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## A Call to Arms: Rescuing Universities and Small Businesses from Fully Loaded Patents

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# A CALL TO ARMS: RESCUING UNIVERSITIES AND SMALL BUSINESSES FROM FULLY LOADED PATENTS

## I. INTRODUCTION

Acacia Technology Group recently initiated “one of the most widespread patent licensing programs ever . . . .”<sup>1</sup> The technology purportedly covered by Acacia’s patents is termed Digital Media Transmission (DMT),<sup>2</sup> otherwise known as streaming media. The broad nature of the patent involved is shocking, to say the least, given the countless number of Internet users who stream media files daily. Who is subject to Acacia’s licensing demands? The answer is virtually any company with a website that streams stored audio or video.<sup>3</sup> Understandably, commentators suggest that “few topics hold greater potential implications for streaming business than Acacia Research’s patent claims . . . .”<sup>4</sup>

Acacia’s DMT patents “involve[] the transmission and receipt of digital audio and/or audio video content via a variety of means including the internet, cable, satellite, and local area networks.”<sup>5</sup> Essentially, Acacia claims ownership of patent rights covering streaming media. Streaming media is best defined as “multimedia streams . . . transmitted over the Internet and played on a client machine. Media files are large. In contrast to downloaded files, streaming media starts playing as soon as the first chunk of the audio/video data arrives, the rest coming later as a stream.”<sup>6</sup>

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1. See Victor de Gyarfas, *Acacia’s Digital Media Transmission Patent Licensing Gun: Bullets or Invalid Blanks?*, 2 ANDREWS E-BUS. L. BULL. 16, 16 (2004).

2. Acacia Technologies Group, DMT Technology, [http://www.acaciatechnologies.com/technology\\_dmt.htm](http://www.acaciatechnologies.com/technology_dmt.htm) (last visited Oct. 3, 2005).

3. See Gyarfas, *supra* note 1.

4. Eric Schumacher-Rasmussen, *Streaming Media East 2004: Acacia Still a Hot-Button Issue*, STREAMINGMEDIA.COM, June 2, 2004, <http://www.streamingmedia.com/article.asp?id=8647&preview=y>.

5. Acacia Technologies Group, DMT Technology, [http://www.acaciatechnologies.com/technology\\_dmt.htm](http://www.acaciatechnologies.com/technology_dmt.htm) (last visited Oct. 3, 2005).

6. CollabWorx, Inc., Glossary of Terms, <http://www.webwisdom.com/support/resources/glossary.html> (last visited Oct. 26, 2004).

Because streaming media is a very common method of transmitting audio and video data over the Internet, the patents' scope extends to nearly every business or organization that incorporates digital audio or video into its website.<sup>7</sup> Such a sweeping patent deserves discussion, especially given that Acacia's patents and licensing strategy present interesting and often detrimental results on those affected by its tactics.

Acacia's patent portfolio and licensing strategy epitomize the patent law debates currently underway in the United States. Modern patent disputes arise primarily from difficulties in reconciling the two key competing public interests in patent law: compensating inventors for their efforts in developing new and useful inventions, and granting the public access to or use of technological innovations without obstruction.<sup>8</sup> Lord Mansfield long ago described these competing interests:

[W]e must take care to guard against two extremes equally prejudicial; the one, that men of ability, who have employed their time for the service of the community, may not be deprived of their just merits, and the reward of their ingenuity and labour; the other, that the world may not be deprived of improvements, nor the progress of the arts be retarded.<sup>9</sup>

Put simply, if the United States patent system serves each of the above interests, the "system is a major catalyst for technological process and economic growth."<sup>10</sup> Conversely, where one of these interests is favored over another, enforcing a patent in the United States may disrupt innovative progress. And when disruptive patents are introduced, even if otherwise valid, they should not be allowed to interfere with the primary purposes of patent law, namely "to promote the Progress of Science and useful Arts."<sup>11</sup> This argument holds especially true where a company's patents are being used to exploit revenue through questionable business practices, and those same patents fail to enforce any positive reason for the existence of the Patent Clause. Part II of this article summarizes United States patent law, describes the underlying principles for inclusion of the Patent Clause in Article I of the United States Constitution, and introduces issues and

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7. See John Borland, *Patent Scare Hits Streaming Industry*, CNET NEWS.COM, Feb. 6, 2003, [http://www.news.com.com/Patent+scare+hits+streaming+industry/2100-1023\\_3983552.html](http://www.news.com.com/Patent+scare+hits+streaming+industry/2100-1023_3983552.html).

8. See Matthew J. Conigliaro et al., *Foreseeability in Patent Law*, 16 BERKELEY TECH. L.J. 1045, 1046 (2001).

9. Sayre v. Moore, 102 Eng. Rep. 139, 140 (1785).

10. Alfonso G. Chan, *A Proposed Defense to Patent Infringement*, 1999 COMP. L. REV. & TECH. J. 79, 79 (1999).

11. U.S. CONST. art. I, § 8, cl. 8.

concerns regarding problematic patents in the current patent system. Part III focuses attention on Acacia Media Technologies and the controversy surrounding its current patent licensing strategy. Part IV discusses the implications of enforcing Acacia's patents against universities and small businesses—Acacia's primary targets. Part IV also suggests mandatory mediation as a preferred alternative to litigation for resolving patent disputes. Part V recommends three potential defenses against Acacia's patents. Part VI concludes that Acacia's patent claims are fundamentally at odds with the underlying principles of the Patent Clause and should not be recognized or enforced.

## II. BACKGROUND

### *A. What Is a Patent and Where Does It Come From?*

The federal government issues patents to the inventors of certain new, useful, and non-obvious inventions.<sup>12</sup> An issued patent confers unto a patentee the right to exclude others from domestically making, using, or selling the invention claimed by the patent for twenty years from the patent application's filing date.<sup>13</sup>

Few people realize that patent rights derive from the United States Constitution,<sup>14</sup> which grants Congress the authority to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."<sup>15</sup> This grant of authority should not be thought of as merely a means to compensate the efforts of innovation, because the framers of the Constitution thought it to be much more: the framers "thought it [was] essential to the establishment of a democratic government that society be provided *with new ideas and knowledge*."<sup>16</sup>

### *B. Current Issues and Problems with Internet Technology Patents*

Despite the recognizably important and beneficial reasons for patents in our society, "[a] feeding frenzy has taken its place—not just in the field

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12. Patent Act, 35 U.S.C. §§ 101–103 (2000).

13. *Id.* § 154(a)(1)–(2) (2000).

