

While Suing Large Radio Station Groups, Patentholder Seeks 'Voluntary' License Fee Agreements with Smaller Station Owners

by William P. Atkins and Richard R. Zaragoza

In recent months, the owners of radio stations throughout the country have received letters from representatives of Mission Abstract Data, L.L.C., d/b/a DigiMedia (“MAD”), encouraging them to enter into patent license fee agreements with the company. MAD’s letter points out that it has sued some of the nation’s largest radio group owners. Undoubtedly, MAD will use the monies derived from the license fee agreements to help fund the current litigation as well as to demonstrate the “legitimacy” of its patent holdings. This Advisory is intended to provide radio stations with important background information on the case and to identify factors that may come into play as station owners consider the risks, as well as the options, available to them.

The following is a synopsis of the Mission Abstract case, including its allegations.

Company - MAD is a limited liability Delaware company. It was incorporated there in April of 2007. MAD has a one page website at missionabstractdata.com which offers a “licensing consultation” if some online data is provided.

Patents - MAD is allegedly the owner of U.S. Patent Nos. 5,629,867 and 5,809,246, referred to as ‘867 and ‘246 respectively. Both are titled “Selection and Retrieval of Music from a Digital Database.” The ‘867 issued on May 13, 1997 and the ‘246 issued on September 15, 1998. According to MAD, these “DigiMedia 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.” According to the U.S. Patent and Trademark Office website, the previous patent owner Haltek America Inc. filed an assignment of these patents to MAD in August of 2007, who then filed an assignment to Intellectual Ventures Audio Data LLC (“IVAD”) of February 10, 2011, who then filed an assignment back to MAD on February 28, 2011.

IVAD is probably related in some way to a parent company called Intellectual Ventures or IV. IV was founded in 2000 by Nathan Myhrvold and Edward Jung of Microsoft as a private partnership. They reportedly have over 30,000 purchased patents and have raised over \$5 billion. It is understood that licenses to IV's patents are obtained through investment and royalties.

Lawsuit - MAD filed a patent infringement suit in Delaware federal court against a host of parties on March 1, 2011.¹ Answers to MAD's complaint were filed in May, after the case was assigned to newly elevated Judge Leonard Stark. Judge Stark has a law degree from Yale and was a Ph.D. Rhodes scholar graduate in 1993. He has two bachelor's degrees in history and political science and a masters in history, all from the University of Delaware. He does not have a technical background but as a Delaware judge he will be conversant in patent cases. He was a federal magistrate judge from 2007 until he was confirmed in August of 2010.

On July 27, 2010, the defendants filed a motion to put the case on hold pending the outcome of the reexamination of the two asserted patents by the U.S. Patent Office. One of the third-party vendors of the accused systems, Non-Party BE, filed Ex Parte Requests for Reexamination of the asserted patents on July 27, 2011 with the U.S. Patent Office. The Requests for Reexamination allege that MAD's two patents are invalid, relying upon prior art that was not before the Patent Office during examination of the patents-in-suit. The prior art which is cited in this attempt to invalidate the two asserted patents includes old user's manuals and trade publications disclosing automated music broadcasting systems of the type discussed in the media reports as pre-dating the patents-in-suit.

There are currently two types of reexaminations available at the U.S. Patent Office: ex parte and inter partes. The ex parte type allows less interaction by the third party filing it, but this is the only option available for older patents. Both ex parte reexamination requests were granted on September 12, 2011

¹ Jury Demand against Beasley Broadcast Group Inc., Beasley Broadcasting of Greenville Inc., Beasley Broadcasting of Southwest Florida Inc., Beasley FM Acquisition Corp., Beasley Radio Inc., CBS Radio East Holdings Corporation, CBS Radio East Inc., CBS Radio Holdings Corp. of Massachusetts, CBS Radio Holdings Corp. of Orlando, CBS Radio Inc., CBS Radio Inc. of Atlanta, CBS Radio Inc. of Boston, CBS Radio Inc. of Chicago, CBS Radio Inc. of Detroit, CBS Radio Inc. of Florida, CBS Radio Inc. of Glendale, CBS Radio Inc. of Illinois, CBS Radio Inc. of Los Angeles, CBS Radio Inc. of Maryland, CBS Radio Inc. of Michigan, CBS Radio Inc. of Northern California, CBS Radio Inc. of Philadelphia, CBS Radio Inc. of Tampa, CBS Radio Inc. of Washington, CBS Radio Inc. of Washington DC, CBS Radio KFRC-AM Inc., CBS Radio KMQV-FM Inc., CBS Radio Media Corporation, CBS Radio Network Inc., CBS Radio Promotions Group Inc., CBS Radio Sales Company, CBS Radio Services Inc., CBS Radio Stations Inc., CBS Radio Technical Services Inc., CBS Radio Texas Inc., CBS Radio Tower Inc., CBS Radio Ventures Inc., CBS Radio WPGC (AM) Inc., Cox Radio Inc., Cumulus Media Inc., Cumulus Media Partners LLC, Entercom Austin LLC, Entercom Boston LLC, Entercom Buffalo LLC, Entercom Capital Inc., Entercom Communications Corp., Entercom Denver LLC, Entercom Gainesville LLC, Entercom Greensboro LLC, Entercom Greenville LLC, Entercom Incorporated, Entercom Indianapolis LLC, Entercom Kansas City LLC, Entercom Madison LLC, Entercom Memphis LLC, Entercom Milwaukee LLC, Entercom New Orleans LLC, Entercom Norfolk LLC, Entercom Portland LLC, Entercom Properties LLC, Entercom Providence LLC, Entercom Radio LLC, Entercom Rochester LLC, Entercom Sacramento LLC, Entercom San Francisco LLC, Entercom Seattle LLC, Entercom Springfield LLC, Entercom Wichita LLC, Entercom Wilkes-Barre Scranton LLC, Intercoms Inc., Greater Media Holdco LLC, Greater Media Inc., Greater Media Radio Inc., Townsquare Media Abilene LLC, Townsquare Media Amarillo LLC, Townsquare Media Billings LLC, Townsquare Media Bozeman LLC, Townsquare Media Broadcasting LLC, Townsquare Media Casper LLC, Townsquare Media Cheyenne LLC, Townsquare Media Duluth LLC, Townsquare Media Inc., Townsquare Media LLC, Townsquare Media Lake Charles LLC, Townsquare Media Laramie LLC, Townsquare Media Lawton LLC, Townsquare Media Lubbock LLC, Townsquare Media Lufkin LLC, Townsquare Media Missoula LLC, Townsquare Media Pocatello LLC, Townsquare Media Shelby LLC, Townsquare Media Shreveport LLC, Townsquare Media Texarkana LLC, Townsquare Media Tri-Cities LLC, Townsquare Media Twin Falls LLC, Townsquare Media Tyler LLC, Townsquare Media Victoria LLC, Townsquare Media West Central Holdings LLC, Townsquare Media West Central Intermediate Holdings LLC, Townsquare Media West Central Radio Broadcasting LLC, Townsquare Media Yakima LLC, Townsquare Media of Albany Inc., Townsquare Media of Albany and Lafayette Inc., Townsquare Media of Bloomington Inc., Townsquare Media of Buffalo Inc., Townsquare Media of El Paso Inc., Townsquare Media of Evansville/Owensboro Inc., Townsquare Media of Flint Inc., Townsquare Media of Ft. Collins Inc., Townsquare Media of Grand Rapids Inc., Townsquare Media of Lafayette LLC, Townsquare Media of Midwest LLC, Townsquare Media of Peoria Inc., Townsquare Media of St. Cloud Inc., Townsquare Media of Utica/Rome Inc., and Townsquare Media Wichita Falls LLC.

