

Nos. 2015-1159, 2015-1160

**United States Court of Appeals
for the Federal Circuit**

SIGHTSOUND TECHNOLOGIES, LLC, *Patent Owner-Appellant*,

v.

APPLE INC., *Petitioner-Appellee*.

Appeals from the United States Patent and Trademark Office before
the Patent Trial and Appeal Board in Case Nos. CBM2013-00020
(U.S. Patent No. 5,191,573) and CBM2013-00023 (U.S. Patent No.
5,966,440), Administrative Patent Judges Michael P. Tierney,
Justin T. Arbes, and Georgianna W. Braden

**REPLY BRIEF OF PATENT OWNER-APPELLANT
SIGHTSOUND TECHNOLOGIES, LLC**

Matthew M. Wolf
Lead Counsel
Arnold & Porter LLP
555 Twelfth Street, NW
Washington, DC 20004
Telephone: (202) 942-5000
Facsimile: (202) 942-5999

Jennifer A. Sklenar
Arnold & Porter LLP
777 South Figueroa Street
44th Floor
Los Angeles, CA 90071
Telephone: (213) 243-4027
Facsimile: (213) 243-4199

May 14, 2015

*Counsel for Patent Owner-Appellant
SightSound Technologies, LLC*

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

SIGHTSOUND TECHNOLOGIES, LLC v. APPLE INC.
2015-1159, 2015-1160

CERTIFICATE OF INTEREST

Counsel for Patent Owner-Appellant SightSound Technologies, LLC certifies the following:

1. The full name of every party or amicus represented by me is:
SightSound Technologies, LLC
2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:
SightSound Technologies, LLC
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:
SightSound Technologies Holdings, Inc. and DMT Licensing, LLC jointly own SightSound Technologies, LLC in equal shares. DMT Licensing, LLC is wholly owned by GE Intellectual Property Licensing, LLC, which is wholly owned by General Electric Company.
4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Matthew M. Wolf	Jennifer Sklenar
David Marsh	Arnold & Porter LLP
Kristan Lansbery	777 South Figueroa Street
Arnold & Porter LLP	44th Floor
555 Twelfth Street, NW	Los Angeles, CA 90071
Washington, DC 20004	Telephone: (213) 243-4027
Telephone: (202) 942-5000	Facsimile: (213) 243-4199
Facsimile: (202) 942-5999	

DATED: May 14, 2015

/s/ Matthew M. Wolf
Matthew M. Wolf

TABLE OF CONTENTS

	Page
CERTIFICATE OF INTEREST.....	i
INTRODUCTION.....	1
ARGUMENT	2
I. THE COURT SHOULD VACATE THE BOARD’S <i>ULTRA VIRES</i> ACTIONS.	2
A. Congress Did Not Abrogate This Court’s Duty To Correct <i>Ultra Vires</i> Executive Decisions.	2
1. <i>Cuozzo</i> Does Not Apply To CBM Proceedings.....	2
2. 35 U.S.C. § 324(e) Does Not Bar Review Of The Board’s Actions.....	4
3. Appellees Cannot Overcome The Strong Presumption Of Judicial Review Of The Board’s Actions.....	8
B. The SightSound Patents Are Not “Covered Business Method Patents.”	10
C. Because The Board Previously Found That Apple’s Petitions Failed To Assert Obviousness Over CompuSonics, It Lacked Jurisdiction To Commence Review On That Ground.	12
II. THE INTRINSIC EVIDENCE REQUIRES A CONSTRUCTION OF “SECOND MEMORY” THAT EXCLUDES REMOVABLE MEDIA SUCH AS OPTICAL AND FLOPPY DISKS.	16
A. The Specifications Dictate That “Second Memory” Is Limited To Non-Removable Media.....	17
B. The Prosecution History Confirms That Second Memory Excludes Removable Media.....	20
C. Resort To Extrinsic Evidence Is Inappropriate Here.....	23

III.	THE BOARD ERRED IN FINDING THAT A NEVER-DISCLOSED COMBINATION OF COMPUSONICS REFERENCES RENDERED THE SIGHTSOUND PATENTS OBVIOUS.	24
A.	Apple Did Not Carry Its Burden On Obviousness Below.	24
B.	Apple’s Obviousness Arguments Are Fatally Flawed.	25
C.	Secondary Considerations Reinforce The Non-Obviousness Of The Claims.	30
IV.	APPLE’S “ALTERNATIVE GROUND FOR AFFIRMANCE” IS FACTUALLY AND LEGALLY ERRONEOUS.	33
	CONCLUSION.....	36

TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>Abbott Labs. v. Gardner</i> , 387 U.S. 136 (1967).....	8
<i>Aid Ass’n for Lutherans v. Postal Serv.</i> , 321 F.3d 1166 (D.C. Cir. 2003).....	10
<i>Anthony v. Office of Pers. Mgmt.</i> , 58 F.3d 620 (Fed. Cir. 1995)	9
<i>Arent v. Shalala</i> , 70 F.3d 610 (D.C. Cir. 1995).....	10
<i>Aspex Eyewear, Inc. v. Concepts in Optics, Inc.</i> , 111 F. App’x 582 (Fed. Cir. 2004)	34
<i>Bowen v. Mich. Acad. of Family Physicians</i> , 476 U.S. 667 (1986).....	8
<i>Cheney v. U.S. Dist. Court for the D.C.</i> , 542 U.S. 367 (2004).....	15
<i>Chevron U.S.A., Inc. v. Natural Res. Def. Council</i> , 467 U.S. 837 (1984).....	10
<i>Chicago Bd. Options Exch., Inc. v. Int’l Sec. Exch., LLC</i> , 677 F.3d 1361 (Fed Cir. 2012)	20
<i>City of Arlington v. FCC</i> , 133 S. Ct. 1863 (2013).....	11
<i>Civix-DDI, LLC v. Cellco P’ship</i> , 387 F. Supp. 2d 869 (N.D. Ill. 2005).....	35
<i>Cohen v. Beneficial Indus. Loan Corp.</i> , 337 U.S. 541 (1949).....	7
<i>Cohesive Techs., Inc. v. Waters Corp.</i> , 543 F.3d 1351 (Fed. Cir. 2008)	12

<i>Demaco Corp. v. F. Von Langsdorff Licensing, Ltd.</i> , 851 F.2d 1387 (Fed. Cir. 1988)	31
<i>Diversitech Corp. v. Century Steps, Inc.</i> , 850 F.2d 675 (Fed. Cir. 1988)	32, 33
<i>Doty v. United States</i> , 53 F.3d 1244 (Fed. Cir. 1995)	9
<i>Dunlop v. Bachowski</i> , 421 U.S. 560 (1975).....	8
<i>Edwards Lifesciences LLC v. Cook Inc.</i> , 582 F.3d 1322 (Fed. Cir. 2009)	21
<i>Epicor Software Corp. v. Protegrity Corp.</i> , CBM2015-00006, 2015 WL 1870235 (PTAB Apr. 21, 2015).....	13, 14
<i>Golden Bridge Tech., Inc. v. Apple Inc.</i> , 758 F.3d 1362 (Fed. Cir. 2014)	22
<i>Grober v. Mako Prods.</i> , 686 F.3d 1335 (Fed. Cir. 2012)	22
<i>In re Abbott Diabetes Care Inc.</i> , 696 F.3d 1142 (Fed. Cir. 2012)	17
<i>In re Cuozzo Speed Technologies</i> , 778 F.3d 1271 (Fed. Cir. 2015)	passim
<i>In re Hiniker Co.</i> , 150 F.3d 1362 (Fed. Cir. 1998)	3, 4
<i>Innogenetics, N.V. v. Abbott Labs.</i> , 512 F.3d 1363 (Fed. Cir. 2008)	28
<i>Kalman v. Kimberly-Clark Corp.</i> , 713 F.2d 760 (Fed. Cir. 1983)	34, 35
<i>Krippelz v. Ford Motor Co.</i> , 667 F.3d 1261 (Fed. Cir. 2012)	22

