

# MORRISON FOERSTER

*Unofficial transcript for users of mofo.com*

Judge Lourie (00:00):

[Inaudible]. Next case is *Monkey Media v. Apple at el* 2016, 1558. Mr. Christian.

William Christian (00:54):

May I please the court, Monkey Media appeals the board's decision on three issues. The first issue I want to address is the priority of the spots Sposato reference. And, specifically, the board's finding that Monkey Media did not exercise reasonable diligence in reducing its invention to practice such that it could not swear behind the Sposato reference. The supplemental citation of authority that I filed recently with this court calls the court's attention to the perfect surgical technologies decision that this court issued last November. And, I think that decision clearly sets the standard that the board should have applied in this case and did not. The court in perfect surgical technologies criticized the board in that case, or applying an overly strict legal standard.

Judge (01:40):

Mr. Bear asserts that an unspecified number of people who aren't named worked "steadily, consistently, or continuously on various projects that purportedly led to the reduction to practice of 143," but he only identifies four dates within the critical period. He doesn't explain when the work was done or what work was done with any specificity. How do you get by that?

William Christian (02:12):

Well, I disagree that he identifies just the four dates. He identifies the four stages that the prototype had to go through to completion. He identifies the date that the reduction to practice began, which was September 1<sup>st</sup> of 1995, when they signed the contract setting out the work schedule that defined the four stages of what had to be done with each. And yes, the invoices for each of those four stages were certain dates.

Judge (02:37):

Several of those documents relate to work outside the critical dates, don't they?

William Christian (02:43):

Some of the work relates the four stages that I'm talking about all relate to the critical period. Your honor, they begin in September 1995, right when the critical period begins. There was other work done outside of the critical period, leading up to this agreement to reduce—to produce the prototype.

Judge (03:04):

Yeah, the four stages are things like rough electronic assembly of the story board, but it doesn't tell us what that means. It doesn't tell us what constitutes rough electronic assembly or how it relates to 143. Invoices identified dates on which flat fee was work was billed with four stages, but they don't add any detail about what activity was involved in completing each stage. And Mr. Bear acknowledged at J968, that

the invoices aren't a measure—a reliable measure of the work performed because they were issued before the work was completed.

William Christian (03:49):

Let me address several of those points, your honor.

Judge (03:51):

Sure.

William Christian (03:51):

The first one—the first stage completion is attached to Mr. Bear's affidavit. That's the program specification. That's the a 20 page outline that describes exactly what the prototype is going to look at and sets the framework that they were going to build on. Mr. Bear testified that using that specification, Monkey Media began creating the functioning [Inaudible] prototype. He attached the end source code, which is 50 plus pages long, and describes that—the process of assembling the video and the other images and programming the

Judge Lourie (04:29):

But none of this is correlated with claim limitations.

William Christian (04:33):

Your honor, I—

Judge Lourie (04:34):

That's what diligence requires, showing of activity on specific dates in relation to claim limitations.

William Christian (04:43):

He attached a walkthrough—video walkthrough of the prototype and explained both on the conception side and on the reduction to practice side, how the, the claims were, were found in, in those two sign posts. In between them, he testified that over those four months, he and his team and Monkey Media work steadily and continuously to produce the prototype. A hundred thousand dollars, four stages, 20—invoices showing that the work was invoiced throughout that critical period. And that further work was done to debug the prototype and get it ready for final presentation.

Judge Lourie (05:19):

Well, it's, it's worked what a reduction to practice, not billing that counts.

William Christian (05:25):

Conceded. Yes, but the billing shows that the work was done over that period. In other words, when a stage was completed, it was invoiced. And that was what that was what was on the work was ongoing as the—as he proceeded to the reduction to practice the production of the prototype. And the fact that the prototype contained—reduced the invention of practice with all the claim limitations and the conception at the beginning that he showed with his other story boards also did the same, shows that in the interim, as he testified to in his affidavit that he was diligently working to reduce the invention to practice. The board's erroneous legal standard led it to identify certain gaps and focus on those gaps of inactivity. The first gap in particular was erroneous because the program specification itself, the document that was attached, contains several dates in October showing that it was revised and produced during that alleged gap. And so we believe that the board's erroneous—an overly strict legal standard led it to make unsubstantiated fact findings regarding the diligence that Monkey Media showed during that critical period

and that this court should, and remands that the board can consider the entire evidence under the proper standard. Now, the second issue that we have is the whether the invention is obvious in light of Davenport.

