor or capital are actually related to ‘articles protected by’ the intellectual property right which forms the basis of the complaint.” *Stringed Musical Instruments* at 13-14. “The test for satisfying the ‘technical prong’ of the industry requirement is essentially same as that for infringement, i.e., a comparison of domestic products to the asserted claims.” *Alloc, Inc. v. Int’l Trade Comm’n*, 342 F.3d 1361, 1375 (Fed. Cir. 2003). “With respect to section 337(a)(3)(C), the technical prong is the requirement that the activities of engineering, research and development, and licensing are actually related to the asserted intellectual property right.” *Stringed Musical Instruments* at 13.

With respect to the economic prong, and whether or not section 337(a)(3)(A) or (B) is satisfied, the Commission has held that “whether a complainant has established that its investment and/or employment activities are significant with respect to the articles protected by the intellectual property right concerned is not evaluated according to any rigid mathematical formula.” *Certain Printing and Imaging Devices and Components Thereof*, Inv. No. 337-TA-690, Comm’n Op. at 27 (Feb. 17, 2011) (“*Printing and Imaging Devices*”) (citing *Certain Male Prophylactic Devices*, Inv. No. 337 TA-546, Comm’n Op. at 39 (Aug. 1, 2007)). Rather, the Commission examines “the facts in each



## PUBLIC VERSION

investigation, the article of commerce, and the realities of the marketplace. *Id.* “The determination takes into account the nature of the investment and/or employment activities, ‘the industry in question, and the complainant’s relative size.’” *Id.* (citing *Stringed Musical Instruments* at 26).

With respect to section 337(a)(3)(C), whether an investment in domestic industry is “substantial” is a fact-dependent inquiry for which the complainant bears the burden of proof. *Stringed Musical Instruments* at 14. There is no minimum monetary expenditure that a complainant must demonstrate to qualify as a domestic industry under the “substantial investment” requirement of this section. *Id.* at 25. There is no need to define or quantify an industry in absolute mathematical terms. *Id.* at 26. Rather, “the requirement for showing the existence of a domestic industry will depend on the industry in question, and the complainant’s relative size.” *Id.* at 25-26.

When a complainant relies on licensing to demonstrate the existence of a domestic industry pursuant to section 337(a)(3)(C), the Commission has explained the showing required of the complainant as follows:

Complainants who seek to satisfy the domestic industry requirement by their investments in patent licensing must establish that their asserted investment activities satisfy three requirements of section 337(a)(3)(C). First, the statute requires that the investment in licensing relate to “its exploitation,” meaning an investment in the exploitation of the asserted patent. 19 U.S.C. § 1337(a)(3)(C) . . . . Second, the statute requires that the investment relate to “licensing.” 19 U.S.C. § 1337(a)(3)(C) . . . . Third, any alleged investment must be domestic, i.e., it must occur in the United States. 19 U.S.C. § 1337(a)(2), (a)(3). Investments meeting these requirements merit consideration in our evaluation of whether a complainant has satisfied the domestic industry requirement. Only after determining the extent to which the complainant’s investments fall within these statutory parameters can we evaluate whether complainant’s qualifying investments are “substantial,” as required by the statute. 19 U.S.C. § 1337(a)(3)(C). If a complainant’s activity is only partially

## PUBLIC VERSION

related to licensing the asserted patent in the United States, the Commission examines the strength of the nexus between the activity and licensing the asserted patent in the United States.

*Navigation Devices* at 7-8 (footnotes omitted).

For the purposes of satisfying the domestic industry requirement a patentee can rely on the activities of a licensee. *See, e.g., Certain Electronic Devices, Including Handheld Wireless Communications Devices*, Inv. Nos. 337-TA-673, 337-TA-667, Order No. 49C at 4-5 (Oct. 15, 2009).

### V. U.S. Patent No. 7,065,709

United States Patent No. 7,065,709 (the ‘709 patent), entitled “Client-server electronic program guide,” issued on June 20, 2006. *See* CX-1295 (‘709 patent). The ‘709 patent was based on U.S. Patent Application No. 10/298,274. *See id.* The ‘709 patent is a divisional of asserted ‘762 patent. The named inventors are Michael D. Ellis, Thomas R. Lemmon, and William L. Thomas. The ‘709 patent “relates to interactive television program guide systems, and more particularly, to interactive television program guide systems based on client-server arrangements.” CX-1295 at col. 1, lns. 16-19.

Rovi asserts method claims 13-16 and system claims 17-20 of the ‘709 patent against Netflix. Compls. Br. at 229-30. The asserted claims read as follows:

13. A method for use in an interactive program guide system for providing a customized viewing experience to a user, comprising:
  - generating a viewing history database comprising program listings and associated program criteria;
  - determining at least one of the associated program criteria from the viewing history database that meets a user preference profile;

## PUBLIC VERSION

determining from a program listing database a set of programs not yet watched;

applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation; and

providing the personal viewing recommendation to a user.

**14.** The method defined in claim **13** wherein generating a viewing history database comprises storing the program listings and the associated program criteria for at least one of:

programs that the user has watched;

programs for which the user has scheduled reminders;

programs for which the user has scheduled for recording;

programs for which the user has searched; and

programs for which the user has ordered.

**15.** The method defined in claim **13** wherein the associated program criteria comprises at least one of program categories, ratings, casting, and languages.

**16.** The method defined in claim **13** wherein the at least one of the associated program criteria is the same as at least one criteria defined in the user preference profile.

**17.** A client-server interactive television program guide system for tracking a user's viewing history, comprising:

user equipment on which an interactive program guide client is implemented, wherein the interactive program guide client is operative to provide the user with an opportunity to create a user preference profile;

a communications path over which the user preference profile is provided by the interactive program guide client to a program guide server, wherein the program guide server comprises:

a first database comprising program listings and associated program criteria based on the user's viewing history at the interactive program guide client,

a second database comprising program listings available from the program guide server, and

## PUBLIC VERSION

processing circuitry operative (1) to determine at least one of the associated program criteria from the first database that meets the user preference profile, (2) to determine from the second database a set of programs not yet watched by the user at the interactive program guide client, (3) to apply the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation, and (4) to provide the personal viewing recommendation to the user at the interactive program guide client over the communications path.