<i>KSR Int’l Co. v. Teleflex Inc.</i> , 550 U.S. 398 (2007).....	27, 28
<i>Lindahl v. Office of Pers. Mgmt.</i> , 470 U.S. 768 (1985).....	8, 9
<i>Mach Mining, LLC v. EEOC</i> , No. 13-1019, slip op. (U.S. Apr. 29, 2015)	8
<i>Marbury v. Madison</i> , 1 Cranch 137 (1803)	8
<i>Panduit Corp. v. Dennison Mfg. Co.</i> , 810 F.2d 1561 (Fed. Cir. 1987)	26
<i>Phillips v. AWH Corp.</i> , 415 F.3d 1303 (Fed. Cir. 2005) (en banc)	17, 23, 24
<i>Power Integrations, Inc. v. Fairchild Semiconductors Int’l, Inc.</i> , 711 F.3d 1348 (Fed. Cir. 2013)	24
<i>Pragmatus AV, LLC v. Yahoo! Inc.</i> , No. 13–1176, 2014 WL 1922081 (N.D. Cal. May 13, 2014).....	22, 23
<i>Rambus Inc. v. Rea</i> , 731 F.3d 1248 (Fed. Cir. 2013)	30
<i>Studiengesellschaft Kohle, m.b.H. v. Dart Indus., Inc.</i> , 726 F.2d 724 (Fed. Cir. 1984)	34
<i>Taurus IP, LLC v. DaimlerChrysler Corp.</i> , 726 F.3d 1306 (Fed. Cir. 2013)	18
<i>Tri Strata, Inc. v. Microsoft Corp.</i> , 594 F. App’x 653 (Fed. Cir. 2014)	18
<i>Unigene Labs., Inc. v. Apotex, Inc.</i> , 655 F.3d 1352 (Fed. Cir. 2011)	29
STATUTES	
5 U.S.C. § 706(2)	8
35 U.S.C. § 102(a)	33, 34

35 U.S.C. § 311(a)	3
35 U.S.C. § 314(a)	3
35 U.S.C. § 322	2, 5, 7
35 U.S.C. § 322(a)(3).....	12
35 U.S.C. § 324.....	7
35 U.S.C. § 324(a)	5
35 U.S.C. § 324(b)	5
35 U.S.C. § 324(e)	passim
35 U.S.C. § 325(d)	15
35 U.S.C. § 328(a)	6
35 U.S.C. § 329.....	6, 7
35 U.S.C. § 329(a)	4

OTHER AUTHORITIES

<i>Leahy-Smith America Invents Act</i> , Pub. L. No. 112-29, 125 Stat. 284 (2011)	passim
37 C.F.R. § 42.65	31
37 C.F.R. § 42.208(a).....	15
77 Fed. Reg. at 48,763	31

TABLE OF ABBREVIATIONS

Parties

SightSound	Patent Owner-Appellant SightSound Technologies, LLC
Apple	Petitioner-Appellee Apple Inc.
PTO	Intervenor United States Patent and Trademark Office
Appellees	Apple and PTO

Patents

'573 patent	U.S. Patent No. 5,191,573
'440 patent	U.S. Patent No. 5,966,440

Terms

APA	Administrative Procedure Act
AIA	Leahy-Smith America Invents Act
CBM	Covered Business Method
CBMP	Covered Business Method Patent
CBMPR	Covered Business Method Patent Review
IPR	<i>Inter Partes</i> Review
PGR	Post-Grant Review
Board	Patent Trial and Appeal Board
CompuSonics	CompuSonics Corp. and CompuSonics Video Corp.
POSITA	Person of Ordinary Skill in the Art
iTMS	iTunes Music Store
OPM	Office of Personnel Management
Blue	Opening Brief of SightSound
Red	Responsive Brief of Apple
Green	Responsive Brief of PTO

INTRODUCTION

In its Opening Brief, SightSound detailed Arthur Hair’s 1988 innovations that led to the ‘573 and ‘440 patents, its commercialization of his inventions with the first ever online sale of digital audio and video signals, and its decade of success defending its patents in litigation and reexamination, including against the same CompuSonics systems now at issue. SightSound’s patents now face a different threat: the repeated failures of the Board to abide by the statutes governing CBMPR, failures that deprived SightSound of due process and, concomitantly, its extraordinarily valuable property rights. Remarkably, Appellees now insist that those manifest errors are immune from review. But the Court should not abdicate its duty to interpret and apply the law, and it should reverse and vacate the Board’s *ultra vires* actions.

In the event that the Court nonetheless reaches the Board’s invalidity determinations, Appellees fail to justify the Board’s disregard of unambiguous *intrinsic* evidence in construing the claims-at-issue. Similarly, Appellees cannot defend the Board’s conclusion that those claims are obvious, nor does Apple’s recycled “alternative ground for affirmance” stand up to serious scrutiny. It must be remembered that the Board agreed with SightSound that none of the eight grounds actually stated in Apple’s Petitions were well-founded. And the Board’s own concocted basis for its finding of obviousness fares no better; the *combination*

of elements in Arthur Hair's patented method were revolutionary. Indeed, it was directly at odds with the market paradigm at the time, including that reflected in the CompuSonics references. SightSound thus respectfully submits that the Board's Final Written Decisions must be vacated and the CBM proceedings dismissed with prejudice.

ARGUMENT

I. THE COURT SHOULD VACATE THE BOARD'S *ULTRA VIRES* ACTIONS.

Contrary to Appellees' arguments, this Court has the authority to review the Board's erroneous construction of AIA §18 and decision to disregard 35 U.S.C. § 322.

A. Congress Did Not Abrogate This Court's Duty To Correct *Ultra Vires* Executive Decisions.

1. Cuozzo Does Not Apply To CBM Proceedings.

Appellees argue, with scant analysis, that *In re Cuozzo Speed Technologies*, 778 F.3d 1271 (Fed. Cir. 2015), forecloses review of the Board's jurisdictional rulings. (Green 3; Red 52-53.) However, even if a mandate ultimately issues in *Cuozzo*, *Cuozzo* applies only to IPR proceedings, not CBM proceedings.¹ *Cuozzo*,

¹ The facts of *Cuozzo* are also distinguishable from those presented here. In *Cuozzo*, the petitioner argued that a dependent claim was obvious but did not assert that the claim from which it depended was obvious on the same ground. *Cuozzo*, 778 F.3d at 1275. The Board nonetheless invalidated the independent claim on

(continued . . .)

778 F.3d at 1276. Indeed, *Cuozzo* did not and could not have addressed the jurisdictional limits of AIA §§ 18(a)(1) and (d)(1), which have no analog in IPR proceedings. *Id.*

Section 18 prescribes a rigorous subject-matter threshold for review, limiting the Board’s authority to institute CBMPR only when the challenged patent satisfies the statutory definition of a “covered business method patent.” AIA §§ 18(a)(1)(E), 18(d)(1). This stands in marked contrast to the expansive authority granted to the PTO in IPR proceedings, where all categories of patents are potentially subject to review. 35 U.S.C. §§ 311(a), 314(a). When a challenged patent does not qualify as a CBMP, the Board lacks *any* authority to institute review. AIA § 18(a)(1)(E) (“The Director *may institute* a transitional proceeding *only for a patent that is a covered business method patent.*”).

