

# **EXHIBIT 7**

## **(Part 1 of 3)**

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UNITED STATES DISTRICT COURT

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NORTHERN DISTRICT OF CALIFORNIA

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NETFLIX, INC., a Delaware corporation,

Case No. C 06 2361 WHA

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Plaintiff,

**[AMENDED] [CORRECTED] NETFLIX'S  
DISCLOSURE OF ASSERTED CLAIMS  
AND PRELIMINARY INFRINGEMENT  
CONTENTIONS FOR U.S. PATENT NOS.  
7,024,381 AND 6,584,450**

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v.

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BLOCKBUSTER, INC., a Delaware  
14 corporation, DOES 1-50,

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Defendant.

Complaint filed: April 4, 2006

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1 Pursuant to Patent L.R. 3-1 and 3-2, Plaintiff Netflix, Inc. (“Netflix”) hereby discloses its  
2 asserted claims and preliminary infringement contentions and identifies the accompanying  
3 document production for U.S. Patent Nos. 7,024,381 (the “381 Patent”) and 6,584,450 (the  
4 “450 Patent”).

5 **INTRODUCTION**

6 This disclosure is made solely for the purpose of this action. This disclosure is subject to  
7 all objections as to competence, relevance, materiality, propriety, and admissibility, and to any  
8 and all other objections on any grounds that would require the exclusion of statement contained  
9 herein if such disclosure were asked of, or statements contain herein were made by, a witness  
10 present and testifying in court, all of which objections and grounds are expressly reserved and  
11 may be interposed at the time of trial.

12 Discovery in this matter is still at a very early stage and is ongoing. Indeed, Netflix has  
13 still obtained no discovery from Defendant Blockbuster Inc. (“BBI”) regarding the  
14 BLOCKBUSTER Online® system, or its architecture, its implementation, or its operating  
15 software, hardware and other. Netflix’s investigation regarding past and present grounds of  
16 infringement is ongoing.

17 Netflix’s disclosure is given without prejudice to Netflix’s right to add to, supplement,  
18 amend, or modify its disclosure as additional facts are ascertained, analyses are made, research is  
19 completed, and claims are construed. Netflix’s disclosure is not and cannot be complete at this  
20 time and is subject to revision.

21 **PRELIMINARY INFRINGEMENT CONTENTIONS FOR**  
22 **U.S. PATENT NOS. 7,024,381 AND 6,584,450**

23 Netflix’s Preliminary Infringement Contentions pursuant to Patent L.R. 3-1(a)-(c) for the  
24 ‘381 Patent and the ‘450 Patent are provided respectively as Exhibits A and B, wherein each  
25 claim that is allegedly infringed is identified [hereinafter “asserted claims”].

26 Pursuant to Patent L.R. 3-1(d), Netflix contends that each element of each asserted claim  
27 listed in Exhibits A and B is literally present in the Accused Methods or Systems based upon the  
28 information known to Netflix as of this date. Netflix reserves the right to assert infringement

1 under the doctrine of equivalents after further discovery of BLOCKBUSTER Online®'s  
2 methods and systems, and after claims are construed.

3 Pursuant to Patent L.R. 3-1(e), Netflix contends that the asserted claims of the '381 and  
4 '450 Patents are entitled to a priority date of at least as early as July 20, 1999.

5 Wishing to preserve its right to rely on the assertion that its own methods and systems  
6 practice the claimed invention pursuant to Patent L.R. 3-1(f), Netflix discloses that it practices  
7 each asserted claim in both the '391 and '450 Patents.

8 **NETFLIX'S DISCLOSURE OF DOCUMENTS**

9 Pursuant to Patent L.R. 3-2(a), Netflix has identified documents Bates Nos.  
10 NFLIX0018740 through NFLIX0018796. Pursuant to Patent L.R. 3-2(b), Netflix has identified  
11 documents Bates Nos. NFLIX0018797 through NFLIX0020927. Pursuant to Patent L.R. 3-2(c),  
12 Netflix has produced documents Bates Nos. NFLIX0000001 through NFLIX00002517.

13 Discovery in this matter is still at an early stage and is ongoing. Consequently, Netflix  
14 continues to investigate the facts relating to this action. Netflix anticipates that, as this action  
15 proceeds, further documents may be discovered, or their significance better understood, and  
16 Netflix reserves the right to modify, amend, and/or supplement its responses with such pertinent  
17 documents.

