



September 2005, Part I of a IV part series

## **IPTV Patent War - All Your Streams Belong to Us**

*By: Eric Stasik*

*This is Part I of a IV part series on Acacia Research Corporation, the relevance of Acacia's patents to IPTV, and what IPTV providers can do to defend themselves.*

As the IPTV industry continues to grow, attracting increasing numbers of subscribers and investors, it may also attract the attention of the Acacia Research Corporation with its portfolio of patents relating to streaming media.

As one of the world's first publicly traded companies whose sole business is the acquisition and licensing of patents, the Acacia Research Corporation, through its subsidiary Acacia Technologies Group (Nasdaq: ACTG), manages the rights to a group of patents that relate to the streaming and downloading of digital media. In essence, if your digital media is streamed or downloaded through the Internet it may infringe on Acacia's patents. At least that is what Acacia believes.

Digital Media Transmission (DMT®) technology is the term used by Acacia to describe a portfolio of patents that Acacia has asserted covers on-demand audio and video, audio and video streaming, and audio and video downloading via TV, satellite TV, Internet, fiberoptic, and wireless. Currently, Acacia has five U.S. patents relating to DMT® all claiming priority to a single application filed with the United States Patent and Trademark Office by co-inventors inventors Paul Yurt and H. Lee Browne on January 7, 1991. These include U.S. Patent 5,132,992, U.S. Patent 5,253,275, U.S. Patent 5,550,863, U.S. Patent 6,002,720, and U.S. Patent 6,144,702. Moreover, the USPTO has published nineteen pending applications assigned to Acacia Media Technologies Corporation having the same title, the same co-inventors, and apparently the same subject matter.

Acacia has also acquired corresponding patents in many other countries.

A search of the European Patent Office's esp@cenet database indicates national patents corresponding to U.S. Patent 5,132,992 have been issued in Austria, Australia, Germany, Denmark, Spain, Greece, Japan, and Mexico. There are nine corresponding European Patents and a PCT application.

According to information obtained from the website of the Acacia Technologies Group (<http://www.acaciatechnologies.com>), Acacia has entered into 296 DMT® license agreements, including 108 cable TV licenses, and 183 Internet licenses. The agreements generally demand royalties based on the files transferred, with a minimum annual royalty of \$5,000. The majority of Internet licensees are operators of adult entertainment sites, including Playboy Enterprises, Inc., but even the Walt Disney Internet Group, which operates the Disney, ESPN, and ABCNews websites has signed up for a license.

Acacia are now expanding their licensing efforts. A number of universities have reported receiving an "online learning license agreement" offer from Acacia. According to the National Association of College and University of Attorneys, the agreement demands 2% of distance learning fees, with a minimum initial sign-up of \$1,000 and a maximum of 25% of the anticipated annual royalty.

While Acacia has yet to generate large revenue streams, license fees received during the three months that ended June 30, 2005 were just over \$2.5m, the company has a strong cash position well in excess of \$40m, little or no debt, and low fixed operational costs.

## **IPTV Patent War - The Patent War Continues**

*by Eric Stasik*

In Part I of this series, IPTV Magazine introduced you to Acacia Research Corporation and their portfolio of patents relating to streaming media. In this issue, IPTV Magazine explains how these patents might relate to IPTV.

Note: This is a general overview of Acacia's DMT patents and IPTV systems. This is not legal advice. For advice regarding your own specific circumstances, IPTV magazine urges the reader to consult an attorney.

Currently, Acacia has received five U.S. patents on DMT®. These include U.S. Patent 5,132,992, U.S. Patent 5,253,275, U.S. Patent 5,550,863, U.S. Patent 6,002,720, and U.S. Patent 6,144,702. Each patent claims the priority date of the '992 patent and shares a common specification.

Acacia Media Technologies has also acquired corresponding patents in many other countries. A search of the European Patent Office's esp@cenet database indicates national patents corresponding to U.S. Patent 6,144,702 have been issued in Austria, Australia, Germany, Denmark, Spain, Greece, Japan, and Mexico. The global patent family includes 19 U.S. applications, 5 U.S. patents, 9 European patents, and a PCT application.

Acacia asserts that its DMT® patents cover "video-on-demand and video streaming via cable TV, satellite TV, Internet, fiberoptic and wireless." Although Acacia claims nearly 300 licensees to its DMT® patents, not everyone apparently agrees. The DMT® patents are currently the subject of consolidated litigation in the U.S. District Court for the Northern District of California. On Feb. 24th, 2005 by the Judicial Panel on Multidistrict Litigation ordered that eight co-pending DMT® litigations filed by Acacia be consolidated into one. In April 2005, Acacia Media Technologies Corporation added Time Warner Cable, Cablevision Systems Corporation, Insight Communications Company, Cebridge Connections and Bresnan Communications to the DMT® patent infringement litigation. Lawsuits filed in the U.S. District Court for the Southern District of New York and the Eastern District of New York were transferred to the Northern District of California for consolidation with the existing litigation in accordance with the Transfer Order. A lot is thus riding on this case.