18. The system defined in claim 17 wherein the first database comprising program listings and associated program criteria is based on at least one of:

- programs that the user has watched;
- programs for which the user has scheduled reminders;
- programs for which the user has scheduled for recording;
- programs for which the user has searched; and
- programs for which the user has ordered.

19. The system defined in claim 17 wherein the associated program criteria comprises at least one of program categories, ratings, casting, and languages.

20. The system defined in claim 17 wherein at least one of the associated program criteria is the same as at least one criteria defined in the user preference profile.

CX-1295 at col. 26, ln. 16 – col. 27, ln. 17.

### A. Claim Construction<sup>14</sup>

#### 1. “determining from a program listing database...”

Below is a chart showing the parties’ proposed claim constructions.

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<sup>14</sup> A person of ordinary skill in the art of the ‘709 patent at the time of the invention would have a bachelor’s degree in electrical or computer engineering or computer science, or equivalent experience, and two to four years of experience relating to television or video media technology, computer programming, user interfaces, or any equivalent knowledge, training and/or experience. *See* CX-5750C (Shamos WS) at Q29.

**PUBLIC VERSION**

<b>Claim Term</b>	<b>Complainants' Construction</b>	<b>Respondents' Construction</b>
<p>determining from a program listing database a set of programs not yet watched;</p> <p>applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation; (claim 13)</p> <p>processing circuitry operative (1) to determine at least one of the associated program criteria from the first database that meets the user preference profile, (2) to determine from the second database a set of programs not yet watched by the user at the interactive program guide client, (3) to apply the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation (claim 17)</p>	<p>No specific order required.</p>	<p>The step of “determining from a program listing database a set of programs not yet watched” must be performed prior to the step of “applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation.”</p> <p>The processing circuitry must first “determine from the second database a set of programs not yet watched by the user at the interactive program guide client” before it “appl[ies] the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation.”</p>

The disputed issue for these terms from independent claims 13 and 17 centers on whether the individual method steps are required to be performed in a specific order. Rovi argues that no specific order is required. Netflix argues that the step of “determining from a program listing database a set of programs not yet watched” must be performed prior to the step of “applying the at least one of the associated program criteria to the set of programs not yet watched to generate at least one personal viewing recommendation.”

The administrative law judge finds that, as proposed by Rovi, no specific order is



## PUBLIC VERSION

required with respect to the above terms from claims 13 and 17.

Claimed methods can be carried out in any order, unless one is otherwise specified or necessarily flows from the claim language. *Interactive Gift Express, Inc. v. Compuserve, Inc.*, 256 F.3d 1323, 1324 (Fed. Cir. 2001) (a method claim not reciting an order of steps is not construed to require one, unless the method steps implicitly require that they be performed in the order written).

There is no basis in the claim language to find the allegedly required order. Complainants' expert Dr. Shamos explained that "applying" the criteria first to all programs (before any determination of what was not yet watched) is nevertheless an "applying" to both the "set of programs not yet watched" and those already watched:

Nothing in claim 13 or 17 forecloses generating a personal viewing recommendation by "applying" the associated program criteria to all programs in the program listing database—**including both the set of programs not yet watched and those already watched**. Likewise, nothing in the claim forecloses then "determining" which of the programs that satisfies the associated viewing criteria constitute a set of programs not yet watched. **If those steps are carried out in that order, not a single thing called for by the claim is left out**. Regardless of the order in which the steps are performed, a personal viewing recommendation of an unwatched program that meets a program criteria is provided to the user.

CX-5750C (Shamos WS) at Q118 (emphasis added); *see also id.* at Q119-122. In fact, there is an advantage to performing the "applying" step first. As explained by Dr. Shamos, the set of programs not yet watched by a person is potentially huge, possibly numbering in the hundreds of thousands or millions. Due to the potentially large number of programs not yet watched by the user it may be preferable to apply the associated program criteria step to all program listings – both watched and unwatched – and then



## PUBLIC VERSION

make a determination as to which of those programs have not been watched. In the end, the result is the same – a personal viewing recommendation of an unwatched program that meets a program criteria is provided to the user. Thus, because the “applying” step can be carried out before the “determining from a program listing database a set of programs not yet watched” step while still meeting every requirement of the claimed step, there is no implicit requirement in the claim language for a particular order.

Netflix’s expert Dr. Burke testified that the “determining from a program listing database a set of programs not yet watched” step must come before the “applying” criteria step. The basis for his position is that the “applying” criteria step refers to “the” set of programs not yet watched, whereas the “determining” step refers to “a” set of programs not yet watched. Burke Tr. 733.

Yet, the intrinsic evidence does not support respondents’ argument. Rather, the wording in the claim is consistent with the rules of patent drafting to avoid rejections relating to lack of antecedent basis. *See, e.g.*, M.P.E.P. § 2173.05(e) (“The lack of clarity could arise where a claim refers to ‘said lever’ or ‘the lever,’ where the claim contains no earlier recitation or limitation of a lever and where it would be unclear as to what element the limitation was making reference.”). Thus, to avoid rejections for lack of antecedent basis, claims are drafted so that initial instances of terms set forth the antecedent “a” and following instances use the word “the.” To suggest that from this an order necessarily flows (*see Interactive Gift.*, 256 F.3d 1323 at 1324) is incorrect.

Moreover, the ‘709 patent discloses the following concerning the “applying” step:

**The program guide may make personalized viewing recommendations based on the viewing histories, preference profiles, or any suitable combination thereof.**

## PUBLIC VERSION

Program guide server 25 may, for example, construct relational database expressions from the viewing histories that define expressions for the program categories and ratings for programs that users have watched, scheduled reminders for, searched for, or ordered the most. **Program guide server 25 may then apply user preference profile criteria to the programs**, and generate personal viewing recommendations. In still another suitable approach, **program guide server 25 or the program guide client may filter viewing recommendations that are generated by main facility 12 or television distribution facility 16 based on** similar expressions, profiles, **viewing histories**, etc.