due to a recognition by the U.S. Patent Office that there is a “substantial new question of patentability.”² Whether Judge Stark will decide to stay the case is a matter that is left to his discretion and there is no guarantee either way. His decision, however, will likely be provided in November of this year.

Briefing for this motion to stay the case was completed on August 26, 2010. In the meantime, discovery requests and responses (i.e., interrogatories and document requests) are being served and the case is currently moving forward.

Judge Stark will hear oral argument on the motion to stay on October 27th at 3:30 in Courtroom 6B in Wilmington. In the interim and until he makes a decision, this case will move forward. It appears that the Townsquare defendants have settled because they were dismissed from the case with prejudice on July 26th.

License/Settlement Offer – MAD is offering to license these patents which, as noted above, are going through reexam, as well as U.S. Patent Nos. 6,067,562 and 6,295,555 at a negotiated rate. Their proposed license has a “To Be Determined” place for the negotiated amount, but the apparently standard provision for “acquiring ownership of a broadcast radio station or streaming on-line audio station, or becoming the beneficiary of a trust holding such an entity,” is as follows:

Additional Royalties Due (per Station) for Additions to Exhibit A

Tier	Markets	2012	2013	2014
#1	1-20	\$20,000	\$13,000	\$6,000
#2	21-50	\$15,000	\$ 9,750	\$4,500
#3	51-100	\$10,000	\$ 6,500	\$3,000
#4	101-150	\$ 7,000	\$ 4,500	\$2,000
#5	151-200	\$ 3,500	\$ 2,250	\$1,000
#6	201-250	\$ 2,000	\$ 1,250	\$ 550
#7	251-290	\$ 800	\$ 500	\$ 225
#8	Unranked	\$ 400	\$ 250	\$ 100

Tiers and markets as presented in the table above are constructed with respect to the market size rating for the Radio Station as published by Arbitron Inc. in its Market Survey schedule & Populations Rankings using the version of such report last published by Arbitron Inc. prior to the date of addition of the station to Exhibit A.³

MAD's proposed license terms also state that “[i]f such an addition is made on or before December 31, 2012, no additional payment obligation shall be due for the first Five (5) Radio Stations added.” MAD's proposed license then states that no more than 25 stations can be added during the term of the license. These patents expire in May of 2014 and some may expire earlier. This explains the prorated amounts in 2014 above.

² See Reexaminations 90/011,813 and 90/011,812.

³ It is not confirmed that Mission Abstract is using the same figures for all radio station owners that they contact.

Considerations – If you receive a letter from MAD or its lawyers, the following factors, among others, should be taken into consideration as you evaluate your position. First, patent infringement litigation and the threat of it are matters to be taken very seriously. For that reason, you should speak with a registered U.S. patent attorney, to consider your risks and options. Second, if you have not already done so, it would be prudent for you to locate the original contract and contact the party or parties who supplied the equipment/software that contain or supply the allegedly infringing capabilities, at least to provide notice as well as to request indemnification. Third, you should review your company's insurance policy and consider notifying the insurance company of the letter from MAD and any implicit threat of infringement litigation contained within it. Finally, before you make a final decision whether and, if so, how best to respond to MAD's letter, make sure that you have an update on the patent infringement litigation. The reason is that the judge may stay the case pending U.S. Patent Office reexamination of the patents, and the Patent Office may ultimately reject the patents as invalid.

If you would like to have more information, or would like to discuss the risks/options, please contact the Pillsbury attorney with whom you regularly work, or the authors of this alert.

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