Furthermore, the policies articulated in *Cuozzo* to justify denial of judicial review do not apply here. The *Cuozzo* decision relied heavily on *In re Hiniker Co.*, 150 F.3d 1362 (Fed. Cir. 1998), which held that institutional errors “washed clean during the reexamination proceeding” could not provide grounds for reversing a final decision. *Cuozzo*, 778 F.3d at 1277 (citing *Hiniker*, 150 F.3d at 1365). Here,

(. . . continued)
that ground. *Id.* This is far different than the Board’s *ultra vires* acts complained of in this appeal.

the Board's decision to institute CBMPR of patents that do not satisfy the jurisdictional requirement of Sections 18(a)(1)(E) and 18(d)(1) could never be "washed clean" because, unlike in *Hiniker*, even the final decision of the Board lacks the proper jurisdictional predicate. *Hiniker*, 150 F.3d at 1365.

Cuozzo also excused the Board's decision to institute review on a defective petition because "a proper petition could have been drafted." *Cuozzo*, 778 F.3d at 1277. Here, a "proper" petition seeking a CBMPR could never have been drafted because the SightSound patents are simply not CBMPs.

2. 35 U.S.C. § 324(e) Does Not Bar Review Of The Board's Actions.

Appellees strain even further to argue that the appealability bar in Section 324(e) forecloses review of not only the Board's decision to institute, but also *any* issue relating to the institution order. (Red 53; Green 26-27.) Armed with nothing more than a bare citation to the statutory text, Appellees claim that Section 324(e) "expressed [Congress's] intent to limit this Court's review to the Board's ensuing decision on the merits." (Green 26.) This is simply not so.

Congress provided that parties may take an appeal from any post-grant review proceeding (including CBMPRs) following entry of a "final written decision." 35 U.S.C. § 329(a). A separate section of the relevant chapter contains a single, narrow exception: "The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable." 35 U.S.C.

§ 324(e). Section 324(e) unambiguously states that the “no appeal” provision applies only to determinations “under this section”—*i.e.*, Section 324 itself. A further review confirms that the referenced determinations are those identified in Sections 324(a) (“the Director[’s] determin[ation] that the information presented in the petition . . . would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable”) and 324(b) (“the determination . . . that the petition raises a novel or unsettled legal question that is important to other patents or patent applications”). Neither of these provisions is implicated by the present appeal.

It would do great violence to the language of the statutes to extend the narrow “no appeal” provision in Section 324(e) to Section 18, an uncodified statute that never appears in Section 324. It would similarly defy logic, and canons of statutory construction, to stretch Section 324(e) to shield Board actions under *other* PGR provisions, *e.g.*, Section 322. Moreover, the PGR “no appeal” provision states that “[t]he **determination** by the Director whether to institute a [PGR] under this section shall be final and nonappealable.” Section 18, by contrast, makes clear that the threshold requirement that a patent teach a “covered business method” is not a determination subject to the Board’s discretion. *See* AIA § 18(a)(1)(E).

Additionally, while the PTO places much weight on the language of Section 18(a)(1) that CBM review “shall employ the standards and procedures of a

[PGR]” (Green 24), it overlooks the language immediately following that passage. Section 18(a)(1) provides that the PGR rules are “subject to” explicit limitations, including the Board’s lack of authority to review any patent that is not a CBMP. AIA § 18(a)(1)(E) (“The Director may institute a transitional proceeding only for a patent that is a covered business method”). The PGR provisions thus cannot and do not control questions pertaining to the Board’s scope of authority under, or compliance with, Section 18.

Similarly flawed is Appellees’ interpretation of 35 U.S.C. § 329, which provides that “a party dissatisfied with the final written decision of the [Board] under section 328(a) may appeal the decision. . . .” 35 U.S.C. § 329. Separately Section 328(a) requires the Board to issue “a final written decision with respect to the patentability of any [challenged claim]” if it has instituted PGR. 35 U.S.C. § 328(a). Appellees inject the language of Section 328(a) into Section 329, without explanation or authority, to claim that the only aspect of the decision that can be reviewable on appeal is the Board’s decision “with respect to patentability.” (Red 54; Green 25.) But Section 329 confers a more general right to “appeal the decision” of the Board, and it does not suggest that a party’s “dissatisfaction” must pertain only to the Board’s patentability analysis. Consequently, a party may challenge *any* aspect of the final decision, including the Board’s jurisdiction,

excluding only the Board's initial discretionary determinations under Sections 324(a) and (b).

Collectively, Sections 324 and 329 illustrate that Congress intended to invoke the long-standing “merger rule,” which permits review of all non-moot interlocutory orders that “merge” into the final decision. (Blue 43); *Cohen v. Beneficial Indus. Loan Corp.*, 337 U.S. 541, 545-46 (1949). Consistent with this rule, Section 324(e) forecloses review only of the issues that would become moot by the time the Board enters its final decision with respect to patentability, *i.e.*, the preliminary substantive determination as to whether the challenged claims are likely to be patentable. Similarly, Section 329 authorizes appeals of Board decisions that affect the final decision, including those permeating the entire proceeding. Here, SightSound appeals the Board's decisions to apply an overbroad definition for CBMPs under Section 18 and to disregard the petition requirements of Section 322. The Final Written Decisions did not moot these earlier errors by the Board, and under Section 329 and the merger rule, they remain appealable.²

² Notwithstanding Appellees' assertion, *Cuozzo* did not even discuss the merger rule, let alone “reject” it. (Green 32; Red 55); *see Cuozzo*, 778 F.3d at 1276-78.

3. Appellees Cannot Overcome The Strong Presumption Of Judicial Review Of The Board's Actions.

Appellees also disregard Supreme Court authority requiring courts to narrowly construe limitations on the judiciary's ability to review agency actions. For over two centuries, the judiciary has observed a due process-based duty to review executive action. *See, e.g., Marbury v. Madison*, 1 Cranch 137, 163 (1803). While Congress can modify the scope of judicial review, it "rarely intends to prevent courts from enforcing its directives to federal agencies." *Mach Mining, LLC v. EEOC*, No. 13-1019, slip op. at 4 (U.S. Apr. 29, 2015). Therefore, courts apply a "strong presumption" favoring judicial review of administrative action. *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 671 (1986). The presumption of judicial review is especially powerful when agency action leads to a deprivation of a property right. *See id.* at 670-71.³ Parties seeking to avoid review must come forward with "clear and convincing evidence" that it was Congress's intent to do so. *Bowen*, 476 U.S. at 671; *see Abbott Labs. v. Gardner*, 387 U.S. 136, 141 (1967); *Dunlop v. Bachowski*, 421 U.S. 560, 567 (1975).

The Supreme Court has previously applied a narrow scope to statutory language much like Section 324(e). *See Lindahl v. Office of Pers. Mgmt.*, 470 U.S.

³ Furthermore, the APA allows for judicial review of any agency action that deprives a party of due process. 5 U.S.C. § 706(2).

768, 778-80 (1985). In *Lindahl*, Congress provided that the OPM would determine “[q]uestions of dependency and disability,” and that “its decisions with respect to such matters shall be final and conclusive and shall not be subject to review.” *Id.* at 773 (citing 5 U.S.C. § 8347(c)). Reversing, the Supreme Court held that “the finality bar may extend only to OPM’s *factual* determinations” concerning disability and dependency, while courts retained the authority to review “what laws and procedures the OPM must apply in administering” the law. *Id.* at 779-80. In doing so, the Supreme Court cautioned against interpreting the statute as an absolute bar to judicial review when it could plausibly be read to preclude a narrower category of agency determinations. *Id.* at 779.

