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2009 NOV 12 AM 11:24
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Attorneys for Plaintiffs
ULTRAMERCIAL, LLC;
ULTRAMERCIAL, INC.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

ULTRAMERCIAL, LLC;
ULTRAMERCIAL, INC.

Plaintiffs,

vs.

HULU, LLC; YOUTUBE, LLC;
WILDTANGENT INC.

Defendants.

) Case No. CV09-06918 RGK

) **FIRST AMENDED COMPLAINT**
) **FOR PATENT INFRINGEMENT**

) **DEMAND FOR JURY TRIAL**

) CTRM: 850
) JUDGE: Hon. R. Gary Klausner

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1 For its First Amended Complaint against HULU, LLC (“Hulu”); YOUTUBE,
2 LLC (“YouTube”) and WILDTANGENT, INC. (“WildTangent”) (collectively, Hulu,
3 YouTube and WildTangent shall be referred to as “Defendants”), Plaintiffs
4 ULTRAMERCIAL, LLC and ULTRAMERCIAL, INC. (collectively, Ultramercial,
5 LLC and Ultramercial, Inc. shall be referred to as “Ultramercial” or “Plaintiff”)
6 alleges as follows:

7 **THE PARTIES**

8 1. Plaintiff Ultramercial, LLC is a limited liability company duly organized
9 and existing under the laws of the State of Delaware, with its principal place of
10 business at 32200 Valor Pl., Rancho Palos Verdes, CA 90275. Plaintiff Ultramercial,
11 Inc. is a corporation duly organized and existing under the laws of the State of
12 Delaware, with its principal place of business at 32200 Valor Pl., Rancho Palos
13 Verdes, CA 90275. Collectively, Ultramercial, LLC and Ultramercial, Inc. shall be
14 referred to as “Plaintiff” or “Ultramercial”. Ultramercial is the assignee of all right,
15 title and interest to U.S. Patent No.7,346,545 B2 (the ‘545 patent” or “Patent-in-
16 Suit”).

17 2. Defendant YouTube, LLC (“YouTube”) is a limited liability company
18 duly organized and existing under the laws of the State of Delaware, with its principal
19 place of business at 901 Cherry Ave., San Bruno, CA 94066. Upon information and
20 belief YouTube operates a website located at <http://www.youtube.com>.

21 3. Defendant Hulu, LLC (“Hulu”) is a limited liability company duly
22 organized and existing under the laws of the State of Delaware, with its principal
23 place of business at 12312 W. Olympic Blvd., Los Angeles, CA 90064. Upon
24 information and belief Hulu operates a website located at <http://www.hulu.com>.

25 4. Defendant WildTangent, Inc. (“WildTangent”) is a limited liability
26 company duly organized and existing under the laws of the State of Delaware, with its
27 principal place of business at 18578 NE 67th Court, Bldg. 5, Redmond, WA 98052.
28 Upon information and belief WildTangent operates a website located at

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1 http://www.wildtangent.com.

2 **NATURE OF THE ACTION**

3 5. In this civil action, Plaintiff seeks damages and injunctive relief against
4 Defendant for acts of patent infringement in violation of the Patent Act of the United
5 States, 35 U.S.C. §§ 1 et seq.

6 **JURISDICTION AND VENUE**

7 6. This Court has subject matter jurisdiction of such federal question claims
8 pursuant to 28 U.S.C. §§ 1331 and 1338(a).

9 7. Venue is proper under 28 U.S.C. §§ 1391(c) and 1400(b), in that the acts
10 and transactions complained of herein were conceived, carried out, made effective, or
11 had effect within the State of California and within this district, among other places.
12 On information and belief, each of the Defendants resides in this judicial district by
13 virtue of its business activities in this district. Each of the Defendants is licensed to
14 do business in California by the California Secretary of State.

15 8. On information and belief, this Court has personal jurisdiction over each
16 of the Defendants.

17 **PLAINTIFF ULTRAMERCIAL AND**
18 **ULTRAMERCIAL'S PATENTED INVENTION**

19 9. On March 18, 2008, the United States Patent & Trademark Office
20 ("USPTO"), after a full and fair examination, duly and legally issued United States
21 Patent No. 7,346,545 B2 ("the '545 Patent"), entitled "METHOD AND SYSTEM
22 FOR PAYMENT OF INTELLECTUAL PROPERTY ROYALTIES BY
23 INTERPOSED SPONSOR ON BEHALF OF CONSUMER OVER A
24 TELECOMMUNICATIONS NETWORK." The '545 Patent was filed on May 29,
25 2001 and relies on U.S. Provisional Application No. 60/207,941, filed on May 27,
26 2000, for priority. A true and correct copy of the '545 Patent is attached as Exhibit 1
27 and incorporated herein by reference.

28 10. The '545 Patent, filed in the USPTO on May 29, 2001, claims an

1 invention for distributing products covered by intellectual property rights over a
2 network, such as the internet, in which the products are “gated” and monetized
3 through a sponsoring advertiser. In particular, the invention enables a network
4 location, such as a website, to offer content, subject to intellectual property rights
5 owned by third parties, to consumers by offering consumers access to the protected
6 content, without charge, in exchange for viewing sponsored advertising. Revenue
7 derived from the sponsored advertising, specifically associated with the protected
8 content, is then used, at least in part, to compensate the owner of the protected
9 content.

10 11. Plaintiff Ultramercial is a technology company offering patented systems
11 for monetizing online content. Ultramercial offers advertising services which allow,
12 in part, websites to offer consumers access to copyrighted content, without charge, in
13 exchange for viewing sponsored advertising. Ultramercial further matches sponsors
14 and sponsored advertisements with content subject to intellectual property protection,
15 gates the content subject to protection with the sponsored advertisements, and
16 compensates owners of the protected content with funds generated from sponsors (the
17 “Ultramercial System”).

18 12. The Ultramercial System is a commercial embodiment of the ‘545 Patent
19 and has met with renowned success. More than 175 brand advertisers running over
20 700 advertising campaigns have utilized or currently utilize the Ultramercial System,
21 including such well known brands as Honda, Ford, E*Trade, Staples, Royal Bank of
22 Scotland, IBM, GE, Sony and HBO. The Ultramercial System has been used by
23 major media companies, including Salon.com, Walt Disney Internet Group, and The
24 Economist.

25 **DEFENDANT YOUTUBE AND ITS INFRINGING USE OF THE PATENTED**
26 **ULTRAMERCIAL SYSTEM**

27 13. Plaintiff incorporates herein by reference the allegations set forth in
28 paragraphs 1 - 12 of this Complaint as though fully set forth herein.

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1 14. YouTube is a well-known media company that makes video content
2 available to the public through its website located at <http://www.youtube.com>.
3 YouTube was created in February 2005 and less than two years later, in November
4 2006, YouTube was purchased by Google, Inc. ("Google") for \$1.65 billion.
5 YouTube is now operated as a subsidiary of Google.

6 15. YouTube promotional materials state that 75% of Americans watched a
7 video online last month and describes YouTube as "far and away the leader in this
8 space with hundreds of millions of videos viewed daily." See
9 www.youtube.com/advertise.

10 16. YouTube has approximately 71 million unique users each month viewing
11 the videos found on YouTube's website. In fact, as of 2008, it was reported that thirty
12 eight percent of all video streamed on the internet came from YouTube. See
13 <http://www.forbes.com/forbes/2008/0616/050.html>.

14 17. In addition to personal videos and other content uploaded by users,
15 YouTube also has partnership relationships with major content providers, allowing
16 premium content, including well known television shows, to be viewed online.

17 18. YouTube has partnership deals with thousands of content providers,
18 including major media companies such as CBS, BBC, The Sundance Channel, and
19 many more. See http://www.youtube.com/t/advertising_partners. Not surprisingly,
20 the content provided by the major media companies, including CBS, attracts the most
21 viewers, resulting in the most video views as compared to other content providers on
22 YouTube. See [http://www.nytimes.com/2008/12/11/business/media/](http://www.nytimes.com/2008/12/11/business/media/11youtube.html?_r=2)
23 [11youtube.html?_r=2](http://www.nytimes.com/2008/12/11/business/media/11youtube.html?_r=2).

24 19. In addition to being a well known video content provider on the internet,
25 YouTube is also a well known avenue for advertising. In fact, a large portion of
26 YouTube's website is devoted to explaining and promoting its advertising programs.

27 20. YouTube uses its relationships with well known content providers to
28 promote its advertising services, stating that its partnerships with its content providers

1 “and the wide range of content they represent provide appropriate environments for
2 brand marketers and countless opportunities for high-profile placements.” See
3 http://www.youtube.com/t/advertising_partners.

4 21. YouTube employs or has employed a variety of advertising techniques
5 including placing advertisements on the homepage at www.youtube.com, placing
6 banner advertising below the video content, and placing advertisements in front of
7 and within the content found on its website, requiring that the user view the sponsored
8 message before the user can view the view the content online for free.

9 22. A myriad of companies advertise on YouTube by placing sponsored
10 messages before and/or within the video content, requiring that the user agrees to
11 view the sponsored message before the user is allowed to view the video content for
12 free.

13 23. YouTube’s advertising techniques have been highly successful and it has
14 been reported that as of 2008 YouTube generated approximately \$200 million in
15 revenue, with a significant portion of that coming from advertising. In fact, it is
16 estimated that YouTube will increase that revenue to \$350 million in 2009. See
17 <http://www.forbes.com/forbes/2008/0616/050.html>.

