UNITED STATES PATENT AND TRADEMARK OFFICE
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BEFORE THE PATENT TRIAL AND APPEAL BOARD
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GOOGLE INC.,
Petitioner,

v.

CONTENTGUARD HOLDINGS, INC.,
Patent Owner.
_____

Case CBM2015-00043
Patent 8,001,053 B2
_____

Before KARL D. EASTHOM, GLENN J. PERRY, and
MICHAEL J. FITZPATRICK, *Administrative Patent Judges*.

PERRY, *Administrative Patent Judge*.

DECISION
Denying Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

I. INTRODUCTION

Google Inc. ("Google") filed a Petition ("Pet.") requesting a review under the transitional program for covered business method patents of claims 1, 3, 4, 5, 15, and 23 (the "challenged claims") of U.S. Patent No. 8,001,053 B2 (Ex. 1001, "the '053 patent"). Paper 1. Google's challenges are brought under 35 U.S.C. §§ 101, 112, 102, and 103. ContentGuard Holdings, Inc. ("ContentGuard"), timely filed a Preliminary Response ("Prelim. Resp."). Paper 6.

We have jurisdiction under 35 U.S.C. § 324(a),[1] which provides that a covered business method patent review may not be instituted unless the information presented in the Petition demonstrates "that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable." Taking into account also the arguments presented in ContentGuard's Preliminary Response, we determine that the information presented in the Petition does not establish that claims 1, 3, 4, 5, 15, and 23 are more likely than not unpatentable. The Petition is denied.

A. Related Matters

The parties indicate that the '053 patent has been asserted in the following three district court cases: (1) *ContentGuard Holdings, Inc. v.*

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[1] See Section 18(a)(1) of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 329 (2011) ("AIA"), which provides that the transitional program for covered business method patents will be regarded as a post-grant review under chapter 32 of title 35 United States Code and will employ the standards and procedures of a post-grant review, subject to certain exceptions.

Google Inc., No. 2:14-cv-00061-JRG-RSP (E.D. Tex); (2) *Google Inc. v. ContentGuard Holdings, Inc.*, No. 3:14-cv-004980-WHA (N.D. Cal.); and (3) *ContentGuard Holdings, Inc. v. Amazon.com Inc.*, No. 2:13-cv-01112-JRG (E.D. Tex.). Pet. 6; Paper 7, 1–2. In addition to this Petition, Google filed another Petition requesting a review under the transitional program for covered business method patents of a subset of claims of related U.S. Patent No. 7,774,280 (Case CBM2015-00040). Pet. 7; Paper 7, 1–2.

B. Standing

Section 18 of the AIA governs the transitional program for covered business method patent reviews. Section 18(a)(1)(B) of the AIA limits such reviews to persons, or their privies, that have been sued or charged with infringement of a covered business method patent. Google asserts that, because it has been sued for infringement of the '053 patent, it has standing to file its Petition. Pet. 7–8 (citing Ex. 1004). Based on the record before us, we agree.

II. THE '053 PATENT

A. Background

The '053 patent, titled "System and Method for Rights Offering and Granting Using Shared State Variables," issued August 16, 2011, from U.S. Patent Application No. 10/956,070, filed on October 4, 2004. Ex. 1001, Title page at [54], [45], [21], [22]. That application was a continuation-in-part of U.S. Patent Application No. 10/162,212, filed on June 5, 2002. *Id*. at [63]. The '053 patent also claims priority to the following provisional

applications: (1) U.S. Provisional Application No. 60/296,113, filed on June 7, 2001; (2) U.S. Provisional Application No. 60/331,625, filed on November 20, 2001; (3) U.S. Provisional Application No. 60/331,624, filed on November 20, 2001. *Id*. at [60].

The '053 patent generally relates to digital rights management (DRM). It describes managing transfer of rights associated with digital works using shared state variables. Ex. 1001, 1:22–23. According to the '053 patent, an impediment to widespread distribution of digital works is a current lack of ability to enforce the rights of content owners during the distribution and use of their digital works. *Id*. at 1:37–41. In particular, content owners do not have control over downstream parties unless they are privy to transactions with the downstream parties. *Id*. at 2:60–62. Moreover, content owners simply granting rights to others that are a subset of the possessed rights is not practical in a multi-tier distribution models. *Id*. at 2:53–58.

The "Background of the Invention" portion of the '053 patent specification, describes Stefik[2], incorporated by reference (Ex. 1001, 1:54–56), as a system for controlling the distribution of digital documents. Each rendering device has a "repository" associated with it. A predetermined set of usage transaction steps define a protocol used by the repositories for enforcing usage rights associated with a document. Usage rights persist with

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[2] US 5,634,012 – Stefik, May 27, 1997 ("Stefik," Ex. 1002).

document content. The usage rights permit various manners of use such as,
viewing only, use once, distribution, and the like. Usage rights can be
contingent on payment or other conditions. Ex. 1001, 2:37–45.   Stefik is
described as having limited effectiveness in that "one purchased by an end
user, a consumer, or a distributor, of content along with its associated usage
rights and conditions has no means to be legally passed on to a next recipient
in a distribution chain. *Id.* at 2:48–52.

B. '053 Patent Invention

The '053 patent addresses the problem of downstream distribution by
providing "meta-rights" that have the ability to spawn other user rights. Ex.