CX-1295 ('709 patent) at col. 20, lns. 24-38 (emphasis added). This passage of the specification describes an embodiment in which the “applying” criteria step is performed first, followed by the “determining” step performed by the filtering of programs not yet watched based on the viewing history. *See* CX-5750C (Shamos WS) at Q122. Netflix’s proposed construction requiring a specific order improperly reads out a preferred embodiment, which produces a claim construction that “is rarely, if ever, correct.” *Sandisk Corp. v. Memorex Products Inc.*, 415 F.3d 1278, 1285 (Fed. Cir. 2005); *see Interactive Gift*, 256 F.3d at 1344 (“Thus, if the claim was construed to require that the steps be performed in order, the claim would not read on the preferred embodiment. However, there is no ‘highly persuasive evidentiary support’ for such a result.”).

To rebut this point, Dr. Burke testified, apparently for the first time during the hearing, that the filtering of viewing recommendations discussed is a “completely different kind of operation” and also that it is “ambiguous whether ‘based on’ refers to ‘generated’ or to ‘filtered’ in” the last sentence quoted above. Burke Tr. 739-741. There is no ambiguity. The second to the last sentence above sets forth that the server can “apply” user preference profile criteria to “generate” the “personal viewing

## PUBLIC VERSION

recommendations.” The very next sentence refers to filtering “viewing recommendations that are generated,” *i.e.*, in the past tense. The “viewing recommendations that are generated” in the second sentence are the “personal viewing recommendations” generated by applying criteria in preceding sentence. Dr. Burke’s reading of an ambiguity in the “based on” language would thus have to entail deleting the discussion about filtering mid-sentence in order to disclose another way of generating the viewing recommendations whose generation was just explained in the preceding sentence. Moreover, the “another suitable approach” language means only that the filtering is another approach added to (not separate from) the approach presented in the preceding sentences. Indeed, Dr. Burke could not say that the sentences are unrelated. Burke Tr. 740-741. Thus, this passage of the specification describes an embodiment in which the “applying” criteria step is performed first, followed by the “determining” step.

The ‘709 patent describes how the program guide may make personalized viewing recommendations to a user based on a combination of a user’s viewing history and preference profile. *See, e.g.*, CX-1295 (‘709 patent) at col. 19, lns. 56-61; col. 20, lns. 24-26 (“The program guide may make personalized viewing recommendations based on the viewing histories, preference profiles, or any suitable combination thereof”). In describing how to provide personalized viewing recommendations based on a user viewing history, the specification explains that the program guide server may apply a user preference profile criteria to programs in a database to generate personal viewing recommendations. *See* CX-1295 (‘709 patent) at col. 20, lns. 31-38 (“Program guide server 25 may then apply user preference profile criteria to the programs, and generate personal viewing recommendations”). Once the viewing recommendations are

**PUBLIC VERSION**

generated, the program guide client may then determine a subset by filtering these viewing recommendations based on viewing histories. *See* CX-1295 ('709 patent) at col. 20, lns. 33-38 (“the program guide client may filter viewing recommendations . . . based on . . . viewing histories”). As explained in the specification, the viewing history includes a list of the programs the user has watched and programs the user has not watched. *See* CX-1295 ('709 patent) at col. 19, lns. 56-61 (“program guide server 25 may, for example, identify episodes that a user has not yet watched”).

Thus, the specification discloses situations in which the program criteria is first applied to a set of programs to generate personal viewing recommendations and then filtered to determine from those personal viewing recommendations, a set the programs that have not yet been watched. This order of steps supports Rovi’s position that these steps do not have to occur in the specific order recited.

**2. “user preference profile”**

<b>Claim Term</b>	<b>Complainants’ Construction</b>	<b>Respondents’ Construction</b>
user preference profile	criteria relating to user interest or disinterest in programs and/or program attributes	one or more program criteria chosen by the user with the interactive program guide client

As proposed by Rovi, the claim term “user preference profile” is construed to mean “criteria relating to user interest or disinterest in programs and/or program attributes.”

This dispute arises from Netflix’s attempt to exclude criteria relating to user interest or disinterest in programs themselves (in addition to program attributes) from the user preference profile. This is incorrect. The ‘709 patent shows that the user must

PUBLIC VERSION

merely be able to show “interest or disinterest in programs and/or program attributes” as described in the ‘709 patent. See CX-5750C (Shamos WS) at Q.127-130 (citing CX-1295 (‘709 patent) at col. 15, Ins. 5-13; col. 15, Ins. 21-30; *id.* at Figs. 13a-f). Figure 13a in particular shows that a user can assign a preference level to programs such as “Seinfeld.” CX-1295 (‘709 patent) Fig. 13a. In his witness statement, Dr. Burke admits that Figure 13a illustrates setting up a preference profile, but maintains that the programs being rated in that figure are not programs, but “attribute[s] of being in the series.” RX-1269C (Burke RWS) at Q214. However, during cross-examination Dr. Burke admitted that, on this point, reasonable experts could legitimately disagree with him. Burke Tr. 763.

3. “program listing” / “interactive program guide client” / “program guide server”

Claim Term	Complainants’ Construction	Respondents’ Construction
program listing	Plain and ordinary meaning <i>or, if a definition is needed,</i> information about available programs	information about a scheduled television program
interactive program guide client	application that allows a user to retrieve program guide data from and store user data on a program guide server using a client-server based approach	software installed on user equipment that displays information about scheduled television programming
program guide server	any combination of server hardware and software that communicates with a program guide client	a server computer that delivers information about scheduled television programs to user equipment

The administrative law judge agrees with Rovi’s proposed claim constructions for the above terms.



## PUBLIC VERSION

The dispute concerning these terms relates to Netflix's effort to limit the claims to "scheduled television programming," despite the broad scope provided by the ordinary meaning of the respective claim terms. Netflix's proposal takes each instance of the words "program" or "program guide" and replaces it with language limiting it to "scheduled television program[ming]." Yet, the specification of the '709 patent uses the term "television program listings" multiple times in describing various embodiments. *See, e.g.*, CX-1295 ('709 patent) at col. 1, ln. 29; col. 2, ln. 4; col. 4, lns. 60-61; col. 10, ln. 48; col. 10, ln. 54; col. 11, lns. 36-37. Dr. Shamos testified that neither the claim language nor the specification limit claims to "scheduled television programming." *See* CX-5750C (Shamos WS) at Q135, Q142, Q152, Q155, Q158. For instance, the claims themselves notably do not limit "program listings" to "television program listings" (*see* CX-1295 ('709 patent) at claims 13-14, 17-18), demonstrating an intention to cover a scope not limited to television programming.