18 24. In April of 2006, an employee working in Google business development,
19 Jason Harinstein, emailed Ultramercial. In the email Mr. Harinstein expressed an
20 interest in the Ultramercial System and in further developing ways in which Google
21 and Ultramercial could work together. Mr. Harinstein also requested a meeting to
22 learn more details about Ultramercial and its business.

23 25. On April 28, 2006, Ultramercial emailed a power point presentation on
24 the Ultramercial System to Mr. Harinstein for discussion. The Ultramercial power
25 point presentation pitched the Ultramercial System and contained many details
26 concerning the Ultramercial System, including the business metrics of the
27 Ultramercial System, as well as the proven success of the Ultramercial System. The
28 powerpoint presentation further disclosed that the Ultramercial System was protected

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1 by pending patents.

2 26. Shortly thereafter, Mr. Harinstein and other Google employees had a
3 telephone call with Ultramercial during which they inquired on Google's behalf about
4 to the scalability of the Ultramercial System and indicated that Google believed there
5 may be a way to utilize the Ultramercial System in making premium content available
6 to its users. Mr. Harinstein also stated that Google had been following Ultramercial in
7 newsletters and trade publications.

8 27. Discussions and communications between Ultramercial and Google
9 continued throughout the rest of 2006. At all times Google was informed that the
10 Ultramercial System was protected by pending patents.

11 28. On information and belief, Google's interest in Ultramercial was driven,
12 at least in part, by Google's intended acquisition of YouTube and Google's interest in
13 the possible uses of the Ultramercial System to benefit and grow YouTube.

14 29. In April, 2006, Ultramercial also discussed the Ultramercial System with
15 Tony Nethercutt, then an employee of Yahoo!. In order the further the discussions,
16 Ultramercial sent Mr. Nethercutt information on the Ultramercial System and
17 Ultramercial clients.

18 30. Soon thereafter, Mr. Nethercutt left Yahoo! for a new position at
19 YouTube, where he continued discussions and communications with Ultramercial
20 regarding the Ultramercial System and ways in which YouTube could utilize the
21 Ultramercial System to display their premium content.

22 31. Separate and independent from Ultramercial's discussions with Mr.
23 Nethercutt, and Google, Ultramercial was also pursuing a relationship with YouTube,
24 then an independent company, and pitching the Ultramercial System to YouTube.

25 32. The communications between and among Ultramercial, Google and
26 YouTube continued after Google's 2006 acquisition of YouTube. On February 13,
27 2007, Ultramercial met with Google employees, including Rajas Moonka, at Google's
28 offices located in Mountain View, California. At the meeting representatives of

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1 Ultramercial presented a powerpoint presentation entitled “Google and YouTube
2 Advertising Solutions for YouTube.” The Ultramercial presentation included
3 business metrics and details on the Ultramercial System, with specific
4 recommendations for how the Ultramercial System could be utilized by and benefit
5 YouTube.

6 33. Although Google and YouTube expressed interest in the Ultramercial
7 System, by July, 2007, Google employees, including, Mr. Moonka, ceased responding
8 timely to Ultramercial’s follow-up inquiries. When Mr. Moonka finally responded to
9 follow-up inquiries on July 12, 2007, he claimed that YouTube was “still running the
10 experiments and gradually rolling out some new ad offerings. This doesn't appear to
11 be a direction we're moving towards at the moment.”

12 34. In June, 2008, after additional inquiries, Ultramercial was again informed
13 by Mr. Harinstein at Google that the Ultramercial System was not consistent with
14 Google and/or YouTube’s vision and that “it doesn't seem we have a basis to work
15 together right now.”

16 35. In April, 2009, following press releases indicating that YouTube planned
17 on expanding its premium content, Ultramercial contacted Mr. Harinstein at Google
18 once again about opportunities to work together, but Ultramercial received no
19 response.

20 36. During the meetings, communications and discussions spanning over two
21 years, both YouTube and Google were informed that the Ultramercial System was
22 protected by a pending patent and both YouTube and Google were informed that the
23 ‘545 Patent had ultimately issued.

24 37. While YouTube and Google had initially expressed interest in the
25 Ultramercial System and the benefits the Ultramercial System might offer YouTube,
26 by in or about June 27, 2008, YouTube and Google ceased all communications with
27 Ultramercial regarding the use of the Ultramercial System for gating copyrighted
28 content on YouTube. Despite its representations that it had decided against using the

1 Ultramercial System, in or about June 15, 2009, YouTube began using the patented
2 Ultramercial System without permission to distribute and gate certain copyrighted
3 content over the internet.

4
5 **DEFENDANT HULU AND AND ITS INFRINGING USE OF THE**
6 **PATENTED ULTRAMERCIAL SYSTEM**

7 38. Plaintiff incorporates herein by reference the allegations set forth in
8 paragraphs 1 - 37 of this Complaint as though fully set forth herein.

9 39. Hulu was founded in March, 2007 and launched on or about October 29,
10 2007 as a joint venture formed, in part, between NBC Universal, Inc. ("NBC
11 Universal") and the Fox Entertainment Group ("Fox"); in 2009 ABC became a
12 member of the joint venture as well. NBC Universal is an equity owner of Hulu and
13 holds permanent seats on Hulu's board of directors.

14 40. Hulu is a well-known media company that makes online video available
15 for free anytime to the United States' public through its website located at
16 <http://www.hulu.com>.

17 41. Hulu also distributes online videos through approximately 35 other
18 popular internet sites including AOL, IMDb, MSN, MySpace, and Yahoo! in the
19 United States, as well as a growing network of personal blogs, fan sites, and other
20 Web sites where users choose to embed the Hulu video player.

21 42. Hulu states that the company "is focused on helping people find and
22 enjoy the world's premium content when, where and how they want it anytime in the
23 U.S." As a result, Hulu has brought together a large selection of copyright protected
24 videos, including well known television shows, from nearly 170 leading content
25 companies, including FOX, NBC Universal, ABC, Comedy Central, ABC Family,
26 Biography, Lionsgate, Endemol, MGM, MTV Networks, National Geographic,
27 Digital Rights Group, Paramount, PBS, Sony Pictures Television, Warner Bros. and
28 more.

1 43. Hulu touts that “users can choose from more than 1500 current
2 primetime TV hits such as The Simpsons, 30 Rock, LOST, The Daily Show with Jon
3 Stewart and The Office the morning after they air; classics like Buffy the Vampire
4 Slayer, The A-Team, Airwolf and Married...with Children; movies like Last of the
5 Mohicans and Basic Instinct; documentaries like Super Size Me, Crawford and The
6 Times of Harvey Milk; and clips from Saturday Night Live; web original like Dr.
7 Horrible's Sing-Along Blog and Dorm Life; and other popular TV shows and
8 movies.” See <http://www.hulu.com/about>.

9 44. In addition to being a well known provider of premium video content on
10 the internet, Hulu is also a well known avenue for advertising. In fact, a large portion
11 of Hulu’s website is devoted to explaining and promoting its advertising programs.

12 45. Hulu uses its relationships with well known content providers to promote
13 its advertising services, stating that Hulu “gives advertisers an opportunity to
14 associate their brands with premium online video content, connect with highly
15 engaged consumers and extend their reach beyond Hulu.com to Hulu's distribution
16 network.”

17 46. Hulu’s advertising services include placing advertisements in front of
18 and within the video content distributed online, requiring that the user view the
19 advertising message before the user can view the video content for free on the
20 internet.

21 47. Hulu obtains advertising from a myriad of companies and places
22 sponsored messages before and/or within the copyright protected content distributed
23 online. Hulu requires that the user agree to view the sponsored messages before the
24 user is allowed to view the content for free on the internet.

25 48. Hulu partners or has partnered with over 200 Fortune 500 advertisers
26 including Johnson & Johnson, McDonald's, Visa, American Express, Best Buy,
27 Chili's, DirectTV, GM, Intel, Nissan, State Farm, Unilever, Wal-Mart, Cisco, and
28 Proctor & Gamble.

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1 49. Hulu generates revenue from advertising, including the ad impressions
2 generated from Hulu.com, and video streams from Hulu's distribution partners'
3 websites and from the embeddable Hulu video player. Hulu itself states that
4 "[a]dvertisements continue to make Hulu a free service to our users."

5 50. Hulu's advertising service has been highly successful and it has been
6 reported that Hulu will generate upwards of \$120 million dollars in advertising sales
7 in 2009. See [http://www.businessinsider.com/hulu-revenue-estimate-whacked-by-a-](http://www.businessinsider.com/hulu-revenue-estimate-whacked-by-a-third-2009-4)
8 [third-2009-4](http://www.businessinsider.com/hulu-revenue-estimate-whacked-by-a-third-2009-4).

9 51. As early as 2006, Plaintiff Ultramercial introduced the Ultramercial
10 System to NBC/Universal. Throughout 2006 and 2007, Plaintiff Ultramercial
11 engaged in various communications with NBC/Universal wherein employees at
12 NBC/Universal were made aware of the Ultramercial System and were informed of
13 how the Ultramercial System would benefit NBC/Universal.

14 52. In addition to NBC/Universal, Ultramercial also communicated with
15 employees of Fox who were also on the Hulu development team.

16 53. The communications between Ultramercial, NBC/Universal, Fox and
17 Hulu continued after the 2007 formation of Hulu by NBC/Universal and Fox, in part.

18 54. In June 2007, Ultramercial took part in an extensive telephone
19 conference call wherein Ultramercial explained the Ultramercial System to Whitney
20 Howard, Hulu's development coordinator, who at that time was employed by Fox.
21 Ultramercial discussed the Ultramercial System with Ms. Howard in detail and
22 conveyed how the Ultramercial System, including the "three way screen", would
23 benefit Hulu. After the telephone call, Ultramercial emailed a power point
24 presentation to Ms. Howard.