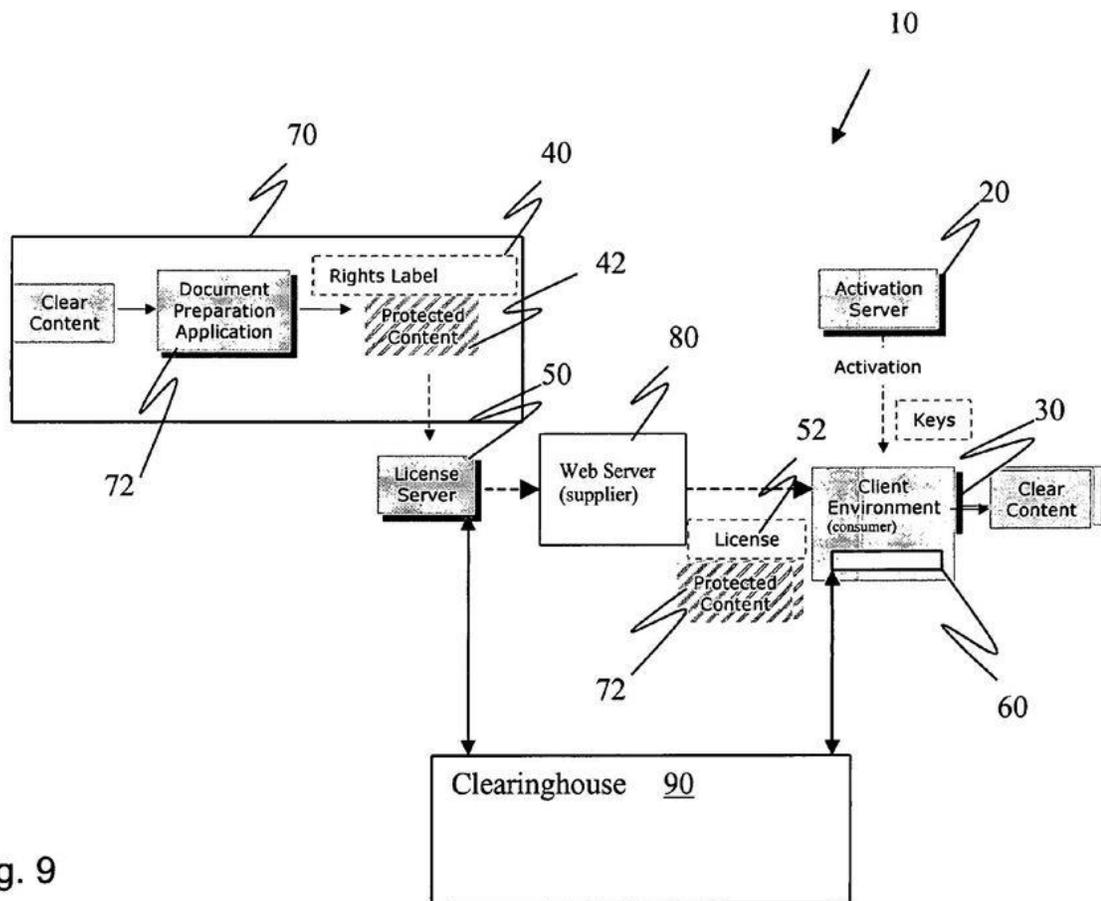1001, 2:66–3:10. Figure 9 of the '053 patent is reproduced below.

Fig. 9

Figure 9 is block diagram of a DRM system 10 that enforces usage rights and meta-rights for specific content and services. Ex. 1001, 4:15–18. A user activation component (server 20) issues public and private key pairs, or other identification mechanisms, to content users. *Id*. at 4:20–24. Software, installed in a client 30 associated with the content recipient, enforces usage rights for protected content. *Id*. at 4:27–30. Client component 60 contains public and private keys issued by activation server 20. *Id.* at 4:32–35.

Rights label 40, associated with content 42, specifies usage rights and meta-rights that are available to a recipient, i.e., a consumer of rights, when corresponding conditions are satisfied. License Server 50 manages the encryption keys and issues licenses 52 for protected content 42. Licenses 52 embody data representing a granting of rights, including usage rights and meta-rights, to an end user.[3] Client component 60 interprets and enforces the rights, including usage rights and meta-rights, as specified in the license. *Id.* at 2:36–51.

C. Illustrative Claims

Claims 1 and 15 are the only independent claims challenged in this proceeding. Claim 1 is directed to a method for sharing rights associated with an item, whereas claim 15 is directed to a system for performing the same. Claims 3–5 directly depend from independent claim 1; and claim 23 directly depends from independent claim 15. Independent claims 1 and 15 are illustrative of the '053 patent and are reproduced below:

> 1. A method for sharing rights adapted to be associated with an item, the method comprising:
> specifying, in a first license, using a processor, at least one usage right and at least one meta-right for the item, wherein the usage right and the meta-right include at least one right that is shared among one or more users or devices;

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[3] For example, rights offer 40 may permit a user to view content for a fee of five dollars and print content for a fee of ten dollars, or it may permit a user to offer rights to another user, for example, by utilizing the concept of meta-rights. Ex. 1001, 2:43–46.

defining, via the at least one usage right, using a processor, a manner of use selected from a plurality of permitted manners of use for the item;

defining, via the at least one meta-right, using a processor, a manner of rights creation for the item, wherein said at least one meta-right is enforceable by a repository and allows said one or more users or devices to create new rights;

associating, using a processor, at least one state variable with the at least one right in the first license, wherein the at least one state variable identifies a location where a state of rights is tracked;

generating, in a second license, using a processor, one or more rights based on the meta-right in the first license, wherein the one or more rights in the second license includes at least one right that is shared among one or more users or devices; and

associating at least one state variable with the at least one right that is shared in the second license,

wherein the at least one state variable that is associated with the second license is based on the at least one state variable that is associated with the first license.

Ex. 1001, 20:44–21:5.

15. A system for sharing rights adapted to be associated with an item, the system comprising:

a processor for specifying in a first license at least one usage right and at least one meta-right for the item, wherein the usage right and the meta-right include at least one right that is shared among one or more users or devices;

a processor for defining, via the at least one usage right, a manner of use selected from a plurality of permitted manners of use for the item;

a processor for defining, via the at least one meta-right, a manner of rights creation for the item, wherein said at least one

meta-right is enforceable by a repository and allows said one or more users or devices to create new rights;

a processor for associating at least one state variable with the at least one right in the first license, wherein the at least one state variable identifies a location where a state of rights is tracked;

a processor for generating in a second license one or more rights based on the meta-right in the first license, wherein the one or more rights in the second license includes at least one right that is shared among one or more users or devices; and

a processor for associating at least one state variable with the at least one right that is shared in the second license, wherein the at least one state variable that is associated with the second license is based on the at least one state variable that is associated with the first license.

Id. at 22:7–35.

D. Covered Business Method Patent

Under § 18(a)(1)(E) of the AIA, we may institute a transitional review proceeding only for a patent that is a covered business method patent. A "covered business method patent" is a patent that "claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). For purposes of determining whether a patent is eligible for a covered business method patent review, the focus is on the claims. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business

Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012). A patent need have only one claim directed to a covered business method to be eligible for review. *See id.*

1. Financial Product or Service

In promulgating rules for covered business method reviews, the United States Patent and Trademark Office ("Office") considered the legislative intent and history behind the AIA's definition of a "covered business method patent." 77 Fed. Reg. at 48,735–36. The "legislative history explains that the definition of covered business method patent was drafted to encompass patents 'claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.'" *Id.* at 48,735 (citing 157 CONG. REC. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)). The legislative history indicates that "'financial product or service' should be interpreted broadly." *Id.*

Google contends that the challenged claims of the '053 patent encompass embodiments that are, at the very least, incidental or complementary to a financial activity. Pet. 8. In particular, Google argues that the inventions embodied in independent claims 1 and 15 are described using economic terms, such as the transfer of rights between a "supplier" and a "consumer." *See id.* Google argues that they "encompass methods and systems that control the use or distribution of digital content based on the payment of fees by users, rendering the claims, at the very least, incidental and complementary to financial activity." *Id.* at 10. In support, Google points to the specification statement that the invention allows "a

content owner to commercially exploit content…with each party in the distribution chain." *Id.*; Ex. 1001, 2:57–62.   Independent claims 1 and 15 of the '053 patent include steps and system elements for specifying and generating first and second "licenses" that define "usage rights" and "meta-rights" with certain "manners of use" governing the utilization of digital content for which a user has rendered monetary compensation. Pet. 10 (citing Ex. 1001, 20:48, 22:11; 23:14).