14. U.S. CONST. art. I, § 8, cl. 8.

15. *Id.*

16. Maureen Ryan, *Cyberspace as Public Space: A Public Trust Paradigm for Copyright in a Digital World*, 79 OR. L. REV. 647, 650 (2000) (emphasis added).

of patents, but in [intellectual property] generally . . . ."<sup>17</sup> As a result, patent validity has recently come under major scrutiny.<sup>18</sup> Many of the current conflicts surrounding patents—primarily those concerning the Internet and technology—appear to be byproducts of business-method patents.<sup>19</sup> Although there was no evidence that the Constitution's framers intended for business methods to be patentable,<sup>20</sup> in 1998 the Federal Circuit Court of Appeals recognized the right to patent a business method, provided the business method produced a "useful, concrete and tangible result."<sup>21</sup> Many business-method patents involve innovative or unique ways of conducting business over the Internet, for example e-commerce or Internet patents.<sup>22</sup> An Internet patent is a general term for a "method[] of transmitting information over the Internet; data compression techniques; and encryption methods."<sup>23</sup> Unfortunately, Internet patents are often controversial, and "the hardware and software elements are described and claimed at such a high level of generality that they are for all practical purposes nominal."<sup>24</sup> A glut of business-method patents relating to the Internet has accumulated in the United States Patent and Trademark Office (USPTO), and the rampant filing of business-method patent applications continues.<sup>25</sup>

17. Ben Depoorter, *The Several Lives of Mickey Mouse: The Expanding Boundaries of Intellectual Property Law*, 9 VA. J.L. & TECH. 4, 14–15 (2004).

18. See generally Lawrence Lessig, *The Problem With Patents*, Apr. 23, 1999, <http://www.lessig.org/content/standard/0,1902,4296,00.html> ("There is growing skepticism among academics about whether such state-imposed monopolies help a rapidly evolving market such as the Internet. What is 'novel,' 'nonobvious' or 'useful' is hard enough to know in a relatively stable field. In a transforming market, it's nearly impossible for anyone - let alone an underpaid worker in the U.S. Department of Commerce who spends on average of eight hours evaluating the prior art in a patent and gets paid based on how many he processes - to identify what's 'novel.'").

19. See Robert E. Lyon & Christopher A. Vanderlaan, *Method Madness*, 23 L.A. LAW., Oct. 2000, at 28; Michael J. Meurer, *Business Method Patents and Patent Floods*, 8 WASH. U. J.L. & POL'Y 309, 309 (2002).

20. Alan L. Durham, "Useful Arts" in the Information Age, 1999 BYU L. REV. 1419, 1455 (1999).

21. *State St. Bank & Trust Co. v. Signature Fin. Group*, 149 F.3d 1368, 1373 (Fed. Cir. 1998).

22. See Bradley C. Wright, *Internet and E-commerce Patents*, <http://www.bannerwitcoff.com/articles/ecommerce.pdf> (last visited Oct. 20, 2004).

23. *Id.*

24. Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 579–80 n.5 (1999).

Despite such problems, patents *are* necessary within the Internet realm. However, with so many uncharted areas of the Internet and so many people claiming rights to these patents, society should be concerned about contemporary patent validity.

### III. ACACIA TECHNOLOGY GROUP

Acacia describes itself as a company that “develops, acquires, and licenses patented technologies.”<sup>26</sup> It appears to be the first publicly traded company to generate revenue solely by acquiring and licensing patents.<sup>27</sup> In early 1992, H. Lee Browne and Paul Yurt developed five patents and subsequently formed Greenwich Information Technologies LLC (“Greenwich”).<sup>28</sup> Acacia invested in and purchased Greenwich in 2001, obtaining the rights to Greenwich’s patents.<sup>29</sup> Acacia claims these patents cover streaming media technology.<sup>30</sup>

Streaming media is not the same as “downloading” and “the difference between streaming and downloading is of critical importance.”<sup>31</sup> A downloaded copy of a video file is the same as the original, but the person who downloaded the file can change and redistribute the file.<sup>32</sup> Alternatively, streaming media technology distributes digital content in a manner that does not permit manipulation or redistribution of the streamed file.<sup>33</sup> For example, people can download movie files and permanently have the files on their hard drives, whereas if the movie was streamed to those same people, they could only view the movies.

Of the five patents Acacia obtained from Greenwich, the most

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25. See Kevin M. Baird, *Business Method Patents: Chaos at the USPTO or Business as Usual?*, 2001 U. ILL. J.L. TECH. & POL’Y 347, 348 (2001); Peter Toren, *An Idea Whose Time has Come: Patenting Software and Business Methods: Culmination of a 25 Year Debate*, BUS L. TODAY, Jan.–Feb. 2001, 32, 38.

26. Acacia Technologies Group, Company Profile, [http://www.acaciatechnologies.com/aboutus\\_main.htm](http://www.acaciatechnologies.com/aboutus_main.htm) (last visited Aug. 17, 2004).

27. Teresa Riordan, *Patents: A Patent Owner Claims to be Owed Royalties on Much of the Internet’s Media Content*, N.Y. TIMES, Aug. 16, 2004, at C6.

28. Mark Hachman, *Porn Kings Aflame Over Multimedia Patents: The Next Targets? Web Radio, On-Demand Movies... Then AOL?*, EXTREMETECH, Dec. 16, 2002, <http://www.extremetech.com/article2/0,3973,1157409,000.asp>.

29. See *id.*

30. See Geoffrey James, *Patent Wars: Marketing Patent Rights Can Be a Real Headache*, BRANDWEEK, June 1, 2003, [http://www.technologymarketing.com/bw/search/article\\_display.jsp?vnu\\_content\\_id=1899661](http://www.technologymarketing.com/bw/search/article_display.jsp?vnu_content_id=1899661).

31. RealNetworks, Inc. v. Streambox, Inc., No. C99-2070P, 2000 U.S. Dist. LEXIS 1889, at \*4 (W.D. Wash. Jan. 18, 2000).

32. *Id.*

33. *Id.*

controversial patents are 5,132,992<sup>34</sup> and 6,144,702.<sup>35</sup> These provide, respectively:

A system of distributing video and/or audio information [that] employs digital signal processing to achieve high rates of data compression. The compressed and encoded audio and/or video information is sent over standard telephone, cable or satellite broadcast channels to a receiver specified by a subscriber of the service, preferably in less than real time, for later playback and optional recording on standard audio and/or video tape.<sup>36</sup>

A system of distributing video and/or audio information [that] employs digital signal processing to achieve high rates of data compression. The compressed and encoded audio and/or video information is sent over standard telephone, cable or satellite broadcast channels to a receiver specified by a subscriber of the service, preferably in less than real time, for later playback and optional recording on standard audio and/or video tape.<sup>37</sup>

Interestingly, the patents do not mention the Internet as a medium of transmission.<sup>38</sup> This fact immediately triggers speculation as to whether the patents, even if valid, are applicable to the Internet.

Armed with the above-mentioned patents, Acacia began its aggressive licensing strategy in 2002 with a wave of letters addressed to various organizations in the adult entertainment industry.<sup>39</sup> The letters included a notification that the companies' use of streaming media constituted patent infringement, a informational letter about Acacia's patents, and a request for licensing fees.<sup>40</sup> The letters concluded with an ominous final statement: "We hope that you will give our intellectual property the same respect as you give to the intellectual property of the creators and publishers of the music and video content that you promote and sell."<sup>41</sup> Said differently, do not make us sue you.

Initially, Acacia only targeted "low-hanging fruit" or smaller firms.<sup>42</sup>

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34. U.S. Patent No. 5,132,992 (filed Jan. 7, 1991).

35. U.S. Patent No. 6,144,702 (filed July 23, 1998).

36. '992 Patent.

37. '702 Patent.