25 55. The power point presentation described the benefits of the Ultramercial
26 System. It further contained many details concerning the Ultramercial System,
27 including the business metrics of the Ultramercial System, as well as various ways in
28 which the Ultramercial System uses sponsored advertisements to gate content on the

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1 internet and permit users to obtain the gated content, without charge, in exchange for
2 viewing the sponsored advertisement.

3 56. The Ultramercial power point presentation also disclosed a “three way
4 screen”, showing the user three images of three different makes of Honda
5 automobiles, and allowing the user to choose which of the three corresponding
6 sponsored message the user wished to view in exchange for being allowed to access
7 the gated content for free.

8 57. The Ultramercial power point presentation conveyed the benefits of
9 using the “three way screen” and the unique benefits resulting from allowing users the
10 ability to choose which sponsored advertisement they wished to view in exchange for
11 viewing content for free.

12 58. The Ultramercial power point presentation further contained a copy of
13 the front page of a patent application filed by Ultramercial and specifically indicated
14 that the application maintained a priority date of May 27, 2000. The power point
15 presentation stated that the patent application, at that time, had already been through
16 “7 Office Actions; Passed All Prior Art; Expected issuance in second half of 2007.”

17 59. Approximately a year later, in the Summer of 2008, Ultramercial became
18 aware of a Hulu document entitled “Ad Specifications”. The Ad Specifications
19 document provided various types of advertising services which Hulu made available
20 to sponsors including “Branded Canvas” advertising, “Overlay Brand Bar”
21 advertising, and the “Ad Selector” advertising, among others. The “Ad Selector”
22 advertising description included a screen shot showing three different makes of
23 Nissan automobiles and the description of the “Ad Selector” advertising stated, “[t]he
24 Ad Selector is an advertisement unit that allows the user to control their entire
25 advertisement experience during video playback. At the beginning of their content
26 play the user will be presented with up to 3 options in video advertisement categories.
27 Once a selection has been made, the user will be presented with video advertisements
28 in the category of their choice. For example an automotive company could offer the

1 user a selection of SUV, Truck or Coupe advertisements. After the user has selected
2 SUV the remaining commercial breaks will playback advertisements from the sponsor
3 related to SUV's alone."

4 60. Ultramercial contacted Hulu, informing Hulu that the '545 Patent had
5 issued. Shortly thereafter, Hulu requested a meeting with Ultramercial. During the
6 June 30, 2008 meeting, Ultramercial presented an in-depth presentation of the
7 Ultramercial System to Hulu employees and later provided the presentation materials
8 to Hulu.

9 61. During all of these meetings, communications and discussions,
10 NBC/Universal, Fox, Hulu's development team and later, employees of Hulu itself
11 were all informed of how the Ultramercial System would benefit Hulu and were also
12 informed that the Ultramercial System was protected by a pending or, later, an issued
13 patent.

14 62. At the June 30, 2008 meeting, Hulu, then unequivocally aware that the
15 Ultramercial System was protected by an issued patent, once again expressed a
16 renewed interest in retaining Ultramercial to service Hulu's needs.

17 63. In anticipation of providing services to Hulu, and after further
18 communications wherein Hulu and Ultramercial discussed how the Ultramercial
19 System would benefit Hulu, Ultramercial executed Hulu's form of a non-disclosure
20 agreement on September 5, 2008. Relying on the nondisclosure agreement,
21 Ultramercial also provided Hulu with sensitive proprietary information contained in a
22 document entitled "How to Publish."

23 64. Although Hulu insisted that Ultramercial execute Hulu's form of a non-
24 disclosure agreement, Hulu failed to countersign the non-disclosure agreement,
25 despite multiple follow-up requests from Ultramercial. In or about September 11,
26 2008, Hulu ceased its communications with Ultramercial.

27 65. Hulu continues to offer the "Ad Selector" advertising. As of August,
28 2009, Hulu presented a video clip, called the "Hulu Advertising B-Roll" on its

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1 website. The Hulu video clip demonstrates the various types of advertising services
2 Hulu can provide sponsors and includes an exemplar of each, featuring, for example,
3 “Branded Slate” advertising, “Overlay” advertising, and the “Ad Selector”
4 advertising, among others. The “Ad Selector” advertising demonstrative in the Hulu
5 video clip shows the user three images of three different makes of Nissan
6 automobiles, and allows the user to choose which of the three corresponding
7 sponsored messages the user wishes to view in exchange for being allowed to access
8 the gated content for free.

9 66. The “Ad Selector” advertising used and offered by Hulu is substantially
10 similar to the Ultramercial “three way screen”, which Ultramercial confidentially
11 disclosed to Fox, NBC/Universal, and/or Hulu at least as early as 2007.

12 67. Upon information and belief, on or about March 12, 2008, Hulu began
13 using the patented Ultramercial System without permission in distributing and gating
14 certain copyrighted content over the internet. Hulu continues using without
15 permission, Ultramercial’s patented Ultramercial System in distributing and gating
16 certain copyrighted content over the internet.

17 **DEFENDANT WILD TANGENT AND ITS INFRINGING USE OF THE**
18 **PATENTED ULTRAMERCIAL SYSTEM**

19 68. Plaintiff incorporates herein by reference the allegations set forth in
20 paragraphs 1 - 67 of this Complaint as though fully set forth herein.

21 69. WildTangent is a global games network, delivering an enormous catalog
22 of more than 700 downloadable games to the public through its website located at
23 www.wildtangent.com.

24 70. WildTangent’s gaming services are so successful that the company has
25 over 1.5 million new players every month and promotional materials on
26 WildTangent’s website state that the company has more than 20 million monthly
27 unique users in the United States alone.

28 71. WildTangent markets its services to game developers and has

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1 relationships with many popular game developers including Pop Cap, Sony and
2 PlayFirst. Popular games that are distributed in online versions through the
3 WildTangent website include Monopoly, Bejeweled and Family Feud.

4 72. In addition to distributing its games directly through its website,
5 WildTangent also has relationships with computer manufacturers including Dell, HP,
6 Gateway, Toshiba and Lenova; as a result, WildTangent's game console is factory
7 installed on approximately 84% of new personal computers sold in North America.

8 73. WildTangent offers users a variety of ways to enjoy the games provided
9 through the WildTangent website. Users are offered the opportunity to purchase
10 premium games outright, pay per session with WildCoins, or engage with sponsored
11 advertising to play for free. In exchange for watching a sponsored message, the user
12 can then access the game content for free. This method of advertising is referred to
13 on the WildTangent website as "Sponsored Sessions".

14 74. WildTangent obtains advertising from a myriad of companies through
15 the "Sponsored Session" program and places sponsored messages before and/or
16 within the copyright protected content distributed online. WildTangent requires that
17 the user agree to view the sponsored messages before the user is allowed to view the
18 content for free.

19 75. WildTangent generates a large amount of revenue from its "Sponsored
20 Session" programs.

21 76. Some of the companies that advertise or have advertised on
22 WildTangent's website include well known brands such as Johnson & Johnson,
23 Kelloggs, Wal-Mart, Toyota, Disney, 20th Century FOX, Warner Brothers,
24 Paramount, EA, Sony Playstation, Nintendo, Toyota, Honda, P&G, Unilever, Clorox
25 and many others.

26 77. On February 14, 2006, WildTangent, through Bill Clifford, approached
27 Plaintiff Ultramercial regarding advertising solutions. Ultramercial immediately
28 responded, thanking WildTangent for their interest in Ultramercial's "patent pending

1 marketing solution for publishers.”

2 78. Over the next several months Ultramercial and WildTangent met several
3 times and communicated through multiple emails and telephone calls concerning
4 building out the Ultramercial System to service WildTangent’s needs.

5 79. Ultramercial prepared demonstrations of the Ultramercial System,
6 tailored to WildTangent’s needs, and also provided WildTangent quotes for building
7 out the Ultramercial System on WildTangent’s behalf.

8 80. Both WildTangent and Ultramercial executed a nondisclosure agreement
9 and Ultramercial provided WildTangent with sensitive proprietary information
10 contained in a document entitled “How to Publish.”

11 81. Ultimately, WildTangent retained Ultramercial’s services, and in
12 approximately September or October, 2006, Ultramercial launched its first advertising
13 campaign on WildTangent’s behalf and thereafter ran further advertising campaigns
14 for WildTangent. The advertising campaigns allowed WildTangent’s users to play
15 games for free in exchange for watching sponsored advertising. WildTangent paid
16 fees for Ultramercial’s services.

17 82. In or around December, 2006, WildTangent stopped contracting for
18 Ultramercial’s services, choosing instead to pursue alternative advertising services.

19 83. Communications with WildTangent continued up to and throughout the
20 first half of 2007. In July, 2007 WildTangent paid Ultramercial amounts owed on
21 some outstanding invoices. By late July, 2007 WildTangent ceased all
22 communications with Ultramercial.

23 84. Although WildTangent cancelled its use of Ultramercial’s services and
24 ended all communications with Ultramercial, WildTangent continued, and still
25 continues, using without permission Ultramercial’s patented Ultramercial System in
26 distributing and gating certain copyrighted content over the internet.

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FIRST CLAIM FOR RELIEF
INFRINGEMENT OF U.S. PATENT NO. 7,346,545 B2
(Against YouTube)

85. Plaintiff incorporates herein by reference the allegations set forth in paragraphs 1 - 84 of this Complaint as though fully set forth herein.