ContentGuard contends that Google has not met its burden of demonstrating that the '053 patent is a covered business method patent because the challenged claims, as a whole, do not recite processes or operations for a financial product or service. Prelim. Resp. 3–14. ContentGuard argues that the challenged claims, as a whole, are directed to computer security technology for creating, transferring, managing, and enforcing rights to use of digital content. *Id*. at 7. ContentGuard acknowledges that the '053 patent specification teaches generally that fees can be paid for content, and that Stefik discusses this concept. However, the claims are not directed to payment for content, nor do the claims specify credit card processing, accounting techniques, or methods of receiving money, billing technologies or any other financial product or service. Prelim. Resp. 12.

We are not persuaded by ContentGuard's arguments which focus on whether the challenged claims explicitly recite financial products or services. The definition of a covered business method patent should be interpreted broadly to encompass patents claiming activities that are

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incidental or *complementary* to a financial activity. 77 Fed. Reg. at 48,735 . ContentGuard does not direct us to a statutory or regulatory provision, much less legislative history, which would require a covered business method patent to recite explicitly a financial product or service.

Independent claim 1 of the '053 patent recites "a method for *sharing rights adapted to be associated with an item*," and "specifying, in a first *license*…at least one usage right." Ex. 1001, 20:44–46 (emphasis added). In our view, the sharing of rights associated with an item using a license is an activity that, at the very least, is incidental or complementary to a financial activity.

Our determination in this regard is further supported by the description of the invention in the specification of the '053 patent. It discusses payment of fees at 4:43–47; 5:34; 6:7–11; 13:60–62; 14:38–41; 19:47–52 and in the algorithms set forth in columns 13, 14, and 15.

2. Technological Invention Exception

The definition of a "covered business method patent" in § 18(d)(1) of the AIA excepts patents for "technological inventions." When determining whether a patent is for a technological invention, we consider "whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution." 37 C.F.R. § 42.301(b). The following types of claims typically do not render a patent a "technological invention."

> (a) Mere recitation of known technologies, such as
> computer hardware, communication or computer networks,

software, memory, computer-readable storage medium,
scanners, display devices or databases, or specialized machines,
such as an ATM or point of sale device.

(b) Reciting the use of known prior art technology to
accomplish a process or method, even if that process or method
is novel and non-obvious.

(c) Combining prior art structures to achieve the normal,
expected, or predictable result of that combination.

Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,763–64 (Aug.

14, 2012).

Google contends that the claimed subject matter of independent

claims 1 and 15, as a whole, do not recite a technological feature that is

novel and unobvious. Pet. 15. To support its contention, Google argues that

the claims "merely implicate known technologies or concepts (such as

general processors, repositories, rights, and licenses) to accomplish the

claimed sharing of rights." Pet. 16. Petitioner points to Figure 4 of the '053
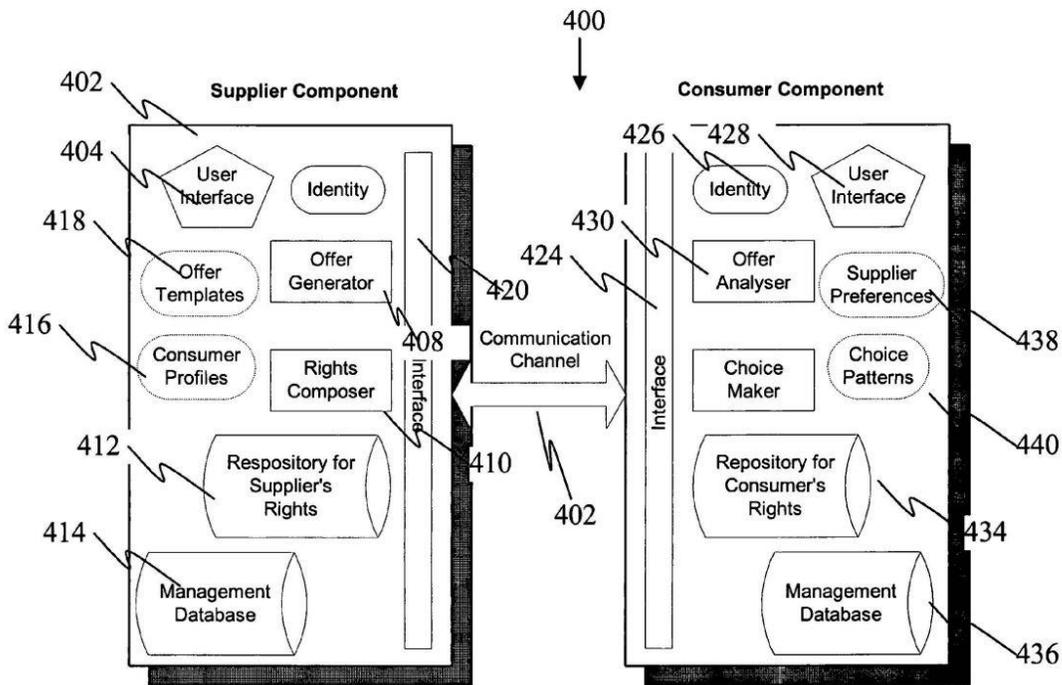
patent, reproduced below.

Fig. 4

Figure 4 shows an architecture of the preferred embodiment for rights offering and granting in accordance with the preferred embodiment. Ex. 1001, 3:39–40. Petitioner notes that '053 patent specification admits that the technology described for accomplishing the claimed steps and means were well known. Pet. 16. The specification refers to Figure 4 as nothing more than "a combination of computer hardware and software … that utilitize well known communication channels." *Id.* Petitioner relies on Stefik, incorporated by reference, as disclosing the "overall concept" of claim 1. *Id.* at 17.

ContentGuard contends that the '053 patent is directed to a technological invention because the challenged claims recite novel and non-

obvious technical features including defining via a meta-right and using a processor a manner of rights creation; and generating a second license having one or more rights based on the meta-right in the first license. Prelim. Resp. 15. ContentGuard argues that Google again fails to address the challenged claims as a whole, including the concept of meta-rights as implemented in combination with a repository and specific types of state variables. *Id*. at 16–20.