Appellees claim that the “final and nonappealable” language of Section 324(e) offers conclusive evidence of congressional intent, but this is the very same argument that drew skepticism from the Supreme Court. *See Lindahl*, 470 U.S. at 779. Here, because Congress precisely spelled out a narrow exception to appealability, there is no “clear and convincing evidence,” as required by *Lindahl*, that the Board’s acts were intended to be insulated from all judicial review. *Id.* at 782-83. Regardless, even if this Court were to read Section 324(e) broadly, it always has the authority to review agency actions it deems *ultra vires*. *See Anthony v. Office of Pers. Mgmt.*, 58 F.3d 620 (Fed. Cir. 1995); *Doty v. United*

States, 53 F.3d 1244 (Fed. Cir. 1995); *Aid Ass’n for Lutherans v. Postal Serv.*, 321 F.3d 1166 (D.C. Cir. 2003).

B. The SightSound Patents Are Not “Covered Business Method Patents.”

The Court should review and reverse the Board’s first *ultra vires* act—*i.e.*, instituting CBM review on a patent that does not capture a “covered business method.” In arguing that the SightSound patents meet the definition of a CBMP, the PTO oddly contends that the Court should defer to its interpretation of Section 18(d)(1) under a “traditional arbitrary and capricious review” standard. (Green 37.) The authority it cites, however, makes clear that the “arbitrary and capricious” standard only applies when a party challenges an agency’s *regulations*. *See Arent v. Shalala*, 70 F.3d 610, 616-17 (D.C. Cir. 1995). That very same case clarifies that the lower *Chevron* standard applies to appeals “principally concerned with whether an agency has authority to act under a *statute*.” *Id.* at 616 (citing *Chevron U.S.A., Inc. v. Natural Res. Def. Council*, 467 U.S. 837, 842-45 (1984)). The present appeal, which is “rooted in statutory analysis and is focused on discerning the boundaries of Congress’ delegation of authority to the agency,” squarely fits within *Chevron*. *Id.* (citing *Chevron*, 467 U.S. at 843-45).

Under the *Chevron* standard, an agency’s interpretation of a statute is not entitled to deference if it conflicts with a clear and unambiguous statutory standard. *Chevron*, 467 U.S. at 842-43 (“If the intent of Congress is clear, that is the end of

the matter. . . .”). The PTO does not argue that the statute is ambiguous, nor has it shown that Congress delegated its general rulemaking authority to the PTO to promulgate its own definition of a CBMP. (Green 37.) Rather, Congress gave the PTO very limited authority to “establish[] and implement[]” the transitional program created by Section 18 and to issue a single definition for a “technological invention” exception. AIA §§ 18(a)(1), (d)(2). This limited express grant of authority, *expressio unius*, demonstrates Congress’s intent to **withhold** authority from the Board to formulate its own definitions for other portions of the statute. *See City of Arlington v. FCC*, 133 S. Ct. 1863, 1868 (2013). The PTO’s insistence that the Court must defer to the Board’s overly expansive definition of a CBMP is manifestly incorrect.

As SightSound has demonstrated and Appellees have not rebutted, the Board’s interpretation of Section 18(d) ignores the critical requirement that a CBMP relate to a “financial product or service.” AIA § 18(d); (Blue 29-30, 34.) As SightSound’s patents have no conceivable nexus to any such “financial product or service” (Blue 30-31), they do not “fit comfortably within” the statutory definition for CBMPs under Section 18 (Green 21).⁴ It was improper for the Board

⁴ The PTO argues the uncontroversial position that the AIA does not restrict the definition of a “financial product or service” to the financial services industry. (Green 39-42.) SightSound never contended otherwise. Instead, SightSound
(continued . . .)

to exceed its statutory authority under Section 18(a)(1)(E) to institute CBM review, and the Final Written Decisions should be reversed on that basis.

C. Because The Board Previously Found That Apple’s Petitions Failed To Assert Obviousness Over CompuSonic’s, It Lacked Jurisdiction To Commence Review On That Ground.

The Court should independently review and reverse the Board’s second *ultra vires* act below—*i.e.*, instituting CBM review and ultimately invalidating SightSound’s patents on grounds never asserted in Apple’s Petitions. Appellees argue that a petition that challenges a patent as anticipated also “supports” a challenge on obviousness grounds. As a threshold matter, anticipation and obviousness are different statutory grounds to which courts apply different legal standards. *See Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1364 (Fed. Cir. 2008). Appellees’ argument thus would render Section 322 null, as it requires that “*the petition identify*], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim. . . .” 35 U.S.C. § 322(a)(3). Apple’s Petitions only presented an anticipation ground for the

(. . . continued)

argues that, based on the plain meaning of “financial product or service,” CBMPs must be directed at products or services *characteristic of or commonly found in* the financial industry, consistent with the examples of CBMPs described in the legislative history of Section 18. (Blue 29-30, 33 n.7.)

CompuSonics references, premised on the now discredited theory that the references all related to the same system. (A00449-71, A00881-903.) Apple never identified or argued obviousness, never identified a specific prior art combination, and never described any reason to combine the various CompuSonics references in the manner claimed.

The Board itself recognized that obviousness was an alternative and unarticulated theory, as it purported to raise obviousness in an exercise of “discretion.” (A00570-71, A01002-03.) And even if Apple had used the term “obviousness” in its Petitions (which it clearly did not with respect to the CompuSonics references), it presented only claim charts which purported to relate various references to various claim limitations but left SightSound to divine what specific combination of references Apple was advancing and why. The Board itself recently opined that such an approach is “improper” even where, unlike here, the petitioner clearly indicates that it seeks review on obviousness grounds. *Epicor Software Corp. v. Protegrity Corp.*, CBM2015-00006, 2015 WL 1870235 (PTAB Apr. 21, 2015).⁵

⁵ Declining to institute review on obviousness grounds, the Board stated that a petitioner “must identify and articulate clearly each prior art combination relied on to support an assertion of unpatentability based on obviousness. Neither Patent Owner nor the Board should have to speculate in any respect. . . . Petitioner’s approach of offering a plurality of prior art references for consideration, with the
(continued . . .)

Appellees' failure to distinguish between anticipation and obviousness standards becomes even more problematic when considered in the context of the CBM estoppel provision of Section 18(a)(1)(D). As SightSound explained in its Opening Brief, a *sua sponte* obviousness review—based on the notion that an anticipation challenge implicitly supports an obviousness ground—would improperly conflate the grounds that “could have been raised” with the grounds “actually raised,” leaving the potential estoppel effects uncertain. (Blue 40.) Unable to address the obvious flaw in their arguments, the PTO merely waves its hand, while Apple neglects it altogether. (Green 46 n.4.)

The PTO also asserts that the Board has the statutory authority to institute review on *any* ground it sees fit, based on a PTO regulation that vaguely advises the Board to look to the “petition supporting the ground [of unpatentability]” in determining whether to institute review. (Green 44 (citing 37 C.F.R. § 42.208(c)).) The PTO interprets this regulation to mean that the Board may determine *sua sponte* which grounds for invalidation are most appropriate based upon its review of the underlying evidence. (Green 44-45.) This cannot be so.

(. . . continued)
particular and necessary combination to be selected or chosen by the Board is improper.” *Epicor Software Corp.*, 2015 WL 1870235, at *22.

