Virginia Association of Broadcasters
Legal Review

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SPECIAL REPORT **SPECIAL REPORT**

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MISSION ABSTRACT DATA SENDS OUT NEW ROUND OF DEMAND LETTERS ALLEGING PATENT INFRINGEMENT

Many radio stations have recently received correspondence from a company identified as Mission Abstract Data, L.L.C. ("MAD") claiming that the station has violated two of their patents and enclosing a proposed "Patent License Agreement." This correspondence has been targeted to smaller radio station owners throughout the country and references patent litigation initiated by MAD against many of the nation's largest radio group owners. These letters have generated much confusion among station owners regarding their rights and/or obligations in forming a response. This legal memorandum first provides some background on this matter and outlines recommendations for steps stations may wish to take in response to any correspondence received from MAD.

Of course, any time a station receives any correspondence alleging that the station has violated the law, the station should consult with its own legal counsel.

I.
Background – Stay of Federal Court Litigation and Patent Office Initial Order Rejecting Patent Claims

In March 2011, MAD filed a patent infringement suit in the U.S. District Court for the District of Delaware against 116 of the largest radio station groups alleging that their radio stations are infringing on two of MAD's patents by using "the claimed technology for storing, selecting, retrieving and broadcasting music over the radio stations" they own. Both patents are entitled "Selection and Retrieval of Music from a Digital Database" and, according to MAD, the patents "relate generally to a method and

system for operating radio stations wherein a digital database stores music that is programmed, played and broadcast by the radio stations." The Defendants filed answers rejecting the claims in May.

Shortly after the initiation of this lawsuit, in July 2011, Broadcast Electronics, a vendor of one of the systems subject to the above-referenced litigation—but an entity that is not a party to the lawsuit—requested that the U.S. Patent Office reexamine the patents at issue. Such a request may be filed by any member of the public throughout the period of enforceability of a patent, but once submitted, the party no longer actively participates in the proceeding. In this case, the requests for reexamination alleged that the two patents are invalid because they rely on "prior art" that was not before the Patent Office during examination of the patents at issue in the MAD lawsuit. Under U.S. patent law, a person is not entitled to a patent if "the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States." In support of its requests for reexamination, Broadcast Electronics submitted old user manuals and trade publications that pre-dated the patents at issue. If the patents are invalidated, of course, MAD would have no right to seek enforcement of its patents.

Both requests for reexamination were granted by the U.S. Patent Office on September 12, 2011, and in an unusually quick turn of events, a U.S. Patent Office Examiner issued the First Office Action rejecting many of MAD's key claims in October. Notably, the Patent Examiner agreed that the materials submitted by Broadcast Electronics from Digilink (manual from 1992) and Dalet (manual from 1992 and advertisement from 1993) demonstrated the existence of digital databases like the one described in MAD's lawsuit prior to the date of the patent applications at issue. (Certain patent claims were upheld by the Patent Examiner, but they appear to be peripheral to the core issues because they involve how music is accessed via telephone or cable TV network as well as storage configuration—none of which appear critical to the MAD patent litigation.) MAD has until December 7, 2011, to respond to the First Office Action and request reconsideration or further examination, so, at present, the U.S. Patent Office decision invalidating MAD's patents is not yet final.

In light of the preliminary ruling of the U.S. Patent Office, in October 2011, the federal court in the Delaware lawsuit heard oral arguments on the Defendants' request for a stay of the court action pending the outcome of the patent reexamination proceeding. The court granted that request. Thus, for now, the court litigation is on hold pending further proceedings in the U.S. Patent Office.

II.
What Stations May Wish to Do Upon Receipt of MAD Correspondence

Notwithstanding the action of the U.S. Patent Office and the federal district court stay order, MAD has recently sent a new wave of demand letters to radio stations in several states offering to license MAD's two patents and two others at a negotiated rate. The correspondence includes a cover letter from a representative of MAD, an "Infringement Claim Chart" outlining how the radio station has allegedly infringed on MAD's patents, the Patent License Agreement, and a copy of the 867 patent. The proposed License Agreement requires the station to make an unspecified non-refundable, lump-sum payment to MAD. While MAD has been sending these proposed license agreements to station owners around the country, the methodology for determining which stations to target is unclear. Of course, it is likely that MAD plans to use any monies collected through these license agreements to fund the existing patent litigation.

When a station is contacted by MAD, the station should contact its legal counsel to discuss the situation. There are various strategies for responding, or not responding, to the demand letter, and stations may differ in how they wish to respond.

Next, a station receiving a demand letter should ascertain whether it currently uses or in the past has used any equipment or software that might be relevant to MAD's correspondence, i.e., hardware or software that may contain or supply the allegedly infringing capabilities. If the station is not using hardware or software subject to the claims, there would be no basis for MAD's assertion of rights against the station.

Also, the station should attempt to locate the original contract with the vendor who supplied the equipment or software and also contact the vendor to put them on notice of MAD's claim and ask the vendor if they will provide indemnification for any patent claims that may be filed against the station. We have heard, anecdotally, that some vendors have already tentatively agreed to indemnify all of their customers that have been contacted by MAD regarding the alleged infringement, so it is important that stations receiving demand letters contact their vendors right away.

Finally, it would also be prudent for stations to review relevant general business insurance policies and consider notifying the carrier(s) of the letter from MAD and any implicit threat of litigation within it. It is possible that general business policies may provide coverage for the claims asserted by MAD.

It is important to note that given the current stay of the patent litigation and the recent rejection of several of MAD's key patent claims, the risk of an adverse decision resulting from litigation appears to be reasonably low at this time. Nonetheless, the threat of patent litigation should always be taken seriously, and the possibility that MAD may file some smaller suits for potential settlements—though perhaps unlikely—cannot be ruled out.

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We will keep you apprised of any significant developments in the patent reexamination proceeding that may impact your response to any future correspondence from MAD.

If you should have any questions concerning the information discussed in this memorandum, please contact your station's legal counsel.

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