The only feature recited in independent claims 1 and 15 that resembles a technological feature is the claimed "repository." The claimed "repository," however, does not direct independent claims 1 and 15 to a technological invention because, as evidenced by the asserted prior art, this feature was not novel and unobvious as of the earliest effective filing date of the '053 patent. Even if we were to assume that the method steps of claim 1 impart a novel and unobvious way of processing or transmitting and creating rights associated with an item, this claim only uses known prior art technology—namely, the claimed "repository"—to accomplish this method. We, therefore, are persuaded by Google's explanation that the claimed subject matter of independent claims 1 and 15, as a whole, do not recite a technological feature that is novel and unobvious over the prior art.

E. Asserted Grounds of Unpatentability

Google challenges claims 1, 3, 4, 5, 15, and 23 of the '053 patent based on the asserted grounds of unpatentability set forth in the table below:

Reference	Basis	Challenged Claims
	§ 101	1, 3, 4, 5, 15, and 23
	§ 112	1, 3, 4, 5, 15, and 23
Stefik	§ 102(b)	1, 3, 4, 5, 15, and 23
Stefik	§ 103(a)	1, 3, 4, 5, 15, and 23

III. ANALYSIS

A. Claim Construction

In a covered business method patent review, we interpret claim terms in an unexpired patent according to the broadest reasonable interpretation in light of the specification of the patent in which it appears. 37 C.F.R. § 42.300(b). Under the broadest reasonable interpretation standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art, at the time of the invention. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

Google proposes a construction for each of the following claim terms: (1) "license" (all challenged claims); "usage right" (all challenged claims);

(3) "meta-right" (all challenged claims); (4) "rights" (all challenged claims); (5) "state variable" (all challenged claims); and (6) "repository" (all challenged claims); and (7) "processor" (claims 15, 23, and 24); . Pet. 23–33. In response, ContentGuard proposes an alternative construction for the following claim terms: (1) "meta-right;" (2) "usage right;" (3) "rights;" (4) "license;" (5) "state variable;" and (6) "repository." Prelim. Resp. 25–39.

For purposes of this decision, we need only assess the constructions offered by the parties for the claim terms "meta-rights" and "state variable." *See*, *e.g.*, *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc*., 200 F.3d 795, 803 (Fed. Cir. 1999) (only those terms that are in controversy need to be construed, and only to the extent necessary to resolve the controversy).

1. "meta-rights" (all challenged claims)

Google contends that the broadest reasonable construction of the claim term "meta-right" is "a right about a right." Pet. 27. To support its proposed construction, Google directs us to various portions of the specification of the '053 patent, the supporting Declaration of Dr. Benjamin Goldberg, the definition of "meta" in a general purpose dictionary, and the special definition of "usage rights" in Stefik, which is incorporated by reference in the '053 patent. *Id*. at 27–30 (citing Ex. 1001, 2:9–16, 2:63–67, 4:8–10, 5:49–67, 6:1–10; Ex. 1014 ¶ 31; Ex. 1002, 51:43–47, 53:48–51; Ex. 1018).

In response, ContentGuard contends that "meta-right" should be construed as "a right that, when exercised, creates or disposes of usage rights (or other meta-rights) but that is not itself a usage right because exercising a

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meta-right does not result in action to content." Prelim. Resp. 30. To
support its proposed construction, ContentGuard directs us to various
portions of the specification of the '053 patent and the district court's
construction of the claim term "meta-right." *Id*. at 30–32 (citing Ex. 1001,
5:52–60, 7:24–31, Figs. 9–16; Ex. 2001, 102–06). ContentGuard argues that
Google's proposed construction of "meta-right" in this proceeding is
contrary to its proposed construction in the related district case where
Google purportedly endorsed the district court's ruling that a meta-right "is
not itself a usage right." *Id*. at 31 (citing Ex. 2001, 1006).

The specification states that "meta rights provide a mechanism for
permitting the transfer of rights from one party to the next party in a content
distribution chain." Ex. 1001, 13:7–9. It further states that "meta rights
granted to the distributor permit the distributor to modify the grant in the
license, as described above, and make the offer." *Id*. at 13:65–67. The
specification provides an explicit definition for the claim term "meta-rights."
In particular, the specification discloses that "[m]eta-rights are the rights that
one has to generate, manipulate, modify, dispose of or otherwise derive
other rights." Ex. 1001, 5:22–23. By using the verb "are" following "meta-
rights," the specification sets forth an explicit definition for this claim term
with reasonable clarity, deliberateness, and precision. *See Paulsen*, 30 F.3d
at 1480. Although the construction proposed by Google is consistent with
this explicit definition, we decline to adopt Google's construction because it
does not use the same terminology the specification uses to define explicitly
the claim term "meta-right."

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We also decline to adopt ContentGuard's proposed construction for the claim term "meta-right" for at least two reasons. First, it is well settled a claim interpretation that renders a claim term or phrase superfluous is disfavored. *See*, *e.g.*, *Stumbo v. Eastman Outdoors, Inc.*, 508 F.3d 1358, 1362 (Fed. Cir. 2007). If we were to adopt the language in ContentGuard's proposed construction of "when exercised, creates or disposes of usage rights (or other meta-rights)," it would render the phrase "a meta-right specifying a right than can be created when the meta-right is exercised," which is explicitly recited in independent claims 1 and 12, superfluous.

Second, we decline to adopt ContentGuard's proposed construction, particularly the language indicating that a meta-right "is not itself a usage right because exercising a meta-right does not result in action to content," because it would import extraneous limitations into the claims. If a feature is not necessary to give meaning to what the inventor means by a claim term, it would be "extraneous" and should not be read into the claim. *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1249 (Fed. Cir. 1998); *E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1433 (Fed. Cir. 1988). ContentGuard's attempt to describe the claim term "meta-right" by distinguishing it from a usage right is not necessary to give meaning to this claim term, and should not be read into claims that recite this feature.

For purposes of this decision, we construe the claim term "meta-right" as "a right that one has to generate, manipulate, modify, dispose of or otherwise derive another right."

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2. "state variable" (all challenged claims)

Google contends that the specification of the '053 patent does not provide an explicit definition for the claim term "state variable." Pet. 29. Instead, Google asserts that the broadest reasonable interpretation of the claim term "state variable" is "a variable that tracks a changing condition of a right." *Id*. at 31. To support its proposed construction, Google directs us to various portions of the specification of the '053 patent (Ex. 1001, 5:32–41, 5:42–59), an amendment after final rejection during prosecution (Ex. 1019), and the supporting Declaration of Dr. Goldberg (Ex. 1016, ¶ 42).