The AIA and the PTO's own regulations undermine this grab for authority. For example, Section 42.208(a) of the Board's own regulations provides that "the Board may authorize the review to proceed . . . *on all or some of the grounds of unpatentability asserted* for each claim." 37 C.F.R. § 42.208(a). Nowhere is there any indication that the Board may authorize review on grounds *not asserted*. Additionally, Congress knew how to confer discretion to the Board when appropriate. For example, Section 325(d) confers upon the Board the *discretion* to deny review on the basis that "the same or substantially the same prior art or arguments previously were presented to the [PTO]." 35 U.S.C. § 325(d).

* * *

This Court has the authority to review and remedy the Board's *ultra vires* rulings. To the extent that it determines otherwise, SightSound respectfully requests that this appeal be treated as a petition for writ of mandamus. *See Cuozzo*, 778 F.3d at 1278 n.5. Courts grant mandamus petitions when (1) the petitioner has "no other adequate means" to obtain relief, (2) the right to mandamus is "clear and indisputable," and (3) the court determines that mandamus is "appropriate under the circumstances." *Cheney v. U.S. Dist. Court for the D.C.*, 542 U.S. 367, 380 (2004). Should this Court find that Section 324(e) bars appeal of the Board's procedural errors, SightSound will be left entirely without recourse. *See Cuozzo*, 778 F.3d at 1278. Moreover, mandamus in this case is warranted and appropriate

in light of the Board's *ultra vires* acts, which deprived SightSound of due process and valuable property rights.

II. THE INTRINSIC EVIDENCE REQUIRES A CONSTRUCTION OF “SECOND MEMORY” THAT EXCLUDES REMOVABLE MEDIA SUCH AS OPTICAL AND FLOPPY DISKS.

The Court need not even reach the Board's patentability findings because the Board's *ultra vires* actions should be vacated. Should the Court proceed to the merits, however, it will become clear that the Board erroneously relied on *extrinsic* dictionary definitions—and disregarded controlling *intrinsic* evidence—to broadly construe the term “second memory,” a lynchpin of the Board's invalidity finding. This Court should not do the same.

Apple asserts that SightSound did not argue for its present construction of the term “second memory” until the instant CBM proceedings. (Red 31-32.) Yet, it was previously clear that everyone, including Apple, *understood* “second memory” to mean a hard disk or other similar non-removable memory. Indeed, in the claim construction ruling cited by Apple (Red 31), the Special Master equates both “first memory” and “second memory” with hard disks; he further held that *Apple's* proposed definitions of “hard disk” were “consistent with the terms ‘first

memory’ and ‘second memory’ as used in the claims in conjunction with ‘hard disk’ and ‘hard drive.’” (A12742-44.)⁶

Even in its CBM petitions, Apple equated “second memory” with a “user’s Hard Disk.” (A00418, A00842, A00429, A00851.) Likewise, the Board’s institution decision utilized a construction of “second memory” that excluded removable media. (A00559.) Given the consensus on the meaning of “second memory”—undisturbed until the eleventh hour—SightSound had no reason to brief the issue earlier.

A. The Specifications Dictate That “Second Memory” Is Limited To Non-Removable Media.

Apple’s newfound attempt to support a broad understanding of “second memory” is based on a selective reading of the specification and fundamental misunderstanding of the patented inventions. When considering the entire specification and prosecution history, the only reasonable interpretation is that “second memory” is limited to non-removable media.

Claim terms must be construed “in the context of the entire patent, including the specification” and prosecution history.⁷ *Phillips v. AWH Corp.*, 415 F.3d 1303,

⁶ Apple attaches significance to the fact that claims 64 and 95 of the ‘440 patent reference a “second party hard disk” as “second memory,” where other claims do not. (Red 36-37.) As the Special Master noted, however, the terms mean roughly the same thing. (A12743-44.)

1313 (Fed. Cir. 2005) (en banc); *see, e.g., Tri Strata, Inc. v. Microsoft Corp.*, 594 F. App'x 653, 655-57 (Fed. Cir. 2014); *Taurus IP, LLC v. DaimlerChrysler Corp.*, 726 F.3d 1306, 1320-21 (Fed. Cir. 2013). Far from looking at the entire patent, Apple cherry picks phrases to conclude that “[t]he teachings of the patents are focused on the electronic sale and distribution of digital signals, not on the type of media used to store the digital signals, once received.” (Red 31, 33.) Apple incorrectly claims that the specifications could not have disclaimed removable media from “second memory” because the patents purportedly focus only on improvements to the *distribution* of content, not improvements to the *storage* of that content.

In fact, in addition to improvements relating to distribution, an explicitly stated “objective of the invention [is] to provide a new and improved methodology/system to electronically *store* and retrieve Digital Audio Music.” (A00294, A00319.) The patents explain that the inventions

accomplish[] the above-cited objectives by providing a new and approved methodology/system of . . . *storage* . . . of Digital Audio Music. The high speed transfer of Digital Audio Music as prescribed by this invention is *stored onto one piece of hardware, a hard disk,*

(. . . continued)

⁷ The ‘440 patent is not expired and thus its claim terms must be given the “broadest reasonable construction.” Even under this standard, the Board’s construction was erroneous for the reasons explained below. *See, e.g., In re Abbott Diabetes Care Inc.*, 696 F.3d 1142, 1148-50 (Fed. Cir. 2012).

thus eliminating the need to unnecessarily handle records, tapes or compact discs on a regular basis.

(A00294, A00319.) Accordingly, the inventions are plainly directed to improving the *storage* of digital audio content, and they expressly accomplish that objective by limiting storage to non-removable media such as a hard disk. *Id.*

Apple also quotes but one of the seven listed disadvantages of hardware units such as records, tapes, and CDs (“SALES AND DISTRIBUTION”) and concludes that “[t]he patents’ objective was not, as SightSound contends, to overcome the alleged disadvantages associated with the removable nature of the three hardware units, but to overcome the disadvantages with the traditional model of recording music/video onto hardware units and then distributing those hardware units through brick-and-mortar stores.” (Red 33.) Apple’s own example belies its point: the inefficiencies of “distributing those hardware units through brick-and-mortar stores” is inherent in the removable nature of such hardware and is eliminated by the requirement that the “second memory” be non-removable. By definition, non-removable storage is incorporated into the user’s hardware and thus cannot be distributed through brick-and-mortar stores. “Second memory” therefore avoids disadvantages listed in the “SALES AND DISTRIBUTION” section of the specifications, including the “lengthy, lag time” and “unnecessary and inefficient transfer and handling costs.” (Red 33-34 (citing A00294, A00319).)

Furthermore, because “second memory” is not removable, it is not subject to damage related to “handling, and exposure to the elements,” another disadvantage noted in the specifications. (A00294, A00319; *see* Blue 47-48.) Thus, a removable “second memory” cannot fulfill the inventions’ goal of overcoming the disadvantages of hardware units described in the specification.

The Federal Circuit has repeatedly recognized that “[w]here the specification makes clear that the invention does not include a particular feature, that feature is deemed to be outside the reach of the claims of the patent, even though the language of the claims, read without reference to the specification, might be considered broad enough to encompass the feature in question.” *Chicago Bd. Options Exch., Inc. v. Int’l Sec. Exch., LLC*, 677 F.3d 1361, 1372 (Fed Cir. 2012) (quotation omitted). When considered in the context of the patents as a whole, “second memory” must be read to exclude removable media such as floppy or optical disks.

