Colleges Join Forces to Fight Company's Patent Claims on Use of Audio and Video Online

By ANDREA L. FOSTER

More than 50 colleges have agreed to collaborate on a legal defense against a company that claims to hold patents on the concept of streaming audio and video recordings online -- and that is demanding payments from colleges and companies that rely on streaming technology.

The company, Acacia Media Technologies, a subsidiary of the Acacia Research Corporation, of Newport Beach, Calif., is renewing efforts to enforce its patents even though it suffered a legal blow in federal court last month. In the past two weeks, Acacia has sent out at least 100 letters to colleges asking them to pay the company a licensing fee, usually $5,000 a year, for the right to store sound and video on servers and then deliver it via the Web.

In the letters, Acacia asks colleges to sign a nine-page license agreement and make payment by September 15 to cover all infringement occurring up to that date. Otherwise, the letters say, the institutions will face enforcement action and increased licensing fees, and the waiver for past infringement will be withdrawn.

Sheldon E. Steinbach, vice president and general counsel at the American Council on Education, said on Tuesday that colleges have been working on a coordinated legal response for about a year, and that the number of colleges wanting to join the effort is growing.

Acacia's demands "will be met by uniform opposition," said Mr. Steinbach. "We have a bunch of predatory scum who are asserting a patent right of a dubious nature."

Robert A. Berman, general counsel and a senior vice president at Acacia, was not available for comment on Tuesday. In an article this week in a Baltimore newspaper, The Sun, he was quoted as saying that the licensing fees were modest and that colleges were failing to respect Acacia's ownership of intellectual property.

Last year the company asked many colleges to pay licensing fees of 2 percent of their gross revenue from each course that includes video and audio-streaming technology (The Chronicle, November 7, 2003). For some large universities, that could mean paying millions of dollars a year,
according to Wesley D. Blakeslee, associate general counsel for the Johns Hopkins University.

Mr. Blakeslee, who is formulating the defense strategy, informed college lawyers last week that about 50 colleges were coordinating a response to the company. And he invited more colleges to participate. He relayed the information in a confidential e-mail message that a college technology official accidentally made public on Tuesday.

Contacted by telephone, Mr. Blakeslee declined to discuss the content of his message. "It should have been privileged correspondence," he said.

In a note to college officials last year, however, Mr. Blakeslee said that if Acacia's patent claims were found to be valid they would be broad enough to cover all computer-to-computer file transfers.

Acacia also has gone after online-pornography companies and other corporations that use streaming video and audio technology. The confrontation with the pornography companies resulted in litigation in federal court, and a ruling in that case last month cast doubt on the strength of Acacia's claims.

Judge James Ware, of the U.S. District Court in Santa Ana, Calif., said Acacia's patent claims showed weaknesses, but he stopped short of invalidating the patents. A final ruling on the case is pending (The Chronicle, July 30).

Many of the colleges that have received infringement warnings from Acacia are small institutions that do not have in-house lawyers and that are frightened and angered by the company's demand for payment, said Russell Poulin, associate director of the Western Cooperative for Educational Telecommunications at the Western Interstate Commission for Higher Education, or Wiche.

"Some of these colleges are having to go out and spend academic money to find lawyers to look into this," said Mr. Poulin.

Acacia even has gone after community colleges, such as Walla Walla Community College, in Washington state.

"This is antitrust, for heavens sake!" said Deborah Poarch, the contract administrator for the Center for Information Services, which provides information-technology support for Washington's two-year colleges. "How can you put such a stranglehold on a single pipeline for information like that?"

Still, some colleges and corporations have agreed to pay fees to Acacia. They include Capella and 24/7 Universities, which are both for-profit distance-learning institutions, and Chapman, Oral Roberts, and Park Universities (The Chronicle, June 4). And eCollege, a company that sells distance-learning software to institutions, has negotiated an agreement with Acacia for eCollege clients.

But many public colleges are working with the attorneys general of their states to mount a defense against Acacia's demands. That's the case in Maryland and Washington.
"We're in a fact-gathering and research stage," said W. Howard Fischer, senior assistant attorney general for Washington. Colleges in the state that received notices from Acacia include the University of Washington, Washington State University, two regional universities, and two community colleges, he said.

Other colleges are taking a wait-and-see approach to the letters from Acacia, observing that the company's litigation with pornography companies has yet to be resolved. Although a judge may rule the patent claims invalid, colleges that sign a license agreement with Acacia now could still be liable for fees later, said Sharmila Basu Conger, a fellow at Wiche's educational-telecommunications cooperative.

Jason Schultz, a lawyer with the Electronic Frontier Foundation, has been advising colleges that have contacted him about the matter not to sign Acacia's licensing agreement. "I don't think Acacia actually owns the technology," he said. Mr. Schultz said eight colleges have contacted the foundation, which promotes civil liberties online (The Chronicle, July 16).

"The lawsuit is progressing fairly quickly," said Mr. Schultz. "In the next couple of months there'll be some serious court dates to determine whether parts of the patents are invalid, and whether they're limited in a way that doesn't really cover what most of these universities are doing."

He suspects that the company has set a September 15 deadline for colleges in a last-ditch effort to get money from institutions before possibly losing the lawsuit.

Still, Mr. Schultz acknowledges that paying a licensing fee now may be less expensive for colleges than spending money to contest Acacia's patent claims in court. "The right thing to do is fight the patents," he said. "But the practical thing to do may be to pay."

Background articles from The Chronicle:

- Acacia Loses a Round in Court Battle to Enforce Audio- and Video-Streaming Patents (7/30/2004)
- Advocacy Group Challenges Patents on Internet Technology (7/16/2004)
- Company Tells Colleges That Its Patents Cover Video and Audio for Online Courses (10/17/2003)