In response, ContentGuard contends that Google's construction of the claim term "state variable" does not reflect the broadest reasonable interpretation in light of the specification of the '053 patent, because Google's construction does not take into account that a state variable may represent the status of an item, usage rights, license, or other potentially dynamic conditions. Prelim. Resp. 34 (citing Ex. 1001, 5:42–45). Instead, ContentGuard argues that the broadest reasonable interpretation of the claim term "state variable" is "a variable having a value, or identifying a location at which a value is stored, that represents status of an item, rights, license, or other potentially dynamic conditions." *Id*. at 35 (citing Ex. 2001 at 114).

For purposes of this decision, we construe the claim term "state variable" as "a variable having a value that represents a status of an item, usage rights, license or other dynamic conditions."

B. § 101 Challenge

Google contends that claims 1, 3, 4, 5, 15, and 23 of the '053 patent

are directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 34–55. In particular, Google argues that the challenged claims are directed to an abstract idea, and there are no other features recited in these claims that would transform the patent-ineligible concept to a patent-eligible application. *Id.* at 39–52.

We begin our analysis with the principles of law that generally apply to a ground of unpatentability based on § 101, and then we turn to the arguments presented by the parties.

1. Principles of Law

A patent may be obtained for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. § 101. The Supreme Court has held that this statutory provision contains an important implicit exception: laws of nature, natural phenomena, and abstract ideas are not patentable. *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347, 2354 (2014); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972) ("Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work."). Notwithstanding that a law of nature or an abstract idea, by itself, is not patentable, the practical application of these concepts may be deserving of patent protection. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293–94 (2012).

In *Alice*, the Supreme Court reaffirmed the framework set forth previously in *Mayo* "for distinguishing patents that claim laws of nature,

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natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts." *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to "determine whether the claims at issue are directed to one of those patent-ineligible concepts." *Id*. If the claims are directed to a patent-ineligible concept, the second step in the analysis is to consider the elements of the claims "individually and 'as an ordered combination'" to determine whether there are additional elements that "'transform the nature of the claim' into a patent-eligible application." *Id.* (quoting *Mayo*, 132 S. Ct. at 1298, 1297). In other words, the second step is to "search for an 'inventive concept'—i.e., an element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.'" *Alice*, 134 S. Ct. at 2355 (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294). The prohibition against patenting an abstract idea "cannot be circumvented by attempting to limit the use of the formula to a particular technological environment or adding insignificant post-solution activity." *Bilski v. Kappos*, 561 U.S. 593, 610–11 (2010) (citation and internal quotation marks omitted).

2. Abstract Idea

In the first step of our analysis, we determine whether the challenged claims are directed to a patent-ineligible concept, such as an abstract idea. *See Alice*, 134 S. Ct. at 2355.

Google contends that the challenged claims recite steps and elements that implement the abstract idea of providing consumers with rights to an item, such as a movie or book. Pet. 39. Google asserts that, of particular

importance in this case, is that the challenged claims do not purport to disclose a new approach or method of licensing or sub-licensing content. *Id*. at 39–40. Google argues that the claimed method and system of independent claims 1 and 12 do not complete a task or transaction that could not have been performed by a human being in a traditional licensing setting. *Id*. at 40. Google further argues that, similar to the risk hedging in *Bilski*, the idea of granting and sharing rights to use content is an "economic practice long prevalent in our system of commerce." *Id*. (citing *Bilski*, 561 U.S. at 611).

In response, ContentGuard relies upon the United States Court of Appeals for the Federal Circuit's decision in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014)[4] to support its position that the challenged claims are not directed to an abstract idea. Prelim. Resp. 44; *see also id*. at 47–48, 52–54 (comparing the factors discussed in *DDR Holdings* with the challenged claims of the '053 patent). Taking claim 1 as an example, ContentGuard argues that this claim specifies rights associated with an "item" of digital content, and includes "at least one usage right," "at least one meta-right," and a "repository" that enforces the "meta-rights"

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[4] We note the Federal Circuit's decision in *DDR Holding* was released on December 5, 2014, which was four days before Google filed its Petition in this proceeding on December 9, 2014. Presumably, Google was aware of the factors the Federal Circuit considered when determining that the invention at issue in *DDR Holdings* was a patent-eligible application, and yet chose not to address these factors in its Petition. In any event, Google could have requested additional briefing regarding the Federal Circuit's decision in *DDR Holdings*, particularly after ContentGuard relied upon *DDR Holdings* in its Preliminary Response.

using certain specific security and rights enforcement "integrities." *Id*. at 51. ContentGuard argues that these features collectively represent computer security concepts having no corollary outside the realm of computer security. *Id*. at 51–52.

We agree with ContentGuard that the invention embodied in the challenged claims of the '053 patent is similar to the invention determined to be a patent-eligible application in *DDR Holdings*. In *DDR Holdings*, the Federal Circuit determined that, although the patent claims at issue there involved conventional computers and the Internet, the claims addressed the problem of retaining website visitors who, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be transported instantly away from a hosts website after "clicking" on an advertisement and activating a hyperlink. *DDR Holdings*, 773 F.3d at 1257. The Federal Circuit held that "the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks." *Id*.

Google's arguments that the challenged claims of the '053 patent are directed to a patent-ineligible abstract idea are predicated on the notion that they recite a fundamental economic or longstanding commercial practice. *See* Pet. 39–40. Contrary to Google's arguments, the challenged claims are not directed merely to providing consumers with rights to an item, such as a movie or book, nor can the features recited in the challenged claims be stripped away so that these claims simply are directed to a traditional

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approach or method of licensing or sub-licensing content. Indeed, the challenged claims require much more.

For instance, independent claims 1 and 15 require obtaining "rights associated with an item"—namely, a digital work—wherein the set of rights includes a "meta-right" specifying a "right" that may be created. Ex. 1001, 15:10–12, 15:55–57. These claims further require providing the "meta-right in digital form" and indicate that the "meta-right" is enforceable by a "repository," which, based on our claim construction above, constitutes a "a trusted system" that enforces the "meta-rights" using very specific computer security and rights enforcement "integrities." *Id*. at 15:13–16, 15:15–61; *see supra* Section II(A)(3). In addition, these claims further require "at least one state variable" used to determine the state of the "right" created by the "meta-right." Ex. 1001, 15:19–22, 15:64–67. By virtue of their dependency, each of challenged claims 5, 11, and 22 incorporate all the limitations of independent claims 1 and 12 discussed above.

We agree with ContentGuard that these claims do not recite a fundamental economic or longstanding commercial practice, but instead are directed to a particular way of creating and enforcing rights associated with digital works that is "necessarily rooted in computer technology" and "specifically arises in the realm of computer networks." *See* Prelim. Resp. 44, 47, 53–54 (citing *DDR Holdings*, 773 F.3d at 1257). We also agree with ContentGuard that implementation of digital rights management required by the challenged claims, particularly through the use of the claimed "repository," is specific enough such that it does not preempt all other ways

of ensuring that an owner of a digital work can enforce the rights associated therewith. *See id*. at 53–54.