B. The Prosecution History Confirms That Second Memory Excludes Removable Media.

As detailed in SightSound’s Opening Brief, the exclusion of removable media as “second memory” is also fully supported by the prosecution history. (Blue 51-55.) In fact, Apple concedes that “the patentee argued during prosecution that records, tapes, and CDs are deficient ‘in light of their removable nature and their physical distribution (when compared with a hard disk acting as an internal,

non-volatile storage device).” (Red 37 (citing A05112-13).) This is a clear and unmistakable disclaimer of removable storage media as “second memory.”

Edwards Lifesciences LLC v. Cook Inc., 582 F.3d 1322, 1329 (Fed. Cir. 2009).

Indeed, the PTO previously agreed during reexamination that a narrow construction of “second memory” was appropriate in light of the intrinsic evidence. (See A05168 (interpreting “‘second memories’ as not including cassette tapes, CDs and the like”).)

Apple also cites to SightSound’s argument to the Board describing the problems the inventions were designed to overcome—problems inherent in the *removable* nature of the then-prevalent hardware—which had to be “shipped to retail locations, and ultimately sold to the consumer who had to store and handle their collections of records, CDs and the like. If you wanted to play different songs from different CDs, you had to switch out your hardware.” (Red 35 (citing A01170-71).) Remarkably, Apple concludes from this that “[t]he removability of the hardware units was of no consequence to the claimed invention.” (Red 36.) But limiting “second memory” to non-removable media eliminates the aforementioned problems: media would not be shipped to retail locations, and consumers would not have to store and handle collections of media or switch out hardware to play different songs. Thus, contrary to Apple’s assertion, the

removability of hardware units (or lack thereof) was of *considerable* consequence to the claimed invention.

SightSound's representations to the Board in the CBM proceedings, like its comments earlier during prosecution, leave no doubt that the patentee unmistakably disclaimed removable media from the definition of "second memory." Under Federal Circuit law, comments made by a patent holder during inter partes reexamination proceedings can limit claim scope. *See Grober v. Mako Prods.*, 686 F.3d 1335, 1341 (Fed. Cir. 2012). "The same should be true now that inter partes review, rather than inter partes reexamination, is in effect." *Pragmatus AV, LLC v. Yahoo! Inc.*, No. 13-1176, 2014 WL 1922081 at *5 (N.D. Cal. May 13, 2014); *see Golden Bridge Tech., Inc. v. Apple Inc.*, 758 F.3d 1362, 1366-67 (Fed. Cir. 2014) (submission during reexamination "constitutes a clear and unmistakable disclaimer of the broader claim scope"); *Krippelz v. Ford Motor Co.*, 667 F.3d 1261, 1267 (Fed. Cir. 2012) (statements during reexamination "are of course now part of the intrinsic record" and limited claim's scope).

As the Board noted, SightSound devoted several pages to explaining that the "only reasonable interpretation . . . is that the claims require a hard disk for storage, not a removable medium." (A00010, A00078.) While the Board ultimately did not agree, it is *SightSound's* representations to the Board that govern the scope of its disavowal. "Ultimately, what is important here is not what the PTAB said

about the claim term . . . but rather *what [the patentee] said* about the term in the proceedings before the PTAB and whether any disavowal or estoppel argument may be asserted based thereon.” *Pragmatus AV, LLC*, 2014 WL 1922081, at *5. In light of SightSound’s multiple, explicit disavowals, “second memory” should be construed to exclude removable media.

C. Resort To Extrinsic Evidence Is Inappropriate Here.

Given the overwhelming weight of the intrinsic evidence, it was inappropriate for the Board to base its claim construction on extrinsic dictionary definitions. The Board began its analysis by *first* looking to the dictionary and *then* consulting the specification and prosecution history to determine if the dictionary definition should be narrowed. (A00010-15, A00079-82.) This Court has cautioned that such an “approach limits the role of the specification in claim construction to serving as a check on the dictionary meaning of a claim term” and, in the Court’s view, “improperly restricts the role of the specification in claim construction.” *Phillips*, 415 F.3d at 1320. As this Court elaborated, “[t]he main problem with elevating the dictionary to such prominence is that it focuses the inquiry on the abstract meaning of words rather than on the meaning of claim terms within the context of the patent.” *Id.* at 1321. Accordingly, the Court should “focus[] at the outset on how the patentee used the claim term in the claims, specification, and prosecution history, rather than starting with a broad definition

and whittling it down” as the Board did here. *Id.*; *see, e.g., Power Integrations, Inc. v. Fairchild Semiconductors Int’l, Inc.*, 711 F.3d 1348, 1361-63 (Fed. Cir. 2013).

Once this proper framework is used, the only reasonable conclusion is that the Board’s construction of “second memory” was erroneous and cannot be upheld.

III. THE BOARD ERRED IN FINDING THAT A NEVER-DISCLOSED COMBINATION OF COMPUSONICS REFERENCES RENDERED THE SIGHTSOUND PATENTS OBVIOUS.

The Board’s obviousness determination was also fraught with errors and, to the extent that this Court reaches such issue, should be reversed.

A. Apple Did Not Carry Its Burden On Obviousness Below.

Initially and fundamentally, it was Apple’s burden to prove obviousness. As explained above, however, Apple’s Petition raised only an anticipation ground for the CompuSonics references based upon the false assertion that the references all related to the same system. (A00449-71, A00881-903.) Even after review was instituted and Apple ultimately briefed the issue of obviousness for the first time in its Reply, it *never identified any specific prior art combination or presented any reason to combine the references as claimed.* (A00687-89, A01116-18.) Instead, it focused on new references that it belatedly tried to add to the proceedings and that were not part of the obviousness ground taken up by the Board. (A00671-78,

A01101-07.) Thus, SightSound went to oral argument without ever hearing from Apple how it believed the CompuSonics references rendered the claims obvious.

At oral argument, Apple again failed to identify any specific obviousness combination, largely focusing on other references that were not part of the obviousness ground taken up by the Board. The notion that any prejudice to SightSound was ameliorated, as Appellees suggest, by extra time for oral argument and a surreply brief is, respectfully, nonsense; it was not possible even *after* oral argument to discern the specific prior art combination(s) that Apple was advancing. (A00709-10, A01138-39.)

B. Apple's Obviousness Arguments Are Fatally Flawed.

Even now, Apple demonstrates the audacity of a party that feels unbound by the governing statutes, with the bulk of its obviousness arguments directed not to the relevant references, but again to other materials not part of the obviousness ground taken up by the Board. Specifically, the Board indicated that it would consider only twelve of the fifteen references presented by Apple that related to CompuSonics systems, the "CompuSonics publications." (A00570-71, A01002-03.) No doubt acknowledging the deficiency of those twelve references, Apple now largely relies on other materials, neither addressed by the Board nor determined to be prior art. (Red 39-43.) Apple's arguments fail.

First, Apple simply ignores the fact that the Board did *not* find that any of the twelve CompuSonics publications disclosed or contemplated that a purchaser of digital audio or video signals would store the received digital signals in the “second memory” of claims 1, 2, 4 and 5 of the ‘573 patent and claim 1 of the ‘440 patent, as properly construed,⁸ or the “second party hard disk” of claims 65 and 94 of the ‘440 patent. Indeed, the Board all but conceded that in the CompuSonics publications, any hard disks were used in an entirely different capacity than required in the claims. (A00122-23.) Apple tries to remedy this deficiency on appeal by citing to non-prior art materials,⁹ but this approach is legally deficient. *See Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1568 (Fed. Cir. 1987).