The broad scope of "program listing" is also supported by the specification of the '709 patent, which discusses "video-on-demand programs" at col. 12, lns. 52-53 and col. 13, lns. 1-4. "Video-on-demand programs" are not "scheduled television." *See* CX-5750C (Shamos WS) at Q135.

Nothing in the claims or specification limits "program listing" to "information about a scheduled television program" or limits the program guide terms to dealing with "information about scheduled television programming." If the patent applicants wished to limit the claims to only cover scheduled television programs, they could have easily used that term in the claim instead. They did not do so.

Netflix also argues that the "a program guide server" language requires a "single"



## PUBLIC VERSION

server, although this is not expressly required by Netflix's proposed construction. In any event, limiting "a program guide server" to a single server is improper and should also be rejected, because it is well established that words such as "a" and "an" in patent claims (such as in "a program guide server") mean "one or more" unless the patentee showed clear intent to limit to "one." See e.g., *01 Communique Laboratory, Inc. v. LogMeIn, Inc.*, 687 F.3d 1292 (Fed. Cir. 2012) (holding that the claimed "a location facility" could be distributed among multiple locator server computers and need not be contained entirely on a single locator server computer); see *Baldwin Graphic Sys., Inc. v. Siebert, Inc.*, 512 F. 3d 1338, 1343 ("The subsequent use of definite articles 'the' or 'said' in a claim to refer back to the same claim term does not change the general plural rule, but simply reinvokes that non-singular meaning.").

### **B. Infringement Analysis of the '709 Patent**

Rovi argues that "the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the '709 patent with access to the Netflix service from imported devices including Netflix Ready Devices (including those imported and sold by LGE and Vizio). There have been acts of direct infringement of claims 13-20 of the '709 patent, and Netflix both had knowledge of the '709 Patent and knew or was willfully blind that its action of selling the Netflix Application and the integrated and licensed Netflix software for importation would cause the direct infringement." Compls. Br. at 229.

Rovi argues that "Netflix has specifically designed the Netflix Application on Netflix Ready Devices (e.g., imported LGE televisions containing the Netflix Application) to indirectly infringe the asserted claims of the '709 patent by empowering

## PUBLIC VERSION

users to watch and assign ratings to programs such that personalized recommendations can be generated based on that activity.” Compl. Br. at 229. It is argued that “the use of the Netflix Application in this manner causes all of the steps of method claims 13-16 the ‘709 patent to be performed.” *Id.* at 229-230. Rovi asserts that “[t]he direct infringement of the method claims occurs when the claimed steps are carried out by Netflix.” *Id.* at 230. Rovi argues that “Netflix has also specifically designed the Netflix Application such that Netflix Ready Devices (devices containing the Netflix Application) meet all the elements of (and thus directly infringe) system claims 17-20 of the ‘709 patent.” *Id.* Rovi asserts that “[t]he direct infringement of the system claims occurs by the importation and sale after importation of the directly infringing Netflix Ready Devices by LGE and Vizio, and also occurs by use of the directly infringing Netflix Ready Devices when end users use the Netflix Ready Devices.” *Id.*

For the reasons set forth below, Rovi has not shown that Netflix’s accused products infringe asserted claims 13-20 of the ‘709 patent.

### **1. Accused Products**

Rovi argues that “[t]here is a sale for importation under Section 337 based on various agreements whereby Netflix supplies [ ] for importation and integration into respective partner devices, including the Partners [ ] to create and distribute device-specific applications (‘Netflix Applications’) that run on Netflix Ready Devices (NRDs) to communicate with Netflix servers.” Compl. Br. at 9. It is argued that “[t]he Accused Netflix Products include Netflix Applications available on televisions, blu-ray players, digital media receivers, tablets, streaming players available from, for example, LGE, VIZIO, and Roku, in

## PUBLIC VERSION

connection with at least the following: [

] and any other

Netflix products containing interactive program guide technology that are the same as or not colorably different from any product listed above or will be released during this investigation.” *Id.* at 9-10.

### 2. Importation Under *Electronic Devices*

The Commission’s opinion in *Electronic Devices* holds that the practice of an asserted method claim within the United States after importation cannot serve as the basis for an exclusion order. *Electronic Devices*, Comm’n Op. at 17. As discussed in *Electronic Devices*, section 337 prohibits:

- (B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that –
  - (i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under title 17; or
  - (ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

19 U.S.C. § 1337(a)(1)(B).

The statute is violated only by the importation, sale for importation, or sale after importation of articles that either infringe a valid U.S. patent claim or are made by a method covered by a valid U.S. patent claim. An article, standing alone, cannot directly infringe a method claim. *Electronic Devices*, Comm’n Op. at 17; *see also Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 576 F.3d 1348, 1364 (Fed. Cir. 2009). A method claim is infringed only when someone performs all of the claimed method steps.

## PUBLIC VERSION

See *NTP v. Research in Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005) (“[T]he use of a [claimed] process necessarily involves doing or performing each of the steps recited.”); *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 775 (Fed. Cir. 1993) (“A method claim is directly infringed only by one practicing the patented method.”).

In *Electronic Devices*, the Commission ruled that complainant did not have a legally cognizable claim that respondent violated the statute by using articles within the United States when infringement allegedly occurred by virtue of that use. *Electronic Devices*, Comm’n Op. at 19 (“domestic use of such a method, without more, is not a sufficient basis for a violation of Section 337(a)(1)(B)(i)”). Relying expressly on the statutory language of section 337 and applicable Federal Circuit law, the Commission ruled that the act of importation “is not an act that practices the steps of the asserted method claim,” and “[m]erely importing a device that may be used to perform a patented method does not constitute direct infringement of a claim to that method.” *Id.* at 17-18 (citing *Cardiac Pacemakers*, 576 F.3d at 1364; *NTP*, 418 F.3d at 1319; *Ricoh Co., Ltd. v. Quanta Computer Inc.*, 550 F.3d 1325, 1335 (Fed. Cir. 2008) (“[A] party that sells or offers to sell software containing instructions to perform a patented method does not infringe the patent under § 271(a.)”); *Joy Techs.*, 6 F.3d at 773 (“The law is unequivocal that the sale of equipment to perform a process is not a sale of the process within the meaning of section 271(a.)”).

