

## **BACKGROUND**

- **My company, Chestnut Hill Sound Inc. (“CHS”), has been victimized by a US Patent system that for nearly a decade has been in a sorry state. Changes wrought by the America Invents Act (“AIA”) in 2011 and other recent developments cost my company, its investors, and inventors millions of dollars and many years of effort. These changes have allowed a large company to reap great profits at our expense. Even more unfortunately, our story is too typical of many other inventors and small companies. Small businesses are the backbone of our economy and need to be cultivated as they are the most dynamic source of new jobs and competitive products and technologies. There have always been reports of large corporations stealing inventions from small businesses, but it used to be possible via the courts to vindicate the patent rights of owners and obtain ultimate redress. The AIA—sold by the “efficient infringers” lobby as a measure to protect big business from the expense and nuisance of so-called “patent trolls”—has turned into a weapon of deep-pocketed big businesses that enables them to steal with impunity inventions from small businesses and independent inventors.**
- **The AIA brought with it the Patent Trial and Appeal Board (“PTAB”) and Inter Partes Review (“IPRs”), a new post-grant adversarial proceeding at the United States Patent and Trademark Office (USPTO). As has been amply discussed the Court of Appeals for the Federal Circuit (CAFC) recently opined that the so-called Administrative Patent Judges were unconstitutionally appointed from the beginning. These unconstitutionally appointed APJs, many of whom have conflicts of interest because they have represented parties to the cases before them, were and remain patent killing squads, especially when the patent owner is a small company that has sued a large company for infringement as was the case with CHS. In addition, the selection of Judges for expanded panels has been done with the express intent to ensure the ruling desired by the Director.**
- **The USPTO issues patents following a fairly rigorous examination system. But—and this is a big “but”—at the request of infringers the USPTO turns around and cancels 80% of those patents challenged at the USPTO that are the basis for infringement litigation, thereby depriving the inventors and small businesses that own these patents-in-suit of even getting a chance to prove the merit of their infringement contentions in a district court.**
- **Worse, when appeals from PTAB IPR decisions that were adverse to patent owners reach the Federal Circuit, patent owners are more than three times as likely to receive a one-word opinion, “Affirmed” than do petitioners who are typically those sued for patent infringement by patent owners.**

## **THE CHESTNUT HILL SOUND STORY**

- In 2001 Apple introduced the iPod. It was revolutionary at the time, and the base model could hold up to 5 gigabytes of music. For perspective, the iPhone—which also can be utilized as a music player—would not be released until 2007. In 2004, CHS recognized that for all its versatility, the iPod had its limitations. The iPod was designed as a portable music player which made it difficult to incorporate into an integrated, easy to use media system. A user could access music on his or her iPod, or in iTunes on his or her computer. But media content that was not stored on an iPod could not be accessed through the iPod, and manually changing between various media collections was difficult and time-consuming. In response to this need, CHS vision was to incorporate the iPod into a larger media system, to allow access and playback from multiple media libraries to multiple different outputs, and to provide easy transitions between content from a variety of sources and locations.
- In 2004, CHS conceptualized a platform for the first iPod-centric hi-fi solution that integrated radio and true bi-directional remote control capabilities.
- CHS' Inventors are audio, design and technology professionals.
- In addition to supporting MP3 players from multiple vendors, the inventors also envisioned extensions to the base platform that include access to broadcast, Internet and satellite radio, Internet services, and to local and remote media libraries.
- The CHS platform integrated proprietary software with off-the-shelf hardware components, including RF components. CHS first product implementation of this vision was its George audio system. George embodied aspects of CHS' Patents and solved the problems of accessibility and utility that the iPod did not.
- CHS was founded August 2004 and received over \$5 Million of private investment. A strong justification for the investment was the determination that the invention would eventually gain patent protection under the then existing laws and regulations.
- CHS filed 4 Provisional patent applications on Oct. 27, 2004, Oct. 27, 2004, Dec. 20, 2004, and Aug. 16, 2005. Its first utility application was filed October 27, 2005.
- CHS, immediately after filing its provisional patent application, negotiated a confidential disclosure agreement with Apple in October 2004 and then discussed its idea for George, explaining that it worked with Apple's iPod to provide a digital audio system which accessed both the iPod and remote content for use in an entire home or office. George could be controlled from a single, easy to use bi-directional remote

control. CHS performed demonstrations, disclosed its materials, and permitted Apple to take possession of the prototype in multiple meetings and visits with Apple in 2005.

- At Macworld in January 2007, after over 2 years of development, CHS launched its first product, George, an integrated iPod audio system, pictured below. A video demonstration can be found at [www.chillsound.com](http://www.chillsound.com)



- George won Macworld Magazine's Best of Show Award in 2007 where other winners included the first iPhone. Recognized as Product of the Year by PC World and Macworld magazines.