86. Plaintiff Ultramercial is the exclusive assignee of the entire right, title, and interest of the '545 Patent and has the right to bring this action to recover damages for infringement of the '545 Patent.

87. Defendant YouTube has directly infringed and continues to directly infringe the '545 Patent by making, using, offering to sell and/or use of one or more of the claimed methods for distribution of products covered by intellectual property protection over the internet without authority or a license from Ultramercial.

88. On information and belief, YouTube will continue to infringe the '545 patent as alleged in this Complaint unless enjoined by this Court.

89. As a direct and proximate result of YouTube's infringement of the '545 Patent, Plaintiff has been and continues to be damaged in an amount yet to be determined.

90. YouTube has actual notice of the '545 Patent owned by Ultramercial.

91. YouTube has not had, nor does it have a reasonable basis for believing that it had or has the right to engage in the acts complained of herein. For example, YouTube impermissibly utilizes Ultramercial's patented technology, which it became aware of, in part, through Ultramercial communications and presentations. Furthermore, YouTube at all times knew that Ultramercial had filed for patent protection and later was informed when the '545 Patent issued.

92. YouTube's infringement has been willful and deliberate, making this an exceptional case and justifying the award of treble damages pursuant to 35 U.S.C. § 284 and attorneys' fees pursuant to 3.5 U.S.C. § 285.

1 93. Unless a preliminary and permanent injunction are issued enjoining
2 YouTube, including its officers, agents, servants, and employees, and all persons
3 acting in concert with YouTube, from infringing the '545 Patent, Plaintiff will be
4 greatly and irreparably harmed.

5 94. By reason of the above acts, Plaintiff is entitled to injunctive relief
6 enjoining and restraining YouTube, including its respective officers, agents, servants,
7 and employees, and all persons acting in concert with YouTube from further
8 infringement of the '545 Patent.

9 **SECOND CLAIM FOR RELIEF**
10 **INFRINGEMENT OF U.S. PATENT NO. 7,346,545 B2**
11 **(Against Hulu)**

12 95. Plaintiff incorporates herein by reference the allegations set forth in
13 paragraphs 1 - 84 of this Complaint as though fully set forth herein.

14 96. Plaintiff Ultramercial is the exclusive assignee of the entire right, title,
15 and interest of the '545 Patent and has the right to bring this action to recover
16 damages for infringement of the '545 Patent.

17 97. Defendant Hulu has directly infringed and continues to directly infringe
18 the '545 Patent by making, using, offering to sell and/or use of one or more of the
19 claimed methods for distribution of products covered by intellectual property
20 protection over the internet without authority or a license from Ultramercial.

21 98. On information and belief, Hulu will continue to infringe the '545 patent
22 as alleged in this Complaint unless enjoined by this Court.

23 99. As a direct and proximate result of Hulu's infringement of the '545
24 Patent, Plaintiff has been and continues to be damaged in an amount yet to be
25 determined.

26 100. Hulu has actual notice of the '545 Patent owned by Ultramercial.

27 101. Hulu has not had, nor does it have a reasonable basis for believing that it
28 had or has the right to engage in the acts complained of herein. For example, Hulu

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1 impermissibly utilizes Ultramercial’s patented technology, including the use of the
2 “three way screen”, which it became aware of, in part, through Ultramercial
3 presentations and demonstratives. Furthermore, Hulu at all times knew that
4 Ultramercial had filed for patent protection and later was informed when the ‘545
5 Patent issued.

6 102. Hulu’s infringement has been willful and deliberate, making this an
7 exceptional case and justifying the award of treble damages pursuant to 35 U.S.C. §
8 284 and attorneys’ fees pursuant to 3.5 U.S.C. § 285.

9 103. Unless a preliminary and permanent injunction are issued enjoining
10 Hulu, including its officers, agents, servants, and employees, and all persons acting in
11 concert with Hulu, from infringing the ‘545 Patent, Plaintiff will be greatly and
12 irreparably harmed.

13 104. By reason of the above acts, Plaintiff is entitled to injunctive relief
14 enjoining and restraining Hulu, including its respective officers, agents, servants, and
15 employees, and all persons acting in concert with Hulu from further infringement of
16 the ‘545 Patent.

17 **THIRD CLAIM FOR RELIEF**
18 **INFRINGEMENT OF U.S. PATENT NO. 7,346,545 B2**
19 **(Against WildTangent)**

20 105. Plaintiff incorporates herein by reference the allegations set forth in
21 paragraphs 1 - 84 of this Complaint as though fully set forth herein.

22 106. Plaintiff Ultramercial is the exclusive assignee of the entire right, title,
23 and interest of the ‘545 Patent and has the right to bring this action to recover
24 damages for infringement of the ‘545 Patent.

25 107. WildTangent has directly infringed and continues to directly infringe the
26 ‘545 Patent by making, using, offering to sell and/or use of one or more of the
27 claimed method for distribution of products covered by intellectual property
28 protection over the internet without authority or a license from Ultramercial.

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1 108. On information and belief, WildTangent will continue to infringe the
2 '545 Patent as alleged in this Complaint unless enjoined by this Court.

3 109. As a direct and proximate result of WildTangent's infringement of the
4 '545 Patent, Plaintiff has been and continues to be damaged in an amount yet to be
5 determined.

6 110. WildTangent has actual notice of the '545 Patent owned by Ultramercial.

7 111. WildTangent has not had, nor does it have a reasonable basis for
8 believing that it had or has the right to engage in the acts complained of herein. For
9 example, WildTangent impermissibly utilizes Ultramercial's patented technology,
10 which it became aware of, in part, through Ultramercial communications and
11 presentations and by being a customer of Ultramercial for a brief period of time.
12 Furthermore, WildTangent at all times knew that Ultramercial had filed for patent
13 protection and later was informed when the '545 Patent issued.

14 112. WildTangent's infringement has been willful and deliberate, making this
15 an exceptional case and justifying the award of treble damages pursuant to 35 U.S.C.
16 § 284 and attorneys' fees pursuant to 3.5 U.S.C. § 285.

17 113. Unless a preliminary and permanent injunction are issued enjoining
18 WildTangent, including its officers, agents, servants, and employees, and all persons
19 acting in concert with WildTangent, from infringing the '545 Patent, Plaintiff will be
20 greatly and irreparably harmed.

21 114. By reason of the above acts, Plaintiff is entitled to injunctive relief
22 enjoining and restraining WildTangent, including its respective officers, agents,
23 servants, and employees, and all persons acting in concert with WildTangent from
24 further infringement of the '545 Patent.

25 **PRAYER FOR RELIEF**

26 WHEREFORE, Plaintiff prays for judgment against each of the Defendants as
27 follows:

28 1. For a judicial determination and declaration that each of the Defendants

1 has infringed and continues to infringe United States Patent No. 7,346,545 B2 by
2 making, using, offering to sell and/or use of the claimed methods for distribution of
3 products over the internet.

4 2. For a judicial determination and decree that each of the Defendants'
5 infringement of United States Patent No. 7,343,545 B2 is willful;

6 3. For damages resulting from each of the Defendants' past and present
7 infringement of United States Patent No. 7,343,545 B2 and the trebling of such
8 damages because of the willful and deliberate nature of its infringement;

9 4. For injunctive relief preliminarily and permanently enjoining against
10 further infringement of United States Patent No. 7,343,545 B2 by each of the
11 Defendants, its respective officers, directors, shareholders, agents, servants,
12 employees, and all other entities and individuals acting in concert with the enjoined
13 entities or on their behalf;

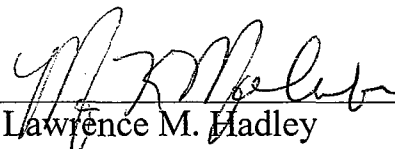
14 5. For a declaration that this is an exceptional case under 35 U.S.C. § 285
15 and for an award of attorneys' fees and costs in this action;

16 6. For an assessment of prejudgment interest; and

17 7. For such other and further relief as the Court may deem just and proper
18 under the circumstances.

19
20 DATED: November 12, 2009

HENNIGAN BENNETT & DORMAN LLP

21
22 By 
23 Lawrence M. Hadley
24 Mieke K. Malmberg

25 Attorneys for Plaintiffs
26 ULTRAMERCIAL, LLC;
27 ULTRAMERCIAL, INC.
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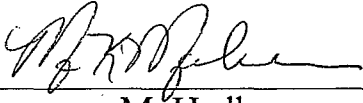
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DEMAND FOR JURY TRIAL

Plaintiff hereby demands a jury trial pursuant to Rule 38 of the Federal Rules of Civil Procedure as to all issues in this lawsuit.

DATED: November 12, 2009

HENNIGAN BENNETT & DORMAN LLP

By 
Lawrence M. Hadley
Mieke K. Malmberg
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ULTRAMERCIAL, LLC;
ULTRAMERCIAL, INC.

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Exhibit 1



US007346545B2

(12) **United States Patent**
Jones

(10) **Patent No.:** US 7,346,545 B2
(45) **Date of Patent:** Mar. 18, 2008

(54) **METHOD AND SYSTEM FOR PAYMENT OF INTELLECTUAL PROPERTY ROYALTIES BY INTERPOSED SPONSOR ON BEHALF OF CONSUMER OVER A TELECOMMUNICATIONS NETWORK**

(75) **Inventor:** Dana Howard Jones, Rancho Palos Verdes, CA (US)

(73) **Assignee:** Ultramercial, Inc., Palo Verdes, CA (US)

(*) **Notice:** Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 624 days.