Judge (06:48):

Mm-hmm.

William Christian (06:48):

It's particularly whether the claim, the transition claim limitations—

Judge (06:54):

You can see that some point in, at Collins brief 28, that Davenport's checkerboard effect blends content from two sources, thus teaching the transition.

William Christian (07:09):

We don't concede that, your honor. We concede that a checkerboard transition can involve two different images.

Judge (07:15):

Well, you say it may, may well have been proper for the Pdeb define that the checkerboard effect blends content from two different sources.

William Christian (07:22):

Okay. Two different two different images is what we were talking about there, but what the Davenport or the checkerboard transition as taught in Davenport, doesn't do is involve the playing of two streams of content—segments of content at the same time. That is what the inventive aspect of miss of the 143 patent is that is not present in, in Davenport. And that is found in her specification, where she consistently talks about how the transition effect has to be applied at the end of one segment or the beginning of another segment. And that her invention itself always involves one segment at apply at a time claim. And that when a user elects a—

Judge (08:04):

Where did the relevant claims of the 143 patent require the simultaneous planning of video segments?

William Christian (08:11):

It's claim nine, I believe, your honor.

Judge (08:18):

Claim nine recites the—

William Christian (08:19):

The transition comprises playing a portion of the main content.

Judge (08:22):

Mhm.

William Christian (08:22):

Simultaneously with playing a portion of the expansion content.

Judge (08:25):

Right.

William Christian (08:26):

And so that is what Davenport doesn't do. Davenport requires that the main content stop before the expansion content begins. Figure 4-A and the specification of the 143 illustrates the concept that is an issue here. It shows a thought bubble, which is the cue that is then selected. And then as a transition, as it expands bigger to take up the whole screen, the expansion content starts to play while the main content is still playing behind.

Judge (08:57):

I don't understand, though. Where in that language does it require the playing of video content?

William Christian (09:05):

Well, I guess it, the, the content can be—it's an audio-visual content.

Judge (09:16):

And, in any case, Davenport discloses the use of transitioning effects in videos and that's column 6, lines 26 to 32, discussing the creation of video segments and column 9 lines, 37 to 67 discussing the use of transition effects in segments. So?

William Christian (09:37):

So, but she doesn't discuss the two segments playing at the same time. And that is what Mr. Bear's invention involved, simultaneous playing of the main content and the expansion content. Davenport testified and her specification supports that that is something that she couldn't do back in '92 when she was inventing her invention, and her testimony as well that the board did not consider was that she actually viewed the prototype at the time that Mr. Bear reduced it to practice and specifically recalled praising the type of transitions that they were able to achieve.

Judge (10:16):

Yeah, Davenport's an interesting witness, alright.

William Christian (10:19):

So, those are the kind of things that show that the transitions that Monkey Media was able to achieve in the 143 are not obvious in like of a Davenport in the board aired in both the way it interpreted her specification and what she was claiming. And in her testimony about what she witnessed contemporaneously at the time of the baguette prototype. And again, the meetings with her are documented in those invoices that we talked about earlier in the reduction of practice. They happened back there in 1996. She actually—she witnessed the prototype and saw what Mr. Bear and his other inventor were able to achieve, at that time. The last issue is the cue container and the board's claim construction of that term. We consider that—contend that the construction of the term is not consistent with the 143 specification, that it was too broad because it encompasses a cue container that could be the entire screen that the viewer sees. And we contend that's too broad because a cue container has to be a defined shape on the within the screen that contains the cues. Again, the specific—

Judge (11:38):

But the board didn't affirm the examiner's obviousness findings on the basis of DVD demystified. It affirmed based on Sposato and Davenport alone.

Judge (11:53):

Since they didn't construe—

William Christian (11:55):

Your honor. That's right. And we say Sposato is not prior art to begin with, but the reference that we believe really implicates the cue container is the DVD demystify. But regardless, the construction that the board reached was too broad. The figures in the specification describing the cue container, I'll show it as a cup or an image within the screen. Nothing supports a construction that would support it. It's broad as the entire screen. I'm into entire rebuttal time. So I'd like to save some—

Judge Lourie (12:28):

You can save it. Mr. Matsui.