38. See *supra* notes 36–37 and accompanying text.

39. See e.g., Letter from Robert A. Berman, Senior V.P. Business Development and General Counsel, Acacia Media Technologies Corp., to Michael Roe, ioMedia Partners (Jan. 28, 2003), available at <http://www.radioio.com/acacia.pdf>.

40. *Id.*

41. *Id.*

42. See Gyarfas, *supra* note 1.

The “rollout plan . . . involved convincing a host of smaller firms to sign up, and the subsequent publicizing of those signings in order to create a sense of momentum for Acacia’s claims.”<sup>43</sup> The terms of the licensing agreement demanded royalties of about two percent of the infringing company’s estimated gross annual income.<sup>44</sup> Following Acacia’s opening move, the Electronic Frontier Foundation placed Acacia’s patents on its “Most Wanted” list; the “[l]aughably broad patent[s] would cover everything from online distribution of home movies to scanned documents and MP3s.”<sup>45</sup> Although crafting a patent application to support a broad interpretation is every good patent attorney’s *forte*, there should always be limits.

In August 2004, Acacia stepped up its aggressive licensing strategy by targeting colleges and universities that use streaming media in areas that include distance learning, video lectures, and “almost anything a college does that involves moving audio and video files on computer networks.”<sup>46</sup> Acacia sent letters to over 100 schools with the same ultimatum the adult entertainment industry received—pay or get sued.<sup>47</sup> If schools chose not to comply with Acacia’s initial demand, Acacia could increase the cost of licensing and sue for past infringement.<sup>48</sup>

At last count, more than fifty colleges had coordinated an aggressive legal response to Acacia’s threats.<sup>49</sup> The National Association of College and University Attorneys and EDUCAUSE, “a nonprofit association whose mission is to advance higher education by promoting the intelligent use of information technology,” set up a response group to research the validity of the DMT patents.<sup>50</sup> The sentiments of Sheldon E. Steinbach, vice president and general counsel at the American Council on Education, sum up some universities’ opinions of Acacia’s tactics: “[Acacia is] predatory scum . . . asserting a patent right of a dubious nature.”<sup>51</sup> In response to widespread concerns expressed by numerous universities, Acacia proposed

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43. James, *supra* note 30.

44. Hachman, *supra* note 28.

45. Electronic Frontier Foundation, *Patent Busting’s Most Wanted: Acacia Technologies*, <http://www.eff.org/patent/wanted/patent.php?p=acacia> (last visited Sept. 30, 2004).

46. Justin Pope, *Streaming Company Takes Aim at Colleges: Acacia Media Technologies Claims Violation of Company Patents*, Aug. 9, 2004, <http://msnbc.msn.com/id/5649731>.

47. Andrea L. Foster, *Colleges Join Forces to Fight Company’s Patent Claims to Certain Online Audio and Video Technology*, CHRON. OF HIGHER EDUC., Sept. 3, 2004, at A38.

48. See Pope, *supra* note 46.

49. See Foster, *supra* note 47.

50. Geoff Daily, *Acacia Update: Still Flying Underneath the Radar*, STREAMINGMEDIA.COM, Nov. 30, 2004, <http://streamingmedia.com/article.asp?id=8971>.

51. See Foster, *supra* note 47.



a more lenient licensing agreement.<sup>52</sup> But even with licensing on very generous terms, Acacia's broad patent claims raise serious policy concerns. This is possibly why universities are still advised not to sign the agreement.<sup>53</sup>

Although Acacia is still negotiating with many universities, Acacia has already started litigation against a number of online adult entertainment companies. The validity of Acacia's patents was first put to the test when a California district court conducted a four-day hearing in accordance with *Markman v. Westview Instruments, Inc.*<sup>54</sup> At a *Markman* hearing, a court interprets the disputed terms and phrases of the patents as a question of law, rather than a question of fact for the jury to decide.<sup>55</sup> The judge in the Acacia case issued an order giving the court's construction of some of the disputed patent terms and phrases and invited further briefings or motions with respect to other terms.<sup>56</sup> The terms "identification encoding means," "remote locations," and "sequence encoder" all came under heightened scrutiny.<sup>57</sup> This ruling suggests that the court is treating Acacia's claim with some skepticism.<sup>58</sup> Although this ruling by no means invalidated the patents, it certainly disinterred weak areas in Acacia's DMT patents.<sup>59</sup>

In response to the court order, defendants filed a motion for summary judgment, contesting the disputed terms and seeking invalidation of the patents.<sup>60</sup> No decision has been made by the court. A favorable ruling will considerably lower the cost of litigation and allow these companies to focus on the remaining patents.<sup>61</sup> Meanwhile, despite possible flaws in its patents, Acacia is persuading some big name companies to jump on board its licensing program, including Playboy,<sup>62</sup> The Walt Disney Company,<sup>63</sup>

52. *Id.*

53. See Pope, *supra* note 46.

54. *Acacia Media Techs. Corp. v. New Destiny Internet Group*, No. SA CV 02-1040-JW(MLGx), 2004 U.S. Dist. LEXIS 13415, at \*2 (S.D. Cal. July 12, 2004) (citing *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996)).

55. *Markman*, 517 U.S. at 372.

56. See Geoff Daily, *District Court Delivers Blow to Acacia*, STREAMINGMEDIA.COM, July 14, 2004, <http://www.streamingmedia.com/article.asp?id=8724&page=1>.

57. See *New Destiny Internet Group*, 2004 U.S. Dist. LEXIS 13415, at \*7, \*23, \*58.

58. See Daily, *supra* note 56.

59. *Id.*

60. Charles Farrar, *Acacia Challengers File for Invalidation Judgment*, AVN ONLINE.COM, Sept. 22, 2004, [http://www.avnonline.com/index.php?Primary\\_Navigation=Web\\_Exclusive\\_News&Action=View\\_Article&Content\\_ID=192917](http://www.avnonline.com/index.php?Primary_Navigation=Web_Exclusive_News&Action=View_Article&Content_ID=192917).

61. See Daily, *supra* note 56.

62. Press Release, Acacia Technologies, Acacia Technologies Licenses Digital Media Transmission Technology to Playboy (Mar. 15, 2004),

and World Wrestling Entertainment.<sup>64</sup> The fact that companies of this stature have conceded to Acacia's licensing demands may indicate that the patents are valid.<sup>65</sup> Whether Acacia's patents are valid or not, they raise important questions concerning Acacia's licensing strategy and the influence the patents have on the academic community.

#### IV. ANALYSIS

Acacia contends it has expended tremendous time and effort to ensure its patents are enforceable and claims that its licensing agreements are fair, legitimate, and modest.<sup>66</sup> However, even if the patents are technically valid, there are arguments against enforcing them. Acacia's patents impede the dissemination of knowledge by requiring licensing fees for a technology used to *promote* knowledge. Standing alone, this argument may very well be unpersuasive as it can be applied to almost all patented educational material. However, Acacia's patents, in conjunction with the company's business practices, violate the underlying principles of the Patent Clause. Consequently, the patents should not be enforced even if they are technically valid. Additionally, there are few adequate alternatives for smaller companies to challenge Acacia's patents other than engaging in costly litigation.<sup>67</sup> For this reason, there should be mandatory mediation between the patent owner and alleged infringer prior to litigation.