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Primary Examiner—Robert M. Pond
(74) *Attorney, Agent, or Firm*—Morrison & Foerster LLP

(57) **ABSTRACT**

The present invention is directed to a method and system for distributing or obtaining products covered by intellectual property over a telecommunications network whereby a consumer may, rather paying for the products, choose to receive such products after viewing and/or interacting with an interposed sponsor's or advertiser's message, wherein the interposed sponsor or advertiser may pay the owner or assignee of the underlying intellectual property associated with the product through an intermediary such as a facilitator.

16 Claims, 3 Drawing Sheets

(21) **Appl. No.:** 09/867,181

(22) **Filed:** May 29, 2001

(65) **Prior Publication Data**
US 2001/0047338 A1 Nov. 29, 2001

Related U.S. Application Data

(60) Provisional application No. 60/207,941, filed on May 27, 2000.

(51) **Int. Cl.**
G06Q 30/00 (2006.01)

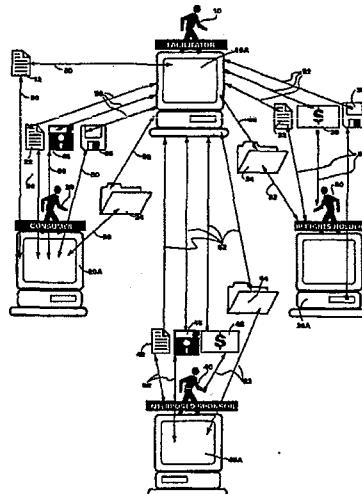
(52) **U.S. Cl.** 705/26; 705/27

(58) **Field of Classification Search** 705/26-27
See application file for complete search history.