At the heart of Acacia's patent claims are U.S. Patents 5,132,992 and 6,144,702. The '992 and '702 patents relate to "a system for storing information at one location and for transmitting parts of the information to a user of the system who is located elsewhere. The stored information is digitized and the respective stored parts are separately identified so that they can be selectively retrieved by the user." Whilst this is the general thrust of the patents - one that does indeed appear very broad - it is the claims that define Acacia's specific patent rights.

On July 12, 2004, U.S. District Judge James Ware issued his Markman order in the consolidated case. The Markman order is essentially the judge's instruction to the jury as to what the patent claims mean and how the claims should be read. In the Markman order, the court issued its ruling on independent claims 1 and 41 and 1, 17, and 27 of U.S. Patents 5,132,992 and 6,144,702, respectively.

In the court's ruling on the '992 patent, Acacia did not fare very well. Among other things, the court declined "to include a human" and "dispatching control software" as corresponding structures in its construction of 'identification encoding means." More importantly for the defendants, the court found the term indefinite and invited the Defendants "to file a motion for summary judgment that the term 'identification encoding means' is indefinite, rendering claims 1, 3, 4, 5, 9, 10, and 11 of U.S. Patent 5,132,992 to be invalid, respectively, pursuant to 35 USC § 112, 2. At the same time, Defendant may file a motion for summary judgment pursuant to § 112, 1." If the motion for summary judgment were accepted, it would mean that the judge would declare these claims as invalid and unenforceable.

Because the issues raised by the court have to do with sufficiency of disclosure in the specification, and both patents share the same disclosure, Acacia fared only slightly better on the '702 patent.

It would appear from the Markman order that Acacia's patent claims were pruned more than watered. What impact this will have on the eventual determination of infringement remains to be seen. The case is still pending.

In the next installment, IPTV magazine will provide more information about Acacia's DMT® licensing approach, some of the companies that have agreed to a license, and collective attempts that have been made to defend against the DMT® patents.



November 2005, Part III of a IV part series

## The Coming IPTV Patent Wars

*by Eric Stasik*

Acacia Research Corporation, through its subsidiary Acacia Media Technologies Group (Nasdaq: ACTG), manages the rights to a portfolio of patents Acacia calls Digital Media Transmission (DMT®) technology. Acacia's DMT® patents relate to on-demand audio and video, audio and video streaming, and audio and video downloading via TV, satellite TV, Internet, fiberoptic, and wireless. In Part I of this series, IPTV Magazine introduced you to Acacia Research Corporation. In Part II, we explained how Acacia's patents might relate to IPTV. In this issue, we discuss how Acacia has approached its licensing program, who has been affected, and who might be next.

Note: This is a general overview of Acacia's DMT patents and IPTV systems. This is not legal advice. For advice regarding your own specific circumstances, IPTV magazine urges the reader to consult an attorney.

Acacia began laying out its licensing strategy in 2002 by going after one of the Internet's most successful businesses: the adult entertainment industry. Acacia sent out hundreds of letters to operators of adult websites demanding a running royalty of 2% of gross annual sales. Prepaid royalties for content providers begins at \$1,500 for a company making less than \$100k and up to \$170k for companies making between \$7m and \$10m. Webmasters are assessed a prepaid royalty of \$1,500 on sales of \$50,000 or less and \$200k for annual sales of \$10m.

Acacia appears to be taking a bottoms up approach. Their strategy has been to keep royalty costs well under the threshold where litigation becomes a sensible option. Making it cheaper to buy a license than to fight in court is a sensible, if not entirely wholesome licensing approach. A simple Google search using the words Acacia and any four-letter profanity is likely to return a large number of hits.

Although Acacia claims hundreds of licensees, not everyone accepted Acacia's licensing demands without a fight. Acacia filed suit against the operators of number of adult entertainment websites. The defendants formed the Internet Media Protective Association (IMPA) whose membership fee structure is not much better than the license fees demanded by Acacia.