##### *A. Acacia's Patents Contradict the Originating Constitutional Objective of Patents by Obstructing Knowledge*

Exclusivity is an important and necessary goal of patents. It is also important, however, for the court to consider the public's interests before granting exclusivity to a patent holder.<sup>68</sup> The public's interests are

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<http://www.aciatechnologies.com/pr/031504Playboy.pdf>.

63. Press Release, Acacia Technologies, Acacia Technologies Licenses Digital Media Transmission Technology to the Walt Disney Company (Feb. 26, 2004), <http://www.aciatechnologies.com/pr/022604Disney.pdf>.

64. Press Release, Acacia Technologies, Acacia Technologies Licenses Digital Media Transmission Technology to World Wrestling Entertainment (Sept. 21, 2004), <http://www.aciatechnologies.com/pr/092104WWE.pdf>.

65. See Charles Farrar, *Acacia Signs Playboy to DMT Deal*, AVN ONLINE.COM, Mar. 15, 2004, [http://www.avn.com/index.php?Primary\\_Navigation=Articles&Action=View\\_Article&Content\\_ID=77111](http://www.avn.com/index.php?Primary_Navigation=Articles&Action=View_Article&Content_ID=77111).

66. See generally Borland, *supra* note 7 (quoting Robert Berman, Acacia's general counsel, as saying: "We did a tremendous amount of research on these patents' enforceability.").

67. *Id.*

68. See Lyon & Vanderlaan, *supra* note 19 ("[A] court must take the public interest into

especially important when patent enforcement affects society in a manner that goes beyond the original motive for including the Patent Clause in the United States Constitution: a means to provide incentives for innovation.<sup>69</sup>

The central ideas of the Patent Clause were promulgated by the "progress mandate of the Enlightenment" and the Age's participants.<sup>70</sup> Margaret Chon noted that "[i]n light of the Enlightenment emphasis on the capacity of the intellect in general, and the utility of facts and scientific observation in particular, both Madison's and Jefferson's ideas on property indicate that access to knowledge might be a fundamental civil right."<sup>71</sup> Put differently, access to knowledge, like access to public resources, is an essential element of socialization—and possibly a fundamental right.<sup>72</sup> As Joseph Sax noted, "Recognition that our accumulated knowledge and insight should be viewed as elements of a common heritage undergirds the basic premise of intellectual-property rules that govern patents and copyrights."<sup>73</sup> In short, knowledge plays a critical role in our society as an element of our common heritage and as the underlying force or "basic premise" for establishing the appropriate applications of intellectual property laws in America. Thus, when a patent interferes with an American's access to knowledge, it interferes with his or her common heritage and the basic building block of a successful patent system. Following this reasoning, Acacia's patents are flawed in ways far beyond a court's determination of their literal or technical validity. Acacia's patents, in their application to scholastic institutions, ironically "infringe" upon an American's "intellectual property": the spread of knowledge itself.

Nevertheless, "[i]n some cases . . . intellectual property law will protect the moral rights of authors even when doing so imposes a cost on society."<sup>74</sup> Such cases suggest that a court may protect the inventor of a patent even if doing so might contradict public policy. Despite this possibility, "Congress may not authorize the issuance of patents whose effects are to *remove existent knowledge from the public domain*, or to restrict free access to materials already available."<sup>75</sup> A decision in favor of

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account before allowing a patentee to exercise the most basic right of a patent grant—exclusivity.").

69. See Mark A. Lemley, *Romantic Authorship and the Rhetoric of Property*, 75 TEX. L. REV. 873, 889 (1997) (book review) [hereinafter M. Lemley].

70. Margaret Chon, *Postmodern "Progress": Reconsidering the Copyright and Patent Power*, 43 DEPAUL L. REV. 97, 121 (1993).

71. *Id.* at 135.

72. See *id.*; Ryan, *supra* note 16, at 712.

73. JOSEPH L. SAX, *PLAYING DARTS WITH A REMBRANDT* 3 (1999).

74. M. Lemley, *supra* note 69, at 890.

75. *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 6 (1966) (emphasis added).

Acacia will effectively remove knowledge from the public domain by restricting access to lectures and other educational information supported by streaming media. This argument is further buttressed by the Supreme Court's suggestion that the overall purpose of the Patent Clause is to "advance[] the progress of science and art."<sup>76</sup>

Do Acacia's patents "advance the progress of science and art" more than the institutions that write and define the terms "science" and "art" themselves? Clearly, Acacia's patents *per se* obstruct "the progress of science and art," as is evidenced by the fact that Acacia *identifies* "e-learning" as one of its targets.<sup>77</sup> Acacia's patents appear to "violate[] the purpose of advancing the progress of arts and sciences because the protection of producers far outweighs what is necessary to achieve the protection of incentives of authors."<sup>78</sup> In other words, a court will actually be enforcing Acacia's patents simply because Acacia owns them, not because the patents "advance[] the progress of science and art," the true rationale behind patents. Courts should not condone the validation of patents that contradict the very principles which led to the inclusion of the Patent Clause in the Constitution.

However, this argument could easily be applied to all forms of educational materials, including copyrighted textbooks, patented computer hardware, and software used in college classrooms. These materials might remove knowledge from the public domain if the inventor or author refuses to license the work. In this case, Acacia is simply enforcing what it thinks it is entitled to.<sup>79</sup> Thus, it is not the effect of its patent alone that should subject Acacia to scrutiny, but the effect of its patent *in conjunction* with its method of enforcing compliance with its licensing strategy.

Another concern arises because universities are forced to expend academic funds to protect themselves from Acacia's all-encompassing patents.<sup>80</sup> Although the patents may not even be enforceable, a practical response is to pay the licensing fee because litigation is generally a far more expensive alternative.<sup>81</sup> Either way, litigation or licensing, colleges are expending money. The situation is a *catch twenty-two*. These troubles arise merely from harnessing the power of the Internet to facilitate learning.

76. Feist Publ'ns. v. Rural Tel. Serv. Co., 499 U.S. 340, 350 (1991).

77. Acacia Technologies Group, DMT Technology, [http://www.acaciatechnologies.com/technology\\_dmt.htm](http://www.acaciatechnologies.com/technology_dmt.htm) (last visited Oct. 3, 2005).

78. Depoorter, *supra* note 17, at 15.

79. See F. Scott Kieff, *Property Rights and Property Rules for Commercializing Inventions*, 85 MINN. L. REV. 697, 728 (2000).

80. See Foster, *supra* note 47, at A38.

81. See *id.*

Acacia's scheme is all the more frustrating when the money inevitably lost by universities from the Acacia saga could have been used for innovation and knowledge; thus, the direct objective of the Patent Clause is frustrated. Moreover, some propose that the impact of Acacia's patents will lower the quality of education.<sup>82</sup> Schools that might have considered the academic use of streaming media may be less likely to harness its advantages.<sup>83</sup> The result is confusion in the academic world.<sup>84</sup> Amidst this confusion, schools are invited by the National Association of College and Universities and the American Counsel on Education to watch an informational webcast detailing information about Acacia and options for colleges and universities.<sup>85</sup> This informational webcast is only provided after payment of a \$149 fee.<sup>86</sup> Acacia's licensing strategy, it seems, will likely force academia to expend money both directly and indirectly. Ironically, the format of the informational session, "on-demand webcast," is another one of Acacia's technological targets.<sup>87</sup> Apparently, universities and colleges cannot escape spending money as a result of Acacia's far-reaching licensing strategy.