The Commission stated:

[S]ection 337(a)(1)(B)(i) covers imported articles that directly or indirectly infringe when it refers to “articles that – infringe.” We also interpret the phrase “articles that – infringe” to reference the status of the articles at the time of importation. Thus, infringement, direct or indirect, must be

## PUBLIC VERSION

based on the articles as imported to satisfy the requirements of section 337.

*Electronic Devices*, Comm'n Op. at 13-14. The Commission determined that the importation requirement was not met in that case by the respondent's post-importation performance of a claimed method. *Id.* at 18. Nevertheless, the Commission stated that the complainant "might have proved a violation of section 337 if it had proved indirect infringement" of the method claim. *Id.* The Commission cited, as an example, *Certain Chemiluminescent Compositions, and Components Thereof and Methods of Using, and Products Incorporating the Same*, Inv. No. 337-TA-285, USITC Pub. 2370, Order No. 25 (Initial Determination) at 38 n.12 (March 1991), in which "the ALJ found that the 'importation and sale' of the accused articles constituted contributory and induced infringement of the method claim at issue in that investigation." *Electronic Devices*, Comm'n Op. at 18 n.11.

The facts of this investigation are different from those of *Chemiluminescent Compositions*. As discussed below, the Netflix user interfaces (which are part of the accused Netflix Applications) are neither imported nor included on Netflix Ready Devices that are imported. Additionally, as discussed below, in order to use an accused Netflix Application in an allegedly infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. Yet, in *Chemiluminescent Compositions*, the accused product (necklace) as imported was a product that need not be combined with any other product in order to be used in an infringing manner. *Chemiluminescent Compositions*, Order No. 25 (Initial Determination) at 7-8; see *Certain Gaming and*

## PUBLIC VERSION

*Entertainment Consoles, Related Software, and Components Thereof*, Inv. No. 337-TA-752, Final Initial Remand Determination at 10-33 (Public Version) (Apr. 2, 2013), *aff'd*, Notice of Commission Determination Not to Review a Final Initial Remand Determination Finding No Violation of Section 337; Affirmance of Original Initial Determination As to Remaining Patent As Modified by the Remand Initial Determination; Termination of the Investigation (May 23, 2013).

The same analysis applies to the asserted system claims. As noted above, the Commission stated: “We also interpret the phrase ‘articles that – infringe’ to reference the status of the articles at the time of importation.” *Electronic Devices*, Comm’n Op. at 13-14. As discussed below, it is undisputed that the Netflix user interfaces are neither imported nor included on Netflix Ready Devices that are imported. Rather, only after a consumer in America has bought a device that has already been imported, and accesses the Netflix service over the Internet, is the user interface loaded. Additionally, as noted above, Rovi argues that “[t]he Accused Netflix Products include Netflix Applications available on televisions, blu-ray players, digital media receivers, tablets, streaming players available from, for example, LGE, VIZIO, and Roku.” Compl. Br. at 9. Thus, the Accused Netflix Products includes a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. As indicated above, LGE and Vizio are no longer respondents in this investigation, having entered into settlement agreements with Rovi. Accordingly, Netflix does not import articles that infringe the asserted system claims at the time of importation.



PUBLIC VERSION

a. Netflix User Interfaces

The evidence shows that the Netflix user interfaces that Rovi identifies as part of the “Netflix Applications” are not imported.<sup>15</sup> The Netflix user interfaces are neither imported nor included on Netflix Ready Devices that are imported. Rather, only after a consumer in America has bought a device that has already been imported, and accesses the Netflix service over the Internet, is the user interface loaded. RX-1269C (Burke RWS) at Q67-71 (discussing also RDX-0145 [ ]; RX-1193C (Presentation re NRDP 3.0) at .0005-.0006; RDX-0146C [ ]; RX-1192C (NRDP 3.1 specification) at .0111[ ]).

The Netflix user interfaces delivered to client devices originate on [ ]. Peters Tr. 546-548; JX-0003C (Marenghi Dep. Tr.) 62; RX-0840 at ¶¶ 2-3; JX-0004C (Makinkurve Dep. Tr.) 37. The [ ] the [ ] to a [ ] along with the [ ]. Peters Tr. 544-548 (discussing CX-2169C at 6). Inasmuch as the user interfaces do not reside on any device that is actually

<sup>15</sup> Rovi defines the accused Netflix products in this investigation as combinations of Netflix’s software development kit (“SDK”) (which is referred to synonymously as the “[ ]” or “[ ]” along with versions of the Netflix user interface (“UI”). Specifically, Rovi identifies the following as “Accused Netflix Instrumentalities”: [ ] with [ ] with [ ] with [ ] with [ ] and [ ]. CX-5750C (Shamos WS) at Q54; CX-5751C (Griffin WS) at Q47.

## PUBLIC VERSION

imported, Rovi has identified no “article” that has a “status” at the time of importation, as required for any section 337 analysis. *Electronic Devices*, 2012 WL 3246515, at \*9. In summary, the user interface for devices is never imported and is not a part of the device as imported.