Brian Matsui (12:35):

Thank you, your honor. May I please the court, the board's decision should be affirmed in its entirety. Now, I'd like to first start with diligence. The board correctly found that Monkey Media's evidence was tantamount to a mere assertion of diligence. And what Monkey Media effectively asked here is for this court to reweigh the evidence, but not only is that improper under the substantial evidence standard of review, there's effectively no evidence for this court to reweigh. If we look at the evidence as a whole, they have nothing more than a few conclusory assertions of working steadily or working continuously in their inventor declaration. And then they have some vague documentation to which they don't explain what activities were occurring when those activities for the most part were occurring and how it all, they related to the alleged reduction to practice of the claimed invention, which here is directed to the transmission of interactive content to a player.

Brian Matsui (13:33):

All their evidence from really shows at most is that they were direct. They were working on a prototype for some sort of optical disk to be read by a player. And there's no evidence at all here that they were actually working to the reduction to practice of a transmission system of content that's going to be played on a player. I think that I'd like to address perfect surgical because there was that Rule 28 J letter that was filed on Friday. And this case is nothing like perfect surgical. There was not a legal error in this case like there wasn't perfect surgical where the board appeared to apply a stringent standard where it required the inventor to count for all the periods during the invent, the critical period with actual inventive activity. In other words, it did not allow there to be periods of inactivity that could have been excused, such as imperfect surgical, the inventor's 80 hour work week with respect to surgeries, four to six surgeries a week.

Brian Matsui (14:31):

And it also did not allow the inventors to count the period of time in which the attorney, the patent attorney, was actually working on the application to reduce it to practice. And so you had a fundamental legal error in that case. There's no such error in this case. The board was very clear that it recognized that periods of inactivity could be consistent with the diligence standards so long as they were explained. But what perfect surgical does not say it does not allow an inventor to simply say that they were working steadily, that they were working consistently, and then have that be enough by simply then submitting some vague documentation to sort of show that there might have been some activity that was going on during the critical period. The second point is that perfect surgical really was a rule of reason case. There was very rich inventor testimony in that case, it was an IPR.

Brian Matsui (15:26):

And so, what you had in that case was an inventor declaration that was more specific as to specific activities that were occurring as to specific dates. There was the attorney declaration that was submitted.

There was deposition testimony from the inventor as well. And so it was a fundamentally different case where you had all this evidence from the inventor himself that needed to be corroborated. And in that situation, this court held that you cannot nitpick the evidence when you're doing the corroboration. You apply a rule of reason test to see whether or not these specific facts that are alleged by the inventor are corroborated. That's not what happened here. There's really nothing that can be corroborated when you look at Bear's declaration, because it is so nonspecific as to the activities that were occurring during the critical period. And I'd just like to touch upon the fixed fee contract itself.

Brian Matsui (16:21):

Yes, there was a fixed fee contract, which had vague language to design, to develop, to create this prototype, and it had four stages, but there's no indication as to how much time each of these stages took, what activities were undertaken to create all these activities. And so we don't know if this was something—these were four stages that could have taken everybody else in the whole world one month to do, or if it's something that should take four months to do. There's no evidence in which a fact finder can make that determination. And when we're operating under the substantial evidence standard review here, the issue isn't whether or not there is some evidence in which the board could conclude that there's diligence. It has to be that it would be unreasonable for the board on this meager record to conclude that there was no diligence.

Brian Matsui (17:07):

Now, I know that my friend mentioned that there was a gap period that the board mentioned in which there might have been activity that actually occurred. I think it's important to actually look at what the board said about that gap period, because I think that's very important. And that's at A9, Appendix 9 of the board's decision. It says it discusses a gap period of September 30<sup>th</sup> to October 23<sup>rd</sup>. But it—what looking at there is the hourly work. And it's saying there were no hourly, there was no hourly work even billed in that period. And then it went on to say that we're going to look at the contractor agreement, which has those four stages, and there's nothing that's specific. The contract agreement does not specify any specific dates that any activity was actually performed and what any alleged activity might have been.

Brian Matsui (17:59):

And so, when it's addressing that gap period, it's saying there was no hours billed. And, we can't tell from the contractor agreement, what was going on during that period of time. We don't know when that program documentation was created. We don't know how long it took. We don't know all the activities that might have been required to create it. So, there's simply nothing that a fact finder could latch on there to find reasonable diligence in this case. And, I think that's particularly true for when you look at the fact that you need to have the diligence activity directly related to the reduction to practice of the claimed invention, which here are transmission claims. We know from Bear's declaration at A1784 that they really didn't even have any transmission system in mind because in his declaration, he just said that they had a long-term goal of transmission, and there's no evidence here.