18  
19 Dated: July 28, 2006

KEKER & VAN NEST, LLP

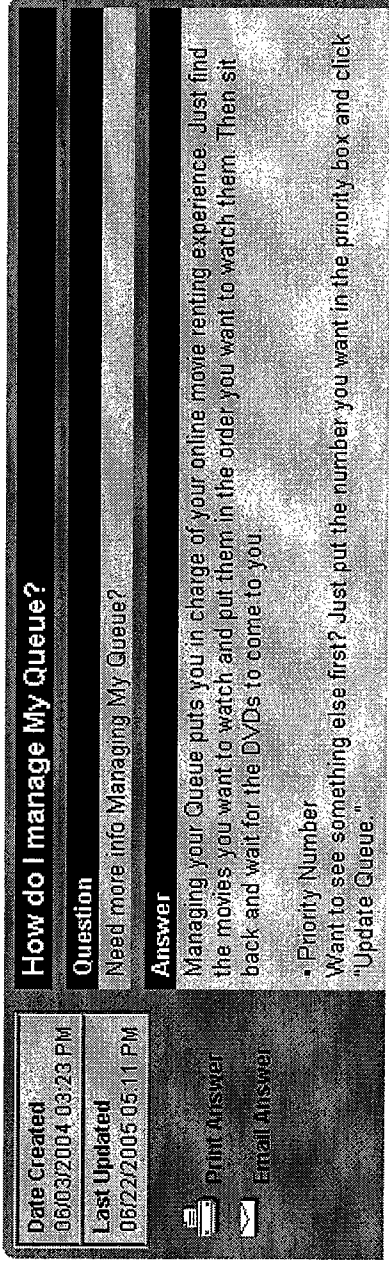
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22 By: /s/ Daralyn Durie \_\_\_\_\_  
23 DARALYN DURIE  
24 Attorneys for Plaintiff  
25 NETFLIX, INC.  
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**EXHIBIT A**

U.S. PATENT NO. 7,024,381

CLAIM LANGUAGE	ACCUSED METHODS/SYSTEMS
<p>1. A computer-implemented method for renting movies to customers, the method comprising:</p>	<p>1. BLOCKBUSTER Online® (the accused instrumentality) employs a computer-implemented method for renting movies to customers.</p> <p>See <a href="http://www.blockbuster.com">www.blockbuster.com</a></p> <p>1a. BLOCKBUSTER Online® provides electronic digital information that causes one or more attributes of movies to be displayed to the customer.</p>
<p>providing electronic digital information that causes one or more attributes of movies to be displayed;</p>	<div data-bbox="479 115 917 472"> <p><b>How does the search feature work?</b></p> <p><b>Question</b> How does the search feature work?</p> <p><b>Answer</b> The Search function can help you find movies, games and other content from throughout BLOCKBUSTER Online. Know the name of the movie you desire? Type it in the Search bar at the top of the page. The search results will be sorted by tabs for movies, actors and directors, and games associated with the words you entered. The most relevant results will be listed at the top, and the tab (movies, actors and directors, or games) containing the greatest number of relevant results will be opened. The number of results for each tab will appear in parenthesis next to the tab name. Use the <u>Advanced Search</u> to narrow your search results.</p> </div> <div data-bbox="479 472 917 1186"> <p>Date Created: 06/03/2004 03:06 PM Last Updated: 03/16/2006 08:42 AM</p> <p>Print Answer Email Answer</p> </div>
<p>establishing, in electronic digital form,</p>	<div data-bbox="592 115 1031 472"> <p><b>What is the function of the Actors &amp; Directors tab?</b></p> <p><b>Question</b> What is the function of the Actors &amp; Directors tab?</p> <p><b>Answer</b> The Actors &amp; Directors tab lists all people in our database who matched your search term. The names are listed in order of relevance to the search term, with actor or director listed in parenthesis next to the name.</p> <p>This tab is helpful if you are trying to find a movie and you know who was in it, but can't think of the title. Enter the actor's name in the Search bar. In most cases, this will bring up the Actors &amp; Directors tab with a list of actors matching the name you entered. Click on the actor's name and look through his or her filmography to find the movie you want.</p> </div> <div data-bbox="592 472 1031 1186"> <p>Date Created: 06/03/2004 03:14 PM Last Updated: 06/22/2005 05:11 PM</p> <p>Print Answer Email Answer</p> </div>
<p>1b. From electronic digital information received over the Internet, BLOCKBUSTER Online® establishes an</p>	<p>“Frequently Asked Questions,” at <a href="http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php">http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php</a></p>

