

Upstream battle

THE CASE:

MV3 Partners LLC v Roku Inc

District Court for the Western District of Texas

Scheduled for 2020

Johnathan K Waldrop explores the patent case that is expected to set an important precedent for providers of streaming devices

The streaming patent wars are heating up as entertainment companies and tech giants fight for dominance in providing users with streaming content. In Waco, Texas, a patent case is set for trial in June 2020 that will likely have a significant impact on the streaming wars. In this case, MV3 Partners sued Roku for patent infringement of technology that allows users to stream content from mobile phones to televisions. The outcome of this case will likely reverberate through the streaming industry, as well as further solidify the importance of the Western District of Texas for patent litigation.

The streaming wars are here

As the mobile phone wars are ending, the streaming wars are now beginning. A contest for a stake in this multi-billion-dollar industry has begun to see who can best deliver streaming content, including movies, television programming and videos directly to consumers.

The major competitors are the entertainment and tech giants: Disney, Netflix, HBO, Peacock, Google, Hulu, Roku, Amazon, Apple TV+ and Quibi. At the center of the streaming wars is the ability to stream content directly from mobile devices.

The stakes are high. In 2018, consumer spending on global home entertainment hit a record \$55.7bn, according to a report by the Motion Picture Association of America,¹ and the number of online video subscribers has surpassed cable subscribers for the first time.

The popularity of streaming content is seen everywhere as users flock to streaming platforms worldwide such as Netflix, which has 150m subscriptions; Amazon Prime, which has more than 90m subscribers; and Hulu, which has more than 28m subscribers.²

Streaming media devices are critical

At the centre of the streaming war is the critical technology that makes streaming possible: streaming media devices. Streaming media devices enable consumers to browse and view content on platforms such as Hulu, Netflix, YouTube and Amazon Prime Video. These devices allow on-demand enjoyment of audio, video and multimedia content, as well as allowing users complete control over the content via the user's mobile phone. This ability to control streaming content, especially via mobile phone, has caused a massive worldwide shift in user demand as users move away from cable television toward streaming services for entertainment purposes.

“Roku will reverberate throughout the industry, setting legal precedents, and the results will be heard loud and clear.”

The key streaming device players include Roku, Google, Microsoft Corporation, Sony Corporation, Samsung, ASUSTeK Computer, LG Electronics, Apple, Philips Electronics, Amazon, Huawei Technologies, HiMedia Technology, Arris Group and D-Link, among others.

In 2018, the global streaming media devices market hit a value of \$113.3bn.

Further, manufacturers are financing research and development activities to introduce upgraded streaming devices with higher resolutions like 8K. By 2024, experts predict the market to reach a value of \$271.8bn.³

For example, Roku is already the number one streaming platform in the US as measured by hours streamed, with more than 30.5mn active accounts; one in four US households own a Roku streaming device.⁴

Opening shot: MV3 Partners v Roku

In 2018, MV3 sued Roku in the Western District of Texas, alleging that Roku earns hundreds of millions of dollars in revenue and profit selling streaming media players and smart TVs nationwide that incorporate MV3's patented invention, US Patent No 8,863,223 (the '223 patent), without payment to or licence from MV3. Roku incorporates the technology at issue in its streaming media devices, including Roku Ultra, Roku Express, Roku Express+, Roku Premiere, Roku Premiere+, Roku Streaming Stick, and Roku Streaming Stick+. Roku describes its streaming devices and Roku TV as being configured to accept and receive content from any smartphone. For example, the Roku devices enable two-way wireless communication with a mobile device such that Roku devices can receive media content (eg, content from the Roku mobile app) from at least two different types of communications networks (eg, cellular broadband and Wi-Fi).

The '223 patent is directed to a set-top box that acts as a conduit between disparate data networks and display devices. Prior art set-top boxes could only be used with the network that provided the box such as Comcast or Verizon FIOS. Moreover, prior art mobile computing devices could not be connected to large display monitors and were “limited

to displaying over-the-air signals on a mobile terminal.”⁵

The '223 patent further explains the need to “enable the mobile set top box to up-convert content intended for a mobile computer device such as a mobile phone so that the content is properly viewed on a larger display such as a large screen HD-TV.”⁶

More specifically, the '223 patent provides a technical solution to the prior network-provided set-top boxes through a new mobile set-top box that combines the functionality of a set-top box and a mobile device. For example, the '223 patent discloses a mobile set-top box that is capable of receiving television content over broadcast, cable, satellite and the internet. Further, the claimed mobile set-top box can convert content intended for a mobile phone so that the content is properly viewed on a larger display.

Enter the Western District of Texas

Enter the Western District of Texas, the federal district court that encompasses Austin, Texas, an important and growing tech hub boasting large Google, Apple, Dell, Samsung and Roku operations and employees.

In 2018, Judge Alan Albright, a former patent litigator, was appointed to the bench for the Western District of Texas, which has become a hotbed of patent litigation.⁷

Judge Albright's court has become known for its efficient handling of patent cases, including through prompt trial date scheduling and accelerated claim construction rulings, as well as a streamlined discovery dispute process. Many observers see Judge Albright's court becoming the next patent litigation hotbed.

The stakes for Roku

After MV3 filed its lawsuit in 2018, Roku unsuccessfully moved to transfer the case to the Northern District of California from the Western District of Texas. Thereafter, Unified Patents, of which Roku is a member, filed an *inter partes* review (IPR) challenging the validity of the '223 patent with the Patent Trial and Appeal Board (PTAB), which the PTAB instituted in June 2019. However, Judge Albright refused to stay the case pending the PTAB review. Given the Western District's accelerated trial schedule, a jury verdict on infringement and validity will be reached well before the PTAB concludes its validity review. Moreover, in October 2019, the court issued a claim construction ruling in MV3's favour. The Roku case is set for trial for the first two weeks of June 2020.

Unsurprisingly, MV3 is aggressively litigating the case and feels strongly that its patent is valid and has been infringed.



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“In particular, the outcome of the case may likely lead to more patent litigation in the streaming space.”

Summary

Undoubtedly, the streaming industry will be watching. Given the growth opportunities in the industry and the current streaming wars, the impact of *MV3 Partners v Roku* will reverberate throughout the industry, setting legal precedents, and the results will be heard loud and clear.

In particular, the outcome of the case may likely lead to more patent litigation in the streaming space, increased investment in patent protection for streaming technology, potentially more consolidation and cross-licensing as industry players attempt to protect themselves from increased litigation in the streaming space.

Footnotes

1. <https://www.tellerreport.com/tech/--streaming-video-for-the-first-time-larger-than-traditional-tv-.r1WbSWMOV.html>
2. <https://observer.com/2019/09/amazon-apple-netflix-disney-hbo-max-peacock-streaming-wars-who-will-fail/>
3. <https://www.imarcgroup.com/streaming-media-devices-market>
4. <https://www.fool.com/investing/2019/10/23/roku-makes-a-big-acquisition-that-could-be-a-game.aspx>
5. See 223 at 2: 24-37.
6. Id at 2: 58-61.
7. <https://www.law360.com/articles/1213867/new-west-texas-judge-wants-his-patent-suits-fast-and-clean>

Author



Johnathan K Waldrop is head of Kasowitz Benson Torres's IP practice. He represents industry-leading companies in patent litigation involving streaming and interactive web technologies, video-on-demand telecommunications, cable technology, computer-assisted sales processes, medical devices, gaming systems, and numerous other technologies.