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9 Attorneys for Defendant and Counterclaimant,
 Blockbuster Inc.

11 UNITED STATES DISTRICT COURT
 12 NORTHERN DISTRICT OF CALIFORNIA

13 NETFLIX, INC., a Delaware corporation,

14 Plaintiff,

15 vs.

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

17 Defendants.

19 BLOCKBUSTER INC., a Delaware
 corporation,

20 Counterclaimant,

21 vs.

22 NETFLIX, INC., a Delaware corporation,

23 Counterclaim Defendant.

CASE NO. C 06 2361 WHA

**BLOCKBUSTER'S FINAL
 INVALIDITY CONTENTIONS
 FOR U.S. PATENT NO.
 7,024,381**

Complaint Filed: April 4, 2006

25 Pursuant to Patent Local Rule 3-6, Defendant and Counterclaimant
 26 Blockbuster Inc. hereby states its Final Invalidity Contentions as to United States
 27 Patent No. 7,024,381 issued on April 4, 2006 ("the '381 Patent").
 28

1 This statement of Final Invalidity Contentions is based on the
2 information currently available to Blockbuster and is subject to revision. Discovery
3 remains pending, and other investigations are still in progress. This statement is
4 provided without prejudice to all rights to supplement or modify Blockbuster's
5 contentions as additional information is obtained, further research and analysis are
6 completed, and patent claims are construed. This statement is also made without
7 waiver or limitation of any attorney-client privilege, work product protection or any
8 other privileges or evidentiary objections whatsoever.

9
10 **I. INVALIDITY CONTENTIONS BASED ON 35 U.S.C. §§ 102 AND 103**

11
12 **A. IDENTIFICATION OF PRIOR ART**

13 **1 Prior Art Patents and Published Patent Applications**

14 Prior art patents and published patent applications identified for
15 purposes of these Final Invalidity Contentions are listed in Exhibit A attached
16 hereto.

17 **2 Prior Art Publications**

18 Prior art publications (other than published applications) identified for
19 purposes of these Final Invalidity Contentions are listed in Exhibit B attached
20 hereto.

21 **3 Prior Art Public Use**

22 Prior art public use, public knowledge, sales, and offers for sale
23 identified for purposes of these Final Invalidity Contentions are listed in Exhibit C
24 attached hereto.

25
26 **B. CLASSIFICATIONS, COMBINATIONS AND MOTIVATIONS**

27 Classifications, combinations and motivations for combinations of
28 prior art are listed in Exhibits D (Part 1), E (Part 2) and F (Part 3) attached hereto.

1 **C. CLAIM CHARTS**

2 **1 Claims 1 through 13**

3 A Claim Chart for Claims 1 through 13 of the '381 Patent is attached
4 hereto as Exhibit G.

5 **2 Claims 14 through 23**

6 A Claim Chart for Claims 14 through 23 of the '381 Patent is attached
7 hereto as Exhibit H.

8 **3 Claims 24 through 33**

9 A Claim Chart for Claims 24 through 33 of the '381 Patent is attached
10 hereto as Exhibit I.

11 **4 Claims 34 through 43**

12 A Claim Chart for Claims 34 through 43 of the '381 Patent is attached
13 hereto as Exhibit J.

14 **5 Claims 44 through 51**

15 A Claim Chart for Claims 44 through 51 of the '381 Patent is attached
16 hereto as Exhibit K.

17
18 **II. INVALIDITY CONTENTIONS BASED ON 35 U.S.C. § 112**

19 Claims 1-51 of the '381 Patent are invalid for failing to comply with
20 the requirements of 35 U.S.C. § 112.

21
22 **A. 35 U.S.C. § 112, PARAGRAPH 2**

23 The '381 Patent and all claims thereof are invalid for indefiniteness
24 under 35 U.S.C. § 112 ¶ 2.

25 Blockbuster's grounds for this contention include, without limitation,
26 that the following claim terms are indefinite:

- 27 (1) "computer-implemented method;"
28 (2) "renting;"

- 1 (3) “providing electronic digital information;”
- 2 (4) “attributes;”
- 3 (5) “movie rental queue;”
- 4 (6) “associated with a customer;”
- 5 (7) “ordered list;”
- 6 (8) “causing to be delivered to the customer up to a specified
- 7 number of movies;”
- 8 (9) “based upon the order of the list;”
- 9 (10) “selecting another movie based upon the order of the list;”
- 10 (11) “electronically updating the movie rental queue;”
- 11 (12) “determining the order of the two or more movies based upon
- 12 one or more preferences of the customer;”
- 13 (13) “a number of movies delivered to the customer and not yet
- 14 returned does not exceed the specified number;”
- 15 (14) “establishing over the Internet a rental agreement with a
- 16 customer that provides for charging the customer a periodic fee;”
- 17 (15) “a computer system;”
- 18 (16) “a computer that is coupled to a digital telecommunications
- 19 network by a digital telecommunications link;”
- 20 (17) “an electronic digital memory in the computer;”
- 21 (18) “one or more sequences of computer program instructions stored
- 22 in the electronic digital memory which, when executed, cause the computer to
- 23 performer the steps of;”
- 24 (19) “computer-implemented steps;” and
- 25 (20) “movie selection criteria.