In view of the foregoing, we are not persuaded that Google has demonstrated that the challenged claims of the '053 patent are directed to a patent-ineligible abstract idea.

3. Inventive Concepts

The second step of a *Mayo* framework requires us to determine whether the challenged claims include an "inventive concept," i.e., an element or combination of elements sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355. Because we are not persuaded that Google has demonstrated that the challenged claims of the '053 patent are directed to a patent-ineligible abstract idea, we need not and, therefore, do not assess whether Google has demonstrated that these claims satisfy the second step in the § 101 analysis under *Alice*.

4. Summary

In summary, we determine that Google has not shown that it is more likely than not that claims 1, 3, 4, 5, 15, and 23 are directed to patent-ineligible subject matter under § 101.

C. Indefiniteness Challenge

1. Principles of Law

A patent must conclude with one or more claims "particularly pointing out and distinctly claiming the subject matter which the applicant

regards as his invention." 35 U.S.C. § 112 ¶ 2. A claim fails to satisfy this statutory requirement and is thus invalid for indefiniteness if its language, when read in light of the specification and the prosecution history, "fail[s] to inform, with reasonable certainty, those skilled in the art about the scope of the invention." *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2124 (2014). In prior proceedings before the Office, the Board has held that a claim is indefinite "if a claim is amenable to two or more plausible claim constructions." *See e.g. Google v. Simpleair, Inc.*, CBM2014-00170, Paper 13 (PTAB Jan. 22, 2015)(citing *Ex parte Miyazaki*, 89 USPQ2d 1207, 1211 (BPAI 2008)(precedential).

2. Identified Claim Language

Google asserts that the challenged claims are indefinite based on two phrases: "the usage right and the meta-right include at least one right that is shared among one or more users or devices" and "the at least one state variable identifies a location where a state of rights is tracked." Pet. 50–55.

3. Arguments

Google argues that one of ordinary skill in the art cannot determine whether the "right shared among one or more users" must be present in just one of the usage right or the meta-right, or in both. Pet. 52 (citing Ex. 1016 ¶ 55). Petitioner also argues that that one of ordinary skill cannot understand whether the usage right or meta–right, itself, can be the "right that is shared," or whether there must be another right defined in the usage right or meta-right that is the "right that is shared." *Id.*

ContentGuard asserts there is no such confusion and notes that the district court, in related litigation, rejected Google's indefiniteness challenge based in this limitation. The language of the disputed term itself refers to "at least one right" from among "the usage right and the meta-right." Prelim. Resp. 57 (citing Ex. 2001 at 118). It is clear that the claim language does not require that the usage right and the meta-right must each contain another right that is shared, but rather means that the usage right and meta-right comprise a set whereby that set includes at least one right (either the meta-right or the usage right) that is shared. Nothing in the written description suggests otherwise. ContentGuard points to the specification, which states the following:

> When a usage right is to be shared among a predetermined set of recipients, a state variable for tracking a corresponding usage right can be specified in a meta-right using a same state variable identification for all recipients. During a process of exercising the meta-right, the same state variable identification is included in every derived right. FIG. 15 illustrates the use of state variable in deriving rights that are shared among a known set of rights recipients, according to the present invention.

Prelim. Resp. 58 (citing Ex. 1001 at 18:8–16; *see id.* at 18:17–24). This is consistent with reading the claim language to require either a meta-right or the usage right that is a shared right.

Our plain reading of the claim language aligns with ContentGuard's reading. We do not see the confusion that Google identifies.

Google argues that the phrase "the at least one state variable identifies a location where a state of rights is tracked" also renders the claims indefinite under 35 U.S.C. § 112 ¶ 2. According to Google, one of ordinary skill in the art cannot determine what the state variable is supposed to "track." More specifically, it is ambiguous whether the state variable tracks 1) the location where a state of rights is tracked, or 2) the state of rights itself. Pet. 53 (citing Ex. 1016 ¶ 57.)

Google notes that the term "location" is not used in the specification. Further, the specification only once discusses the storage of state variables, stating the following: [T]he various elements of a license can be stored on separate devices. For example, the values of state variables can be stored in a state variable repository of a system that tracks the current value of state variables. Ex. 1001, 20:32–37; *see also* Pet. 54 (citing the same). According to Google, the specification suggests that a "location where a state of rights is tracked" should identify a server, such as a repository. Yet, the specification provides various examples where the "state variable id" is a number (Fig. 17), a right (Fig. 13), a "priority" (Fig. 18), an organization (Fig. 16) and even left unspecified (Fig. 16). Nowhere in the examples provided is the state variable identified as a repository. The example of Figure 15 describes the state variable identification as a website, yet here too the specification says the web site is "a state variable," not a location where a state of rights is tracked. *Id.* at 18:17-21; Ex. 1016 ¶ 58.

Google further argues that because claims 3, 4 and 5 depend from invalid claim 1 and claim 23 from invalid claim 15, they too are invalid under 35 U.S.C. § 112 ¶ 2. *See, e.g., Datamize, LLC v. Plumtree Software, Inc*., 417 F.3d 1342, 1356 (Fed.Cir. 2005) (The term "Aesthetically pleasing" failed to particularly point out and distinctly claim the subject matter of the invention, rendering all claims invalid).

However, we agree with ContentGuard that the actual claim language states that the state variable associated with the first license "identifies a location." It is only by misreading this as "tracks a location" that Google advances a theory of indefiniteness. There is nothing unclear about this limitation when read accurately according to its plain language, i.e., the state variable identifies a location and a state of rights is tracked at the identified location. Pet. 59.

We conclude that the claim language is not amenable to two or more plausible claim constructions. It is unnecessary to decide if *Nautilus* and *Miyazki* present different or irreconcilable standards, because the claims challenged as indefinite pass either test on this record.

4. Conclusion

We determine that Google has not shown that it is more likely than not that claims 1, 3, 4, 5, 15, and 23 are directed to patent-ineligible subject matter under § 112 ¶ 2 as being vague and indefinite.

D. Anticipation Challenge (Stefik)

Google contends that claims 1, 3, 4, 5, 15, and 23 are anticipated under 35 U.S.C. § 102(b) by Stefik. Pet. 56–74. In particular, Google explains how Stefik describes the claimed subject matter of each challenged claim, and relies upon the Declaration of Dr. Goldberg to support its positions. *Id.* (citing Ex. 1014 ¶¶ 58–94). We are not persuaded by Google's analysis and supporting evidence as to claims 1, 3, 4, 5, 15, and 23, particularly because Google reliance on Stefik does not account properly for "at least one state variable…[that] identifies a location where a state of rights is tracked," as recited in independent claims 1 and 15.