Brian Matsui (18:56):

And any of this diligence evidence that they were directing this towards a transmission system. Now, I'd like to just briefly turn to Davenport and then the cue container. I think it's absolutely correct that the, the claim language in claim nine just says you know, playing a portion of the main content simultaneously with playing a portion of the expansion content. And that's what Davenport discloses, because it talks about visual transitions provision progressions. And it talks about checkerboard and Venetian blinds in which one image and another image are going to be playing at the same time. But more importantly, we had an expert that testified, and that's at A1432 to 33, in which he said that a person of ordinary skill in the art reading this prior art would understand it, to disclose these types of progressions. And so, when we have Davenport's testimony on the other side, this is simply just a battle of the experts as to what the prior art discloses under the substantial evidence standard review.

Brian Matsui (20:01):

The board's decision is well-supported by the evidence here. And then lastly, I'd like to turn to the cue container issue. Again, I don't believe the court needs to reach this issue. The rejection was based upon Sposato and Davenport they've waived any argument with respect to cue container in Sposato, since they didn't raise it in their opening brief. So, there's nothing really to address here at all on that claim construction issue. If the court wanted to address it under BRI, the construction is entirely reasonable. You're talking about a classic case of a patent owner that's trying to narrow the claim down to a small set of examples, specifically a figure in the specification like this cup, for example, that contains different cues. The board's construction here was entirely reasonable, any bounded area, any component that contains cues and that's entirely consistent—

Judge (20:53):

But they didn't construe it in light of DVD demystified?

Brian Matsui (20:57):

Uh you're right. Yes, your honor.

Brian Matsui (20:59):

I mean, so I think the issue—the court should not even address this issue. If there are no further questions, then we would ask the court to affirm.

Judge Lourie (21:07):

Thank you, Mr. Matsui. Mr. Christian has a few minutes of rebuttal time.

William Christian (21:18):

Your honor. Perfect surgical. The court held that the purpose of the diligence analysis is to make sure that the invention was not abandoned or unreasonably delayed. And, the evidence here shows that Mr. Bear met that standard. That there was a contract, which set out a specific schedule begin September 1<sup>st</sup> in, by the end of the year. And he explained how his company met that schedule by producing the prototype. There's no evidence or suggestion that he would ever reasonably delayed or picked up some other project or abandoned this, this project. He followed it through to completion to produce the prototype that reduced the claimed invention to practice and the testimony that he provides about conception, extensive testimony, conception, including transmission in his rule 131 and supplemental declaration as well and reduction to practice explains how each of the claims were met, both at the conception stage and the reduction to practice stage.

William Christian (22:14):

And, the evidence that he provided is sufficient under the perfect surgical standard to support a finding that he was reasonably diligent and the way the board applied that legal standard reasonable diligence here was incorrect. And that needs to be remanded to the board for determination. The first instance of whether the reasonable diligence standard was met or not. With respect to the transition claims, Davenport, in addition to her specification attaches source code to the back of her patent that explains exactly how she created these transitions that she's talking about in the specification, in all the segments. Our expert, Dr. Lloyd, examined that source code. It confirmed that all of the segments that she is produced in the source code disclosed in the patent require one segment at a time to play.

William Christian (23:07):

They don't have any overlapping segments playing at the same time is required by the transition claims at issue in Mr. Bear's patent. Their expert described the transition claims in terms of 1999's time—timeframe.

But at the time that Davenport created her transitions, she testified, and there's no evidence that exists, otherwise that it was not possible to create the type of overlapping transitions that Mr. Bayer invented at a later time in 1999. And there's no other reference cited that would support an obvious determination in conjunction with that report in that regard. And finally, the cue container claims we did cite the—I'm sorry. We did cite that the port was an error in relying on Sposato as Sposato itself is not prior art for the reasons we or stated.

William Christian (24:02):

And so we think that all that should go back to the board to determine in the first instance. The board's construction remains incorrect, legally incorrect, because it was too broad. In addition to the figure that describes the cue container, there is a figure that shows a cue appearing an entire screen figure 4A, and if cue container could encompass that entire screen was brought in a to reach the board's construction, then the specification would refer to that as a cue container as well, but it doesn't do so. If that's further support in the specification for the type of construction that we are urging and suggests that indicates that the board's construction itself is too broad and unreasonable. Thank you.

Judge Lourie (24:44):

Thank you, Mr. Christian. We will take the case on regard.