### *B. Downfalls of Upholding Acacia's Patent Against the Online Industry*

From the online industry's standpoint, it is difficult to accept Acacia's patents as valid.<sup>88</sup> The online business community was shocked given that Acacia does not mention the Internet as a medium of transmission in its

82. See generally Corey Murray, *Schools' Streaming Video Use at Risk*, ESCHOOL NEWS ONLINE.COM, Apr. 1, 2004, <http://www.eschoolnews.com/news/showstory.cfm?ArticleID=4958> ("Legal experts from these and other schools say the royalty demands could spell trouble for revenue-generating distance-education programs, which are relied upon to connect students across great distances while appealing to pupils with vastly different learning styles. If the royalty demands exceed the profits generated by such courses, they say, the practice could become cost-prohibitive, adding a debilitating expense to schools' already waning technology budgets.").

83. See generally Pope, *supra* note 46 (noting Acacia is boosting efforts to collect money from colleges and universities for using streaming media technology that it claims is covered by its patents).

84. See *id.*

85. NACUBO, *Acacia Media Technologies Patent Infringement Notices: Options for Colleges and Universities*, <http://www.nacubo.org/x4447.xml> (last visited Sept. 25, 2005).

86. *Id.*

87. See Acacia Technologies Group, DMT Technology, [http://www.acaciatechnologies.com/technology\\_dmt.htm](http://www.acaciatechnologies.com/technology_dmt.htm) (last visited Oct. 3, 2005) (stating "Acacia's Digital Media Transmission or 'DMT' technology involves the transmission and receipt of digital audio and/or audio video content via a variety of means including the internet, cable, satellite, and local area networks.").

88. See Lawrence G. Walters, *The Acacia Issue*, ADULT NETSURPRISE, [http://www.adultnetsurprise.com/businesszone/tutorial\\_acaicaissue.phtml](http://www.adultnetsurprise.com/businesszone/tutorial_acaicaissue.phtml) (last visited Sept. 20, 2005).

patents.<sup>89</sup> The lack of Internet references alone, though, does not invalidate Acacia's patents. Inventors who were granted patents prior to the creation of the Internet can still apply "extensions of their [patented] ideas to the Internet."<sup>90</sup> Streaming media has long been commonplace on the Internet and is characterized as "one of the most basic multimedia technologies on the Net."<sup>91</sup> Yet by March 2004, Acacia had licensed its patents to over a hundred companies who use some form of streaming media.<sup>92</sup> However, the companies targeted by Acacia are not Microsoft, Apple, and Real, the true heavyweights in streaming media, but smaller companies with smaller budgets.<sup>93</sup> It is true Acacia has committed some larger companies to its licensing agreement. Acacia claims this is an indication of the validity of its patents.<sup>94</sup> However, company names like "Playboy" and "The Walt Disney Company" should indicate the size of these company's budgets. In contrast, of the approximately 500 demand letters sent out, *most were sent to smaller companies*.<sup>95</sup>

Acacia's tactics exemplify a "new kind of company that sees patent confusion surrounding the Internet as a chance to make a quick buck."<sup>96</sup> Herein lies the problem with Acacia's licensing strategy. Jason Schultz, an Electronic Frontier Foundation Staff Attorney, articulated the bottom line: "faced with million-dollar legal demands [smaller companies] have no choice but to capitulate and pay license fees."<sup>97</sup> In the end, smaller companies such as RadioIO.com, would be severely impacted by *either* royalty demands or litigation.<sup>98</sup> This type of patent practice is brutal, and unfortunately, collecting royalties from small companies on potentially bogus patents is not an exclusive practice of Acacia.<sup>99</sup> Targeting smaller

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89. *Id.*

90. See Bob Sullivan, *Patent Piracy or Goliath's Comeuppance?: Small Firms Often Targeted in Obscure Infringement Cases*, MSNBC, Apr. 30, 2004, <http://www.msnbc.msn.com/id/4837371>.

91. Borland, *supra* note 7.

92. See Farrar, *supra* note 65.

93. See Schumacher-Rasmussen, *supra* note 4.

94. See Farrar, *supra* note 65.

95. See Hachman, *supra* note 28 (emphasis added).

96. Sullivan, *supra* note 90.

97. Electronic Frontier Foundation, *EFF Asks Public to Identify Bad Patents in Patent Busting Contest*, June 10, 2004, [http://www.eff.org/news/archives/2004\\_06.php](http://www.eff.org/news/archives/2004_06.php).

98. See Borland, *supra* note 7 ("[Acacia's] letter to RadioIO is just a small part of an expanding licensing campaign by Acacia.").

99. See Edward Hsieh, *Mandatory Joinder: An Indirect Method for Improving Patent Quality*, 77 S. CAL. L. REV. 683, 685-86 (2004) (detailing the practice of Pangea Intellectual Properties, a company that routinely sues small businesses located far from the venue of lawsuit to increase the likelihood of settlement).

companies who cannot afford to retain lawyers is becoming commonplace.<sup>100</sup> This concern becomes more pronounced considering Greenwich, the firm that Acacia acquired the patents from, "never developed its patented ideas into products."<sup>101</sup> Acacia owns merely an abstract, and it appears Acacia is being rewarded not for innovation or development but for mere proprietary ownership. Unfortunately, "the rules regarding the ownership of intellectual property rights are heavily skewed to protect the interests of corporations, not individual authors and inventors."<sup>102</sup> It seems Acacia spends its money not on innovation or development, but on buying patents only enforced by the threat of litigation. This practice is not a genuine goal to compensate the inventor. Another troubling aspect of Acacia's patents is, despite the speculative *Markman* ruling, its continuing pursuit of royalties.<sup>103</sup> As a result, smaller companies suffer even if a court subsequently finds Acacia's patents unenforceable.

In response to allegations of targeting smaller businesses, Robert Berman, a member of Acacia's general counsel, contends that Acacia's so-called modest royalties will not put anybody out of business.<sup>104</sup> Mr. Berman's contention is wrong. Acacia, through its tactics, is a perfect example of a company that "may succeed even if the patent is likely invalid or the defendant is unlikely to be an infringer . . . [because] . . . [t]he high cost of defending a patent suit can strain the financial resources of a small company."<sup>105</sup> Mr. Berman also contends that the larger media companies do not utilize all of the components of Acacia's patents, and Acacia has

100. See Electronic Frontier Foundation, *Patent Busting's Most Wanted: Acacia Technologies*, <http://www.eff.org/patent/wanted/patent.php?p=acacia> (last visited Sept. 30, 2004).

101. See Jon Healey, *New Foe for Webcasters in Royalty Fight: Acacia Research Says Many Online Sites Infringe Its Patents in Digital Transmission*, L.A. TIMES, Feb. 7, 2003, at C11.