We begin our analysis with the principles of law that generally apply to a ground of unpatentability based on anticipation, followed by a brief discussion of Stefik, and then we turn to the arguments presented by the parties.

1. Principles of Law

To establish anticipation under § 102(b), "all of the elements and limitations of the claim must be shown in a single prior reference, arranged as in the claim." *Karsten Mfg. Corp. v. Cleveland Golf Co.*, 242 F.3d 1376, 1383 (Fed. Cir. 2001). "A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference." *Verdegaal Bros., Inc. v. Union Oil Co. of California*, 814 F.2d 628, 631 (Fed. Cir. 1987).

2. Stefik

The invention disclosed in Stefik generally relates to distributing and enforcing usage rights for digital works. Ex. 1002, 1:24–25. A digital work refers to any work that has been reduced to a digital representation, including any audio, video, text, or multimedia work, and any accompanying interpreter, e.g., software, which may be required to recreate or render the content of the digital work. *Id*. at 6:35–37. Usage rights refer to rights granted to a recipient of a digital work that define the manner in which a digital work may be used and distributed. *Id*. at 4:6–8, 6:41–45. According to Stefik, objectives of the disclosed invention include the following: (1) providing the owner of a digital work the flexibility to distribute the digital work as desired; and (2) a distribution system that transports a means for billing with the digital work. *Id*. at 3:15–17, 3:65–67.

Stefik discloses permanently attaching usage rights to the digital work. Ex. 1002, 6:50–51. Copies of the digital work also will have the

usage rights attached thereto. *Id*. at 6:51–52. Hence, any usage rights and associated fees assigned by the creator and subsequent distributor of the digital work always will remain with the digital work. *Id*. at 6:52–55. Stefik further discloses that repositories enforce the usage rights of digital works. *Id*. at 6:56–57. In particular, repositories store digital works, control access to digital works, bill for access to digital works, and maintain the security and integrity of the digital works stored therein. *Id*. at 6:57–60.

Figure 1 of Stefik, reproduced below, illustrates the basic operations of the disclosed invention. Ex. 1002, 4:35–37, 7:5–7.
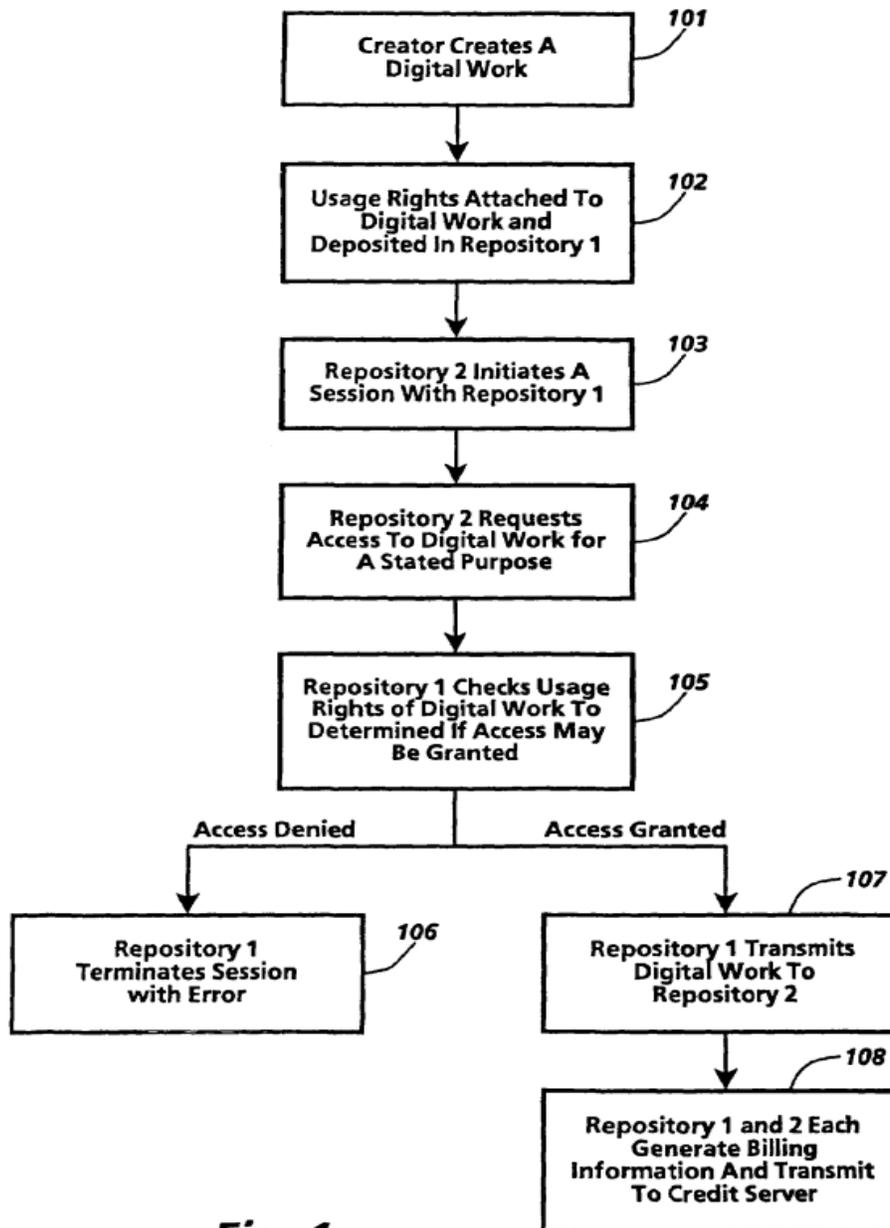
Fig. 1

As shown in step 101 of Figure 1, a creator creates a digital work.

Ex. 1002, 7:7–8. At step 102, the creator determines the appropriate usage

rights and fees, attaches them to the digital work, and stores the digital work

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with the associated usage rights and fees in repository 1. *Id*. at 7:8–10. At step 103, repository 1 receives a request to access the digital work from repository 2. *Id*. at 7:15–16. Such a request, or session initiation, includes steps that help ensure that repository 1 and repository 2 are trustworthy. *Id*. at 7:16–18. At step 104, repository 2 requests access to the digital work stored in repository 1 for a stated purpose, e.g., to print the digital work or obtain a copy of the digital work. *Id*. at 7:18–21. At step 105, repository 1 checks the usage rights associated with the digital work stored therein to determine if access to the digital work may be granted. Ex. 1002, 7:21–25. At step 106, if access is denied, repository 1 terminates the session with repository 2 by transmitting an error message. *Id*. at 7:29–30. At step 107, if access is granted, repository 1 transmits the digital work to repository 2. *Id*. at 7:30–32. At step 108, both repository 1 and 2 generate billing information prior to transmitting the billing information to a credit server. *Id*. at 7:33–35. The use of both repositories 1 and 2 for billing prevents attempts to circumvent the billing process. *Id*. at 7:35–36.