U.S. PATENT NO. 7,024,381

CLAIM LANGUAGE	ACCUSED METHODS/SYSTEMS
<p>from electronic digital information received over the Internet, a movie rental queue associated with a customer comprising an ordered list indicating two or more movies for renting to the customer;</p>	 <p>The screenshot shows a web page with the following content:</p> <ul style="list-style-type: none"> <li><b>Date Created:</b> 06/03/2004 03:23 PM</li> <li><b>Last Updated:</b> 06/22/2005 05:11 PM</li> <li><b>Question:</b> Need more info Managing My Queue?</li> <li><b>Answer:</b> Managing your Queue puts you in charge of your online movie renting experience. Just find the movies you want to watch and put them in the order you want to watch them. Then sit back and wait for the DVDs to come to you.             <ul style="list-style-type: none"> <li>• Priority Number</li> </ul>             Want to see something else first? Just put the number you want in the priority box and click "Update Queue."         </li> <li>Buttons: Print Answer, Email Answer</li> </ul>
<p>causing to be delivered to the customer up to a specified number of movies based upon the order of the list;</p>	<p>"Frequently Asked Questions," at <a href="http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php?">http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php?</a></p> <p>1c. BLOCKBUSTER Online® causes to be delivered to the customer up to a specified number of movies based upon the order of the list.</p> <p>"BLOCKBUSTER Online® will automatically ship titles to a [customer] up to a [customer's] maximum number of outstanding BLOCKBUSTER Online® Rentals, from and in the order that [customers] have listed in [their] rental queue, subject to availability." <b>Selection and Allocation of Product, BLOCKBUSTER Online® RENTAL TERMS AND CONDITIONS</b></p>
<p>in response to one or more delivery criteria being satisfied, selecting another movie based upon the order of the list and causing the selected movie to be delivered to the customer; and</p>	<p>1d. In response to delivery criteria being satisfied (e.g. receipt of a movie, report of an issue with a DVD, or the occurrence of a specified date), BLOCKBUSTER Online® selects another movie based on the order of the list and causes that selected movie to be delivered to the customer.</p> <p><b>Unlimited DVD Rentals</b>              For only \$17.99 a month (plus taxes) you can rent all the movies you want. Have up to 3 DVDs out at a time. Keep the DVDs as long as you want. When you're done with a DVD, just send it back in the provided postage paid envelope. We'll send you another selection from your rental queue. Keep your queue full and keep the movies coming.</p> <p>"How it Works", at <a href="http://www.blockbuster.com/homepages/displayPage.action?channel1=Sign+In+Sign+Up&amp;channel2=findoutmore&amp;nav=false&amp;cctr=homehowitworks">http://www.blockbuster.com/homepages/displayPage.action?channel1=Sign+In+Sign+Up&amp;channel2=findoutmore&amp;nav=false&amp;cctr=homehowitworks</a></p>

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CLAIM LANGUAGE

ACCUSED METHODS/SYSTEMS

Date Created  
06/03/2004 11:11 AM  
Last Updated  
03/16/2006 08:42 AM

Print Answer  
Email Answer

**How do I report DVD Issues: did not receive a DVD, my DVD has not been received, my DVD is damaged?**

**Question**

How do I report an issue with a DVD?

**Answer**

You may report a DVD issue if a DVD is damaged or unplayable. You may also report the issue if a title does not show as checked in after 3 business days, or you have not received a title that we shipped after 3 business days.

Make sure you are logged into our website, go to My Account and select Report DVD Issues. This function will allow you to have the same title resent, or the next available title in your queue sent, and help us follow up with the postal service. In cases where you have returned a DVD and it has not been received by our return center, it will allow the next DVD in your queue to be shipped.

“Frequently Asked Questions,” at [http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std\\_alp.php](http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php)

in response to other electronic digital information received from the customer over the Internet, electronically updating the movie rental queue.

1. In response to electronic digital information received from the customer over the Internet, BLOCKBUSTER Online® electronically updates the movie rental queue.

Date Created  
06/03/2004 11:22 AM  
Last Updated  
06/22/2005 05:11 PM

Print Answer

**How do I re-order the movies within my Queue?**

**Question**

How do I re-order the movies within my Queue?

**Answer**

Click on My Queue. Place numbers in the priority boxes to indicate your order of preference for the movies you have selected. Then, click Update Queue.

“Frequently Asked Questions,” at [http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std\\_alp.php](http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php)

2. A computer-implemented method as recited in Claim 1, wherein updating the movie rental queue comprises changing the order of the two or more movies for renting to the customer.

2. In response to electronic digital information received from the customer over the Internet, BLOCKBUSTER Online® updates the movie rental queue by changing the order of movies contained within the movie rental queue.