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US 7,346,545 B2

Page 2

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FIGURE 1

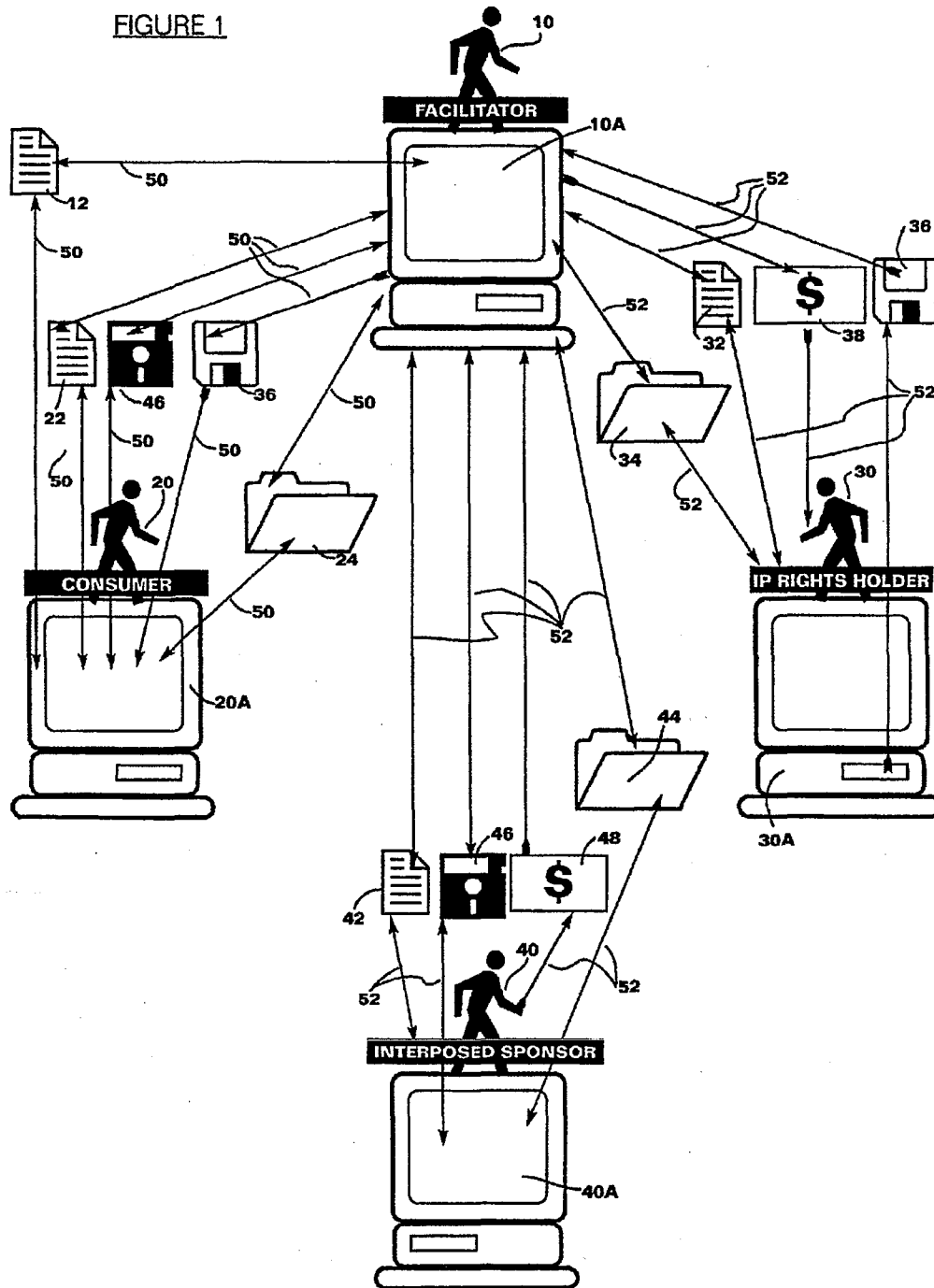


FIGURE 2

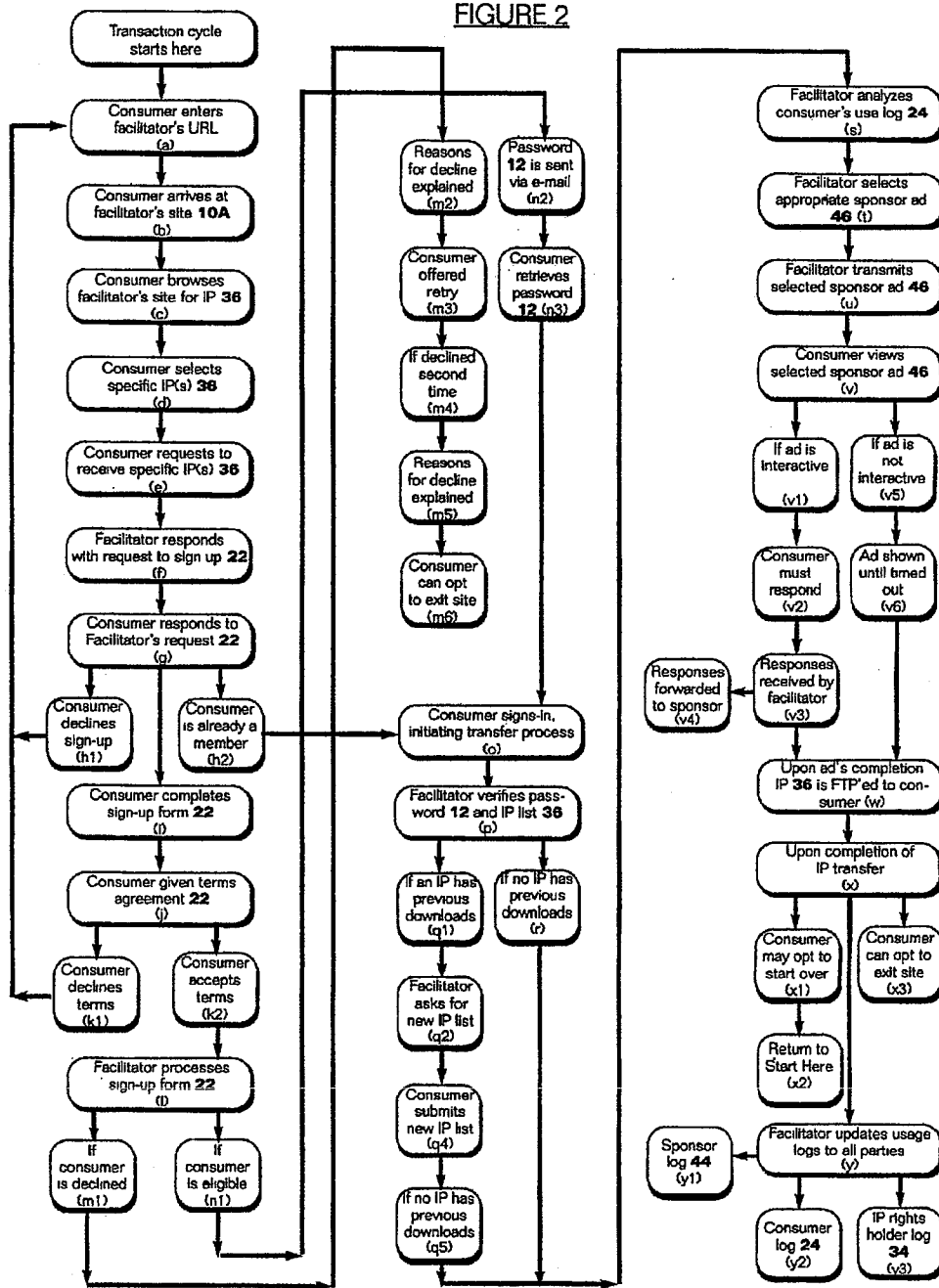


FIGURE 3

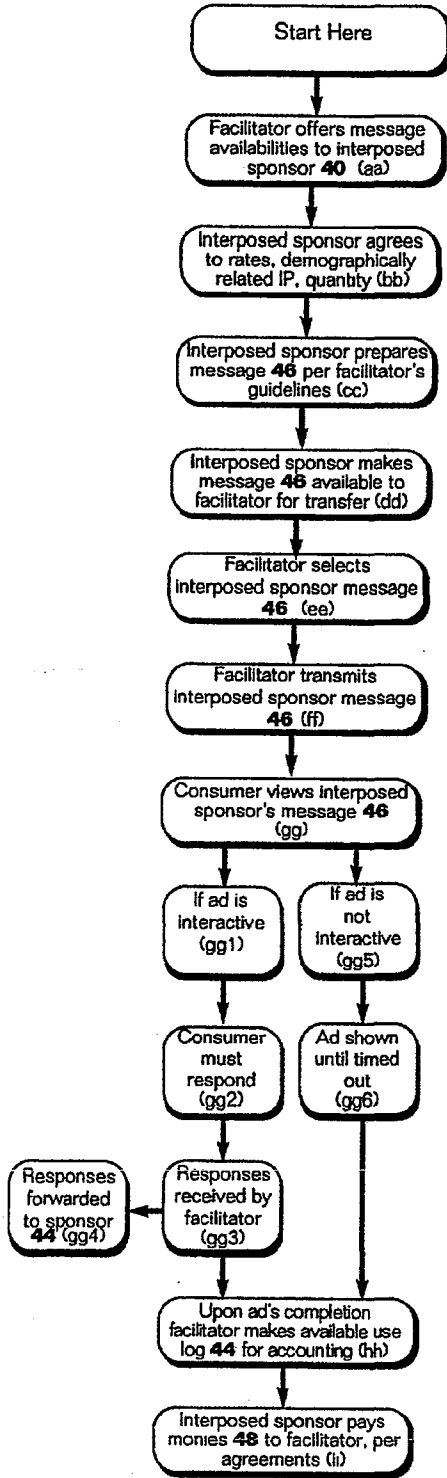
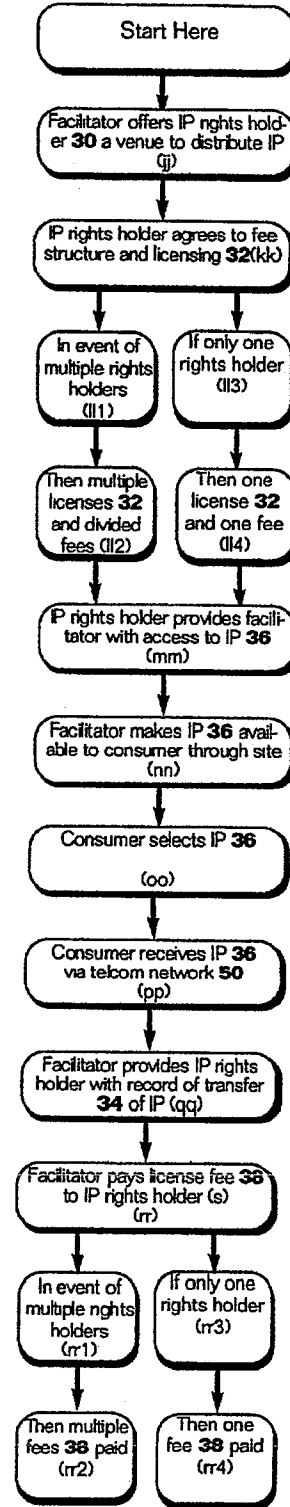


FIGURE 4



US 7,346,545 B2

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**METHOD AND SYSTEM FOR PAYMENT OF
INTELLECTUAL PROPERTY ROYALTIES
BY INTERPOSED SPONSOR ON BEHALF OF
CONSUMER OVER A
TELECOMMUNICATIONS NETWORK**

CLAIM OF PRIORITY

The present application claims the benefit of U.S. Provisional Application No. 60/207,941, titled "Method and System for Payment of Intellectual Property Royalties by Interposed Sponsor on Behalf of Consumer over A Telecommunications Network," and filed on May 27, 2000.

BACKGROUND OF THE INVENTION

1. Field of Invention

The present invention is directed to a method and system for distributing or obtaining intellectual property products through alternative payment of royalties by interposed sponsor on behalf of consumer via a telecommunications network.

2. Description of Related Art

Intellectual property, including music, literature, visual arts (painting, photography, etc) and motion pictures are protected under the Copyright Act. Certain statutory rights are given to the creators and their assigns, including the right to control the copying or distribution of their creative works.

The advent of the computer and its ability to digitize products protected by intellectual property rights, such as music or writings, have made it possible to make copies of originals without appreciable loss of quality. Recently, the widespread use of the Internet has made it possible to distribute and share intellectual property in its digital form, worldwide, beyond the control of the intellectual property rights holders.

The music industry is particularly affected by this turn of events. An open format for the digitizing of recorded music, MP3, compacts the file size of music to an acceptable size for transfer over a telecommunications network. This MP3 format has significantly changed the way in which popular music is being consumed. The MP3 freeware available today facilitates listening to personalized play lists of individual songs, as opposed to one continuous CD. This freeware allows consumers to transform once-copy-protected audio CD files into MP3 files. Major consumer electronics companies are providing various kinds of MP3 players that can easily download files from personal computers. In one stance, Napster, being totally free, becomes a very attractive site to illegally download copyrighted music.

Moreover, several factors encourage the growing violation of intellectual property using the Internet. First, many young people, typically under the age of 18, have access to the Internet, but do not have a way to pay for items they find on the Internet because they do not have credit or debit cards. At the time of filing the present application, Napster is trying to negotiate a fee-based subscription service with owners or assignees of intellectual property (such as record companies). If this should occur, those under 18 years of age, who cannot purchase easily online will be left out and would continue to seek other means by which to illegally download music or other kinds of product covered by intellectual property.

Furthermore, people in college, 18 to 24 year olds, have high-speed Internet connections supplied by their schools, making the schools de facto accessories to piracy through the massive downloading of un-paid-for copyrighted music.

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Young people are becoming accustomed to getting music for free and have shown little guilt about the fact that they are breaking the law. As a result, copyright holders are losing millions of dollars in royalties, while certain young people with limited cash, but unlimited Internet access and free time, are wrecking havoc on copyrighted intellectual property.

At the same time, advertisers today are facing very unpleasant realities in conventional advertising space. More specifically: 1) the proliferation of cable channels and attendant "channel surfing" during commercials breaks; 2) consumer habits of taping shows and then fast-forwarding through commercials during playback; 3) new hard-disk TV recorders that can scan out commercials. Further, Internet banner ads have hit new lows in responses. Once a 3% click-through rate, they are now, at the time of filing this application, as low as 2 click-throughs per 1,000 impressions. Advertisers are not reaching people as they have been in the past.

U.S. Pat. Nos. 5,675,734 and 5,191,573 disclose Internet downloading of sound files, paid for by credit cards or bank instruments, but does not include method for payment by a sponsor. Meanwhile, although U.S. Pat. No. 5,794,210 teaches "cyber coin" compensation for paying attention to online advertisements and the brokerage of attention, it does not offer a method where an advertiser pays directly for the intellectual property license on behalf of the consumer.

SUMMARY OF THE INVENTION

The preferred embodiments of the present invention offer people a legitimate and cashless way to obtain copyrighted music or other forms of intellectual property, while still delivering a royalty to the intellectual property rights holder.

In accordance with the preferred embodiments of the present invention, a consumer may choose to receive intellectual property products over a telecommunications network after viewing and/or interacting with an interposed sponsor's or advertiser's message, wherein the interposed sponsor or advertiser may pay the holder of the underlying intellectual property either directly or through an intermediary such as a facilitator.

More specifically, in accordance with one embodiment, upon logging on to an Internet web site where intellectual property products, such as musical composition or written articles, are for sale via download, a consumer may choose to obtain the right to download selected intellectual property products ("IP products") by viewing or participating in an advertiser's message or commercial, rather than by paying for the intellectual property products with cash or credit card. In one instance, a consumer may obtain the right to download a musical composition if he or she agrees to first view an advertisement presentation, such as a multimedia video commercial, by an automobile manufacturer, who thereafter pays the royalties to the holder of the intellectual property product on behalf of the consumer.

Several objects and advantages of the present invention include:

a) to provide a "money-less" way for young people (or anyone else) to legitimately obtain copyrighted intellectual property;

b) to provide a legitimate alternative to illegal and pirated practices of obtaining copyrighted intellectual property over a telecommunications network;

c) to provide copyright holders with a legitimate royalty source which is completely accountable;

US 7,346,545 B2

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d) to provide consumers with an assured quality copy of the original source;

e) to provide advertisers with a "captive audience," which may be of a certain demographic profile, for either a specified period of time or for a specified number of responses to advertisers' queries, yet respecting the privacy issues of the consumer;

f) to provide a more democratic business model for copyright holders who do not have major distribution outlets.

BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 1 shows a schematic diagram of a method of obtaining/distributing intellectual property products in accordance with the preferred embodiment of the present invention;

FIG. 2 shows a flow chart of the method of obtaining intellectual property products of FIG. 1 from the consumer's perspective;

FIG. 3 shows a flow chart illustrating the method of obtaining/distributing intellectual property products of FIG. 1 from the interposed sponsor's perspective;

FIG. 4 shows a flow chart illustrating the method of distributing intellectual property products of FIG. 1 from the intellectual property rights holder's perspective;

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENT

The embodiments of the present invention shall be described in detail with references to FIGS. 1-4. Although only the preferred embodiments of the present invention will be described hereinafter, it shall be understood that the detailed discussion of preferred embodiments is not intended to limit the present invention to those particular embodiments.