Figure 15 of Stefik, the relevant portion of which is reproduced below, lists the usage rights grammar elements used by the disclosed invention. Ex. 1002, 5:10–11, 19:66–67.

> 1509 ~Next-Set-of-Rights := {(Add: Set-Of-Rights)}{(Delete: Set-Of-Rights)} {(Replace: Set-Of-Rights)}{(Keep: Set-Of-Rights)}

This portion of Figure 15 illustrates grammar element 1509 "Next-Set-of-Rights," which defines how rights are carried forward for a copy of a digital work. Ex. 1002, 21:47–50. If the Next-Copy-Rights are not specified, the

rights for the next copy are same as those of the current copy. *Id*. at 21:50–52. Otherwise, the set of rights for the next copy may be specified. *Id*. at 21:52–53. Versions of rights after the "Add:" field may be added to the current set of rights, whereas version of rights after the "Delete:" field may be deleted from the current set of rights. *Id*. at 21:52–55. Versions of rights after the "Replace:" field subsume all versions of rights of the same type in the current set of rights. *Id*. at 21:57–59.

3. Challenged Claims

Google submits that the subject matter of the challenged claims is anticipated by Stefik. Petitioner provides a detailed analysis of each of the claims, feature by feature, applies Stefik, and relies on the testimony of Benjamin Goldberg, Ph.D. Pet. 55–78; Exhibit 1016. In particular, based on its proposed construction of "meta-right" as "a right about a right," Google argues that Stefik's "Next-Set-of-Rights" defines how rights are carried forward for a copy of a digital work. Pet. 67 (citing Ex. 1002, 21:47–50, Fig. 15). Google asserts that the receiving repository holding the Loan right will be able to create new rights specified under the "Next-Set-Of-Rights" meta-right for the subsequent repository to which the content is loaned if the repository confirms the applicable Copy-Count, Copies-in-Use and Remaining-Time values. Ex. 1002, 10:51–53; 10:58–59; 32:61–33:18; 37:5–9. Similarly, a user holding the Copy right will be able to create new rights specified under the "Next-Set-Of-Rights" meta-right for the user to which the content is copied. *Id.*, 36:9–14; Ex. 1016 ¶ 82.

ContentGuard presents two counter-arguments to Google's position that Stefik discloses all the limitations recited in the independent claims. First, ContentGuard contends that Stefik's "Next-Set-of-Rights" do not describe the claimed "meta-right" because the "Next-Set-of-Rights" are not actually rights, but instead define how rights are carried forward when one of the usage rights is exercised. Prelim. Resp. 64–68. ContentGuard argues that, rather than specify a new right that can be created when the meta-right is exercised, as required by independent claim 1, Stefik's "Next-Set-of-Rights" do not result in action to content. *Id*. at 67.

We are not persuaded by ContentGuard's argument because it is predicated on us adopting its construction of a "meta-right" as "a right that, when exercised, creates or disposes of usage rights (or other meta-rights) but that is not itself a usage right because exercising a meta-right does not result in action to content." As we explained in the claim construction section, we do not adopt ContentGuard's proposed construction for the claim term "meta-right." *See supra* Section II(A)(1). Instead, for purposes of this decision, we construe the claim term "meta-right" as "a right that one has to generate, manipulate, modify, dispose of or otherwise derive another right." *Id*. With this construction in mind, we are persuaded that Google has presented sufficient evidence to support a finding at this stage in the proceeding that Stefik's "Next-Set-of-Rights" amount to "a meta-right specifying a right that can be created when the meta-right is exercised," as recited in independent claim 1.

Second, ContentGuard argues that Stefik does not disclose "at least one state variable…[that] identifies a location where a state of rights is tracked." Pet. 69–75. Above, we construed "state variable" to mean "a variable having a value that represents a status of an item, usage rights, license or other dynamic conditions." Additional claim language requires a state variable that "identifies a location where a state of rights is tracked."

Google points to several elements of Stefik as satisfying the claim limitation. First, Google argues that Stefik points to a memory location. Pet. 70. We are not persuaded by this argument because all variables are stored in memory locations. The claims require something more.

Google argues that the "state variable" limitation is satisfied by Stefik's disclosure of a "History-list" variable. Pet. 70. We are not persuaded by this argument because the "history-list" appears to be just a list of events recording repositories and dates.

Google further argues that another panel of the then BPAI, now PTAB, considered a family member specification and found that it discloses a "state variable [that] identifies a location where a state of rights is tracked." Pet. 71 (citing Feb. 18, 2010, Decision on Appeal, Appeal 2009-008881, Application No. 10/163,634 (Ex. 1031)). Google's argument overstates the finding of that PTAB panel. The limitation the PTAB addressed is not the same as the claim limitation at issue here. The prior PTAB found that during a transfer transaction, the server transmits a copy of the digital work to the requested destination address, sets "the Copy-Count field for the transmitted rights [] to the number-of-copies requested" and

further "decrements its copy count by the number of copies involved in the transaction." Ex. 1002, 36:37–47. This at most discloses a state variable being maintained at a location, i.e., on the disclosed server. It does not describe a state variable that identifies a location where a state of rights is tracked. The Board was not addressing such a limitation and did not find that the '980 patent (or the corresponding portion of the '012 patent) discloses such a state variable. ContentGuard further notes that the "server" in the '012 and the '980 patents is used to refer to a "repository in the server mode" (Ex. 1002 at 31:55–56) and the PTAB's statement that "we thus read the server as the location on which the value of the state variable is stored" should not be taken to mean that there is some sort of a centralized state variable server disclosed in Stefik. We agree with ContentGuard that it simply means that a content stored on the serving repository can include a state variable, which does not meet the limitation at issue.

Based on the record before us, Google has not demonstrated that independent claim 1 is more likely than not anticipated under 35 U.S.C. § 102(b) by Stefik. Our reasoning applies equally to independent claim 15. We, therefore, decline to institute a covered business method patent review based on anticipation as to claims 1, 3, 4, 5, 15, and 23.

E. Obviousness Over Stefik

Google contends that claims 1, 3, 4, 5, 15, and 23 are unpatentable under 35 U.S.C. § 103(a) over the combination of Stefik and the knowledge of person of ordinary skill in the art. Pet. 78–80. Google argues only the

obviousness of a "meta-right." It does not address the state variable limitation discussed above with respect to the anticipation challenge. We, therefore, decline to institute a covered business method patent review based on obviousness as to claims 1, 3, 4, 5, 15, and 23.

IV. CONCLUSIONS

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

V. ORDER

Accordingly, it is

ORDERED that the Petition is denied as to all challenged claims of the '053 patent.

CBM2015-00043
Patent 8,001,053 B2

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