### **b. Netflix Ready Devices**

As noted above, Rovi argues that “Netflix has specifically designed the Netflix Application on Netflix Ready Devices (*e.g.*, imported LGE televisions containing the Netflix Application) to indirectly infringe the asserted claims of the ‘709 patent by empowering users to watch and assign ratings to programs such that personalized recommendations can be generated based on that activity.” Compl. Br. at 229. It is argued that “the use of the Netflix Application in this manner causes all of the steps of method claims 13-16 the ‘709 patent to be performed.” *Id.* at 229-230. Rovi asserts that “[t]he direct infringement of the method claims occurs when the claimed steps are carried out by Netflix.” *Id.* at 230. Rovi argues that “Netflix has also specifically designed the Netflix Application such that Netflix Ready Devices (devices containing the Netflix Application) meet all the elements of (and thus directly infringe) system claims 17-20 of the ‘709 patent.” *Id.* Rovi asserts that “[t]he direct infringement of the system claims occurs by the importation and sale after importation of the directly infringing Netflix Ready Devices by LGE and Vizio, and also occurs by use of the directly infringing Netflix Ready Devices when end users use the Netflix Ready Devices.” *Id.*

In the complaint, Rovi alleged that claims 13-20 of the ‘709 patent are applicable to certain LGE, Vizio and Netflix products. Complaint (Apr. 30, 2012), ¶ 116. As indicated above, LGE and Vizio are no longer respondents in this investigation, having

## PUBLIC VERSION

entered into settlement agreements with Rovi. Rovi's current infringement allegation with respect to the '709 patent is applicable only to Netflix products, and not to LGE and Vizio products. *See* Joint Outline at 4.

In order to use an accused Netflix Application in an allegedly infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) such as an LGE or a Vizio television. This cannot occur at the time of importation.

\* \* \*

Consequently, in view of the Commission's opinion in *Electronic Devices*, the administrative law judge finds that Netflix does not directly infringe method claims 13-16 or system claims 17-20 of the '709 patent at the time of importation. As noted above, the user interface for devices is never imported and is not a part of the device as imported. Moreover, inasmuch as LGE and Vizio are no longer respondents in this investigation, Netflix cannot be liable for indirect infringement based on the now licensed importation of Netflix Ready Devices such as LGE and Vizio televisions.

Accordingly, the undersigned finds that there is no need for further analysis concerning direct or indirect infringement. Nonetheless, in the event the Commission disagrees with the administrative law judge's findings on this issue, the undersigned provides the following analysis.

PUBLIC VERSION

c. Netflix Software Development Kits (SDKs)

Netflix argues that “[t]here is no evidence in the record that any partner imports Netflix’s SDK into the United States.” Resps. Br. at 38. It is argued that “the Netflix SDK consists of [ ],” that Netflix develops its SDK at [ ],” and that “Netflix makes the SDK available to its partners [ ] which is [ ].” *Id.* Netflix contends that “[t]o use the SDK, [

].” *Id.* Netflix argues that “[a]fter obtaining a copy of the Netflix SDK, partners LGE, VIZIO, and Roku are individually responsible for creating a Netflix client on their devices,” and that “Netflix does not provide LGE, VIZIO, or Roku with software that they simply copy bit-for-bit onto their devices.” *Id.* at 39. Netflix’s argument is rejected.<sup>16</sup>

The evidence shows that Netflix, through its [ ] and [ ], ensures that [ ]. *See, e.g.*, CX-2168 ([ ] Documentation) at CX-2168C.27 (stating that “[i]n general, Netflix [ ]); RX-1206C [ ] Product Guidelines (PPG) (v1.2, March 7, 2010)) (listing [ ] that must [ ]).

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<sup>16</sup> Netflix’s argument that its SDKs are not “sold” is rejected for the reasons discussed by complainants. *See* Resps. Br. at 23-36; Compls. Br. at 15-44.

PUBLIC VERSION

As Mr. Peters acknowledged, he was not aware of [ ] by Netflix by [ ] including [ ]. JX-0005C (Peters Dep. Tr.) 173-174. Netflix has the right to [ ] to ensure [ ] and also has a [ ] to approve [ ]. See RX-1206C [ ] (indicating that [ ] and that “[ ] [ ].”); Peters Tr. 522:9-13 (acknowledging that [ ] [ ]). It is this [ ] provided by Netflix, which is integrated as part of the Netflix Applications on partners’ imported devices that Rovi has consistently accused of indirectly infringing the asserted patents in this Investigation. Netflix has [ ] of the [ ] in order to ensure that its [ ] is implemented in imported devices, which includes [ ]<sup>17</sup>

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<sup>17</sup> See Peters Tr. 522, 524-25, 526-532; JX-0005C (Peters Dep. Tr.) 172-173; CX-2168C [ ] at CX-2168C.27; RX-1206C [ ] at RX-1206C.0007 [ ]; RX-1218C [ ] at RX-1218C.0007, RX-1218C.0011, RX-1218C.0015 (§§ 5.2, 5.4.1, 8.2); RX-1227C [ ] at RX-1227C.0010-.0011 (§ 10).

**PUBLIC VERSION**

The evidence shows that Netflix [ ] Peters Tr. 522-24  
(testifying that that Netflix has a [ ] by which [ ]  
[ ] are [ ] before they are shipped).  
The purpose of this [ ] is for Netflix to determine the [ ]  
[ ] in order to ensure a “[ ]”  
*Id.* at 524-25. See RX-1218C [ ] at RX-1218C.0007 (§  
5.2 [ ]; RX-1227C [ ]  
[ ] at RX-1227C.0010-.0011 (§ 10 (“[ ]”)).

**3. Direct Infringement**

As noted, Rovi asserts method claims 13-16 and system claims 17-20 of the ‘709 patent against Netflix.

For the reasons set forth below, Rovi has not shown that Netflix’s accused products directly infringe asserted claims 13-20 of the ‘709 patent.

**a. Independent Method Claim 13**

Rovi argues that Netflix infringes method claim 13 because “[i]n the Netflix system, the Netflix Application is a client application resident on a Netflix Ready Device and it is configured to communicate with Netflix servers to provide the Netflix streaming service to end users.” Compl. Br. at 230. It is argued in vague terms that “[t]he Netflix system directly infringes independent method claim 13 of the ‘709 patent due to the ‘Top



## PUBLIC VERSION

10,’ [ ] and ‘Because you watched’ recommendations that are displayed to the users of the Netflix Application on Netflix Ready Devices *such as* the imported LGE and Vizio products.” *Id.* (emphasis added).