A preferred embodiment of the present invention is illustrated in FIG. 1. In accordance with the preferred embodiment, four principals are preferably present: a facilitator 10, a consumer 20, an intellectual property (IP) rights holder 30, and an interposed sponsor 40. All of the principals preferably communicate over a telecommunications network 50 such as the Internet, using their respective computers: facilitator's computer 10A, consumer's computer 20A, IP rights holder's computer 30A and interposed sponsor's computer 40A. Three of the principals (facilitator, IP rights holder and interposed sponsor) may also communicate through a two-way communications path 52, which may include telephony, facsimile, courier, mail or even person-to-person meetings.

In accordance with the preferred embodiment, facilitator preferably provides consumer with a sign-up agreement 22, followed by a password 12, both preferably over said telecommunications network 50. Further, facilitator transmits to consumer an interposed sponsor message 46 and IP rights holder's IP 36, both also preferably over said telecommunications network 50. It is preferable that the facilitator maintains a consumer use log 24 of activity between facilitator and consumer, which consumer has access to over said telecommunications network 50.

In accordance with the preferred embodiment, the IP rights holder has intellectual property products, such as recorded music, literature, visual arts or motion pictures. The IP rights holder preferably enters into a licensing and fee agreement 32 with facilitator. Facilitator maintains a use log 34 of activity between facilitator and IP rights holder, preferably made available to IP rights holder over said

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two-way communications path 52. Facilitator preferably pays royalties 38 to IP rights holder.

In accordance with the preferred embodiment, interposed sponsor preferably provides facilitator with access to a message 46, which will be subsequently exhibited to consumer if he or she chooses. In exchange, interposed sponsor pays a fee 48 to facilitator. An interposed sponsor use log 44 is preferably maintained by the facilitator and can be made available to interposed sponsor via two-way communications path 52.

In accordance with the preferred embodiment, before consumer 20 initiates a transaction cycle (as shown in FIG. 2), facilitator 10 preferably offers to intellectual property rights holder 30 its venue or site 10A on a telecommunications network 50 to distribute IP rights holder's intellectual property 36. Facilitator and IP rights holder preferably enter into a licensing agreement 32 specifying that royalties 38 will come from monies paid 48 from interposed sponsor 40. Facilitator will then preferably maintain use logs 34 to keep accurate records of the number of transaction cycles a specified IP is a part of, and as to, the royalties due and subsequent payments. In accordance with the preferred embodiment, IP rights holder will be barred from playing the "consumer" in the transaction cycle, preventing IP rights holder from gaining profit at the expense of the interposed sponsor.

Upon completion of above agreement, the IP rights holder provides facilitator with access to the IP products, by either making it available on IP rights holder's computer 30A connected to said telecommunications network, or by sending a copy to reside at facilitator's site 10A. Quality control issues can be addressed at this time, where the best possible original source will be digitized in a manner most suited for distribution of the product over a telecommunications network.

In accordance with the preferred embodiment, facilitator offers to an interposed sponsor 40 a venue or site 10A on a telecommunications network where interposed sponsor may exhibit a message 46 to consumer 20. Facilitator and interposed sponsor enter into an agreement 42 specifying the fee 48 per exhibition of said message, which will be the source of the royalty 38 for the subsequently transferred IP 36 described above. This agreement 42 may also specify which specific IP 36 and the number of its transaction cycles the interposed sponsor will contract for. In this way, the interposed sponsor can "target" consumers most closely associated in demographic terms with said specific IP. Facilitator will provide a use log 44 to the interposed sponsor, accounting for each transaction cycle.

In accordance with the preferred embodiment, facilitator may provide certain safeguards against unwanted use of the transaction cycle: the barring of IP rights holders to use the transaction cycle to generate royalties for themselves; barring of multiple transactions from the same consumer for the same specific IP (preventing "spamming" and/or unwanted duplicate exhibitions of the same message to the same consumer).

Additional agreement specifics include guidelines for the content of the message itself: its compatibility to run on said telecommunications network; its dimensions in pixels; its file size; its duration; the number of queries that preferably require responses from the consumer; consumer privacy issues; community moral standards, review and approval prior to use by facilitator.

Upon completion of above agreement, the interposed sponsor preferably provides facilitator with access to the message, by either making it available on interposed spon-

US 7,346,545 B2

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sor's computer 40A connected to said telecommunications network, or by sending a copy to reside at facilitator's site 10A.

Consumer's sign-up agreement 22 specifies how consumer may use facilitator's venue/site 10A. Consumer preferably provides facilitator with sufficient identification to satisfy facilitator that said consumer is unique to facilitator's site (protecting the interests of the interposed sponsor by preventing duplicate identities by the same consumer, therefore preventing the exhibition of the same message to the same consumer posing as two or more consumers; preventing IP rights holders from posing as consumer or multiple consumers to unjustly benefit from accumulating royalties through transaction cycles) and to provide country of residency as a further criteria for interposed sponsor. Additionally, consumer preferably accepts to use the obtained IP product in accordance with current copyright laws. Upon a positive determination of the above factors, facilitator issues a unique password 12 to consumer. As previously mentioned, facilitator will maintain a use log 24 for the consumer, accounting for each transaction cycle.

The last two consumer-related items, message 46 and IP 36, are best described in FIG. 2 below, which illustrates the transaction cycle.

FIG. 2 illustrates the preferred embodiment of a complete consumer transaction cycle. In step (a) the consumer uses facilitator's Uniform Resource Locator (URL) within a telecommunications network 50 to reach (b) facilitator's site 10A. In step (c) consumer is given the opportunity to browse through titles and descriptions of any of the intellectual properties 36 that have been licensed to the facilitator from various IP rights holders 30. This process may include a brief sample of the IP to give the consumer an opportunity to evaluate a specific IP prior to selecting it.

In step (d), consumer preferably selects a specific IP, such as a musical composition or a news article, through a link at the facilitator's site. The consumer may make more than one selection at this time, and each selection's identifier can be temporarily stored in a queue for the consumer's ease of completing the transaction cycle.

The consumer then requests to receive the selected IP (e) from the facilitator. The facilitator's site preferably responds with a request (f) to complete a sign-up agreement 22. The reason for placing this request at this point in the process is to insure that the consumer is already involved in the process, having browsed and found at least one IP, and would be less likely to back out of the process when asked for personal information. However, in other embodiments, this sign-up agreement portion could be moved to an earlier point in the complete transaction process.

The consumer responds to above prompt (g). If the consumer declines to complete a sign-up agreement (h1) consumer is then free to exit the site and is offered an opportunity to begin the transaction process anew. If the consumer has previously completed the sign-up agreement (h2) they need only enter their unique password 12 to continue on (see step (o) in FIG. 2).

A consumer who elects to complete the sign-up agreement 22 does so in step (i). Consumer provides facilitator with sufficient identification to satisfy facilitator that said consumer is unique to facilitator's site. Additionally, consumer preferably chooses to accept or decline a use agreement stating that consumer will use IP in accordance with current copyright laws (j). If consumer declines to accept these terms (k1) they are routed back to the starting page (b) and

6

offered another opportunity to begin a transaction cycle. If consumer accepts terms (k2), then facilitator processes consumer's data (l).

Upon a positive determination of the above factors (n1), a unique password 12 is issued by facilitator to consumer (n2). Consumer retrieves password (n3) and proceeds to step (o). If consumer is declined (m1), then reasons for decline are explained (m2) and consumer is offered a retry (m3). If declined a second time (m4), reasons for being declined are again explained (m5) at which time consumer can opt to exit site (m6).

Step (o) is consumer sign-in, where consumer preferably enters unique password 12. Facilitator then verifies password and the titles of the selected IP product 36 (p). If none of the IP product titles have prior transactions with consumer (r), then consumer's transaction moves to step (s). If consumer's IP product has been previously transferred (q1) to same consumer (and if this is a negative stipulation on behalf of interposed sponsor or IP rights holder) then facilitator asks for a new IP or IP product list (q2). Consumer can then browse for new titles and submit new list (q4), and, provided new list has no previous transfers (q5), then consumer proceeds to step (s).

At step (s), facilitator analyzes consumer's use log 24 for a list of previously viewed interposed sponsor messages. After negotiating any possible sponsor prerequisites, facilitator may select appropriate sponsor message 46 (t). In accordance with other embodiments, a sponsor may select the appropriate message. Facilitator then transmits selected interposed sponsor's message to consumer (u). Consumer views selected message (v). If the message is interactive (v1) then consumer preferably responds to any and all prompts (v2). Since consumer privacy issues are paramount, the types of queries will not be personal in nature. However, consumer can decline to respond and can exit transaction cycle at this point (v3). Facilitator receives consumer's responses (v4), and forwards consumer's responses to interposed sponsor (v5) via telecommunications network. If message is not interactive (v6), then it runs until completion on its own or for a fixed duration of time.

Upon completion of sponsor's message, IP product 36 is preferably transferred to consumer via methods or means such as a File Transfer Protocol (FTP) system (w). This will insure that IP file does not begin "streaming" within consumer's browser application and thus not end up residing on consumer's computer hard drive. Upon completion of IP transfer (x), consumer can opt to start a new transaction cycle (x1) by returning to the start page (x2), or consumer can exit site (x3). Facilitator thereafter preferably updates all use logs for all parties (y): sponsor use log 44 (y1), consumer use log 24 (y2) and IP rights holder use log 34 (v3).