CLAIM LANGUAGE

ACCUSED METHODS/SYSTEMS

<p>3. A computer-implemented method as recited in Claim 1, wherein updating the movie rental queue comprises indicating an additional movie in the ordered list.</p>	<div data-bbox="243 1197 487 1449"> <p>Date Created 06/03/2004 11:22 AM</p> <p>Last Updated 06/22/2005 05:11 PM</p> <p> Print Answer</p> </div> <div data-bbox="243 525 487 1176"> <p><b>How do I re-order the movies within my Queue?</b></p> <p><b>Question</b> How do I re-order the movies within my Queue?</p> <p><b>Answer</b> Click on My Queue. Place numbers in the priority boxes to indicate your order of preference for the movies you have selected. Then, click "Update Queue."</p> </div> <p>“Frequently Asked Questions,” at <a href="http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php">http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php</a></p>
<p>3. In response to electronic digital information received from the customer over the Internet, BLOCKBUSTER Online® updates the movie rental queue by adding an additional movie to the movie rental queue.</p>	<div data-bbox="657 1197 901 1449"> <p>Date Created 06/03/2004 11:17 AM</p> <p>Last Updated 06/22/2005 05:11 PM</p> <p> Print Answer</p> </div> <div data-bbox="657 525 901 1176"> <p><b>How do I add movies to my Queue?</b></p> <p><b>Question</b> How do I add movies to my Queue?</p> <p><b>Answer</b> Sign in, browse for the movie you want and click on "Add to My Queue." The movie is automatically added to the bottom of the list in the Queue.</p> </div> <p>“Frequently Asked Questions,” at <a href="http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php">http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php</a></p>
<p>4. A computer-implemented method as recited in Claim 1, wherein updating the movie rental queue comprises removing an indication of one or more of the movies from the ordered list.</p>	<div data-bbox="1079 1197 1323 1449"> <p>Date Created 06/03/2004 11:26 AM</p> <p>Last Updated 06/22/2005 05:11 PM</p> <p> Print Answer</p> </div> <div data-bbox="1079 525 1323 1176"> <p><b>How do I delete movies from my Queue?</b></p> <p><b>Question</b> How do I delete movies from my Queue?</p> <p><b>Answer</b> Click on My Queue. Check the "Remove" box next to any movie you would like to delete from the Queue. Then, click "Update Queue" and the movies will be removed.</p> </div> <p>“Frequently Asked Questions,” at <a href="http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php">http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php</a></p>



U.S. PATENT NO. 7,024,381


CLAIM LANGUAGE

5. A computer-implemented method as recited in Claim 1, wherein the two or more movies for renting to the customer are selected by the customer.

5. Customers select the two or more movies to be rented to the customer.

ACCUSED METHODS/SYSTEMS


<b>Date Created</b> 06/03/2004 03:23 PM	 <b>Print Answer</b>  <b>Email Answer</b>
<b>Last Updated</b> 06/22/2005 05:11 PM	
<b>How do I manage My Queue?</b>	
<b>Question</b> Need more info: Managing My Queue?	
<b>Answer</b> Managing your Queue puts you in charge of your online movie renting experience. Just find the movies you want to watch and put them in the order you want to watch them. Then sit back and wait for the DVDs to come to you. • Priority Number Want to see something else first? Just put the number you want in the priority box and click "Update Queue."	

<b>Date Created</b> 06/03/2004 11:17 AM	 <b>Print Answer</b>
<b>Last Updated</b> 06/22/2005 05:11 PM	
<b>How do I add movies to my Queue?</b>	
<b>Question</b> How do I add movies to my Queue?	
<b>Answer</b> Sign in, browse for the movie you want and click on "Add to My Queue." The movie is automatically added to the bottom of the list in the Queue.	

"Frequently Asked Questions," at [http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std\\_alp.php](http://blockbuster.custhelp.com/cgi-bin/blockbuster.cfg/php/enduser/std_alp.php)?

6. A computer-implemented method as recited in Claim 1, further comprising determining the order of the two or more movies based upon one or more preferences of the customer.

6. Customers can determine the order of the two or more movies in their movie rental queue by using their priority boxes.

<b>Date Created</b> 06/03/2004 11:22 AM	 <b>Print Answer</b>
<b>Last Updated</b> 06/22/2005 05:11 PM	
<b>How do I re-order the movies within my Queue?</b>	
<b>Question</b> How do I re-order the movies within my Queue?	
<b>Answer</b> Click on My Queue. Place numbers in the priority boxes to indicate your order of preference for the movies you have selected. Then, click "Update Queue."	

"Frequently Asked Questions," at <http://blockbuster.custhelp.com/cgi->