- George achieved extensive distribution at Apple Retail stores, Best Buy, Tweeter, Sharper Image, other specialty retailers as well as Amazon.com and [Apple.com](http://Apple.com).
- CHS ceased manufacturing in the fall of 2008 when capital markets and retail sales were adversely affected by the worst market conditions in 75 years.
- More than a year after the discussions between Apple and CHS were initiated, Apple filed the patent, "Portable media player as a low power remote control and method thereof." U.S. Patent No. 7,702,279, filed December 20, 2005 ("the Ko Patent"). The Ko Patent claimed very similar operations and mechanics to CHS Patent Nos. 8,090,309 & 8,725,063. As examples, both the Ko Patent and the CHS patent disclose using one device to control local and remote content, both the Ko Patent and the CHS Patents enable access to remote content wirelessly or over a network, and both the Ko Patent and the CHS Patents are operable in two modes.
- During the examination of the CHS '309 Patent, the examiner considered the Ko Patent to be so similar, that the Ko Patent was cited *as an anticipatory reference* against the '309 Patent. In other words, in the eyes of the Patent Office during its extensive examination disclosed *the same invention* as the '309 Patent.

- While the CHS Patents were making their way through the Patent Office, Apple continued to sell George in its stores until 2008. Then, in the same year that Apple discontinued sales of George, it released its “Remote” application. The Remote application provides the programming and usage functionality of the CHS Patents. Ultimately, CHS sued Apple for infringement of the its ‘309 Patent, as well as for infringement of the related U.S. Patent No. 8,725,063 (“the ‘063 Patent”).
  - In response, Apple filed four inter partes review (“IPR”) proceedings,<sup>1</sup> collectively, against the ‘309 Patent and the ‘063 Patents before the Patent Trial and Appeal Board (“PTAB”) of the Patent and Trademark Office (“PTO” or “Patent Office”). Ultimately both patents were found to be unpatentable by the PTAB, but the proceedings occurred at different times. The ‘063 Patent was disposed of first, IPR2015-01465 , and proceeded to an appeal before the Federal Circuit. After full briefing and oral argument, the Federal Circuit issued a one-word affirmation of the PTAB’s opinion, finding the ‘063 Patent unpatentable.
  - CHS continued its appeal of the PTAB’s decision in the ‘309, but without the guidance on the ‘063 Patent that a reasoned opinion from the Federal Circuit could have provided. In the appeal of the PTAB’s decision on the ‘309 Patent, CHS raised two arguments in support of the merits of the patent itself: (1) no known method was cited, by Apple or the PTAB, for combining the cited references, nor was there evidence of a motivation to do so that would result in the ‘309 Patent claims, and (2) the Ko Patent was strong evidence of nonobviousness (the facts of which are discussed, above). CHS also argued that because the issuance of the ‘309 Patent was delayed, and it was granted a 928 day patent term adjustment, it should be considered a pre-AIA patent, and not subject to the PTAB’s jurisdiction in an IPR. The Federal Circuit did confirm its jurisdiction in the face of this argument.
  - In support of its combinations argument, CHS particularly pointed out that neither the PTAB nor Apple identified a known method to support combining the references. Apple’s expert, during his deposition, was asked to identify the known method that he relied upon in his report. The response, generally discussing synthesis and what exists in one’s mind, was devoid of any actual known method: Neither the PTAB nor Apple identified a known method in those paragraphs, or anywhere in the record.
  - CHS also appealed on the grounds that there was no motivation to combine the cited references. While Apple had identified several reasons to improve the performance of the system, none of them was a *catalyst* to the specific combination which was the ‘309 Patent. Without some non-hindsight evidence that there was a reason to put these cited art references together to achieve the claims of the ‘309 Patent, the PTAB’s opinion could not have been upheld.
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- The Federal Circuit disposed of the appeal of both decisions by only stating: "Affirmed."
- CHS filed a Petition for a Writ of Certiorari to the US Supreme Court which can be found at [https://www.supremecourt.gov/DocketPDF/19/19-591/121480/20191105161351434\\_Chestnut%20Hill%20Petition%20Oct%2029%202019%20EFile.pdf](https://www.supremecourt.gov/DocketPDF/19/19-591/121480/20191105161351434_Chestnut%20Hill%20Petition%20Oct%2029%202019%20EFile.pdf) This petition was ultimately denied.

## **CONCLUSION**

CHS and all of its stakeholders have been victimized by a system that allows trillion dollar corporations to effectively steal its inventions. In this case Apple copied the idea, claimed the ideas as inventive to the USPTO over a 10 year period, obtained their own patent protection and then turned around after they were sued for infringement and changed their position and argued the invention was obvious. The AIA system allows the PTAB to routinely use hindsight bias to determine obviousness even though its examiners performed an exhaustive review of the prior art at the time of the examination.