102. M. Lemley, *supra* note 69, at 882.

103. See generally Geoff Daily, *Acacia Makes Its Case*, STREAMINGMEDIA.COM, Mar. 9, 2005, <http://www.streamingmedia.com/article.asp?id=9041&page=1> ("By the end of 2004, the total number of companies that had purchased a license from Acacia Technologies Group for their Digital Media Transmission (DMT) patents had reached 277."); Pope, *supra* note 46 ("In a preliminary ruling in Acacia's dispute with adult entertainment sites last month, a federal judge ruled that several terms in Acacia's patents were indefinite, a verdict that could weaken potential Acacia cases against other streaming video users. Now, critics of the company are saying that it's trying to make a fast buck off schools nervous about litigation before a federal judge makes a final, potentially crippling ruling in that case.").

104. Schumacher-Rasmussen, *supra* note 4.

105. Meurer, *supra* note 19, at 323.

therefore yet to challenge Microsoft, Apple, and RealNetworks.<sup>106</sup> However, each of these big name companies “not only create codecs, server software, and players, but also *stream* content on their own Web sites.”<sup>107</sup> Astoundingly, in a different lawsuit, a federal court previously came to a *judicial finding of fact* that “RealNetworks offers products that enable consumers to access audio and video content over the Internet through a process known as ‘streaming’”<sup>108</sup> This fact proffers compelling evidence that Acacia is avoiding challenging larger companies that utilize streaming media.

In sum, the Acacia saga bares little resemblance to concepts like “knowledge” or “innovation,” the building blocks of the U.S. Patent Clause. It is hard to imagine that the framers of the Patent Clause intended persons or companies to benefit from patent protection when they: (1) neither create nor attempt to develop patentable subject matter; (2) use questionable business practices to enforce a potentially bogus patent; (3) utilize the patent solely for financial gain; and (4) target small businesses even before the patent is judicially verified. None of these outcomes even remotely promotes the “useful arts” the Patent Clause demands. Therefore, because Congress may not create patent laws contrary to the purpose of the Patent Clause,<sup>109</sup> Congress must re-examine how Acacia and Acacia-*esque* patents are being developed, enforced, and even exploited.

### C. Suggestion: Patent Mediation

Inventors often commit extensive time and money to develop a patent.<sup>110</sup> Without some form of legal protection, “infringers have the power to free ride the intellectual property . . . [while] the owner alone incurs the substantial fixed costs.”<sup>111</sup> While this consideration is a critical factor in balancing intellectual property policy,<sup>112</sup> the “pendulum may have swung too far” in favor of the patent holder.<sup>113</sup> Gaining recognition in the

106. Schumacher-Rasmussen, *supra* note 4.

107. *Id.* (emphasis added).

108. RealNetworks, Inc. v. Streambox, Inc., No. C99-2070P, 2000 U.S. Dist. LEXIS 1889, at \*3 (W.D. Wash. Jan. 18, 2000).

109. See *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 5–6 (1966).

110. See Kevin M. Lemley, *I'll Make Him an Offer He Can't Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes*, 37 AKRON L. REV. 287, 290 (2004) [hereinafter K. Lemley].

111. *Id.*

112. See Conigliario, *supra* note 8, at 1046 n.2.

113. See generally Sullivan, *supra* note 90 (citing examples of alleged patent extortion against small companies “by a patent holder who seemingly emerges from nowhere”).



early 1990's, this problem is ever present in our patent system.<sup>114</sup> Also, litigation is one protection often favoring the patent holder.

Litigation is the typical alternative to paying licensing fees in a patent dispute.<sup>115</sup> Unfortunately, "U.S. patent validity litigation [is a] problem . . . because of the unique high-cost litigation system required in America."<sup>116</sup> As in the Acacia saga, universities and online businesses seem to have no recourse other than to acquiesce to Acacia's demands or face litigation. Alternatives to patent litigation have been proposed in the past.<sup>117</sup> However, Acacia's tactics are a prototypical example that problems still persist.

Lawmakers should create an alternative to litigation to protect small companies from an aggressive licensing strategy like Acacia's. A mandated Alternative Dispute Resolution (ADR) procedure should be in place to initially evaluate patents before companies implement a costly and detrimental licensing strategy.<sup>118</sup> As an alternative to litigation, mediation "is designed to alleviate the massive risks associated with litigation," "offers substantial cost savings over litigation," and "often saves about eighty percent of the total costs of litigation."<sup>119</sup>

Mediation in the patent dispute setting is not a new proposal. One author, Steven J. Elleman, explains some of the considerations of mediation in a patent setting:

Although there will be some additional problems and costs associated with mandatory mediation, the overall benefits due to increased settlements should pay large dividends. Utilizing a professional mediator and forcing the parties to seriously consider settlement should increase settlement levels. This will lead to quicker resolutions and lower costs, both of which are particular problems in the area of patent disputes. The costs to

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114. *Id.*

115. See generally Steven J. Elleman, *Problems in Patent Litigation: Mandatory Mediation May Provide Settlements and Solutions*, 12 OHIO ST. J. ON DISP. RESOL. 759, 760 (1996) ("Patent law is quite a fertile field for litigation. The most common form of patent litigation is an action in patent infringement, wherein the patent holder alleges that a second party has infringed upon one or more of the claims of the patent. Other common *inter partes* patent issues include disputes as to licensing agreements, challenges to the validity of the patent and interference proceedings.").

116. Marvin Motsenbocker, *Proposal to Change the Patent Reexamination Statute to Eliminate Unnecessary Litigation*, 27 J. MARSHALL L. REV. 887, 888 (1994).

117. See *id.* at 887-88.

118. See generally Michael H. King & Peter N. Witty, *Know Thyself as You Know Thy Enemy: Setting Goals and Keeping Focus When Mediating IP Disputes*, 37 AKRON L. REV. 329, 330 (2004) (advocating mediation due to its lower cost and ability to finely tailor creative business solutions).

119. K. Lemley, *supra* note 110, at 312.

society that arise from courtroom delays of new technology will also be reduced. Mediation may also cause better perceptions of the court system by parties who participate in the proceedings. Indeed, aside from the time and relatively modest costs associated with patent mediation, “[t]here seems to be little downside risk for participation in a non-binding procedure . . . .” Unfortunately, mediation “may also be the least understood [form of ADR] by intellectual property attorneys.” Thus, a program of mandatory mediation can bring the advantages of a beneficial, under-utilized process to the parties in a patent dispute. This can benefit our court system and society as a whole.<sup>120</sup>

Unfortunately, mediation is not mandatory today. As a result, litigation remains the standard method for determining the validity of Acacia-like patents that skirt the edge of enforceability. Acacia’s strategy underscores the vulnerability of smaller companies to these high litigation costs, and as the above discussion indicates, mandatory mediation can be an effective alternative to litigation in patent disputes.<sup>121</sup>

#### V. POSSIBLE DEFENSES AGAINST ACACIA’S PATENTS

Unfortunately, the above suggestion is not mandatory and when patents, like Acacia’s, rest on the fine line between enforceable and not, the only method of determining the validity of the patents is through litigation. When companies use patents in an Acacia-like manner, implicating the above enumerated concerns, schools and online businesses need a legal defense. Some existing exceptions to the exclusivity of broad patents like Acacia’s include the experimental use exception, the patent misuse doctrine, and laches.<sup>122</sup> Unfortunately, many of the elements these exceptions require are not present in the Acacia saga. However, the underlying principles leading to the establishment of these exceptions can be applied to Acacia’s patents. Courts already consider the public interest when ruling on patent issues,<sup>123</sup> so with some judicial activism, a court may allow the technology claimed by Acacia’s patents to fit within these exceptions.