The administrative law judge finds that the accused Netflix systems do not infringe method claim 13 for two independent reasons. In order to use an accused Netflix system in an infringing manner, one must use a Netflix Application in conjunction with a Netflix Ready Device (a device containing the Netflix Application) “such as” an LGE or a Vizio television. The Netflix Ready Devices such as the imported LGE and Vizio products that contain the accused Netflix Applications are now licensed. To be specific, which one must be when analyzing accused devices for possible infringement, it would be improper to describe the elements of LGE or Vizio products as infringing when LGE and Vizio were terminated from this investigation based on licenses. Further, as discussed above, the Netflix user interfaces (which are part of the accused Netflix Applications) are neither imported nor included on Netflix Ready Devices that are imported.

### **b. Dependent Method Claims 14-16**

Rovi argues that “[t]he Netflix system directly infringes dependent method claims 14-16 of the ‘709 patent due to the ‘Top 10,’ [ ] and ‘Because you watched’ recommendations that are displayed to the users of the Netflix Application on Netflix Ready Devices such as the imported LGE and Vizio products.” Compls. Br. at 243.

Asserted method claims 14-16 depend from independent claim 13. The administrative law judge finds that the accused Netflix systems do not infringe claims 14-16 for the same reasons that the accused Netflix systems do not infringe claim 13.

## PUBLIC VERSION

### c. Independent System Claim 17

Rovi argues that “Netflix Ready Devices, including the imported LGE and Vizio products containing the Netflix Application directly infringe independent system claim 17 of the ‘709 patent due to the ‘Top 10,’ [ ] and ‘Because you watched’ recommendations.” Compls. Br. at 246.

The administrative law judge finds that the accused Netflix systems (including Netflix Ready Devices) do not infringe system claim 17 for the same reasons that the accused Netflix systems do not infringe method claim 13.

### d. Dependent System Claims 18-20

Rovi argues that “Netflix Ready Devices infringe dependent system claims 18-20 of the ‘709 patent due to the “Top 10,” [ ] and “Because you watched” recommendations.” Compls. Br. at 254. It is argued that “[t]hese claims are met for the reasons discussed in relation to independent system claim 17 and for the same reasons discussed above in relation to the corresponding dependent method claims 14-16.” *Id.*

Asserted system claims 18-20 depend from independent claim 17. The administrative law judge finds that the accused Netflix systems (including Netflix Ready Devices) do not infringe claims 18-20 for the same reasons that the accused Netflix systems do not infringe claim 17.

## 4. Indirect Infringement – Contributory

Section 271(c) of the Patent Act provides: “Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be

## PUBLIC VERSION

especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.” 35 U.S.C. § 271(c).

Section 271(c) “covers both contributory infringement of system claims and method claims.”<sup>18</sup> *Arris*, 639 F.3d at 1376 (footnotes omitted). To hold a component supplier liable for contributory infringement, a patent holder must show, *inter alia*, that (a) the supplier’s product was used to commit acts of direct infringement; (b) the product’s use constituted a material part of the invention; (c) the supplier knew its product was especially made or especially adapted for use in an infringement” of the patent; and (d) the product is not a staple article or commodity of commerce suitable for substantial noninfringing use. *Id.*

Assuming that direct infringement has been shown, for the reasons set forth below, Rovi has not shown that Netflix’s accused products contributorily infringe asserted claims 13-20 of the ‘709 patent.

### a. “knowing the same to be especially made....”

Rovi’s attempt to show that Netflix possesses the requisite knowledge for contributory infringement fails. Rovi relies on Netflix’s knowledge of the ‘709 patent, and on the presentations Rovi provided to Netflix that allegedly showed infringement.

Mere knowledge of a patent is not enough. Knowledge of a patent imposes no duty to investigate whether one is infringing. *See In re Seagate*, 497 F.3d 1360, 1371

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<sup>18</sup> “Claims which recite a ‘system,’ ‘apparatus,’ ‘combination,’ or the like are all analytically similar in the sense that their claim limitations include elements rather than method steps. All such claims can be contributorily infringed by a component supplier.” *Arris*, 639 F.3d at 1376 n.8.

## PUBLIC VERSION

(Fed. Cir. 2007) (en banc) (overruling *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983)).

Rovi relies on a slide file that Clay Gaetje sent to David Hyman on or about April 22, 2011, which includes a single slide about the '709 patent, which recites the language of claim 13 and includes a pair of small Netflix screen shots from the Netflix website—neither of which include an accused Top 10, Because you watched, or [ ] row. See CX-CX-5381C (Letter to D. Hyman dated April 22, 2011) at .13; Compl. Br. at 254-255. This is no more notice than notice of the patent itself, and thus cannot establish the requisite knowledge for contributory infringement. See *In re Seagate*, 497 F.3d at 1371. Moreover, there is no evidence that anyone at Netflix actually reviewed this slide deck. See JX-0002C (Hyman Depo. Tr.) at 31 (“I don’t have any specific recollection of those communications.”).

Rovi further relies on claim charts that Mr. Gaetje attached to his August 10, 2011 email to Mr. Hyman. Again, there is no evidence that anyone at Netflix actually reviewed these claim charts. See *id.* at 33 (“I don’t recognize it as a further attachment, but I’m happy to presume it was the attachment.”). The claim charts include a claim chart for the '709 patent and various screenshots, which again do not include the accused “Top 10,” “Because you watched,” or [ ] rows. CX-4481C (Netflix Supp. Materials) at .10.

Finally, Rovi relies on various communications about proposed deal terms for a portfolio license. Those communications establish only that Rovi wanted money, and that Netflix believed Rovi’s proposals were “outrageous.” See CX-1966C.1 (email string

PUBLIC VERSION

from Armaly to Hyman); Compl. Br. at 255. It is unclear how a disagreement over monetary terms proves the requisite knowledge for contributory infringement.