FIG. 3 describes the timeline for the interposed sponsor in accordance with the preferred embodiment of the present invention. At step (aa) facilitator offers message availability to interposed sponsor. At step (bb) facilitator and interposed sponsor enter into an agreement 42 specifying the fee 48 per exhibition of said message, which will be the source of the royalty 38 for the subsequently transferred IP 36. This agreement 42 may also specify which specific IP 36 and the number of its transaction cycles the interposed sponsor will contract for. In this way, interposed sponsor can "target" consumers most closely associated in demographic terms with said specific IP.

In step (cc) interposed sponsor prepares message per guidelines for the content of the message itself: its compatibility to run on said telecommunications network; its dimensions in pixels; its file size; its duration; the number of

US 7,346,545 B2

7

queries that preferably require responses from the consumer; consumer privacy issues; review and approval prior to use by facilitator. Interposed sponsor provides facilitator with access to the message (dd), by either making it available on interposed sponsor's computer 40A connected to said telecommunications network, or by sending a copy to reside at facilitator's site 10A.

At step (ee) facilitator matches up consumer's IP product choice with sponsor's message and transmits it to consumer. At (ff) through (gg6) consumer views sponsor's ad in same manner as described in FIG. 2, steps (v) through (v7). At step (hh) facilitator submits sponsor's use log 44 to sponsor as verification of messages exhibited prior to certain IP transfers. Finally, sponsor pays monies 48 to facilitator (ii), per agreement reached at step (bb).

FIG. 4 illustrates the step-by-step process between facilitator and intellectual property rights holder. At step (jj) facilitator offers its site as a venue for the distribution of IP rights holder's IP product. Facilitator and IP rights holder enter into a licensing agreement (kk) 32 specifying that royalties 38 will come from monies paid 48 from interposed sponsor 40. Facilitator will maintain use logs 34 to keep accurate records of the number of transaction cycles a specified IP product is a part of, the royalties due and subsequent payment. IP rights holder will be barred from playing the "consumer" in the transaction cycle, preventing IP rights holder from gaining profit at the expense of the interposed sponsor.

It is possible that one IP product has more than one rights holder. In recorded music, for instance, there can be the record company who claims copyright on the sound recording, and the songwriter and publisher who claim copyright on the composition. The songwriter and publisher are entitled to a statutory royalty enacted by Congress for each copy made from a mechanical license. Often the record company collects for all parties and distributes the funds per their own contracts between songwriter and publisher. Steps (ll1) through (ll4) address these issues.

At step (mm) IP rights holder provides facilitator access to IP products by either making it available on IP rights holder's computer 30A connected to said telecommunications network, or by sending a copy to reside at facilitator's site 10A. Quality control issues will be addressed at this time, where the best possible original source will be digitized in a manner most suited for distribution over a telecommunications network.

Facilitator then makes IP products available to consumer through listing at site (nn). Consumer selects IP products at step (oo), then preferably receives said IP through methods such as an FTP system (pp) (explained in greater detail back at FIG. 2, step (w)).

At step (qq) facilitator provides IP rights holder with use log 34, describing the number of times the IP product has been transferred. Facilitator then pays license fee 38 to IP rights holder (rr), (rr3) and (rr4); with special provisions for split payments to multiple rights holders if said IP has multiple rights holders (rr1) and (rr2).

While the above description contains many specific details, these should not be construed as limitations on the scope of the invention, but rather as an exemplification of one preferred embodiment thereof. Other variations are possible. For example, facilitator offers a "client application" to consumer, which acts as a browser, but with only one possible URL: that of the facilitator, ensuring better connectivity and possibly keeping consumer at facilitator's venue longer. Accordingly, the scope of the invention should

8

be determined not by the preferred embodiment illustrated, but by the appended claims and their legal equivalents, as put forth hereinafter.

What I claim:

1. A method for distribution of products over the Internet via a facilitator, said method comprising the steps of:

a first step of receiving, from a content provider, media products that are covered by intellectual-property rights protection and are available for purchase, wherein each said media product being comprised of at least one of text data, music data, and video data;

a second step of selecting a sponsor message to be associated with the media product, said sponsor message being selected from a plurality of sponsor messages, said second step including accessing an activity log to verify that the total number of times which the sponsor message has been previously presented is less than the number of transaction cycles contracted by the sponsor of the sponsor message;

a third step of providing the media product for sale at an Internet website;

a fourth step of restricting general public access to said media product;

a fifth step of offering to a consumer access to the media product without charge to the consumer on the precondition that the consumer views the sponsor message;

a sixth step of receiving from the consumer a request to view the sponsor message, wherein the consumer submits said request in response to being offered access to the media product;

a seventh step of, in response to receiving the request from the consumer, facilitating the display of a sponsor message to the consumer;

an eighth step of, if the sponsor message is not an interactive message, allowing said consumer access to said media product after said step of facilitating the display of said sponsor message;

a ninth step of, if the sponsor message is an interactive message, presenting at least one query to the consumer and allowing said consumer access to said media product after receiving a response to said at least one query;

a tenth step of recording the transaction event to the activity log, said tenth step including updating the total number of times the sponsor message has been presented; and

an eleventh step of receiving payment from the sponsor of the sponsor message displayed.

2. The method for distribution of products of claim 1, further comprising the step of paying royalties to the content provider.

3. The method for distribution of products of claim 1, further comprising the step of entering into a license agreement with the owner of the intellectual property rights associated with said media product.

4. The method for distribution of products of claim 1, further comprising the step of barring the content provider from pretending to be said consumer.

5. The method for distribution of products of claim 1, further comprising the step of tendering payment to the content provider by said facilitator.

6. The method for distribution of products of claim 1, further comprising the step of issuing to said consumer a password.

7. The method for distribution of products of claim 1, further comprising the step of verifying a submitted password.

8. A method for distribution of products over the Internet via a facilitator, said method comprising the steps of:

- a first step of providing a product list on an Internet website, wherein at least some of the products are media products covered by intellectual property rights protection and are available for purchase, said media products being provided by content providers, wherein each said media product is comprised of at least one of text data, sound data, and video data;
- a second step of selecting a sponsor message to be associated with at least one of said media products, said sponsor message being selected from a plurality of sponsor messages, said second step including accessing an activity log to verify that the total number of times which the sponsor message has been previously presented is less than the number of transaction cycles contracted by the sponsor of the sponsor message;
- a third step of restricting general public access to said media products;
- a fourth step of offering to a consumer access to a requested media product available for purchase without charge to the consumer on the precondition that the consumer views the sponsor message;
- a fifth step of receiving from the consumer a request to view a sponsor message in response to said step of offering;
- a sixth step of facilitating the display of a sponsor message to the consumer in response to receiving the request;
- a seventh step of, if the sponsor message is not an interactive message, allowing said consumer access to said requested media product after said step of facilitating the display of said sponsor message;
- an eighth step of, if the sponsor message is an interactive message, presenting at least one query to the consumer

- and allowing said consumer access to said media product after receiving a response to said at least one query;
- a ninth step of recording the transaction event to the activity log, said ninth step including updating the total number of times the sponsor message has been presented; and
- a tenth step of receiving payment from the sponsor of the sponsor message displayed.

9. The method for distribution of products of claim 8, further comprising the step of tendering payment to the content provider by said facilitator.

10. The method for distribution of products of claim 8, further comprising the step of issuing to said consumer a password.

11. The method for distribution of products of claim 8, further comprising the step of verifying a password submitted by said consumer.

12. The method for distribution of products of claim 8, further comprising the step of licensing from a content provider the right to distribute said media products.

13. The method for distribution of products of claim 8, further comprising the step of authoring a sponsor message.

14. The method for distribution of products of claim 8, further comprising the step of offering an advertiser the option to exhibit an advertisement message on said Internet web site.

15. The method for distribution of products of claim 8, further comprising the step of barring a content provider from pretending to be said consumer.

16. The method of claims 1 or 8, wherein the media product accessed by the consumer is downloaded to a memory of a personal computer of the consumer.

* * * * *

PROOF OF SERVICE

I declare as follows:

I am a resident of the State of California and over the age of eighteen years, and not a party to the within action; my business address is 865 South Figueroa Street, Suite 2900, Los Angeles, California 90017.

On **November 12, 2009**, I served the foregoing document described as **FIRST AMENDED COMPLAINT FOR PATENT INFRINGEMENT; DEMAND FOR JURY TRIAL** on the interested parties in this action follows:

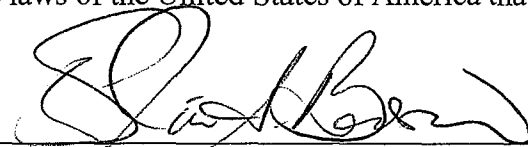
- by transmitting via facsimile the documents listed above to the fax number set forth below on this date. This transmission was reported as complete without error by a transmission report issued by the facsimile machine upon which the said transmission was made immediately following the transmission.
- by placing the document listed above in a sealed envelope with postage thereon fully prepaid, in the United States mail at Los Angeles, California addressed as set forth below.
- by electronic transmission. I caused the document(s) listed above to be transmitted by electronic mail to the individuals on the service list as set forth below.
- by placing the document listed above in a sealed envelope and affixing a pre-paid air bill, and causing the envelope to be delivered to a Federal Express agent for Delivery.
- by personally delivering the document listed above to the persons at the address set forth below.

SEE ATTACHED SERVICE LIST

I am readily familiar with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postal meter date is more than one day after date of deposit for mailing in affidavit.

Executed on **November 12, 2009** at Los Angeles, California.

I declare under penalty of perjury under the laws of the United States of America that the above is true and correct.



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