Second, Apple fails to prove that a POSITA would have rearranged CompuSonics’ disclosed device in the manner claimed. Appellees repeatedly suggest that Apple need only show that the claims are a combination of

⁸ As explained above, the proper construction of “second memory” excludes removable media. Such a construction would necessarily exclude the removable optical and super floppy disks disclosed by CompuSonics for consumers to store and playback purchased music. (Blue 55-56.)

⁹ For example, in addition to repeatedly citing attorney argument, Apple cites frequently to a presentation transcript and the testimony of Apple witness and CompuSonics founder David Schwartz in an effort to augment the disclosure of the CompuSonics publications. (Red 39-43.) Neither of these references were determined to be prior art or credited below, as the Board specifically excluded these references from its obviousness ground. (A00570, A01002; *see* A00029, A00096.)

CompuSonics elements *individually*, apparently without regard to whether they were used in the same way as the claims. But the relevant question is whether a POSITA would have had reason to combine the various embodiments *to obtain the claimed invention*. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007).

Apple bore the burden of proof on these issues, yet it presented no evidence below. In fact, the lone statement the Board plucked on this core issue from hundreds of pages of Apple's witness declarations is Apple's technical expert's unremarkable reply assertion that a person of ordinary skill would have expected capacity of storage devices to increase and prices to decrease. (A00125 (citing A09886).) But Apple offered nothing to explain the relevance of this assertion in the context of obviousness.

While it is undisputed that various claim elements were known in the prior art, the *combination* of the elements in the method taught by Mr. Hair was groundbreaking. SightSound presented overwhelming evidence that Mr. Hair was the first to recognize and solve the problems posed by media storage devices—records, tapes, compact disks—used on the purchaser side. (Blue 9-11.) The claimed method represented a sea change from systems contemplated in the CompuSonics publications, in which consumers purchased music or videos in the form of small physical units and played them on consumer electronic products. (*Id.* at 10, 61-63.) These physical units did not offer the same control and

flexibility of non-removable memory storage, such as hard drives, and did not empower consumers to select, download, store, sort and rearrange individual signals making up digital audio recordings—*i.e.*, the benefits of the claimed invention as detailed in the SightSound patent specifications. (*Id.* at 9-11, 61-62.)

Third, Apple misstates and misapplies the law of obviousness as it relates to the reason to combine various references, no doubt in an effort to lower the bar to account for the deficiencies in its evidence. According to Apple, “substantial evidence supports the Board’s finding that a POSITA would have been motivated to combine the CompuSonics’ Disclosures.” (Red 44.) Yet, the issue is not whether a POSITA would combine the disclosures, but rather whether they would combine embodiments disclosed therein *in the manner claimed*. This Court has emphasized that “there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.” *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1373 (Fed. Cir. 2008); *see KSR*, 550 U.S. at 418 (“[T]his analysis should be made explicit.”). Because Apple never adduced evidence under the proper standard, it absurdly tries to rely on the testimony of SightSound’s expert Mr. Snell about whether a POSITA could combine research papers on a specific Lucas Film audio signal processor, which has no relevance to the present case. (Red 45.) Even assuming *arguendo* that research papers relating to other technology might be combined, they would have *no* probative value as to

how and why a POSITA would combine the CompuSonics references *to obtain the claimed invention*.

Fourth, Appellees cannot defend the Board’s remarkable decision to formulate its own rationale for determining that a POSITA would have rearranged the embodiments of the CompuSonics publications. As but one example, the Board stated that it would have been obvious to use the hard disk in the CompuSonics devices—disclosed for a different purpose than SightSound’s “second memory”—in place of the removable media that CompuSonics actually disclosed (*e.g.*, super floppy and optical disks) based on statements in one of the CompuSonics references about hard disk storage capacity. (*See* A00124-25.) But the governing statutes require Apple—not the Board—to present and carry the burden of proof on an obviousness challenge. Here, despite multiple rounds of numerous expert reports about the purported perspective and understanding of a POSITA, none of Apple’s experts advanced this argument. And most significantly, the Board’s *sua sponte* combination and rationale runs counter to the CompuSonics publications themselves, the market forces in the late 1980s, and the perceived technical constraints at that time associated with hard disks. (Blue 60-64); *see Unigene Labs., Inc. v. Apotex, Inc.*, 655 F.3d 1352 (Fed. Cir. 2011).¹⁰

¹⁰ Apple also argues that SightSound, in analyzing the “second memory” limitation, mistakenly focuses on the memory devices disclosed in the
(continued . . .)

The Board improperly assumed the role of advocate below, formulating arguments on Apple's behalf and, most troubling, asserting the bulk of its analysis for the first time in its Final Written Decisions. Remarkably, Appellees argue that this Court's statements in *Rambus Inc. v. Rea*, 731 F.3d 1248, 1258 (Fed. Cir. 2013), *i.e.*, that due process mandates that the Board provide "prior notice to the applicant of all 'matters of fact and law asserted'" before rendering a final decision, have no applicability here. (Red 45-46; Green 50-51.) It is difficult to fathom how such a notion should not guide this Court.

C. Secondary Considerations Reinforce The Non-Obviousness Of The Claims.

Apple also erroneously discounts the wealth of evidence of commercial success of the claimed invention. Initially, Apple argues that SightSound failed to prove that iTMS practices the claims. Yet, SightSound's expert provided detailed testimony showing that iTMS practiced and was coextensive with the claims,

(... continued)

CompuSonics references for a *consumer's* storage of music. (Red 42.) Yet, it was Apple itself who contended the CompuSonics "consumers" were the "second party" who must, according to the claims at issue, store received digital audio or video signals in the "second memory." (*See, e.g.*, A00460, A00466-67; A05298, A09519 (Apple's expert testifying that "[t]he second party is the consumer").) It was this interpretation that the Board analyzed. (*See, e.g.*, A00033-36, A00100-03.) Apple has not even attempted to show below that the "second party" for purposes of the CompuSonics references "could be a professional or retailer," as it now contends, and how such interpretation would disclose or render obvious the other limitations of the claims.

buttressed by Apple's own experts' admissions that the claims "were certainly necessary for digital sales" and that the invention "preempts the entire field of electronic sale with digital audio and video signals." (A02233-36, A06455-57, A02059, A02345.) Thus, SightSound is entitled to a presumption of a nexus between commercial success and the claimed innovation. *Demaco Corp. v. F. Von Langsdorff Licensing, Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988).

The Board wrongly afforded no such presumption, accepting Apple's assertions that other non-claimed features of iTMS were responsible for its success. Yet, Apple cannot defend the Board's factually impossible reliance on such features, including iTMS's "Genius," which was not introduced until years after iTMS was already commercially successful, and a plethora of other post-launch features for which Apple's expert admittedly had no clue when they were released or their impact on sale. (A02346-47, A02414-16, A02391-98, A02415-16.)

Apple also argues that the Board was correct to credit its witnesses' testimony that the success of iTMS was due to Apple's own inventions. (Red 22-23.) However, Apple presented only conclusory expert evidence on this issue. (A05693-A05702 ¶¶ 66-81, A09924-A09932 ¶¶ 67-82). The Board's reliance on such thin and unsupported testimony is at odds with its own rules. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,763; 37 C.F.R. § 42.65. Its reliance

on Apple's fact witness was similarly groundless, as he admitted that he did not even bother to review the patents that he alleged embodied iTMS before signing his declaration, could not confirm that he had ever reviewed the issued claims, and did not know when the applications had even been filed. (A05606-07, A09837-38, A03283, A03284-85, A03317-18.) The Board's decision to accept such flimsy testimony is particularly confounding, given its refusal to permit SightSound's requested discovery on this very issue. (Blue 21.)