**b. “substantial noninfringing use”**

Rovi has failed to meet its burden of showing the accused “Top 10,” “Because you watched,” and [ ] rows have no substantial noninfringing uses. Rovi only accuses the “Top 10” and “Because you watched” recommendations of infringing when they display recommendation based on the [ ]. Yet, over [ ]% of recommendations using the feature [

]—which is not accused of infringing the ‘709 patent. *See* CX-5770C (Shamos WS) at Q245 (accusing only [ ]; Gomez-Uribe Tr. at 605-607; RX-1300C (Gomez-Uribe RWS) at Q69, Q76. Accordingly, the “Because you watched” and “Top 10” recommendations have a substantial, noninfringing use.<sup>19</sup>

The [ ] feature also has substantial noninfringing uses. Rovi only accuses the [ ] feature of infringing the ‘709 patent when it [ ]. *See* CX-5750C (Shamos WS) at Q219. However, [ ] only constitute one of [

] that [ ]. [ ] also relies on [

]—none of which Rovi has accused of infringement—as [ ]. Gomez-Uribe Tr. 609-610. Yet, [ ] are not stored in

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<sup>19</sup> The evidence shows that Netflix made a decision to make [ ] because it leads to [ ]. RX-1300 (Gomez-Uribe RWS) at Q78.

## PUBLIC VERSION

[ ] and not part of [ ]. RDX-0148 (Netflix Architecture) (RX-1269C (Burke RWS) at Q73-89; RX-1304C (Sanders RWS) at Q59, Q65, Q81). These [ ] are not “unusual, far-fetched, illusory, impractical, occasional, aberrant, or experimental.” *See Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1327 (Fed. Cir. 2009). Instead, they function as [ ] during the regular operation of the accused [ ] features. Gomez-Uribe Tr. 609-610. Because the “Top 10,” “Because you watched,” and [ ] features all have substantial noninfringing uses, the Netflix streaming service cannot give rise to liability for contributory infringement.

### 5. Indirect Infringement – Inducement

Section 271(b) of the Patent Act provides: “Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b).

“To prevail on a claim of induced infringement, in addition to inducement by the defendant, the patentee must also show that the asserted patent was directly infringed.” *Epcon Gas Sys. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1033 (Fed. Cir. 2002). Further, “[s]ection 271(b) covers active inducement of infringement, which typically includes acts that intentionally cause, urge, encourage, or aid another to directly infringe a patent.” *Arris Group v. British Telecomm. PLC*, 639 F.3d 1368, 1379 n.13 (Fed. Cir. 2011). The Supreme Court recently held that “induced infringement under § 271(b) requires knowledge that the induced acts constitute patent infringement.” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2068 (2011). The Court further held:



**PUBLIC VERSION**

“[g]iven the long history of willful blindness<sup>[20]</sup> and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for induced patent infringement under 35 U.S.C. § 271(b).” 131 S.Ct. at 2060 (footnote omitted).

Rovi argues that “[p]ursuant to its [ ] with Netflix Ready Device [ ], Netflix makes its [ ] available [ ] for the sole purpose of implementing that [ ] as part of the Netflix Application that is pre-loaded onto its partners’ imported devices.” Compl. Br. at 229. Rovi argues that “the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the ‘709 patent with access to the Netflix service from imported devices including Netflix Ready Devices (including those imported and sold by LGE and Vizio),” and that “[t]here have been acts of direct infringement of claims 13-20 of the ‘709 patent, and Netflix both had knowledge of the ‘709 Patent and knew or was willfully blind that its action of selling the Netflix Application and the integrated and licensed Netflix software for importation would cause the direct infringement.” *Id.*

For the reasons set forth below, Rovi has not shown that Netflix’s accused products infringe by inducement asserted claims 13-20 of the ‘709 patent.

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<sup>20</sup> “While the Courts of Appeals articulate the doctrine of willful blindness in slightly different ways, all appear to agree on two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact. We think these requirements give willful blindness an appropriately limited scope that surpasses recklessness and negligence.” *Global-Tech*, 131 S.Ct. at 2070-71.

## PUBLIC VERSION

### a. Specific Intent

As discussed above, the evidence does not show that Netflix has the requisite knowledge for contributory infringement. It follows that the evidence does not show that Netflix has the specific intent to infringe the '709 patent, as required to prove inducement. *Global-Tech Appls., Inc. v. SEB SA*, 131 S. Ct. 2060, 2068 (2011); *Akamai Techs., Inc. v. Limelight Networks*, 692 F.3d 1301, 1308 (Fed. Cir. 2012) (en banc) (the intent necessary for inducement liability requires “that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.”) (quoting *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (en banc)).

Furthermore, there can be no induced infringement if the alleged act of inducement merely teaches an action that one “could have reasonably believed was non-infringing.” *Vita-Mix Corp.* at 1329. “[T]hat defendants have knowledge of the acts alleged to constitute infringement is not enough.” *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363 (Fed. Cir. 2003) (internal quotation marks omitted). “Especially where a product has substantial noninfringing uses, intent to induce infringement cannot be inferred even when the defendant has actual knowledge that some users of its product may be infringing the patent.” *Id.* at 1365. “The question is not . . . whether a user following the [allegedly inducing] instructions may end up using the device in an infringing way.” *Vita-Mix Corp.*, 581 F.3d at 1329 n.2. “Rather, it is whether [the allegedly inducing] instructions teach an infringing use of the device such that [a court may] infer from those instructions an affirmative intent to infringe the patent.” *Id.*

## PUBLIC VERSION

### **b. Active Inducement**

Rovi argues that “the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the ‘709 patent with access to the Netflix service from imported devices including Netflix Ready Devices (including those imported and sold by LGE and Vizio).” Compls. Br. at 229. Rovi failed to adduce evidence that Netflix *actively induced* infringement of the ‘709 patent.

Rovi’s conclusion is incorrect. “The addition of the adverb ‘actively’ [in section 271(b)] suggests that the inducement must involve the taking of affirmative steps to bring about the desired result.” *Global-Tech*, 131 S.Ct. at 2065. Inducing LGE (who is now licensed) to sell products that allegedly contain the Netflix application at most amounts to inducing use of the Netflix system, not actively inducing the specific steps required to infringe.

### **c. “actively and knowingly aiding and abetting another’s direct infringement”**

As noted above, Rovi argues that “the licensed Netflix Applications and the integrated and licensed Netflix software actively encourage practice of the asserted claims of the ‘709 patent with access to the Netflix service from imported devices including Netflix Ready Devices (including those imported and sold by LGE and Vizio).” Compls. Br. at 229.

Netflix does not induce infringement because it does not induce the infringement of another person. Secondary liability requires another person to perform the predicate wrongful act. “A person induces infringement under [35 U.S.C.] § 271(b) by actively