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120. Elleman, *supra* note 115, at 777–78 (footnotes omitted).

121. *See id.* at 777 (stating that non-binding mandatory mediation preserves parties’ rights to a jury trial and due process, at minimal cost while allowing flexibility and preserved relations in settlement).

122. *See* discussion *infra* Parts V.A–C.

123. *See* Elleman, *supra* note 115 at 767 n.46.

### A. The Experimental Use Exception

The experimental use exception is a doctrine in patent law which provides that the right to exclude use of the patented subject matter is not absolute.<sup>124</sup> The exception was judicially established when Justice Story held that actions “merely for philosophical experiments, or for the purpose of ascertaining the sufficiency of the machine to produce its described effects” are not infringement.<sup>125</sup> The doctrine has grown. In 1963, *Ruth v. Stearns-Roger Manufacturing Co.*<sup>126</sup> suggested that using patented subject matter for non-pecuniary and experimental reasons does not constitute infringement.<sup>127</sup> The doctrine seems to have room for including a university’s use of streaming media for strictly educational purposes. Although “the Federal Circuit has shown a marked tendency to take a very narrow view of the experimental use exception,”<sup>128</sup> it has only taken this view in cases involving commercial activity.<sup>129</sup>

While universities do not strictly use streaming media for the specific purpose of experimentation, the exception seems to concern the preservation of intellectual exploration—a university’s *modus operandi*. “[It] is now well settled, that an experiment with a patented article for the sole purpose of gratifying a philosophical taste, or curiosity, or for mere amusement, is not an infringement of the rights of the patentee.”<sup>130</sup> The parallel between experimentation and a university’s use of streaming media for scholastic purposes is evident. The key is intellectual thirst. For example, through lectures, on-campus speakers, e-learning, live surgeries, and review sessions, universities gratify the philosophical tastes, intellectual curiosities, and amusements of their student body. In most circumstances, students should be entitled to explore educational opportunities provided through streaming media without interference.

124. See, e.g., *Kaz Mfg. Co. v. Chesebrough-Ponds, Inc.*, 317 F.2d 679, 680 (2d Cir. 1963) (noting that “not every unauthorized construction of a patented article constitutes an infringement”); Andrew J. Caruso, *The Experimental Use Exception: An Experimentalist’s View*, 14 ALB. L.J. SCI. & TECH. 215, 216 (2003).

125. *Whittemore v. Cutter*, 29 F. Cas. 1120, 1121 (C.C.D. Mass. 1813) (No. 17,600); see Caruso, *supra* note 124, at 216.

126. *Ruth v. Stearns-Roger Mfg. Co.*, 13 F. Supp. 697, 713 (D. Colo. 1935), *rev’d* on other grounds by 87 F.2d 35, 42 (10th Cir. 1936) (“The making or using of a patented invention merely for experimental purposes, without any intent to deprive profits or practical advantage therefrom, is not infringement.”).

127. See *id.*; see also *Byam v. Bullard*, 4 F. Cas. 934, 935 (C.C.D. Mass. 1852) (No. 2,262) (“[T]he [infringing] act must be with intent to deprive the patentees of some lawful profit.”).

128. Caruso, *supra* note 124, at 224.

129. See *id.*

130. *Poppenhusen v. Falke*, 19 F. Cas. 1048, 1049 (C.C.S.D.N.Y. 1861) (No. 11,279).

Therefore, the nexus between experimentation and streaming media in academia seems to exist. With enough judicial consideration of the theoretical underpinnings of the experimental use exception, a court may apply the exception to streaming media for academic purposes.

### *B. The Patent Misuse Doctrine*

The patent misuse doctrine holds that if “a patent owner improperly exploits his patent by violating the antitrust laws or extending the patent beyond its lawful scope, the courts will withhold any remedy for infringement, even against an infringer who is not harmed by the abusive practice.”<sup>131</sup> This defense “prevents the patent owner from using his patent in a manner ‘contrary to public policy.’”<sup>132</sup> Courts most frequently apply the doctrine to protect against patent “tying.”<sup>133</sup> However, it certainly has other applications. Certain patents are *per se* patent misuse; for example, “[r]equiring a licensee to pay royalties after the patent has expired . . .”<sup>134</sup> Essentially, the patent misuse doctrine is a manifestation of the unclean hands doctrine.<sup>135</sup> It seems the defense would punish a company, like Acacia, that requires and obtains licensing fees while its patent’s validity is still under judicial consideration, singles out companies that must pay the licensing agreement due to the expense of litigation, or demands royalties from scholastic institutions. Acacia’s hands appear to be sullied, and the principles inherent in the patent misuse doctrine seem to apply.

However, the defense “is not an open-ended defense that arises from any wrongful conduct.”<sup>136</sup> There is a two-step test for establishing patent misuse:

First, the court must determine if the act is reasonably within the patent grant. If so, then the act cannot be a misuse because it has not expanded the scope of the patent right. Second, if the act is not reasonably within the patent grant, then the court must

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131. 6 DONALD S. CHISUM, *PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT* § 19.01 (1996).

132. Peter David G. Sabido, *Defending Against Patent Infringement Suits in Standard-Setting Organizations: Rambus Inc. v. Infineon Technologies AG*, 13 FED. CIR. B.J. 635, 650 (2004) (quoting Robert P. Taylor, *Standard Setting: A Growing Morass*, in *INTELLECTUAL PROPERTY ANTITRUST* 545 (2002)).

133. Kelly Hershey, Note, *Scheiber v. Dolby Laboratories, Inc.*, 293 F.3d 1014 (7th Cir. 2002), 18 BERKELEY TECH. L.J. 159, 163 (2003) (“[T]ying occurs when a patentee licenses one product (the ‘tying product’) contingent upon the licensing of another product (the ‘tied product’).”).

134. HERBERT F. SCHWARTZ, *PATENT LAW AND PRACTICE* 183 (4th ed. 2003).

135. *Id.* at 182.

136. *Id.*

determine whether the act has an anticompetitive effect that is not justifiable under the rule of reason.<sup>137</sup>

Generally, patent owners are within their patent-granted rights to demand licensing fees. Thus, despite the fact that Acacia's conduct may be wrongful, it probably does not satisfy the first element of the patent misuse test. Moreover, "when the alleged misuse is a licensing arrangement, the evidence must reveal that the overall effect of the license tends to restrain competition unlawfully in an appropriately defined relevant market."<sup>138</sup> Here, Acacia's licensing strategy is common practice, and hence there are likely no anticompetitive effects to satisfy the second element of the patent misuse test. In sum, a patent misuse defense will not defeat a claim by Acacia for collection of licensing fees.