Continuing with their bottoms up approach, Acacia has more recently targeted educational institutions whose "distance learning" programs include the use of streaming video on demand. Acacia's original infringement letter - made available on-line by the National Association of College and University Attorneys (NACUA) demanded the same 2% royalty on gross annual sales. A more comprehensive "e-learning" license agreement encompasses audio and video streaming and downloading. Following the example set forth by the porn industry, the NACUA ([www.nacua.org](http://www.nacua.org)) has established a common defense network among college counsel. In addition, the website [www.fightthepatent.com](http://www.fightthepatent.com) provides a clearinghouse of information on the Acacia patents.

Industry observers note that Acacia has yet to take on the giants. Like a fighter working his way up to a title fight, it is believed that Acacia is training on club fighters before moving up in weight class to take on companies like Microsoft and Real Networks.

On Feb. 24th, 2005 by the Judicial Panel on Multidistrict Litigation ordered that eight co-pending DMT® litigations filed by Acacia be consolidated into one. The DMT® patents are currently the subject of consolidated litigation in the U.S. District Court for the Northern District of California.

In the final installment, IPTV will wrap up this series by providing an up-to-the-minute summary of the status of the litigation along with some suggestions as to what to do if Acacia contacts you.



December 2005, Part IV of a IV part series

## **The Coming IPTV Patent Wars - All Your Streams Belong to Us**

*by Eric Stasik*

Acacia Research Corporation, through its subsidiary Acacia Media Technologies Group (Nasdaq: ACTG), manages the rights to a portfolio of patents Acacia calls Digital Media Transmission (DMT®) technology. Acacia's DMT® patents relate to on-demand audio and video, audio and video streaming, and audio and video downloading via TV, satellite TV, Internet, fiberoptic, and wireless. In Parts I-III of this series, IPTV Magazine introduced you to Acacia Research Corporation, explained how Acacia's patents might relate to IPTV, and discussed how Acacia has approached its licensing program. In this final installment, IPTV Magazine brings you up-to-date with the most recent developments and makes some suggestions as to what to do if you are contacted by Acacia.

Note: This is a general overview of Acacia's DMT patents and IPTV systems. This is not legal advice. For advice regarding your own specific circumstances, IPTV magazine urges the reader to consult an attorney.

Acacia Media Technologies claims it has licensed companies that provide on-line entertainment, movies, news, music, sports, corporate advertising and promotion, and cable television services, and hotel on-demand services. Acacia boasts that approximately 95 percent of the hotel in-room entertainment industry is licensed. The Walt Disney Co. and Playboy Enterprises are among those companies who have taken a license to the DMT patents. The company boasts some 307 license agreements.

In July of this year, the District Court for the Northern District of California issued its tentative claim construction report. Called a Markman Order, the claim construction report is where the judge - often with the assistance of a special master - determines what the claims mean as a matter of law. In the report, the Court identified 22 items that were at dispute and needed to be defined. In particular, the Court ruled that it could not "define the term 'identification coding means' because there is no corresponding structure in the specification that is linked to the functions recited in the claims." United States District Judge Ware further indicated that if "the Court adopts this finding as its final conclusion on this matter, this would render

claims 1,3,4,5,9,10, and 11 of the '992 patent indefinite." The Court invited the Defendants to file a motion for summary judgment that the term " 'identification encoding means' is indefinite, rendering the above-mentioned claims of U.S. Patent 5,132,992 to be invalid pursuant to 35 U.S.C. § 112 2."

The Judge also invited Acacia to request an evidentiary hearing on the issue of whether or not "one of skill in the art could identify a corresponding structure and determine the bounds of the 'identification encoding means' in view of the specification." On December 8th, the Court issued its initial Markman Order confirming the tentative ruling issued by the Court on July 12, 2004.

As Acacia summarized in their press release of Dec. 8th, 2005 the "Court has defined 19 items so far, and has held that 3 terms could not be defined and are indefinite. The indefinite terms potentially invalidate 1 of Acacia's 5 DMT Patents."

The Order has not, however, been made final and the Court is considering motions from both sides. Acacia has also indicated that it intends to file an appeal with the Court of Appeals for the Federal Circuit. The next hearing on the Markman Order will be conducted on February 24th, 2006.

Although Acacia proclaims that they "will continue to assert up to 30 patent claims that do not contain the indefinite terms from its 4 other DMT patents, and that Acacia believes are infringed by the defendants," the Court's Order is a set-back for Acacia. It had been reported earlier that Acacia was asserting up to 121 claims. Moreover, the Court's willingness to deny meaningful scope to claims for which a clear description or definition was not found in the specification weakens Acacia's licensing position.

Companies that are contacted by Acacia should seek the advice of counsel and refer to the Markman report when determining whether or not a license is needed. The Court's willingness to deny appreciable claim scope to elements that are not clearly defined or described in the specification gives the IPTV industry reason to examine more closely Acacia's claims.