Even if no nexus between the success of iTMS and the claimed invention may be presumed, Apple, like the Board, continues to ignore critical evidence of a demonstrated nexus from *its own expert witness*. Apple's expert identified the very benefits described in the specification of the SightSound patents as the "main reasons" that music downloads replaced physical media sales, including the benefits of storing the purchased audio or video signals in a non-removable "second memory." (*Compare* A02410-11, A02429, *with* A00294 col. 2:31-50, A00379 col. 2:44-61, A00295 col. 4:52-55, A00381 col. 5:1-4; *see* A02372, A02410-11, A02429.) In *Diversitech Corp. v. Century Steps, Inc.*, 850 F.2d 675 (Fed. Cir. 1988), this Court reversed a district court's finding of obviousness and held that a nexus to commercial success existed in similar circumstances—*i.e.*, where the patented invention's "commercial success was due, at least in part, to one of the four advantages set forth in the patent specification." *Id.* at 679.

Apple also erroneously argues that evidence of commercial success must be discounted here because SightSound did not prove that the patented invention was the *sole* reason for the success of iTunes. This Court has never required such a showing. *See, e.g., Diversitech*, 850 F.2d at 679. Such a rigid standard would eviscerate the relevance of commercial success evidence in all but the rarest case. Even if some portion of iTunes' success is due to the content that became available in the early 2000s (which was not available when SightSound was trying to commercialize its inventions years earlier), Apple's own expert confirmed that the "main reason" for the rapid increase of digital downloads was the benefit of SightSound's claimed invention. (A02410-11, A02429.) This is clearly an objective indicia of non-obviousness.

IV. APPLE'S "ALTERNATIVE GROUND FOR AFFIRMANCE" IS FACTUALLY AND LEGALLY ERRONEOUS.

No doubt concerned with SightSound's procedural and substantive challenge to the Board's *ultra vires* obviousness determination, Apple offers as a proposed alternative ground for affirmance that the claimed methods were anticipated based on "prior public knowledge." This argument is nothing but an improper Section 103 obviousness challenge in disguise.

Under Section 102(a), Apple must prove that a *single* prior art device or process anticipates the claimed invention. Specifically, a patent claim is anticipated if "the invention was known . . . by others in this country . . . before the

invention thereof by the applicant for a patent.” 35 U.S.C. § 102(a). Although “[t]he ‘known . . . by others’ provision does not require the anticipating public knowledge to be disclosed in . . . a single written document,” *Aspex Eyewear, Inc. v. Concepts in Optics, Inc.*, 111 F. App’x 582, 587 (Fed. Cir. 2004) (citation omitted), “one who seeks a [finding of anticipation] must show . . . that the claimed invention was previously known or embodied in a single prior art device or practice.” *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760, 771 (Fed. Cir. 1983); see *Studiengesellschaft Kohle, m.b.H. v. Dart Indus., Inc.*, 726 F.2d 724, 726-27 (Fed. Cir. 1984) (“It is hornbook law that anticipation must be found in a single reference, device, or process.”).

Apple argues that the claimed inventions are mere methods, which are disclosed by a combination of all the “CompuSonics Disclosures.” (Red 67, 70-71.) In support, Apple quotes liberally from the Board’s decision on *obviousness* and suggests that the assertions somehow demonstrate *anticipation*. (Red 71 (citing A00042, A00109).) Apple’s argument is flawed. The claims-at-issue recite systems for transmitting digital audio and video signals via telecommunications lines, including method steps and technical components. In any event, Section 102(a) requires that a *single* prior art device or process anticipate the claimed invention, regardless of whether the claimed invention is a method. Here, the CompuSonics references disclose a multitude of distinct CompuSonics devices and

processes, rendering any combination of such devices and processes improper under a Section 102(a) anticipation analysis.¹¹ See, e.g., *Kalman*, 713 F.2d at 771; *Generac Power Sys., Inc. v. Kohler Co.*, No. 11-cv-1120, 2012 WL 6562153, at *13 n.4 (E.D. Wis. Nov. 29, 2012); *Civix-DDI, LLC v. Cellco P'ship*, 387 F. Supp. 2d 869, 895-96 (N.D. Ill. 2005).

Indeed, Apple made this same Section 102(a) argument in its Reply briefs before the Board. (A00684, A01113.) The Board rejected Apple's arguments because of its factual finding that the CompuSonics disclosures do not "disclose a single, publicly known system":

[T]he materials describe different models of DSPs with slightly different features and capabilities. Certain materials discuss the recording of digital audio on DSP-1000 series devices with floppy disks, e.g., [A05197, A09418], whereas others disclose storage on DSP-2000 series devices with a hard disk, e.g., [A05246-47, A09468-69]. Given that the prior art teachings and suggestions are found in references describing a family of device models, as opposed to a single device model, we find that one skilled in the art would not have at once envisaged the claimed arrangement of known components in a manner consistent with anticipation under 35 U.S.C. § 102(a).

(A00023-24, A00090-91.) Apple has failed to provide any evidence that the Board's anticipation determinations are not supported by substantial evidence.

¹¹ CompuSonics' David Schwartz admitted that the "CompuSonics system" was "the generic for any combination of our software, our hardware, other peoples' hardware, other peoples' software, other networks. It depends on which CompuSonics system we were trying to sell to a specific audience." (A01542.)

CONCLUSION

SightSound respectfully requests that the Board's Decisions be vacated and the underlying CBM proceedings dismissed.

DATED: May 14, 2015

Respectfully submitted,

By: /s/ Matthew M. Wolf

Matthew M. Wolf
Arnold & Porter LLP
555 Twelfth Street, NW
Washington, DC 20004
Telephone: (202) 942-5000
Facsimile: (202) 942-5999

Jennifer A. Sklenar
Arnold & Porter LLP
777 South Figueroa Street
44th Floor
Los Angeles, CA 90071
Telephone: (213) 243-4027
Facsimile: (213) 243-4199

*Counsel for Patent Owner-Appellant
SightSound Technologies, LLC*

CERTIFICATE OF SERVICE

I hereby certify that on May 14, 2015, a true and correct copy of the foregoing was served upon the following counsel of record via email through the court's CM/ECF system:

J. Steven Baughman
ROPES & GRAY LLP
Prudential Tower
800 Boylston Street
Boston, Massachusetts 02199
Steven.Baughman@ropesgray.com

Ching-Lee Fukuda
ROPES & GRAY LLP
1211 Avenue of the Americas
New York, NY 10036-8704
Ching-Lee.Fukuda@ropesgray.com

Douglas Hallward-Driemeier
Darrell Stark
Megan Raymond
Paul Schoenhard
ROPES & GRAY LLP
One Metro Center
700 Twelfth Street, NW
Washington, DC 20005
Douglas.Hallward-Driemeier@ropesgray.com
Darrell.Stark@ropesgray.com
Megan.Raymond@ropesgray.com
Paul.Schoenhard@ropesgray.com

James R. Batchelder
Lauren N. Robinson
ROPES & GRAY LLP
1900 University Avenue
East Palo Alto, CA 94303
James.Batchelder@ropesgray.com
Lauren.Robinson@ropesgray.com

/s/ Matthew M. Wolf

Matthew M. Wolf

CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) as modified by the Court's Order of January 5, 2015, which ordered that appellant's reply brief not exceed 8,250 words. The brief contains 8,192 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

/s/ Matthew M. Wolf
Matthew M. Wolf

*Counsel for Patent Owner-Appellant
SightSound Technologies, LLC*