



FREQUENTLY ASKED QUESTIONS CONCERNING ACACIA MEDIA PATENT INFRINGEMENT CLAIMS

What is Acacia Media?

Acacia Media Technologies Corporation is a Newport Beach, California company that owns a portfolio of patents (the so-called “digital media technology (DMT)”). The company asserts these patents cover the transmission and receipt of digitized audio or video content; including that delivered in a “streaming” or downloadable format. Starting in 2003, Acacia began sending universities and colleges “Notices of Patent Infringement” or “Notices of License Offer” or similar correspondence claiming institutions were engaging in unauthorized use of this technology. The company is currently in a fierce patent infringement lawsuit against the adult film industry in federal district court in Los Angeles and has brought similar suits against cable and satellite TV companies in other jurisdictions.

What does Acacia allege institutions of higher learning are doing that infringes its patents?

Acacia claims that distance education courses that include digital audio or video delivered in an “on demand” format fall within the broad claims to its patents. The company’s initial notices to institutions specifically referenced online courses. However, the DMT claims are clearly broader than such applications. Acacia asserts its patents covers virtually all “on-demand” transmissions of compressed audio and video over the Internet or by other means.

Notably, there is no limitation in the DMT patents that requires that the recipient of the online content pay a fee for the service, so from Acacia’s standpoint, it doesn’t matter whether the institution charges for its distance learning courses or other information delivered in a similar format. Moreover, Acacia’s notices specifically state that the fact that a college or university utilizes off-the-shelf technology or the services of a third-party content provider does not immunize the institution against patent infringement claims.

There are several excellent analyses of Acacia’s patent claims against higher education. One of the best is Wes Blakeslee, *The Acacia Patent Claims and Options for Educational Institutions*, available from the National Association of College and University Attorneys at www.nacua.org/documents/blakeslee-acacia.doc For a more technical analysis of Acacia’s claims by a top patent law firm, see James P. Ryther (Piper Rudnick LLM), *Patently Offensive? Update on the Acacia Media Technology Patent Claims*, presented at the Fall 2004 NACUA conference, available at www.nacua.org (LRS Archives).



Mr. Blakeslee, an associate general counsel at Johns Hopkins University, has organized a group of colleges and universities that have agreed to share the cost of invalidity opinion letters being prepared by one of several prominent intellectual property firms and otherwise coordinate the institutions' defense of the Acacia Media claims. For information about UE coverage for the Acacia Media claims and joining the Joint Defense Group, see below.

What does Acacia Media want universities and colleges to do?

Acacia's original infringement notices demanded the recipient sign an "E-Learning License Agreement," which would have charged a license fee equal to 2% of the institution's gross revenue generated by its distance education programs, with a minimum royalty of \$5,000 per year. A subsequent revision, referred to as the "Online Learning License Agreement," reduced the minimum annual royalty to \$1,000. These agreements would not have covered any other applications of DMT, only distance education.

In September 2004, Acacia sent out a "Notice of Revised License Offer" that included a new "Non-Profit Education Provider License Agreement". This agreement provided two options for royalty determination: A flat rate per distance education enrollment, or a per transmission royalty. This recent notice stated that a non-profit institution that does not offer any distance learning courses or other "online fee-based services containing audio/video content", has fewer than 500 "Distance Education Enrollments" (essentially number of students multiplied by courses taken), or transmits less than 14,000 "transmissions" in a given year does not have to enter into a license with Acacia. However, the notice also stated that all "waivers and reduced royalty rates" – including a waiver of past infringement – expired on November 1, 2004, thus preserving Acacia's ability to come back to any school that has not signed a license agreement after that date.

Acacia's website provides further details about its claims and license offers. See www.acaciatechnologies.com/technology_elearning.htm

Should my institution enter into one of these licensing agreements?

That is an internal decision that each institution must make, but United Educators (UE) advises against it. The NACUA publications cited above discuss some of the limits and potential hazards of the Acacia licensing offers. To date, only a handful of education institutions (mostly for-profit universities) have signed such agreements. The view of many patent attorneys and experts in intellectual property who represent and advise our institutions is that Acacia's claims are invalid.



In addition, recent setbacks that Acacia suffered in its suit against online providers of pornographic material suggest Acacia has a weak legal position with respect to its intellectual property. In July 2004, the U.S. District Court presiding over that case issued an order casting serious doubt on the central features of two of the DMT patents. The court invited the defendants to file a summary judgment motion as to the validity of these claims, and if they win, the patents would be held invalid.

Has Acacia filed a lawsuit against a college or university?

To our knowledge, Acacia Media has not brought a lawsuit against a college or university. News reports and Acacia's own published statements demonstrate the company is using aggressive rhetoric and threats of legal action in an attempt to obtain license agreements from "end users" of the disputed technology – not just educational institutions, but various media and financial companies as well – with the purpose of creating momentum for additional agreements and generating revenue to fund its litigation efforts. To date, Acacia claims to have signed more than 200 such agreements, many with cable TV companies. In October 2004, Acacia's CEO reportedly claimed in a conference call that his company has "\$30 million in the bank, and ... the resources to enforce the patent as necessary."

Does UE provide any coverage for these claims?

Yes. We have determined that the Acacia patent infringement claims may be covered under UE's **Educators Legal Liability ("ELL")** policy, subject to certain exclusions and limitations. However, there is no coverage for royalty payments or fees if the institution decides to sign a licensing agreement, nor would there be coverage if Acacia ever brought a lawsuit alleging breach of that license agreement or any contract that an insured enters into with Acacia.

Please note that we have determined there is no coverage for such claims under our Primary General Liability (CGL) or Excess General Liability (GLX) policies.

We invite any ELL policyholder that has received correspondence from Acacia Media Technologies alleging patent infringement to report the matter by faxing the notice, draft license agreement or similar written claim to our claims department at (301) 215-0303 or mailing to:

**United Educators
Attn: Claims Department
Two Wisconsin Circle
Fourth Floor
Chevy Chase, MD 20815.**



If you wish to report the claim via email, you or your broker may do so by sending the relevant documents to cjohnson@ue.org.

What happens after I report the claim?

We will set up a file and send you a reservations letter with additional coverage and defense information, including how to join the Joint Defense Group at Johns Hopkins University. Once you have done so, you will receive additional information regarding the invalidity letters and regular updates on the current status of Acacia Media's claims against higher education and other industries. The Joint Defense Group is sharing the cost of invalidity opinion letters prepared by outside law firms. The cost has been averaging about \$5,000 per school, and UE would credit this amount to your institution's self-insured retention.

Can I retain outside counsel to examine the validity of Acacia's claims or otherwise advise my institution?

Yes, however we request that you discuss this step with us before undertaking it. Under many of your policies UE has the right to appoint counsel, and we will work with you to ensure that your interests are well protected. If you choose to retain an outside attorney it is our expectation that they would be for consultation purposes only and would not render an invalidity or noninfringement letter with respect to the Acacia patents. We expect that any outside counsel coordinate their activities with Wes Blakeslee of the Joint Defense Group so as to avoid duplication of costs and energy or the assertion of inconsistent defenses.

Who can I contact at United Educators for further information?

The Acacia Media matters that have been reported to UE are being coordinated by Doug Onley, a senior claims counsel. Doug can be reached at (301) 215-6405 and via email at donley@ue.org.