26 In addition, claims 44 through 51 of the '381 Patent are invalid for
27 indefiniteness under § 112 ¶ 2 because they recite both an apparatus and a method
28 of using that apparatus. Such claims are invalid under 35 U.S.C. § 112 ¶ 2. *See*

1 *IPXL Holdings v. Amazon.com, Inc.*, 430 F.3d 1377, 1384-85 (Fed. Cir. 2005); *see*
2 *also Amgen, Inc. v. Chugai Pharm. Co.*, 927 F.2d 1200, 1217 (Fed. Cir. 1991) (A
3 claim is considered indefinite if it does not reasonably apprise those skilled in the
4 art of its scope).

5 “The Board of Patent Appeals and Interferences (‘Board’) of
6 the PTO . . . has made it clear that reciting both an apparatus
7 and a method of using that apparatus renders a claim indefinite
8 under section 112, paragraph 2. *Ex parte Lyell*, 17 USPQ 2d
9 1548 (1990). . . . This rule is well recognized and has been
10 incorporated into the PTO’s *Manual of Patent Examination*
11 *Procedure*. § 2173.05(p)(II) (1999) (‘A single claim which
12 claims both an apparatus and the method steps of using the
13 apparatus is indefinite under 35 U.S.C. 112, second
14 paragraph.’); *see also* Robert C. Faber, *Landis on Mechanics*
15 *of Patent Claim Drafting* § 60A (2001) (‘Never mix claim
16 types to different classes of invention in a single claim.’).”

17 IPXL, 430 F.d at 1384.

18

19 **B. 35 U.S.C. § 112, PARAGRAPH 1**

20 Blockbuster contends that the ’381 Patent and all claims thereof are
21 invalid for failure to comply with the written description requirement under
22 35 U.S.C. § 112 ¶ 1.

23 Blockbuster’s grounds for this contention include, without limitation,
24 that the specification of the ’381 Patent does not describe the limitation of
25 “providing electronic digital information that causes one or more attributes of
26 movies to be displayed,” as recited in all claims of the ’381 Patent. As a result, all
27 of the claims of the ’381 Patent are invalid for lack of a written description under
28 35 U.S.C. § 112, ¶ 1.

1 The Court's Patent Local Rules do not require any disclosure in Final
2 Invalidation Contentions concerning best-mode defenses. *Fresenius Med. Care*
3 *Holdings, Inc. v. Baxter Int'l, Inc.*, No. C 03-1431 SBA, 2006 WL 1329997 (N.D.
4 Cal. May 15, 2006); *see* Pat. L.R. 3-3(d). Blockbuster provides the following
5 information as a courtesy, without prejudice to its presentation of any additional or
6 different defenses at any time.

7 Blockbuster contends that the '381 Patent and all claims thereof are
8 invalid for failure to disclose best mode as required by 35 U.S.C. § 112 ¶ 1.

9 Blockbuster's grounds for this contention include, without limitation,
10 the following:

11 1. Claims of the '381 Patent recite selecting movies for delivery to
12 a customer. The '381 Patent does not disclose any mode of selecting movies that
13 prioritizes between requests of different customers. For example, and without
14 limitation:

15 a. The '381 Patent does not disclose any mode of selecting
16 movies for customers that takes into account how often a customer returns
17 movies and receives new ones;

18 b. The '381 Patent does not disclose any step, method,
19 device, or feature for categorizing customers or varying the speed or priority
20 of, or location used for, fulfilling a customer's rental request because of the
21 number or frequency of the customer's rentals.

22 2. Claims of the '381 Patent recite delivery of movies to customers
23 and delivery by mail.

24 a. The '381 Patent does not disclose any mode of delivery of
25 movie to customers by mail that includes any particular type, design, or
26 features for the envelope or package used for such delivery. Indeed, the '381
27 Patent does not refer to an envelope or packaging at all.

28

1 b. The '381 Patent does not disclose any particular type,
2 design, or feature for return of monies by a customer.

3 c. The '381 Patent does not disclose any step, method,
4 device or feature involving or including delivery of a single disk and not
5 multiple disks in each envelope or package delivered by mail.

6 d. The '381 Patent does not disclose any step, method,
7 device or feature involving or including use of letter-shaped or rectangular
8 envelopes or packages.

9
10 **III. INVALIDITY CONTENTIONS BASED ON 35 U.S.C. § 101**

11 The Court's Patent Local Rules do not require any disclosure in Final
12 Invalidation Contentions concerning § 101 defenses. *See* Pat. L.R. 3-3(d).
13 Blockbuster presents the following information as a courtesy, without prejudice to
14 its presentation of any additional or different defense at any time in the future.

15 Claims 1-51 of the '381 Patent are invalid under 35 U.S.C. § 101.

16
17 **A. UNPATENTABLE SUBJECT MATTER**

18 Blockbuster contends that the '381 Patent and each and every
19 individual claim thereof are invalid under 35 U.S.C. § 101 because the subject
20 matter of each such claim is not patentable under that section or under Article I,
21 Section 8 of the United States Constitution. Blockbuster's grounds for these
22 contentions include, without limitation:

23 1. Each such claim fails to set forth a patentable invention or
24 "discovery" by an "inventor" within the meaning of Article I, Section 8;

25 2. Each such claim fails to set forth a patentable invention under
26 38 U.S.C. § 101;

27 3. Each such patent and claim improperly attempts to provide
28 patent protection for a business method;