### *C. Laches*

"The elements underlying the usual Laches defense are: (1) the patent owner unreasonably and inexcusably delayed filing suit for infringement, and (2) the alleged infringer has been materially prejudiced by the delay."<sup>139</sup> The court maintains the discretion to deny the defense even when all the elements have been satisfied.<sup>140</sup> In the first element, the delay period for filing an infringement claim begins if, within "the exercise of reasonable diligence[, the patent owner] should have known[] of the alleged infringement . . . [because] it was pervasive, open, and notorious."<sup>141</sup> As previously mentioned, Acacia obtained the rights to its patents in 1992, approximately twelve years prior to its offensive licensing strategy. Yet, Acacia only recently filed suit for infringement, despite the fact that streaming media has been "pervasive, open, and notorious." Case in point, streaming media has existed since the early 1990s,<sup>142</sup> and in June 2002 streaming media was used in 400,000 Web pages, representing a 412 percent increase in the twelve preceding months.<sup>143</sup> Organizations like the Internet Streaming Media Alliance, Streaming Media World, and Streaming Media, Inc. are all indications of the "pervasive" nature of

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137. *Id.* at 183 (footnotes omitted).

138. *Id.* at 184.

139. *Id.* at 184–85; see Sabido, *supra* note 132, at 647.

140. See SCHWARTZ, *supra* note 134, at 185–86; Sabido, *supra* note 132, at 647.

141. SCHWARTZ, *supra* note 134, at 185–86.

142. Dr. Jian Lu, *Media Streaming and Broadcasting on the Internet*, ENJOY WEB, <http://www.enjoyweb.com/company/pdf/StreamingOverview.pdf> (last visited Sept. 8, 2005).

143. NUA Internet Surveys, *Streaming Media Saps Business Bandwidth*, June 14, 2002, [http://www.nua.com/surveys/index.cgi?f=VS&art\\_id=905358061&rel=true](http://www.nua.com/surveys/index.cgi?f=VS&art_id=905358061&rel=true).

streaming media in the last decade.<sup>144</sup> It is clear that streaming media has been used conspicuously for more than a decade.<sup>145</sup> Acacia's failure to file an infringement suit before now is an unreasonable delay, and therefore, the first element of laches is satisfied.

The second element requires that the "alleged infringer has been materially prejudiced by the delay."<sup>146</sup> A recent Google search located over eight million results for "streaming media,"<sup>147</sup> indicating the large number of online companies that depend on streaming media and are potentially prejudiced by Acacia's failure to immediately claim rights to streaming media. Streaming media is an important technology for companies because it "guard[s] against the unauthorized copying and redistribution of their content."<sup>148</sup> Otherwise, companies would be forced to use downloading, a technology that permits copies of the digital content to "be created at the touch of a button."<sup>149</sup> Had Acacia brought suit within a reasonable time, companies might not have spent the last decade devoting time and resources to incorporate streaming media technology into their business practices.

Each element of the defense appears to be satisfied. However, as mentioned, the judge may use his or her discretion to deny this defense. But in consideration of the aforementioned questionable business practices, the judge's discretion should favor small businesses and universities.

## VI. CONCLUSION

The objectives of our patent system are underscored in the following quote: "Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system . . . ."<sup>150</sup> Each of these factors have an important significance in our society. Unless a court keeps these objectives in mind when enforcing patents, the component parts of a successful and productive patent system deteriorate, and the incentives that originally motivated the framers to include the Patent Clause in the United States Constitution become clouded. With this in mind, granting exclusivity to Acacia seems to be against the public's

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144. See Google.com, Search Term "Streaming Media," <http://www.google.com/search?hl=en&q=%22streaming+media%22> (last visited Sep. 23, 2005).

145. See Lu *supra* note 142.

146. SCHWARTZ, *supra* note 134, at 185.

147. See Google.com, *supra* note 144.

148. RealNetworks, Inc., v. Streambox, Inc., No. C99-2070P, 2000 U.S. Dist. LEXIS 1889, at \*4 (W.D. Wash. Jan. 18, 2000).

149. *Id.*

150. Graham v. John Deere Co. of Kan. City, 383 U.S. 1, 6 (1966).

interest. And it is the public's interest a court should consider before granting exclusivity to a patent holder.<sup>151</sup> In the past, the Supreme Court has limited intellectual property rights when confronted by a significant public interest,<sup>152</sup> and Acacia's patents should meet the same demise. Acacia's patents and licensing strategy fundamentally undermine the goals and objectives of the Constitution's Patent Clause and, therefore, violate public policy.<sup>153</sup> Acacia's offensive licensing strategy aimed at colleges and universities disrupts and distorts the schools' most critical aim: to disseminate knowledge.<sup>154</sup>

Additionally, "Congress may not authorize the issuance of patents whose effects are to *remove existent knowledge from the public domain*, or to restrict free access to materials already available."<sup>155</sup> When any company restricts access to materials in such a way, enforcement rights should not be granted because the real "infringement" is not the school's use of streaming media, but rather the prevention of students' access to educational materials. It is the opinion of this author that if a court deems Acacia's patents valid and enforceable, thus preventing schools from streaming intellectual media, the patents would be "remov[ing] existent knowledge from the public domain" by preventing academia from utilizing the benefits of disseminating knowledge via streaming media.<sup>156</sup> Moreover, by restricting the use of streaming media in an educational setting, Acacia's patents restrict free access to scholastic material available through this medium. Even if Acacia does suspend its pursuit to obtain licensing agreements from universities, the issue persists because schools have already been forced to expend money in response to Acacia's demands. For this reason, patents having any detrimental effect on knowledge or innovation should rarely, if ever, be enforceable as they are entirely inconsistent with the Patent Clause.

Furthermore, companies should not be forced to buckle to the demands of a licensing strategy just because doing so is more economical

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151. Lyon & Vanderlaan, *supra* note 19, at 50 ("[A] court must take the public interest into account before allowing a patentee to exercise the most basic right of a patent grant—exclusivity.").

152. See e.g., *Feist Publ'ns v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991); see also *M. Lemley*, *supra* note 69, at 889 ("The Supreme Court has repeatedly invoked the instrumental nature of intellectual property rights, not hesitating to limit those rights when the public interest has so required.").

153. See generally *Graham*, 383 U.S. at 9.

154. *Id.*

155. *Id.* at 6 (emphasis added).

156. See *id.*

than disputing a patent.<sup>157</sup> By allowing this type of licensing strategy, patent law is effectively issuing a “letter of marque and reprisal” for larger firms to exploit smaller firms despite possible flaws in the asserted patents. Under these circumstances, no useful arts are being promoted and no innovation is encouraged.

Just one of the above effects of Acacia’s patents and licensing strategy might not be enough to single out the company’s actions; however, when considered as a whole, the Acacia saga is completely unacceptable. A new practical solution, such as mandatory mediation, might provide an alternative to litigation that allows patents to be more appropriately disputed. However, until a mandatory alternative to litigation exists, large companies and their patent arsenal will forever be pointing their weapons in the direction of smaller companies.

*Zachary L. LaPrade\**

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157. See discussion *supra* Part IV.B.

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